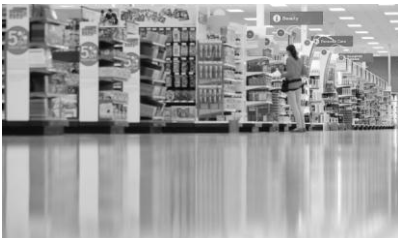


Do you vendor “manage” *or* Do you vendor “partner”

May 6th, 2015



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How “big” is big...

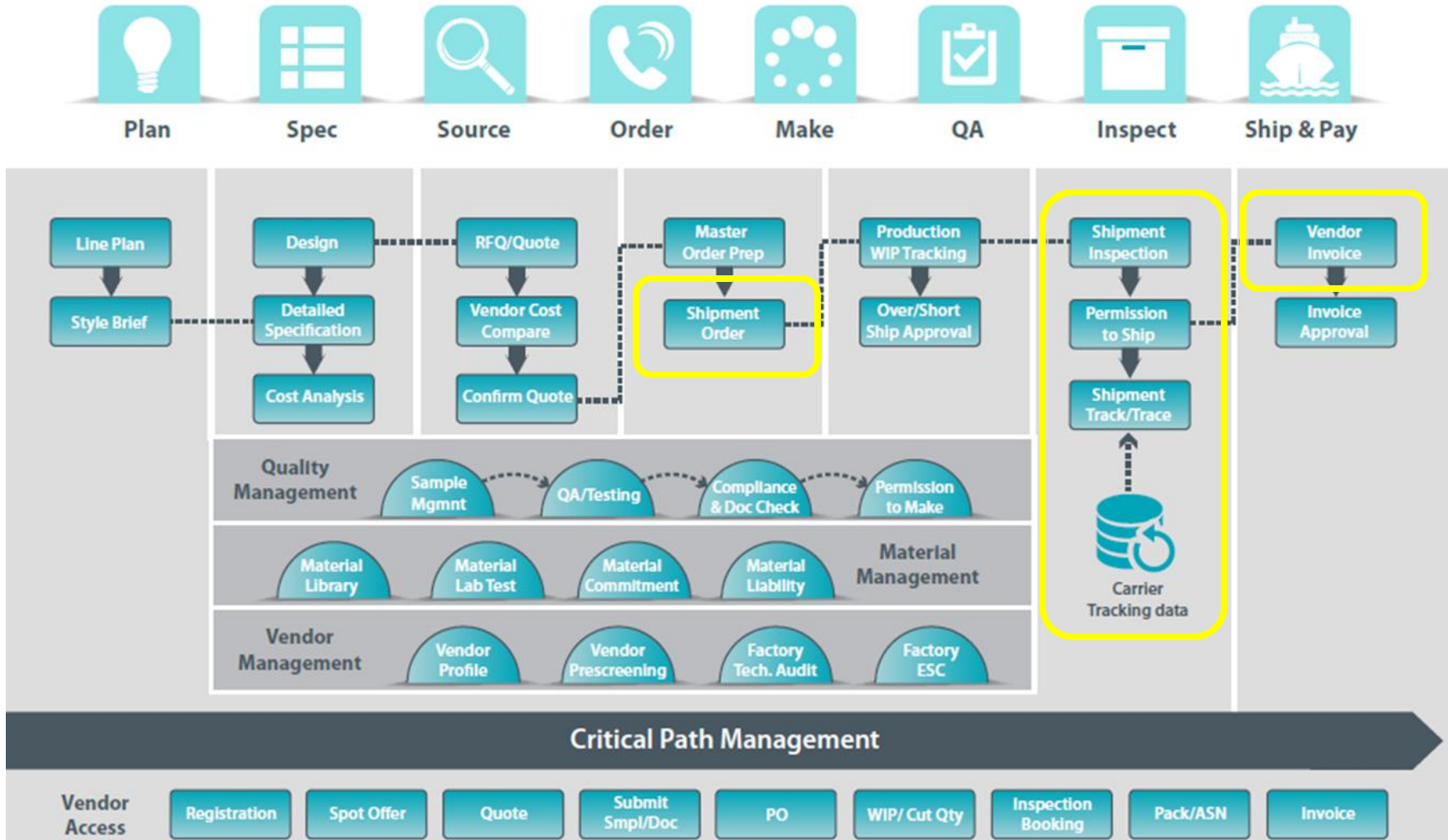


Supply chain complexity...big topic



Courtesy: University of Manitoba

Drive a fast, friction free supply chain for our Customers through real-time global collaboration from product planning to product delivery.



Company snapshot

- Founded in 1995
- Headquartered in Hong Kong with global operations
 - London • Los Angeles • New York • Shenzhen • Zhuhai
- 160+ business & technical professionals
- “Global-Local” 24x7 follow the sun support
- 70+ retailers and brands; 12,000 vendors; 20,000+ users



Customer relationships



CORTEFIEL



HOMEBASE



LA REDOUTE



Pedro del Hierro



habitat

Harveys
The Furniture Store



LAMPS PLUS

women'secret



KESKO



MIGROS

惠康 wellcome



managing billions of dollars and
millions of SKUs

at increased performance and
compliance

What is the mission & whom do I serve

- **24 months**
- **~ 200 retailers**
- **~ 300**
 - **Suppliers**
 - **Consultants**
 - **Analysts**
 - **Technology providers**
 - **Service providers**



