

The Deloitte logo is positioned in the top left corner of the white text box. It consists of the word "Deloitte" in a bold, dark blue sans-serif font, followed by a small green dot.

Deloitte.

2015-2016 Private Label Sourcing Survey

Shifts in countries and capabilities

September 2015



Contents

Introduction	1
The growing importance of Private Label	2
Private Label objectives	3
Private Label sourcing pressures	4
Private Label sourcing strategic responses	7
Deep Dive: Reshoring production	8
Deep Dive: Quality assurance and ethical sourcing	11
Deep Dive: Sourcing footprint	12
Private Label sourcing operating model strategies	14
Managing tax consequences of sourcing decisions	17
Conclusion	19
Survey methodology	20
Contacts	21

Introduction

The retail landscape is evolving, dramatically, as technology-enabled shoppers demand newer products, faster with increased visibility to how these products are sourced. Private Label—accounting for more than one in every \$6 of spend in the United States¹—represents a significant opportunity for retailers to drive margin, differentiate products, and serve consumers' wide and changing tastes. Retailers looking to achieve results should continue to evaluate and grow their Private Label sourcing capabilities.

In 2013, Deloitte published the results of our inaugural Private Label sourcing survey to highlight shifts in market trends and uncover leading Private Label sourcing practices. The 2015-2016 Private Label Sourcing Survey—with 388 respondents from Apparel, General Merchandise and Grocery retailers—builds on the previous findings and dives deeper into critical industry trends. The survey is one of the largest and most comprehensive studies of the Private Label industry to date. Key findings include:

- Retailers' primary objective for Private Label brands is to create a lower price alternative at equivalent quality, **with the second most common objective to establish exclusivity and differentiation**
 - Respondents are feeling a **diverse set of sourcing pressures related to cost, quality and speed to market** (in contrast to the previous survey, where all three top pressures were cost-related). The three top pressures facing retailers surveyed are:
 - Raw material cost increases and/or volatility
 - Demand for increased speed to market
 - Evolving product trends causing shifts in consumer demand
 - Retailers are pursuing strategies to combat these pressures that have the effect of **driving closer, more collaborative relationships with manufacturers**. The top emerging and current strategic responses are:

Emerging	Current
<ul style="list-style-type: none">• Reshoring production to domestic vendors• Aligning metrics and systems to foster supply chain partner collaboration• Implementing vendor performance management	<ul style="list-style-type: none">• Enhancing quality assurance programs• Engagement in innovation/product design/R&D collaboration with vendors• Use of advanced planning/scheduling
- Respondents in nearly every category view reshoring production as their top planned strategy, in spite of the fact that **only 50-70% of surveyed retailers that have attempted reshoring have been successful**. Successful retailers were significantly more likely to take on key preparatory activities in advance of reshoring:
 - Creating a business case and detailed project plans
 - Evaluating domestic manufacturing production costs and locations
 - Mapping raw material and component supply sources
 - For those that have been successful at reshoring, the benefits are varied: **Only 65% of surveyed retailers with successful reshoring efforts reported improved top-line revenue**. The highest benefit reported (77% of successful reshoringers) was increased visibility into the retailer's offshore production cost structure, indicating some retailers may be using reshoring to drive better insights across their extended supply chains, and even as a source of ammunition for negotiations with external suppliers.
 - **Enhancing Quality Assurance and Ethical Sourcing remained key priorities for retailers surveyed, with Quality Assurance remaining the top current strategic response**. This focus is driving more rigorous supplier selection, more factory visits, the use of more quality managers, and more employee education.
 - In Apparel, the top sources of supply remained relatively steady (China, US, Vietnam). For General Merchandise, China, the US, Canada and Mexico remained in the top positions. And in Grocery, China emerged as a new, significant supplier and joined the US, Canada and Mexico as a key sources of supply. **Looking two years out, retailers are projecting shifting their footprints, with an increased focus on countries like Vietnam and a relatively decreased interest in countries like Canada, Bangladesh, and Cambodia**.
 - Retailers surveyed have **significantly increased the use of advanced technology tools to manage their sourcing functions**, with growth since the last survey in in-house custom solutions and integrated package solutions over ad-hoc tools and templates.

¹ The state of Private Label around the world (Nielsen – November 2014)

The growing importance of Private Label

Globally, Private Label is estimated to account for 16.5%² of all purchases. The strategic importance of Private Label continues to grow, driven by significant trends affecting the Retail industry. Deloitte's research indicates five game-changing trends that will likely grow the importance of Private Label sourcing for retailers.

Figure 1: Major retail trends

Major retail trends	Why Private Label sourcing is becoming increasingly important
<p>Omnichannel Operating Model Proliferation in sales channels and continued growth of online merchants drives margin pressures on national brands and non-exclusive products</p>	<p>Private Label sourcing can enable the development of more sophisticated and unique offerings to combat online competition</p>
<p>Customer Insights Advanced and predictive analytics improve understanding of customers</p>	<p>Private Label sourcing can enable retailers to leverage customer insights to act quickly to develop products that meet rapidly changing preferences</p>
<p>Regulatory Pressures Changes in the regulatory landscape are poised to impact the retail sector</p>	<p>Private Label sourcing can enable retailers to drive greater transparency to their extended supply chains, allowing them to be better equipped to respond to regulatory requirements</p>
<p>Conscious Consumerism Consumers demand positive social and environmental impact from the companies they support</p>	<p>Private Label sourcing is allowing retailers to gain greater control of product, origin, and manufacturing, giving retailers the opportunity to make a positive impact on the environment and societies around the globe</p>
<p>Innovating Across the Retail Ecosystem Companies across the value chain are teaming up to deliver mutually beneficial initiatives</p>	<p>Private Label sourcing is driving retailers to build closer, strategic relationships with manufacturers to deliver differentiated product efficiently with greater speed to market</p>

To better understand how retailers are responding to these critical issues, and to build off of the insights of the inaugural 2012-2013 survey, Deloitte launched its 2015-2016 Private Label Sourcing Survey. The survey provides an assessment of Private Label sourcing trends, including:

- Retailers' key objectives for Private Label brands
- Top market pressures retailers face with respect to Private Label sourcing
- Current and evolving strategic responses to market pressures
- Shifts in retailers' sourcing footprints
- Associated operating model, governance, technology and tax trends

Retailers offering goods in three categories (Apparel, General Merchandise and Grocery) participated in the survey.

Although the results included in this report generally show cross-category trends, category- and company size-specific cuts of the data have been compiled. Please contact the survey authors for additional results.

² Ibid

Private Label objectives

The 2015-2016 survey asked retailers to identify their primary objective for Private Label. Across all three categories, respondents are most frequently looking to Private Label to create lower priced assortment alternatives at equivalent quality. The second most common objective was to establish exclusivity and differentiation.

Apparel retailers reported the most diverse set of responses, indicating a greater balance between objectives driven by cost, quality and speed to market. Grocers, on the other hand, displayed a significantly higher concentration on creating lower-priced alternatives.

In light of the trends facing the retail industry noted above, it is worth asking whether the relative importance of those objectives will shift in the future. Those five trends correlate more with the lesser-selected objectives. For example, establishing exclusivity and differentiation speaks to the Omni-Channel pressure to build a unique assortment that online retailers cannot easily underprice. And better controlling manufacturing speaks to opportunities brought on by conscious consumerism and regulatory pressures.

