THE ULTIMATE SUPPLIER ONBOARDING PLAYBOOK

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This guide includes 7 strategies for overcoming common vendor onboarding obstacles.

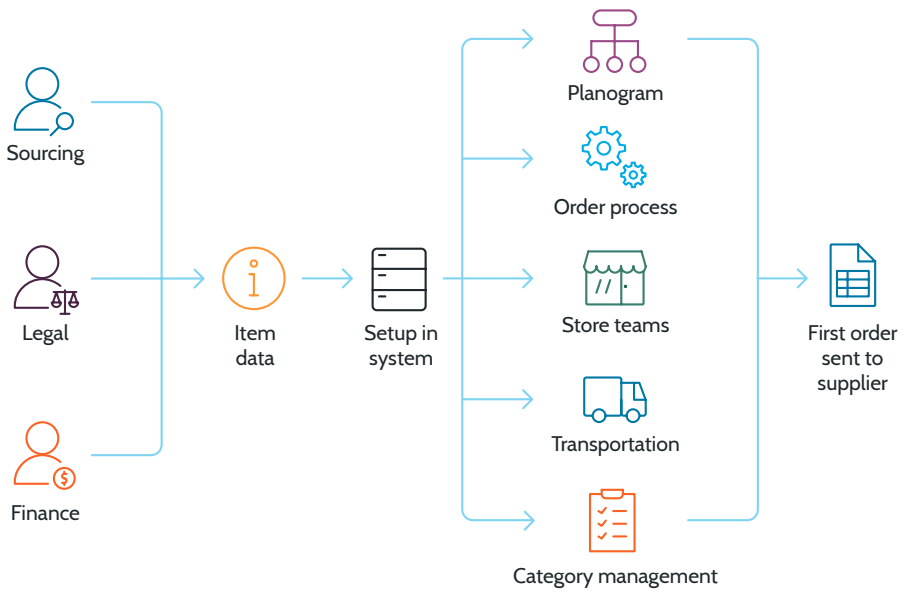
Today's consumers expect more from their shopping experiences, and as a result, retailers are asking more of their suppliers and other trading partners. As consumer expectations rise and order fulfillment complexity increases, supplier onboarding has become more important than ever.

But partnering with a community of hundreds, or even thousands, of suppliers to consistently deliver a seamless consumer experience is no easy task. Often, poor documentation, misalignment and confusing communication hinder success.

What is supplier onboarding?

Supplier onboarding is the process by which buying organizations (such as retailers, grocers or distributors) integrate a new supplier into their operations or change how they work with existing suppliers.

The onboarding process involves cross-functional collaboration between multiple departments, including sourcing, merchandising, legal, finance, store teams and supply chain. Onboarding suppliers includes a range of activities such as setting up items, registering the supplier in the organization's systems, establishing an efficient order process and arranging transportation.



Why is supplier onboarding important?

Effective supplier onboarding empowers buying organizations to shift their focus from tactical aspects of working with suppliers to strategic activities such as enhancing customer experience and driving sales growth. The buying organization can be relieved of concerns about activities like whether items are set up correctly, if suppliers are receiving and filling orders or whether orders are fulfilled completely and accurately.

By integrating their systems and processes with suppliers, buying organizations work with suppliers in a consistent way that aligns with their goals. After the supplier is onboarded, the buying organization gains access to critical data, which serves as the foundation for making informed decisions and optimizing supplier performance.

This guide specifically addresses the role of information exchange in supplier onboarding, which is one aspect of the onboarding process.

1. Define your goals

The first step in supplier onboarding is defining the goals for your initiative as well as the related business outcomes you hope to achieve. Here are some goals that a supplier-onboarding initiative can support:

- Introduce new order fulfillment capabilities, such as drop-shipping or cross-dock.
- Improve order fulfillment performance in areas such as order completeness and ship timeliness.
- Onboard a larger percentage of trading partners to electronic trading requirements.
- Reduce or eliminate trading partner backlog.
- Achieve higher supplier compliance with electronic trading requirements.

Align onboarding goals with corporate initiatives, clearly articulating the value proposition for both your organization and suppliers.

2. Segment your suppliers

Every retailer segments its suppliers differently. Here are some common segmentation methods:

- Volume
- Product line (such as grocery vs. soft lines vs. hard lines)
- Domestic vs. import
- Seasonal vs. ongoing

Retailers must determine which suppliers to partner with in each segment as well as relative priorities within each segment. In addition to onboarding suppliers, many retailers also have trusted relationships with third-party logistics (3PLs) or warehouses, factories, sourcing companies and other trading partners.

Onboarding all trading partners in the extended supply chain strengthens the impact of the enablement program.

3. Determine fulfillment models

Retailers fulfilling orders across channels need a mix of order management models to address their specific needs and challenges. The planning process involves defining which order fulfillment models will be included in the supplier onboarding program, whether that means improving the performance of an existing fulfillment model or adding a new fulfillment capability.

