5 Steps for an Effective Retail Vendor Compliance Program
How Retailers Can Reverse the Stigma

In a complex B2B landscape filled with delays and disruptions, retailers are often fighting against a number of challenging supply chain and logistical issues. Those who are unable to hold their suppliers accountable risk lost sales, process delays, and increased shipping costs. Even though vendor compliance programs garner a bad reputation in the industry, when they’re done with a clear focus and a well-thought out plan, they have the potential to dramatically improve communication with suppliers, optimize your supply chain, and maximize profits.

You just have to know where to begin.
A top priority and main goal of any retailer’s vendor compliance program should be to improve their current supply chain and logistics operations—but it doesn’t have to be the only one. It’s no secret that your suppliers and manufacturers are never thrilled to be hit with fines and fees (even if they failed to live up to your contract), so why would you want to further fracture that relationship? It’s not to say chargebacks are never warranted, but they should be done with a clear end game and purpose in mind.

Improving metrics like shipment accuracy, fill rates, and late shipments should all be at the top of your list with an overarching goal being to foster and improve the relationships with your vendors. It’s also important to determine what other objectives and KPIs you want to achieve from a vendor compliance program. Do you hope to gain a competitive edge from implementing it? What sort of tangible benefits (improved supply chain performance, maximize chargebacks, catch errors before they cost you money, improve data consistency and accuracy) do you wish to accomplish? These are all important to map out before putting your program into action.
You need to ensure that all departments (IT, finance, distribution, transportation, etc.) have everything they need to be successful. If you already have an internal group that deals with vendor relationships, then you’re already ahead of the game. Make sure they’re “all in” on the process from the very beginning so there’s no confusion later.

Also, ensure that your team members have the necessary resources to be proactive and actually solve problems on their own. Do they have the ability to search, review, and interact with supply chain data in real-time? You will need a software solution that ensures full visibility into your supply chain, so that key personnel at all levels can proactively identify and analyze the root cause of inaccurate shipments, price discrepancies, and other issues that undermine vendor performance, create friction in relationships with vendors, and create costly headaches.

Start looking outward to improve relationships with contacts at your key suppliers. Initiate a meeting at their warehouse and ask to walk through their shipping process so you get a firsthand look at how they achieve timeliness and accuracy in their shipments. Schedule quarterly phone meetings or workshops where you discuss your document processing schedule and compliance process changes. As with any business relationship, it never hurts to put some effort into getting to know your partner’s compliance team organically.
This is a critical step in your vendor compliance program. Without defining what metrics you’ll be tracking and how to measure success, you’ll never know how much (or little) improvement you’re making. Having the first step in this process mapped out (develop goals) will go a long way in helping you determine the metrics you need to track.

For example, when you’re diving into your supply chain, what specific areas do you wish to measure and ultimately improve upon? What are your KPIs you will be tracking? Fill rates, lead time, on-time shipments? Or perhaps it’s accurate advance ship notices (ASNs) and invoices to improve the data in your WMS and finance systems?

Once those are determined, it’s critical to communicate with your suppliers to ensure they understand your KPIs and your expectations on them as a supplier to minimize non-compliance. It’s in the best interest of you and your suppliers to ensure you’re all on the same page.
Identifying the scope of your compliance issues, creating a budget, and strengthening your in-house compliance team and auditing process are all crucial steps towards improving supply chain performance and communication with your suppliers, but without the right technology you will be at a severe disadvantage.

When shopping for a solution, start by looking for platforms that can be used by all team members regardless of their technical background. There are solutions that enable you and your team to get the answers they need, instantly. This is critical because when your supply chain data is accessible in real-time, in an easy-to-understand format and users have access to effective pre-configured tools, they will naturally make smarter decisions.

Collaboration is key, throughout all in-house departments, as well as beyond the walls of your organization. Look for a solution that your business partners can access, too. Having a tool that can be a self-service portal for your suppliers and allow them to obtain reports and key information on what’s not working and how to fix it is just as important.

The system you select should offer full order lifecycle visibility from PO to invoice so that users can easily identify, prioritize, and analyze the root cause of problems in just a few clicks. Having a data visualization tool to break down complex data into easy-to-read insights will help users take corrective action, improve communications, and ultimately reduce chargebacks.
The issue with many retail vendor compliance programs is that once they’re launched, there’s not much follow-up or internal auditing in the weeks and months to come. You can avoid the same mistake by scheduling regular check-ins that include goal tracking, where the program is lacking, and actions to take for improvement.

The key is to be brutally honest in reviewing your compliance program so you can take the necessary steps to optimize it going forward. This checkpoint can be conducted either quarterly or semi-annually, but just make sure it happens and is attended by key stakeholders within different departments of your organization so you’re obtaining the most holistic view of the entire process.
Ready to take charge of your supply chain and logistics?

With the right software and a little bit of guidance, you can integrate a modern retail vendor compliance program and start improving supply chain performance, enhancing communication with suppliers, and protecting your profits—and we can help.

Meet Syncrofy for Supply Chain

Designed with non-technical users in mind, SSC provides full supply chain visibility and actionable insights from day one—no need to configure, map, or develop a specialized data warehouse. SSC calculates fill rate and lead time for both orders and shipments and reconciles invoices against POs, shipment documentation, and receipts to identify quantity and price discrepancies. Not only are you empowered to make smarter, better-informed decisions, but you’ll be able to monitor and compare suppliers on KPIs to improve your order fulfillment accuracy and timeliness, prevent stockouts, and achieve an ROI up to three times your initial investment.

What else is SSC capable of?

To learn how SSC can help you take back control over your supply chain, visit www.coenterprise.com/solutions/syncrofy_supply_chain/

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