Figure 2: Primary Private Label objectives

Objective	Apparel	General Merchandise	Grocery
Create lower priced alternative at equivalent quality	36%	42%	59%
Establish exclusivity and differentiation	28%	23%	12%
Build a price fighter brand in the category	17%	13%	8%
Control manufacturing to create a higher quality product	14%	10%	11%
Defend bargaining power against national brands	1%	10%	10%
Other	4%	2%	–

N=408

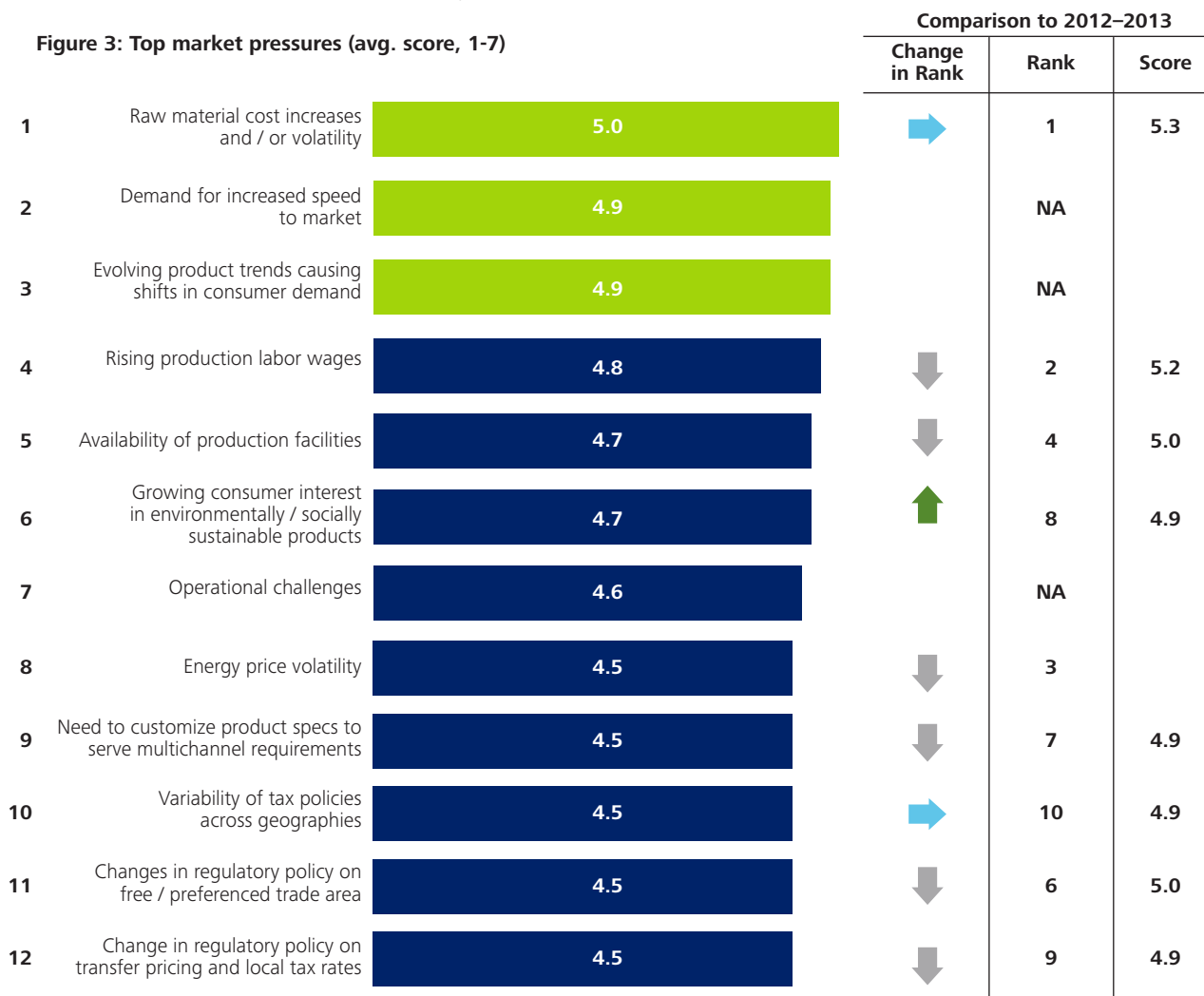
■ Primary objective
 ■ Secondary objective

Private Label sourcing pressures

This year's survey reflects a mix of Private Label sourcing pressures driven by cost, quality and speed to market, and is a shift from last survey, where all three top pressures were cost-related. Retailers' top pressures in this survey include

raw material cost increases and/or volatility, demand for increased speed to market, and evolving product trends causing shifts in consumer demand.

Figure 3: Top market pressures (avg. score, 1-7)



N=285

Figure 4: Top market pressures by Category (avg. score, 1-7)

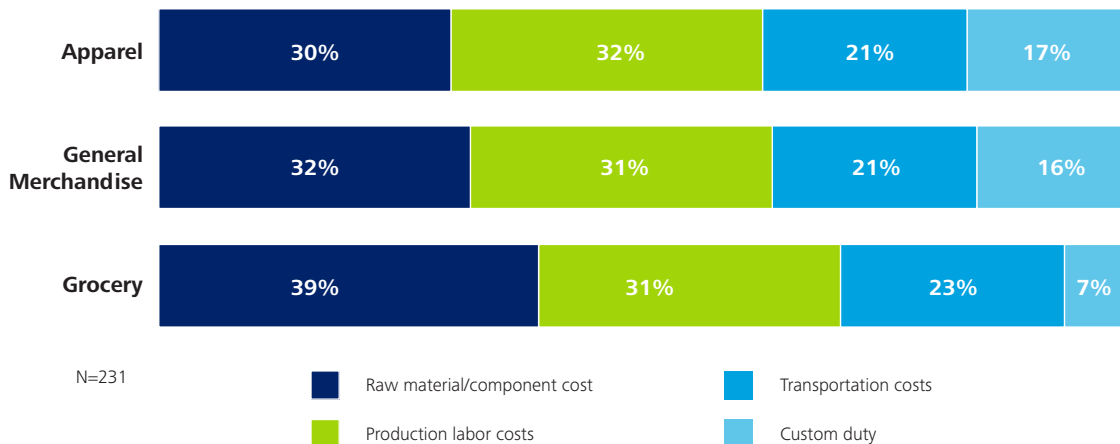
Apparel		General Merchandise		Grocery	
Market Pressures	Average Score	Market Pressures	Average Score	Market Pressures	Average Score
Demand for increased speed to market	5.0	Evolving product trends causing shifts in consumer demand	5.0	Raw material cost increases and/or volatility	5.2
Raw material cost increases and/or volatility	5.0	Demand for increased speed to market	4.8	Growing consumer interest in environmentally/socially sustainable products	4.9
Rising production labor wages	4.9	Raw material cost increases and/or volatility	4.8	Evolving product trends causing shifts in consumer demand	4.8
Evolving product trends causing shifts in consumer demand	4.8	Rising production labor wages	4.8	Energy price volatility	4.7
Availability of production facilities	4.8	Supply chain integrity and transparency	4.8	Demand for increased speed to market	4.6

N=224

At a category level, significantly different pressure profiles exist. Apparel retailers surveyed reported a tie between raw material costs and demand for increased speed to market as top pressures, perhaps reflecting the continued imperative towards 'fast fashion.' General Merchandisers in the survey placed responding to shifting consumer demands and the related pressure of increased speed to market ahead of raw material costs. Within Grocery, raw material cost pressures came out on top, followed by consumer interest in environmental and socially sustainable products.

