

L.I.T. TOOLKIT



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by Merrill Douglas

Snowboarding gear manufacturer Burton bails on its freestyle WIP reports and launches a visibility suite that sticks.

Burton Brings Vendors On Board

On a brilliant day, from the top of a mountain slope, snowboarders can see for miles. But for the staff at Burton Snowboards who monitor production of snowboards, boots, jackets, and other high-performance Alpine gear, the view has been far less expansive.

Based in Burlington, Vt., Burton relies on suppliers in Asia, Europe, and North America to manufacture what amounted to 56,000 SKUs in fiscal year 2006. Vendors send work-in-progress (WIP) reports, "but they all use different formats," says Carolyn Rainville, the company's director of sourcing.

Burton has tried to get suppliers to use standard formats for the WIP reports they e-mail to the purchasing group, but not all comply. And that causes problems.

"Because of the different formats, the information contained in the reports is sometimes hard to read," Rainville says. "And some of it simply isn't complete." Incorporating that data into Burton's information systems thus becomes an awkward process.

That's all due to change as Burton

begins to implement *SourceView*, a suite of visibility functions available through the TradeCard platform offered by TradeCard Inc., New York City.

TradeCard is a hosted, web-based business environment for managing transactions between companies and their suppliers. It focuses on three areas of activity: financial transactions, sourcing, and logistics.

The financial transactions are the functions TradeCard has offered the longest. Using TradeCard, a company can: place an order with a vendor; monitor that order to make sure the vendor complies with all its terms, such as quantities, shipping dates, and inspection certifications; negotiate and make changes to those terms; and, when all conditions are met and the buyer accepts the goods, close the order with an electronic payment.

On the date that the purchase order stipulates, "assuming no discrepancies were found and the buyer has approved the invoice, the system pulls money from the buyer's account and delivers it to the seller's account," says Marshall Gordon, senior vice president, TradeCard.

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Burton matched its high-octane snowboarding gear with a high-performance system for managing vendor work-in-progress reports. By implementing SourceView from TradeCard, Burton replaced manual letters of credit and integrated financial data with its SAP system.

Among other benefits, this automatic payment feature provides a substitute for letters of credit (LC), the mechanism buyers often use to guarantee payment to overseas suppliers. It was this feature that originally attracted Burton's treasurer.

Vendors, especially those in Asia, like LCs because the payment guarantee helps them secure financing to buy materials. But using an LC consumes a lot of time and money.

"To open an LC, you pay a fee to the bank. To draw on it, you pay a fee. To change it, you pay a fee," Rainville says.

It's also hard to track those paper documents through the LC process. "Are they in the carrier's system? Are they at the bank? Are they being processed by the bank or are they sitting on someone's desk?" Rainville asks.

When TradeCard's automated payment system replaced letters of credit, these uncertainties disappeared.

Burton implemented TradeCard in early 2004, phasing it in gradually

with its vendors. By the end of 2007, it expects 90 percent of vendors to be operating on the system.

Once its main financial processes were up and running, Burton started working with TradeCard to meet some special needs. One was to integrate TradeCard with its SAP enterprise resource planning system.

"Instead of having a Burton employee manually key in information, it is automatically fed from TradeCard to SAP," Rainville says. When, for example, TradeCard receives an electronic packing list from a vendor, summarizing shipped items by style, size, and color, those details now transfer to SAP automatically.

EARLY PAYMENT

Burton's finance group also took advantage of TradeCard's early payment program. Under this program, Burton has the option of purchasing the accounts receivable at a discount from its vendor or Burton can use one of TradeCard's financial service part-

ners to fund the program. In the latter option, the buyer makes its payment at the time stated in the invoice and the TradeCard Platform routes the funds to the financial services provider.

