

# Retail-Supplier Collaboration: The New Operational Imperative

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## Retailer-Supplier Collaboration: New Rationale Justifies Investment

Today's retail supply chain executives are moving more products farther and faster than ever before. They are pressured by consumers' new-found [empowerment over products and delivery](#), uncertain global economies and advances in [globalization, localization](#), omnichannel retail and other demands — all putting strain on the supply chain process.

To combat today's supply chain challenges, smart retailers are taking a more focused look at collaborating with their supplier partners. A successful retailer-supplier collaboration can help alleviate pressures along all key points in the supply system. A strong alliance can bring products to market faster, reduce production and logistics costs, drive market share, and increase sales, while maximizing ROI for both partners.

Collaboration is not a new concept, but is becoming more vital in today's competitive environment. But a number of concerns have deterred retail and CPG companies from pursuing a complete collaboration vision. Those concerns include: partnership trust, the level of intelligence that should be shared, and the ripple effects of data integrity errors.

Retailers that have not yet taken the leap into retailer-supplier collaboration can learn from those who have created successful programs, such as **CVS Caremark**. "Today's more intricate challenges to supply chain execution have brought new focus to the strategic benefits of collaboration," said Ron Link, SVP of Logistics for CVS Caremark, in an interview with *Retail TouchPoints*. "There is an emerging realization that neither the retailer nor supplier can generate the potential benefits as independent parties who operate at arm's length. The combined focus of both parties is required to maximize effectiveness in an increasingly diverse and complex supply chain environment."

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CVS Caremark

## The Impetus

Because retailers and suppliers are collecting feedback from consumers quicker, through new channels such as social media, they are more highly motivated to pursue collaboration, noted Brian Houck, Retail and Consumer Advisory Director at PricewaterhouseCoopers. “While yesterday’s in-person focus groups gleaned the feedback required for supply forecasting, promotion, replenishment and product-design input,” he said, “long delays in delivering that feedback often resulted in missed forecasts, out-of-stocks, poorly launched products and excess inventory. But present-day social media, consumer forums, video posts and other online communities, as well as direct selling outlets, have opened new, nearly instantaneous channels of feedback. The ensuing amount of immediate and comprehensive data gives retailers and suppliers renewed opportunities to collaborate and build a cohesive approach to meeting customer demand and product preferences while effectively managing inventory levels and profits.”

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- Brian Houck  
PricewaterhouseCoopers

Other specific factors generating opportunities for teamwork, stated Houck, include increasing complexities in demand signals due to omnichannel growth; rapid proliferation in product and service offerings; and new rigor around managing working

capital. These dynamics “are moving retailer-supplier collaboration from an attractive opportunity to a necessary ingredient for a successful retail business,” he remarked, “and are providing new rationale to justify investment in collaboration programs.”



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ingredient for a successful retail business, and are providing new rationale to justify investment in collaboration programs.”

Houck sees retailers becoming much more willing to share data and engage with suppliers at each step of the promotions cycle. In fact, today it is not unusual for retailers to disclose information for entire categories to support development of targeted promotional items, Houck stated, while suppliers, in turn, provide details on production plans to make sure capacities and schedules align with promotional lead-times and calendars. “When collaboration is done effectively, we have observed significant improvements in consumer response to promotions, fewer out-of-stocks and reduced excess inventory.”

Data gleaned by the Aberdeen Group also shows the retailer-supplier alliance moving to center stage: Over the past two years, retail and consumer market companies have increased collaboration activities with core suppliers by nearly 29%, reported Kevin Permenter, Senior Research Associate for Aberdeen, and with non-core (long-tail) suppliers by 15%. “These numbers indicate that companies are turning toward collaboration in order to compete and thrive,” he stated, adding that these same companies also increased internal collaboration by 97% over the same two-year period.

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A recent Aberdeen report, titled: *B2B Collaboration: No Longer Optional*, indicated that B2B collaboration was ranked as the number two and four strategies by best-in-class companies. (Internal collaboration was ranked as number one for both supply chain planning and execution.) Of the 83% of industry leaders with B2B collaboration initiatives in place, 18% were established in the last year and 42% within the last two years.

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The report compared the performance advantages of leaders versus followers in B2B collaboration, and revealed significant gains for leaders, including:

- Cash-to-cash cycles that are half;
- 6.9% less increase in total landed costs (total cost of a product once arriving at the buyer's door); and
- 7.3-point better service level of 96.7%.

