



WHITE PAPER

# How a Next-Gen Sourcing Strategy Increases Agility and Accelerates Time to Market

## Retailers face a dizzying mix of challenges in today's tough business landscape.

Organizations risk delayed delivery of goods to market due to missed handoffs between supply chain partners, freight constraints, blocked ports, labor shortages and inclement weather. Many have experienced difficulty securing consistent access to raw materials and finished goods from their current supplier networks.

And amid an already tricky market, brands must also navigate the growing complexities caused by rising costs, shrinking margins, component and packaging supply chain delays, factory shutdowns and geopolitical conflict.

An analysis conducted by **McKinsey** revealed these concurrent disruptions could decrease retailers' near-term financial performance by **up to 40%**, with the potential to persist at a rate of **up to 20%** if supply chain issues remain unresolved.



As retailers manage widespread sourcing and supply chain disruption, they must also account for and respond to environmental, social and governance (ESG) pressure from consumers, investors and regulators. Maintaining awareness into the many layers of ESG metrics is complicated by the dynamics of material shortages, logistics challenges and supplier instability.

A next-gen sourcing strategy powered by the control tower capabilities of a multi-enterprise platform (MEP) can enable retailers to master the surety of supply, wield greater control over time to market, execute ESG plans and better manage margins and costs.

**In this white paper, you'll learn six key benefits that a modern approach to next-gen sourcing can deliver. We'll also explore how the right MEP can give you a foundation to optimize revenue and increase customer satisfaction, even when market conditions are at their most challenging.**

## 1. Holistic Costing Strategies

A full-featured MEP that includes business process support for everything from design to supplier management and supply chain logistics can help you to leverage historical operations data, purchase order data, bills of materials, and inputs from sourcing and logistics partners. Using that insight, you can develop a better understanding of the estimated landed cost (ELC) of products. By applying this data, you'll also have the ability to instantly and accurately forecast the cost impacts of different design, sourcing and logistics decisions on margins.

With so much information flowing through your organization and its supply chain partners, data gaps can create big problems, particularly around forecasting accurate landed costs. Having all the data you need available for analysis and scenario planning enables you to make the best real-time business decisions. The right multi-enterprise technology strategy offers access to every action, every time stamp, every piece of information you need to identify the most cost-effective actions. You'll understand trends such as product costs over the last several seasons and how supply chain conditions, demand and capacity may affect order fulfillment. And a robust MEP's tools will bring your attention to notable exceptions to those trends and historical perspectives — your team no longer needs to comb through piles of data to anticipate landed cost; it's automatically calculated as you progress through the product lifecycle.

## 2. Digital Twin for Constraint-Based Buying

Brands want to get their products to destination markets at the right level of quality, in the right quantities and on time, but first they must work through many design, sourcing and supply chain constraints. Retailers need to develop an accurate and real-time view of raw material and component availability, production capabilities, the production timeline and current (plus forecasted) progress against logistics milestones so they can make business decisions accordingly.

**48%** of retailers have adopted a strategy to digitize their supply chain



**Another 43%** are planning to adopt a digital strategy



Source: **BDO**

Successfully addressing the list of constraints requires strong relationships with your raw material suppliers and factory connections. For example, a collaborative approach enables you to transmit and assess your consumption plans for each period. In turn, your partners can provide visibility into component inventory, material availability and production capacity for your target timeframe. Consider:

- Does another raw material supplier have what you need?
- Does another factory have the production capabilities to meet your goals?
- Can you replace your original material with something similar that doesn't change the overall aesthetic?

When your needs are greater than the available supplies, or when other constraints exist, you can explore ways to preserve your end goals through alternate arrangements.



### 3. Control Towers for Greater Visibility Across Partners and Processes

In today's environment, "visibility" has transformed into the concept of a control tower. This expanded definition encompasses the wide view of processes and partners that retailers must monitor and continually manage, whether it's sourcing, logistics or other areas within the overall value chain. By having this visibility, companies can predict potential supply chain disruptions and gain control over them with automated workflows that will help resolve the event.

The right MEP connects data systems and delivers real-time, control tower-level visibility and insights across business partners, processes and teams, giving you the ability to:

Proactively manage disruptions



Keep your operations on track



Identify new sourcing partners and geographies



Get early notification of delays in product development projects or raw material deliveries



#### A digital control tower approach can create:

10% improved fill rates



30% reduction in excess inventory



Source: **McKinsey**

Applying the control tower approach enables you to continuously align your execution with your plan. MEP tools that trigger alerts if any element isn't progressing as expected can give you advance warning so you can react quickly, resolve those alerts and implement alternate actions.

