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A New Era in Supply Chain Complexity
- and the Imperative to Make it Simple

6 Ways the Cloud Can Address
Today's Supply Chain Challenges



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A major shift is underway impacting consumers, retailers and brands today. Changes are altering how consumers shop, how retailers procure and sell goods, how manufacturers and mills produce and deliver, and how services are delivered across the transaction lifecycle. Retailers, brands and their trading partners are being forced to adapt. They're changing how they communicate, collaborate and transact – to better meet the needs of today's consumer.

Four significant trends are driving change across the apparel retail space:

1. **A Rising Middle Class in China.** Demand for goods by the Chinese middle class is consuming much of the production capacity in China. Factory capacity and resources today are going toward domestic goods and the rest of the world is feeling the impact. As a result, factories are being built elsewhere in emerging sourcing regions. Another result of the rising middle class is pressure on commodity supplies, such as soy and corn. And as millions of Chinese move into the middle class and purchase cars, there's a major impact on oil demand.
2. **Emphasis on Sustainability.** The movement toward sustainability and ethical conduct is driving the need for a completely different level of visibility requirements and transparency in the supply chain. Brands and retailers are taking more responsibility to ensure the production of goods is not harming the planet or any workers in its factories. Suppliers are acknowledging the importance of compliance. And in places like Sri Lanka, they're using it as a competitive differentiator – providing Garments Without Guilt.
3. **Migration of Manufacturing.** Several factors are pushing manufacturing back to the Americas.
 - ✓ The rapid rise of manufacturing costs in China
 - ✓ New technologies, such as digital imaging on clothing and robotics
 - ✓ New practices in energy extraction, such as fracking in the U.S., which opens up otherwise untapped sources of fossil fuelsCheaper energy, combined with expensive labor and production in China, and the need for transparency and ethical production, continue to pull manufacturing back to the Americas.
4. **The Changing Face of Retail.** The internet has changed the face of retail forever, and today, the new omni-channel delivery model requires highly agile supply chains. In the past, retailers had a small supply chain servicing internet sales, or a single supply chain covered the entire business and e-commerce inventory was pulled from it as needed. Today, e-commerce makes up a major portion of sales and omni-channel retailers require a much more responsive supply chain. Inside the store, retailers are

competing to deliver a unique in-store experience to lure shoppers. Consumers today, especially those in their teens and 20s, need a reason to go to the store. Otherwise, they're shopping online.

As all of these trends materialize, challenges continue to grow for retailers, brands and their trading partners. Pressure to meet more stringent consumer expectations while managing complex global production ecosystems requires robust coordination, collaboration and agility that extend beyond the four walls of the retailer and into the network of trading partners that touch each transaction – from sheep to shop. The benefits of using cloud computing to meet these challenges are becoming more evident. Retailers, brands and their trading partners are using technology to secure complete visibility, and realize total transparency, across all transactions. They're using it to strip costs out of the supply chain. They're using it to connect to new trading partners in new emerging sourcing hubs. And they're using it to run agile supply chains that can help keep up with volatile consumer demand and evolving shopping patterns. Cloud technology has quickly become a fundamental building block in the supply chains of tomorrow.

Six Ways the Cloud Can Help to Address Today's Supply Chain Challenges

For brands, retailers and their trading partners today, meeting ever-changing consumer demand while preserving margins requires a new level of global supply chain excellence. Today's fast moving omni-channel world requires *orchestration of all moving parts*. Multiple parties need to truly collaborate to manage the flow of data, goods and capital. Constant fine tuning is necessary to align supply with demand. For that to happen, all parties require clear visibility into a single version of the supply chain truth to ensure goods are produced at the expected cost - and sold at full margin.

Unfortunately, traditional tools for communicating between retailer, brand and trading partner are outdated. Many businesses still rely on spreadsheets, emails and phone calls throughout the transaction lifecycle.

