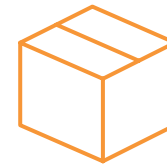


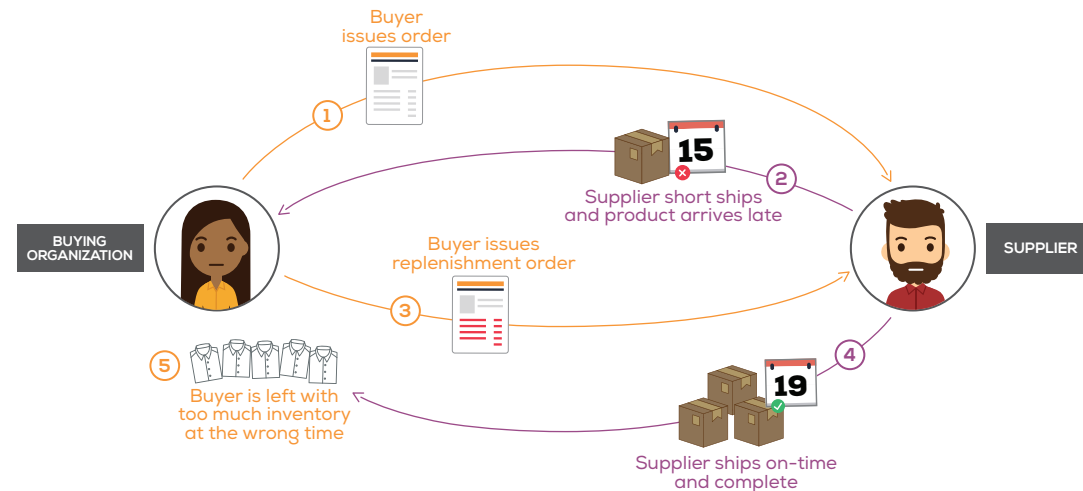
REDUCE INVENTORY
& **IMPROVE**
COLLABORATION
WITH **SUPPLIER**
SCORECARDING



AT A GLANCE

- Up to 50 percent of orders between buying and selling organizations are incomplete, late or otherwise problematic
- Many buying organizations lack the data needed to measure and improve supplier performance
- The lack of data perpetuates unproductive practices between buyers and sellers
- To compensate, buyers order more inventory than they really need, which ties up millions of dollars in unproductive capital every year

Many buying organizations struggle with measuring and managing trading partner performance



Despite advances in supply chain management over the past several decades, most buying organizations still rely on gut feel to evaluate their suppliers' performance. Industry experts estimate that 10 percent of orders experience some type of issue, such as being incomplete or late. Yet many organizations lack a systematic way to measure how well suppliers execute against order fulfillment expectations.

The lack of consistent measurement leads to a vicious cycle of missed expectations and friction in supplier relationships. Buying organizations perpetually order more inventory than they need and suppliers continuously ship less than what was ordered. With supplier scorecarding, buying organizations can use data rather than instinct to manage trading partner performance, resulting in a multi-million reduction in inventory spend.

WHY DO BUYING ORGANIZATIONS NEED A BETTER WAY TO MANAGE SUPPLIER PERFORMANCE?

Buying organizations typically know that trading partners aren't performing to the level they should, but don't have the data to track and analyze supplier performance. Here are some problems that arise as a result:

EXCESS INVENTORY



Buying organizations typically know that trading partners aren't performing to the level they should, but don't have the data to track and analyze supplier performance. Here are some problems that arise as a result:

Managing Suppliers Using Instinct, Not Facts

A \$4 billion e-commerce retailer knew its suppliers were underperforming but didn't have the data to understand the specifics. Ballpark estimates indicated that fill rates hovered around 80 percent. They retailer estimated that 25 percent of shipments

were late. Based on a volume of 200,000 orders per year, the retailer estimated that improving fill rates by only 1 to 2 percent would save \$75 per order cycle, or \$16 million per year.

POOR SUPPLY CHAIN PERFORMANCE



Without a consistent way to understand how suppliers are fulfilling orders, it's impossible to optimize supply chain operations. If suppliers ship more than expected, the inbound fulfillment team will not be prepared to receive the excess inventory. Likewise, if suppliers ship less than expected, out-of-stocks and lost sales will result.

Struggling with Lower Volume Suppliers

A pet supplies retailer struggled with managing the performance of lower volume suppliers related to fill-rates and ship timeliness. Poor performance created extra work for A/P staff and produced bottlenecks in

the distribution centers. By automating data exchange and implementing supplier scorecarding, the retailer quickly identified poor performing suppliers and collaborated with them to improve performance.

MISSED CUSTOMER EXPECTATIONS



If buying organizations aren't measuring supplier performance, and suppliers don't understand how they're being measured, it's easy to fall short on what consumers expect. Empty shelves and missed delivery dates are nearly inevitable. A scorecarding effort with insightful metrics can help both the retailer and its suppliers perform better, together.

