

Improve Global Sourcing Processes with Enhanced Supply Chain Visibility

Your suppliers in Asia and Eastern Europe are shipping components to an offshore manufacturing plant. Once the products are assembled, you have to deliver them promptly and safely to customers across North America, Europe and the Pacific Rim. One weak link in the supply chain network could cause major problems across your operation, costing you a bundle—and your reputation.

Global sourcing has been the elusive brass ring for most US CPG Companies for over a decade. Driven by the promise of low material, manufacturing and labor costs, and advanced by the desire to penetrate emerging markets, companies have been testing the waters of offshore supply since the 1980's. A survey by the Aberdeen Group indicates that the use of foreign suppliers will nearly double from 2003 to 2008, with a greater reliance on foreign suppliers to manage critical production activities.¹ However, the transition to global sourcing and production will not be easy for most companies.

Few companies have the requisite infrastructure to effectively make this transition. According to a survey by The Aberdeen Group, a majority of supply chain managers continue to use a mix of email (89%), phone (84%), fax (70%) and face to face meetings (62%) to negotiate with foreign suppliers. As a result, nearly 70% of the survey respondents described global sourcing activities as challenging, or extremely challenging.

Sourcing from low cost markets may offer significant cost advantages, but it also means long-distance supply lines, extended lead times and increased risk. Left unaddressed, these challenges result in critical supply chain performance issues that can severely undermine any sourcing initiative.

Global Sourcing Challenges

Responding to Changing Demand

Global sourcing processes introduce distance, time zone, cultural and language barriers that combine to reduce visibility into offshore operations. This is particularly problematic in the CPG sector, where market conditions determine what is made, how it is sold, and how it is delivered. With no visibility into international shipments:

- Companies are forced to maintain buffer inventory that run the risk of obsolescence each time a decision is made to launch new products, extensions or discontinuations. Furthermore, with no access to complete and up-to-date order, production and shipment related information, supply chain executives struggle to assess the cost of making these decisions. Calculating the impact of product changes to total landed costs



DO YOU?

- Handle a large volume of international purchase orders, shipping, invoicing and remittance-related information via fax, EDI or mail?
- Seek end-to-end visibility into production fulfillment and delivery at your overseas manufacturing operations?
- Deal with suppliers and carriers worldwide who are late with your shipments?
- Miss out on supplier or carrier "prompt payment discounts"?
- Receive numerous calls from suppliers or carriers regarding invoice and payment status?
- Worry about not being compliant with international supply chain security regulations such as such as C-TPAT, CIS, 24-hour manifest and COAC?

¹ Global Sourcing Benchmark Report: Aberdeen Group, June 2003

becomes impossible. In this environment, making the right sourcing decisions quickly turns into a guessing game.

- Even if the right sourcing decisions are made, getting new products reliably to meet customer expectations becomes a challenge, resulting in reduced customer service levels and dissatisfaction. Take for example, the iPod Nano, which Apple retails for \$250. With a bill of materials cost of \$90, achieved primarily through low cost sourcing, the right sourcing decision may have been made. However, despite surging demand for the product, low product availability in stores throughout the US has hampered sales. Meanwhile, Apple's window of opportunity is quickly passing as other companies develop low cost alternatives.

Communication Challenges

To add to the sourcing complexity, diverse cross border business practices and customs often create a challenging communication environment. Suppliers and logistics providers have different expectations on how to communicate order and shipment information, and at what level of detail. Manual methods of communication such as phone, fax and email combined with language, cultural, and time-zone differences result in:

- Higher order-taking and order fulfillment error rates
- High days sales outstanding (DSO) rates
- Increased cost of dispute resolution
- Inefficient collection processes

Data Quality

Data quality (structure, timeliness and validity) issues are also more common in international supply chains. Each logistics provider is typically focused on data quality just enough to make their unique systems work. Not surprisingly, the data is usually as "unique" as the system from which it is sent. Consequently, do-it-yourself companies end up dedicating personnel to spend hundreds of hours piecing together siloed information across carrier websites as they track the status of their shipments.