## The Partnership Agreement

Collaboration comes in many forms and approaches. For example, according to Houck, if a supplier sells a single low-volume, non-seasonal SKU, collaboration requirements tend to be very low. On the other hand, where there are significant co-dependencies between the retailer and supplier, formal and broad collaboration will be necessary for the program to be effective.

The merchandising, supply chain and IT capabilities of both the supplier and retailer also come into play: "When one of these functions lags or leads in either party, it is not unusual for one party to take ownership within the relationship, or in some cases, across a product category," explained Houck. "In these situations, recovery for expense and effort typically occurs on a fee basis, as a pass-through expense, or is built into the product pricing."



There also are fees linked to negative scorecard results. Supply chain scorecards, common within the retailer-supplier agreement, evaluate a supplier's key performance indicators, such as on-time shipments and deliveries; inventory accuracy; percentage of orders shipped complete and/or without errors; and other measurements.

"Scorecards are an important tool for both retailer and vendor," said Jill Barron, VP, Supply Chain, for **The Neiman Marcus Group**. "However, many retailers are challenged to gather all the important KPI's, sometimes from many different systems, in order to produce a scorecard that is meaningful and timely for the vendor. The ability to communicate out the scorecards upon the vendor's request will continue to be important to proactive collaboration."

Cloud-based supplier portals that provide real-time access to supply chain data help increase scorecard metrics, streamline operations, reduce fees and provide new, trending benefits to collaboration.

## Merchandising And Product Development

Another key trend in the retailer-supplier partnership is "more collaboration on merchandising and product development," stated Larry Smith, SVP Planning and Replenishment at **West Marine**, a specialty retailer of boating supplies and accessories. West Marine is a collaboration innovator: As early as 2001, the company launched a large-scale Collaborative Planning, Forecasting and Replenishment (CPFR) program encompassing 200 suppliers.

"Especially in the merchandising and product development areas," noted Houck, "PricewaterhouseCoopers is seeing increased instances of suppliers managing product categories, cross-supplier collaboration, and co-development of new products and services."

A [recent report from Accenture](#) on the topic of collaboration noted that retailers and CPG companies that collaborate on merchandising and product development can achieve mutual benefits across several key areas, including:

**Analytics-driven insights.** To attract today's more demanding consumers, both manufacturers and retailers must develop deep insights into shopper behaviors, needs and buying patterns. Such insights — which enable retailers and manufacturers to profile, analyze and target specific segments — are best developed by gaining a single and shared view of consumers;

**Assortment planning.** In today's marketplace, retailers and manufacturers compete directly for the same shelf space. "Collaborative assortment" is needed here — bringing together each party's distinct capabilities, data and consumer insights so they can view categories in a more holistic way to drive better growth; and

**Marketing and promotion.** Rather than running separate campaigns to promote their respective products, manufacturers and retailers can combine forces to bundle... products in the same promotion, such as a branded meal bundled with a private label soft drink.

Other collaboration trends include new advancements in store-level Distributed Resource Planning (DRP) systems, which "enable retailers and manufacturers to build shared plans for consumer demand and supply," said Patrick Javick, VP, Retail Apparel and General Merchandise for GS1, a global standards organization. "DRP also allows both parties to design and deliver winning products while lowering variable operating and capital costs."

## Technology Is No Substitute

While new systems and technologies are important to communicating data and streamlining the retailer-supplier partnership, "they are not a substitute for face-to-face collaboration," stated Barron. "If you haven't fully developed the technologies for enhancing your collaboration efforts, then go out and meet your vendors, visit their operations and develop a relationship with them. This will help you collaborate even better when you can adopt the supporting technologies."

## Effective Supplier Alliances: Q&A With CVS Caremark And The Neiman Marcus Group

*Retail TouchPoints* spoke further with Link and Barron to gain and share a better understanding of their collaboration views and successes.

**RTP: What are the key business issues motivating supplier alliances at your organization?**



**Ron Link:** Our motivation continues to be customer service, in-stock position, top-line growth, increased margins, better share in the marketplace and improved efficiencies in the supply chain. A more diverse and complex supply chain environment, primarily fueled by the following activities, drives energy around our collaboration efforts:

1. Manufacturers increasingly are sourcing their operations globally, which adds lead time and increases the need for accurate forecasting, promotional planning and supply chain execution.



