



U.S. retailer launches global supply chain capability in record time

Keys to Success

Change Requested

Help to execute a strategic mandate to develop a new global supply chain capability, with a six-month deadline

Change Envisioned

Conduct all work necessary to plan and forecast demand, and to procure, import, distribute and sell tens of thousands of products from overseas suppliers

Change Achieved

Conducted four separate work streams focused on procurement, customs, distribution and systems development to successfully stand up and launch the new capability on time.

The Big Ask

Even under normal conditions, creating a global supply chain capability from scratch is a complex and grueling endeavor. When a large U.S. retailer made a strategic decision to develop this ability — which included securing new overseas suppliers for tens of thousands of products, satisfying all customs requirements and creating a nationwide distribution capability — in less than six months, the clock began to tick on a monumental challenge.

The company's ambitious plan called for extending its business into parts distribution, in addition to finding lower-cost sources for the parts it already sells. Those parts, well over 100,000 in total, were previously procured from U.S.-based trading partners whose own sourcing, importing and distribution costs added significant premiums to the price tags. The profound shift in procurement and supply chain strategy represented a perceptive move by the company to proactively address shifting consumer behavior and declining sales while generating an additional \$100 million in gross profit.

For help with this undertaking, the company partnered with Protiviti. Factors in this selection included Protiviti's demonstrated past success with similar engagements, domain expertise, and reputation for a hands-on approach to problem-solving and working collaboratively with client teams to make change happen. While others estimated a timeline of at least 18 months, and probably closer to two years, Protiviti offered a different take: *It can be done.*

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Work Stream 1: Procurement

Protiviti separated the work into four streams, with expert teams assigned to each. The first stream focused on procurement. Activities included identifying and scrutinizing new suppliers, selecting and prioritizing the purchase of parts, and providing training to customer care and sales staff in multiple service locations.

Protiviti's procurement experts conducted due diligence on several suppliers in the Asia-Pacific region. Since these were new vendors, the team conducted extensive validations of their product quality and ability to deliver on time. Once these validations were completed and the suppliers were selected, a company team augmented by Protiviti procurement experts negotiated contracts, set up letters of credit and got ready to create purchase orders.

Next, the team prioritized purchases. From a list of 110,000 parts, the team chose 13,000 that had the highest demand and were least likely to create intellectual property and patent risk. The first tranche of products was distributed to half of the company's 16 U.S. markets, to be followed by a rollout of several additional groups of products and distribution to the rest of the markets.

Simultaneously, the procurement team developed custom forecasting and planning tools to be used until more mature systems could be implemented. Additionally, training materials were developed and delivered to sales professionals in all of the company's service centers. The training focused on knowledge of after-market products, prices and quality, and learning new commission structures.

Work Stream 2: Importing and Customs

A second Protiviti team set out to formalize the importing process and address a wide range of customs requirements. These requirements were new to the organization, which had not previously sourced from outside the U.S.

At a high level, it was crucial for the company's managers to recognize that the U.S. government views importing as a privilege, not a right. Maintaining this privilege requires an understanding of and adherence to an extensive collection of exacting rules concerning product classifications, documentation submissions and the timely payment of all tariffs. A clerical error related to a single product could result in customs officials flagging all of the company's imports.

Given this substantial risk, the Protiviti customs team took great care to examine a massive tariff schedule in excruciating detail. The team classified

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all of the parts to be imported according to the tariff schedule, set up all required paperwork, and worked with a freight broker to manage the logistics of transporting products from overseas ports to the U.S. The team also provided guidance on the optimal ports to use from a logistics perspective, which related to the third work stream: distribution.

Work Stream 3: Distribution

Finally, a third Protiviti team tackled the challenge of distribution. Although distribution is intrinsically process-intensive, this work also included heavy technology and people components (i.e., training). Given the effort's tight time frame, the company opted to outsource distribution to a fourth-party logistics provider (4PL), who would manage third-party logistics providers (3PLs).

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After an extensive review of the RFPs, the company selected a 4PL, conducted the negotiations and finalized the contract. The Protiviti team developed specifications to ensure that the 4PL's facilities would meet the projected parts demand in each market. They also helped train the distribution center staff on all management processes for the company's products, from both an inventory and a sales perspective.

Protiviti also led the effort to align the IT functions of the company and the 4PL provider to ensure the two systems could work together. This systems integration required several tricky application program interfaces (APIs) as well as vigilant attention to data management and data quality.

Work Stream 4: Systems Development

Lacking enough time to select and implement an off-the-shelf system to support the new business, the company drove an effort to build system capabilities internally as a near-term solution. The plan was to expand current system capabilities and functionality and leverage the capabilities of supply chain partners through integration and customizations. Protiviti

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assumed responsibility for tying all components of the project together into a cohesive and coordinated plan. The Protiviti team supported the system development by defining and documenting requirements, defining test scripts and participating in user acceptance testing activities, supporting legacy data cleanup and migration, and documenting procedures within the new systems.

Timely Completion and a Big Boost to the Bottom Line

Protiviti's estimate on timing was spot on: The new capability launched in less than six months. Following intense weeks of comprehensive, around-the-clock work, 99.9 percent of the products that the company ordered from its new overseas suppliers cleared customs, were transported to the distribution centers and, from there, delivered to service centers in the initial eight markets in accordance with the original schedule. At the end of the project, distribution to 11 of the company's 16 U.S. markets was complete.

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