Two key drivers contributing to increased supply chain complexity



Omni-channel strategy

Omni-channel strategy

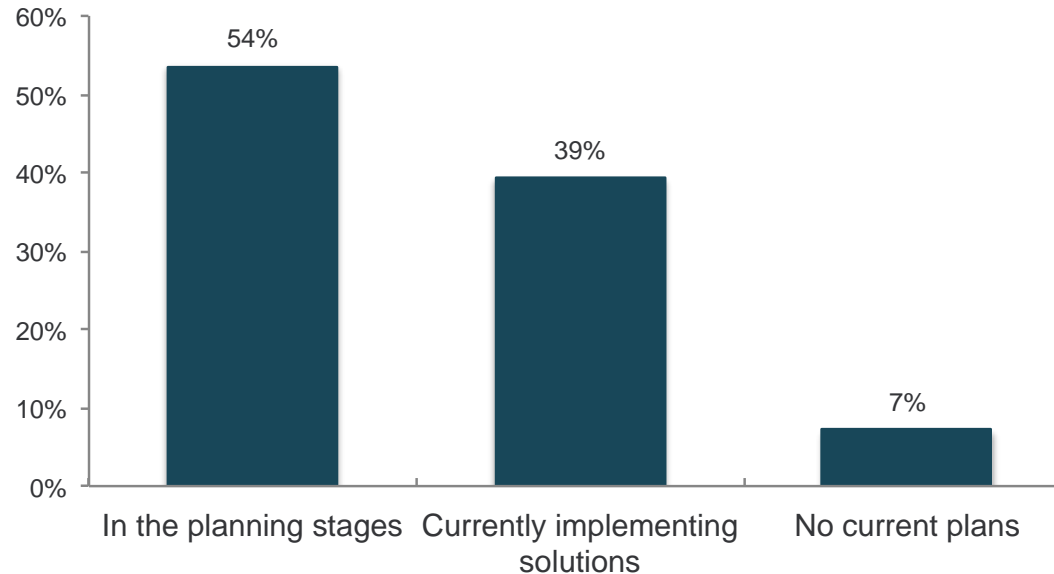
Global sourcing strategy

Global sourcing strategy



Omni-channel strategy tops list

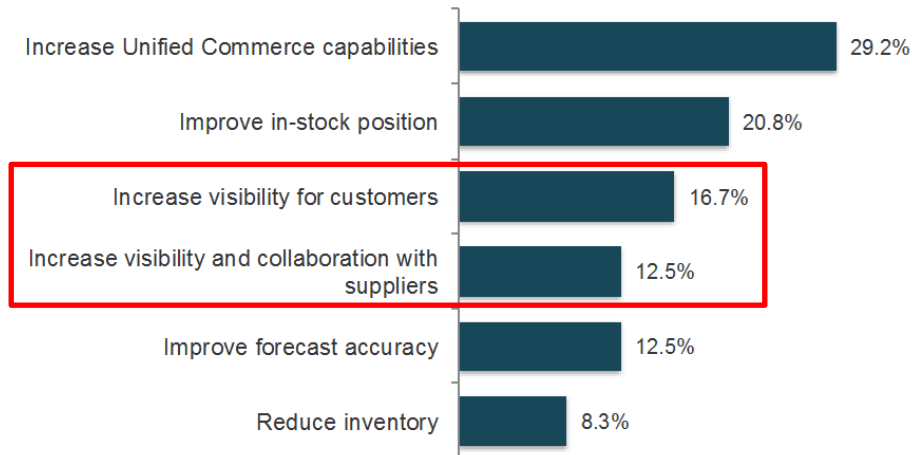
- Boston Retail Partners – 2014 Annual Supply Chain Study
 - 93% of retailers are making omni-channel a top priority



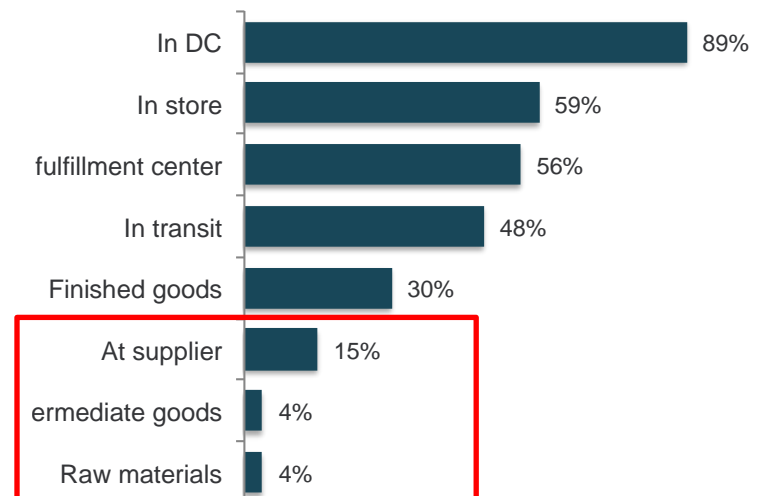
Omni-channel & sourcing

- 30% make supplier & customer inventory visibility top initiative
- Company visibility to available to promise very low

Top Supply Chain Initiatives
(% indicating it is a top initiative)



