
Supply chain technology
offers the next great competitive
advantage for retail



G2FO[®]

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One hundred years ago, Sears disrupted the entire model of retail by offering consumers access to nearly anything — including complete kits for building a house — by mail order. Now, that original retail innovator is faced with an identity crisis and redefining their model.

A century later, retail still faces constant changes, disruption, and pressure to reinvent the customer experience. The only thing that has changed, perhaps, is the speed at which those changes occur.

For some retailers, the current state has forced them to scale back or take deep cost-cutting steps to maintain their pulse. For others, the challenges are an opportunity to innovate and thrive.

However, the businesses that feel the full weight of retail's challenges may not be the retailers themselves, but the thousands of suppliers and transportation companies that employ hundreds of thousands and keep big-box storefronts humming with merchandise.

In the words of one buyer with a Fortune 100 company, "Suppliers and other intermediaries in the supply chain may not interact directly with the consumer. But they hold the key to the creation and delivery of an item to a retailer that makes or breaks the consumer's experience."

For this reason, proactive retailers are focused on building better relationships with supplier partners, and looking to that supply chain for ways to keep bottom lines healthy, stores stocked, and customers happy.

In our 2017 Retail Pulse Survey, C2FO asked retail purchasing managers and financial officers attending February's Retail Industry Leaders Association meeting about what they're focused on this year, and longer term, what are some of their biggest challenges in managing supplier relationships.

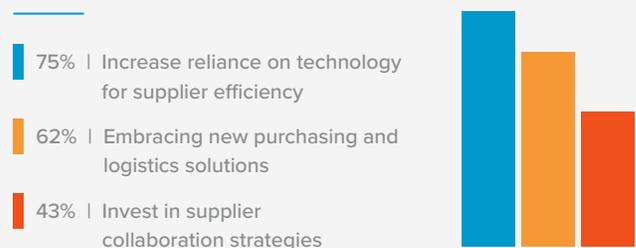
Better margins with better supplier relationships



We asked 200 retail professionals, "This year, are you more focused on improving or maintaining margins?"

88.5% | Improving
12.7% | Maintaining

How retailers are planning to meet objectives:



Among the takeaways: Nearly 88 percent of the 200 respondents, representing sporting goods retailers, apparel brands, drug stores and other household names, said they are more focused this year on improving profit and revenue margins.

How to do so? Nearly 75 percent of the survey respondents said they plan to rely more on technology to drive supplier efficiency, while 62 percent said their companies have become flexible in embracing new

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purchasing and logistical solutions, including working more closely with suppliers.

“Big-name failures have undoubtedly created stress and uncertainty within the supply chain,” Amanda Mathes, a C2FO Managing Director and retail expert, said. “Given the interdependence of retailers and their suppliers, increased connectivity and collaboration has become increasingly important.”

As a result, she added, many retailers view their suppliers “not as interchangeable supplier entities, but as actual partners.”

Retailers plan on investing in supplier partnerships, too. Forty-three percent of the survey respondents said they are planning to invest in supplier collaboration strategies to remain competitive in the years ahead.

Suppliers also must focus on building these relationships. This focus can include collaborating with their retail partners on funding options to build more trust and certainty in the supply chain.

Given the current retail environment, suppliers who exceed expectations on delivery time, quality and, ultimately, the customer experience will be the most valued partners.

Price transparency and the consumer culture of now



Retailers, suppliers, and consumers alike are living in an age in which innovations in technology, financial services and other areas tied to getting products into the sales stream have become inescapable.

Beyond the instantaneous ease of ecommerce, shoppers can be looking at an item in-store, while comparing prices from competing retailers on their mobile device.



Price transparency isn’t just for consumers, either. When asked about the biggest challenges with managing supplier costs, more than 52 percent of the retail respondents said price negotiations topped the list, followed by margin improvement (47.5 percent), the cost of goods reductions (42 percent), and price transparency (37 percent).

When the sticker price is essentially the same, services are what make one retailer win over others. In other words, the perceived value of a product for consumers includes their retail experience. These services include everything from frictionless purchase, options for payment and delivery, easy returns, and customer support online and offline.



