The Collaboration Equation: Unlocking Value in a High-Pressure Market

How volatility, capability gaps, and structural misalignment are redefining retailer–supplier partnerships

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Executive Summary

These insights are drawn from a global series of business leader interviews conducted by Advantage Group International (AGI) with senior executives across the retail and consumer-packaged goods/fast-moving consumer goods (CPG/FMCG) sectors. Spanning multiple regions and market contexts, these conversations provide a forward-looking perspective of how leaders are navigating an increasingly complex and polarized operating environment.

The findings point to a clear shift. Many of the tensions shaping retailer–supplier relationships today, across supply chain models, data, and innovation, are not new. What is new is the way they are converging, intensifying, and becoming structurally embedded within how the industry operates.

Leaders describe a landscape defined by diverging consumer demand, increasing reliance on promotion-driven growth, and mounting pressure on supply chain resilience. At the same time, organizations face mounting pressure on their ability to execute, persistent misalignment in planning and risk ownership, and a widening disconnect between data availability and actionable insight.

This analysis examines the underlying dynamics shaping retailer-supplier relationships and outlines the strategic implications for leaders seeking to build more aligned, resilient, and successful partnerships.

“Collaboration and transparency are no longer differentiators. They are prerequisites for performance.”

Senior Executive, Business Leader Interview Series (2026)

A System in Transition: The Evolution of Collaboration

Reshaping collaboration in a changing market and unlocking new sources of shared value

Insights from Advantage Group International's Q1 2026 business leader interviews, conducted with 50 C-suite executives across EMEA, LATAM, North America and APAC, point to a fundamental shift in how retailer–supplier partnerships must operate to succeed.

While the shift from a period of relative stability to an era of sustained volatility, uncertainty, complexity, and ambiguity (VUCA) is now well understood, 2026 marks a deeper structural inflection point; one that is reshaping not just market conditions, but also the foundations of collaboration itself.

Three forces are converging:

A K-shaped consumer landscape is accelerating divergence, where success depends on a partner's ability to deliver both exceptional value and targeted, specialized innovation.

A shift away from siloed, "black box" supply chains toward greater transparency and shared financial accountability.

Increased strain on execution, as critical capability gaps widen between strategic ambition and delivery.

Together, these forces are exposing the limitations of traditional partnership models.

Leaders are no longer seeking partnerships built on incremental improvement or transactional alignment. Instead, they are prioritizing strategic enablers, partners capable of delivering a "Triple Win": creating value for the consumer, the retailer and the supplier, while balancing the total P&L.

A Year of Market Reset: Lessons Learned

Over the past twelve months, leaders have navigated a market shaped by a sustained cost escalation and a fundamental shift in consumer behaviour.

Traditional market dynamics have largely broken down. Suppliers point to sharp increases in raw material costs, creating a growing disconnect between production costs and consumer purchasing power and impacting volumes across almost all categories.

At the same time, retailers report intense pressure on grocery margins driven by rising labour and utility costs, forcing them to restructure, consolidate operations, and postpone major strategic investments.

Navigating Margin Pressure and Promotional Dynamics

Margin pressure, compounded by high interest rates and ongoing cost volatility, has forced both retailers and suppliers into a cycle of aggressive cost management and restructuring. As volume growth has stagnated, the industry has shifted toward increasingly promotion-driven activity.

Sharp increases in raw material costs, combined with rising labour and utility expenses, have further intensified pressure on margins. In some regions, where interest rates exceed 40%, access to capital has become a critical constraint, significantly increasing the cost of holding inventory and managing operations.

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Shift to Promotion-Led Growth

Promotional activity has become essential to sustaining volume share. Leaders in some markets estimate that as much as 90% of volume in key categories, such as detergents and spirits, is now sold on promotion. What was once a tactical lever is becoming embedded, with discounted purchasing behaviour increasingly normalized.

