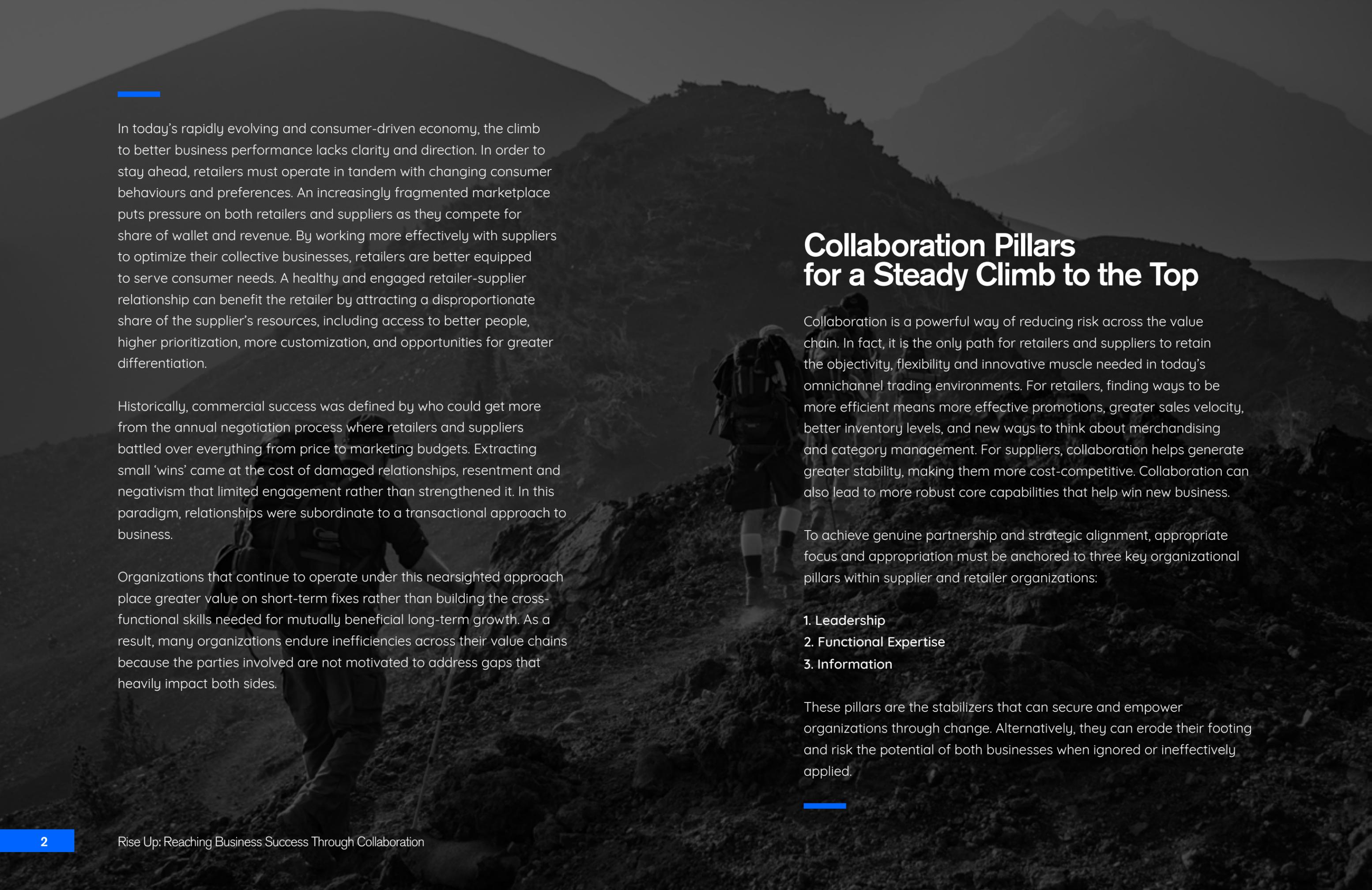


Rise Up!

Reaching Business Success Through Collaboration

The business case for genuine engagement
in retailer and supplier relationships



In today's rapidly evolving and consumer-driven economy, the climb to better business performance lacks clarity and direction. In order to stay ahead, retailers must operate in tandem with changing consumer behaviours and preferences. An increasingly fragmented marketplace puts pressure on both retailers and suppliers as they compete for share of wallet and revenue. By working more effectively with suppliers to optimize their collective businesses, retailers are better equipped to serve consumer needs. A healthy and engaged retailer-supplier relationship can benefit the retailer by attracting a disproportionate share of the supplier's resources, including access to better people, higher prioritization, more customization, and opportunities for greater differentiation.

