



# EXTENDING QUALITY MANAGEMENT INTO THE **SOURCING PROCESS**

WHY SHOULD RETAILERS AND BRANDS UPGRADE THEIR SYSTEMS?

# I. EXECUTIVE SUMMARY

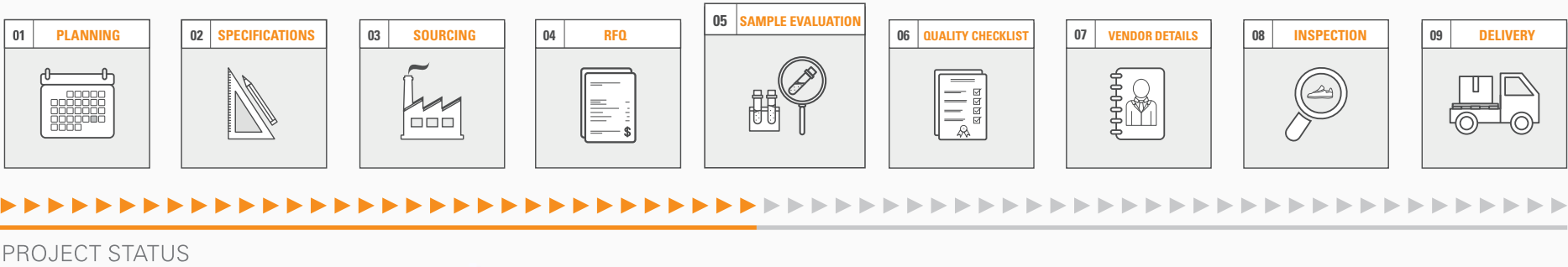
**ABSTRACT:** Retailers require safe, high quality, good-value products that meet the ever-changing demands of their customers. Slow and inefficient supply chain management systems often do not deliver the products they require within the specified time lines. Retailers need to adopt a solution that gives them control and improves product quality, supply chain efficiency, and profitability.

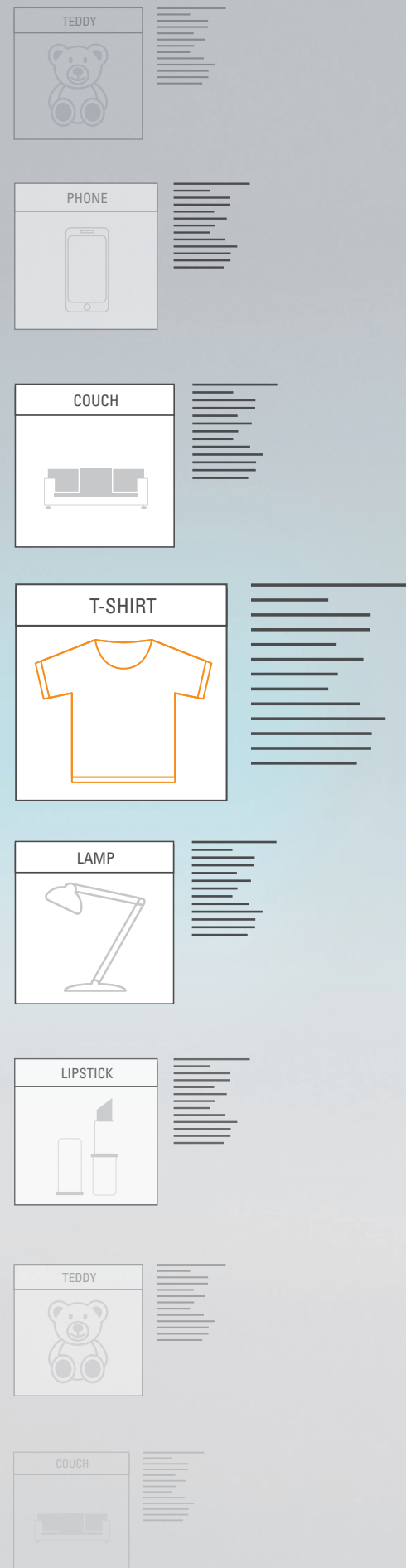
Traditional supply chain management systems can be cumbersome, with data being inefficiently passed along the chain. They can be uneconomic, slow to adapt to changes in the market, and poor at maintaining quality along the entire chain.