2. Merchandising and assortment planning has become much more complex as both retailers and manufacturers better understand how the consumer faces them, what products are demanded and when, by which customers, and in which channels and markets. This more intricate *channel-specific* and *local market* assortment tailoring increases the need for better forecasting as well as the complexity of the product flow paths required for inventory optimization and supply chain efficiency goals.
3. Speed-to-shelf has become a major focus for many retailers, due to the increasing share of sales being fulfilled through online retailers. Being successful with speed-to-shelf is heavily dependent on a highly effective planning process and error-free execution in *both* organizations.

For Neiman Marcus, the key motivation in working with vendors is to improve operational performance in order to move goods through distribution points faster and error-free. The less time merchandise stays at the DC, the faster it arrives on the selling floor and/or is in stock for customer fulfillment.

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**Jill Barron:** For Neiman Marcus, the key motivation in working with vendors is to improve operational performance in order to move goods through distribution points faster and error-free. The less time merchandise stays at the DC, the faster it arrives on the selling floor and/or is in stock for customer fulfillment. The other motivation is better vendor relations: More collaboration typically means less noncompliance charge-backs and a better, stronger overall relationship with the vendor partner.

**RTP:** *What specific advancements in technology and analytics are helping to streamline your collaboration? Who are your providers?*

**Link:** There are several, and they're coming at us faster than ever before:

1. The market now is mature for **ERP; manufacturing planning; forecasting and replenishment; transportation planning; and WMS systems**. Now we are seeing Internet portal-based technology tools that enable a collaborative supply chain planning process — and increasingly, the actual execution management and monitoring process — to be shared between retailers and suppliers from a work flow perspective, in real time. In some cases, this is supplemented with portal interfaces for Master Data Management, which is absolutely essential to flawless execution in the supply chain.

2. Today's more powerful computers enable us to process enormous amounts of data faster, while newer **Business Intelligence** software helps us mine this Big Data domain more effectively. This gives us the ability to make targeted customer offers to maximize promotional effectiveness, and provides day-to-day visibility into non-promotional consumer purchase behavior by channel and market. All of this enables improved top line and margins, and helps define optimal inventory deployment and product flow in the supply chain.
3. The evolution of **mobile phones** into *mobile-networked devices* in the hands of consumers is just beginning to change our interaction with our customers in powerful and *personally specific* ways we have yet to fully understand.

CVS partners with a number of technology providers: INFOR for our Facilities Maintenance Management and integrated WMS /LMS systems; ReddWerks and Intelligrated for our material handling systems controls; and Descartes Systems Group for our portal-based collaboration applications, our Outbound Delivery Routing and Inbound Transportation Management Systems.

**Barron:** Real-time updates to requirements through our Neiman Marcus Group Operations Portal System (NMGOPS) are huge technology advancements. NMGOPS.com is a great tool for push notifications when requirements change and alerts must be communicated to our large population of vendors.

The analytics now available to our industry are incredible. When retail operations utilize a WMS system, the amount of data available on vendor performance is vast. Retailers now can pull together an operational performance review for vendors in relatively short time. Inventory management, becoming more popular as the need for omnichannel selling increases, also can provide great insight to vendor inventory levels across all of our fill points.

Our WMS provider is Manhattan Associates. For 2013 and into 2014, we will be working on a more automated and complete scorecard provided on vendor demand and accessible through the web. This project still is in the investigation stages: We are looking at several providers, as well as in-house programming, that can provide the best solution.

**RTP:** *Please describe the specific benefits these technologies are providing to your organization.*

**Link:** CVS continues to invest in upgraded capabilities where we see financial and operational benefit. For example, we have developed and deployed a standardized WMS technology platform that has upgraded the performance of our Logistics Network,



allowing reduced cost to serve and improved speed and accuracy in servicing our stores. We also are rolling out UCC128 ASN- based receiving this year, which we expect will significantly streamline the receiving and PO reconciliation process between ourselves and our supplier community, as well as improve inventory accuracy.

Since it's very important to include our carriers in the collaboration process, since they are moving the freight, we are just completing the roll-out of our yard management system in the network. This gives us total visibility to *what is where* in the yards, from a prioritization perspective, but more importantly, it is the last link in our portal-based inbound visibility system. We designed our system to show us what is in our carriers' yards waiting for an appointment in our network, and will implement this capability with our carrier partners when our network is fully deployed later in 2013.