Retailers are placing growing pressure on suppliers to reallocate their brand-building budgets toward promotional activity. Suppliers caution that this is a self-reinforcing cycle; by directing investment toward incentivizing existing demand, organizations are sacrificing the resources needed to build their brands and develop categories.

Erosion of Pricing Power

Over time, this dynamic erodes pricing integrity. Non-promotional pricing is losing relevance, and full-price purchasing is increasingly perceived as poor value by consumers. As one supplier executive observed, the promotional “whirlpool” – a self-reinforcing cycle of discount-driven demand – creates the illusion of short-term gains through traffic, while failing to deliver sustainable benefit at the bottom line.

This dynamic is reshaping how retailers and suppliers engage, with negotiations becoming increasingly tactical and short-term in focus, rather than strategic.

A Diverging Consumer Landscape

Economic uncertainty is reshaping the middle-class shopper. Retailers are seeing a clear divide emerge, with consumers either trading down to lower-cost options or remaining loyal to premium offerings that provide trusted quality.

The Middle Market Is Under Pressure

The retail landscape in 2026 reflects a continued erosion of the traditional middle market, driven by a decade-high cost of living and changing spending priorities. Business leaders often describe this as a "K-shaped" pattern, where consumers are splitting between value-driven purchasing at one end and more selective, premium-focused spending on the other.

Value Is Winning at the Lower End

Value propositions must be sharper than ever. Retailers and suppliers point to a clear shift from brand preference to value-driven purchasing. As one executive explained, when consumers are forced to choose between essential spending and discretionary purchases, they prioritize lower-cost options to manage household budgets.

This downward pressure is further reinforced by retailers expanding their own brands, introducing lower-cost alternatives to widen the price gap with established brands and erode the market share of established labels.

Premium Remains Resilient, but Increasingly Selective

At the same time, the top of the market remains resilient, but these consumers are becoming more selective in where they place their trust. For premium tiers, guaranteed quality and subject-matter expertise have become the primary drivers of loyalty.

Despite broader economic pressure, leaders observe a persistent “lipstick effect,” where consumers continue to prioritize small, affordable indulgences. As one executive noted, while a shopper may no longer afford a vacation or luxury purchases, they continue to opt for accessible indulgences, such as high-quality mascaras or lipsticks, to create a sense of personal reward.

Category Performance Is Diverging

This shift is reshaping category performance. In more functional categories, such as home care and detergents, brand loyalty is eroding as shoppers shift toward lower-cost alternatives. Conversely, leaders highlight a “flight to quality” in more personal or health-related categories, where consumers are increasing their spend in search of specific, science-backed results.

One size no longer fits all. Retailers and suppliers are at risk if they attempt to be everything to everyone. Instead, they must act as “curators of value,” as one business leader noted, with execution at either end of the market requiring precision.

From Efficiency to Resilience in Supply Chains

Supply chain instability, driven by geopolitical tensions and port inefficiencies, is accelerating a shift toward more resilient inventory models. While recent years have seen steady improvements in supply chain performance following post-COVID recovery, leaders caution that these gains may now be at risk.

Shifting Toward More Resilient Operating Models

The traditional reliance on Just-in-Time efficiency is being challenged by a shift toward Just-in-Case approaches. Ongoing disruption has reduced visibility across supply chains, creating a “black box” of uncertainty, where disruptions are difficult to anticipate and respond to, making lean, efficiency-driven models a potential liability rather than an advantage.

In response, organizations are increasing safety stocks; holding additional inventory as a buffer and diversifying sourcing to ensure product availability, even at higher operational cost.

Demand Volatility Is Increasing

While much of the focus has been on supply-side resilience, demand patterns are becoming equally unpredictable. Leaders describe a more volatile environment, where consumer demand can surge rapidly, often driven by social media, while replenishment cycles remain significantly longer.

Bridging the Planning Gap

Supply chain and demand planning sit at the centre of how retailers and suppliers manage these pressures, yet alignment remains a persistent challenge. Suppliers, particularly those exposed to international trade, express frustration with planning mismatches, including expectations to provide short-term forecasts while also committing to longer-term supply.

