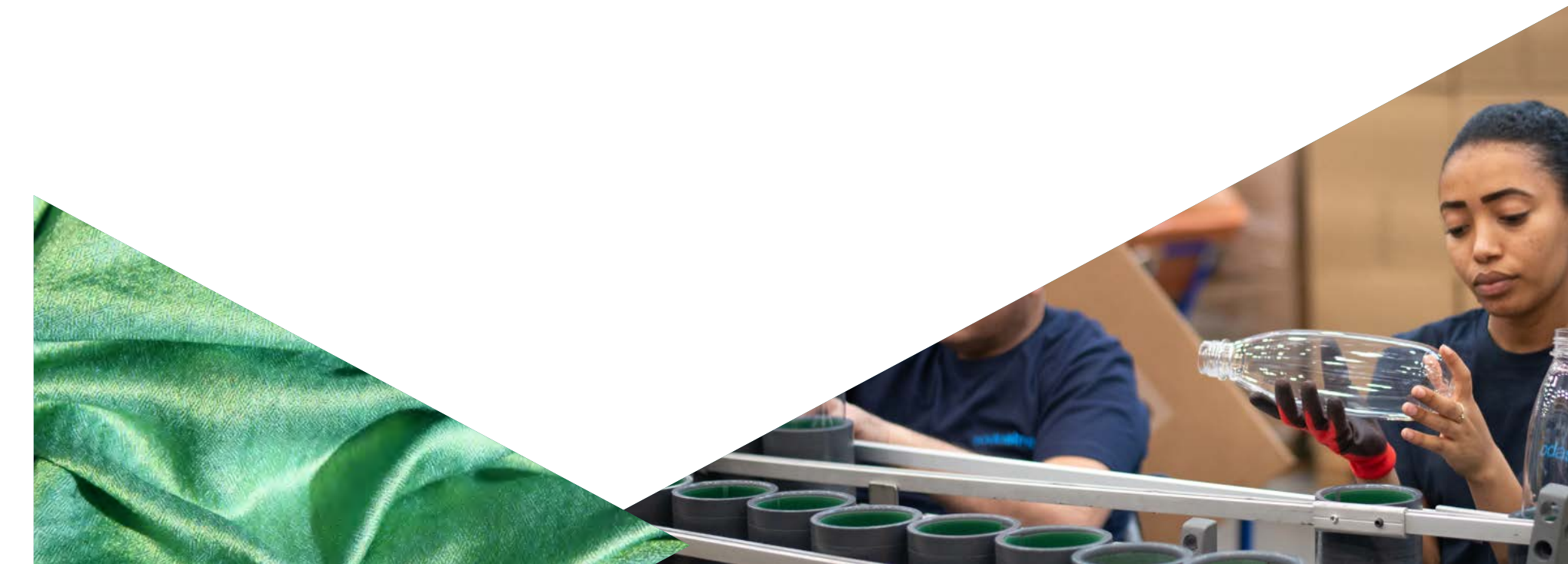




How to transform your supplier auditing process in order to improve time to market, increase sales, and reduce expenses.

Supplier Compliance & Vetting Guide

Discover more at mercadolabs.com





Why is supplier vetting & compliance so important?

Vetting & Compliance: *The A-Z of managing your supplier relationships*

No importer should underestimate the importance of their supply chain. Without reliable, reputable suppliers, business operations would soon grind to a halt. That's why it's crucial to ensure you understand how your suppliers operate and that they are able to fulfil your requirements and meet your standards.

But how many businesses can truthfully say they thoroughly assess a potential supplier from both a financial and risk management perspective? It's a common problem to overlook the vetting process when new suppliers need to be onboarded quickly, but the results of not doing so can be detrimental to not only sales, but your business as a whole.

Even once a supplier has been vetted, it's then of paramount importance that businesses ensure their suppliers and partners maintain standards and adhere to new policies and requirements as they come into play.

It's not a simple one-off check, but an on-going process built on trust. Despite its importance however, it remains one which many brands continually fail – either due to a lack of process, else the right tools to track and manage it effectively.

In this guide, we will explore what types of compliance you should be measuring your suppliers against and how you can put them into practice, track, and measure them to get the results you need to succeed.

Understanding the different types of supplier compliance

Keeping on top of all the compliance standards and regulations from a market and government perspective alike can be tricky.

So we've put together a simple framework to track your compliance needs across three main areas:

1. Regulatory Compliance

This covers all aspects relating to governmental compliance standards that you are legally obligated to meet.