Historically, commercial success was defined by who could get more from the annual negotiation process where retailers and suppliers battled over everything from price to marketing budgets. Extracting small 'wins' came at the cost of damaged relationships, resentment and negativism that limited engagement rather than strengthened it. In this paradigm, relationships were subordinate to a transactional approach to business.

Organizations that continue to operate under this nearsighted approach place greater value on short-term fixes rather than building the cross-functional skills needed for mutually beneficial long-term growth. As a result, many organizations endure inefficiencies across their value chains because the parties involved are not motivated to address gaps that heavily impact both sides.

Collaboration Pillars for a Steady Climb to the Top

Collaboration is a powerful way of reducing risk across the value chain. In fact, it is the only path for retailers and suppliers to retain the objectivity, flexibility and innovative muscle needed in today's omnichannel trading environments. For retailers, finding ways to be more efficient means more effective promotions, greater sales velocity, better inventory levels, and new ways to think about merchandising and category management. For suppliers, collaboration helps generate greater stability, making them more cost-competitive. Collaboration can also lead to more robust core capabilities that help win new business.

To achieve genuine partnership and strategic alignment, appropriate focus and appropriation must be anchored to three key organizational pillars within supplier and retailer organizations:

1. Leadership
2. Functional Expertise
3. Information

These pillars are the stabilizers that can secure and empower organizations through change. Alternatively, they can erode their footing and risk the potential of both businesses when ignored or ineffectively applied.

1. Leadership

The Need for Strategic Leadership to Plan the Ascent

Successful collaboration begins where there is support at the top. Once established, internal alignment is the next step in creating the foundation for collaborative retailer-supplier relationships. Each organization must commit to and take the time to lay out their own objectives and then select partners based on the strength of their unique capabilities, shared strategic interests, and value potential. As partnerships are formed, alignment between the two parties takes shape as leaders jointly define the vision, timelines, and metrics, and agree on how to share the benefits of the partnership to ensure a win-win.

“...They are enthusiastically engaged. The reason why we are there is because we have clear and concise goals that both parties have bought into... it is just refreshing that when we go to a meeting with senior executives, the attitude and mindset that they are all working in is one of asking what they can do to grow the business. It is like we are already on the same page... We are not trying to convince them to do something...What it means for our business at every single level is that everybody is on the same page... Now, top down, they are aligned and it is a lot faster to get things done...”

Canadian Supplier ^[1]

When retailers and suppliers are aligned on strategy, solutions are consistently and seriously considered by both parties. Relationships become more transparent, with clear, continual, two-way feedback. This, in turn, changes how the retailer and supplier interact, with greater emphasis on proactive relationship-building and finding new paths together. Efforts become streamlined and each party looks to contribute through its strengths to the relationship, achieving milestones together.

By scaling their growth opportunities in an agile way, suppliers and retailers can build the trust needed to pursue collaborative behaviours. These include value-sharing devices, developmental agreements and obligation contracts that enable each party to gain a competitive edge.

