BEST PRACTICES

# Best Practices: Enabling Manufacturer-Retailer Collaboration to Serve the Omni-Channel Consumer in 2014

Simon Ellis
Leslie Hand
Kimberly Knickle

## IDC MANUFACTURING INSIGHTS OPINION

Brand-oriented manufacturers of consumer products (CP) are looking ahead to 2014, preparing for opportunities to improve their performance and developing new business models that change the way they engage with customers and consumers. CP manufacturers want to protect and promote the power (and value) of their brands and increase customer service and customer loyalty. The retailers CP manufacturers serve are also in transition, making necessary changes to serve the omni-channel shopper, and retailers need and expect their suppliers' contribution to these efforts. This report analyzes how consumer products manufacturers are applying existing and new investments to benefit collaboration and become their customers' partner of choice and to improve customer service, as well as what opportunities are ahead for further improvements. Although our research is based on findings in consumer products and retail, we believe our analysis will benefit all types of manufacturers as they look for ways to increase their customer centricity, whether that customer is a retailer or another manufacturer. We also highlight additional opportunities to enhance the relationship between manufacturers and retailers that include the use of mobile devices to improve fulfillment execution, greater transparency in the supply chain, sharing best practices in global operations, new models for new product development and introduction, and revisiting collaborative planning. Our research findings include:

- The need to serve the omni-channel consumer is already impacting the relationship between CP manufacturers and retailers.
- The supply chain can benefit from the use of new investments that improve execution but also raise the level of transparency and ultimately product quality.
- The continued challenges of global operations would benefit from more best practice sharing among manufacturers and retailers.
- As retailers stretch their capabilities in product strategy, the collaborative nature of new product development and introduction may lead to more than just private label.
- A close review of collaborative processes will benefit retailers and their suppliers in areas such as sales and operations planning (S&OP), execution, demand forecasting, and promotions management.

March 2014, IDC Manufacturing Insights #MI247175

## IN THIS STUDY

This report analyzes how consumer products manufacturers are applying existing and new investments to improve collaboration and customer service and to become their customers' partner of choice. We also highlight additional opportunities to enhance the relationship between manufacturers and retailers that include the use of mobile devices to improve fulfillment execution, greater transparency in the supply chain, sharing best practices in global operations, new models for new product development and introduction, and revisiting collaborative planning.

## SITUATION OVERVIEW

### Business Needs

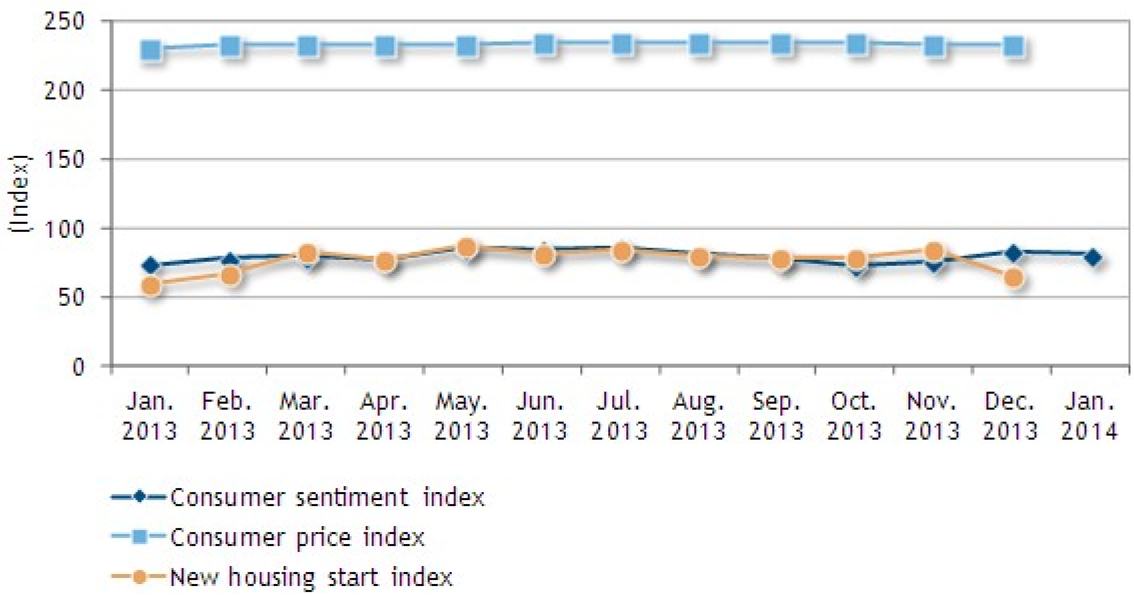
In 2014, brand-oriented manufacturers of consumer products are looking ahead to prepare for opportunities to improve their performance and enable new business models that change the way they engage with customers and consumers, including the way they support their retail partners' ability to serve the omni-channel consumer. Through collaboration, CP manufacturers may be able to maximize the value of their relationships with retailers by not only improving customer service but also becoming the partner of choice. We expect CP manufacturers to take two fundamental approaches — new technology investments that benefit the business and process improvements that build on people and technology assets.