Examples: Filing customs entry; maintaining & managing the right legal inspections for toxins.

2. Supply Chain Compliance

This covers areas that need to be adhered to in order to avoid the flow of goods being impeded. These are governed by internal standards and processes.

Examples: Barcode standards; labels on boxes.

3. Social Compliance

This covers areas that, if not followed or maintained, will affect the lives of people else impact the wider planet. These are also set and governed internally by businesses.

Examples: Removal of toxic waste; child labor.





Designing a framework to test & manage your compliance standards

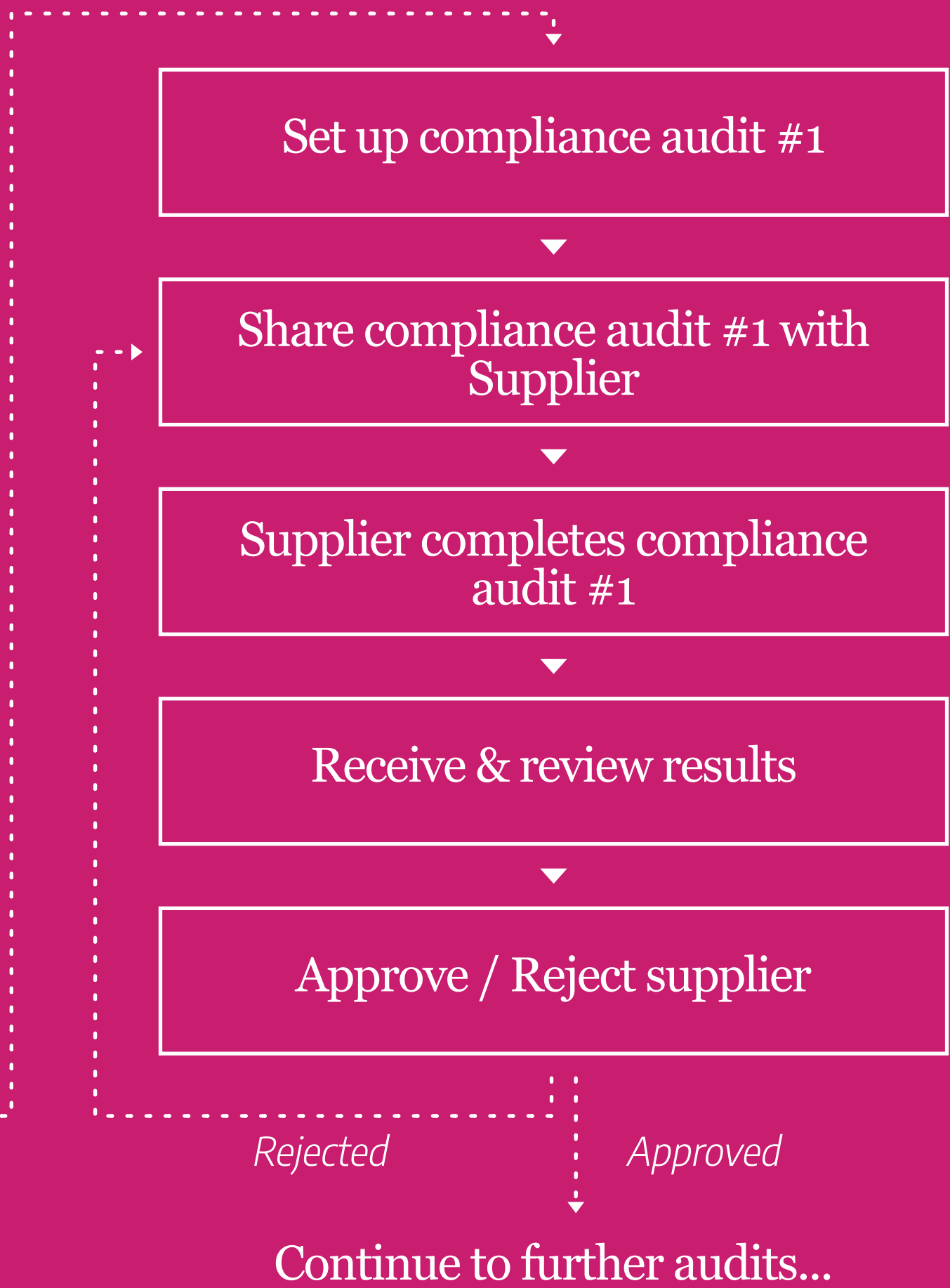
So, you've got an understanding of what you want to audit your suppliers against. But how can you put this into action and start to understand whether your existing partnerships are delivering as you would expect. Just as important, how can you set up a compliance flow for onboarding new and potential suppliers as you grow?