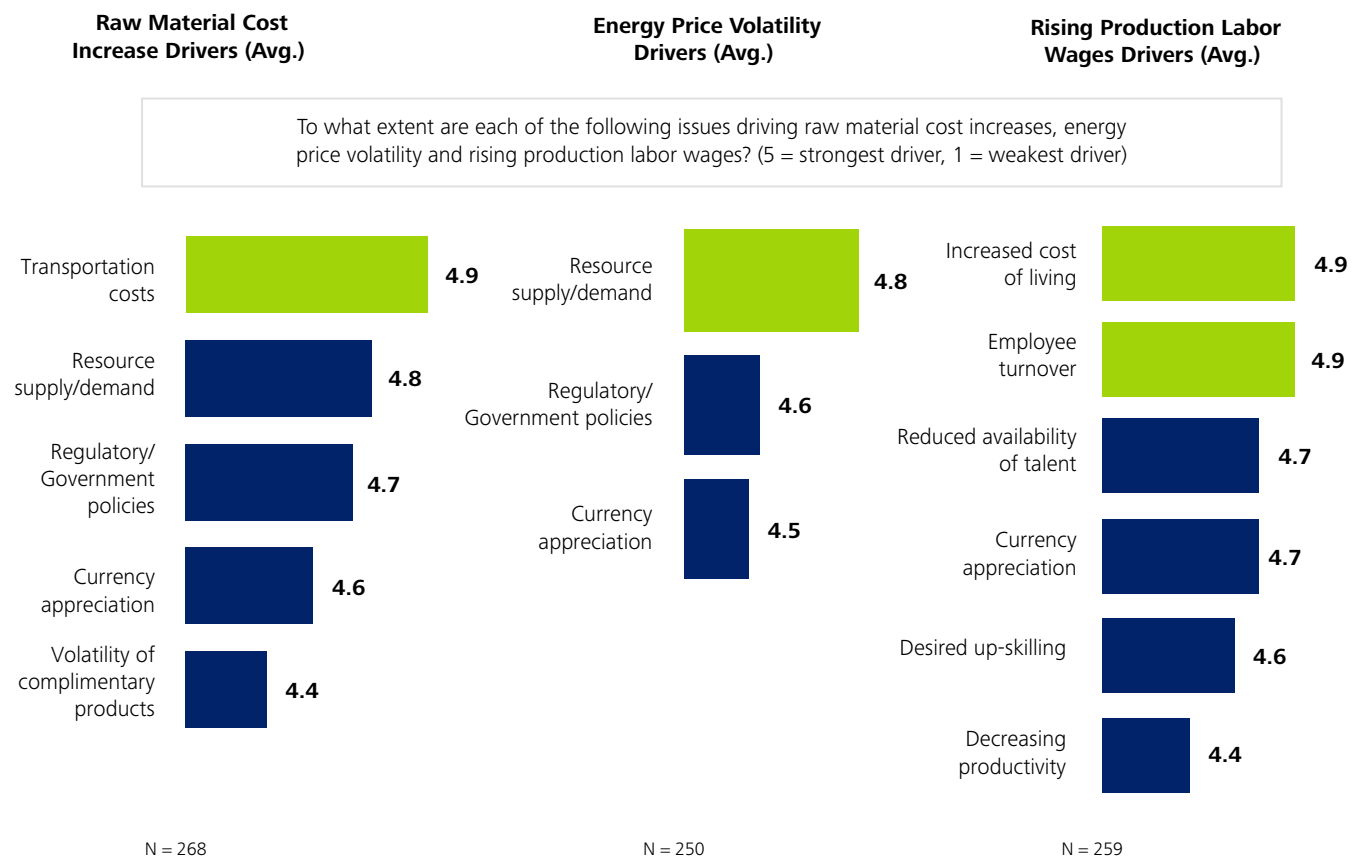
Overall, the rising pressure to address speed to market and supply chain integrity considerations may indicate the beginning of a shift for Private Label, particularly as consumers are demanding products faster and with increased exposure to the sourcing process and integrity.

Figure 5: Product sourcing cost structure (% of landed duty paid)



Given the continued importance of cost pressures (raw material/component costs represent 30-39% of total landed cost, depending on the category, and are essentially the largest single element of the cost structure), the 2015-2016 survey asked respondents to highlight issues that were driving raw material cost increases, energy price volatility and rising production labor wages. Despite recent global declines in fuel costs, transportation continues to be the top pressure for raw materials. Increased cost of living and employee turnover are top drivers for rising production labor costs.

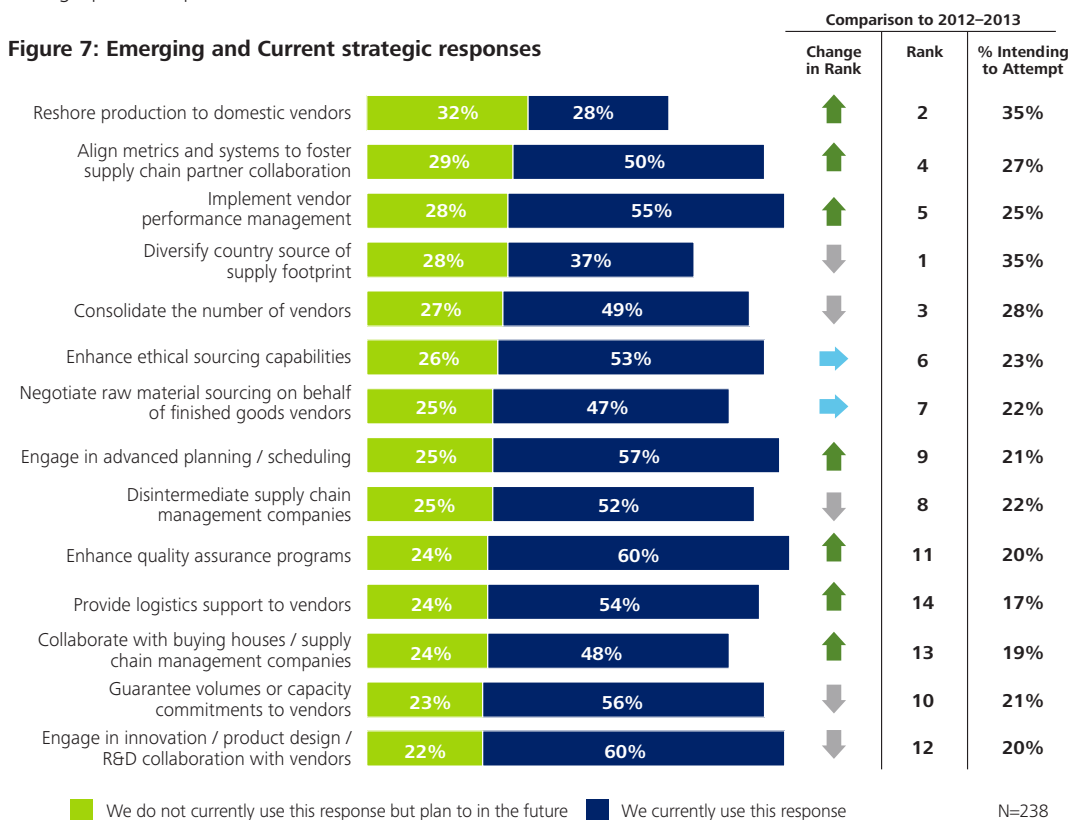
Figure 6: Cost pressure drivers (avg. score, 1-5)



Private Label sourcing strategic responses

The theme that unites the top 3 emerging and top 3 current responses is the increased focus by retailers on building deeper, strategic partnerships with their manufacturers.