Later this year we will deploy new forecasting and replenishment technology. This is a time- based forecasting tool in which we will use a store/SKU-centered forecast that rolls up to the DC level based on store POS sales by forecast clusters. We also will implement a more efficient replenishment process as part of this deployment which focuses on optimizing inventory investment *and* — not *or* — supply chain processing costs.

**Barron:** As mentioned, our operational portal is a great tool for communicating requirements and operational alerts and notifications. Vendor analytics are available through our WMS and other DC operations systems. Neiman Marcus is working today to bring vendor KPI's together, from multiple systems, into one scorecard. Today this is a manual process and scorecards are generated upon verbal request by the vendor, prior to compliance/collaboration conferences and vendor meetings and visits.

One of the largest benefits of increased technology in the supply chain is the standardized retailer/vendor processes. This consistency allows both organizations' needs to fit better than they have before. Prior to the infusion of technology, both sides had many manual processes, and vendors were doing nothing but exception processing, which increased time and expense in the supply chain.

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**RTP:** *What trends in the Retailer-Supplier collaboration scenario are you observing?*

**Link:** Today we regularly are approached by more suppliers to engage in *total supply chain* collaboration, with emphasis on supporting the “end-to-end” business process between supply chain partners. As a result, we have developed a much better team-to-team relationship across our combined organizations. There are regular weekly meetings between CVS and multiple suppliers’ supply chain team members to work on solutions to deploy across our supplier base.

Results we have seen from these activities include the development of our inbound appointment schedule portal as well as some very innovative collaborative transportation processes in which suppliers share inbound transportation with each other for inbound deliveries into our DCs.

This portal simplified the appointment process and was widely accepted by the supplier community as innovative and effective. The transportation collaborations have resulted in better inventory optimization, reduced transportation expense and reduced number of appointments handled in the network. In one example, three separate suppliers share a single inbound trailer on a *best fit* basis depending on which two of the three participants have a better load fill balance that week. We also have suppliers that will combine shipments for multi-stop inbound deliveries into our DC’s on a single trailer at truckload rates rather than shipping LTL. This is faster for us, reduces safety stock, and is less expensive for the suppliers.

A more extreme example of end-to-end collaboration involves a key supplier and a collaborative goal to double the rate of growth over the next five years to achieve a specific top line sales target. The teams are working to double the volume without the commensurate doubling of capacity. This requires our two organizations to plan and act as a single entity. We already are discussing how we can *share* transportation and physical space capacity to achieve this goal. The key takeaway for the industry is that intellectual collaboration will ultimately lead to physical asset and capacity collaboration where both parties behave as one company.

**Barron:** A continuing trend is the opportunity to get together in collaboration conferences where retailers can meet with 20+ vendors over the course of a few days. Alternatively, it would take several weeks of travel to meet with this number of vendors. As also see more vendors overall with increased interest in collaboration. Some are creating Supplier Compliance groups that work with several retailers and their varied requirements, and ease retailer communications with a single touch point at the vendor firm.

**RTP:** *What other essentials are important for retail technology executives to know regarding Retailer-Supplier collaboration, either in general or yours specifically?*

**Link:** To truly operate the supply chain in a *one company* model, both entities need the ability to truly *share* process and asset costs. The industry needs to crack the code on true asset collaboration — whether by contributive allocation agreements where savings generated on both sides can be booked to internal accounts then reinvested, or by mutually funded asset utilization. Picture this as multiple suppliers partnering with retailers to *asset-internalize* what might now be a type of 3PL [third party logistics] services.

Collaboration should be a part of strategic and business operations planning between supplier and retailer, not a list of independent projects.

At CVS Caremark, we've been successful with cross-supplier collaboration in the transportation space and in working with key suppliers using the *one company* model. This model enables both organizations to view working capital, supply chain risk, and asset utilization as a partnership rather than a cost competition. It's a *win-win* view that creates the ability to perform key supply chain activities *once*, in the right place at the right time in the overall process, rather than in multiple places on each side. A great example of this is UCC128 receiving, which we think can open the way for a Supplier Certification program in the future.

**Barron:** As far as real-time collaboration, the challenge is that as retailers communicate their operational issues, is there really anyone on the other side ready to take immediate action and adjust? Unless you have partners that truly can make some immediate changes, real-time collaboration will not glean the benefits you seek.

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## Nestlé Purina PetCare: A Supplier's View Of Collaboration

Analysts and merchants agree that retailer-supplier relationships are essential to streamlining supply chains and delivering more immediate product availability. But do suppliers concur? Are they ready and willing to value retailers' needs and make necessary changes to better serve today's want-it-now consumers?