Mercado has put together a simple process we recommend our customers follow that takes them from initial vetting of a supplier to measuring and tracking on-going compliance standards (both generic to the wider industry as well as specific standards their business sets out).

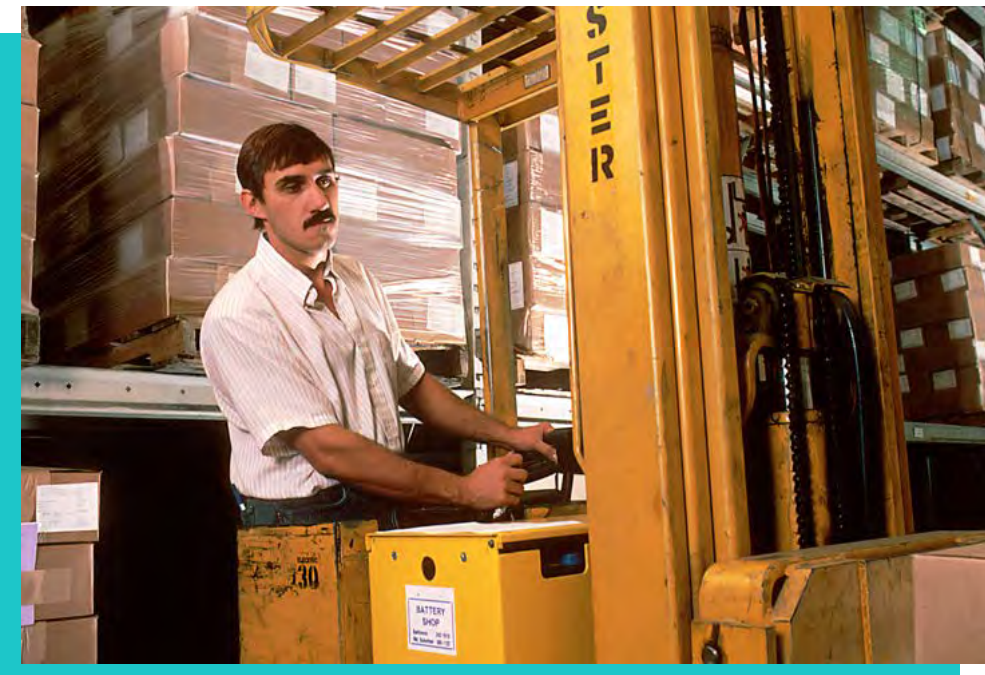
Supplier Vetting Audit



Supplier Compliance Audit #1



Tracking & measuring vetting & compliance audits



The key outcome from your vetting and compliance audits is the ability to distinguish whether a supplier has passed or failed. When it comes to setting up your audits, you first want to consider how you will know whether the response you receive is a good one or not.