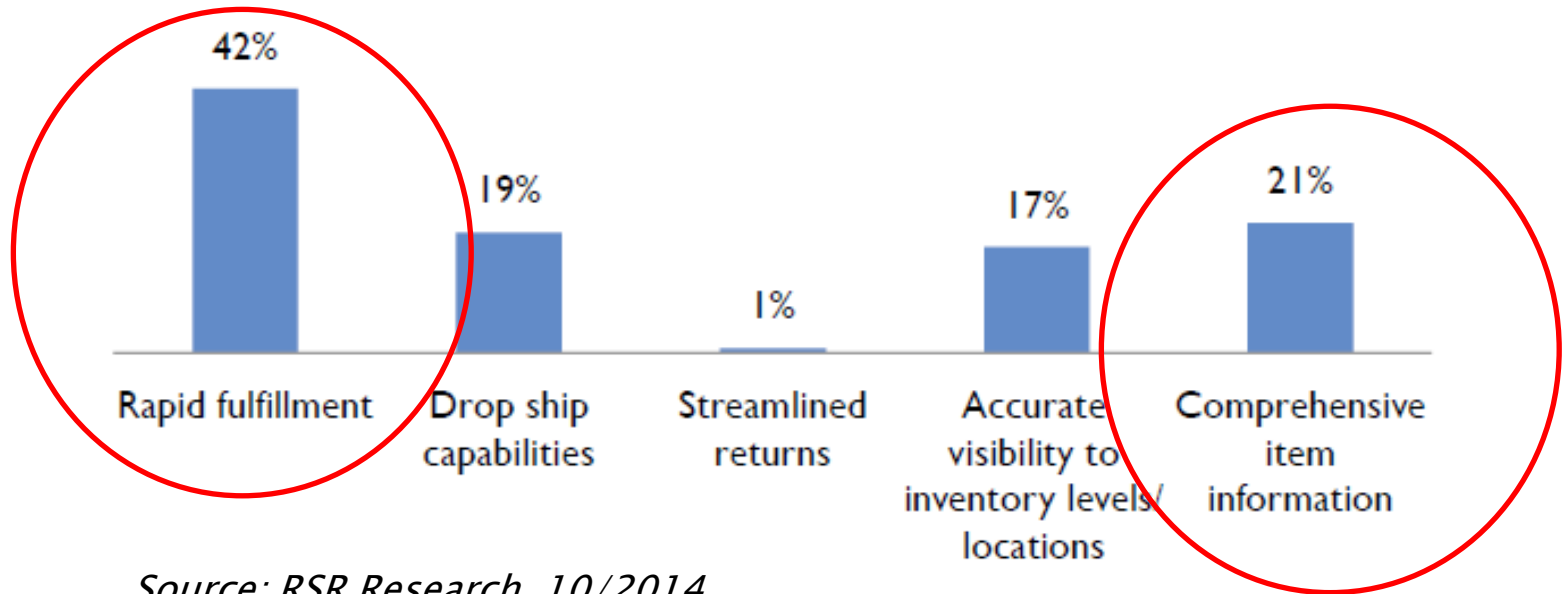
Company Visibility to "Available to Promise"



Omni-channel & sourcing

- Vendors pushed to help solve ecosystem-wide challenges

Biggest Challenge Retailers Ask Merchandise Vendors to Solve



Source: RSR Research, 10/2014

Omni-channel & sourcing

Consumers make the rules

- Those who seek individuality will pay for customization
 - Expect turnaround in couple days, at most a week
 - Require in-market production capabilities
- *Those who want touch and feel product will shop at retail*
 - *Value brand connectivity over customization*
 - *Expect never out-of-stock (color or size shipped in hours)*
- *Those who know what they want will order directly via web*
 - *Expect delivery in few hours or two days*

