

HOW DO RETAILERS CHOOSE VENDOR SOLUTIONS TO CREATE ETHICAL AND SUSTAINABLE SUPPLY CHAINS?

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They. Are. Everywhere.

Sustainability, circularity, ESG, visibility, transparency, traceability, low carbon, carbon neutral, carbon positive, UNSDGs, Wrap, Smeta, Higg, ethical sourcing, forced labour, bonded labour, child labour, CMA, Digital Product Passport etc, etc, etc...

The number of buzzwords, actions and scoring metrics is mind-boggling and the above only scratches the surface. Then there are all the products that purport to help businesses become more sustainable and ethical in their supply chains. From document management and supply chain mapping to detailed DNA tracing of raw materials.

Pressure is mounting

It is unsurprising that most retailers are struggling to cut through the noise and come up with coherent plans to improve their company's ethical and sustainable credentials.

However, the pressure is mounting from all sides: NGOs, investors, governments, and consumers, all demanding more from retailers and brands on their Environmental and Social Governance (ESG). But how can retailers deliver improvements that are open to outside scrutiny and don't leave them at risk of being accused of "greenwashing"?

Growing complexity

Retailers and brands have spent decades working on their supplier relationships. However, most of their focus has been on making apparel at the right price and ever faster – typically by increasing the number of suppliers. This has been wholly understandable. In a competitive marketplace, failure to respond to consumer demands can be catastrophic. But retailers have moved from dealing with a small number of large apparel manufacturers close to home to a vast array of suppliers all over the globe.

How can anyone really be expected to keep a tight grip on everything that goes on in hundreds, maybe thousands of factories, thousands of miles away?

Solutions Exist and they are evolving

Many solutions have sprung up over recent years, to try and help brands have more visibility and control over their suppliers. From a distance, they may look like they are providing the same functionality but look closer and most fit into a complementary architecture, with a natural sequence to their roll-out.

Historically, supplier technology and consultancy have offered capabilities in only one of the following areas (see Gartner):

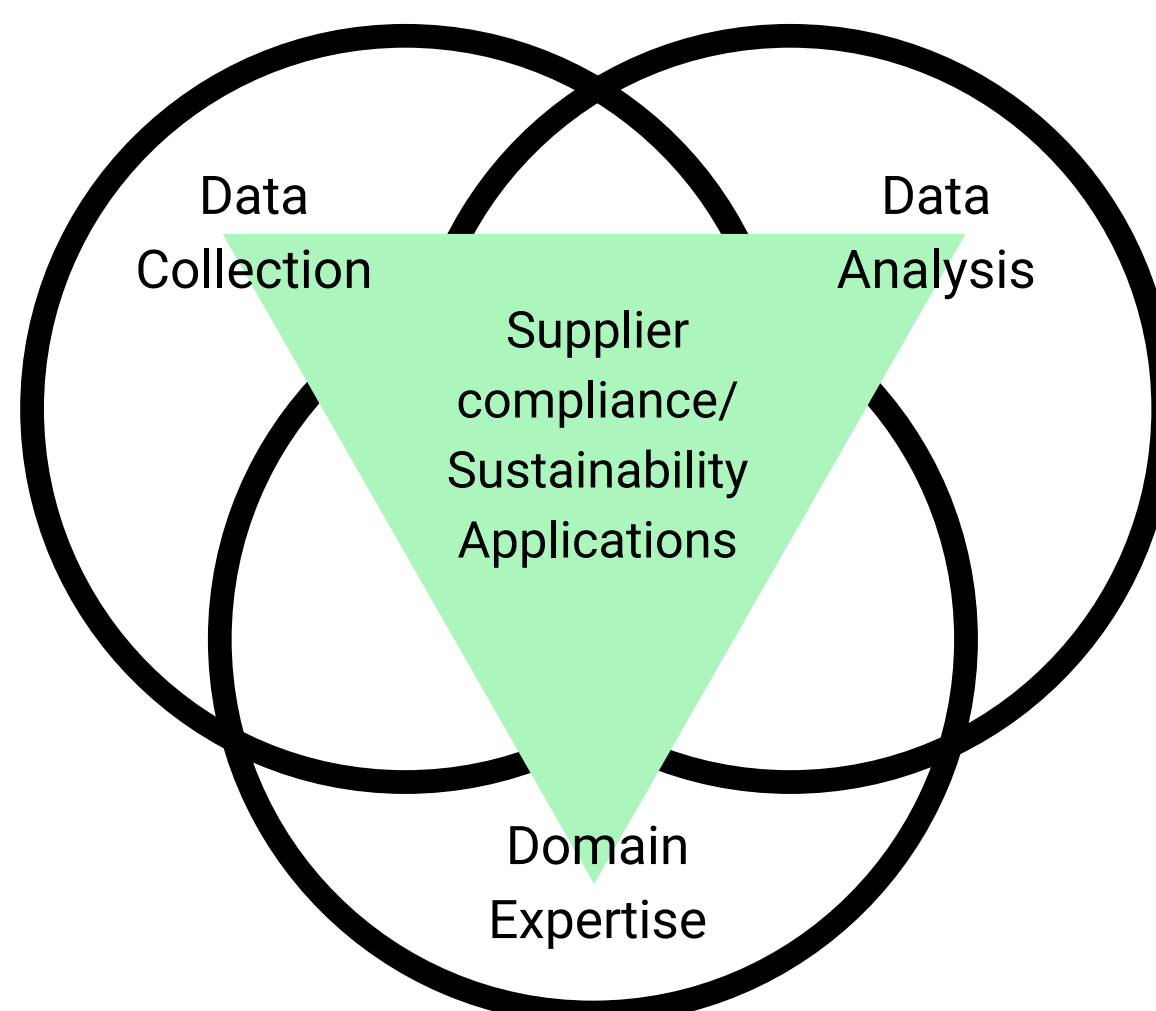
Data Collection: Allowing organisations to request information from their supply base.