## 4. ESG and Data Transparency

Maintaining full data transparency across products, partners and operations gives your business a firm foundation to accomplish key ESG initiatives and make them a prime element in your sourcing strategy. This means you can drive product development capabilities that encourage the use of ethically sourced materials, for example, and enable a deep understanding of the cost implications of leveraging sustainable materials versus traditional material options.

The robust data transparency available through a well-designed MEP also allows you to mature your supplier management capabilities, ensuring partners adhere to ESG certification and inspection requirements. You also can gain the ability to generate digital reporting on ESG adherence. That data not only helps to streamline your internal operations, but it also can help you demonstrate your commitment to your ESG goals.

Consumers are more likely to purchase from companies that stand up for environmental (80%) or social (76%) issues.



Source: PwC

Implementing a control tower view into your sourcing strategy means you can more accurately measure environmental and other impacts of internal and partner operations. With solid information at hand, you'll understand how well your actions are tracking against your ESG plans, and you can adjust your approach as market conditions and other factors evolve. Timely and transparent data gathered and analyzed through a comprehensive MEP gives you the ability to bake ESG initiatives and metrics into your core business processes and goals.

## 5. Agile Purchasing

Early insight into raw materials, production capacity and finished goods needs via order commitments with suppliers gives retailers a host of critical advantages. With the order flexibility and supplier visibility provided by an MEP, you can also push final product decisions — sizing, color, tagging, packaging — closer to production kickoffs. This allows your team to monitor market demand so you can adjust the final deliverables based on these inputs.

A control tower view also enables strong collaboration with suppliers throughout the order and change management process. Rather than being held to a rigid plan, your business benefits from the most accurate and up-to-date information on cost, capacity, constraints and demand.



### What if a key supplier anticipates challenges fulfilling a full order?

They can inform your team early, allowing you to make necessary changes or take other actions to avoid delays and deliver the right product to market.

The right MEP puts agility at the foundation of your sourcing strategy. More flexible ordering, access to planning data early in the process, robust teamwork across your supplier and partner bases — the result is the coveted ability to make commitments at the right moment, using better information to make smarter decisions.

## 6. Supplier Diversification

Part of maintaining resiliency in today's shifting retail landscape is the ability to stand up new suppliers and new supplier geographies quickly. Your business needs to remain resilient amid dynamics such as local raw material shortages, geopolitical conflict and trade wars in key regions. Often, these challenges occur simultaneously. When that happens, having a wide range of options within your supplier network — whether it's agents, factories, mills or other sources of raw materials — is critical.

Unfortunately, executing these diversification efforts while also properly vetting and onboarding suppliers against quality and compliance requirements can become unwieldy as the layers of scrutiny grow.

An MEP designed around the dynamic and detailed modern retail supply chain can manage that data for you. Placeholders are available for all the different actors along the way, and you can set up relationships between them to reflect your workflows. You can then collate certifications and other documentation for vendors, and maintain awareness and corrective action if any data is missing or out of date.

## Next-Gen Sourcing in Action

### American Eagle

Supply chain transformation is a strategic priority for apparel brand American Eagle. Targeted investments and improvements helped to build resilience and enabled the retailer to swiftly respond to the pandemic's business challenges and disruptions.

Implementing the control tower visibility of a robust MEP helped the brand remain resilient despite strong headwinds. By getting a deeper understanding of customer demand across channels, American Eagle and its suppliers now work collaboratively toward their production and fulfillment goals.

With the power of an MEP, American Eagle now maintains a 360-degree view of the supply chain and uses that control tower view to analyze cost, plan and source across multiple channels, optimize fulfillment operations and capitalize on market opportunities. As a result, they've:



- Increased delivery productivity
- Enhanced productivity and sell-through of store inventory
- Placed products in the optimal channels and locations
- Improved supplier diversification to leverage different ports and deliver goods cheaper and faster
- Aligned consumer demand with capacity to deliver on-trend products



## Get a Better View of Your Supply Chain

The right MEP gives retailers critical control tower capabilities to help drive their next-gen sourcing strategies and ensure their supply chains are healthy, resilient and agile. Key datasets, powerful analytics and early warning tools keep your team ahead of trends and aware of potential issues. And with visibility into every aspect of your sourcing operations, you'll have better control over costs, time to market and the surety of supply.

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