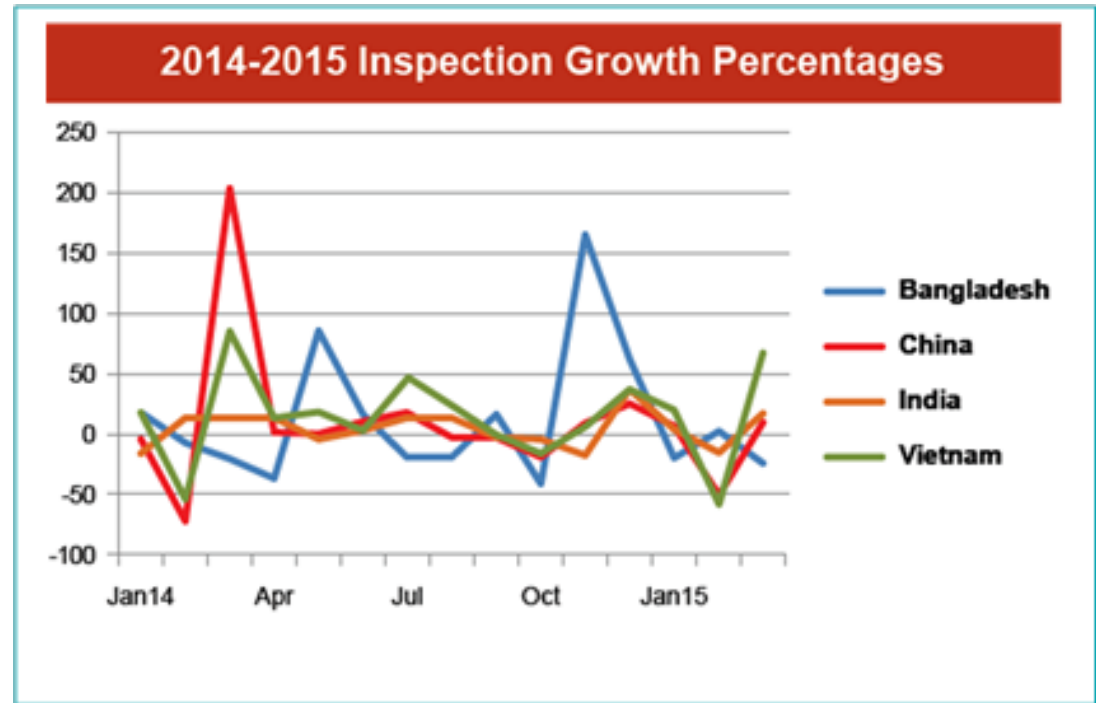
Disruption derails strategy

- The 18th Annual Global CEO Survey from PwC found that 55% of CEOs are "somewhat or very concerned" about supply chain disruptions
- ...and with good reason...
 - ✗ *without supply, you have no product.*
 - ✗ *without product, you have no fulfillment.*
 - ✗ *without fulfillment, you have no revenue.*

Disruption derails strategy

Spreading to new regions

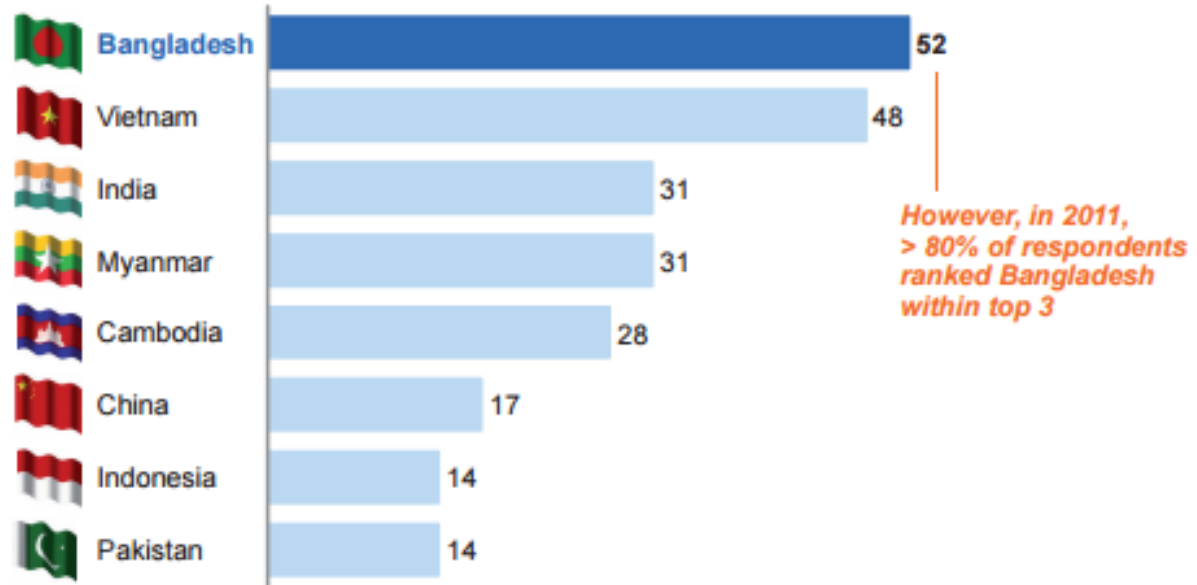
- China remains the dominant sourcing region by sheer volume
- AsiaInspection data confirms trend brands & retailers are sourcing alternatives
- China share in global inspections performed drops 12 points



Disruption derails strategy

Spreading to new regions

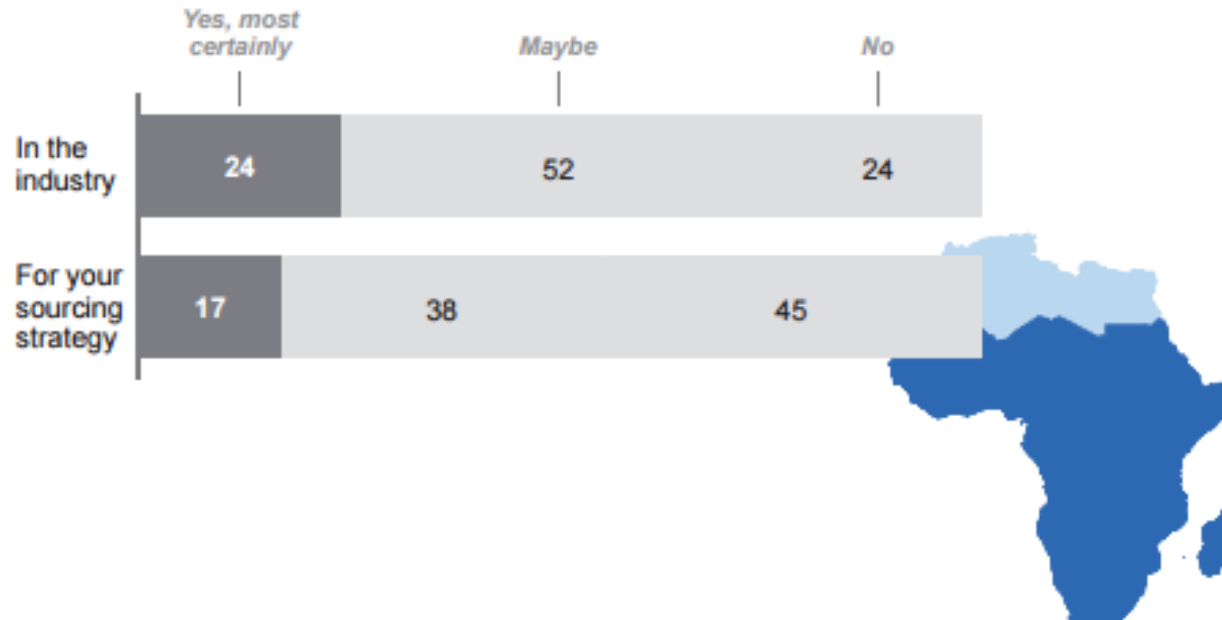
- CPO survey who collectively managed ~\$40b USD
- Top 3 country hot growth spots over next 5 years
- Despite fatalities, social unrest, repeated audit failures