Data Analysis: Enabling analysis of supplier data using different criteria.

Domain Expertise: Providing expertise and ESG content using recognised standards.

However, effective “supplier sustainability applications” or “supplier compliance applications” need to have an element of all three:

Core Capabilities of Supplier Compliance/ Sustainability Applications



Fundamentally, opening up better communication channels, sharing data and closer relationships with suppliers are invaluable in engendering positive change.

It is important to build out from the centre

The highest priority is to have a specialist platform at the centre of the three-way intersection, to provide the system execution, management and validation. That platform should be flexible enough to grow with the business and integrate with other systems for a more holistic approach. Its early implementation is critical, otherwise, the centre can become overloaded with fragmented and unrelated “data” and suppliers will become disillusioned that the overall compliance project is not well managed. A downward spiral can easily result from the incorrect sequencing of initiatives, so plan well and build from the centre outwards.

To get to the right system architecture and vendor partnerships, what kind of questions should you be asking and where might you find some answers? The rest of this paper will attempt to give some pointers on the best places to start, improve, or even accelerate along the ethical and sustainability journey.

Vision and priorities

Articulating the business’ vision in this area can be challenging. Supply chain sustainability as a concept means different things to different people and terms are constantly being re-defined. For example, does sustainability include ethical working standards, or should this be called out separately? Further, different parts of the business may have different views and priorities.

For many companies, this can cause “analysis paralysis,” leaving them in a state of constant research and deliberation, but not actually making any progress. At this stage, the better course is to quickly close off internal ambiguity (the external world’s terminology will continue to flux for some time) by agreeing with your definitions. There will be a need for senior sponsorship, to settle on the broad vision and critically, to create a sense of priorities. This may or may not be perfect. No matter! It is more important to get engaged and make planned progress. The provenance of your products that are of increasing interest to customers, pressure groups and investors.



Where are you now?

A comprehensive solution starts with a simple audit of your current position. What kind of systems do you already have in place? Most businesses have some form of functioning Enterprise Resource Planning (ERP) solution, and an increasing number are investing in Product Lifecycle Management (PLM) platforms. Surely with the colossal investment required for such software solutions, they could solve the problem? Unfortunately not. To gain the insight you need, using the data you may already capture in these systems, you will require a Supply Chain Transparency solution, such as Segura.

ERP

With Enterprise Resource Planning systems (ERP), it is possible for a brand to buy licenses for suppliers and let them use their software to share information. However, because those systems are not specifically designed for the purpose, they can be clunky and prohibitively expensive. Likewise, these systems have other limitations. Whilst supplier onboarding for primary suppliers (let's call them tier 1) is available due to the direct financial relationship with the brand, little data (if any) is held beyond tier 1.