Addressing Security Issues

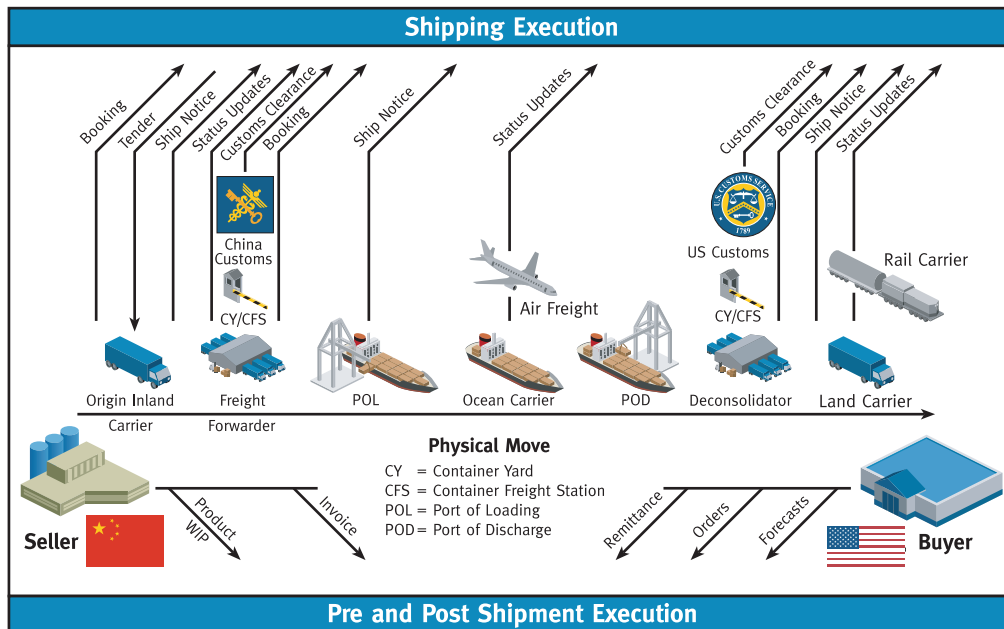
On top of sourcing and logistics complexities, companies are now increasingly concerned with security issues in the global sourcing process. The attacks of September 11, 2001 and other international incidents have created new concerns about the threat of terrorism and the use of international cargo to smuggle materials. Government agencies are subsequently responding to mitigate these threats. For example, the U.S. Customs Service implemented new regulations in December 2002 that affect containerized ocean-going cargo bound for U.S. ports of call. As a result, shippers, carriers, and non-vessel operating common carriers (NVOCCs) must implement a new business model that favors electronic data transfer. The regulation requires information to be electronically submitted within 24 hours prior to a U.S.-bound cargo ship's departure from its port of origin. Clearly, as agencies such as U.S. Customs, Federal Aviation Administration (FAA), and Department of Transportation (DOT) take a more active role in supply chain security issues, higher levels of tracking and notification will be expected, including comprehensive audit trails to reduce security threats and enable regulatory compliance.

To avoid these pitfalls, brand owners must develop greater visibility into order and logistics-related processes across their extended supply chain.

Gain Visibility with GXS Supply Chain Visibility Solution

GXS Supply Chain Visibility Solution delivers the right foundation for centrally managing all your sourcing-related activities, allowing for easy, timely and systematic sharing of order and shipment-related information. The solution can be used to track the status of manufacturing work-in-progress, view results of pre-shipment inspections and monitor international export clearances. Shipment progress can be monitored across all international ocean and air trade lanes. Upon arrival in your country of destination, track and trace capabilities are available for customs, rail and ground transportation. Visibility to the final destination is provided through distribution center inventory reporting and electronic proof-of-delivery notifications. Suppliers can monitor payment activities through invoice status inquiries and payment notifications.

Gain Visibility to All Critical Choke Points in Your Supply Chain



Key Solution Capabilities

Business Processes Supported

Forecasts and Orders: Share forecasts, orders, order acknowledgements and order changes quickly with all your suppliers. This supports functions such as order promising and inventory planning. Each order record contains summary and detailed views of critical information such as order number, order type, terms of sale, payment terms, vendor and expected shipment mode.

Freight Booking: Automate freight booking processes including requests, acknowledgements and cancellations for ocean, air, truck and rail.

Shipment and Inventory Tracking: Track your shipment throughout its chain of custody at the case, item and SKU level. Each shipment record provides summary and detailed views of information including shipment number (Bill of Lading, HAWB, PRO), carrier, container number/ship ID, customs broker, freight charges and shipment quantities. This information is available for shipments in transit, as well as inventory stored across your supply chain, at consolidator locations, container yards and freight stations. In addition, a dynamic estimated time of arrival (ETA) is calculated for each shipment record based on a shipment pipeline. As your shipment progresses through its planned route, the pipeline view delivers a real-time snapshot of the status of your shipment, measured against pre-established target dates.