Courtesy: McKinsey & Company, Inc..

Disruption derails strategy

Spreading to new regions



- Will Africa gain importance over the next 5 years
- Challenges
 - Industry infrastructure
 - Cutting edge process engineers
 - Meet time to market demands

Courtesy: McKinsey & Company, Inc..

With all this said...

Asia, China specifically, will remain the leader

- Capitalization not labor contributes more to growth
- Asia will benefit from overwhelming economies of scale and purchasing power close to home
- Asia will lead through process and automation improvements
- Higher tech items will be made in Asia
- Asia will lead in material innovation

Supply chain risk mitigation

- The retail industry is trying to meet demand through omni-channel strategies coupled with increased direct sourcing operations

...at the same time....

- The industry is looking for ways to better understand and reduce risks associated with disruptions derived from their strategies
-

...unfortunately...

- Pressure to meet demand creates vulnerabilities making the supply chain less resilient
- When these vulnerabilities break down, customer expectations aren't met, revenue is lost, and brand reputation suffers

The transition to partnership

The key is to take a holistic view of the supply chain



- Shift from cost-reduction to gaining the flexibility to maintain the flow of goods and meet customer demand regardless of the situation
- To have the right product at the right price in the right place at the right time requires a supply chain that is resilient to disruption
- **Critical to resiliency – investment in partnership**
 - End-to-end visibility and accuracy of supply chain data
 - Collaboration between trading partners , encouraging sharing of data
 - Agility to respond quickly and effectively to disruptions

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Store Locations
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Table Lamps
Shop for contemporary table lamps with designer styling for the bedside or living room.



Floor Lamps
Traditional styles, halogen designs, and fresh new contemporary floor lamps.



Desk Lamps
Modern halogen and LED desk lamps are perfect for office reading and working.



Lamp Shades
Browse 1000's of lamp shades, read tips on how to buy a lamp shade, and more!

A case profile leveraging technology and innovation to build a world-class profitable home furnishings business

About Lamps Plus



LAMPS PLUS

- Headquarters in Los Angeles
- Operating since 1976
- Multiple lines of business
 - Consumer
 - Wholesale own brands
 - Hospitality
- More than 40 stores in western US
- Largest lighting retailer in US dealing indoor, outdoor, designer and own brand lighting & home décor

A screenshot of the Lamps Plus website homepage. The top navigation bar includes links for Chandeliers, Ceiling Lights, Lamps, Wall Lights, Outdoor Lights, Ceiling Fans, Furniture, Home Decor, and More. Below this is a banner for 'Lamps Plus | Store Locator' with a 'Watch VIDEO!' button. The main section is titled 'Lamps Plus Store Locator - The Nation's Largest Lighting Retailer!' and features a search bar with a dropdown for 'Retail Store Locations' and a 'Search' button. To the right of the search bar is a map of the United States with red dots indicating store locations. Below the map is a 'GET STORE COUPONS!' box with a 'View All Offers' link. The left side of the page contains text about visiting a Lamps Plus store, checking stock availability, and a 'New!' section about checking stock availability. The right side of the page features several promotional sections: 'COLLECTIONS' (Matching lighting & décor), 'SHOP by ROOM' (Photos and scenes that inspire), 'SHOP by TREND' (Hot styles for your home makeover), 'STYLE ILLUMINATED' (Our design blog - daily inspiration), 'BEST VALUES' (Everyday great deals!), 'DESIGNER BRANDS' (Shop our top brands), 'SEATING' (Our selection spans options for every room), 'SHOP with CONFIDENCE' (120% Low Price Guarantee!), and 'CATALOGS' (Browse catalogs online or get our iOS app!). The bottom section is titled 'SERVICES AVAILABLE AT LAMPS PLUS STORES' and includes four sub-sections: 'Coupons & Free Stuff' (Free LED keychain lights, free light bulbs and special savings), 'Expert Workshops' (Attend a free lighting workshop), 'In-Home Consultations' (We come to you and help plan the perfect lighting solution), and 'Installation Services' (Licensed electricians, All work guaranteed for 2 years! Service in selected states only). A 'STAY UP TO DATE' section at the bottom right mentions 'Sale updates direct to your'.