Popular fullfilment models as well as their definitions are listed in the below chart:

Model	Definition	Why it's used
Ship to distribution center — warehouse	A supplier ships domestic products to a retailer, distributor or grocery organization's distribution center (DC) or warehouse.	• Cost savings • Better organizational inventory management • Risk mitigation
Ship to distribution center — cross-dock	A supplier ships domestic products to a retailer, distributor or grocery organization's distribution center (DC). The supplier has packaged the inventory for pre-allocated store locations.	• Reduced inventory and handling costs • Faster delivery
Supplier direct to consumer (drop ship)	A supplier ships directly to an end customer of a retailer, distributor or grocer. The customer experience is the same as if the retailer, distributor or grocer fulfilled the order themselves.	• Low startup costs • Reduced inventory risk • Wider product catalog
Ship to store	A supplier ships domestic products directly from a supplier to a retailer, distributor or grocery organization's store(s) and/or branches.	• Faster replenishment • Better store-level inventory management
Import	A retailer, distributor or grocer works directly with international suppliers/ manufacturers to manage commitment, allocation, transportation and customs clearance of the goods.	• Cost savings • More control of full supply chain • Enhanced competitiveness and profitability
Direct store delivery	Manufacturers or suppliers manage inventory at a store level on behalf of a retailer or grocer and have products delivered directly to those stores, bypassing distribution centers or warehouses. Inventory is owned by the retailer or grocer but managed by the supplier.	• Freshness and quality • Reduced inventory levels • Merchandising support • Quick response to demand

4. Define information to be shared

Your business requirements and fulfillment models determine what information needs to be shared with suppliers, carriers and other trading partners. Common information exchanged in a supplier enablement program includes:

- Forecasts
- Inventory information
- Item data
- Orders
- Acknowledgements
- Ship notices
- Invoices
- Business analytics

The supplier onboarding process allows retailers to standardize information exchange with suppliers so that they share a common language for these business documents and processes.

Develop a comprehensive supplier guide that outlines all aspects of doing business and exchanging data with your organization, including initial setup requirements and ongoing processes.

5. Staff accordingly

Supplier onboarding programs often overemphasize technology at the expense of relationships. Although technology is important, managing supplier relationships is critical. Building strong, collaborative supplier relationships requires active involvement from merchandising, finance, IT and supply chain leaders.

Successful supplier onboarding also requires dedicated resources. Even for a small community of 200 suppliers, a team of 20 to 30 people may be required to manage the initial spike of onboarding activity.

Implementing a supplier onboarding initiative is a focused and extremely time-intensive project that can be unrealistic for an internal supplier management team to handle. As a result, many retailers rely on a supplier onboarding partner to help facilitate the effort in the desired timeframe.

A full-service supplier onboarding team will develop the messaging for the supplier onboarding campaign, analyze the capabilities of the supplier community, develop a rollout plan, conduct supplier outreach, test and certify suppliers, and provide ongoing support.

6. Use a non-exclusive approach

When it comes to onboarding suppliers, retailers need to get the data they require while allowing their suppliers to choose the solution that works best for them.

Some suppliers have been exchanging electronic data using EDI, XML or other methods for a long time with many other retailers and, therefore, will want to extend the system they already have. Others, who don't already have an electronic document exchange system in place, need a quick and easy way to get up and running.

For suppliers that already have a system, a one-time testing effort is ideal. This effort requires a test environment of the retailer's production system that is made available to suppliers. Testing should validate syntax, content, workflow, business processes, labels and network connectivity.

For organizations that don't have a system or don't want to use their existing system, full-service EDI solutions that have been pre-certified with the retailer are a low-risk and proven choice.

Full-service EDI solutions allow suppliers to exchange documents electronically without investing in specialized hardware, software or staff.

7. Ongoing change management and improvement

After launching the onboarding project, retailers need to remain focused on ensuring suppliers continue to complete all required transactions and send all necessary data.

At this point, retailers should consider scorecarding suppliers. Common elements of a supplier scorecard include order accuracy, shipment timeliness, fill rates and EDI compliance.

Establishing a culture of accountability and open communication with suppliers encourages the right behaviors and partnerships that drive mutual success. Also, real-time analytics and reporting tools provide actionable insights into supplier performance, enabling retailers to proactively address issues before they impact inventory management or costs.

If suppliers don't comply with the onboarding effort, it's important to inform them of their status and implement a consequence for non-compliance. Without this follow-through, the value of the supplier onboarding program may be lost.

A supplier scorecard allows retailers to access key supplier metrics that can be used to collaborate with internal teams and suppliers to improve supply chain performance.

Embrace the journey of supplier collaboration

Managing an active supplier community is an ongoing journey, not a one-time event. Successful retailers foster a joint culture of accountability with their suppliers, continuously improving their collaboration. This approach allows retailers to extend their onboarding efforts with additional supplier segments, fulfillment models or other types of trading partners.

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