### Management Challenges

Operating in an unpredictable economic environment and maximizing the gains from economic improvement are among the greatest management challenges for 2014. Collaboration certainly provides one of the most significant opportunities for retailers and their suppliers to improve their financial (and market) performance. We've reviewed the recent economic indicators (see Figure 1), and there are some bright spots. Despite some hesitation surrounding the U.S. government shut down and sequestration, most of 2013 has been an improvement over 2012.

## FIGURE 1

### Economic Indicators: Consumer Price Index, Consumer Sentiment Index, and New Housing Start Index Trend, January 2013–January 2014




Note: CPI-U data supplied by the U.S. Bureau of Labor Statistics is unadjusted; new privately owned housing units starts data supplied by the U.S. Census Bureau is unadjusted.

Source: U.S. Bureau of Labor Statistics Data, U.S. Census Bureau, and University of Michigan, 2013

IDC Manufacturing Insights presents the state of collaboration here.

**IDC: What do you see ahead for retailers and consumer products manufacturers as we face a slow recovery?**

**Hand:** I'm still concerned, since we know that, among retailers' top business priorities, "reducing costs" is much higher than in previous years' results. Retailers are definitely in transition – working to serve the omni-channel shopper while still remaining faithful to their traditional consumer. I expect retailers to continue to make commerce investments and develop new processes for fulfillment as they look to cut costs and increase service to the consumer. To accomplish this, they need their suppliers' help.

**Ellis:** These numbers are exactly why CP manufacturers tell us that expanding into emerging regions is a top priority. That's how they expect to meet their overall performance targets, especially given that most mature product markets are growing more slowly, if at all. Manufacturers have two options – find ways to cut costs without jeopardizing their service levels to the retailers or find markets with higher growth rates to serve higher ambitions for growth.

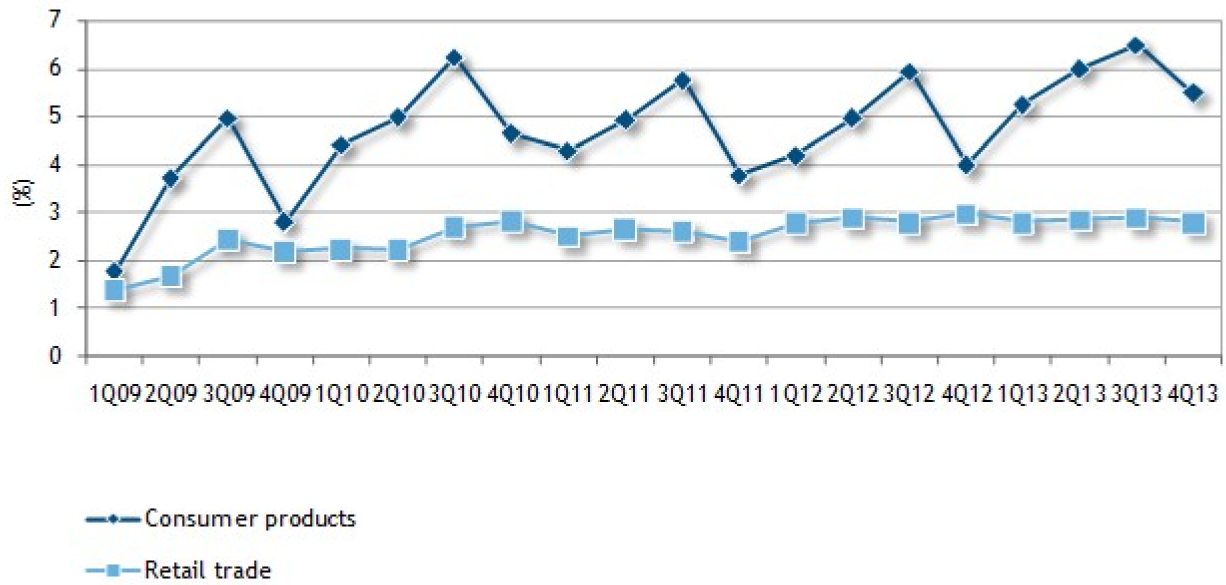
IDC: Even though we see improvement, margins for manufacturers continue to fluctuate, and although retailers' margins are showing some upward trend, it's very small (see Figure 2). What's the impact on how these companies operate and collaborate?

