



PROCUREMENT BULLETIN

March 2017 Issue

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[Case Study] Ralph Lauren Establishes Traceability in Its Fabric Sourcing

More and more brands join the sustainable sourcing movement each year. Ralph Lauren Corporation is one of the latest companies to make a commitment to manage its supply chain in a way that benefits the environment. The company has new sustainable sourcing guidelines for its wood-based fabric products and will also look into its human rights initiatives.

Situation: Ralph Lauren Creates Sustainable Sourcing Guidelines

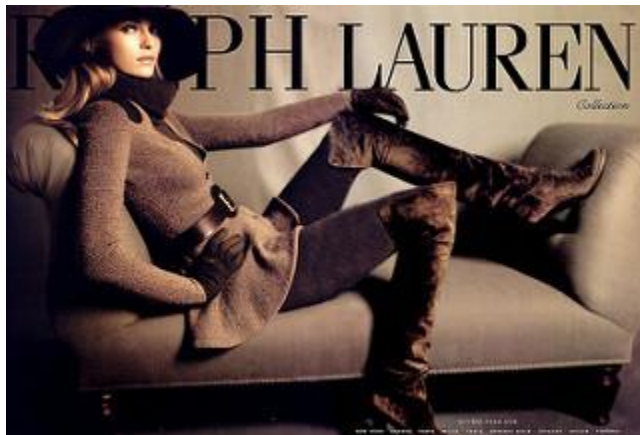


Image via [Flickr](#) by fervent-adepte-de-la-mode

After facing [pressure from the Rainforest Action Network](#), Ralph Lauren decided to cooperate and make changes to its responsible sourcing practices. Deforestation is a major problem, partly due to the production of wood-based fabrics.

The Rainforest Action Network states that more than 60 luxury clothing brands have already made changes to their sourcing guidelines, including ASOS, H&M, Levi Strauss & Co., Stella



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McCartney, and Zara. The changes limit deforestation practices for wood pulp. [Halide Alagoz](#), Senior Vice President of Global Manufacturing and Sourcing at Ralph Lauren states the new guidelines are part of a "broader initiative to establish traceability, risk assessment, and verification framework."

Ralph Lauren aims to do a better job of tracing the source of fabrics used in its products and to make more sustainable choices that don't harm the environment. The company doesn't want to be associated with any human rights violations or rainforest destruction. Ralph Lauren will specifically look at its wood-based fabric sources, like rayon and viscose, and make improvements to its supply chain when purchasing raw materials for its products. This means stricter requirements for the vendors the company chooses to use.

Approach: Ralph Lauren Works on Traceability and Risk Assessment



Image via [Flickr](#) by HerryLawford

Ralph Lauren has already notified its vendors that stricter sourcing guidelines will go into effect later this year. In the meantime, the company is creating a framework for traceability and risk assessment to implement its new sourcing guidelines. The company will closely look at all of its current suppliers and vendors.

Consumers don't usually associate wood pulp with clothing products, but this material is often used in synthetic fabrics, such as rayon and viscose. Ralph Lauren includes both of these wool-like fabrics in its product line. More than 70 million trees are destroyed each year to create these synthetic fabrics, and there is no accountability. Ralph Lauren's new sourcing guidelines aim to change this and other forms of deforestation.



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Impact and Advantage



Image via [Flickr](#) by Martin Svedén

[Research from Unilever](#) shows that 33 percent of consumers want to buy sustainable products. In this survey, 20,000 adults from five countries communicated their concerns for the environment and discussed their purchasing decisions. Ralph Lauren made its announcement about new sourcing guidelines only a week after the Unilever study was published.

Implementing new sourcing guidelines gives Ralph Lauren an advantage over competitors who don't focus much attention on sustainability. Consumers care about where their products come from and which materials are used during manufacturing. Many are even willing to pay a premium to support brands that care about the environment and human rights. Ralph Lauren only stands to gain from its new sustainable sourcing guidelines.



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Rate Correction for Ocean Cargo Expected in 2017

At the end of 2016, cargo imports surged. Retailers had experienced strong holiday spending and were stocking up on inventory for 2017. The increased container cargo volume was a welcome change from the lows of 2016, when overcapacity and weak demand caused rates to drop to the lowest they had been in years. This even caused the Hanjin Shipping Co. bankruptcy and consolidation at several large carriers. Economists predict rate correction for ocean cargo in 2017, but uncertainty still remains.

Improved Health at Ports in 2017



Image via [Flickr](#) by liftarn

Manufacturers are starting to fill excess capacity and leveling out demand at ports around the world. [Panjiva](#), a research firm that tracks trade data, discovered an 8.9 percent increase in United States-bound seaborne shipments in December 2016 over the previous year. This is partially due to holiday spending, but it's also because West Coast ports are also finally recovering from the damages of labor disputes in 2016. Another factor in the increase in cargo volume is that retailers are worried that rates will increase drastically in the spring, and they want to get a head start on volume at the lower rates.

