

Retailer-Supplier Collaboration: Identifying and Eliminating Barriers to Improve Supply Chain Performance

Survey research sheds light on biggest alignment gaps between retailers and their suppliers

Everyone seems to agree that collaboration between retailers and suppliers promotes a leaner, more profitable supply chain for all.

Various research studies have quantified the benefits: a 4.4% decrease in out of stocks and a 5.4% decrease in costs from collaborative initiatives (McKinsey & Company, 2014); a 3.7% increase in revenue for collaborative companies versus average companies (Advantage Research, 2013).

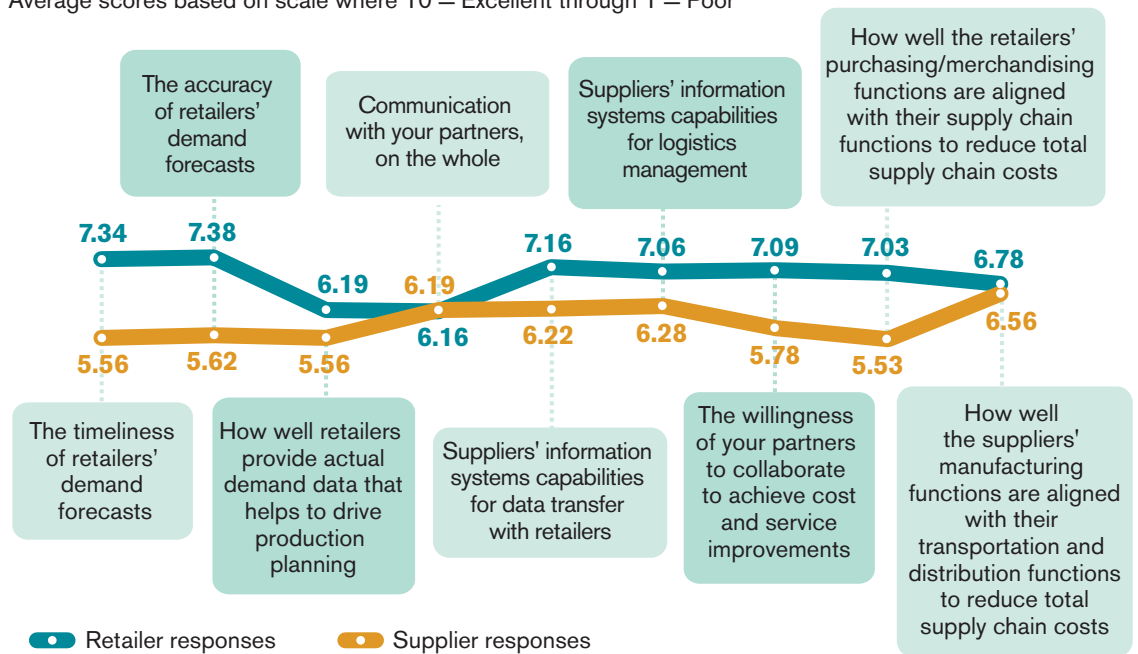
But it appears that we're just scratching the surface of what could be done. Research published in 2013 by the Grocery Manufacturer's Association and Boston Consulting Group estimated an incremental profit of \$7 billion to \$21 billion for the CPG industry as a whole through greater retailer-supplier collaboration.

To better understand why more progress has not been made on collaboration, Peerless Research Group (PRG), on behalf of *Logistics Management* and Kane Is Able, Inc., conducted a survey of top logistics managers on retailer-supplier collaboration. In total, we interviewed 64 logistics executives, 32 representing retailers and 32 from CPG manufacturers, on issues ranging from forecasting and communication to information systems and partnership commitment.

Our methodology was pretty simple. We asked both groups the EXACT same questions and measured their responses in order to identify where the biggest alignment gaps were. The chart below notes the average response of the two groups to the various questions.