Hand: Over the past several years, retailers have been extremely promotional — particularly during the holidays — and they have ended up with slim margins because of that activity. We're looking forward to a more balanced holiday season this year, which should reflect investments in pricing and promotion optimization. The other key point is that the retailer-supplier relationship must support margins that sustain the retailer; otherwise, the alternative is to sell more private brands.

Ellis: CP manufacturers have been patiently waiting for the economy to smooth out before they renew their commitment to premium-priced products; unfortunately, the market isn't quite ready, and they must stay more focused on value-oriented product lines. This carries over to their ability to drive price increases and the resulting need to absorb many cost increases. The product mix is still driving a lot of profit volatility, and getting the right product into the market usually means a product that is value oriented, not premium price oriented.

## FIGURE 2

### Consumer Products Manufacturing and Retail Industry Net Profit Margin Trends, 1Q09–4Q13




Notes:

IDC Manufacturing Insights' Global Performance Index (GPI) tracks growth metrics from 800+ publicly traded global firms in the manufacturing and retail industries. The GPI tracks general trends in manufacturing and retail subindustries based on the performance of a sample of companies from those subindustries, and historical data in the index may be adjusted between quarters based on the addition or subtraction of companies in the index or company restatements of historical filings.

IDC estimates for 2Q13–4Q13.

Source: IDC Manufacturing Insights' Global Performance Index, 2013

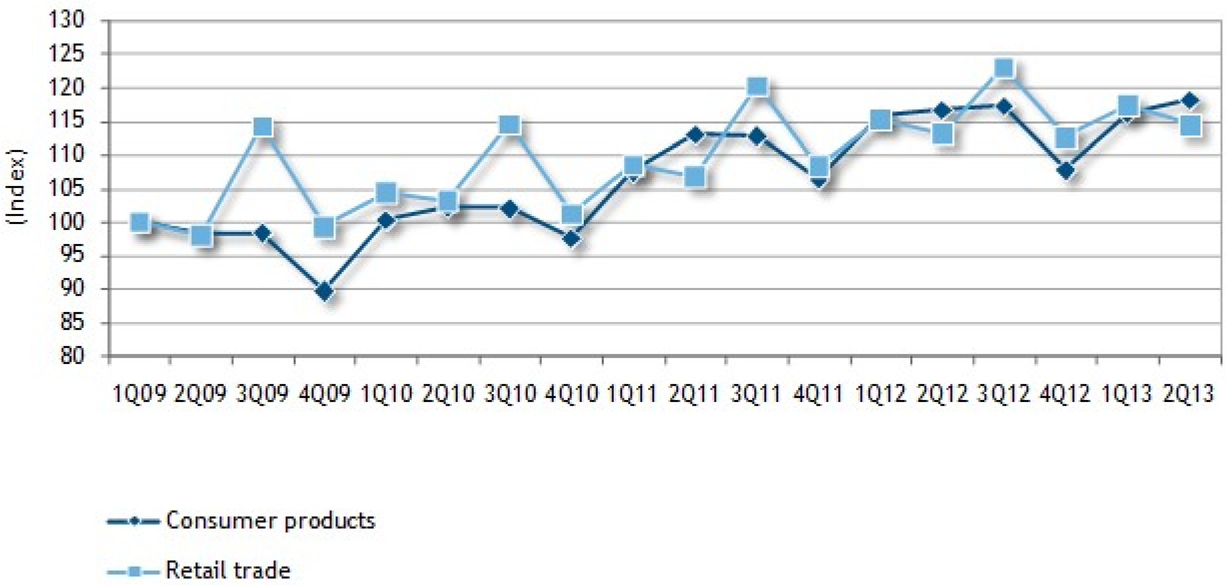
**IDC: On the one hand, our inventory numbers mean companies are producing and stocking shelves, but on the other hand, higher inventory could mean too many goods are going unsold (see Figure 3). What do you think?**

**Hand:** Retailers are focused on rationalizing and reducing assortments, which should allow them to have better in-stock rates. But what's also happening is a shift to omni-channel and a desire to have more "endless aisle" capabilities. Stores may also have localized assortments to serve customers. These efforts can be in conflict, and retailers have to factor in real movement of goods and consider investments in better supply planning.

**Ellis:** CP manufacturers have done a generally good job managing overall inventory levels, to the extent that the CFO may be reasonably satisfied with those numbers. However, I think inventories could be more productive. In other words, they need to review the mix and the sale ability of inventory and improve their ability to sense demand.

## FIGURE 3

**Consumer Products Manufacturing and Retail Industry Inventory Trends, 1Q09–2Q13**




Note: The index average for the base year 2009 equals 100.

