

Taiwan footwear company

reduces reliance on paper documents
with TradeCard online payments



Golden Chang Industrial Co., Ltd.

GOLDEN CHANG
CASE STUDY 2004

"Using the TradeCard system, we save about 75% of the cost of each transaction compared with L/Cs."

- Warner Hsu, Vice General Manager, Golden Chang

Challenges

- Vital need to reduce the cost of L/C based payments
- Large numbers of errors in paper documents cause discrepancies
- Excessive cost of negotiating discrepancies in paper documents
- Absence of visibility into transactions using paper documents
- Salespeople visiting customers had no access to sales transactions pending
- No easy way to monitor payments and cash flows
- Golden Chang needed to adopt EDI to integrate its trade processes

Golden Chang Industrial Co. Ltd is a medium-sized footwear manufacturer, with annual sales of over US\$250 million and over 10,000 employees worldwide. Most of the annual production of over 12 million pairs comprises casual shoes of durable construction for everyday use and walking, while 50% of the output is safety shoes for use in factories and construction sites and about 20% are hiking boots.

Golden Chang's own trademark is Road Mate casuals, and the company also produces shoes and boots for well-known global brands, including Timberland, Dr Martens, Wal-Mart, LL Bean, Caterpillar and Wolverine World Wide. The company even makes special boots for motorcycle manufacturer Harley Davidson.



Golden Chang's factory in China

Global exports are a complex business

Golden Chang is very export oriented, sending footwear to about 100 countries, the main markets being Europe, the USA and Canada. The company's headquarters are in Taiwan, with offices in Macao, Hong Kong and the USA, and factories in China and Vietnam.

Demand for the company's products peaks between April and October each year. The export business includes a large volume of small consignments, including store-ready products that meet the demand for continuous replenishment of retail stock, and this, naturally, has to be delivered to tight deadlines.

The manufacture of modern shoes is a complex business, and a huge variety of materials is required for uppers, soles and heels, plus accessories such as laces, metal eyes, nails and sewing threads, sourced from hundreds of suppliers.

TradeCard reduces cost of sales

Golden Chang was introduced to the TradeCard system for automation of the financial processes in the supply chain by a major US customer, Wolverine World Wide Inc., and began using the system in March 2001.

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An important function of the TradeCard system is to reduce the cost of sales by replacing L/Cs (letters of credit) with payment assured transactions, says Warner Hsu, Vice General Manager: "TradeCard's charges for online compliance are lower than the bank fees for L/Cs, and discrepancies can be negotiated online without additional cost. When L/Cs are used, discrepancies are more frequent, because of the errors in paper documents, and the bank fees associated with discrepancies are deducted from payments made against invoices. Using the TradeCard system, we save about 75% of the cost of each transaction compared with L/Cs."

Golden Chang's export business comprises a large volume of physical consignments, and an even greater volume of transactions. "If we could apply TradeCard's service to all these transactions, the overall savings would be substantial," says Hsu.

Transaction visibility is a definite advantage, says Hsu: "It helps us to see on the computer all the payments made. Better visibility results in faster turnaround of the paperwork for orders and all related documents. That means less administrative costs for paper handling. TradeCard has significantly reduced Golden Chang's reliance on paper documents for many of our transactions. This has also reduced the flow of paperwork between our own offices, in Taiwan, Macao, Hong Kong and the USA."

Access to urgent documents, anywhere, anytime

One particular advantage of the TradeCard network is that Golden Chang's salespeople can easily access it, says Hsu: "Previously, when our salespeople were visiting customers, they had no easy access to sales transactions that were pending. Using TradeCard, they can check the status of transactions right through to payment and approve urgent documents, using a laptop or other PC."

TradeCard provides an 'open network', in which the same TradeCard on-line interface can be used by all the trade partners across multiple supply chains, instead of having to set up special links for particular processes and functions. TradeCard is bank-neutral, and provides access to multiple financial institutions.

