



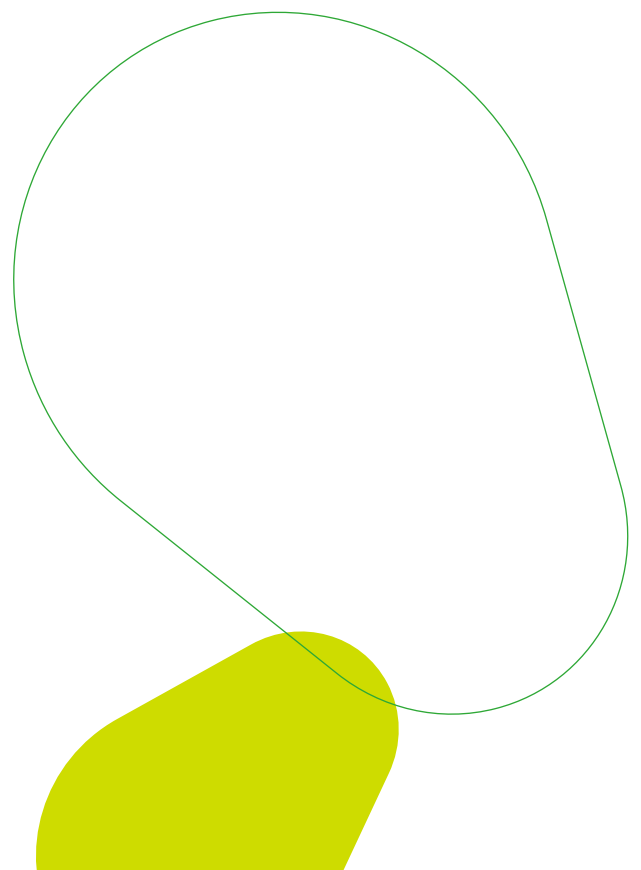
Boost Compliance Efforts With More Effective Audits



retail
TouchPoints®

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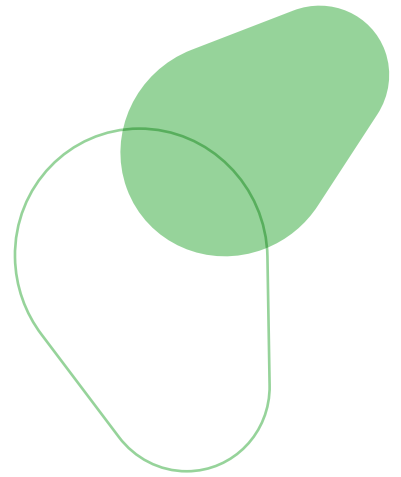
Introduction

Maintaining visibility across the supplier network is more critical than ever. Retailers need up-to-date insights into how their suppliers are performing, where risks exist and which partners are best positioned to deliver quality products reliably.

Audits make it possible for retailers and suppliers to limit risks by identifying upstream processes that aren't well controlled. With a comprehensive compliance strategy that leverages audits carried out at factory sites as well as across each company's documentation, brands gain maximum visibility into their supplier network. This broad view makes it possible to scan the entire manufacturing process of a product. From there, retailers can act on opportunities to increase efficiency and implement improved controls so they can avoid problems in the future.

In this white paper, we'll explore how the right techniques and technologies can help retailers and suppliers make audits an integral element of their compliance strategy. Audits enable organizations to identify, address and prevent problems in quality, material sourcing and manufacturing processes.

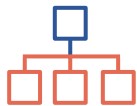
Targeted self-assessments also enhance your organization's certification posture and demonstrate your commitment to quality and corporate social responsibility (CSR) goals.



Select The Right Partners With New Supplier Audits

Supply chain disruptions continue to rattle the retail landscape. As a result, many brands are looking to expand their supplier base and seek out new opportunities for innovation.