Source: IDC Manufacturing Insights' Global Performance Index, 2013

## THE BEST PRACTICES

In the sections that follow, we highlight how and when manufacturers are using or should use technology to benefit processes that improve their relationship with retailers. These processes include fulfillment, transparency and traceability, global operations, new product development and introduction, and collaborative planning.

### Managing the Flow of Goods with Mobile

There seems to be little question that managing the flow of goods, essentially the fulfillment process, is far more involved today than it has ever been — from the perspective of the retailer *and* the manufacturer. Indeed, we see opportunities for collaborative improvement in fulfillment, especially in an omni-channel environment.

Getting products into the hands of consumers is only becoming more complex as retailers deliver both online and through physical brick-and-mortar stores and as manufacturers evaluate direct-to-consumer initiatives. With business processes and approaches evolving, new technologies emerge to both facilitate those processes and offer new and better ways of managing the extended supply chain. Mobility is one such technology.

Certainly, manufacturing and retail supply chains have been using mobile tools for years, principally in the warehouse to manage the order picking and staging processes; newer tools and information platforms now make it possible to do things we perhaps only dreamed of five years ago.

Although there is certainly a lot of hype surrounding mobility, the reality is that the adoption of these tools can be transformative — in both the supply chain and the way people and businesses collaborate.

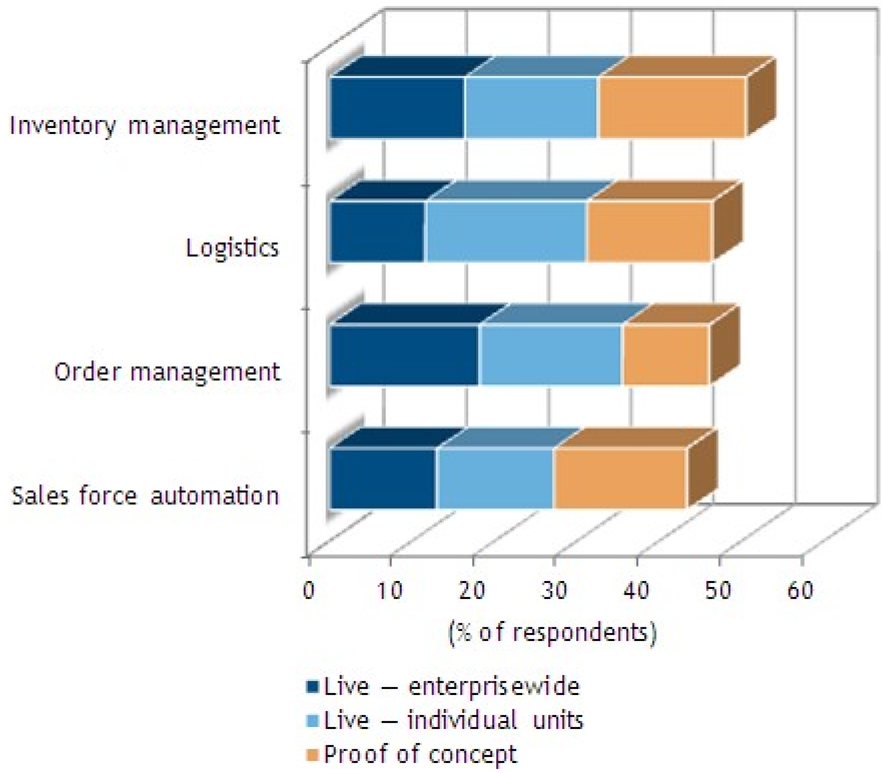
The adoption of modern mobile tools remains in its early stages (see Figure 4), but we do see significant activity among manufacturers and retailers to suggest that "ubiquity" is just around the corner.

Slightly more than half the businesses we polled in a recent survey, for example, are either implementing or piloting mobility for inventory management, and a bit less than half of the respondents opted for both logistics and order management. In fact, of the areas we inquired about, the processes that link directly to fulfillment received the highest positive responses. Although not all that surprising, given the growth of customer service as a "first principle" for many manufacturing and retail businesses, it is interesting because, in the past, when respondents were asked questions about mobility, it was often the sales and sales automation processes that garnered the highest levels of adoption.

## FIGURE 4

### Adoption of Mobile Applications in Manufacturing

*Q. Which statement best describes your organization's use of each of these mobile technology software applications?*




n = 121

Source: IDC's *Global Technology and Industry Research Organization IT Survey*, 2013

In our mobility survey, when respondents were asked the question, *Given this growth in adoption, what is it that companies hope to gain — what are the benefits?* the responses were varied, but we saw two responses on the top (see Figure 5).

