



CHAINS OF GOLD

How partnerships improve efficiency and impact of supply chains

Walmart, have recently seen the results of an innovative partnership boost retail sales in their jewellery sector. Customers can now identify their jewellery item on line with a unique item number. This link informs the customer where the gold was mined, refined, polished and finally where the stones were set. This transparency brings ethical trading and environmental policy alive for customers, making them personally aware that how they shop affects issues such as supply chain labour and mining.

As customers become more inquisitive about and aware of the issues in the supply chains behind their purchases, the quality of partnerships along the supply chain becomes more important.

Taking time to review the length and complexity of your products supply chains could unlock a wealth of options for improving social, environmental and financial costs, as well as give your company a whole new marketing strategy, raising awareness of your ethical trading practices.

Companies have been working alongside each other since the dawn of trading, but investing time into taking this working relationship further could realise a mutually beneficial partnership, delivering returns beyond the current working relationship.

This next step can be "brokered" by an independent third party who can define areas of mutual gain, raise awareness of restraints or limitations and develop performance indicators to monitor how the joint initiative works. This approach can be applied to establishing new or rejuvenating existing relationships between suppliers in your chain.

Partnerships take time to develop and are a longer term investment. The partnership between Wal-Mart, Rio Tinto and jewellery supplier Aurafin took 3 years to reach the store front and affect sales. Not every company will want to invest time and energy into developing such a working partnership, but there is considerable fiscal and non fiscal value in increasing internal confidence in a product and transparency to the end consumer.

Openness and honesty generates trust in a brand and as Wal-Mart has shown it can increase end sales. Retail research would suggest that about 40% of consumers prefer to buy what they see as ethically sourced goods so long as producers make it easy for them and they do not have to pay more.

Taking a "green" stance on managing the supply chain can also realise commercial benefits, for example, reduced packaging means you can get more in the delivery truck, thus reducing emissions and cutting costs on fuel. Cost cutting is vital to surviving the economic downturn and if you can increase your green credentials at the same time it's a win win result. Wal-mart's leading example pushes all industries to tackle the thorny issue of a transparent supply chain.