Pipeline Details Enable Real-Time Tracking of Your Shipments

Pipeline Details		
Activity	Planned Date	Activity Date
Container In-gate at Load Port		
Vessel Departure	07/07/2005 GMT	07/06/2005 GMT
Docs Received by Customs Broker	07/22/2005 GMT	08/08/2005 GMT
Customs Cleared	08/02/2005 GMT	08/09/2005 GMT
Carrier Release	08/08/2005 GMT	08/04/2005 GMT
Vessel Arrival	08/07/2005 GMT	08/06/2005 GMT
Discharge from Vessel	08/08/2005 GMT	08/06/2005 GMT
Customs Hold		
OGA Clearance		
Available	08/06/2005 GMT	08/06/2005 GMT
Outgate from Terminal	08/11/2005 GMT	08/22/2005 GMT
Dispatch to Carrier	08/11/2005 GMT	08/11/2005 GMT
Trucker Dispatch to Driver	08/12/2005 GMT	08/15/2005 GMT
Arrival at DC	08/13/2005 GMT	08/14/2005 GMT
Received by DC	08/15/2005 GMT	08/14/2005 GMT
Empty outgate at DC	08/17/2005 GMT	08/15/2005 GMT
Empty received by Carrier	08/18/2005 GMT	08/25/2005 GMT

Invoicing and Settlement: Establish electronic invoicing, self service invoice status inquiry, and payment visibility for all your suppliers and carriers, including air freight, motor, ocean and rail carriers. The solution offers the necessary flexibility to meet your specific invoicing needs—such as the creation of invoices without purchase orders for your direct-store-deliveries

Trading Partner Connectivity

Connection Flexibility: GXS Supply Chain Visibility Solution connects to any level of trading partner communication technology. Currently, connectivity is offered to trading partners through the following channels:

- Web forms
- Secure FTP
- SMTP/MIME
- VAN interconnect
- Legacy systems

Messaging Formats: Furthermore, a multitude of messaging formats are supported to meet the needs of all of your suppliers including:

- XML
- EDI
- Flat file

SOLUTION HIGHLIGHTS

GXS Supply Chain Visibility Solution coverage includes:

- 85 percent of top air cargo carriers
- 87 percent of top 15 ocean carriers
- 75 percent of worlds top 20 logistics and transportation groups
- 65 percent of top 100 less than truckload (LTL) carriers
- 50 percent of the top third-party logistics providers (3PLs)

Through the use of GXS in-network trading partners in over 65 countries, you can connect to your trading partners in as few as 30 days.

- Excel spreadsheet
- JAEE

Preconfigured Message Types: The GXS global network contains a wide range of pre-configured message types for logistics processes of transportation booking, order visibility, shipment visibility and freight settlement. “Certified” messages are based on trading partners who are already in the GXS global network, and have successfully exchanged (passed data quality checks) the particular message type at least once in the past 12 months. Certified messages will save you time and money, as they can be activated quickly, and at a lower cost.

Systems Connectivity: Established connections exist with major OMS, WMS and ERP systems acting as source and recipient of information to and from the GXS Supply Chain Visibility Solution. Systems include:

- SAP (3.0, 3.1, 4.5, 4.6)
- Oracle (8i, 11i)
- Optum (5.6)
- JDA
- E3
- Retek
- Legacy (15 systems)

Connect to an Established Trading Network: In Asian markets, one of the biggest supplier obstacles to overcome is getting an introduction. Who a person knows can ensure that they receive the attention of their desired audience. However, making those connections can be difficult. Fortunately, GXS can connect you to the world’s largest network of certified trading partners representing 80 percent of the world’s freight movements. What’s more, we can get you connected in as little as 30 days to over 600+ in-network trading partners. This includes:

- 85 percent of top air cargo carriers
- 87 percent of top 15 ocean carriers
- 75 percent of world’s top 20 logistics and transportation groups
- 65 percent of top 100 LTL carriers
- 50 percent of the top 3PLs

Event Monitoring

Manually managing complex international supply chain transactions can be a time-consuming and expensive process. Fortunately, with over 600 configurable business rules, GXS Supply Chain Visibility Solution provides you with the necessary tools to identify and automate routine transactions. You can quickly establish rules such as “limit invoice by ordered, shipped, or received quantities” and “allow negative invoice quantities (charge-backs)”. Any exceptions to your rules are quickly brought to the attention of the appropriate people through system alerts. Your buying organization can then manage on the basis of exceptions, giving them more time to focus on what really matters—getting more savings.

Data Quality Management

Process automation however will not work if your data is not clean. Traditional means of integrating to transportation carriers, which includes competitive offerings and internal devel-

opment of connection infrastructure, typically renders only 50 percent data quality. GXS addresses the data quality challenge with a unique blend of rules, tools, dedicated people and processes all focused on delivering unsurpassed levels of clean and actionable logistics information. Our data management services staff improves data quality to over 90 percent through constant monitoring, measuring, communicating and reporting on data quality targets.