Turning to Data and AI for Resilience

Business leaders increasingly view AI as part of the solution. Retailers and suppliers are investing in internal expertise and data analytics to anticipate disruptions earlier and move away from reactive operating models. The focus is shifting beyond cost efficiency toward resilience, sustainability, and long-term growth within a more robust Just-in-Case framework.

Evidence from Advantage Report

Globally, supply chain competency scores in Advantage Report have trended upwards since 2021, reflecting a post-COVID recovery as previously disrupted supply chains stabilized. However, as this recovery has matured, performance has begun to plateau in such areas as supply chain communication and supply chain alignment, while other areas, including supply chain efficiency and on-time and in-full (OTIF), have experienced a decline relative to the total competency average.

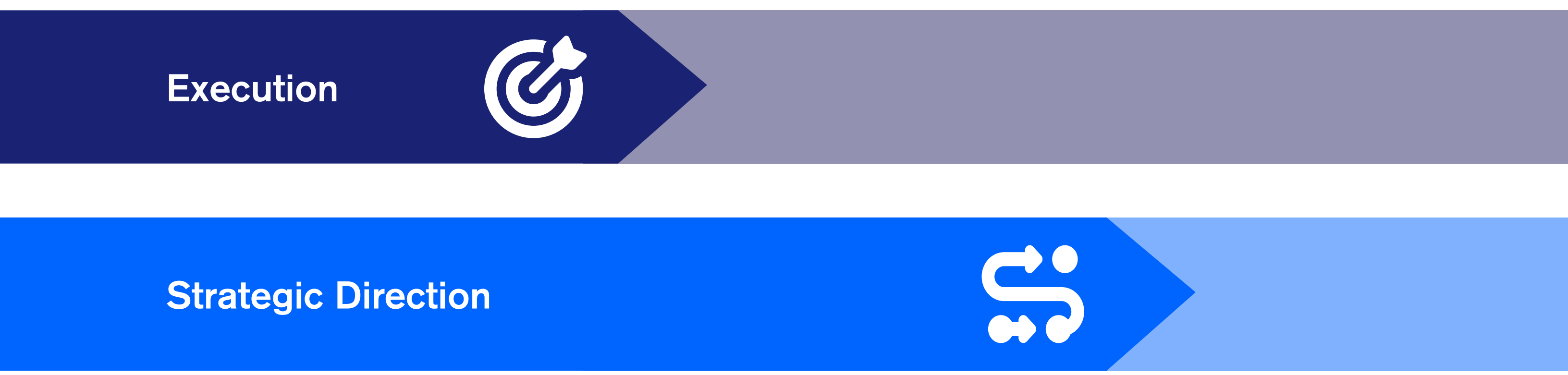
The Collaboration Paradox: Strengthening Partnership Execution

While partnership continues to feature prominently in boardroom dialogue, both retailers and suppliers highlight a growing gap between strategic intent and day-to-day execution. Strengthening collaboration now depends on closing this gap, ensuring that operational relationships can consistently deliver against shared objectives.

A Widening Capability Gap

A recurring theme emerging from the interviews is a widening gap in capability at the middle management level. Business leaders describe a disconnect between strategic direction and execution, where organizations may align at the top but lack the expertise, tools, and autonomy required to deliver at the operational level.

Several leaders liken this to a ship where the captain has a clear map, but the engine room lacks the capability to steer. This gap reflects a broader erosion of category expertise, analytical capability, and decision-making ownership – often driven by a shift toward more junior roles within account teams and limited access to advanced analytical tools.



Misalignment Across the Partnership

This gap is experienced on both sides of the relationship, though in different ways. Suppliers express frustration with the level of analytical capability and category expertise within retailer teams, with one supplier noting they spend more time “teaching the buyer the category” than advancing strategic growth.

In contrast, retailers point to challenges within supplier organizations related more to decision-making autonomy and organizational agility, alongside varying depths of subject-matter expertise.