Cloud Technology: A Perfect Fit for the Apparel Supply Chain

As more and more businesses embrace cloud technology, many brands and retailers are finding that cloud-based solutions are a perfect fit for managing the global supply chain. Instead of updating 10 or 20 trading partners regarding changes to an order, a collaborative model for the supply chain allows brands to post their updates in one place, where they are viewable by the entire supply network.

Applying Cloud Technology to the Supply Chain

Connecting the entire supply network in the cloud opens the door to new possibilities for speed, efficiency, savings, visibility and agility. Processes from planning to purchase order, through settlement and delivery can be streamlined better when all parties are connected in the cloud. **Here are six examples of how it works:**

1. **Improve Performance through Flexibility and Communication:** Prior to each season a brand communicates its capacity and raw material needs with suppliers and mills. Each supplier validates whether it can meet that need or identifies lack of coverage early. At the time of PO

issue, suppliers are prepared and all connected parties are instantly updated in case of changes.

2. **Realize Full Margins by Eliminating Unexpected Delays:** A brand's sourcing department is automatically informed in real time of any significant delays anywhere in the goods sourcing process. Whether a delay originates in the availability of raw materials, during production or transportation, the brand is instantly alerted. The delay is identified and the brand has enough time to find the best possible solution to preserve a full margin delivery
3. **Increase Speed through Flawless Factory Floor Execution:** A manufacturer uses a single platform that handles all of its customers' requirements with regards to automated packing, scanning and shipment building to ship store-ready cartons or facilitate fast cross docking at its customer's DC. At the same time, they improve packing accuracy and minimize chargebacks. Through the cloud, its factories have the tools to accurately pack customers' orders, print or order compliant carton labels, and generate a customer compliant inbound shipping notice.
4. **Mitigate Risk through Party Screening & Transparency:** A global brand had a shipment of fabric scheduled to reach a vendor in North Africa. A name on the purchase order matched a name on a denied party list and the transaction triggered six red flags. A cloud-based sourcing solution that automatically tracks and scans transaction parties notified the brand immediately and the company halted the shipment. The brand modified its plans in time to ensure compliance.
5. **Handle More Business without Adding Resources:** An outdoor apparel brand handles \$500M in sourcing settlements with one person in accounts payable. A mid-size apparel company replaced all letters of credit with an open account platform without adding any staff to handle the supporting documentary process. Not only did they save their company a lot of money, they helped their suppliers save as well.
6. **Optimize Capital:** A global apparel provider utilizes a self-funded early payment program in the cloud and places information onto customs invoices to lower its duty payments. Using the cloud-based system, the brand obtains discounts from suppliers in exchange for delivering payment within 5 days from shipment, and pays duty on a lower invoice value. Suppliers obtain capital they need within days at rates 20-30% lower than financing available to the supplier locally.

In today's omni-channel world where consumers hold all of the power, an agile and collaborative supply chain can make all of the difference in meeting consumer demand and optimizing sales. Keeping all parties synchronized at all times has always been a hassle. A typical sourcing transaction involves 5 to 15 different parties – in different countries, languages and time zones. Traditional methods of communicating are slow and inefficient – and cannot keep up with the changes occurring in-store. Cloud technology enables a collaborative model for the supply chain to enable all parties to communicate and transact in real time. With the right strategy, technology and support, your supply chain can move at the speed of the modern consumer. And that's essential for optimizing your bottom line.

About the Author

Kurt Cavano is Founder, Chairman and Chief Strategy Officer of TradeCard, a supply chain collaboration platform that connects 10,000 retailers, brands, suppliers and service providers in 78 countries.

Mr. Cavano has over 25 years of experience helping corporations improve their business performance through the intelligent application of technology. Prior to founding TradeCard in 1999, he was a Vice President at American Management Systems, an international business and information technology consulting firm. Mr. Cavano managed the Corporate Banking Practice of the AMS Finance Industry Group. Featured as one of World Trade Magazine's 50 most influential people, Mr. Cavano is a frequent speaker and writer on topics concerning international trade and global supply chain management. He holds a BS in Bioscience from Penn State University and an MBA from New York University. Mr. Cavano is a frequent speaker at the Sri Lanka Design Festival.