Extended Quality and Sourcing Solution (EQSS) brings together improved data flow and quality assurance (QA) at all stages of the supply chain – from raw material to retailer. This online, cloud-based system allows retailers to overcome potential stoppages, improves quality, time to market and increases efficiency and profitability.

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## II: KEY DRIVERS

The rise of e-commerce, the complexity of global supply chains and the demands of consumers mean retailers are facing multiple pressures.

To respond, retailers must:

- Reduce time to market (TTM)
- Reduce supply chain costs
- Ensure high quality products are delivered to the consumer
- Source from properly vetted emerging market suppliers
- Improve flexibility to respond to a competitive and fast-changing retail sector

**TODAY'S COST CONSCIOUS, QUALITY-DRIVEN MARKETS REQUIRE EFFICIENT, COST-EFFECTIVE SUPPLY CHAINS.**

### FLEXIBILITY

Retailers must respond quickly to the demands of their customers. Traditional retail supply chains were unable to do this. Today's consumers can swiftly move to alternate retailers if the assortment does not meet their demands. A PLMA survey showed 32% of consumers stated product assortment was a primary driver in choosing a retailer and 58.7% of retailers stated differentiation was the most important factor for their brand. Faster TTM gives retailers the flexibility to respond to market demands.

### QUALITY AND PRICE

Customers demand safe, high quality products at a reasonable price – 67.3% of respondents in the PLMA survey said quality and price were the key drivers in choosing a product. Currently, supply chains account for 33% of a product's cost but there is the potential for reducing costs, so long as quality can be assured.

Global supply chains allow a large disconnect between retailers and manufacturers. Retailers must find ways to exploit emerging markets and yet maintain quality. This requires effective vetting procedures along the supply chain.

Quality and safety is assured by adherence to regulatory and product standards but too often inspections are performed on finished products at the end of the supply chain. If a product is found to be faulty at this stage, it creates delays and higher costs, resulting in a loss of market-share and a dip in consumer confidence.

Inefficiencies in supply chains push up costs. Too many retailers rely on non-dedicated, generic systems like email and spreadsheets to manage their supply chains – a 2017 survey showed 63% of retail responders used email and 73% spreadsheets. These systems create unnecessary duplication, complexity and inflexibility in the supply chain, pushing up costs and allowing delays in the supply chain.

Retailers need to find solutions to these key drivers to maintain profitability.

## CASE STUDY

### AUSTRALIAN RETAILER CUTS COSTS AND IMPROVES SOURCING EFFICIENCY

A leading retailer, with over 180 stores in Australia and New Zealand and offices in four time-zones, required a new supply chain management solution to reduce costs and stoppages, and improve efficiency and profitability. The company asked CBX Software to create a centralised IT sourcing system with global connectivity.

The new system improved communication between retailer and suppliers, leading to shorter lead times for new products, better tracking, and greater efficiency. In addition, the system produced on-going cost and resource savings at multiple points along the supply chain and increased volume 350% with minimal additional personnel.

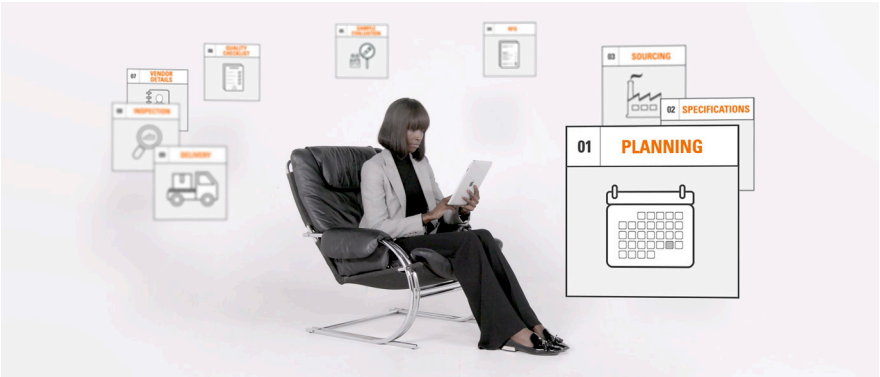


### III. IMPROVED MONITORING INCREASES EFFICIENCY

Retailers and brands have simple demands, the products their supply chains deliver, must be:

- On-time
- On-budget
- On-trend
- Safe and legal

To achieve this, they need greater control over their supply chains, allowing them to address the two key issues surrounding the retail sector.