Figure 7: Emerging and Current strategic responses



The top emerging strategic responses (responses that are not currently leveraged but retailers indicate that they are planning to use) are:

- Reshoring production to domestic vendors
- Aligning metrics and systems to foster supply chain partner collaboration
- Implementing vendor performance management

The top three currently employed strategic responses are:

- Enhancing quality assurance programs
- Engagement in innovation/product design/R&D collaboration with vendors
- Use of advanced planning/scheduling

Pursuit of these strategies have the potential to significantly alter the Private Label sourcing landscape. It may mean, for example, that retailers will place bigger bets on fewer manufacturers. Many of these strategies require an upfront investment in return for payoffs including lowered production costs, greater manufacturing flexibility and turn-around time,

and more visibility to quality and ethical sourcing practices.

Relative to the last survey, the top emerging responses have shifted. Aligning metrics and systems for greater collaboration and vendor performance management moved into the top three, while country source of supply diversification and vendor consolidation moved out. Reshoring moved from the number 2 to the top slot. Currently employed strategies were more stable. Two of the top three responses remained the same (enhancing quality assurance programs and engaging in advanced planning / scheduling), and collaboration on innovation/product design with vendors moved up from the 4th position in the last survey to 2nd place in the current survey.

This year's survey dug deeper into the top emerging and currently employed trends, as well as into overall shifts in the sourcing footprint of retailers.

Deep Dive: Reshoring production

Talk of reshoring production has grown in recent years, garnering the attention of both the popular press and politicians. Several prominent retailers have made public commitments to move production back to the United States.

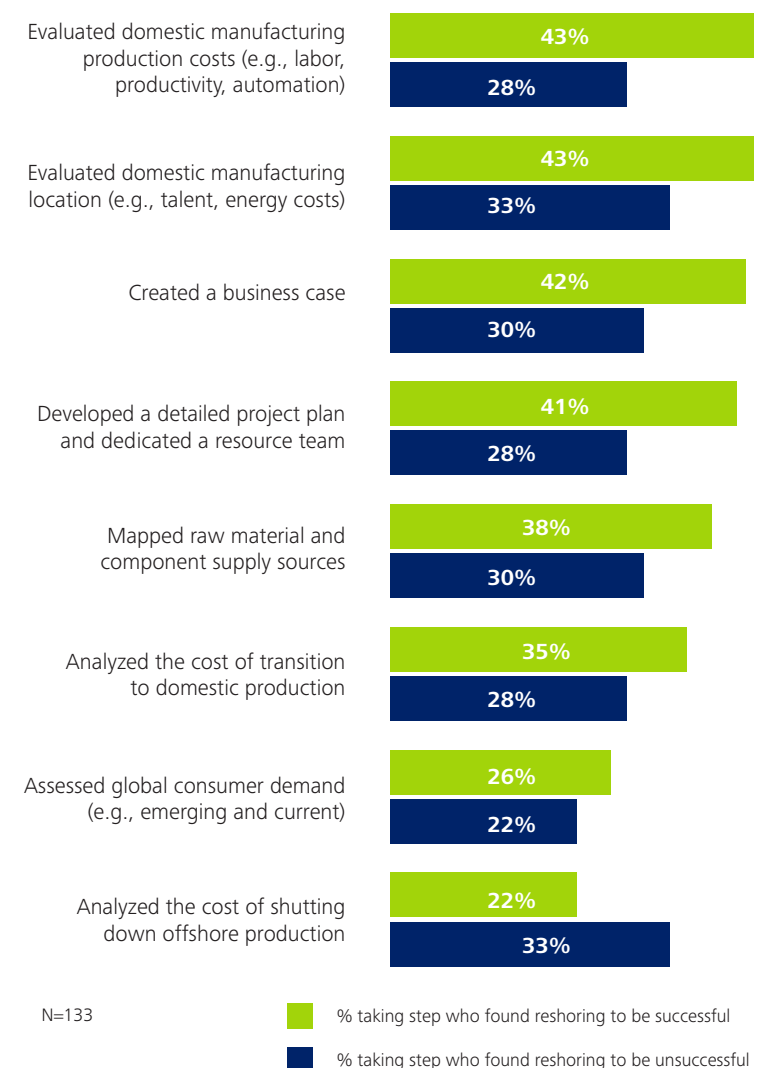
Reshoring emerged as the top strategic response retailers plan to employ, and it has moved up from the second most planned response in the previous survey. This trend is broad-based, showing up as a Top 3 emerging response across virtually every sub-category covered by the survey.

Retailers appear to be serious about reshoring, but many have not been successful: The percent of surveyed retailers reporting success in reshoring ranged from only ~50% for Apparel and General Merchandise to 69% for Grocery.

What drives these numbers? Companies with successful reshoring experiences reported a much higher frequency of basic planning activities such as building a business

case, evaluating the domestic manufacturing location, and comparing domestic production costs. Unsuccessful retailers reported significantly lower levels of reshoring preparation and due diligence on every dimension except for “analyzing the cost of shutting down offshore production.” The data reinforces the advice of one survey respondent to not take on reshoring “before you research every angle.”

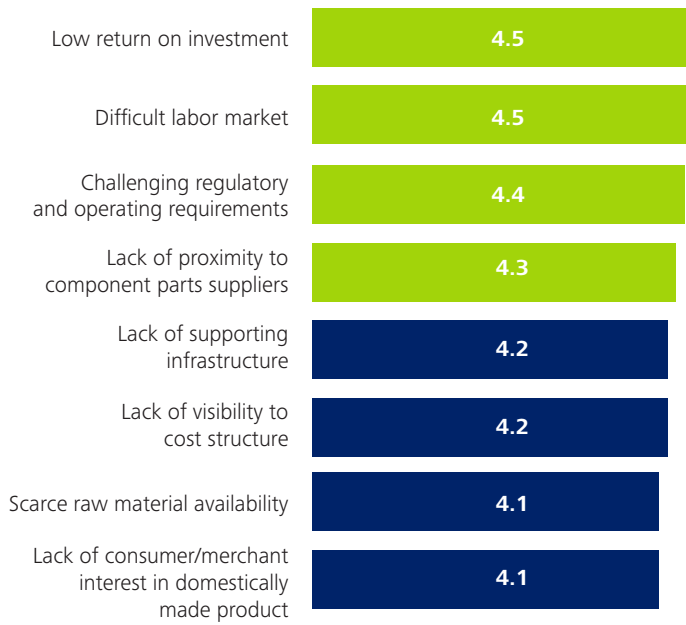
Figure 8: Steps taken prior to reshoring (% of respondents)



Retailers also rated the largest barriers to reshoring. A low return on investment, challenges in the on-shore labor market (including a lack of availability of properly skilled labor), and regulatory issues rounded out the top three. Retailers also indicated challenges in finding component part suppliers.