Faster Fulfillment for Today's Demanding Consumers

To meet consumer expectations, a \$300 million sporting goods retailer set a goal to ship all orders within 48 hours. The retailer struggled with consistent supplier order fulfillment execution and had no way to

quickly identify the suppliers who weren't meeting the 48-hour timeline. By using scorecarding to get ahead of poor performance, the retailer streamlined order flow to stores and consumers.

WHAT TYPES OF SUPPLIER PERFORMANCE DATA SHOULD BUYING ORGANIZATIONS MEASURE?

Buying organizations can work collaboratively with suppliers to improve performance using metrics that are aligned with their supply chain goals. These metrics typically include:



Using these metrics creates a higher level of trust between buyers and suppliers. Both parties know what to expect, and can collaboratively measure and improve performance.

WHAT ARE THE OPTIONS FOR SUPPLIER SCORECARDING?

Buying organizations can choose to scorecard suppliers using an in-house team and tools, or to partner with a full-service provider.



Use an INTERNAL SYSTEM

Some buying organizations scorecard vendors using order fulfillment data from their warehouse management or other systems. This can be a good option when the buying organization has established processes for exchanging data with suppliers and reporting on that data.

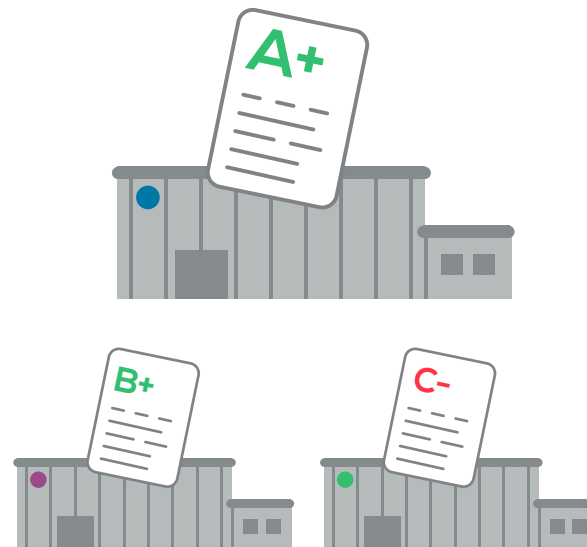


Use a FULL-SERVICE PROVIDER

Other organizations use third-party providers with full-service solutions for onboarding suppliers and establishing a scorecarding program.

The full-service provider:

- Partners with the buying organization to define supply chain goals and vendor requirements.
- Onboards suppliers to specific supply chain requirements for electronic orders, shipping information, invoices, labels and more. This includes conducting vendor outreach, getting vendor buy-in, and guiding each vendor to transact in the way the buying organization has defined.
- Ensures that suppliers are consistently executing according to the supply chain requirements.
- Loads all of the suppliers' electronic transactions into the scorecarding solution, so metrics like fill rates and on-time delivery can be easily monitored.
- Works with the buying organization and its suppliers to align performance with supply chain goals on an ongoing basis.





WHAT RESULTS CAN COMPANIES ACHIEVE?

With scorecarding, buying organizations can partner with suppliers to jointly improve supply chain performance and reduce inventory without losing sales. This results in a million-dollar impact for many businesses.

Cut inventory costs

Reduce inventory
by up to
20%

"SPS has brought things to us that we have never seen before in the history of the company, allowing us to be more profitable, have better inventory positions and see the business in new ways."
- **Randy Peitsch, SVP of Operations, PGA TOUR Superstores**

Improve supply chain performance

Achieve fill rates
of up to
98%

"SPS Commerce created a unique win-win solution for NBF and our retail trading partners. They provided a highly professional team that took the time to understand the nuances of our business and the sensitivities of our trading partners. Overall, our vendors had a positive experience and we reached our goal."

- **Brady Seiberlich, Director of Application Development, National Business Furniture**

Enhance supplier collaboration

Create more
PRODUCTIVE
trading relationships

"The efficiency improvements are undeniable. Plus, vendors appreciate that we are all on the same page and building our businesses together."

- **Darrell McKee, Centre Store Director, Federated Coop**

Benefits from automation

Impact of up to
\$120-\$150
per order

"SPS came with a solution that allowed us the most efficient and easiest way to bring our entire supplier community onto an automated platform."

- **Austin Martin, Vice President of Category Management, Shamrock Foods**

THE SUPPLIER PERFORMANCE MANAGEMENT PLAYBOOK

3,500+

RETAILERS, GROCERS
& DISTRIBUTORS

500,000

IMPLEMENTED
SOLUTIONS

98%+

FILL
RATES

UP TO 20%

INVENTORY
REDUCTION



SPS COMMERCE

INFINITE RETAIL POWER™

The SPS Commerce Community solution provides people, process and expertise to automate the exchange of item, order and sales data with your trading partners. To learn more about how SPS Commerce Community can help you, visit our [website](#).