**Quality** – integrating quality assurance (QA) from the start of the supply chain, means the retailer can manage the complex and numerous QA steps, as well as documentation within a single efficient tool. Doing so safeguards that the end-product will be:

- Safer and produced to the correct specifications
- More likely to be compliant with regulations for product and packaging
- Manufactured to the expected quality levels

Reducing reliance on final inspections and enhancing it with in-line production controls, allows the retailer to protect its brand, and mitigate against supply chain delays and recalls.



**Interaction** – reducing compartmentalisation and replacing it with interaction between all stakeholders (merchandisers and quality staff, retailers and brands) delivers better communication along the whole supply chain. Small problems are no longer ignored, as all operatives see the advantages to their business of solving potential blockages.

This allows:

- Improved efficiencies along the supply chain – 25% decrease in overall cycle times
- Reductions in data duplication – up to 75% reduction in spreadsheets
- Better ‘on-time, in full’ (OTIF) service levels – up to 99%
- Better vetting of new suppliers from emerging markets and better end-supplier understanding of the factors affecting their supply chain.

Better communication creates improved collaborations and a more robust supply chain, benefiting all stakeholders.

Retailers with global supply chains will be only too aware of the questions raised by today’s processes:

- Where’s my latest sample?
- Where are my quotes?
- Are my test reports still valid?
- What is applicable for this specific market?
- Why are my supplies delayed?
- Are we using the best supplier?
- Are my suppliers fully compliant?
- How do I keep track of all the information?
- Why has my latest product been recalled by the supplier?

### IV. THE EXTENDED QUALITY AND SOURCING SOLUTION (EQSS) FROM SGS AND CBX

EQSS brings together SGS’s global leadership in testing, inspection and certification, with CBX Software’s market-leading IT sourcing management systems. By creating a new kind of “extended” retail Product Lifecycle Management system (Retail PLM), EQSS provides a holistic approach to supply chain management with the incorporation of an in-depth quality management process.

EQSS allows retailers control over marketing, merchandising, product specification, technical files, production, inspection, testing, shipping, vendor management and collaboration. Greater control over their supply chains means better opportunities to improve quality, profitability and time to market.

Going beyond traditional enterprise resource planning (ERP) solutions, EQSS creates a seamless solution to the problems of ‘big data’. Its flexible architecture collates all product data relating to the supply chain into an easily accessible and consistent format. Operatives have access to information on sourcing, design, quantities, specifications, suppliers, supplier audits and even forward data and manage performance KPI.

Utilising EQSS allows retailers to address issues and questions that arise in the supply chain in a quick and accurate manner.

#### QUALITY ASSURANCE & COMPLIANCE

EQSS allows retailers to move from a reactive quality control driven to a proactive quality assurance supply chain, protecting brand profitability and reputations. The installation of QA at every step of the supply chain allows the retailer effective control over the end product’s quality and regulatory compliance. With a global network of QA assessors, SGS can provide independent assessments against defined compliance management programmes, anywhere in the world.

Utilising the full scope of EQSS will allow independent assessment of product quality at every stage – from design to delivery – with all the data kept in one readily accessible central location. EQSS offers a unique platform for information sharing between all stakeholders and across multiple buying and development teams.

#### INDEPENDENCE MATTERS

**THIRD-PARTY CERTIFICATION IS SAFER AND MORE COST-EFFECTIVE - 17% OF THE SELF-DECLARED PRODUCTS SHOWED DANGEROUS FAULTS, COMPARED TO LESS THAN 1% FOR THIRD-PARTY CERTIFIED PRODUCTS\***

\*Source: IFIA-CEOC Market Survey, January 2018



**POWERFUL INFORMATION  
MANAGEMENT**

EQSS provides a powerful information management solution for retailer-led supply chains. A robust and highly innovative cloud-based solution that can be accessed around the world, 24/7, providing flexibility to supply chain managers.