These barriers serve as a reminder that the decision to reshore cannot be made in a vacuum. A whole ecosystem must exist—skilled labor, supply chains, infrastructure, and a navigable regulatory regime—to facilitate success.

Figure 9: Barriers to reshoring (avg. score, 1-5)

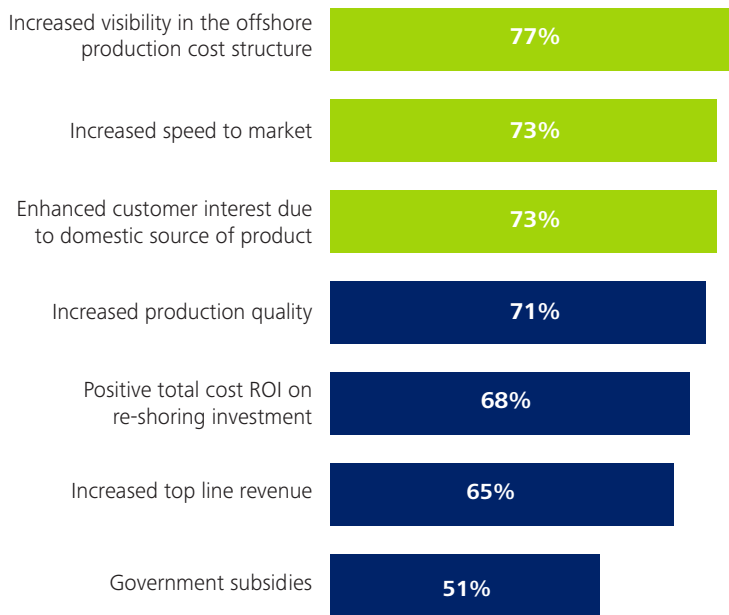


N=217

For those that have been successful, the benefits vary. Only 65% of surveyed retailers with successful reshoring efforts reported improved top-line revenue. The top benefit reported was increased visibility into the offshore production cost structure, indicating some retailers may be using reshoring as a negotiating tactic to drive better

pricing across both domestic and offshore suppliers. Not surprisingly, improved speed to market and greater customer interest due to the domestic source of the product were broadly reported benefits. One respondent indicated that reshoring “cuts timelines more than in half, and has been the key driver of our business.” Another reported that reshoring “built customer loyalty.”

Figure 10: Reshoring benefits achieved (% who agree)



N=162

Deep Dive: Quality assurance and ethical sourcing

Recent headlines have placed quality assurance and ethical sourcing in the spotlight for retailers. Social media, the ubiquity of mobile communications, and the ease of access to information about corporate practices has only accelerated this trend.

For the second survey in a row, respondents ranked enhancing quality assurance programs as the top strategic response currently being pursued. And nearly 80% of

retailers in the survey are, or plan, to enhance ethical sourcing. There are a number of tactics retailers are pursuing to address quality assurance and ethical sourcing, including increased employee education, increased on-site supplier visits, and improved factory assessment processes. All of these tactics require retailers to develop closer, more strategic relationships with their manufacturers, potentially reinforcing the trend noted above.

Figure 11: Use of enhanced quality assurance and ethical sourcing enablers (Avg. Score, 1-5)

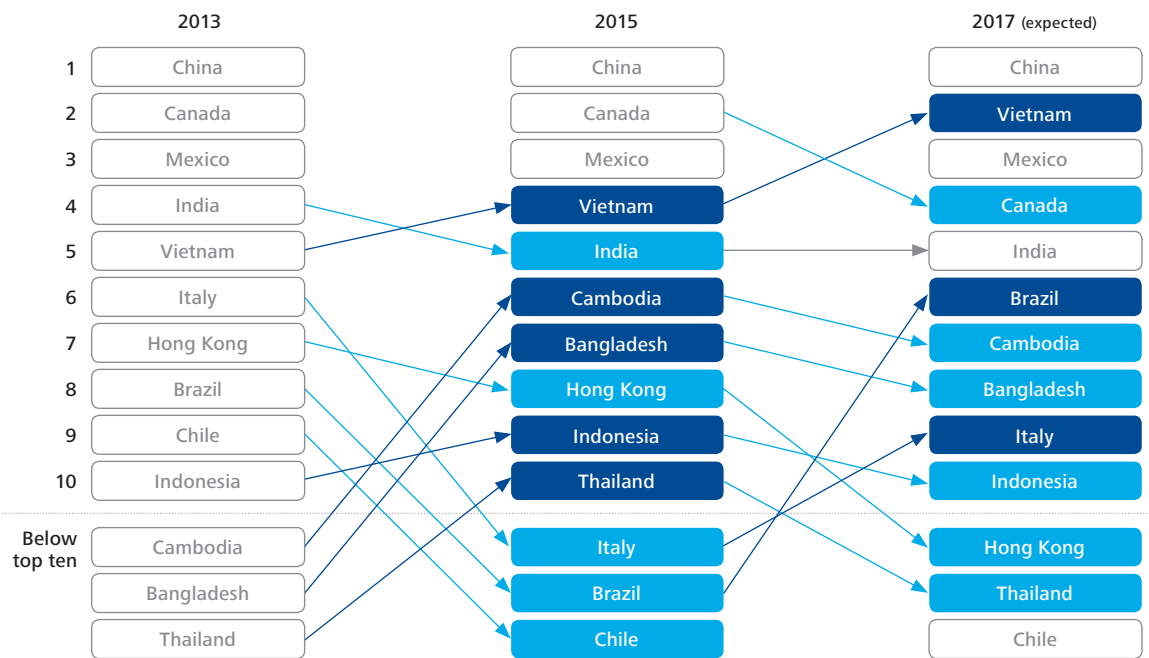


N=254

Deep Dive: Sourcing footprint

In order to meet customer preferences while balancing regulatory pressures, cost and quality, retailers are constantly evaluating source of supply.

Figure 12: Source of supply by expected volume shifts



Note: does not include US as source of supply

N=474

Survey results highlight a variety of actual and expected shifts and are based on data from the 2012-2013 survey and the 2015-2016 survey on current source of supply along with 2015-2016 data on expected source of supply. While source of supply shifts by category are driven by category-specific considerations, several overarching trends exist:

- China and Mexico continue to be major, stable sources of supply
- Vietnam has shown significant growth and is poised to grow even more in the next two years
- Bangladesh, Cambodia, Indonesia and Thailand all showed growth from 2013 to 2015 but are forecast by respondents to decrease in popularity over the next two years

- Brazil and Italy were displaced by Asian suppliers in the past two years but are forecast for growth in the two years to come
- Hong Kong has shown a steady decline and is poised to decrease even more in terms of popularity over the next two years

On a category level, Apparel respondents indicated the current largest sources of supply to be coastal and western China, as well as the United States. General Merchandisers surveyed reported the United States, China and Canada as the largest sources. And for Grocery, the United States and Mexico dominated as source of supply, with high continued growth expectations from both.