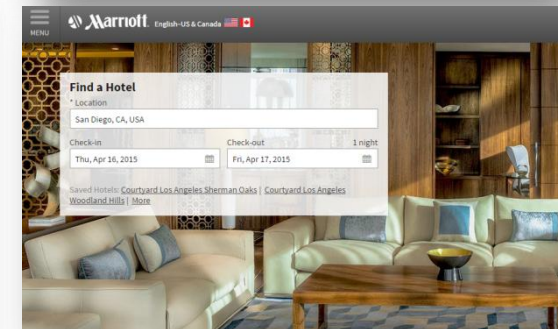
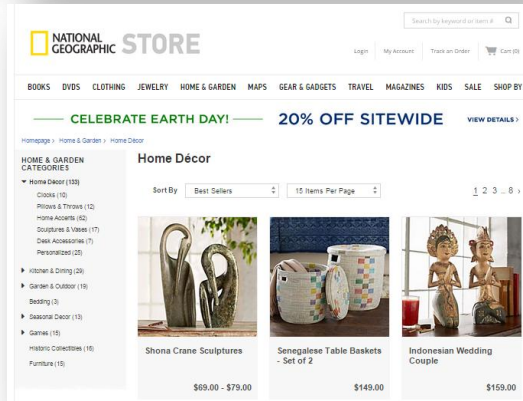
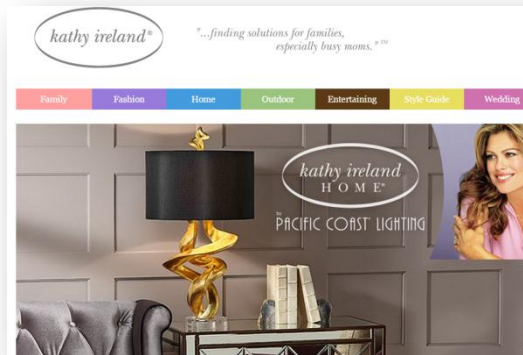
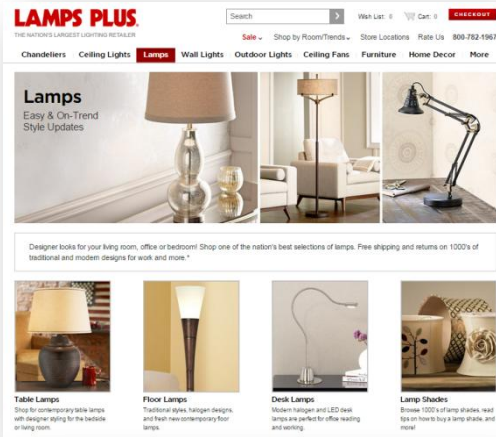
About Lamps Plus



LAMPS PLUS.
Retail

PACIFIC COAST® LIGHTING
Private Label

PACIFIC COAST CONTRACT LIGHTING
Hospitality



Vendor management challenge

- Nearly 500 vendors / factories
- Located China, Vietnam, Cambodia, US
- All varying sophistication and size
- Low level of IT competence
- Procure-to-pay EDI requirement
- Compliance tracking challenges



Investment: vendor support



LAMPS PLUS




- Recognize that a lower volume retailer may need to do more
- Lamps Plus China direct support office
 - Technical, inspection, logistics
- Pay for vendors technology
 - Systems, packaging, labels; anti “nickel and dime”
- Onsite and web training sessions offered monthly to onboard new users/vendors & existing live vendors are encouraged to attend

Investment: rapidly mitigate risk



- Order management, consolidating, shipping, tracking technology cost dramatically on the rise
- Vendors becoming disgruntled
- Quality slipping
- Need to replace current EDI and label provider
- Execute flawless on accelerated timeline
 - Decision in August
 - Kickoff development September
 - Pilot December 1st (20 and 1)
 - Termination notification January 1st
 - Full cut over 300 vendors March 1st
- Product Development / Global Sourcing phase in April




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A case profile leveraging technology and innovation to build a world-class profitable electronics and hardlines business

About B&H Photo

- Headquarters in New York
- Operating since 1973
- Multiple lines of business
 - Consumer
 - Professional
- Single “Super-Store” and website
- Known as “The Professionals Source”, store see 5000 customers per day