The system provides complete online processing of the transaction, from purchase order to payment says Hsu: "We receive and view the online purchase order, create shipping documents, and eventually, when the consignment has been delivered to the customer, complete an invoice and submit all documents to the TradeCard compliance engine. When any discrepancies have been resolved, we await the buyer's approval and payment."

Solutions

- TradeCard's compliance engine used to replace L/Cs
- Discrepancies now negotiated online using TradeCard system
- TradeCard electronic documents replace paper ones
- TradeCard offers instant onscreen visibility for all transactions
- Salespeople use TradeCard to check transaction status
- Use one-click TradeCard report to monitor cash flows
- TradeCard system has been selected as the platform for EDI

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TradeCard requires low upfront investment

TradeCard's service has the potential for wider use by Golden Chang's trade partners, in cases where savings could be made or efficiency could be increased, says Hsu: "Golden Chang deals with a variety of trade partners, ranging from large global footwear buyers to hundreds of suppliers, many of which are SMEs (small & medium-sized enterprises). The TradeCard system does not require much upfront investment by users and in our experience, it is flexible enough to be adopted by large and small companies if they decide to use it."

One aspect of the TradeCard system is that it enables all payments to be monitored on-screen by a single mouse click. "This overview helps us carry out cash management functions. Many reports are available on the system, and this will, in due course, provide us with a better tool for management of transactions, cash flows, and credit requirements."

Expert support from TradeCard

TradeCard is easy to use says Hsu: "When we first adopted the online system, training staff were sent over to our offices for one day and after that, we went ahead and used the system. If we have any problems, we just call the support line. We get a fast response from TradeCard's local client service managers and they are extremely helpful and knowledgeable about our system."

The use of TradeCard can increase supply chain efficiency, says Hsu: "In order to persuade buyers or suppliers to adopt the system, they first need to be assured about the specific advantages they can expect. TradeCard has offered to help us with talking to our trading partners and convincing them of the benefits of going online."

Golden Chang has a large ERP (Enterprise Resource Planning) computer system to manage the Chinese factory operations and link them with head office functions, such as accounting and the orders and procurement process. "As more of our business transactions are conducted online, it may be very advantageous to link TradeCard with our computer system," says Hsu. "Tight integration between our ERP system and TradeCard would speed the flow of documents and reduce overall transaction time. TradeCard is central to automation of the financial supply chain, and that is what we need to build a competitive advantage in the e-commerce era," he added.

A key part of Golden Chang's strategy for the integration of its trade processes is the use of EDI (Electronic Document Interchange) for many of the documents exchanged with its trade partners. Using EDI, documents that are formatted differently by trade partners can be sent from computer-to-computer without human intervention, thus eliminating re-keying errors, speeding transactions and saving on administrative costs. It is expected that the TradeCard system will be used as the platform for this instantaneous paperless communication system in the near future.

Results

- Transaction costs down by 75% compared with L/Cs
- Discrepancies in compliance now negotiated at zero cost
- Elimination of errors caused by re-keying documents
- Complete visibility means faster turnaround of documents and orders
- Salespeople can approve documents on the road, using a laptop
- Better management of cash flows and credit requirements
- Faster, cheaper document transmission with no re-keying errors anticipated

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About TradeCard

TradeCard, the leading Financial Supply Chain services provider is revolutionizing global trade with a web-based platform that automates the financial processes in supply chains that have been plagued with decades-old paper-based solutions. By using TradeCard, buyers and sellers can manage their transactions with complete visibility to initial orders through final settlements. TradeCard's global network of partners provides additional automated services on the platform including supply chain financing, credit protection, money movement and inspection. In addition to process improvements, customers realize immediate cost savings, optimized cash flow, reduced reliance on credit lines and improved supply chain relationships. Headquartered in New York City, TradeCard, Inc. has offices in San Francisco, Hong Kong, Brussels, Taipei, Seoul, Tokyo and Shenzhen. TradeCard is a registered trademark in the United States and elsewhere throughout the world. TradeCard is located online at www.tradecard.com.

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