An effective audit lets retailers learn more about new or prospective suppliers. Whether you want to increase your product selection or find fresh sources for raw materials, an audit enables you to see what companies are putting forward and better understand their capabilities. The growing focus on CSR and sustainability is also a priority issue for many retailers and suppliers. Audits can help you uncover what the company has in place that speaks to its CSR initiatives, as well as answering these key questions:



Are these CSR values known at all levels of the hierarchy?



Has there been any communication or training about CSR?



Is it a global approach that's monitored with indicators?



Are these indicators regularly communicated?



How are CSR initiatives and monitoring metrics translated at the production-line level?

By implementing a compliance strategy that includes a robust audit component, you can proactively identify suppliers with a demonstrated commitment to quality and CSR initiatives.

62%

of mature millennials (ages 33 – 36) say they choose products with a traceable and transparent origin.

Source: PwC, [June 2021 Global Consumer Insights Pulse Survey](#)



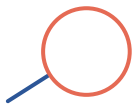
Ensure Quality With Site Audits

Supplier site audits are an important component within a broader compliance strategy. Experiencing conditions and processes in real time — along with verifying elements such as quality control, security and environmental compliance — enables you to develop a deeper understanding of your supplier network.

The two primary purposes of a site audit are to:



Find problems and risk areas



Identify the corrective actions that will make the situation better

A well-planned and executed site audit also helps align your goals and your partners' goals — whether they're around quality, sustainability, resiliency, cost efficiency or other factors.

Begin by clearly explaining the audit's scope to auditees and define what's expected of both the supplier and your organization, as well as the desired outcome. Auditors should also carefully examine any documentation provided by the supplier ahead of time, such as:

- **Contracts**
- **Product and delivery specifications**
- **Complaints or work instructions**
- **Action plans implemented after previous audits**

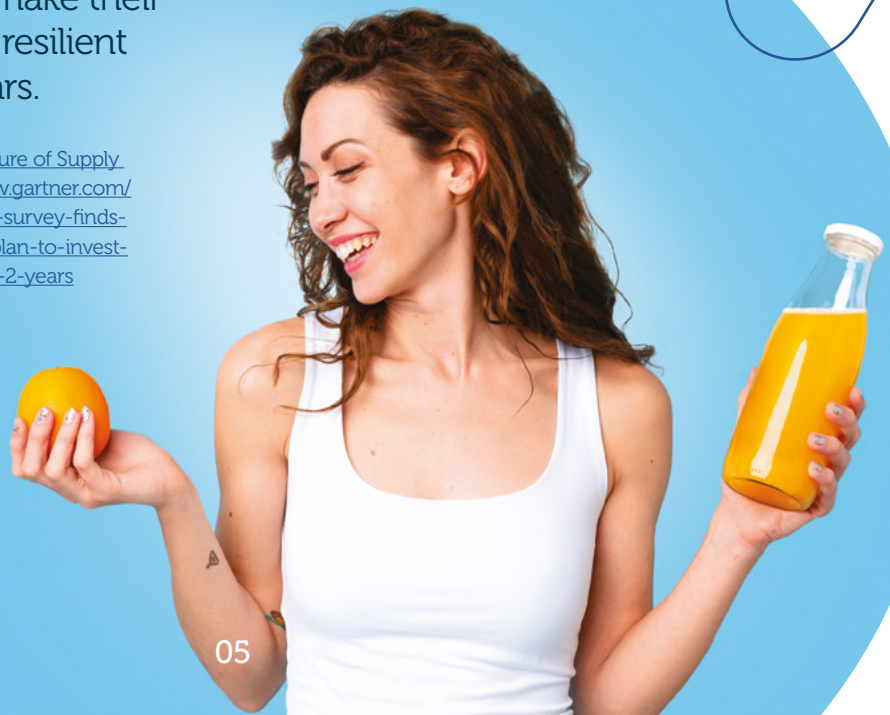
Once on-site, auditors should follow an audit framework either based on reference documents or adapted to the organization's specific needs. This ensures all elements are checked. Then, look for consistency between the supplier's document audit and the site audit. Deviations between the two warrant deeper investigation, particularly if the manufacturer attempts to skip over or avoid any issues. Be diligent about setting a follow-up, with clear expectations for any improvement actions, to help drive the best long-term results.