Figure 13: Source of supply by category with growth score³

Apparel		Growth Rate	General Merchandise		Growth Rate	Grocery		Growth Rate
1	China - Coastal	High	1	United States	High	1	United States	High
2	China - Western	Medium	2	China - Coastal	High	2	Mexico	High
3	United States	Medium	3	China - Western	Medium	3	Canada	Medium
4	China - Inner	Low	4	Canada	Medium	4	China - Coastal	Medium
5	Vietnam	Medium	5	China - Inner	Medium	5	China - Inner	Medium
6	India	Medium	6	Mexico	Medium	6	China - Western	Medium
7	Cambodia	Medium	7	Vietnam	Low	7	Netherlands	Medium
8	Thailand	Low	8	Germany	Medium	8	Egypt	Medium
9	Bangladesh	Low	9	India	Low	9	Argentina	Low
10	Guatemala	Low	10	Austria	Low	10	Australia	Medium

Given their unique and evolving economic and regulatory environments, each country source of supply enables retailers to achieve different product objectives. As noted above, the survey evaluated five objectives:

- Create Lower Price Alternative at Equivalent Quality
- Establish Exclusivity & Differentiation
- Build a Price Fighter Brand
- Control Manufacturing
- Defend Bargaining Power

Various countries exhibit unique advantages for different retailers based on their desired product strategy. The US is most frequently selected to establish exclusivity and differentiation. Vietnam, Bahrain and Guatemala are emerging as new sources of supply for price fighter brands, in addition to some of the more traditionally popular sources of supply such as Bangladesh, Cambodia and Indonesia. Countries like China and Indonesia are still the most popular sources of supply for lower price alternative products.

Figure 14: Most common sourcing objective for top 20 sources of supply

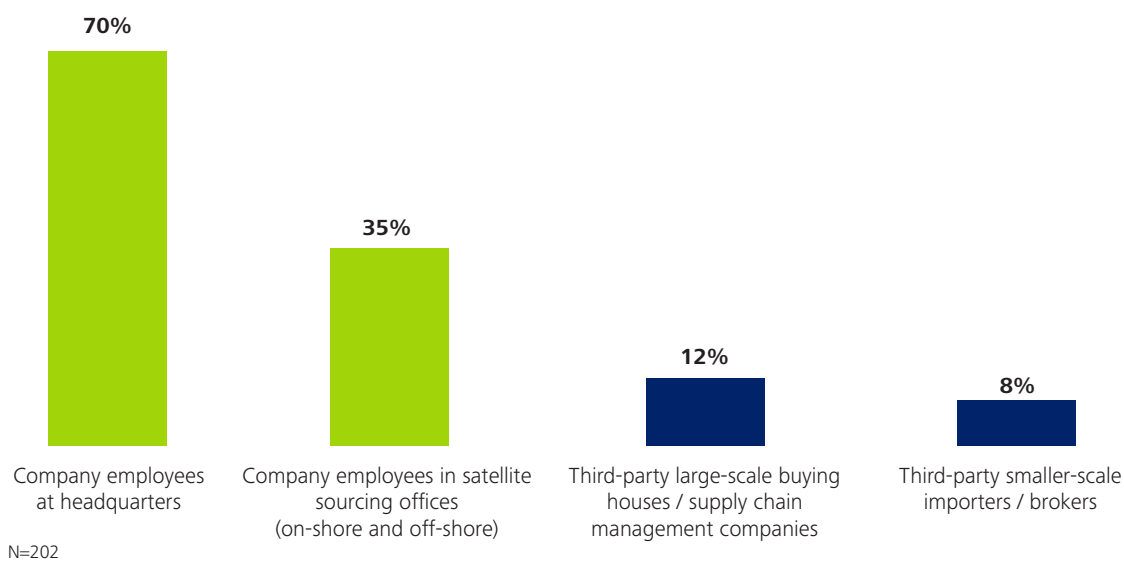
	Create Lower Price Alternative at Equivalent Quality	Establish Exclusivity & Differentiation	Build a Price Fighter Brand	Control Manufacturing	Defend Bargaining Power
Countries Most Selected for Sourcing Objective	<ul style="list-style-type: none"> • Australia • Brazil • Canada • Chile • China • Germany • Guatemala • Hong Kong • India • Indonesia • Mexico 	<ul style="list-style-type: none"> • Bahrain • Bangladesh • Italy • United States 	<ul style="list-style-type: none"> • Australia • Bahrain • Bangladesh • Cambodia • Dominican Republic • Guatemala • Indonesia • Vietnam 	<ul style="list-style-type: none"> • Australia • Dominican Republic 	<i>No country selected</i>

³ "Growth Score" is calculated: (total # of responses indicating growth in respective country/total # of responses for category) x 100; High: >3, Medium: 1-3, Low: <1

Private Label sourcing operating model strategies

As retailers take on new strategies to face off against market pressures, they are changing their operating models. Retailers are making structural changes and investing in governance processes and technology to manage the sourcing function.

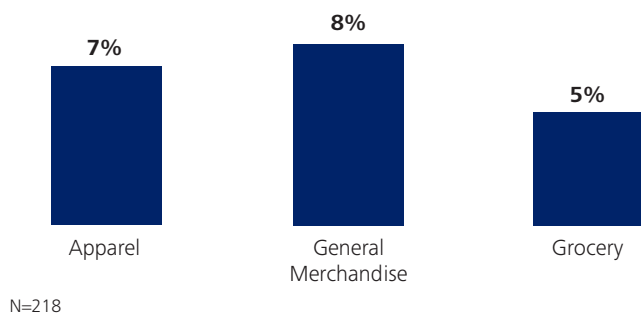
Figure 15: Product sourcing operating model (% of respondents)



As was the case in the previous survey, retailers are much more likely to leverage company employees to run their sourcing function, though there continues to be usage of third-party buying houses/supply chain management companies. In fact, although the reported use of third-party brokers was low, the percent of product spend for which surveyed retailers reported having a direct financial relationship with the manufacturer was also low, ranging from 60% for General Merchandise to only 32% for Grocery.

52% of respondents indicated they are moving away from supply chain management companies, and 48% indicated they are collaborating more with those organizations. For those moving away, Deloitte’s experience indicates that scale matters when cutting out the middle man. Disintermediating third-party brokers eliminates the fees paid for those relationships—5-8%, depending on the category—but they come with the cost of taking on the management of more aspects of the value chain. Even where the cost is lower, some organizations choose to maintain relationships with third parties due to time and effort required to build capabilities internally.

