



manthan



# 3 steps to next generation collaboration in retail

Driving sustainable revenue and margin growth with your suppliers

Process  
Collaboration

Information  
Collaboration

Integrated  
Collaboration

Shopper behaviour and modes of purchase have changed rapidly over the last decade. Smart phones and social media are driving new channels, wants and needs among shoppers. These trends have created a massive data volume explosion that retailers and their suppliers need to leverage if they want to drive sustainable and profitable revenue growth in the coming years.

Shoppers are more demanding and spoiled for choice, especially as competition among retailers intensifies across all channels. To get a leg up, many retailers and manufacturers have engaged in price competition in order to entice shoppers, which has decreased banner and brand loyalty for these companies. The compartmentalized approach that retailers and suppliers are taking has worked to silo their growth efforts, and in the process, has limited shopper activation.

Supply chain challenges are pain points for many retailers. Shoppers expect retailers to offer a wide selection of products and for them to be in stock. But all too often, retailers can find themselves out of stock for one popular item, and overstocked for another, less popular product. By using online and analytical information collaboration tools with suppliers, retailers can better anticipate shopper demands, ensure faster product to shelf time and reduce operational and logistical costs.



Many manufacturers are most concerned about trade dollars, with roughly 50 percent focusing on price support, which in turn reduces promotion effectiveness. For suppliers, almost 65 percent of all promotions are margin negative, which means these companies are not seeing the kind of success they would like or expect from a promotion. In this case, both retailers and suppliers are struggling to implement effective promotions. But in far too many cases, they aren't working together consistently enough.

# What collaboration can bring



Before we can begin to examine the benefits of retailer and supplier collaboration, we should first examine what exactly collaboration entails. Put simply, because suppliers and retailers operate at different points along the supply chain, each party owns certain types of data that can help inform the other. By sharing this information with one another, companies can begin to move their shopper activation efforts out of the aforementioned silos, and drive sustainable revenue growth.

Collaborative efforts that utilize online analytics tools are becoming among the best ways for companies to merge these two information groups. Through an effective supplier collaboration strategy, retailers can increase their operating profit margins by an **extra 4 percent**.

Collaboration can also help suppliers and retailers achieve a clearer understanding of shopper demands. If a supplier is making a large amount of product and selling it to a retailer, but shoppers are not purchasing these items, retailers are stuck with more items in inventory than they would like. Fortunately, collaboration can leverage the larger brain trust created between supplier and retailer information to help better understand shopper sentiment.

Better understanding shopper needs allows companies to drive down operational costs by developing more complete and accurate inventory information. Being able to automate these processes cuts down on the labor costs associated with compiling this info and informs retailers about what they need from their suppliers.



**According to a Retailer Direct Data Report from Grocery Manufacturers Association, companies with focused data collaboration were able to see in-stock products rise to 99.5 percent.**

# What makes collaboration work?



## Technology

- Technology will deliver process integration, insights development, and execution



## Process

- Technology enabled collaboration architecture will radically improve:
  - Collaboration efficiency
  - Results - Revenue/ Margins



## People

- More time to spend on right analysis and right execution
- Eliminate non-value added activities



The benefits of effective collaboration are certainly there, but how to achieve those results is an entirely different matter. In the current and future marketplace, collaboration will be facilitated by technology and best practices, driving everything from workflow engines to business processes. While technology is the catalyst, the key to driving truly profitable collaboration comes from a change in mindset. If retailers and suppliers are still looking to keep their data private the benefits of collaboration can't be realized. For this reason, companies need to begin embracing the collaboration mindset to generate the results they're looking for.

Technology will be able to integrate business processes, data, insight development and execution to help create actionable, revenue-growing solutions. As companies collaborate more, business process architectures will improve and grow more efficient. This, in turn, will make it easier for people to spend time understanding meaningful insights and to successfully execute new strategies generated using those insights. In short, people will be able to spend more time producing results and less time getting caught up in operational and administrative hurdles.