Many economists were surprised at the increase in import volume because of [political uncertainty across the globe](#), such as a new presidency in the U.S. and impending Brexit in the U.K. However, holiday sales were strong, and consumer confidence is still on the upswing. Unemployment rates in the U.S. are down, and people are starting to recover from the recession. The political climate often affects import volume, but it isn't currently causing a negative impact.



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Ocean Cargo Rates Are Rising Steadily



Image via [Flickr](#) by Je.T.

Ocean cargo rates have been historically low in 2016 because of overcapacity at ports and weak demand. As conditions improve, some rate correction will take place. Ocean cargo rates are already rising steadily and could remain high in the spring. This is good news for ocean carriers that have been struggling over the past few years.

Several ocean carriers have consolidated and merged in recent history because of struggles in the shipping industry. One of the most notable instances was the [bankruptcy of Hanjin Shipping Co.](#) More mergers and alliances are expected in 2017, which could further boost ocean cargo rates.

Predictions for Ocean Cargo in 2017



Image via [Flickr](#) by ST33VO

Even though it isn't clear how new trade policy in the U.S. or political uncertainty around the world will affect ports, 2017 will likely be a good year for ocean carriers. Rate correction and higher volumes will likely make headlines. Retailers should prepare to pay higher rates and prepare for possible shipping delays as demand levels out at ports.



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The shipping industry as a whole is recovering, but it may be too late for some ocean carriers. For instance, Yang Ming is still struggling to avoid bankruptcy. The company has a financial recovery plan, but the slow pace of recovery to this point may spell trouble for the ocean carrier. Many other carriers will likely also merge to avoid going out of business entirely.



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[Case Study] Whirlpool Implements Robots in Its Manufacturing Processes

As technology improves, robots are poised to take over factory floors around the world. This includes tasks that go beyond basic repetition. Whirlpool is one brand that is turning to robotics in its manufacturing processes. The company has implemented several new robots this year and doesn't have plans of slowing down.

Situation: Whirlpool Wants to Save Money and Improve Safety Through Robotics



Image via [Flickr](#) by Mario Spann

[James Keppler](#), Whirlpool's Vice President of Integrated Supply Chain, doesn't think robots will completely take over manufacturing. However, the company is investing in robotics technology to improve quality, enhance safety, and cut costs. As he states, "At Whirlpool, as part of our manufacturing 2020 strategy, we certainly think that smart automation, more advanced test systems that move us from more of a reactive position to predictive, real time shop floor visibility, and more advanced analytics, so we can prevent equipment failures before they happen, [are important]. I think those types of things are very much in our near future, and we are already working on those today."

According to Keppler, Whirlpool has spent a lot of time over the past year testing and implementing robotics technology. One of Whirlpool's facilities in Ohio already uses more than 50 robotic tuggers to deliver parts to 24 drop-off locations along the assembly line. These robots are an important part of Whirlpool's lean and continuous improvement philosophy.



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Approach: Implement Robots Throughout the Manufacturing Process

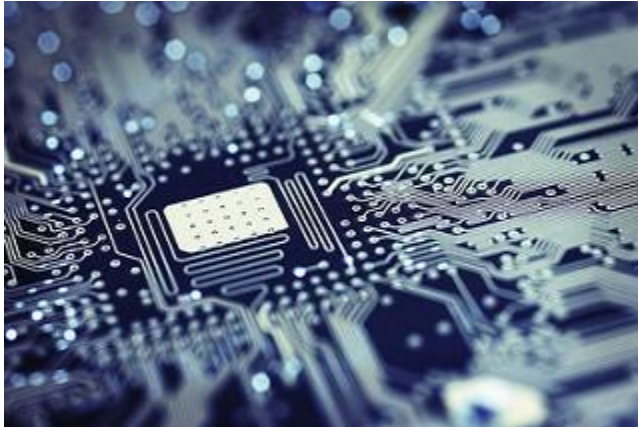


Image via [Flickr](#) by tec_estromberg

Whirlpool has 15,000 manufacturing employees and is still in need of skilled talent. Robots are not replacing employees at this point. Instead, [they are allowing Whirlpool to improve safety at its factories while also cutting costs](#). Keppler says labor savings is a benefit to automation, but it isn't the key reason that Whirlpool is using robotics in its factories.

Whirlpool is leading the industry in appliances with integrated technology. The company is working with IBM and other technology companies to come up with robotics solutions for its factories in order to help the company continue to manufacture high-quality technology products. Some products have hundreds of parts, and robots can help employees assemble these products faster.



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Impact and Advantage



Image via [Flickr](#) by ewedistrict

Whirlpool has seen all sorts of benefits to implementing robots in its factories. One of the biggest benefits is improved safety for employees. Robots can essentially remove forklifts and other powered vehicles out of areas where many employees are working. This cuts down on the number of work-related injuries. Another benefit to robots is improved efficiency in Whirlpool's factories. Employees don't have to spend time moving parts from one location to another. Instead, they can focus their time on assembly and other manufacturing tasks.

