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ORIGINAL → ESSENTIAL → UNBIASED → **INFORMATION**

## Family Dollar Builds Good Value in its Global Supply Chain

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Solutions Architect, Strategic Trade Solutions

Wells Fargo

# Introductions

## Family Dollar

- Fortune 300 company
- Discount retailer: merchandise under \$10
- 7,800+ stores in 45 states
- Headquartered in Matthews, North Carolina

***Vision: To be the best small-format convenience and value retailer serving the needs of families in our neighborhoods***

# Introductions

## Wells Fargo International

- 2,000+ Wholesale team members outside U.S.
- 34 countries outside U.S., including 10 branches serving clients in 125 countries
- 2,000+ financial institutions in global partner network

***Vision: We want to satisfy all our customers' financial needs and help them succeed financially***

# Global supply chain challenges

Secure and easily  
accessible  
multi-party supply  
chain

Assigning document  
privileges to  
third-party providers  
in different  
geographies

Managing various time  
zones, languages  
and data standards

Navigating import and  
export regulations  
and timelines

Source: SPS Commerce: Driving Infinite Growth Across the International Supply Chain with SPS Commerce

# Why improve global supply chains?

*There's a correlation between a company's financial success and the depth and sophistication of their supply chain.*

-Council of Supply Chain Management Professional website

**12X**

**greater profit**

**For companies using sophisticated supply chain methods**

**"Why supply chains matter more than ever for technology companies."  
Bain & Company, 2011**

**More companies already trading globally**

**90% Export**

**84% Import**

**but need a supply chain to match**

**"Globalization and global trade drive renewed focus on supply chain visibility."  
Aberdeen Group, Sept. 2011**

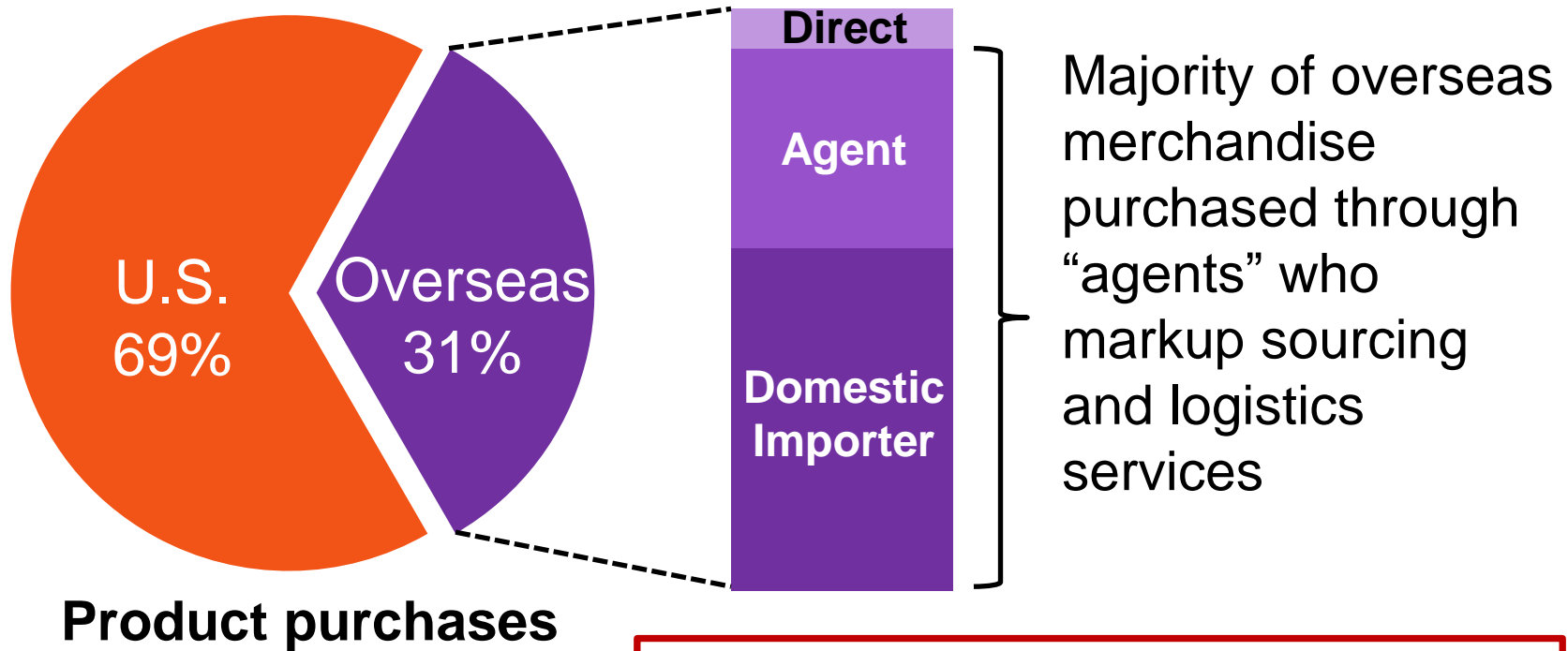
Source: SPS Commerce: Driving Infinite Growth Across the International Supply Chain with SPS Commerce