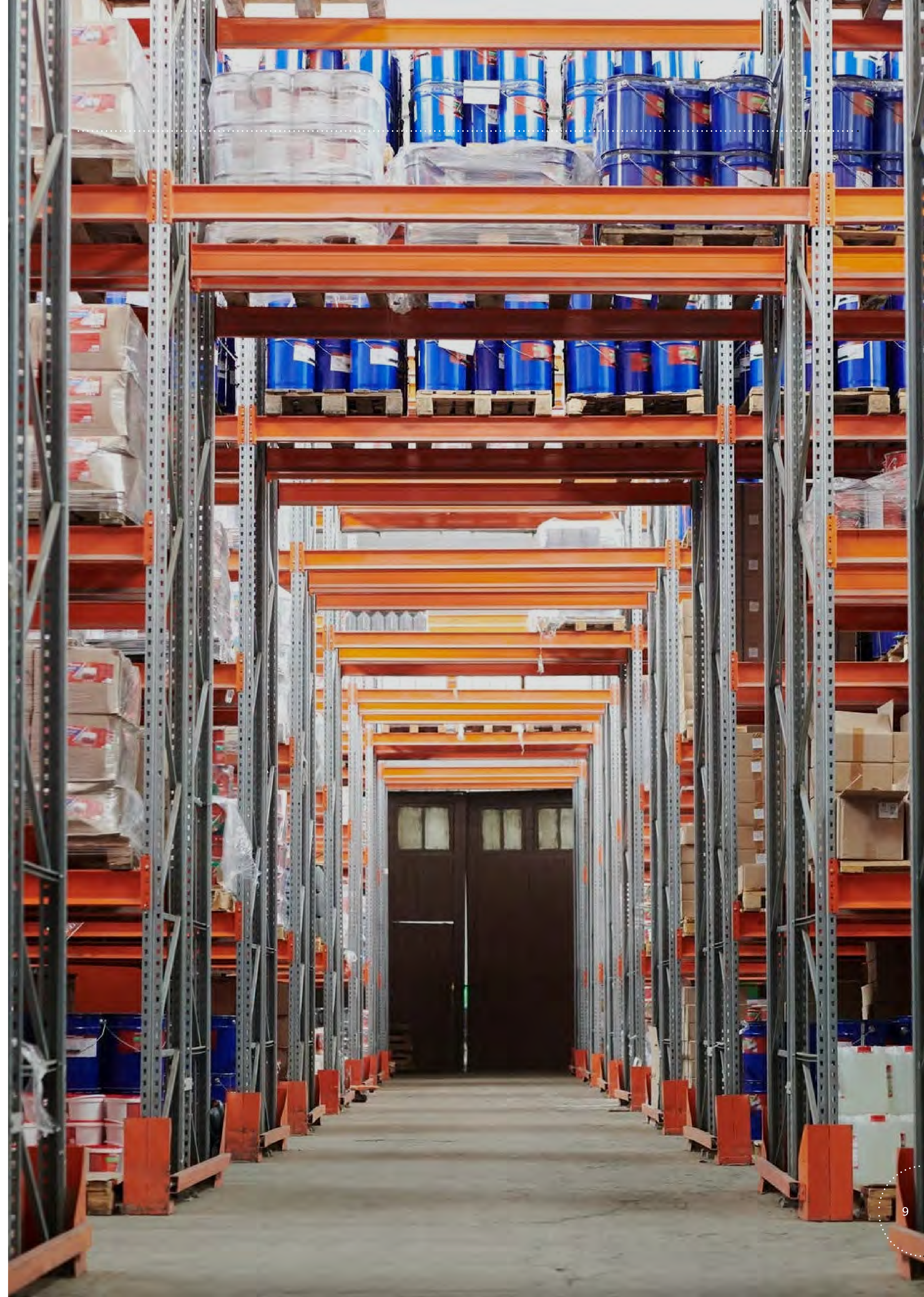
The secret lies in the types of questions you ask. Think of it like this — a question along the lines of, "How do you manage effective communication?" is a highly subjective question. Some suppliers may give you a detailed response,

