

AMR Research's Knowledge Café Recap: Helping Suppliers and Retailers Bridge the Collaboration Gap

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AMR Research's recent Supply Chain Executive Conference provided the perfect blend of bold ideas, compelling research, and pragmatic advice. Day two, in particular, provided attendees with hands-on classroom sessions, including our first Knowledge Café.

This year's theme was "Using Shopper Insights To Improve Joint Value Creation." Attended by more than 40 consumer products (CP) companies and retailers, the Knowledge Café featured analyst and industry leader perspectives on the use of shopper insights as well as a structured networking session designed to identify the barriers, challenges, and success stories in using shopper information to transform the business.

A changing shopper and turbulent economy forces collaboration conversations

Retailers have been gathering customer data since **Marsh Supermarkets** first used bar codes in 1968. Since then, significant technological improvements have been made, but there's still a struggle to put shopper data to good use. Actionable outcomes remain elusive despite adding loyalty, which increased insights into shopping tendencies. Suppliers and retailers must work closer together to better understand the emerging shopper trends and behaviors, a byproduct from today's economic conditions.

A reluctant trading partner puts even more pressure on CP companies' processes and systems. Although they possess greater demand-driven maturity than their retail counterparts, lack of collaboration causes major issues: inaccurate demand signals, sluggish response to changing shopper demographics, disconnected category

strategies and unclear private-label growth objectives, and inventory management challenges across divergent channels.

This inability to coordinate the demand signal across the value chain remains the primary reason for negligent improvements in recent years in days of inventory and days working capital, despite significant technology investments (see Table 1).

While companies struggle to coordinate the demand signal, shopper behaviors and the demand they create continue to evolve into uncharted waters. At the Knowledge Café, **IRI** and **Nielsen** presented deep research into the changing shopper and how these new behaviors will force suppliers and retailers to work together to meet these morphing demand signals:

- Consumer spending is shifting toward product value and a willingness to indulge at home.
- The moment of truth for shoppers is moving away from the shelf and into the home, where 76% of buying decisions are made (up from 60% at the beginning of 2008).
- Only 5% of shoppers are in panic mode, but most are making near-term tradeoffs.
- Away-from-home consumption dropped dramatically, while store brands are becoming a viable choice for more consumers.

While we wouldn't describe the supplier and retailer relationship as the Hatfields and the McCoys, significant progress in joint value creation still remains elusive. A turbulent economy and shopper behaviors in flux may be the perfect incentives that bring suppliers and retailers closer together.

Table 1: 2004–2007 days inventory, and days working capital levels

Food Retailing

Days Inventory			
2007	2006	2005	2004
29	27	29	28
Days Working Capital			
2007	2006	2005	2004
17	16	17	16

Manufacturing Food

Days Inventory			
2007	2006	2005	2004
43	43	40	41
Days Working Capital			
2007	2006	2005	2004
47	50	44	49

Packaging

Days Inventory			
2007	2006	2005	2004
46	40	39	42
Days Working Capital			
2007	2006	2005	2004
52	48	47	55

Source: AMR Research, 2009

Speed dating uncovers the keys to finding your collaboration soul mate

Although we didn't look across 29 dimensions of compatibility (we're not eHarmony, after all), we did find some themes both sides struggle with in creating meaningful and lasting relationships.

Data: The highest wall to climb

Data—specifically its clarity, quality, and frequency—seems to be today's biggest barrier, but several short-term tactics can help. First, trading partners must find the right balance and align planning and execution data across both organizations. Second, retailers should use the data to find the right balance between product innovation (products to drive differentiation) and tried-and-true sellers that support top-line growth. Third, improve internal collaboration maturity before expecting mature relationships from trading partners. Ensure planning meetings include all partners across the value chain, including IT.

Technology for successful collaboration

Successful collaboration begins with utilizing technology to support established processes. Begin by understanding the communication processes and flows between partners. Next, agree on the metrics that will define success and how technology platforms will support performance reporting. If necessary, create a metrics migration plan that outlines the evolution of metrics across time as the relationship matures. Finally, use technology to make the data actionable. This requires clear communication of the data that will be available, as well as when and to whom it goes. Most importantly, it requires expectations of what the recipient will do with the output.

Success stories

While data and technology challenges exist, it's important to acknowledge retailers that have pushed past these obstacles. The following examples illustrate how collaborative relationships can work:

- **Bashas** and **Unilever** using shopper insights to drive Hispanic-orientated programs
- **Kroger** and **Coca-Cola** using daily point-of-sale (POS) feeds to improve direct store delivery (DSD) orders
- **Kraft** analyzing retailer POS data to rationalize SKUs
- **Coles** (Australia) gathering shopper insights by interviewing 1,000 households and reaching out to one million customers via the web
- **Open Pantry** collaborating with manufacturers on supply chain issues to deal with the changing dynamics of the convenience customer

Success requires the appropriate blend of process and technology

Like most successful projects, effective use of shopper insights requires the appropriate balance of people, process, and technology. To help companies get started, **Teradata** provided three keys for successful shopper insight utilization:

- Create a strategic vision and roadmap that identifies the business and process change management requirements along with an incremental implementation approach, including benefits identification.
- Identify technology requirements, including scalability requirements, data-cleansing processes, and analytical applications and tools.
- Commit to building analytics competencies within your organization, starting with executive management support and involvement.

Suppliers and retailers have had access to shopper insight data for more than 40 years—it's time for them to take advantage. Today's economic challenges and changing shopper behaviors will force companies to work even closer together.