Furthermore, other supplier data, such as audits and testing, are generally held in spreadsheets and generic communication platforms (or even group emails), making due diligence reporting impossible or very cumbersome and time-consuming.

PLM

Product Life Cycle systems (PLM) and top-down systems do have some crossover. Some PLM systems can be used quite effectively to collect information from tier 1 suppliers, but again, none are designed to go further into multi-tiered supply chains. This can limit the accuracy of their bill of materials, as they have little to no way of tracking which components and raw materials are ordered in the real world.

The lack of multi-tiered functionality limits ERP and PLM solutions to providing only part of the answer to a brand's ethical and sustainability needs.

It is vital to gain visibility of your supply chain before anything else – after all, if you can't see it, you can't manage it. Without transparency and traceability of their entire multi-tier supply chain, retailers, brands and suppliers can not meet legislative requirements. They can not ensure ESG compliance, underpin their ESG credentials, or mitigate risk to their business.

It is only with transparency and traceability that you can truly identify risks, knowledge gaps and inefficiencies. It is only then that you can truly measure supply chain compliance. And it is only that retailers have the foundation on which to drive their ESG strategies and improvements forward and leverage the effectiveness of their other systems.

Different supplychain compliance approaches

Then there is the question of which suppliers to prioritise. Do you start from the bottom up (raw materials suppliers etc) or from the top down (tier one, tier two and so on)?

Bottom up

This approach can help give brands clarity that, for example, the cotton in their fabric comes from their nominated, sustainable/organic sources. There are a number of competing solutions and standards in this area. Some purportedly use technologies such as blockchain but often deploy manual solutions.

These solutions might provide great comfort in some very specific areas, e.g. to enable businesses to back up their publicity claims in the most contentious areas. However, these are point solutions and do not provide a comprehensive approach.

What about the tens of thousands of other components and raw materials for a full range that makes up a full bill of materials? How is the information from these systems managed and reported? The point solutions only provide a small part of the picture and allow alternatives to enter the supply chain via the back door.

Centralised, top-down systems

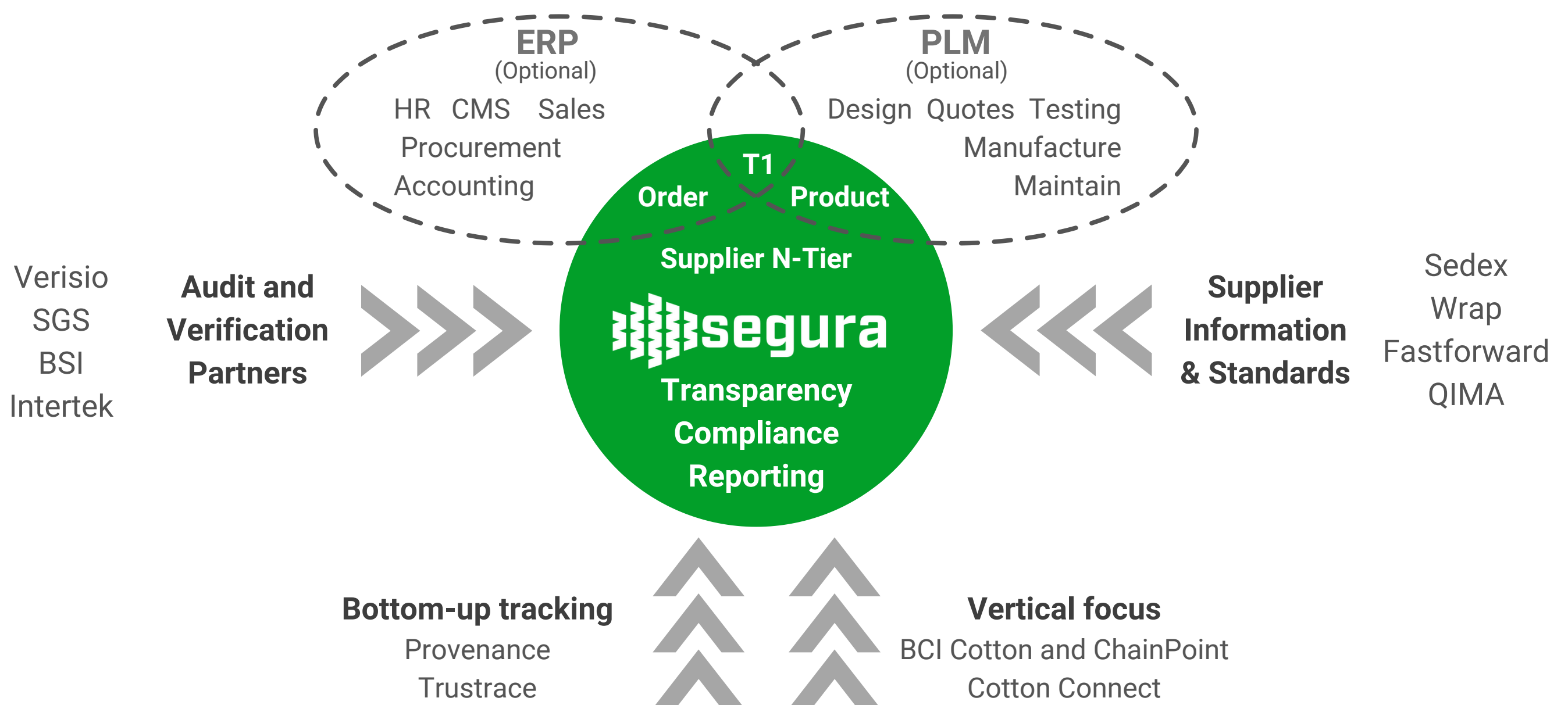
Give wide supply chain coverage of tiers one to perhaps tier four. Again, there are a number of solutions in this space. Some work on systems that request information from suppliers via online forms, while others enhance this by employing call centres to chase suppliers into filling them in. Others work at mapping primary suppliers and using a combination of data analysis and data mining, attempting to uncover further tiers. Typically, they all struggle to get much beyond tier two and certainly nowhere near raw materials.