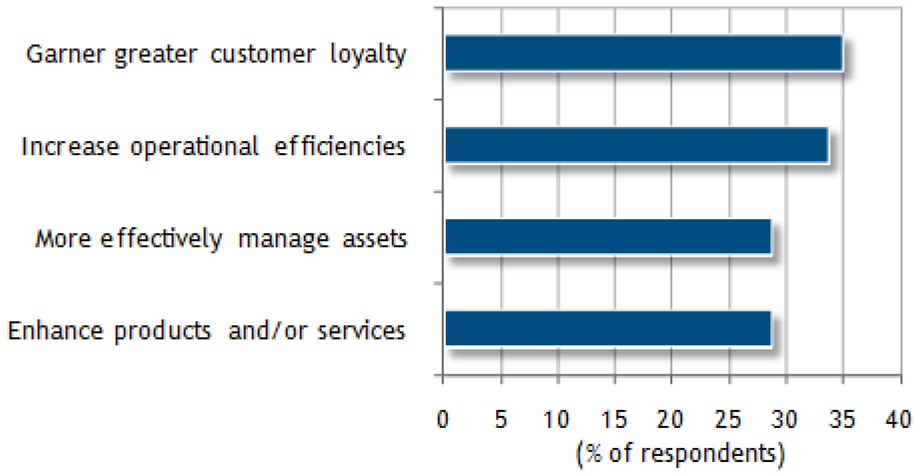
The top two responses, *garner greater customer loyalty* and *increase operational efficiencies*, relate directly to the goal of improving fulfillment (e.g., the flow of goods) and are common goals for both manufacturers and retailers.

We shouldn't underestimate the importance of fulfillment excellence and the role that emerging technologies like mobility can play (see Figure 6), especially as we seek to deliver a service-centric approach to the extended supply chain.

## FIGURE 5

### Business Value from Mobile Applications

*Q. What is the business value you expect to gain from mobile applications?*



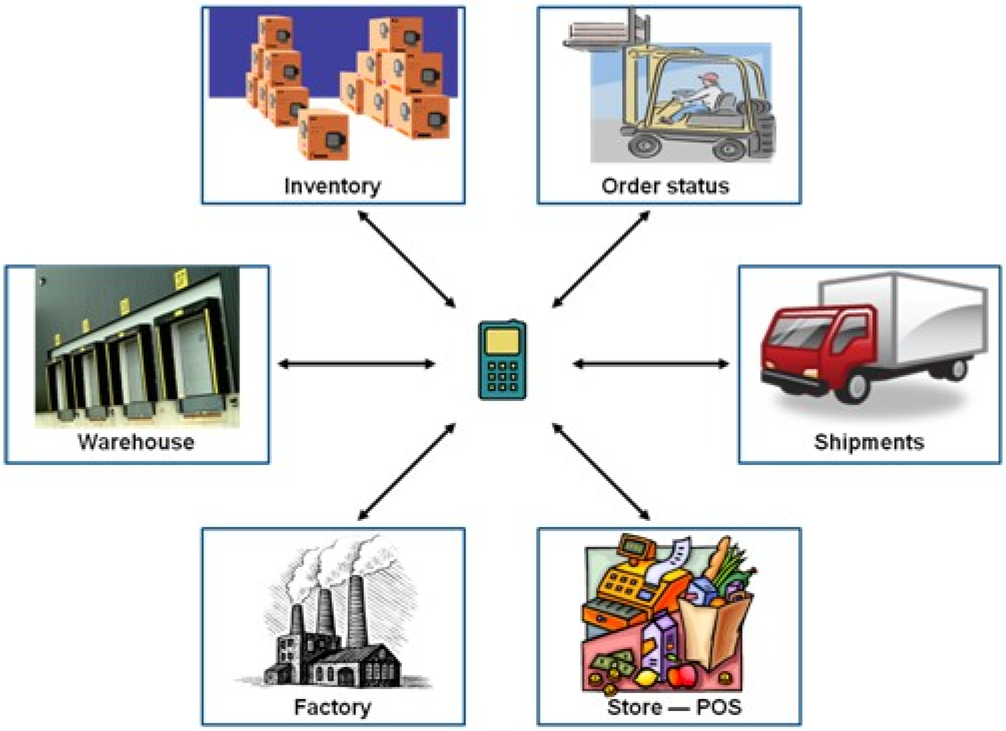

n = 80

Note: Two responses were allowed.