At Nestlé Purina, the answer to these questions is "Yes!" *Retail TouchPoints* spoke with Donna Howard, Vice President and Managing Director, Customer Supply Chain for Nestlé Purina Pet Care Company, for a closer, representative look at the supply-side viewpoint retailer alliances.

Nestlé Purina looks to the collaboration partner — the retailer — to make operational adjustments that will strengthen supply chain partnership efficiencies.

"For our collaboration effort to be successful, we seek three key factors from retailers, one of which is a willingness to make changes," Howard said. The other two factors are: "a commitment in terms of time and resources from multiple levels within the organizations; and an alignment on objectives."

Nestlé Purina has partnered with various retailers over the past few years on numerous supply chain initiatives, all with the primary retailer focus on improving the shopper experience, enhancing inventory productivity and reducing supply chain costs.

"One of the consistent benefits we find within our merchant relationships is the trust we build to foster a long-term collaborative environment that delivers sustainable solutions and process improvements that don't end at the pet care aisle," Howard reported. "We are able to recommend insights and changes that can be applied to all operations within the retailer's distribution center or store, multiplying the cost-saving opportunities and providing retailers with a competitive advantage."

However, from a vendor perspective, Howard said it can be difficult to gain the necessary commitment needed to move the initiatives forward. "Limited time and resources constrain the results vendors can deliver in a given amount of time. Additionally, the vendor community needs to recognize that retailers' supply chains

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all work differently, and a cookie-cutter solution will not suffice for each one. Time and thorough analysis helps vendors make the appropriate recommendations and implement a solution.”

As Nestlé Purina moves into 2013 and embarks on new collaboration ventures, “we will become even more reliant on retailer data, and will need to continue to leverage data analytic capabilities and innovations,” Howard noted. “The retail experience is changing faster than ever before, and we need to be able to make faster decisions with up-to-date and accurate information. The depth and breadth of data we receive from retailers will be crucial in delivering true insights that drive real-time action at the shelf.”

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- Larry Smith  
West Marine

## Store-Level DRP Provides The Visibility To “Pull”

New store-level Distribution Resource Planning (DRP) systems are among the technologies helping to drive efficiencies at retail shelves today. DRP solutions enable retailers and suppliers to build shared plans for consumer demand and supply, as well as design and deliver winning products while lowering variable operating and capital costs, according to Patrick Javick, VP, Retail Apparel and General Merchandise for GS1, a supply chain standards organization. These systems have the capability to transform retail supply chains from disjointed inventory “push” systems to coordinated inventory “pull” systems, he said, based directly on shared forecasts for consumer purchases.

With store-level DRP, retailers can provide a reliable demand plan by item, store and DC. The system calculates time-phased store and retail DC product requirements based on the store-level forecasts for sales to consumers, Javick explained. In turn, among other benefits, manufacturers can evaluate the projected purchases, question events that do not seem right, and improve their confidence in the forecasts.

Leading retailers including **Lowes** (with Black & Decker), **Sam’s Club** (with Kraft Foods), **Wal-Mart** (with Sony) and **West Marine** “are demonstrating that collaboration with

manufacturers over an extended planning horizon can provide competitive advantages in aligning marketing, product, life cycle and assortment development," reported Javick. "Through retail DRP and collaborative processes built upon it, trading partners will collaborate and operate their supply chains as if only one company was managing it."

"Our store-level DRP system provides sales and order forecasts for 52 weeks, allowing us to develop emerging strategies in these forecasts," said Larry Smith, SVP Planning and Replenishment at West Marine. "We collaborate with our partners to create continuous improvements while growing the business, so we aim at customer satisfaction, cost reductions and lower asset utilization."

Momentum on store-level DRP clearly is building: "It is very significant that Walmart [is implementing] such a solution with the intention of providing 'supplier schedules' or order forecasts," said Smith. "That roll-out is still in process, but will be a game changer."

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## **Collaboration: A Practical Competitive Requirement**

"Simply put, collaboration is a practical competitive requirement today for both manufacturers and retailers," stated Katy Keane, President of Koncatenate, a supply chain consulting practice. "As inventories are pushed upstream to suppliers so that retailers can maintain flexible fulfillment strategies, information to minimize carrying and distribution costs must be made available to suppliers for support. Without sharing transactional sales information, future promotions and forecasts, both partners are less likely to succeed."