# Family Dollar's challenge

- **Gross margin pressures on profitability**
- **Raise prices?**
  - Contrary to “value pricing” business model
- **Can we ...**
  - increase margins?
  - ***and*** keep costs low?
  - ***and*** increase Treasury operations efficiency?

# Where to improve margins?

## Global Sourcing

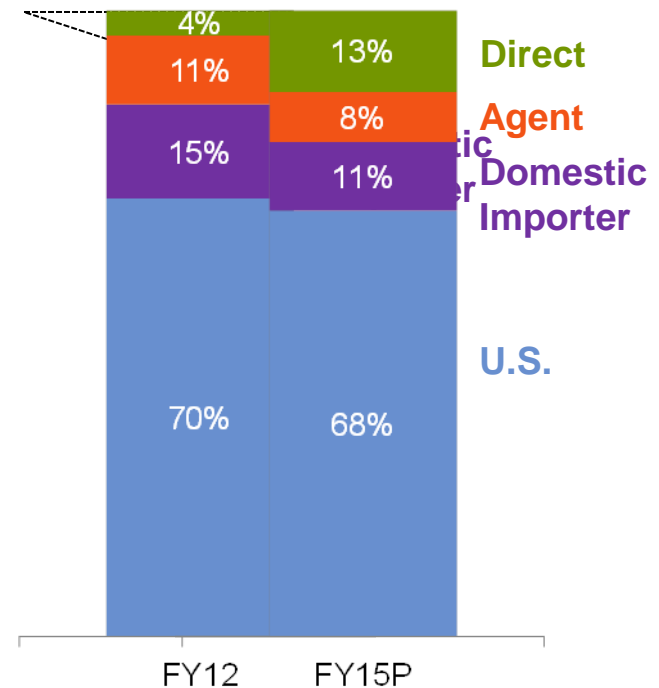


**Private brands sourced overseas:**  
Another key area of opportunity for increasing sales and profitability

# Global Sourcing strategy

- Move to a more direct “Buy-Sell” model
- Expand private brand merchandise offering

Projected sourcing shift  
(Percent of annual purchases\*)