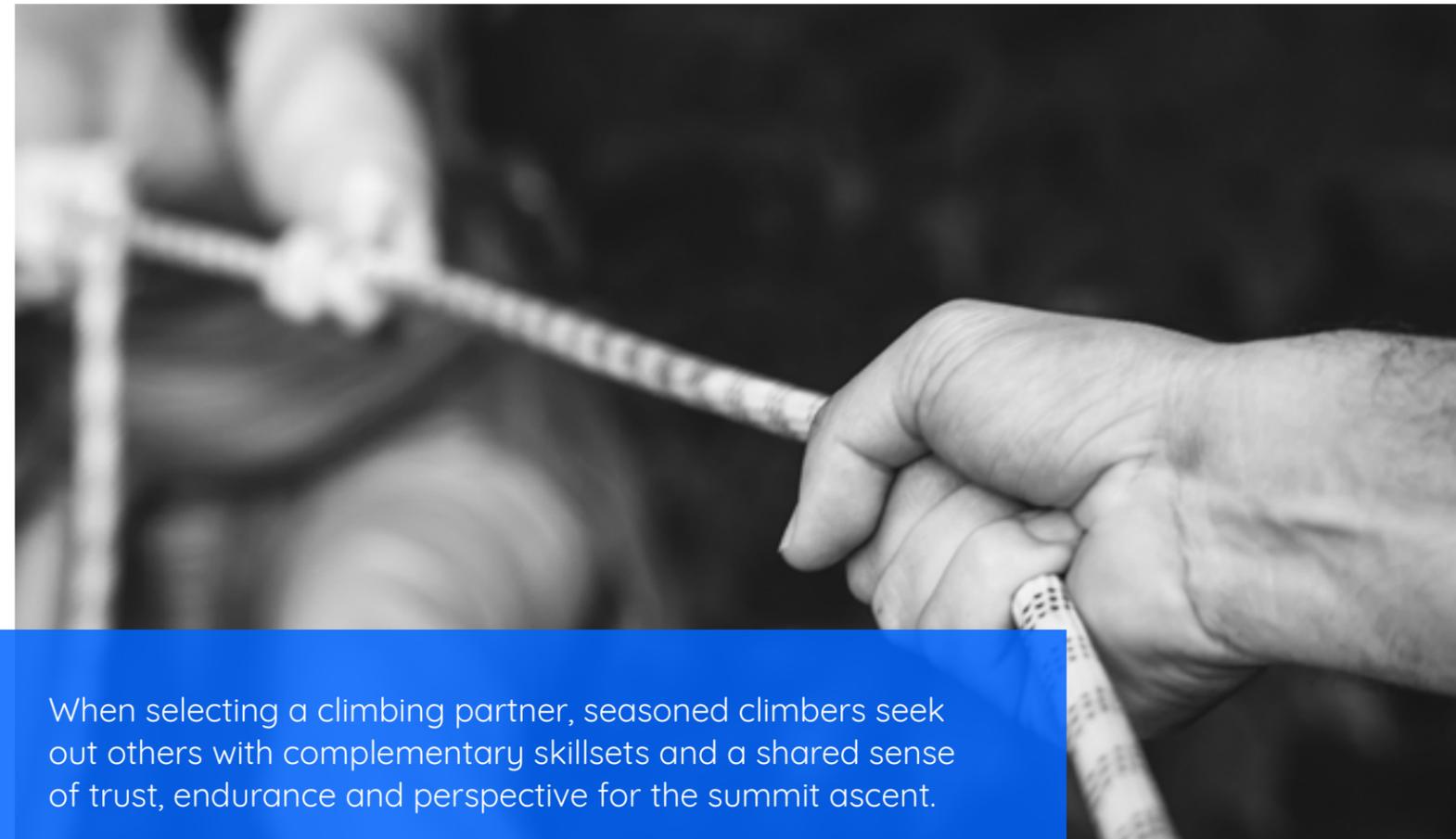
⚠️ What's at Risk?

Strategic Misalignment between Retailers and Suppliers

- Collaboration is not mandated at the top levels of each organization
- Retailer and supplier have different views around collaboration
- Relationships may become adversarial and actions emotion-based instead of situation-based

Hindered ability to Build Relationships for the Long-Term

- Collaborative activity is viewed as a 'one-off' event
- Low trust or an inability to act beyond the present
- Either party fails to see the value in working together to meet their business imperatives
- One company views the other as a barrier to their own success, undermining their ability to win or add value



When selecting a climbing partner, seasoned climbers seek out others with complementary skillsets and a shared sense of trust, endurance and perspective for the summit ascent.

2. Functional Expertise

Strive to Align on Supply Chain and Trade Marketing Practices at the Start of the Climb

Supply chain execution has become so intricate, time-specific and detailed that neither party can generate all the potential benefits by themselves. Instead, through collaboration, retailers and suppliers can achieve greater effectiveness and flexibility needed to flourish in environments that are diverse and complex.

Deeper trust and dedicated collaboration will facilitate stabilization of overall demand flow, and enable decision-making, knowledge creation and resources to be shared and controlled together. As a result, products and policies are designed to fit around an effective, proven and coordinated supply chain and not the other way around. By coordinating merchandising and product development efforts, both parties can also work together to optimize new product introductions, category planograms, and promotions.

Through innovation and process improvement, companies can launch new products collaboratively, improve the effectiveness of marketing efforts, jointly improve their promotion planning and execution, participate in effective life-cycle management, and make the most of improved demand forecasting. By reducing costs, companies can improve distribution efficiency, optimize specialist roles to improve efficiencies, and reduce drags on margin such as returned products.

When both parties look for value beyond cost, they can gain revenue and margin enhancement that increases the penetration of core products, encourages multi-year strategies to grow the category, enables better management of shelf space, and drives more consumer convenience and greater impulse shopping.

“They are very strategic with us on the supply chain side. They have done a great job of building a program and partnering with us on the Collaborative Planning Forecasting and Replenishment side so we can collaborate and ensure the day-to-day is pretty smooth. In fact, they have even contributed to some of the learnings we have taken inside that have impacted our associates. It is a very good network of information between each other that we think works really well. We have built a lot of trust in that relationship. What comes from that is an opportunity to work on some more strategic projects that are a little more test-and-control...We have a very open dialogue now and a two-way conversation. When they challenge us, we have this willingness to evaluate that because we have broken down some doors.”