Source: IDC's *Global Technology and Industry Research Organization IT Survey*, 2013

## FIGURE 6

### Execution of Fulfillment Excellence




Source: IDC Manufacturing Insights, 2013

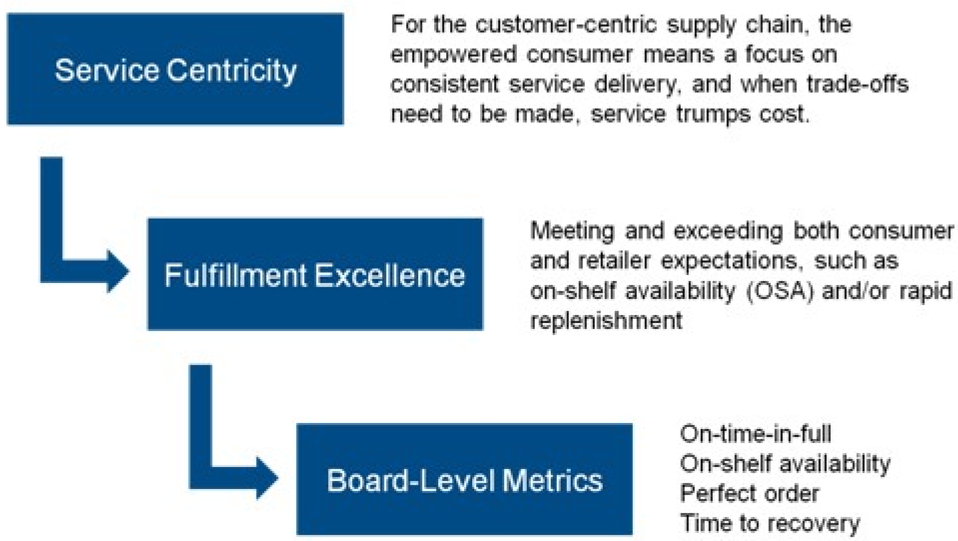
## *So, What and Where Is the Role for Mobility?*

More and more data is being generated from the fulfillment process, and increasingly "remote" workers need to be able to access this information quickly and easily. This can mean the ability to fully capture shipment or receipt information or the ability to have timely visibility into shipments, inventory, or order receipt. The ability, for example, to understand incoming shipments can directly affect whether a retail store places a replenishment order or not or whether a manufacturing warehouse cuts an order or not. Figure 7 illustrates the breadth of connections possible with mobile tools.

The customer-centric supply chain representation is simplistic, clearly, but it reflects the kinds of information that are (and will be) disseminated and consumed by fulfillment employees. As manufacturers pursue direct-to-consumer relationships, and as retailers manage omni-channel commerce, this world becomes more and more complex.

## FIGURE 7

### The Customer-Centric Supply Chain




Source: IDC Manufacturing Insights, 2013

## Transparency and Collaboration Support Recalls and Traceability

Our research continues to highlight the fact that product quality is an increasing priority for retailers and CP manufacturers as a result of corporate goals, customer expectations, regulations, and even environmental sustainability initiatives. The primary approaches that companies are taking today include improving factory maintenance and oversight procedures (for owned or outsourced facilities), reevaluating product cost/quality trade-offs (e.g., formulation, design, packaging), and improving collaboration with suppliers.

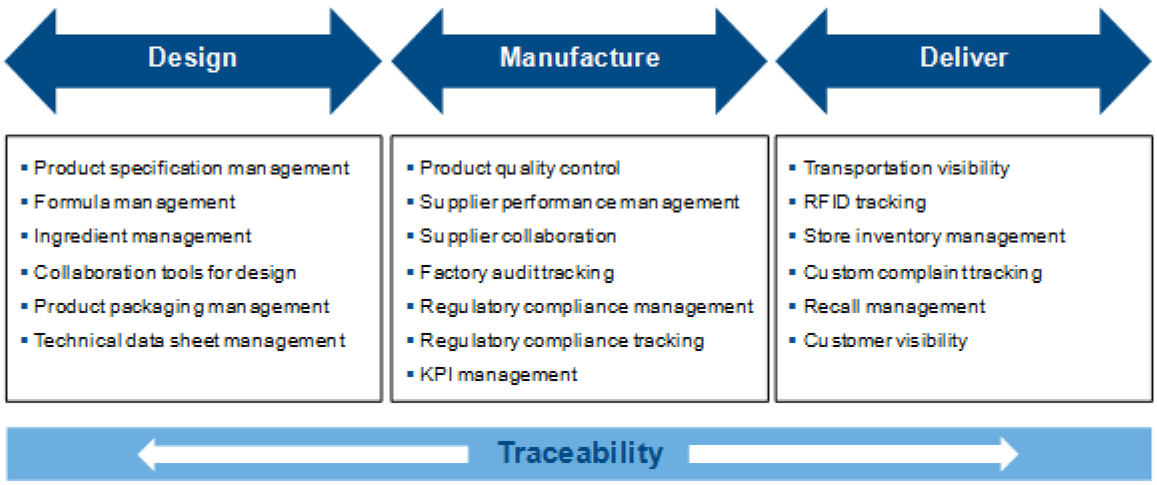
We believe transparency is the way of the future — that the industry and its customers require greater visibility and traceability from "farm to fork" in the food industry or "mine to microchip" in consumer durables and electronics. Retailers' and manufacturers' brands and their reputations are at stake, and traceability must be part of the design, manufacture, and delivery processes. CP manufacturers need to include upstream data capture and collaboration and downstream dissemination to their customers and, in some cases, on to consumers (see Figure 8).