Other services are also in play; a seamless integration of the store and website experience, the speed of delivery, and certainly the cost of delivery.

“The consumer has changed,” the buyer for a Fortune 50 retailer said. “They want things faster and better than ever before. And if they don’t get it, social media is going to hear about it.”

Thus, the challenge for the retailer and its supply chain is to deliver what the customer wants faster and better than the competition. If they can’t, the next retailer is a click away. To thrive in the culture of now, the retail network of merchants and suppliers must be smarter and more nimble than ever before.

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Working capital is key to retail success — and supplier survival

“Headwinds have curated a new paradigm in retailing,” Mathes said. “As retailers map out their strategies to lean in and lean up, the pressures they face have trickle down effects on their supply chain.”

As the survey noted, retailers need to take innovative approaches to strengthen supplier collaboration, especially by providing steady, on-demand access to working capital.

“Healthy suppliers, with affordable access to working capital, are able not only to survive but thrive in today’s new retailing paradigm,” Mathes said.

Protecting your supply chain offers a competitive advantage



Mathes said retailers require a greater level of “agility and flexibility” within the supply chain to deal with disruptive headwinds.

Companies want to avoid severe disruptions in materials and money that impeded supply chain management during the Great Recession.

The economic downturn sparked widespread efforts among retailers to collaborate more closely with supply chain organizations. For example, many companies recognized the need to offer supplier finance programs with banks to speed up payments on orders, allowing suppliers to pay on time for raw materials and other product costs.

The idea: planned strategies work far better than reactive tactics.

That’s where companies such as C2FO can create a competitive advantage for retailers and suppliers, Mathes said.

C2FO’s services, for example, provide suppliers with access to working capital by accelerating invoice payment, so suppliers can fill orders on time, pay bills without financial stress, manage inventories, and keep goods and services flowing.

“It gives me peace of mind knowing that the capital is there if I need it. We’re very capital-intensive and we need to make sure that we have the cash flow to pay the factories and to get our goods delivered,” says Kelley Lehner, CEO of Ipanema, Inc., a contemporary women’s footwear manufacturer and supplier who uses C2FO.

For suppliers, payment acceleration with C2FO doesn’t require

paperwork, hassles or fees. Unlike lending, C2FO doesn’t add to their debt. Faster payment allows them to access their own working capital on-demand to meet their operating expenses.

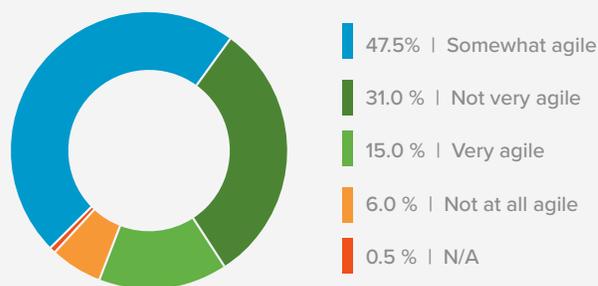
How does it work? Customers can put cash from their balance sheet to work in C2FO and set a desired rate of return. Suppliers who need cash flow can request early payment of their approved invoices at a rate that works for them. C2FO marketplace discounting routes and matches the orders so that both parties benefit.

It’s about “de-risking” the supplier system, said Sean Van Gundy, a C2FO managing director said in a statement about the survey results.

Retailers who are willing to learn and innovate will gain a competitive edge — and build a stronger supply chain

Change is a constant in retail. Everything about the retail industry is dynamic; product innovation and availability, customer preferences and trends, economic forces, and technology. The ever-increasing pace of that change offers risks, especially for your supply chain, but it also holds opportunity for retailers willing to innovate.

We asked 200 retail professionals, “How agile is your company at moving quickly to adopt innovative supply chain technology?”



“Strategic investments in logistics technology, analytics, and supplier collaboration will serve as competitive advantages as retailers learn to aggressively evolve to embrace and serve customers in this new retailing paradigm,” Mathes said.

Within the paradigm, suppliers are more critical to success than ever before.



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