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Retailers traditionally have been very hesitant to share information with suppliers, in fear that vendors would communicate confidential promotional or pricing information that would jeopardize their competitive edge," added Keane. "But from a CPG viewpoint, a relationship of partnership and trust with our retailers was crucial to sales growth and market penetration."



Serving in an increasingly omnichannel “consumer rules” environment has made that fear less meaningful, and many retailers have become more open to sharing their data. Keane sees vendor/retailer relationships strengthening, trust growing and both parties meeting the goals of supply chain performance and consumer expectations.

### **Cloud-based Portals Streamline Retailer-Supplier Collaboration**

There are no mass-produced consumers: Product variety, delivery options, vendor sources and other supply chain competencies must satisfy individual customer preferences — and both retailers and suppliers are responsible for the teamwork that delivers that satisfaction.

To excel in this environment of shared accountability, progressive retail organizations are establishing real-time, web-enabled data sharing portals that facilitate vendor partnerships at a deep level. Today’s Internet portal-based technology tools “enable immediate collaboration between trading partners, with issue drill-down capabilities that eliminate unnecessary administration time on both sides,” stated Keane. “The retailer/vendor relationship is strengthened, trust grows and both parties are meeting the goals of supply chain performance and consumer expectations.”

Through cloud-based portals, merchants can share POS data, inventory position by location, and other datasets in real time with vendors, who in turn can ensure items are where they should be to meet imminent demand. “In addition, retailers can create a real-time feedback loop with suppliers regarding logistics and product quality information to maximize supply chain efficiencies,” said Keane. “Otherwise, problems such as late deliveries, damaged products, improperly ticketed items and unreadable bar codes will create product availability issues for today’s empowered consumer. When issues persist, they can create relationship and trust problems between trading partners.”

For companies looking to thrive in today’s increasingly complex retail market, the ability to receive information quickly about potential shipment hazards or changes in supply is essential according to Permenter of Aberdeen. “Emerging and powerful tools are helping retail and consumer market companies deal with the enormous amounts of data they receive on a daily basis,” he said. “Cloud-based vendor collaboration portals

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are among the tools paving the way for ultra-fast communication with suppliers. When used properly, these portals allow companies to greatly increase their visibility into purchase orders, which is essential for issues such as tracking, settlements, delivery variances, damaged items and managing overall import operation costs."

The Neiman Marcus Group and CVS Caremark are among the retailers now employing new vendor collaboration systems. The Neiman Marcus portal allows the merchant group to communicate instantly with a large population of vendors. CVS Caremark utilizes several portal-based collaboration applications, all built with support from Descartes Systems Group.

"When retailers and suppliers work together toward a common goal, every single business process can be enhanced, from product development to capacity planning. Therefore, the mantra for retail and supply chain executives during 2013 will be 'Collaboration, Collaboration, Collaboration!'"

- Russ Hill  
SAP

## Collaboration: The Supply Chain Mantra Of 2013

Retail companies that are dedicated to collecting and monitoring supply chain data in real-time, and collaborating across departments, are able to make faster and more profitable decisions. "When retailers and suppliers work together toward a common goal, every single business process can be enhanced, from product development to capacity planning," said Russ Hill, Senior Director, Retail, Consumer Products and Wholesale Distribution Industry Market, for SAP. "Therefore, the mantra for retail and supply chain executives during 2013 will be 'Collaboration, Collaboration, Collaboration!'"

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Today's smart retailers are looking for robust collaborative software and enhanced supply chain visibility tools that better analyze large quantities of data. With that data in hand, merchants can better identify customers' buying patterns. Along with predictive analytics, real-time processing, visualization software and a solid strategy that pulls these elements together, said Hill, these systems are necessary for developing and maintaining the industry coalitions that lead to new ways of driving more value to customers.

"Every customer interaction and product move through a distribution network can be measured and used to refine pricing strategies, update inventory decisions and tailor customer incentives on websites, email and mobile devices," Hill reported. For example, by employing cross-enterprise communications, multi-level collaborative planning and more precise tracking technologies, retailers and manufacturers can improve forecast accuracy, inventory visibility, and time-phased replenishment.

Cloud-based collaboration is delivering significant results for retailers, as noted in a recent [white paper](#) sponsored by 1010data and published by *Retail TouchPoints*. Merchants are reporting "improvements in in-stock percentage of 2% to 8% for products in stores, as well as inventory reductions of 10% to 40% across the supply chain."