You should also prepare and use a checklist to compare suppliers and measure their current state vs. the desired state. An effective site audit checklist that's transparent and precise can assist suppliers with their improvement efforts.

87%

of supply chain executives say they plan to invest to make their supply chains more resilient within two years.

Source: Gartner, [2020 Gartner Future of Supply Chain Survey](https://www.gartner.com/en/newsroom/2021-02-10-gartner-survey-finds-87-of-supply-chain-professionals-plan-to-invest-in-resilience-within-the-next-2-years), Feb 2021 <https://www.gartner.com/en/newsroom/2021-02-10-gartner-survey-finds-87-of-supply-chain-professionals-plan-to-invest-in-resilience-within-the-next-2-years>



Enhance Continuous Improvement Efforts With Routine Supplier Monitoring

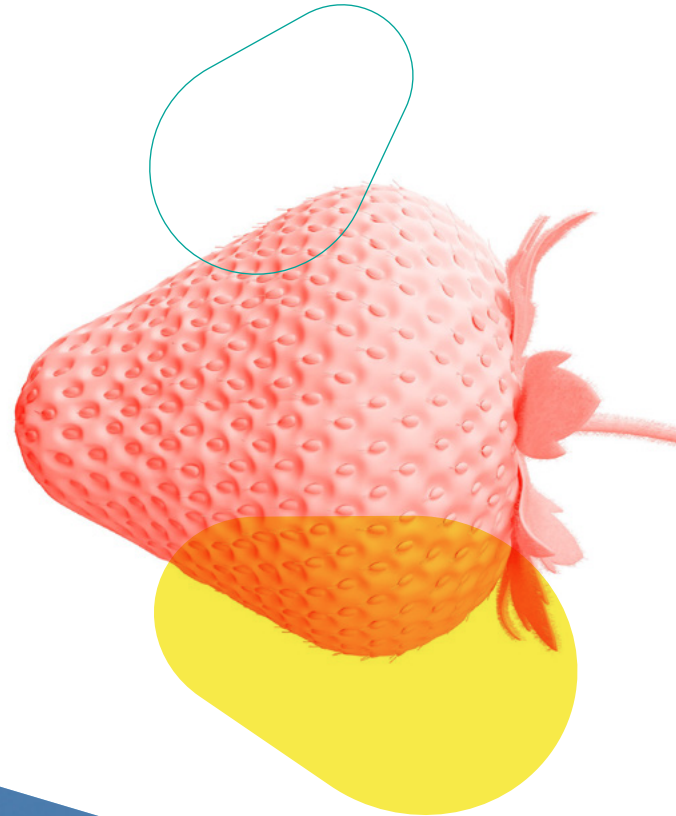
Regular supplier monitoring enables you to get to know your partners better. It also moves your relationship from a transactional to a strategic one while nurturing trust and mutual success. Together, your brand and your suppliers can collaborate more effectively and anticipate possible issues. You'll also have the communication channels necessary to drive effective continuous improvement efforts.

A thorough review of past audit reports delivers a trove of information for routine auditing. The data can help you identify the strengths and weaknesses of your suppliers, such as:

- **What solutions were proposed and implemented for each non-conformity identified?**
- **Did the company tighten controls, increase the number of records kept or better review employee training?**
- **Has the company put in place the necessary resources to solve the problems?**

The answers to these questions will tell you a lot about a supplier. Regular audits also help to ensure that actions identified in previous audits have been implemented and are effective.

Scorecards can help you manage and track supplier ratings over time, as well as comparing results from other suppliers. Your team should also review responses to previous audits and determine if improvement efforts were sufficient, or if problems were repeated in subsequent years.



If the audit uncovers problems — and many do — what does it mean?