[Canadian Retailer](#) ^[2]

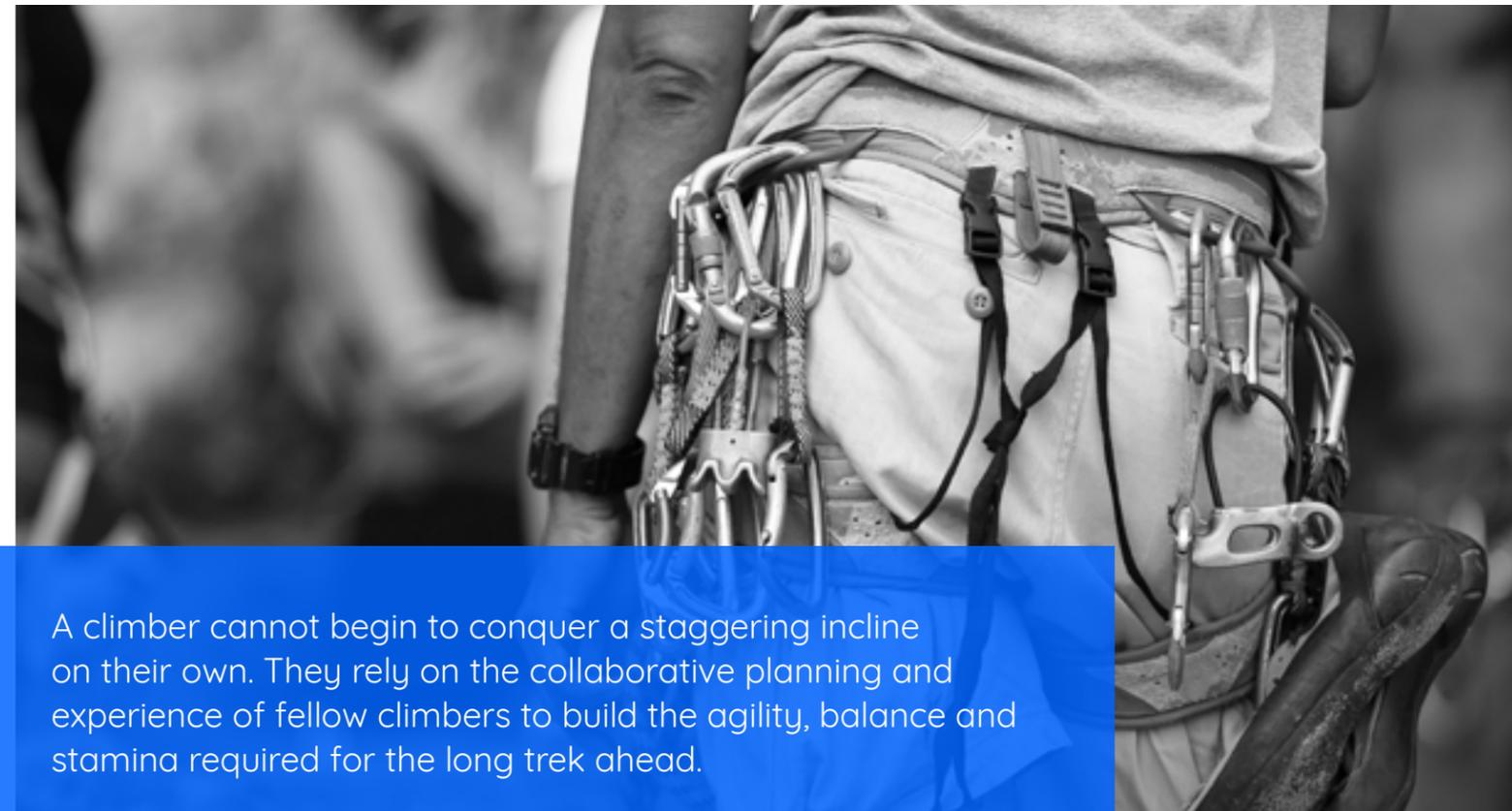
⚠️ What's at Risk?