"The increased power and market leadership of today's collaborative partners mark the beginning of a new era in retail environment today: Connecting the extended supply chain all the way down to the retail shelf."

- Scott Welty  
JDA Software

## Supply Chain Data: A New Source Of Revenue

Vendor portal technology delivered in the cloud also presents retailers with an opportunity to profit by selling the data to others. For example, the Analytical Dataspace platform from 1010data allows retailers to vend numerous levels of access to supply chain data and reports to drive new revenue streams.

According to the white paper, titled: [Winning With Data Sharing](#), large retailers lay claim to enterprise data warehouses brimming with transactional and sales information. By charging suppliers a fee per category for access, retailers are transforming their data warehouses from a cost center into a profit center. Suddenly, a dark server room stockpiled with massive volumes of information can become a brand new source of revenue for forward-thinking companies in competitive markets.

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As part of the Supplier Portal and Analytics portfolio from Manthan Systems, retailers have the option of monetizing their data through various supplier subscription models. For example, with the provider's ARC Vendor Insights solution, a retailer can allow suppliers access to key insights on their products business by key metrics, such as SKU, day, store, category, promotion and more — for a fee.

In addition to data monetization, retailers can leverage the vendor insight tool to enhance business process efficiency, transparency, business profitability and business intelligence; improve the accuracy of master data; and deliver efficient, more personalized promotions.

"In today's highly connected and competitive business landscape, the strong, cooperative relationships developing between retailers and suppliers quickly are advancing into areas of collaborative planning and forecasting (CPFR); vendor managed inventory (VMI); collaborative product and assortment development; pricing strategies; promotion planning; and customer retention strategies," stated Sameer Narula, VP, Solutions Management for Manthan Systems. "As they do, technology innovations and the ready availability of clean data are resulting in lower costs and faster deployment of collaboration systems, and enabling wider use among businesses both large and small."

## **Shelf-Level Collaboration**

Today's advanced retailer-supplier collaboration efforts are delivering results at the shelf, stated Scott Welty, Global VP, Retail Industry Strategy, JDA Software. "New technologies and processes enable both retailers and manufacturers to respond with speed and agility to fluctuations in consumer buying patterns. The increased power and market leadership of today's collaborative partners mark the beginning of a new era in retail environment today: Connecting the extended supply chain all the way down to the retail shelf."

Retailers and suppliers that collaborate at the shelf level can improve on-shelf product availability; remove unnecessary inventory across enterprises; and set new strategies that leverage cost savings across the entire value chain, said Welty. Partners also can move from one-sided metrics, such as sell-to, to mutually beneficial metrics, such as sell-through

Shelf-level collaboration, according to Welty, allows partners to:

- Quickly diagnose and remedy execution problems such as out-of-stocks, available stock not on shelves and promotions not backed by centrally analyzed data;
- Obtain early alignment on demand plans, allowing supply to be matched and business objectives to be synchronized; and
- Understand the impact of decisions, in near real time, on store sales and financial results for the manufacturer and retailer alike.

## **Analyzing Results Of Collaborative Decisions**

As retailer-supplier partnerships continue to strengthen and better serve today's demanding customers, advances in cause-and-effect analyses help the partners

understand which new ideas work best, which ones don't and which can be fine-tuned to increase profits. Together they can test new strategies and rapidly evaluate their impact.

Analytical software such as Test & Learn from Applied Predictive Technologies allows retailers and suppliers to de-risk new ideas and increases the pace of innovation. "Improved data and analytic methods are now available to facilitate a shared, objective understanding of the impact of any joint initiative," reported Patrick O'Reilly, President of APT. "They allow retailers and suppliers to cut through the noise and day-to-day volatility in the retail environment to determine whether their programs worked, where they worked best, and how to improve them for future rollouts."

For example, retailers traditionally concentrate on optimizing performance of product categories, while manufacturers focus on brand performance. Both share the goal of selling more product to more consumers, more profitably, said O'Reilly, but their dissimilar orientations have led to misaligned and even adversarial trade relations.

"These differences are melting away with robust, mutually embraced analytic processes and systems that help both parties understand how any new idea or program affects their profits."

Consumer empowerment, economic challenges and new retail trends likely will continue to squeeze supply chain processes even further in years to come. As they do, today's more candid and collaborative retailer-supplier partnerships are alleviating these pressures, maximizing ROI for both entities, and transforming a once optional alliance into the new operational imperative.



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