- In some instances, the supplier may have great potential, but they aren't performing to expectations, so it's time to develop an improvement plan.
- Underperforming manufacturers might need to be replaced completely, particularly if additional factors such as a record of past performance issues or a lack of internal resources prevent the necessary improvements.



Use Audits To Improve Your Compliance Strategy

The right blend of techniques and targeted technologies enables retailers and suppliers to leverage audits more effectively and drive more actionable insight as part of their compliance strategy.

Four important steps in an audit:



An adequate planning process – This requires knowing how to prioritize audits according to factors such as the date of last audit, prior results, availability of auditors, production schedule, etc.



Preparation – This includes a thorough review of the supplier's history and careful structuring of questions to ask during the audit.



Development of a relevant audit report – This is critical in creating a concrete and detailed action plan that delivers good results.



Diligent follow-up – Making sure you track the status and closure of non-conformities is paramount.

Together, these steps will help you to:

- **Measure your own performance against industry standards**
- **Deliver safe products with consistently high quality**
- **Remain competitive in a highly dynamic marketplace**

A good audit program enables your organization to apply a risk-based approach that examines both the centrality of the supplier and the probability of the manufacturer's failure.



Boost Compliance With Self-Assessments


For suppliers, self-assessments play an important and valuable role in the overall certification program. Careful preparation is the key to success.

An ad hoc approach to self-assessments could leave your employees unsure of what to do or how to respond when an audit occurs. A customer audit likely won't go well if your team members are flustered, slow to respond, appear uncooperative or don't know where to find data requested by the auditors. In addition, without good preparation you won't know where you need to strengthen your documentation or your practices. But with a practical self-assessment program in place, you can proactively address these potential risks.

When you plan your own internal audits and regularly monitor the implementation of actions to address non-conformities, you're more prepared for a certification audit. Your team will also feel confident that they know what to expect and how to make the audit a success. If a strong self-assessment strategy is part of your organization's due diligence, then you're already prepared and much less likely to experience problems that require attention.

In addition, when self-assessments are an organic part of your processes and your organizational culture, your staff can respond appropriately to a customer audit without the need for specific pre-audit training programs. This saves time and money and better positions you to manage risk and change. It also helps your organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The follow-up component of internal audits is equally valuable. Any non-conformities not addressed may cause you to lose some of your certifications, which will send a very bad signal to business partners. Self-assessments allow you to avoid this type of poor audit outcome.



More than
77%
of small and medium-size
manufacturers anticipate continued
challenges attracting and retaining
sufficient workers post-pandemic.

Source: Manufacturing Institute-BKD,
["The 'New Normal' and Post-
Pandemic Workforce Challenges,"](#)
Feb 2021



Centralize Compliance For Better Results

With so many components making up a compliance program, centralizing your audit information into a single, powerful solution delivers valuable advantages.

Efficiency is one important benefit. Bringing all audit-related information into one tool saves an incredible amount of time. Team members can finally stop jumping from one system to another, navigating different dashboards and trying to ensure they've gathered all the different pieces of information they need.

Audit planning becomes far easier when the information you need is centralized. You'll have the entire list of indicators at hand so you can prioritize, and a single location to house your audit data will also help you facilitate action plan follow-up efforts. You can quickly understand which actions are overdue and which may need to be re-launched.

A centralized tool means you're always up to date, even in the event of an unannounced audit. No more frantic sprint to pull together the information you need as your team members scramble to access multiple disparate systems so that they can reacquaint themselves with previous results.

Centralization of your audit program also enables you to evaluate your suppliers or your internal departments more efficiently on the management of non-conformities linked to audits.



Conclusion

As part of a robust compliance strategy, a well-developed audit program enables strong collaboration and deeper trust between retailers and suppliers through a combination of education and assessment. Centralization elevates the effectiveness and efficiency of your compliance program, helping you to bring together audit results, improvement actions and best practices to inform and enhance your efforts.

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