Supply Chain Complexity

- Demand and inventory may not be visible to both parties resulting in production and distribution inefficiencies
- Supply chain enhancements do not reduce cost or efficiency
- Lack of alignment or coordinated planning for the unexpected
- Lack of joint investment in raw materials
- Operating costs and cost drivers are not shared

Ineffective Trade Marketing Initiatives

- Trade marketing initiatives may 'fail to fire'
- Incorrect inventory levels on hand
- Products may not meet consumer needs (unnecessary product changes and irrelevant assortment)
- Over or under stocked product
- Ineffective promotions and marketing due to poor targeting
- Limited pricing flexibility, which can sacrifice margin



A climber cannot begin to conquer a staggering incline on their own. They rely on the collaborative planning and experience of fellow climbers to build the agility, balance and stamina required for the long trek ahead.

^[2] 2019 Advantage Elevate – Canada

3. Information

The Importance of Sharing Assets When Nearing the Summit

In B2B relations, parties are often at a disadvantage when it comes to data and analytics because they only have a specific view of the enterprise, and not of the entire value chain. Thus, perhaps one of the most important benefits of collaboration is centered on data sharing and a new generation of supplier collaboration tools. Only once metrics, data and analytics are agreed-on and shared, retailers and suppliers can align their strategies so that both benefit from understanding shopper behaviour to build sustainable customer loyalty. This brings transparency and objectivity to joint business outcomes and partners can better anticipate what is ahead. Then, using ongoing checkpoints and shared judgment, retailers and suppliers can action next steps at both a day-to-day and an innovation level.

Traditionally, retailers and suppliers relied on data sourced from a range of systems which were analyzed in a variety of ways. This resulted in unaligned insights, strategies, and plans. With objective data, however, both parties know they are making decisions based on actual consumer needs.

When we examine data integrity in the context of collaboration, suppliers understand their levels of analytical maturity. Both parties acknowledge where it makes the most sense to share points of information. As the relationship is built on a solid footing of trust, parties respect the data that is requested and shared. For example, where retailers

and suppliers compete for shelf space between national versus private label brands, working together to leverage the retailer's proximity to end-customer data helps both parties refine product positioning and mitigate the risk associated with new product launches.

“A best in class company shares data and insights that allows us to make plans that are good for everyone. Everyone benefits when they share more information with us. A lot of companies have data points on who their shopper is and how they shop, and when they share that information with us, we can help them understand that better and help them come up with ways to meet those consumers' needs.”

Canadian Supplier ^[3]

Sharing data this way also enables retailers to disclose real-time metrics measuring valuable characteristics of the in-store experience. Suppliers can then leverage their research and experiences to develop valuable consumer insights based on this joint information. For example, in the case of data-driven merchandising, prices are optimized for items that increase foot traffic, items are co-located to drive cross-sales, and endcaps are reset to appeal to local shoppers. This level of collaboration instills confidence and provides a shared view of data to which both parties contribute, making the execution of strategic plans at the customer level much more manageable.

⚠️ What's at Risk?

Missed Opportunity Cost

- Lack of urgency on using data reports/tools to leverage opportunities
- Missed opportunities to improve revenue, margin, processes and reduce costs by capitalizing on data and insights

Jeopardized Data Integrity

- Loss of consumers and market share due to a lack of balance between the analysis, commercial imperatives, and a shared willingness to participate in a successful partnership
- Data and analysis are not a priority and are not mandated by leadership or adopted internally



Objectivity and transparency are fundamental when nearing the top of the mountain alongside one's climbing partner. Each party counts on trust from the other to ensure their safety; this can only be achieved when both climbers have access to the same equipment and knowledge.

^[3] 2019 Advantage Elevate – Canada

No Business Can Reach the Pinnacle of Performance on Their Own

In a world where change is the new normal, long-term success can only be achieved by retailer and supplier relationships that focus on collaboration as an imperative. Today's consumer demands make it essential that supplier and retailer movement be driven by a foundation where the key organizational pillars of Leadership, Functional Expertise, and Information are managed with precision. This in turn will enable an agile, trusting and reliable partnership. Through collaboration fueled by active listening and responding, retailers and suppliers can achieve greater effectiveness and flexibility needed to flourish in environments that are diverse and complex today and for the future. The time for collaboration is now: **Rise Up!**

Advantage Cadence is a real-time digital feedback platform that enables businesses to develop tailored listening programs that drive engagement and measure performance over time. Are you committed to driving engagement with your business partners? We have the relationship expertise and focused listening program to empower your business.

Contact us: info@advantagegroup.com

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Healthy relationships are the foundation of any successful business, large or small. Today's ultra competitive environment demands listening and responding. Making it matter helps everyone play at the top of their game. That's what we have been doing at Advantage in 40+ countries for 30+ years. Helping businesses be better together.

For more information, visit: <https://www.advantagegroup.com>

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