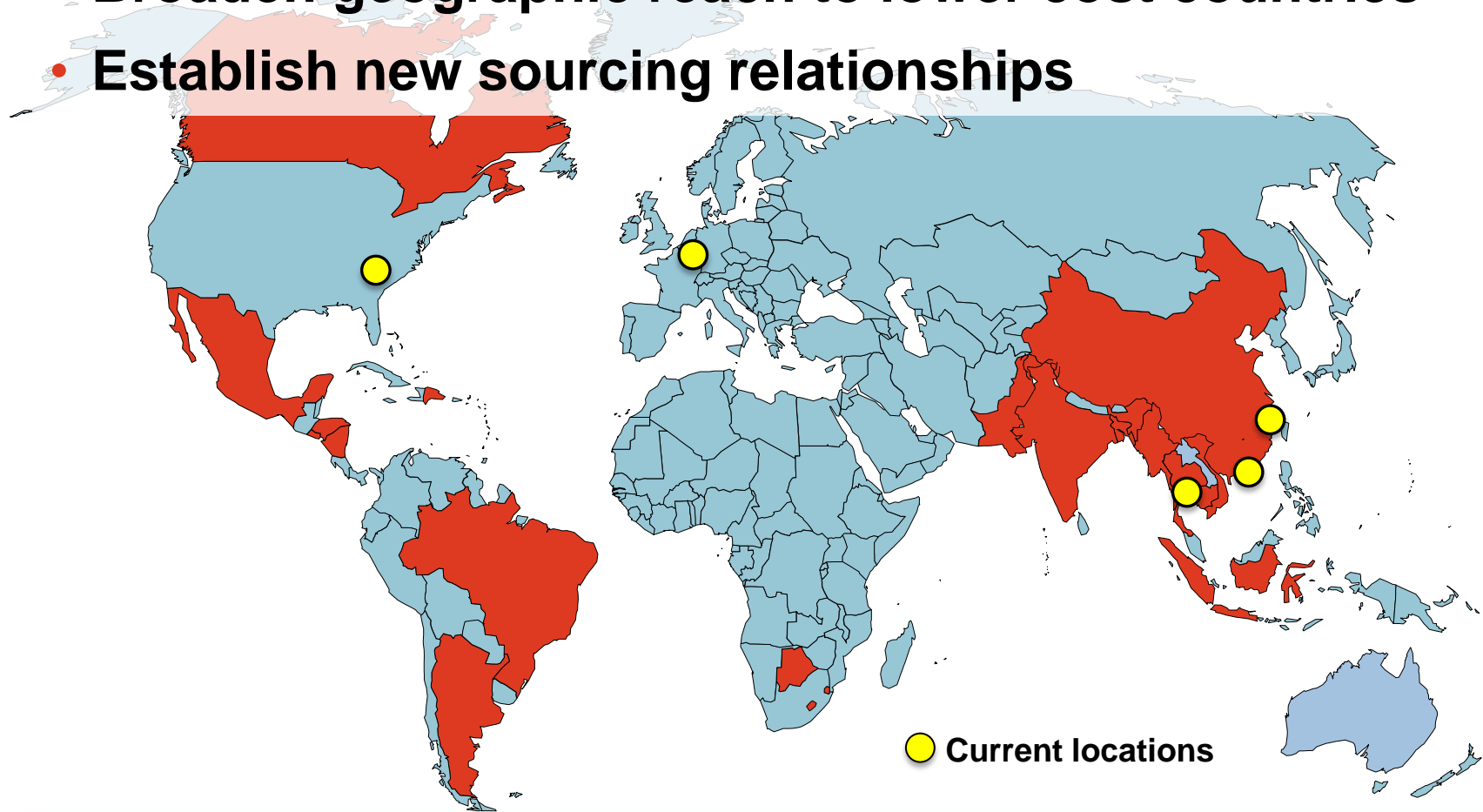


\*Purchases at retail



# Global Sourcing strategy (cont'd)

- Broaden geographic reach to lower cost countries
- Establish new sourcing relationships



# Global Sourcing: top strategic initiative

**Aggressive timeframe (three years) to accomplish:**

## Build out Global Sourcing capabilities and organization

- Establish offices/teams in key sourcing markets
  - Build strong supplier relationships
  - Expand supplier network
- Develop stronger processes to integrate sourcing with category management

## Implement Buy-Sell model

- Set up own trading company
- Build infrastructure to support new model
- Establish international treasury processes

# Treasury's role in the Plan

## Define roles & responsibilities of finance team members

- US Treasury team
- Local country finance support team

## Develop cash management plan

- Supplier payment terms
- Payment terms between Family Dollar and Tar Heel Trading subsidiary
- Cash build-up

## Develop cash management procedures and controls

- Daily / Monthly cash positioning & forecast
- Account reconciliation
- Investment management

## Implement A/P payment solution

- Automate supplier payments
- Local expenses

# Right partners critical to success

Success dependent  
on adopting new  
technology and  
integrating new global  
sourcing processes  
with key vendors and  
trading partners

## **TradeStone**

Single platform for  
physical and  
financial supply  
chain integration

## **Yusen Logistics**

Freight forwarder  
and consolidator

## **Oracle**

ERP system  
(Inventory, GL, AR, AP)

## **Wells Fargo**

Letter of credit  
trade transaction  
processing

# Implementation

## Determined how quickly to implement TradeStone's industry model

### EDI Integration with suppliers

- Establishing EDI standards

### Payment practices and supplier needs in Asia

- Maintain focus of overseas staff on core mission
- Eliminate work on multiple partner systems
- Automate information flow between partner banks through direct integrations

# Implementation challenges

- **Aggressive timeframe / rapid implementation**
- **80% solution**
- **Dealing with hundreds of L/C templates**



# Lessons learned

## Standardize L/C models

- Create roles and conditions for batching POs
- Understand all data elements

## Identify key solution elements

- PO line items – DNA of the solution
- Key data relationships – always consider many-to-many relationships first

## Document detailed requirements

- Painful, but very necessary/valuable exercise

## Communicate

- Need all disciplines involved, but one central point of contact

Laugh!



# Where we stand today

- ✓ **Establish Tar Heel trading company**
- ✓ **Ramp up global sourcing organization**
- ✓ **Implement TradeStone and Oracle platforms**
- ✓ **Transition suppliers to Tar Heel**
- ✓ **Issue L/Cs using new integration process**

## Ongoing initiatives:

- **Broaden geographic reach to lower cost countries**
- **Expand sourcing of private brands**

# Key takeaways

- **Have a realistic vision**
- **Be quick and nimble**
- **Secure senior leadership support**
- **Get key stakeholders on board**
- **Pick your partners carefully**
- **Design the strategy**
- **Focus on cash processes**

# Questions