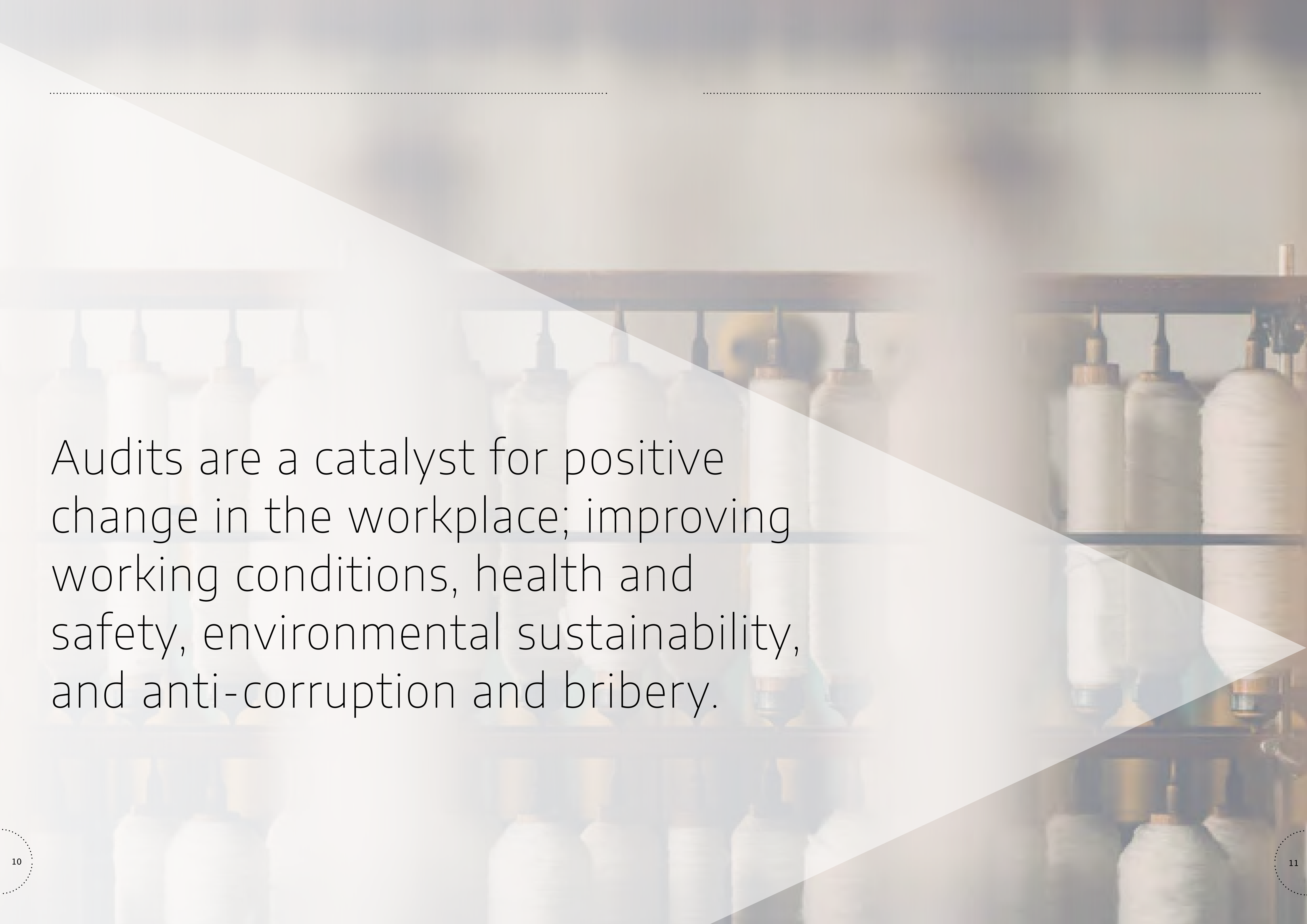
while others might provide a one-word answer.

A better option to manage this is to use open questions with clear criteria for what you deem to be a "good" response versus a "bad" response. For example, you set parameters for a pass/fail to questions like, "How many hours does it typically take you to respond to queries?"

Alternatively, you can set questions that ensure a supplier responds within set ranges. For example, our example question above could provide bands with which the supplier must align themselves, such as "Less than 12 hours," "12-24 hours," "24-48 hours," or "More than 48 hours."

Next, you must have a predefined understanding of what success looks like. Is it as simple as adding up the scores and ensuring your suppliers meet a minimum threshold? Or are some questions compulsory to get right, and failing them automatically disqualifies the supplier?





Audits are a catalyst for positive change in the workplace; improving working conditions, health and safety, environmental sustainability, and anti-corruption and bribery.

How to engage suppliers in the compliance process

When it comes to setting up compliance audits, importers need to think about the impacts they will have on new suppliers compared with their existing partners. This shouldn't be underestimated, as current suppliers who fail retrospective audits may affect your operations.

Consider this: if an existing supplier fails, how does that impact your open or pending purchase orders with them?

How does this differ if the order is being manufactured, versus if it has already been shipped, versus if it has already arrived in your stores or has been bought by your customers?

Second, importers need to consider how to get buy-in from their suppliers to help make the process as simple and frictionless as possible. Suppliers have their own business goals and objectives they need to meet, so aligning with these can help to make audits mutually beneficial.

In addition, suppliers who are willing and committed to making improvements to the way they work are more likely to deliver better results and build longer-term partnerships.

Assess how aware suppliers are of your compliance standards and use this as a springboard to help bridge any gaps.

The outcome of any audit should be shared openly with all parties to ensure they understand how they performed.

Where suppliers have failed to meet the expected standards, importers should look to help them see how they could improve and provide recommendations.

