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- **Bob Kaiser**, Hi-Tec's chief financial officer.

Hi-Tec Sports HI-TEC®

Cuts Purchase Transaction Costs 75%

Hi-Tec Sports USA, Inc. is a leading footwear manufacturer that distributes over 1.5 million pairs of shoes each year nationwide. Founded in 1978 in Modesto, California, the company is one of nine international subsidiaries of privately owned Hi-Tec Sports of Britain. The Hi-Tec group comprises a multi-million dollar global footwear enterprise that distributes seven million pairs a year, in 76 countries and is one of the top 15 athletic shoes companies worldwide. The group was founded in 1974 by Frank Van Wezel.

Hi-Tec Sports USA founded the lightweight hiking boot category in 1983, when it introduced the Sierra Lite, a boot that provided athletic, 'sneaker' comfort combined with the durability and functionality of a hiking boot. The company is heavily involved in the sponsorship of competitive adventure sports popular with its customers. Hi-Tec also manufactures the Magnum range of lightweight service boots that provides athletic comfort.

In the USA, Hi-Tec contracts over 50 independent sales representatives to place Hi-Tec and Magnum footwear in approximately 10,000 retail outlets, including sports goods and department stores, specialty stores for outdoors activities, military outlets and Hi-Tec's own retail outlets in northern California.

Excellence in design and marketing are not enough, however – Hi-Tec needs to be master of the supply chain that moves products and payments around the world to give customers the right product at the right time and the right price.

Coping with pressure from retailers

The customer is king in the sport shoe market, and the supply chain moves every time a new pair is purchased. The retailers scan product bar codes at the point of purchase, and this data generates a customer receipt, updates the inventory database and triggers the start of the process for purchase orders for Hi-Tec to ship more stock. "From the logistics standpoint, the retailers put pressure on us to improve every element of the pre-retailing supply chain, and we in response are constantly improving our links with manufacturers. TradeCard is a big aspect of automating that part of the supply chain," said Bob Kaiser, the company's chief financial officer.

Hi-Tec Sports USA uses three main supply factories in China and one in Vietnam. "We order the consignments of shoes three to four months in advance from the Asian factories. It takes that long for manufacturing and shipping to the west coast of the USA," says Kaiser.



TradeCard Case Study Hi-Tec Sports

Challenges

- Footwear retailers demand faster, more responsive replenishment
- Need to reduce cost of transactions with suppliers
- Reduce supply chain inventory, while staying responsive to retail demands
- Cut the use of time-consuming, error-prone and expensive paperwork for financial transactions
- Need to find secure online payments
- Reduce credit line needed to cover inefficient LCs

TradeCard Solutions

automate global trade transactions over the Internet.



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"Our initial savings from adopting TradeCard in the past year are significant and if we completely replace LCs, the total savings will be about 0.9% of the FOB purchase price."

"Our purchases were split about 50/50 between Letters of Credits and open account trading. With the LCs, we struggled through the old process of opening LCs and working through banks and it was very labor intensive."

Why Hi-Tec chose TradeCard

Up to 90% of LCs had discrepancies that took days to resolve, and like open account transactions, they were heavily dependent upon unreliable and expensive paper-based systems and so, during 2001, Bob Kaiser began to look around for online alternatives.

Security was one issue, said Kaiser: "We had our engineers take a look at the TradeCard system and ultimately everyone was satisfied that it was secure."

After evaluating the alternatives, a decision was made to go with TradeCard: "Only two companies were offering a complete trade transaction management system based on purchase orders and compliance. One offering was TradeCard and the other company was so far behind TradeCard that it was not an option," said Kaiser.

Getting supplier buy-in

Hi-Tec began implementing the TradeCard system in February 2002. The first supply factory had already used TradeCard with another customer, so it accepted the system immediately. The second factory had not heard of TradeCard, and was unclear about the benefits, said Kaiser. "I went to Asia, along with the TradeCard representative, and we met with the factory owners and assured them it was a good process. Then we did some tests and ran some purchase orders and they accepted it," he explains.



"For our suppliers with factories, adopting TradeCard is a win-win situation, since it involves the use of less paperwork and lower labor costs, so the only obstacle is for them to get used to the new technology," added Kaiser.

Furthermore, online global trade transaction management systems are crucial to factories, because they offer predictable payments times, cheaper credit, payment protection and closer relations with their customers. Already Hi-Tec has excellent relationships with its small group of suppliers, says Kaiser: "TradeCard is an added enhancement to those relationships, providing cost savings on transactions, and a tighter and more predictable financial supply chain."



TradeCard Case Study Hi-Tec Sports

Solutions

- Adopt online transactions, from purchase order to payments
- Adopt TradeCard global trade transaction management system
- Introduce TradeCard to suppliers
- Aim to automate 100% of volume within two years to maximize benefits



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Reducing transaction costs

"The TradeCard trade transaction system was used for one third of Hi-Tec's shipments in 2002. This figure is expected to increase to two-thirds in 2003, and by 2004 to close to 100%.

Whereas the LCs cost on average 1.25% of the transaction value, TradeCard has reduced this to one third of a percent. Our initial savings from adopting TradeCard in the past year are significant and if we completely replace LCs, the total savings will be about 0.9% of the FOB purchase price," says Kaiser.

One major advantage is the freeing up of credit lines. "Every time we opened an LC, the bank would reduce our credit line by a corresponding amount, but with TradeCard, there is no contingent liability on the bank, so our credit line is unaffected by our purchases going through the TradeCard platform. The credit line necessary just to cover LCs was about \$15m, and this figure has been reduced to about \$7m using the TradeCard system."

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TradeCard helps cut inventory

In the future, Hi-Tec will continue with the automation of the financial supply chain. "The retailers are pushing us to make smaller, more frequent deliveries, to enable them to reduce their inventory, and yet have more products readily available. We also want to reduce our inventory and have more products available to ship, and achieving this goal requires a partnership between us and the factories in the Far East. One of the things that help us to do that is TradeCard", says Kaiser.

Now that the TradeCard system has been proven in practice, Kaiser will present it to the other Hi-Tec subsidiaries. "There's no question that adopting TradeCard was a good decision and TradeCard has become an integral part of our future," says Kaiser.



TradeCard Case Study Hi-Tec Sports

Results

- Transaction costs down 75%
- Supply chain inventory down, but full product range maintained
- Paper documents eliminated for purchase orders and payments to two out of three suppliers
- LCs are progressively being replaced, freeing up credit lines
- Tighter links and improved relations with suppliers who are gaining greater visibility into each transaction



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About TradeCard

TradeCard is the only end-to-end financial supply chain service provider that enables transparent commerce among global trade partners over an open, secure and neutral network. For the first time, buyers and sellers can manage transaction workflow with complete visibility into purchasing and financial transactions, from order to settlement, resulting in optimized cash flow and credit lines.

With TradeCard, global trading partners can realize unprecedented value from the financial supply chain including immediate cost savings, improved partner relationships and shortened trade cycles. TradeCard offers the most expansive network of extended trade services including export and vendor financing, payment assurance, money movement and inspection. This range of offerings makes TradeCard a proven alternative to traditional paper-based, expensive and labor-intensive trade settlement methods. Headquartered in New York City, TradeCard, Inc. has offices in the San Francisco Bay Area, Hong Kong, Taipei, Seoul and Tokyo. TradeCard is a registered trademark in the United States and elsewhere throughout the world. TradeCard is located online at www.tradecard.com.



TradeCard Case Study
Hi-Tec Sports

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