While these capability gaps exist across both sides, their impact is felt differently, reinforcing misalignment and weakening execution.

Abundant Data, Limited Actionable Insight

Leaders consistently emphasize that execution challenges are rarely driven by a lack of data, but rather by a lack of actionable insight. While organizations may have significant data and resource capacity, internal complexity, limited tools, and fragmented processes often prevent teams from translating information into meaningful action. As one leader noted, even with “armies of people,” bureaucracy and unclear processes can limit the ability to deliver real value.

Reducing Dependence on Individuals

In some markets, the capability gap is further exacerbated by over-reliance on individuals with highly hierarchical structures. Changes in senior leadership can trigger abrupt shifts in strategy, limiting continuity and preventing mid-level teams from building sustained expertise.

Building Capability Through Process and Expertise

Addressing this gap requires strengthening both people and processes. As one executive observed, organizations may rise to the strength of their leaders, but ultimately fall to the weaknesses in their internal systems.

In response, organizations are increasingly investing in internal subject-matter expertise to deliver more informed and compelling proposals to retail partners. This includes a greater focus on capability development and analytical support, reflecting the growing complexity of modern retail channels, such as as TikTok Shop, retail media networks, and advanced e-commerce, which demand capabilities that traditional roles are not always equipped to manage.

Evidence from Advantage Report

Globally, ‘Capability & Experience’ scores in Advantage Report have remained relatively stable in recent years across both retailers and suppliers. However, qualitative feedback suggests a different reality, with high churn and capability gaps consistently identified as ongoing challenges on both sides of the relationship.

Unlocking Joint Value Creation Through Transparency

Leaders increasingly recognize that traditional, tactical approaches shaped by ongoing market volatility are no longer sufficient to support long-term growth. In response, more integrated relationship models are emerging, particularly those centred on joint value creation, with greater openness in data sharing and shared accountability across the P&L.

Building Alignment Through Transparency

Achieving sustained success requires partners to operate with clarity, consistency, and a long-term perspective. Leaders emphasize the need to move beyond short-term volume gains toward building profitable, resilient business models that support long-term category health.

As one executive noted, this shift involves moving from a transactional relationship to a business-building partnership, where both sides align more closely around shared priorities and a joint work agenda.

Transparency sits at the centre of this evolution. High-performing partnerships are defined by the open exchange of strategic priorities and operational data, enabling teams to resolve day-to-day challenges more efficiently and improve execution.

This visibility has a direct impact on performance. For example, retailers that share forward-looking planning data, such as eight-week forecasts via EDI, enable suppliers to align production more accurately, resulting in higher on-shelf availability compared to shorter planning horizons.

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Delivering the “Triple Win” Across the Value Chain

The ultimate aim of this evolution is to achieve a “Triple Win,” creating value simultaneously for the consumer, the retailer, and the supplier. Achieving this requires closer alignment between partners, ensuring that decisions made upstream translate into meaningful outcomes at the shelf and for the end consumer.

Retailers are increasingly seeking partners who act as strategic enablers: organizations that go beyond price-led propositions to understand category dynamics, contribute to the sales mix, and support broader business objectives. By strengthening internal subject-matter expertise, suppliers can shift the conversation from short-term margin negotiations to more informed, insight-led proposals that build trust and enable long-term growth.

When partners align around shared strategic priorities, they unlock efficiency and growth that transactional models cannot deliver.

Evidence from Advantage Report

For many years, ‘Trust’ has been the competency most strongly correlated with Overall Performance in Advantage Report, serving as a leading indicator of relationship health. However, in 2025, this dynamic shifted.

While Trust scores continued to increase, their correlation to overall performance declined from first to fifth place. In contrast, Collaborative Business Planning, Ease of Doing Business, Capability & Experience, and Communication rose in performance, emerging as stronger drivers of performance, in that order.