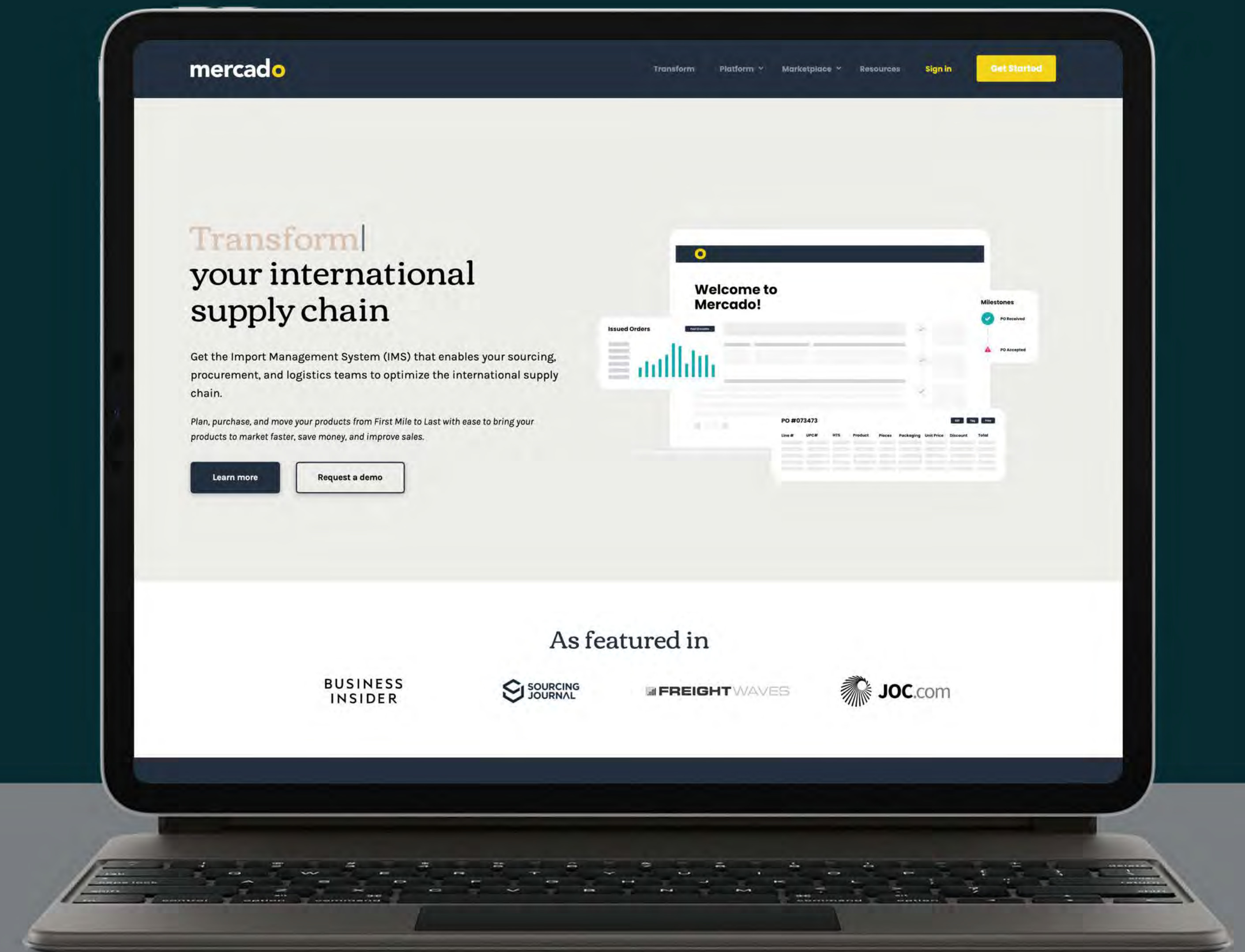
Similarly, suppliers who meet standards and pass audits should be rewarded accordingly. Studies show that too often, price is used to determine whether one supplier is selected over another, when in fact other factors can impact the overall profitability of using a supplier, than their initial cost alone.



Transform your international supply chain with Mercado

The Mercado platform improves profits, sales, lives, and the environment through technology and workflow by connecting importers with their teams, suppliers, products, and customer demand.

Suppliers are added, vetted, and set-up in the platform in as little as 30 minutes, before Mercado then receives your orders electronically and presents a digital version to the supplier.



In-built process and workflow tools connect, streamline, and automate the entire process, resulting in:

1. Complete visibility and transparency across suppliers and products.

Allowing importers to improve all aspects of their supply chain – from resiliency, to social compliance, to efficiency and cost effectiveness.

2. Greater connection between supplier and product data in importers' demand systems.

Improving market responsiveness and increasing agility; leading to significant improvements in sales and margins.

3. Unification between the teams responsible for sourcing, purchasing, and moving products.

Enabling each to have a shared mission and a single, real-time version of the truth through the Mercado platform.

Discover how you can transform your supply chain by visiting mercadolabs.com/transform



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supplier compliance & vetting guide

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