The financial services provider bases its decision to purchase the accounts receivable on the buyer's ability to pay since the TradeCard Platform mitigates the vendor performance risk with its compliance engine, which confirms that the vendor has complied with the order. And since the buyer's credit rating is typically stronger than the seller's, the discount is smaller than if the vendor were seeking this service without the benefit of the TradeCard Platform. Suppose, for example, that a manufacturer in Turkey is shipping to a Fortune 100 brand owner or retailer in the United States. The U.S. customer, with its strong credit rating, probably pays about 6.5 percent to borrow money.

"But that factory in Turkey might be paying 13 percent at its local bank," Gordon notes. TradeCard lets the factory leverage the buyer's credit. With

lower borrowing costs, the supplier can, in turn, charge the buyer less for its products.

Burton currently offers a self-funded early payment program to vendors to reduce cost of goods sold.

A VIEW OF ORDERED GOODS

The *SourceView* suite, which TradeCard introduced last year, taps the same transaction data as the financial suite to let buyers track the progress of their ordered goods. Burton began using it in February 2007 with a select group of vendors, and has plans to roll it out to the rest once it works the bugs out.

For each order Burton places with a vendor, *SourceView* uses the purchase order data to create a WIP form. When the order status changes—as jackets move from cutting to sewing to packing, for example—the vendor uses a web interface to add the new data.

Burton employees enter milestones that the vendor must meet. “Suppose we want some styles to start cutting on May 1,” Rainville says. “We can schedule an alert if the vendor hasn’t committed to ‘May 1’ by a certain date. With hundreds of styles across all our product categories, it’s much easier to deal with an exception than to look through every Excel spreadsheet to make sure vendors are on time.”

Once it gets *SourceView* up and running, Burton will know about possible manufacturing delays much sooner.

“If vendors don’t have fabric, for example, you know they won’t meet the scheduled time for goods to exit the factory,” Rainville says. “*SourceView* will enable us to be more proactive and give better information to our customer service group, which can then provide better information to our dealers.”

Besides getting bad news sooner, Burton can also use the information to reduce the impact of a delay. It might, for example, ask a manufacturer to change its schedule to complete a dif-

ferent, better-selling product ahead of one experiencing problems.

Burton tentatively plans to add two other *SourceView* functions as well: “A scan-and-pack system that can generate UCC labels at the factory level, and a system to generate vendor scorecards,” Rainville says.

Following on the heels of *SourceView* this year will be a new set of TradeCard functions focused on the company’s third area of interest, logistics. TradeCard can already manage financial transactions with third-party logistics providers just as it does with vendors of goods. Starting in early 2007, it will offer visibility to goods in transit,

similar to the work-in-progress visibility it provides through *SourceView*.

In June, TradeCard will add a freight compliance component. This will compare an electronic freight invoice to the terms and conditions in the original freight contract—in effect performing a freight payment audit in advance.

“Today, ‘freight compliance’ is a reversal of the transaction after the error has been made,” Gordon says. Either someone has to spend time tracking down errors, or errors go unnoticed and the shipper may pay too much.

Because the TradeCard system contains freight contract and invoice data, it can locate discrepancies and bring them to the attention of the freight company before presenting the invoices to the shipper. “It’s not just a matter of auditing after the fact; it’s the ability to eliminate the problem before it even exists,” Gordon says.

Burton doesn’t use TradeCard to conduct business with carriers or 3PLs now, but the company’s transportation group might investigate that option, Rainville says.

PROVIDING TECH SUPPORT

Another thing Burton likes about TradeCard is the fact that the company provides in-person support to its overseas suppliers. “It’s one thing to tell your vendors to implement a new information technology system,” Rainville says. “But unless you’re there with them all the time, providing support can be difficult.”

From its offices all over the world, TradeCard can send employees to train Burton’s vendors in Asia and Europe and help them with the system on an ongoing basis.

TradeCard’s *SourceView* suite provides Burton with a clear view of vendors’ work in progress, eases the uncertainty of locating paper documents, and automates data transfer. And that’s no snow job. ■