There are relative merits in all these approaches, but there are huge issues. Critical to this is supplier cooperation. Manual systems and phone calls can prove inconvenient and aggravate suppliers. A supplier can get overloaded with requests for information from existing and potential new clients. How does a retailer or brand convince a supplier further upstream in the supply chain to comply and divulge potentially sensitive information, especially when you consider that the supplier may not even know who the retailer is – their relationship is with the supplier in the tier above them.

So how can a business move forward at pace?

There is no doubt suppliers are suffering from audit fatigue, and information-sharing fatigue is not far behind.

The graphic below demonstrates that no one system or provider offers all of the long-term solutions. It's more of a collaborative ecosystem, centred on the foundational system, that can gradually include partners from around the world.



Segura firmly believes that it is important to start with a central “top-down” system, that has the capacity to robustly map and validate all suppliers in the supply chain from tier 1 to tier N and leverage multi-tier relationships to capture their supplier compliance and standards information.

A system that can then verify this by linking to audit and certification partners, and drawing in data from bottom-up tracking and other vertical systems to provide further validation if required. A system that can establish a chain of custody by order that can robustly tie all the data together, and the flexibility to ‘slice and dice’ all the data specific to a user’s role within the business.

Where is best to start your journey?

Driving Transparency and Compliance

A recommended start point is to gain control and insight into what you already know as you likely have a wealth of supplier data. After all, these (typically Tier 1 suppliers) are the suppliers who are paid directly by the brand or retailer. Import this existing data into one central system. Additionally, enter all currently known tier-two suppliers.

Segura is unique to PLM and ERP systems as this is its natural starting point. If you already have a PLM or ERP solution, Segura is able to take that supplier data, together with any data held on spreadsheets and combine it all together easily into a central system for multiple teams to view and report against.

Through a centralised platform, you will be able to directly request any missing information from the suppliers during the onboarding phase. Any data captured through Segura can also be automatically fed into any adjoining systems that you have, removing the need for manual capture and processes.

Supplier Mapping

Then, by automatically tracing orders and by a process of system-validated declarations (both Segura's special capability), move through further tiers. Your central solution should have the ability to collect and supplement information from suppliers as you go, such as certifications, conflict of interest declarations, and other compliance materials. It's also helpful if the central system automatically alerts and chases suppliers for things like expiring audits and certificates, missing data or outstanding actions. Even better, if these alerts can be configured to automatically trigger specific to a supplier location, product or service type.

This ensures due diligence and compliance information is accurate and up to date without the administrative overhead.