How would you rate your partnerships with your product suppliers/retailers on each of the following...

Average scores based on scale where 10 = Excellent through 1 = Poor



“Retailers don’t concentrate on forecasting. Their attitude is ‘I’m your customer. I want it when I want it.’”

—CPG manufacturer

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Our top-line observation: while retailers and suppliers see the value of greater collaboration, neither group believes that they are doing a great job. Generally, retailers perceive that collaboration efforts are going better than their supplier counterparts.

BIGGEST ALIGNMENT GAP: FORECASTING

When comparing the answers of the two surveyed groups, the largest alignment gap surrounds the accuracy and timeliness of demand forecasts. On a scale of 1 – 10, (1 is poor and 10 is excellent), retailers rate their performance at about 7.35, while suppliers rate retailers in the 5.50 range.

When it comes to forecasting, suppliers seek more data sharing and joint planning. Most were calm and considered in their comments: “We need to know their inventory levels and demand in enough lead time for our production.” Others were a little miffed: “(Retailers) don’t concentrate on forecasting. Their attitude is ‘I’m your customer, I want it when I want it.’” And some were downright strident: “We should threaten non-availability of products in order to improve lead time.”

Forecasting has been a hot button for decades and, clearly, this has not changed. Various programs over the years, from VMI to CPFR, have failed to crack the code.

ARE RETAIL ORGANIZATIONS ALIGNED INTERNALLY?

The next largest perception gap related to the degree of alignment between the retailers’ purchasing and supply chain teams. Retailers gave themselves pretty good marks. Suppliers not so much.

Retailers gave a number of examples of efforts to streamline the supply chain. Said one: “We just rolled out an inbound routing program with great success...our suppliers were very cooperative.” Another noted, “To minimize cost, one supplier agreed to use the same transportation carrier to increase our discount. Now we coordinate better and have more visibility to inbounds.”

Despite some positive examples, suppliers perceive that there is limited consideration of inbound shipping issues on the retail side and little communication between buyers and their logistics colleagues down the hall. As a result, freight moves are inefficient. Said one supplier, “It’s hard to get retail locations to optimize transportation, such as consolidating orders to avoid multiple partial shipments.”

LET’S TALK

One area where there is almost no perception gap between retailers and suppliers is communication. Both groups agree: it stinks.

And both groups feel the answer is simply talking more. One representative retailer commented: “Visit us more. An open dialogue is the best thing. Being honest and making sure that everyone understands they won’t be cheated.”

Some retailers saw the communication gap more in terms of technical than interpersonal. For instance, one large retailer commented, “It would be nice to have an effective portal or B2B website that provides detailed information and product availability.”

Summing up the suppliers’ view of communication, they just want an equal seat at the table. “Getting retailers to see you as not just a supplier, but a partner, is an issue.”

“Suppliers should visit us more. An open dialogue is the best thing.”

—Major retailer

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COLLABORATION AND THE WILLINGNESS TO CHANGE

We asked each group about the willingness of their supply chain partner to collaborate in pursuit of service and cost improvements. Retailers gave their suppliers high marks, while those same suppliers felt retailers were less motivated to change established processes.

“The large, big-box retailers tend to tell you what to do,” was one typical supplier response. Another supplier frustration involved a perceived lack of coordination among retail buyers: “Collaboration is hard when there are lots of buyers all on different paths...the one that gets burned is the supplier.”

WHAT DID WE LEARN?

- **Collaboration takes time and commitment.** Respondents all seek the advantages of greater collaboration, but were realistic about the requirements to get there. Collaboration initiatives require focused time and effort.

Respondents felt that a commitment from top-tier executives is essential to trigger and sustain the effort.

