



THREE REASONS WHY

Retailers need a better way to source and procure merchandise and private-label goods

Introduction

Changing the game: Rising demand for private-label and perishable goods

The world of retail is undergoing profound change. Consumers are altering how they shop and what they buy, especially as inflation squeezes household budgets and people increasingly prioritise sustainability. For instance, many consumers are switching to healthier grocery options, and demand for ethically produced clothing is growing. In addition, new competitors are emerging, putting pressure on retailers to innovate and get new products to market faster – all at a time when disruptive forces continue to threaten regular sources of supply.

To address these issues, a growing number of retailers are transforming their business models.

The resultant shifts have presented their procurement teams with two prominent challenges:

1. Increasing necessity to run repeated sourcing events.

Escalating customer demand for speed, savings, sustainability, health, and convenience makes it imperative for retailers to source more merchandise (or “goods for resale”) more quickly. For example, within grocery, consumers want an ever-broader range of fresh foods. To maintain year-round stock availability, retailers must conduct repetitive sourcing projects to regularly acquire fruit, vegetables, dairy, and other perishable and seasonal goods from different regions while also responding to weather-related and geopolitical events that could jeopardise stock availability. In this environment, efficient sourcing processes have become increasingly critical to stay competitive.

2. Intensifying need to find and manage private-label suppliers.

To increase profit margins while mitigating financial pressures affecting consumers, more retailers are launching or expanding their private-label (or “white-label”) portfolios. Sales of private-label goods have risen fast, now accounting for 19% of consumer packaged goods sales worldwide.¹ As a result, sourcing teams must find and onboard

new kinds of suppliers – private-label manufacturers – to produce these goods. Product quality is paramount, as the private label's reputation directly impacts the retailer's brand. Furthermore, private-label goods represent a fundamental transition for retailers, requiring them to consider the reliability and performance of not just the private-label manufacturers themselves, but also the suppliers their manufacturers use.



Reimagining the way forward

Though many retailers still source and procure merchandise and private-label goods using manual processes, legacy technologies, or tools for non-merchandise spend, this can create multiple problems – and make it hard to attain transformation goals.

For example, inability to fully automate sourcing events slows purchasing cycle times, impeding your ability to rapidly replenish stock and get new products to market. Disconnected solutions prevent seamless workflows, forcing users to continually retype information into sourcing tools rather than pulling them directly from product information management (PIM), ERP, or other internal systems. And poor visibility into suppliers' multi-tier upstream operations hampers your ability to ensure their compliance with environmental, ethical and sustainability standards.

Recognising the need for change, leading retailers are embracing digital solutions to help them drive better top- and bottom-line results.

IDC estimates that new products (those that have been on the market for less than three years) now contribute **20% more** to revenues than they did just a few years ago.²

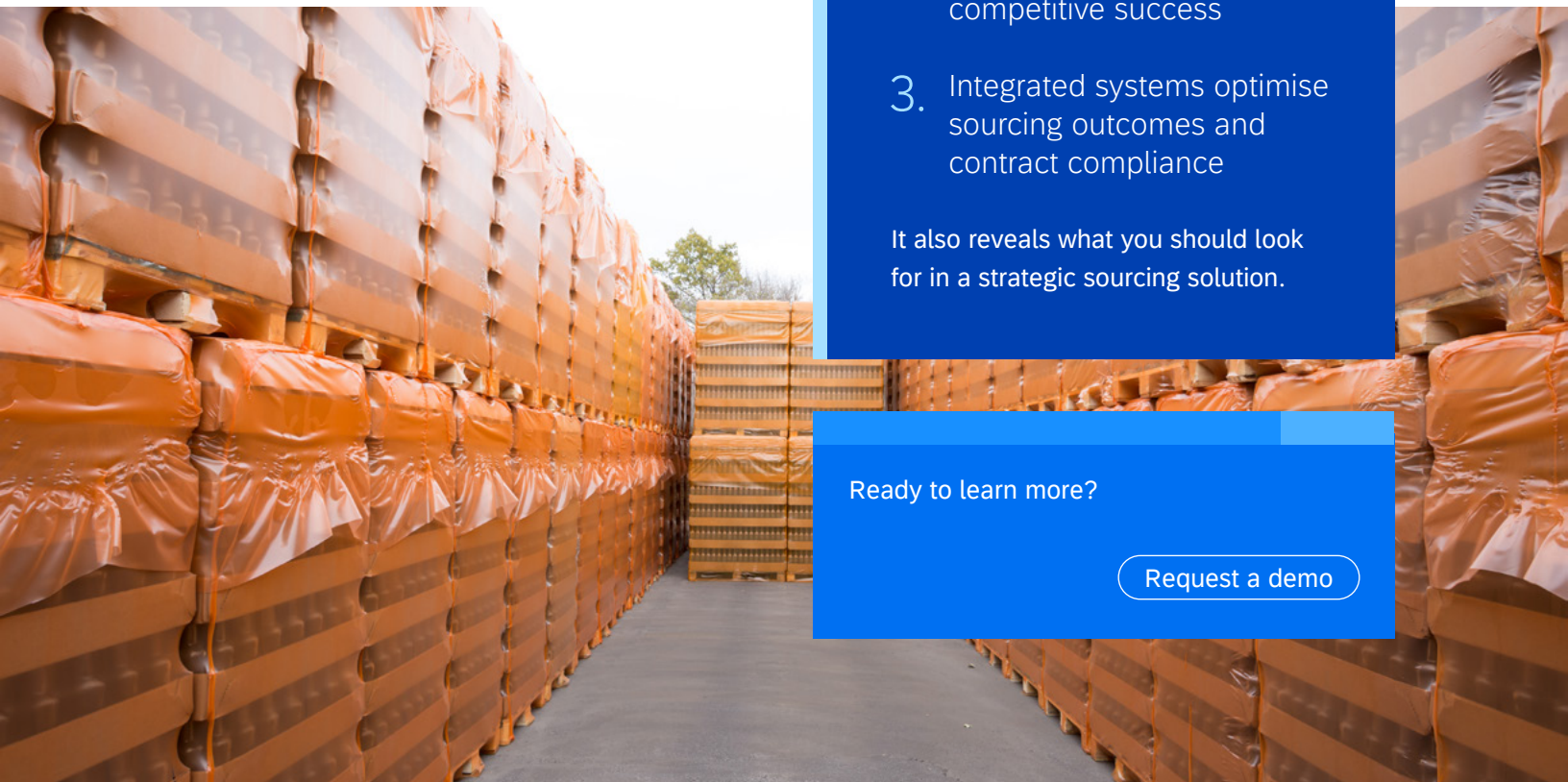
Should you consider revising your approach to sourcing and procuring merchandise and private-label goods? To help you decide, this paper explores three top reasons why companies are moving in this direction:

1. Customer satisfaction increasingly depends on deep supply chain visibility
2. Fast and efficient sourcing has become critical for competitive success
3. Integrated systems optimise sourcing outcomes and contract compliance

It also reveals what you should look for in a strategic sourcing solution.

Ready to learn more?

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Section 1

Customer satisfaction increasingly depends on deep supply chain visibility

With consumers showing greater concern about the quality and origin of the products they buy – especially when it comes to food, but also when it comes to other merchandise – sustainable manufacturing and agricultural processes continue to gain market importance. Steady availability of regularly purchased items and timely delivery of desirable new products also play a growing role in attracting and retaining customers. Comprehensive visibility into your suppliers is essential to capitalise on these trends.

For example, to meet expanding demand for organic dairy products, you need to ensure suppliers have the right certifications for each location you plan to sell in. Free-range or humanely raised labelling must be backed by required inspections, with suppliers able to assure consistent compliance by the farms providing their products. Visibility into capacity issues and risk profiles is also vital to inform your sourcing choices, illuminating areas where you should secure alternate suppliers and helping you respond more effectively if supply chain disruptions arise.



New approach and outcomes

By automating access to detailed supplier information across a wide range of parameters, digital sourcing solutions offer the visibility you need to quickly select the right suppliers and effectively manage their performance. As a result, you can consistently provide the products customers want and significantly contribute to your company's bottom line.

More than

30%

of procurement teams say that inability to get products to market fast enough is a key problem.³

Section 2

Fast and efficient sourcing has become critical for competitive success

In retail's highly competitive environment, speed to market can spell the difference between success and failure – and efficient sourcing underlies your ability to make it happen. For instance, certain types of merchandise must be sourced weekly or even daily to meet consumers' expectations, forcing you to continually engage in repetitive sourcing processes. Managing these events with outdated tools or manual methods uses up valuable staff resources that could be better spent on more strategic tasks. Without the ability to get speedy access to the attributes and characteristics customers want, you spend countless hours on redundant qualification and research processes, impairing productivity and slowing results. Lengthy and cumbersome discovery can also lead to overreliance on known suppliers, leaving your business vulnerable if they fail to deliver.

While private-label sales can give your business an edge, inefficient sourcing can negatively impact the benefits you achieve. Choosing the right supplier(s) is paramount to ensure product quality and reliability, and accurate assessment of pricing, production capacity, compliance, and other metrics is crucial to brand success.

New approach and outcomes

Strategic sourcing solutions offer the speed and efficiency you need to solve these challenges, providing a powerful way to differentiate your business. Fully automated processes allow you to accelerate sourcing cycle times, digitise repetitive tasks, and find the suppliers best able to meet your unique requirements for merchandise spend.

Discover how Spanish dairy producer CAPSA FOOD increased product traceability and drove more competitive negotiations.

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Section 3

Integrated systems optimise sourcing outcomes and contract compliance

As retailers strive to improve responsiveness and agility, manual or standalone sourcing tools can hinder success. For example, sourcing perishable and mixed-pack goods can be hard work if you rely on manual processes. Consider the following scenarios:

1. Perishables.

Imagine you want to maintain a steady supply of bananas and need to replenish your stock every three days. You can either set up a whole sourcing event from scratch each time, which is extremely time-consuming, or reorder from an existing supplier – but then you probably won't get the best price, and your profit margins will suffer.