Audits and Testing

Create alliances with audit companies. Audits are an invaluable source of information and accountability. No system can replicate a physical audit. However, care must be taken. Not all audits are the same or as effective and that goes for audit companies as well.

Central collaboration and control

It is important for all audits to be on a central system. Try to ensure data can be automatically imported from them into your own central system so that this data can be quickly and easily analysed and actioned efficiently.

Your central system should ideally be capable of automatically routing audits, corrective action plans and other evidence through workflows and gateways specific to your business operations. Automatic alerts and task lists will help you action them efficiently, enabling you to minimise your risk exposure.

This is critical to ensure you have a holistic view of the state of your supply chain. Information held in different silos can be cumbersome and difficult to interpret.

On this point, you need to ensure your central platform of choice can integrate seamlessly into your existing systems and any new solutions that will inevitably emerge in the future. You can add in vertical specialist and tracker systems once your central platform is set up and running smoothly. This will help you to enhance raw material traceability and reduce risks even further.

Adopting vertical solutions before a top-down solution risks you being strong in cotton traceability for example, but could leave you weak in other areas. Top-down platforms will ensure smoother and broader coverage, with vertical solutions adding further depth.

Central reporting and analytics

You need your finger on the pulse, and wherever possible, in real-time. Once you have a central system collecting data throughout your supply chain, and linking with your other systems, you need to be able to interpret the data quickly and make good-quality decisions. Making decisions with hard facts gives you an infinitely better chance of making the right calls more often.

Recognise that different teams across your business will focus on different data sources and need to 'slice and dice' data in different ways. They will have standard reports they use all the time and ad-hoc analysis requirements. Make sure your central system has the capability to allow users to quickly and easily build their own dashboards and reports to meet their ever-evolving reporting needs. A central system that can also automatically alert key stakeholders to critical data and thresholds can allow prompt intervention.

Segura's platform does all of this with ease, and the information you have at your fingertips can be individually configured for specific roles within your organisation. Critical data can be set up so that responsible roles can be alerted early to potential issues, allowing prompt intervention.

Creating win-wins with suppliers

Once you have visibility in both breadth and depth over your supply chain, you can also target measures that will improve performance.



These need not just be limited to ethics and sustainability. Understanding where your suppliers are and who is supplying what to whom can help you pivot and recover quickly from supply chain disruption. Observing the buying patterns of your suppliers and sub-suppliers will help you identify duplication and tackle any inefficiencies that may exist, or economies of scale that can be gained.

The savings made in this area can be ploughed back into your suppliers in exchange for improvements in their ethical and sustainability performance, creating a true win-win. Also remember, supply chain transparency and compliance will not only protect the retailer's brand, but that of your suppliers.

Conclusion

The landscape of supplier sourcing is changing rapidly and new solutions help to bring more visibility, control and accountability to retailers and brands are constantly growing. Segura's view is that any business should first adopt a central, top-down approach as early as possible in their journey. Map out all suppliers through your multiple tiers, validate the suppliers against each order and leverage supplier relationships to drip-feed data requests through the tiers. Collate all data in a single centralised platform, and link to other systems to provide advanced reporting and collaboration. Automate manual processes and use automatic alerts to realise efficiencies and drive responsiveness.

Once it has been embedded, other specialist solutions can be onboarded, and their value greatly leveraged. Quite the opposite of being overwhelmed by data from unconnected areas when one or more-point solutions are adopted too early in the process.

Traceability and tracking of orders cannot be underestimated. If your platform of choice can track orders between tiers (preferably in real-time), it gives suppliers fewer opportunities to use unwanted third parties or factories in lower tiers that may be sub-standard. Being able to analyse your supply chain through a sophisticated reporting module in granular detail mitigates risk and promotes ethical and sustainable behaviour. It also presents myriad opportunities for cost savings and can help finance the transition to a more sustainable supply. Truly getting a detailed handle on what's happening in your supply chain opens up a world of new possibilities.

What's for certain, in the current climate, doing nothing is no longer an option.

About Segura

This paper is written by Segura Systems, a UK-based SaaS company enabling ethical, sustainable and efficient multi-tier supply chains.

Segura provides multi-tier transparency, mapping, and reporting. Segura sits in the centre of your supply chain management structure and creates a compliant system, working with downstream providers wherever helpful

If you would like to understand why other retailers have chosen Segura as their central platform of choice for Supply Chain Transparency, Mapping, Compliance and Reporting, please contact us.

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