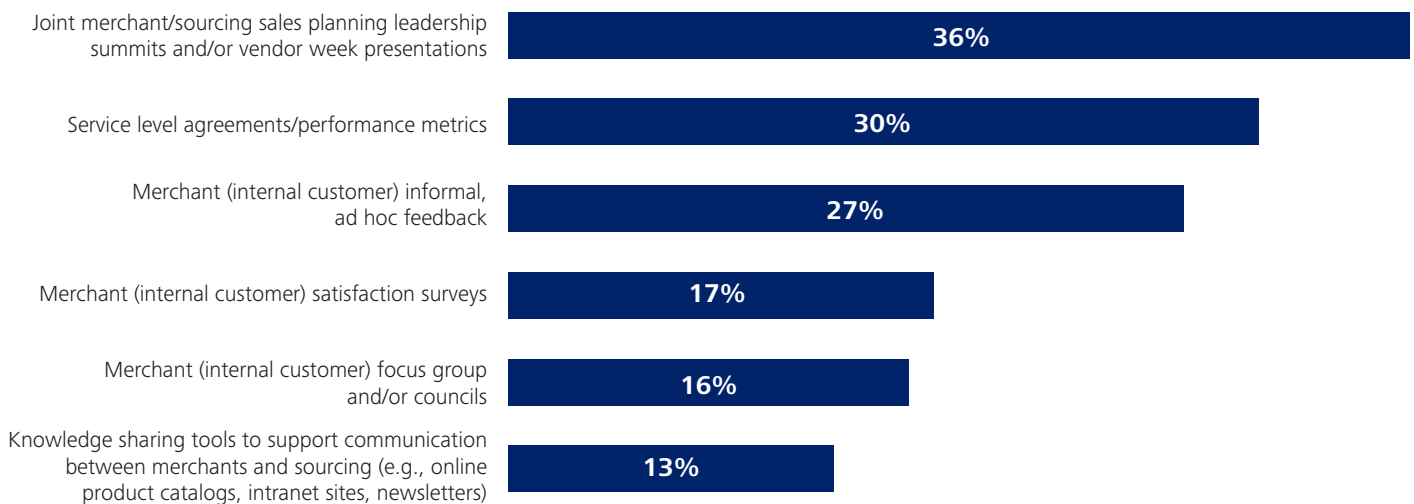
Figure 16: Fees paid to third-party brokers



Governance methodologies are critical for retailers to help ensure that strategic decisions are made in a collaborative, holistic fashion. Despite the criticality of a clear governance process, many retailers are leveraging minimal or ad hoc activities. The overall use of any methodology appears to

be quite low, with no single governance approach, in use by no more than 40% of respondents. More structured strategies like focus groups, surveys and knowledge sharing tools were even less commonly used, indicating that retailers have an opportunity to better define their governance methodologies.

Figure 17: Governance methodologies (% adoption)

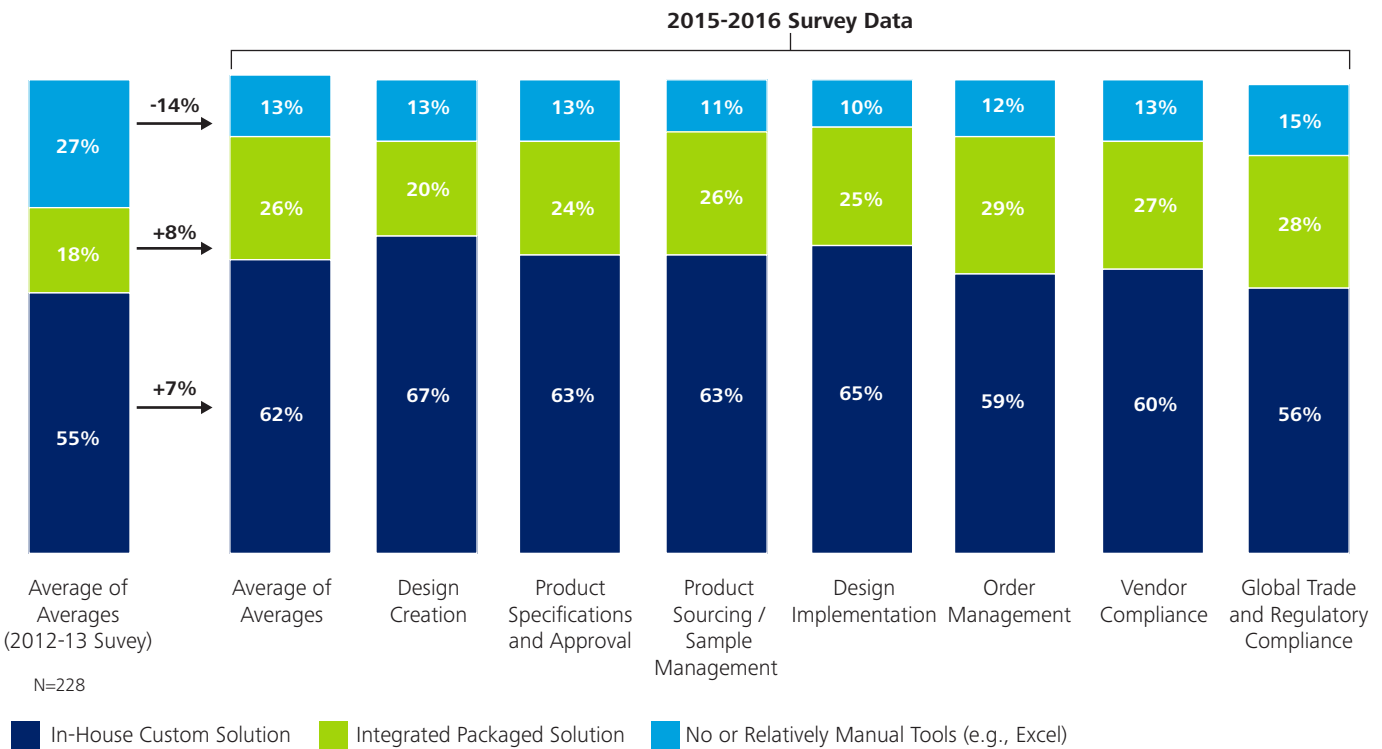


N=202

With regard to technologies that enable the sourcing process, survey results note a dramatic change in reliance on manual tools or no tools compared with the 2012-2013 survey. This survey indicates 13% of retailers are using manual or ad hoc tools to complete various functions as opposed to 27% in the last survey. The higher usage of more automated tools may indicate retailers are maturing to more systematically leverage the plethora of data that

they have, especially as they grow closer, collaborative relationships with suppliers who can utilize this data to better enhance their production schedules. Sourcing functions should closely evaluate their technology tools to help ensure that they are well positioned for the increasing volume and complexity of data that they receive to drive effective decisions.

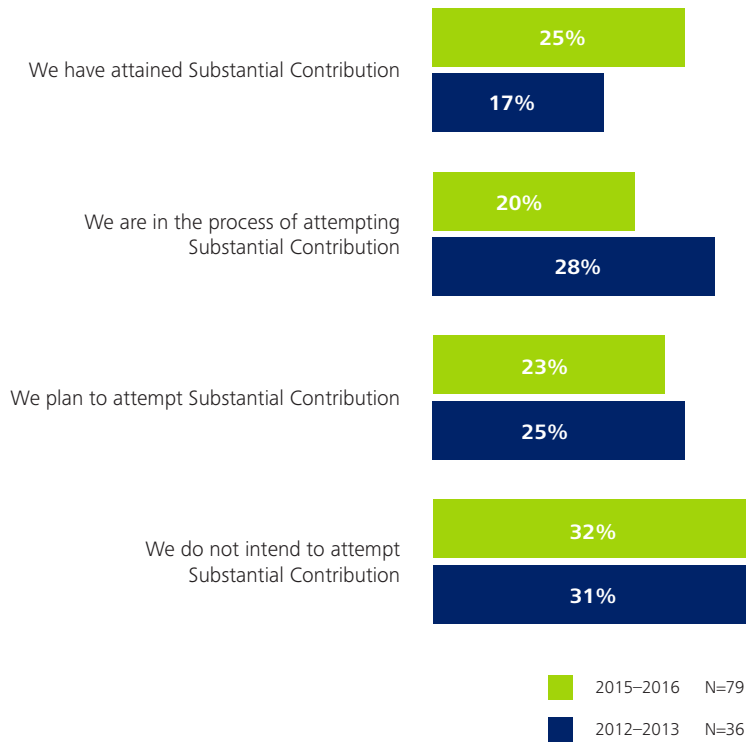
Figure 18: Technology tool use across sourcing activities



Managing tax consequences of sourcing decisions

Shifts in source of supply drive direct and indirect tax consequences, which can be significant for retailers.