More specifically, CP manufacturers are investing in material tracking tools to support their ability to manage product quality and reduce the potential hazards caused by gaps (see Figure 9). With a mean score of 3.11 across all responses, material tracking falls just slightly over the midpoint. However, our data also shows that material tracking is one of the top investment priorities tied with demand planning and forecasting investments.

Ultimately, material tracking is an area of shared concern and shared responsibility for brand protection, and we expect collaboration to not only improve traceability but also support more efficient recalls. To some extent, maintaining product quality is a bidirectional challenge, tracing the design and manufacture and delivery of product to the consumer, but also the reverse direction in the case of a recall. Yet investing in reverse supply chain tools is a much lower priority, with a mean score of 2.49 from CP companies. While companies may not be investing in tools for this process, we do urge them to build the necessary foundation for recalls through processes and relationships.

## FIGURE 8

### The Breadth of Traceability

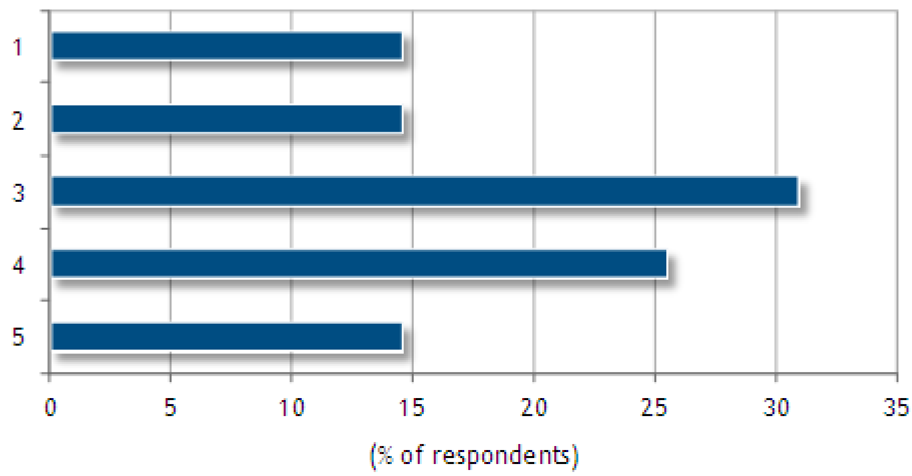



Source: IDC Manufacturing Insights, 2013

## FIGURE 9

### Level of Importance for Investment in Material Tracking

*Q. How important is your investment in material tracking?*




n = 55

Note: Mean score is based on a scale of 1-5, where 1 = not important and 5 = very important.

Source: IDC's *Global Technology and Industry Research Organization IT Survey,* 2013

## Working Together to Operate Globally

Although we tend to take the notion of operating globally as a "given," the reality for many CP companies is that they operate regionally, or perhaps even just nationally. This is particularly true for smaller companies, but even the big firms are more "multinationals" than they are truly global. The lack of truly global players is even more apparent in the retail industry where even the largest companies like Walmart and Carrefour have a notable presence in just a handful of key markets — they are big, clearly, but one can argue that they are not global … yet!

In a recent IDC survey, we asked CP manufacturers about their top business priorities, and at the top of the list (see Figure 10) is expansion into new geographic regions or countries. We have all seen the demographic figures and the places in the world where demand growth is expected in the next 5–10 years — and it's not in the markets where most large CP manufacturers and retailers predominate. We see this in other segments of manufacturing, notably high tech, where expansion into new markets is the *key* future growth strategy — and we are starting to hear that same sentiment articulated in consumer products as well.