In an environment defined by joint value creation and transparency, these capabilities are increasingly critical in enabling more effective and resilient partnerships.

Aligning Diverging Perspectives

The following table highlights key differences in how retailers and suppliers interpret critical areas of the relationship. While both sides share a common goal of stronger collaboration, these differing perspectives can shape how effectively that collaboration is executed in practice.

Addressing these gaps is essential to unlocking more consistent execution, strengthening partnership performance, and enabling sustainable joint growth.

Focus Area	Retailer Perspective	Supplier Perspective	The Tension Point
Data & Retail Media	**Commercial Revenue:** Viewed as a commercial lever and profit centre to help offset thin margins.	**Strategic Enabler:** Aimed at translating data into actionable insight to drive category growth, while perceiving retailer data as a "walled garden."	**Monetization vs. Growth:** Retailers prioritize monetizing data and media access, while suppliers aim to leverage it to optimize joint P&L performance.
Supply Chain	**Just-in-Time:** Pressure to deliver high service levels while maintaining lean inventory positions to protect cash flow.	**Just-in-Case:** Requires three-month import lead times, while operating with limited one- to two-week visibility from retailers.	**Risk Ownership:** Retailers transfer inventory risk to suppliers, while suppliers require greater visibility to effectively manage and hedge that risk effectively.
Private Label	**Strategic Differentiator:** A key lever to address the "K-shaped" value divide and differentiate from lower cost discounters.	**Direct Rival:** Perceived as competing with supplier innovation, limiting willingness to share future piplines	**Partner vs. Competitor:** Retailers act as both customer gatekeepers and direct competitors, constraining transparency and innovation sharing.

Structural Misalignment Across the Value Chain

Supply Chain and Risk Alignment

Tension between retailers and suppliers has evolved beyond pricing into deeper structural misalignment across supply chains, data, and brand ownership. At its core is a divergence in how risk is managed and financial agility is prioritized.

Retailers, operating in a cash-first environment, prioritize Just-in-Time models and working capital efficiency, shifting inventory risk upstream. In response, suppliers adopt more defensive, Just-in-Case approaches, absorbing the cost of higher safety stocks and extended lead times, often with limited forward visibility.

This imbalance reinforces a transactional ceiling and places sustained pressure on financial performance.

Data, Retail Media, and Value Creation

These dynamics extend into data and retail media, which are increasingly positioned as controlled ecosystems. Rather than enabling shared growth, data is often monetized, requiring suppliers to invest for access that does not always translate into actionable insight. As a result, investment shifts away from long-term brand-building toward maintaining short-term visibility, reinforcing more tactical, less strategic engagement.

Private Label and the Innovation Dynamic

The rise of private label has further blurred the line between partner and competitor. For retailers, it is a critical lever for value and differentiation; for suppliers, it introduces risk to innovation and future pipeline development.

The result is reduced transparency, constrained information sharing, and a more cautious approach to long-term planning. In a fragile consumer environment, these tensions are becoming increasingly structural, anchoring both sides in short-term behaviours rather than enabling aligned, sustainable growth.

Strategic Implications for Leadership: Navigating the Current Landscape

For C-suite and senior leaders across retail and manufacturing, these findings signal a shift in how organizations operate successfully. Stability has given way to fluidity, where traditional growth levers, standardized promotions, lean supply chains, and siloed data, are increasingly becoming operational constraints.

According to leaders, success in 2026 involves moving beyond managing transactions towards architecting resilient, data-integrated ecosystems that enable aligned, sustainable growth.

Five Leadership Shifts to Enable Sustainable Growth

From Transactional Management to Joint Commercial Stewardship

A fundamental shift is underway in the traditional buyer-seller dynamic, with leading organizations moving toward joint value creation models.

- **The Challenge:** Success depends on shared long-term strategic horizons, joint accountability for performance, and greater transparency and trust. Defining clear “safe zones” for collaboration and innovation sharing can help avoid defensive behaviours that limit progress.