Figure 19: Substantial contribution adoption



With regard to direct (income) tax, respondents were asked about activities related to Substantial Contribution. A portion of the income earned by a foreign operating company will be treated as Subpart F income and consequently, taxed currently in the US unless an exception applies. If, however, the operating company can be treated as a “manufacturer,” under the US Substantial Contribution test, the income would not be considered Subpart F income

and not taxed in the US. To meet this test, employees must “substantially contribute” to the manufacture of the product it sells. According to the Survey, 43% of respondents are pursuing or plan to pursue Substantial Contribution as a tax strategy. Relative to the last survey, there has been a moderate increase in the number of organizations that have achieved Substantial Contribution (+8%).

Figure 20: Product sourcing duty minimization programs (% using strategy)



N=110

According to the Survey, customs duties—an indirect tax—represent 7-17% of respondents’ landed duty cost paid. Free Trade Agreements and Free Trade Areas remain the most commonly used mechanisms to minimize duties. The scale and complexity of Free Trade Agreements are

growing rapidly, highlighted, for example, by the Trans-Pacific Partnership (TPP) which is expected to be the largest regional trade agreement ever. TPP is expected to drive \$295B of benefit for the 12 signing member countries should the deal be approved.⁴

⁴ Peterson Institute for International Economics, “The Trans-Pacific Partnership and Asia-Pacific Integration: Policy Implications”

Conclusion

Retailers are facing significant shifts in their operating environment. Private Label sourcing has the opportunity to play a significant role in retailers' responses to these changes. In order to address the range of pressures that they are facing, retailers are employing strategic responses to manage costs, address evolving customer needs and improve quality and risk management.

As retailers look to mature their own Private Label sourcing capabilities, there are a few critical questions they should be asking themselves:

- Given the trends facing our industry—including the rise of omni-channel, greater consumer awareness, and the imperative to leverage customer insights for better assortments—are we using Private Label sourcing to its full extent? Do we view Private Label as primarily a cost play or as a way to manage cost, quality and speed to market?

- Are we strategically positioned to react to and take advantage of market pressures?
- Are we scrutinizing the strategic responses that we employ, such as reshoring, through rigorous business cases before proceeding?
- Are we optimizing our source of supply based on our Private Label product objectives?
- Are our operating and governance models positioning us to enable our sourcing strategy?
- Do we have the right talent skills to face off appropriately against market pressures?
- Are we getting insights that allow for better decision making from investments in technology?

Answering these questions can help retailers ensure their Private Label sourcing function is realizing sustainable potential benefits.

Survey methodology

The 2015-2016 Private Label Sourcing Survey was conducted online by Deloitte in 2015. Over 388 respondents provided input across three spend categories (Apparel, General Merchandise and Grocery) and 11 sub-categories (e.g., Apparel > Fashion Accessories, General Merchandise > Home Softlines, Grocery > Frozen). Because respondents could submit responses for multiple sub-categories, over 700 responses were collected.

Approximately 53% of respondents are from companies with annual revenues greater than \$1B, and 42% of the companies represented have more than 10,000 employees. The table below summarizes the topics and provides sample questions.

Figure 21: Private Label survey topics and sample questions

Topic	Analysis Area	Illustrative Questions
Current Sourcing Landscape/Future Strategic Priorities and Responses	Market Pressures	To what extent are each of the following pressures impacting your organization's product sourcing efforts in this category?
	Strategic Responses	Please indicate if you currently use the following strategic responses to address pressures identified in the previous question or plan to in the future.
	Vendor Fragmentation	Approximately how many finished goods/assembly vendors make up 80% of product sourcing spend in this category?
	Sourcing Geography	What are the top ten countries/regions your organization sources from in this category today in terms of dollar volume? For each country/region selected, please indicate if you expect volume to increase, decrease or stay the same.
	Vendor Selection Criteria	How important are the following factors in selecting the vendors from which to source product?
	Breakdown of Cost Structure	Please approximate the cost structure for this category product sourcing. Please indicate each cost component below as a percentage of landed duty paid cost.
Governance and Organizational Design	Operating Model	Which of the following operating model(s) does your organization use to manage product sourcing spend?
	Sourcing Decision Rights	For an individual buy, who decides which of the previously mentioned sourcing methods to use?
	Governance Methodologies	Which of the following elements are parts of your organization's governance structure for product sourcing?
	Outsourcing of Functional Areas	To what degree does your organization outsource functional areas of your product sourcing program?
Technology Trends	Technology Tools	For each of the following sourcing activities, please characterize the type of technology tools your organization currently uses.
	Integrated Packaged Solutions	If your organization is currently using any integrated packaged solutions, what are the names of those packages?
	Websites	Please list any websites your product sourcing organization uses to identify new vendors and/or trends.
Sourcing Income Tax and Customs/Duties	Usage of Offshore Sourcing	In which ways does your organization use offshore sourcing to optimize your income tax?
	Tax Operating Model	Which of the following tax operating models does your product sourcing organization employ?
	Substantial Contribution Adoption	Has your organization attempted to achieve Substantial Contribution to treat your company as the manufacturer of the products as part of your product sourcing tax strategy?

Contacts

Authors

Mike Daher

National Practice Leader
Sourcing & Procurement
Deloitte Consulting LLP
+1 212 313 1977
mdaher@deloitte.com

Joe Chmielewski

Senior Manager
Deloitte Consulting LLP
+1 212 313 2765
jchmielewski@deloitte.com

Sam Sibble

Manager
Deloitte Consulting LLP
+1 404 942 6918
ssibble@deloitte.com

Contacts

Rod Sides

Vice Chairman and U.S. Retail & Distribution Leader
Deloitte LLP
U.S. Consulting Leader, Retail & Distribution
Deloitte Consulting LLP
+1 704 887 1505
rsides@deloitte.com

Doug Gish

National Practice Leader
Supply Chain & Manufacturing Operations
Deloitte Consulting LLP
+1 816 802 7270
dgish@deloitte.com

Michele McGuire

National Practice Leader
U.S. Global Trade Solutions
Deloitte Tax LLP
+1 312 486 9845
mimcguire@deloitte.com

Andy Newman

National Practice Leader
Business Model Optimization
Deloitte Tax LLP
+1 312 486 9846
acnewman@deloitte.com

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte Consulting LLP and its subsidiaries. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

Copyright © 2015 Deloitte Development LLC. All rights reserved.