# Achieving collaboration maturity



Having a collaborative system that produces the kinds of revenue-driving results we believe are possible doesn't happen overnight. But, by taking the right approach, you should begin to see meaningful results in less time than you might think.

## 1 Information Collaboration

The first step that retailers and suppliers need to make is creating a foundation for **Information Collaboration** - what we call the **Crawl** stage. Retailers should consider the ways in which they can leverage their current relationships with suppliers to drive growth. Retailers can start by integrating and on-boarding strategic suppliers onto a digital network.

Implementing an interface for electronic data and document exchange comes next. Retailers and suppliers should create a centralized location for all relevant supplier, product and trading process data. Utilizing master data management can help in creating a single version of the truth, which will benefit retailers and suppliers in subsequent trading related transactions. Ensuring easy access to accurate, complete supplier and product information for all business stakeholders and retail functions is an essential phase in this stage. Of course, this takes some planning, so it's vital that there are exchange and on-boarding processes in place so that this initial integration stage moves smoothly. Making these kinds of improvements will allow retailers and suppliers to track for the initial, most basic needs.



## 2 Process Collaboration

The next step - the **Walk** stage - is to begin identifying processes that can be streamlined and automated, which will create the foundation for sharing insights between retailers and suppliers. **Process Collaboration** between retailers and suppliers can help realize cost and time efficiencies. While doing so, suppliers and retailers will begin putting processes in place for transactional exchange, such as purchase order

procedures, planning and deal tracking, deal fund management and display space management. A centralized, easy to access portal can help in introducing transparency and visibility across logistical and financial processes, in this stage. Mutually agreed supplier performance scorecards can also be created to track performance over a set period of time. In doing so, retailers and suppliers will begin to build trust with one another and within the supplier ecosystem. Retailers and suppliers can then setup channels to share basic insights in terms of product and category such as point of sale data.



## 3 Integrated Collaboration

Once these previous two stages have been implemented, it should be easy to make the final move into the **Run** stage of retailer-supplier collaboration. During this point of the relationship, companies should be able to add to previous collaboration levels with **Integrated Collaboration** and further leverage the sharing portals already in place. Retailers can share granular insights at product, category and

shopper levels. Contextual insights thus shared within the supplier ecosystem can enable both to directly influence demand right at the point of shopper action. In doing so, retailers and suppliers can ensure that the right product is at the right place at the right time, dramatically improving shopper experience and satisfaction levels. By this time, suppliers and retailers will be sharing data in a way that is mutually beneficial, allowing both to think on a collaborative level, rather than individually. Retailers and supplier can utilize common metrics to drive a

two-way exchange of insights. This stage will enable an integrated workflow that combines information, process and data collaboration.

Since suppliers can now utilize these rich granular insights to improve overall market share, retailers can opt to explore an additional revenue stream by monetizing this retailer direct data. Transforming data into revenue can help thus retailers experience quicker time to value for their supplier collaboration efforts.

At the end of the three stage collaboration journey, retailers and suppliers will experience increased sales and smaller inventories, better brand and banner loyalty and better marketing effectiveness.

**Read more** about the crawl, walk, run approach to collaboratively targeting sustainable growth.

## Vendor Link

Manthan's Vendor Link is built around retail industry best practices and is designed to drive transformational growth and build strategic partnerships between retailers and suppliers. Its retail-centric workflows, equipped with a close understanding of retail supplier processes, help retailers and suppliers work towards aligning their business goals. Vendor Link also ensures that you can realize the value of your data, to provide greater shopper, category and product insights to your suppliers. With real-time information and visibility every decision can now be based on an informed analysis of product, supplier, category and store performance; transforming every supplier into a strategic partner!

[vendorlink.manthan.com](http://vendorlink.manthan.com)

\*RSR research 2014\*



### About Manthan

Manthan is the Chief Analytics Officer for consumer industries worldwide. Manthan's portfolio of analytics products and solutions are architected with deep industry specificity, bringing together analytics, technology and industry practices to evolve sophisticated, yet intuitive analytical capability. At Manthan, we understand the retailer and his issues. Visit [www.manthan.com](http://www.manthan.com).