- **Communication is number one.** Good, old-fashioned, face-to-face communication was seen as the best kind of interaction. But respondents also pointed out that interpersonal communication doesn't take the place of tools that facilitate more virtual data sharing and analysis. You need both.
- **The mutual benefits of collaboration must be clear up front.** Commitment can't be won if one or the other party feels they might be getting the raw end of a collaborative initiative. That sentiment came across strongly in the research. Participants need a clear, worthwhile business incentive or they won't be all-in.
- **Lack of trust remains an issue.** Respondents indicate that the most potent path to trust is transparency. When all cards are on the table regarding data and costs, it promotes a feeling of fairness and that both parties will benefit.

COLLABORATION WORKS

We asked respondents to give us examples of successful collaboration projects. There was no shortage of examples, so plenty of good things are happening out there on the collaboration front. Here are just a few:

RETAILERS

- “We shared information and saw an inventory reduction of 30+%. It took 10 days of inventory out of the network.”
- “Suppliers store product for us instead of us having to hold. We don't take this for granted. It's a big win and a great example of collaboration.”
- “One supplier agreed to take back some old stock at a reasonable rate.”

SUPPLIERS

- “We had high chargebacks from Walmart and they allowed us to visit the DC. Based on our observations, we changed our pallet build technique and cut deductions 75%.”
- “We jointly developed a portal with 13-week and 26-week forecasts. That has been very effective.”
- “The collaboration works extremely well for products that ship directly from our manufacturing line to retail customers. Retailers understand that there is no safety stock, as they are more build-to-order.”



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“For collaboration to have an impact, we need to go beyond the sales rep/category captain relationship and allow other supply chain functions... to work with their counterparts.”

—Retailer

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Following are some considerations suggested by the research for both suppliers and retailers.

Suppliers: For Your Consideration

- Retailers would like more contact with your sales representatives so there are no surprises. No single issue was raised more often in the research than having more direct communication.
- Product availability is a hot button. Very simply, retailers want to know what you know, when you know it. If you can make that happen, you'll have very happy customers.
- Improve your systems if you lag in that area. Use electronic transmissions whenever possible instead of spreadsheets, and, as one retailer put it, “Pleeeeeease, no more faxes.” Online portals with detailed information on things like product availability, PO requests and backorders are appreciated.

Retailers: For Your Consideration

- Your projections could be more reliable. Fixing any problems you have in this area is a big win for your suppliers, who want to avoid inventory overages, costly liquidations and other negative fallout from bad forecasting data.
- Empathize with suppliers, particularly the second-tier suppliers. As a group, retailers are perceived by suppliers as inflexible and, at times, heavy handed. Take more time to explain the rationale behind decisions. Big bonus points if you are willing to share accountability for mistakes, such as when system changes are demanded from suppliers for programs that are never implemented.
- Get better aligned internally. For instance, promote more alignment between the buyers who purchase the product and the logistics staff who receive and process the inbounds. This interaction can result in significant benefits, such as the savings from consolidating multiple orders into a single truckload shipment.

One undercurrent running through the survey responses was a desire to foster more collaboration between the supply chain teams of suppliers and retailers. Based on this research sample, it seems that very little of this interaction is occurring today. Said one retailer, “For collaboration to have an impact, we need to go beyond just the sales rep/category captain relationship and allow other supply chain functions, like logistics, to work with their respective counterparts.” ●

METHODOLOGY

This research was conducted by Peerless Research Group on behalf of *Logistics Management* for Kane Is Able. This study was executed in September/October, 2015, and was administered over the internet and by telephone interviews among subscribers to *Logistics Management* magazine.

The findings are based on information collected among 32 top logistics and supply chain managers in retail and 32 top logistics and supply chain managers employed with distributors or manufacturers/suppliers of consumer goods in industries such as food and beverage, cosmetics, apparel, electronics, etc.

About Kane Is Able

Kane Is Able is a third-party logistics provider that helps manufacturers and their retail partners efficiently and effectively distribute goods throughout the United States. KANE's value-added logistics services include retail consolidation, nationwide warehousing and distribution, contract packaging, logistics workforce management, and transportation solutions.

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