Closing the Capability Gap: Strengthening the Execution Engine

A critical risk is the widening gap between strategic intent and operational delivery.

- **The Challenge:** Leaders would like to see improved capability through robust processes rather than individual heroics. This includes upskilling middle management in analytics and financial acumen, while reducing organizational complexity and bureaucracy. This, they feel, will better prepare them to operate in an increasingly fast-paced, data-driven environment.

Rebalancing the Supply-Chain: From Just-in-Time to Just-in Case

The limitations of a lean, Just-in-Time model are increasingly evident in an environment of volatility, uncertainty, complexity, and ambiguity (VUCA).

- **The Challenge:** Some leaders are calling for joint responsibility in building more resilient, Just-in-Case operating models. This is not only a logistics task, but also a financial one. It involves rethinking how inventory risk and financial burden are shared across business partners. Improving service levels depends on greater transparency and coordination, supported by stronger EDI integration, forward planning cycles, and effective deployment of AI as an enabler.

From Data Access to Insight-Led Value Creation

Data remains one of the most powerful enablers of joint value creation, yet continues to be a source of friction.

- **The Challenge:** Transitioning from controlled ecosystems to shared value creation requires a cultural shift, where data is used to reduce inefficiencies, strengthen alignment, and unlock category growth.

Winning in a Polarized Consumer Landscape

In a fragmented consumer environment, strategic focus is becoming a key differentiator.

- **The Challenge:** Leaders emphasize the need to prioritize partnerships and propositions that deliver clear value, focusing on either value leadership or premium differentiation. This requires disciplined choice. Organizations may need to step back from low-value, transactional relationships that dilute focus and fail to deliver meaningful returns for the consumer, the retailer, or the supplier.

Conclusion: Turning Friction into Shared Value

The findings from these C-Suite interviews highlight that many of today's most pressing challenges are not isolated operational issues, but structural barriers that limit the full potential of retailer–supplier partnerships. The way forward involves a shift away from siloed, defensive strategies toward greater integration, transparency, and shared accountability.

In an increasingly polarized and volatile landscape, advantage will not be defined by individual negotiation wins, but by the ability to align around shared outcomes. This relies upon leadership that can move beyond protecting value to actively creating it, reframing friction not as a constraint, but as a catalyst for stronger, more resilient collaboration.

Those who succeed will be the organizations that replace guarded ecosystems with connected ones; where insight is shared, risk is balanced, and decisions are made with a clear view of the total P&L. In doing so, they will not only navigate uncertainty more effectively, but unlock a more sustainable path to growth.

How AGI Can Help

In an increasingly polarized and complex operating environment, organizations need a clear, objective view of how their partnerships are performing, and where to act. AGI provides structured, data-led insight to help leaders move beyond anecdotal challenges and toward more aligned, effective collaboration.

- **Identifying the Capability Gap:** Our benchmarks help leadership pinpoint where execution is breaking down, whether in analytical capability, decision-making processes, or organizational alignment, so that targeted improvements can be prioritized.
- **Strengthening Partnership Dynamics:** Through an independent, third-party lens, we assess partnership behaviours against industry benchmarks, enabling more transparent, fact-based discussions that build trust and unlock stronger collaboration.
- **Connecting Insight to Joint Commercial Stewardship:** We provide objective, decision-ready metrics that support a shift from short-term transactions to longer-term value creation, helping organizations measure, align, and improve performance across the full partnership.

To explore how these insights apply to your organization, connect with an Advantage Advisor to discuss your priorities and opportunities.

Methodology

In the first quarter of 2026, AGI conducted a global series of Business Leader Interviews with senior executives across the retail and CPG/FMCG sectors. In total, 50 interviews were completed with C-suite and senior commercial leaders from both retailer and supplier organizations, spanning EMEA, North America, Latin America, and APAC.

These conversations were designed to capture how leaders are interpreting a rapidly evolving operating environment, including what has shifted, what is no longer effective, and what will matter most as the industry moves forward.

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