

Globally Source Your Retail Supply Chain With SaaS

SaaS (Software as a Service) can provide the visibility needed to tackle trends involving speed to market, fast fashion, and private label initiatives.

by Vicki Amendola

In today's global economy, most discussions involving the retail supply chain contain a global sourcing component. When the general public thinks of global sourcing today, quite likely one of the first topics to come to mind is quality control. With all the recalls and controversies surrounding toys from China, it can be difficult for consumers to think of anything else. I recently spoke with five providers of sourcing services. Surprisingly, they see quality control as

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part of a much bigger picture. These industry experts stress a continued push toward hosted sourcing solutions — solutions that provide visibility across the entire supply chain, enabling retailers to manage quality control and support trends involving speed to market and the push toward private label merchandising.

One of the primary obstacles facing retailers in a global sourcing environment is that very seldom are all parties involved leveraging the

same operational platforms. The range of data collection systems runs the gamut from rudimentary Excel spreadsheets to enterprise-level ERP (enterprise resource planning) systems such as Oracle and SAP. "As the industry is becoming more global, retailers need to have a platform that can scale to any level," says Lisa Sawhney, director of product marketing and strategy at Tourtellotte Solutions. "Many sourcing providers are moving toward hosted or SaaS-based solutions that are designed to normalize information produced by these multiple, disparate systems." Normalizing information simply means translating the incoming data into a format, such as XML (extensible markup language), that can be used regardless of an entity's operating system. SaaS is loosely defined as a software delivery model in which an application is designed for, and delivered via, the Web. The retailer does not own the software. Instead, the retailer pays to use the software on a monthly basis.

"SaaS is big news," says Sawhney, "because it enables



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the smaller companies to put tools in place to be able to source abroad and maximize their profits.” If you’re a retail giant like Wal-Mart, you have the buying power to demand that your suppliers use your proprietary software, but smaller retailers without that buying power can benefit from the hosted solutions available today.

Regardless of a retailer’s size, SaaS offers a solution that can be deployed quickly and with comparatively low cost. Its pay-as-you-go structure enables retailers, vendors, and suppliers to make incremental investments that are matched up to their individual business needs, rather than making big capital investments up front. More importantly, these hosted solutions are key to a retailer’s ability to gain visibility across the entire global supply chain. An open, hosted platform provides visibility because information can be seamlessly shared between trading partners across factories, inspection firms, logistics providers, financial institutions, and more.

SaaS Adds Supply Chain Visibility

Where is my shipment? What’s going on with my purchase orders? What is the progress on the factory floor? Those are all questions that could have a retailer frantically searching to find the right information. “An average trade transaction can include 20 to 30 parties, 200 different data elements, and 40 different documents,” says



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Pamela Pike, VP of marketing at Vlinx. “Linking all these parties together is a critical element, and that requires an on-demand, Web-based application that allows 24/7 global access,” says Pike. “Your team needs to be able to use just one technology and one platform to be able to source effectively.” Operating outside of a common sourcing platform leads to negotiation and procurement processes that are manual and cumbersome.

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Retailers and vendors become trapped by paper-based processes of faxing or e-mailing information between parties, leading to a supply chain that is completely opaque.

The experts I spoke with all agree that gaining visibility is an important part of managing the global supply chain. “When both retailers and their suppliers can collaborate on an open platform, both sides can better plan and make better decisions,” says Kurt Cavano, CEO of Tradecard. He also emphasizes the importance of taking visibility beyond the buyer/seller level, defining true visibility as a triangle that connects sourcing, logistics, and finance. “Most retailers are still very siloed and keep all three areas apart,” says Cavano. “If those three areas can cooperate on the same platform, that is the best practice. Those that aren’t there yet are making mistakes, and in most cases, don’t even know they are making them.” For Cavano, the ideal SaaS solution complements visibility with automation tools that can direct all processes from procurement to payment, joining the physical and financial aspects of the global supply chain.

Tom Webster, executive VP of sales and marketing at Intesource agrees. “What SaaS solutions are doing for retailers today is enabling them to collaborate via the Web and compress the sourcing time frame and cycle using simple, automated tools,” says Webster. Some hosted sourcing solutions can support the entire sourcing process from concept through final delivery by automating workflow, exception reporting, event management, and finance processing. “Ultimately, buyers must still completely control the buying process, develop the relationships, and control their specs,” says Webster, “but the SaaS automation tools enable them to do their jobs in a more efficient manner and with a more market-centric view.”

Bruce Bowen, VP of sales for Aldata Solutions, links visibility directly to the quality control process, not only through the ability to monitor a product’s development through manufacture and inspection, but through traceability. “Not only should you be concerned with where your product is in the process, but also where it has been,” says Bowen. “Visibility of your products through the supply chain enables a company to maintain an accurate history of

where that product came from and everywhere it has been right up until the time of delivery,” says Bowen. “This can be especially important in instances such as the rash of toy recalls in 2007, or for products that have to be handled a certain way, such as those that require temperature control.”

SaaS Improves Speed To Market, ‘Fast Fashion’

If you are looking for an area to gauge the importance of speed to market, you need to look no further than the industry trend toward increased private label merchandising. “Private label development is a significant growth strategy for most retailers,” says Pike. “I don’t know of any retailer that would say it is not interested in exploring a controlled brand, because you own it, you market it, and on top of that your margin grows.”

Private label products with higher profit margins can be a way for retailers to gain a competitive edge, as well as make a positive impact on brand identity and customer loyalty. However, to be effective, private label merchandise needs to hit the store shelves at the same time as the name brand counterparts.

The challenge is that the brands have been sourcing overseas for years. To some degree, a few retailers have been doing it, too, but not at the magnitude that they are trying to get to now. “The question for a retailer becomes, ‘How do I source my products overseas and still keep the great margins?’” says Tradecard’s Cavano. “This often calls for increased direct shipment from factory to store or regional distribution center, resulting in smaller shipments, more on-time shipping, and reduced

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time in the supply chain.” The driving factor behind this approach is the ‘fast fashion’ merchandising concept. Fast fashion refers to the speed of the changing seasons in the retail environment. “It is no longer four, or even six seasons each year, it is a new season every two weeks,” says Cavano.

SaaS-enabled supply chain visibility, coupled with the ‘fast fashion’ approach of more frequent, smaller shipments, can enable a retailer to react to sales trends faster than ever before. Imagine being able to monitor when the factory receives your order, when the raw materials are ordered, or when the order is complete. Carry this right into logistics where you can see what quantity you have on hand, what is on the way, and how much is still available on the factory floor if you need quick replenishment. Without supply chain visibility, retailers are stuck ordering boatloads of merchandise at a time, eliminating the ability to efficiently respond to changes in product supply and demand.

Ultimately, the more integrated your approach to sourcing, the more visibility you can have across your global supply chain from your corporate buyers to the factory floor. We should expect the future of global sourcing in retail to continue to evolve into even more intelligent SaaS tools that can offer the granularity needed to efficiently analyze trends and manage demand. SaaS will help to provide retailers with a single source of information where all levels of the supply chain can interact. □