2. Mixed-pack goods.

Say you need to order a new batch of frozen pizzas, a set of plain T-shirts in different colours, or a multi-pack of yoghurt containing different flavours. In each case, you have to specify all the product attributes and variants you need. If you can't automate the import of these attributes and characteristics from your back-end systems, you end up retyping the same information over and over again. And if suppliers misunderstand your requirements, you might end up with inaccurate bids – or worse, goods that don't fit your specifications.

New approach and outcomes

Digital sourcing applications that integrate with your PIM, ERP, and other back-end systems let you pull product attribute and variant information into each sourcing event automatically. This eliminates the need for manual entry, saving time and helping suppliers understand exactly what you want. Integrated access to results from sourcing events and contract negotiations helps you enforce agreed-on discounts, terms, and conditions, ensuring you get the best value for your money.

Further suggested reading:

"Direct Material Sourcing: The Importance of Having the Right Tool for the Right Job," Spend Matters.

[Read more](#)

Conclusion

Eight capabilities to seek in a strategic sourcing solution

With today's robust technologies, you can rapidly transform the way you source and procure merchandise and private-label goods and take business results to the next level. To find the best strategic sourcing solution for your organisation, look for one that enables you to:

- 1. Seamlessly qualify, onboard, and segment suppliers based on metrics you set.** For example, setting filters for organic produce, sustainably sourced wood, fair trade goods, and ethical labour standards will help you meet consumer demands in these areas. In addition, integrated sourcing, contracting, and supplier management let you monitor and control supplier performance effectively throughout the source-to-contract process. Your buyers gain a 360-degree view into supplier information and can use automated, standard alerts and reports to assess compliance and manage risk.
- 2. Automatically add questions and line-item terms** to sourcing events and contracts based on their category by using a category attribute hierarchy central library. This also lets buyers create content directly from the category attribute hierarchy in the UI, which saves time and improves productivity.
- 3. Integrate with article master and PIM systems and data** so you can automatically incorporate relevant attribute information and articles into sourcing events documents, questionnaires and contracts. This also simplifies sourcing for mixed packs and cases. Native access to the article master in your ERP system enhances team productivity through easy incorporation of articles into events. Data uncovered during sourcing events can also be integrated back into your PIM system, reducing manual work.
- 4. Digitise price requests for perishable goods.** Continuous quoting capabilities can significantly streamline repetitive sourcing processes, allowing buyers to establish sourcing projects and events that run for a defined period of time and automatically repeat on a preset schedule. In addition, they can get alerts on any significant pricing differences between current and previous events.
- 5. Electronically create supplier questionnaires** that are category- and/or region-specific by leveraging product questionnaires from a central library or third-party solution. This helps you reduce manual data entry and improve compliance with regulations and corporate social responsibility requirements. For example, if you're sourcing T-shirts in a range of colours and sizes, you'll want to ask similar questions for each variant, such as whether the cotton is organic, the dyes are sustainable, and the suppliers' factories follow fair labour practices.

For additional insights on mastering the complexities of private-label sourcing, listen to our webinar with French retail giant Intermarché.

[Watch now](#)

6. **Digitally calculate total landed costs**, including logistics costs, import duties, taxes and incoterms (which specify who will pay for and manage the shipment, insurance, documentation, customs clearance and other logistical activities).
7. **Automatically create follow-on documents** (such as purchase orders and contracts) to ensure that negotiated discounts, terms, and conditions are enforced globally and locally.
8. **Manage both your merchandise and non-merchandise spend in one place.** Using a single system for all types of spend provides a better experience for your buyers

and improves their efficiency. It boosts savings by driving compliance with negotiated discounts, terms, and conditions across all categories. It also allows you to easily analyse your total spend and unlock intelligent insights.

These capabilities help you accelerate sourcing cycle time, save money, keep up with consumer demands, reduce manual work, improve product sustainability, and strengthen compliance with your internal procurement policies.

Taking the next step

SAP has many years of experience helping retailers optimise sourcing and procurement across merchandise and private-label goods spend. Our SAP® Strategic Sourcing Suite offers the integrated source-to-contract and supplier management capabilities you need to successfully navigate today's fast-moving retail market.

To learn more about how we can help:

[Visit our website](#)[Request a demo](#)[Contact us](#)

- 1 For further information, please see <https://nielseniq.com/global/en/insights/education/2022/private-label-growth-and-how-emerging-brands-can-compete/>
- 2 IDC Technology Spotlight, "Supplier Collaboration and Strategic Sourcing Inform Next Generation Product Design," IDC, #US48324421, October 2021.
- 3 IDC Spotlight, sponsored by SAP, "Mitigating Supplier Risk via Product Sourcing Integrations in Discrete and Engineering-Oriented Manufacturing," #US49939522, December 2022.