Whirlpool isn't the first company to start using robots in its factories, and it won't be the last. Robots help companies scale and improve overall processes in their factories. Whirlpool presents a good example of that. The best part is that employees' jobs aren't at risk because Whirlpool continues to grow and will always need skilled labor to supervise robots and complete certain manufacturing tasks.



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USDA Tests Food Stamps with Online Grocers

The United States Department of Agriculture (USDA) is responsible for administering the Supplemental Nutrition Assistance Program (SNAP) for families in the U.S. who don't have the resources to buy sufficient groceries. The program is getting an upgrade in 2017 with the introduction of online grocery shopping. Starting in the summer of 2017, some program participants will be able to use SNAP to purchase groceries from online. Online grocery shopping is a growing trend in the U.S., and the updated SNAP program could put even more pressure on retailers from a logistics standpoint.

USDA Tests Online Grocery Shopping With SNAP



Image via [Flickr](#) by USDAgov

In 2016, the USDA asked for volunteers to participate in the pilot program for purchasing groceries online with SNAP. Seven grocery retailers in seven states were selected. The group consists of both large and small retailers, allowing researchers to test a variety of settings. The test will happen over a two-year period and will start in summer 2017.

The following is a list of participants in the pilot program:

- Amazon.com (Maryland, New Jersey, and New York)
- FreshDirect (New York)
- Safeway (Maryland, Oregon, and Washington)
- ShopRite (Maryland, New Jersey, and Pennsylvania)
- Hy-Vee (Iowa)
- Hart's Local Grocers (New York)
- Dash's Market (New York)



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[Joe Dash](#), owner of Dash's Market said, "We're now able to serve a segment of the population who we currently can't get to and can't get to us ... Whether they're low-income families, mobility-impaired, or without transportation, we're now able to improve healthy food access to those community members who need it most."

Make Healthy Food Available Through Normal Channels of Trade



Image via [Flickr](#) by Alameda County Community Food Bank

The [Food Stamp Act of 1964](#) clearly states that families who participate in the program should be able to do so through "normal channels of trade." Online grocery shopping has become a normal channel, which is why the USDA wanted to test it out for SNAP recipients. The program doesn't pay for delivery charges, but it does allow participants to purchase all of the food they would normally get from a trip to the grocery store through their EBT food cards.

The pilot program test will look at both payment and online ordering to make sure there are no technical or security challenges. More than 43 million people with low income use EBT food cards, and testing is necessary to ensure that people get their monthly benefits without issues in the future.



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Grocers Need to Prepare to Fulfill More Online Grocery Orders



Image via [Flickr](#) by IntelFreePress

SNAP recipients welcome the addition of online grocery shopping to the USDA's program because of the convenience it offers and the added flexibility to their grocery shopping routine. However, grocery retailers will need to prepare for an influx of new online grocery shoppers. This could put strain on supply chains, particularly for delivery service, where refrigeration is necessary.

While the trend for online grocery shopping has risen steadily over the past few years, many consumers still prefer to do their grocery shopping in person. The updated SNAP program could push a new group of online shoppers to try it out. Retailers will need to prepare to handle the new demand.



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Related Procurement Events

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- 3 April-31 May 2017 - Online Distance Learning
- 25-28 April 2017 - Singapore
- 7-10 May 2017 - Dubai, UAE
- 3 July-31 August 2017 - Online Distance Learning
- 24-27 July 2017 - London
- 21-24 August 2017 - Kuala Lumpur, Malaysia
- 23-26 October 2017 - London, UK
- 4 September-31 October 2017 - Online Distance Learning
- 6-9 November 2017 - Lagos, Nigeria
- 19-22 November 2017 - Dubai, UAE
- 27-30 November 2017 - Singapore
- 4-7 December 2017 - Hong Kong

Download the full details: <https://www.ethanhathaway.com/training/certified-procurement-purchasing-professional-specialist-cpps/>

Certified Chief Procurement Officer (CCPO)TM Training Course

- 23-25 April 2017-Dubai UAE
- 15-17 May 2017 Amsterdam,Netherlands
- 17-19 July 2017 Singapore
- 24-26 July 2017-London, UK
- 16-18 October 2017-London,UK
- 13-15 November 2017-Dubai
- 6-8 December 2017-Singapore
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- 17-20 July 2017 - London, UK
- 14-17 August 2017 - Lagos, Nigeria
- 21-24 August 2017 - Nairobi, Kenya
- 4 September-31 October 2017 - Online Distance Learning
- 17-20 October 2017 - London, UK
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- 26-30 June 2017-Hong Kong
- 15-19 October 2017-Dubai
- 6-10 November 2017-Hong Kong
- 4-8 December 2017-Singapore

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Successful Project Management

- 15-17 May 2017- Kuala Lumpur
- 17-19 July 2017- Singapore
- 6-8 November 2017- Kuala Lumpur
- 19-21 November 2017- Dubai
- 11-13 December 2017- Singapore

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