Supplier and Carrier Performance Metrics

Robust reporting tools allow for the creation of supplier and carrier score carding processes that measure their performance against key business metrics that drive your supply chain. Your vendor relations and purchasing departments can monitor performance in desired areas such as order acknowledgement deadlines, late shipments, quantity completeness, broker clearance timeliness and data transmission accuracy. This information can be leveraged in trading partner negotiations.

Key Solution Benefits

GXS Supply Chain Visibility Solution offers several key benefits to improve your supply chain performance. You can:

- Evaluate new geographies based on bottom line potential, not logistics obstacles. Our established network provides you with immediate access to trading partners in over 65 countries.
- Improve internal productivity through the elimination of manual transactions with trading partners.
- Reduce inventory carrying costs—such as rent and utilities for warehousing, insurance, shrinkage and obsolescence—through improved inventory management, improved receiving processes and reduced delivery uncertainty.
- Improve customer satisfaction by providing customer service reps with instant access to accurate order status and ETA information.
- Lay the foundation for developing Standard Operating Procedures (SOPs) that are essential for ensuring compliance with supply chain security mandates. Avoid severe fines and penalties by ensuring both you, your freight forwarders, customhouse brokers and carriers stay compliant with mandates such as C-TPAT, CIS, 24-hour manifest and COAC.
- Avoid capital IT expense by using hosted central service. Typical visibility solutions cost millions in hardware, software, implementation and maintenance. Additionally, there is significant cost to integrate a company's trading partners. You can utilize GXS Supply Chain Visibility Solution and pay a monthly service fee, avoiding a capital cost and eliminating ongoing maintenance fees. Since the service runs on the network, all trading partners are already integrated—delivering value immediately.

“For a leading electronics manufacturer experiencing rapid growth, supply chain solutions that support global sourcing initiatives are crucial. GXS visibility solutions provide intelligence about our international manufacturing operations in Eastern Europe and Southeast Asia. The GXS visibility solutions ease the complexity of our global trading partner network and help us maintain our competitive edge by turning our supply chain into a tool for growth and opportunity.”

— JEFF DANIEL

GLOBAL SUPPLY CHAIN MANAGER
NATIONAL INSTRUMENTS

A Complete Solution for CPG Suppliers: GXS Community LinkSM

Participation of your supplier community in your supply chain visibility program is fundamental to its success. Ensure a complete view of your supply chain with 100 percent supplier enablement and watch the benefits increase as each supplier and trading partner participates. GXS Community Link can assist with this enablement, offering best-in-class community management through global trading partner onboarding, technical support, and change management. GXS Community Link will enable you to quickly and successfully launch a supply-chain visibility program to all of your suppliers using GXS's unbeatable combination of proven tools and 35 years of experience launching and managing global trading communities.

With dedicated program managers located throughout the world, Community Link uses the right combination of high-tech tools and experienced program managers to launch, expand, and manage your supply chain initiatives, reaching your entire community. Benefits of this service include:

- **Speed.** Build your supply chain community in less than half the time it takes most companies to do so internally.
- **Cost saving.** Avoid the expense of additional technical staffing resources.
- **One-stop source.** Access all the tools, training, best practices and technical support your trading partners need to participate in your program quickly and efficiently.
- **Day-to-day management.** Devote in-house resources to core business competencies and other pressing IT issues instead of trading partner enablement.

About GXS

GXS is a leading global provider of B2B e-commerce solutions that simplify and enhance business process integration and collaboration. Organizations worldwide, including more than 75 percent of the Fortune 500, leverage the GXS Trading GridSM to achieve balance between supply and demand. Active in the global standards arena, GXS solutions enable customers both large and small, to connect with global partners, synchronize product information, optimize inventory levels and demand forecasts, and accelerate the execution of supply chains.

Headquartered in Gaithersburg, Md., GXS provides sales and support to businesses and their partners worldwide. For more information visit our Web site at www.gxs.com.



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**NORTH AMERICA AND
GLOBAL HEADQUARTERS**
100 Edison Park Drive
Gaithersburg, MD 20878
U.S.A.
+1-800-560-4347 t
+1-301-340-4000 t
+1-301-340-5299 f

**EUROPE, MIDDLE
EAST AND AFRICA**
1 Station Road
Sunbury-on-Thames
Middlesex TW16 6SU
United Kingdom
+44 (0)1932 776047 t
+44 (0)1932 776216 f

ASIA PACIFIC
25th Floor, Shell Tower
Times Square
Causeway Bay
Hong Kong
+852 2884-6088 t
+852 2513-0650 f
www.gxs.com