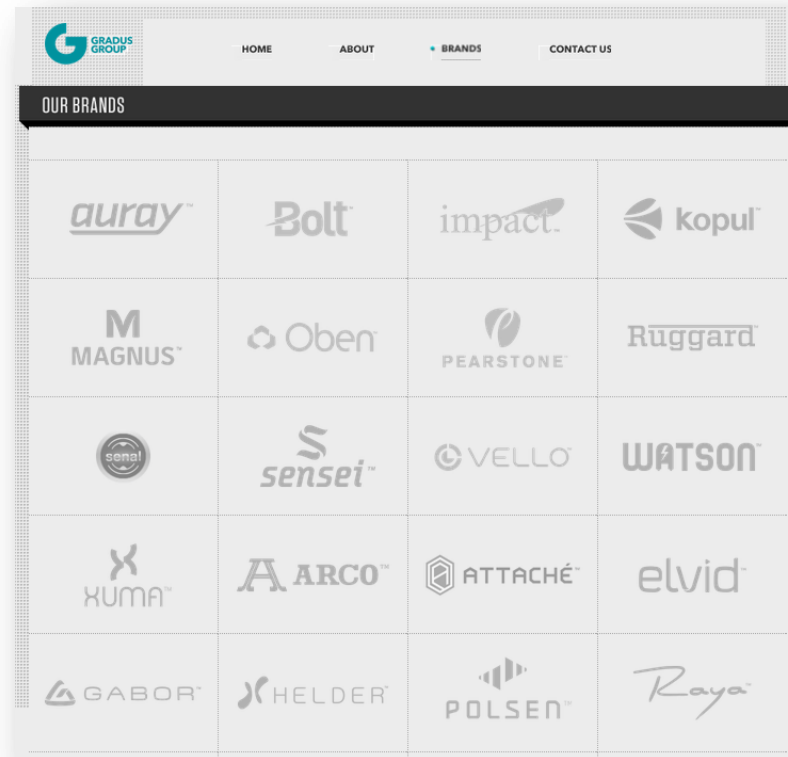
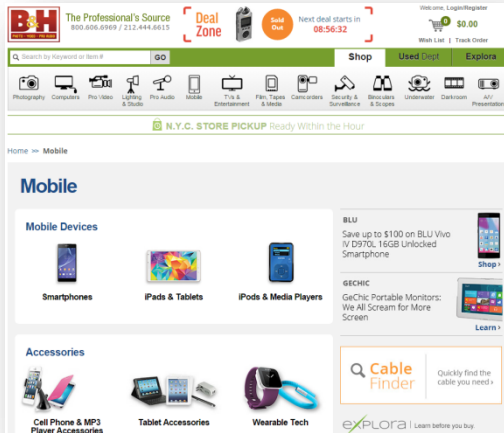
About B&H Photo



Retail



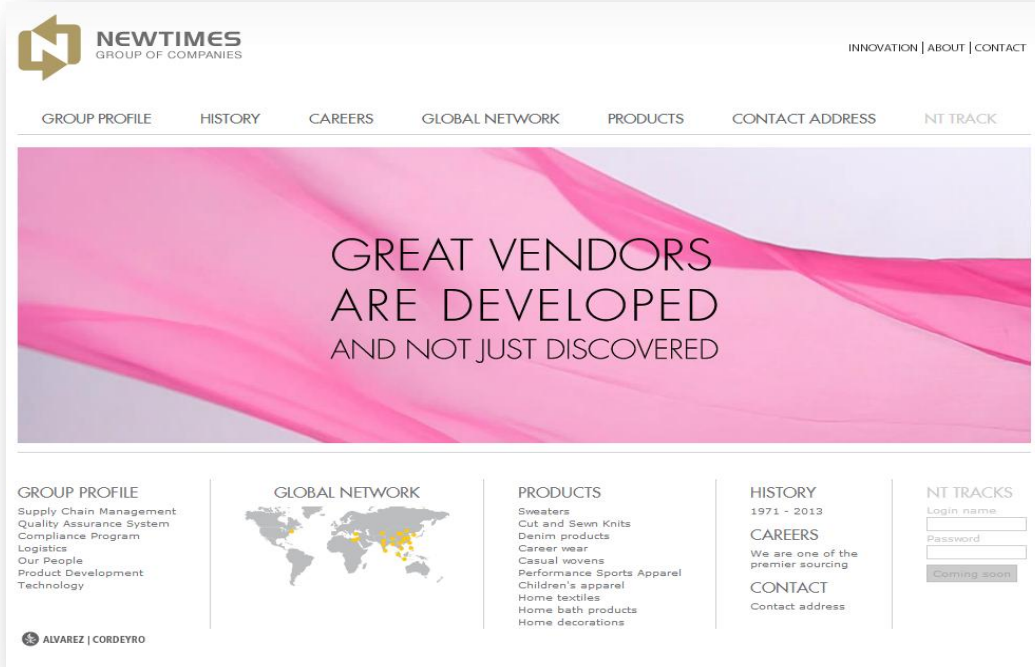
Private Label



Investment: manage growth



- Order management, consolidating, shipping, tracking technology cost dramatically on the rise
- Product lines growing, assortment more complex and aggressive private label program
- Web business exploding
- Shipments late, ASN not accurate, quality slipping
- Need to remove barriers
- Now have 1000 vendors on-board and growing



A case profile leveraging technology and innovation to build a world-class profitable apparel business

About Newtimes Group

- Headquarters in Hong Kong
- Operating since 1971
- 1,500+ employees
- Specializes in:
 - Sourcing; Product Development;
 - Supply Chain Management
- Network of 40+ sourcing offices & quality assurance hubs in Asia, Indian subcontinent, Middle East
- One of worlds largest supply chain managers of apparel and home products for retailers and brands in USA, Europe, Japan



About Newtimes Group

PRODUCTS

NEWTIMES IS YOUR "ONE STOP SHOP"
FOR APPAREL AND HOME PRODUCTS

We have global teams that specialize in the following products:

› SWEATERS

CUT AND SEWN KNIT

DENIM PRODUCTS

CAREER WEAR

CASUAL WOVENS

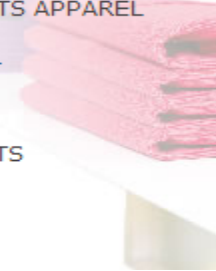
PERFORMANCE SPORTS APPAREL

CHILDREN'S APPAREL

HOME TEXTILES

HOME BATH PRODUCTS

HOME DECORATIONS

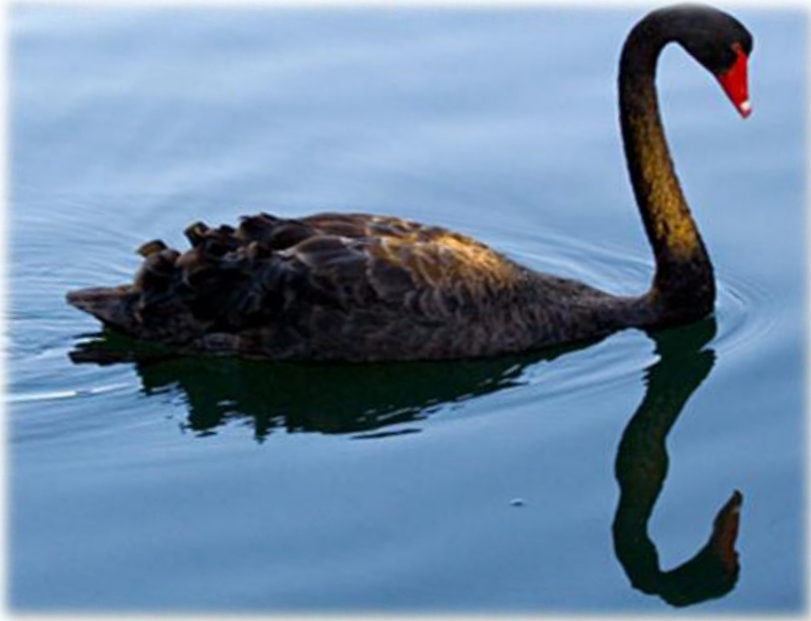


Vendor management challenge

- Nearly 1,000 vendors / factories
- Located Asia, India, Middle East
- All varying sophistication and size
- Low level of IT competence
- Compliance tracking challenges
- Disparate historical reporting
- Difficult to scorecard



Investment: knowledge



McKinsey and University of Oxford

Global review of large IT projects

- More than half “**massively** blow their budgets”
- Average project delivers **56%** less value than predicted
- **17%** of IT projects go so bad that they can threaten the very existence of the company

Investment: internal education



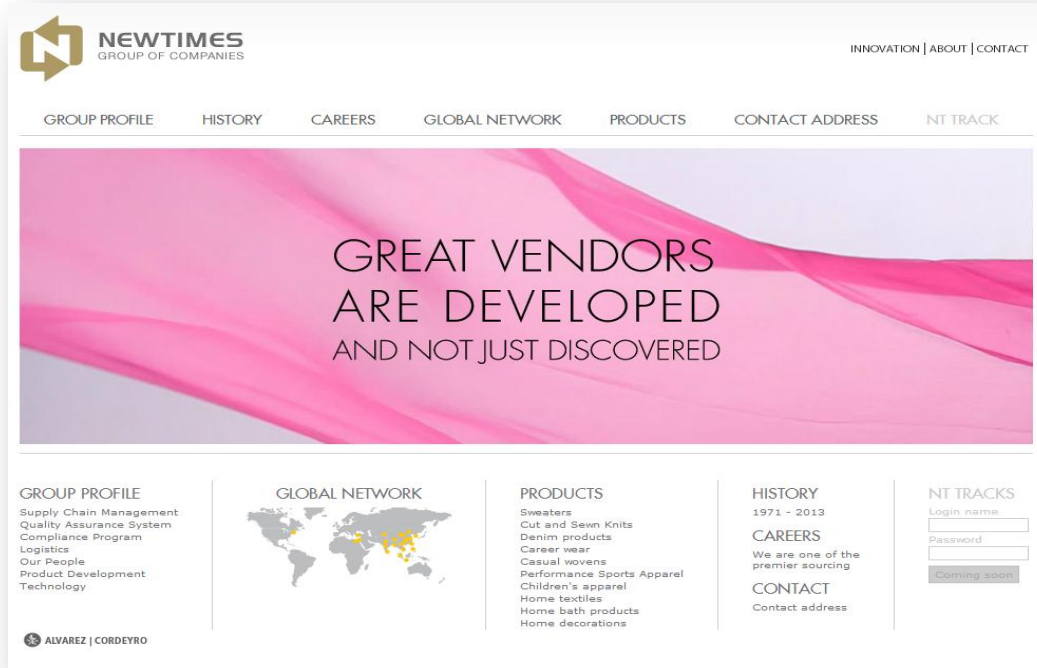
- Regular internal workshops to train, encourage adoption
- Management is visible, educates staff on benefits of system, continues to reinforce adoption
- For small customers that only have 3 or 4 orders per month, the merchandisers will input the orders, production status etc.
- In some cases smaller customers will email Excel templates and the merchandisers will upload

Investment: vendor support



- Vendors must complete multiple and various audits, prior to being provided a portal user account
- Web training sessions monthly to onboard new users/vendors & existing live vendors are encouraged to attend
- Newtimes provide QC inspector and resolution support for vendors / factories that use the system – this resolves issues of resistance

Partnership = mutual benefit



- "Prior to the system's implementation, we did things the traditional way - with spreadsheets and emails. CBX Sourcing changed all that. It gives our people time to think strategically about what they are doing."
- "All this aids in developing our vendors to be more responsive, highly competitive and focused on quality"
- Alex Angelchik, CEO Newtimes Development Ltd.

Do you vendor “manage”
or
Do you vendor “partner”



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