EQSS is adaptable and can be configured to respond to the individual needs of the client. Critical paths can be integrated to follow individual processes and deliver relevant KPI to manage performance and efficiency. Product and supplier data is also stored in one place, allowing annual performance evaluations to be carried out efficiently.

**CASE STUDY**

**NORTH AMERICAN RETAIL  
CHAIN STREAMLINES SUPPLY  
CHAIN OPERATIONS**

One of North America's principal supermarket chains needed to find a way to restructure its sourcing operations. With constant pressure being placed on margins, the retailer needed to reduce costs, streamline workflow processes, and expand their direct-sourcing and own-brand programmes. In addition, the company wanted to ensure suppliers complied with robust quality standards to ensure regulatory compliance.

Following a tendering process, the retailer chose to work with CBX Software based on its extensive retail sector experience. The IT solution implemented, has helped the retailer to control and enforce regulatory standards, introduced streamlining and improved efficiency, engendering better collaboration between businesses to help support its direct-sourcing requirements.

**EQSS OFFERS:**

**25%**

**IMPROVED EFFICIENCIES ALONG  
THE SUPPLY CHAIN – 25% DECREASE  
IN OVERALL CYCLE TIMES**

**75%**

**REDUCTIONS IN DATA  
DUPLICATION – UP TO 75%  
REDUCTION IN SPREADSHEETS**

**99%**

**BETTER 'ON-TIME, IN FULL' (OTIF)  
SERVICE LEVELS – UP TO 99%**

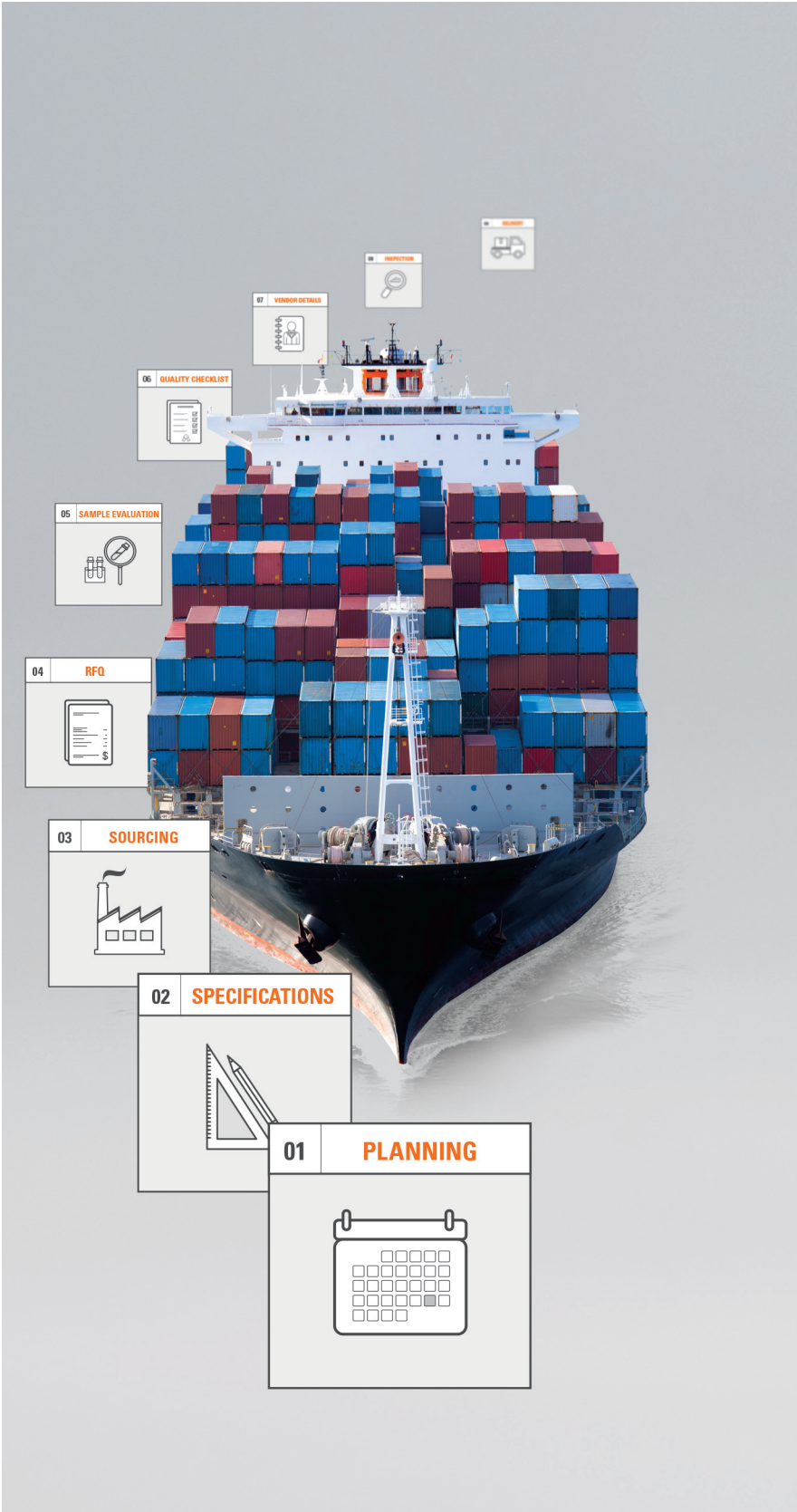
**V. CONCLUSION**

As traditional supply chain management solutions prove to be obsolete, retailers are looking for interactive, transparent and easy to use retail sourcing solutions to safeguard their businesses.

The Extended Quality and Sourcing Solution (EQSS) from SGS and CBX offers a unique, interactive approach to global supply chain management. Utilising the combined expertise of the world's leading testing and certification company and the market-leading IT supply chain software developer, this system defines the future of Retail PLM.

EQSS gives brands and retailers complete control over their supply chains. Helping them:

- Mitigate against poor QA
- Improve TTM
- Create unified workflows
- Protect brand reputation
- Increase profitability





ABOUT THE AUTHORS

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Vice President,  
Global Retail Solutions, SGS

Charles Ly-Wa-Hoi is leading the Global Key Account Management team that takes care of SGS global clients in the Consumer and Retail Industry. He has more than 25 years of experience having worked in all the quality, integrity and sustainability fields with SGS but also in the Retail and International sourcing business as Quality and Sustainability Director.

Mark Hudson

Vice President,  
Global Marketing & Communications, CBX

Mark Hudson holds an MBA in marketing, is a Retail GS1 Standards Professional and holds a CIMdata certification in PLM Leadership. Mark has over 20 years of experience in Retail and CPG including product innovation and supply chain strategy for both private label and national brand products. Recently, Mark's focus has been on the connection and collaboration between retailers, manufacturers and their trading partners.

ABOUT SGS

SGS is the world's leading inspection, verification, testing and certification company. SGS is recognised as the global benchmark for quality and integrity. With more than 95,000 employees, SGS operates a network of over 2,400 offices and laboratories around the world.

Enhancing processes, systems and skills is fundamental to your ongoing success and sustained growth. We have a history of successfully executing largescale, complex international projects, leveraging the largest independent network of consumer product experts in the world.

FOR MORE INFORMATION, VISIT  
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ABOUT CBX

CBX Software is the world's leading Total Sourcing Management solution provider from concept to delivery – combining people, processes and solutions. CBX helps retailers and brands streamline product development and sourcing all the way through order, production and delivery. Through innovative Sourcing Management, Product Life-cycle Management (PLM), and Production & Order Management technology solutions, CBX empowers the supply chain network by driving collaboration to over 15,000 retail & supplier partners, and 30,000 users in more than 50 countries.

FOR MORE INFORMATION, VISIT  
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**WHEN YOU NEED TO BE SURE**