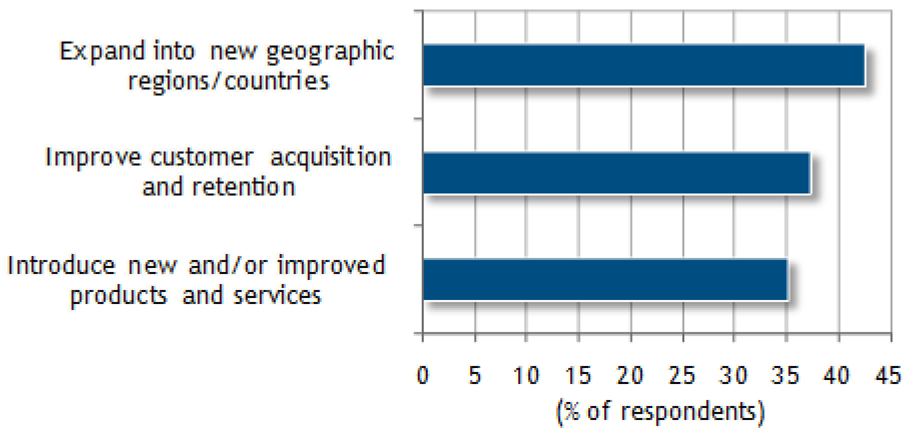
If nothing else, the point that jumps off the page is the commonality of challenges across manufacturers and retailers. Indeed, whether established or emerging markets, the appetite among these businesses is to collaborate more across the breadth of their respective organizations. Almost 90% of CP manufacturers recently polled indicate supply planning (related to factory runs and coordination with external contracted partners) is a process where collaboration can yield improvements. So, as CP manufacturers prioritize expansion into new markets, greater collaboration with retailers at the same time could yield significant results.

Yet expansion into new markets is not simple; if it were, we'd already be global. There are significant challenges for manufacturers and retailers to expand into new markets (see Table 1).

## FIGURE 10

### Top Business Priorities for Consumer Products Manufacturers, 2013

*Q. In 2013, which of the following initiatives will be significant in driving IT investments at your organization?*




n = 55

Note: Multiple responses were allowed.

Source: IDC's *Global Technology and Industry Research Organization IT Survey,* 2013

## TABLE 1

### Challenges to Expanding into New Markets

| Category | Specific Examples |
|---|---|
| Processes | Local standards and third-party participants in marketing, content management, customer management, order management, fulfillment, returns, service, and customs document management |
| Performance measurement | Metrics, reporting rules, and terms of sale (particularly differing payment terms) |
| Policies | Shipping fees, returns, financial benchmarks, sales credits, and allowances; internationalization and localization (usability, tax, payments, logistics, currency, and warehouse/DC placement) |
| Regulatory | Customs management and food safety and traceability; environmental regulations |

Source: IDC Manufacturing Insights, 2013

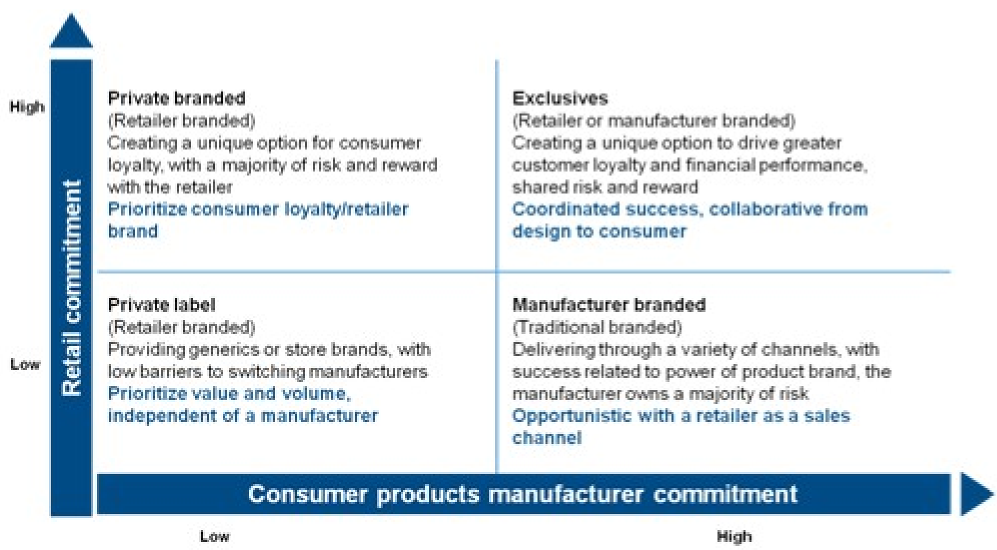
## Value of the Customer Relationship Drives New Product Introduction Models

Just over a year ago, we asked CP manufacturers and retailers how many of their products they took from design or brand to manufacturing. CP companies hold onto all or almost all of the manufacturing for 78% of their products, while retailers hold onto (all or almost all) manufacturing for just 4% of products. Still, we continue to see more hybrid behavior, where manufacturers sell direct to consumers, and retailers design and develop their own brands and, in some cases, manufacture as well.

We see several types of (see Figure 11) models, with perhaps the most unique being the *specialty-branded option,* though in reality, the brand that goes on the product is a business decision. But the idea is there are a product design and a development partnership between the retailer and the manufacturer.

### FIGURE 11

### Types of Product-Related Collaboration




Source: IDC Manufacturing Insights, 2013

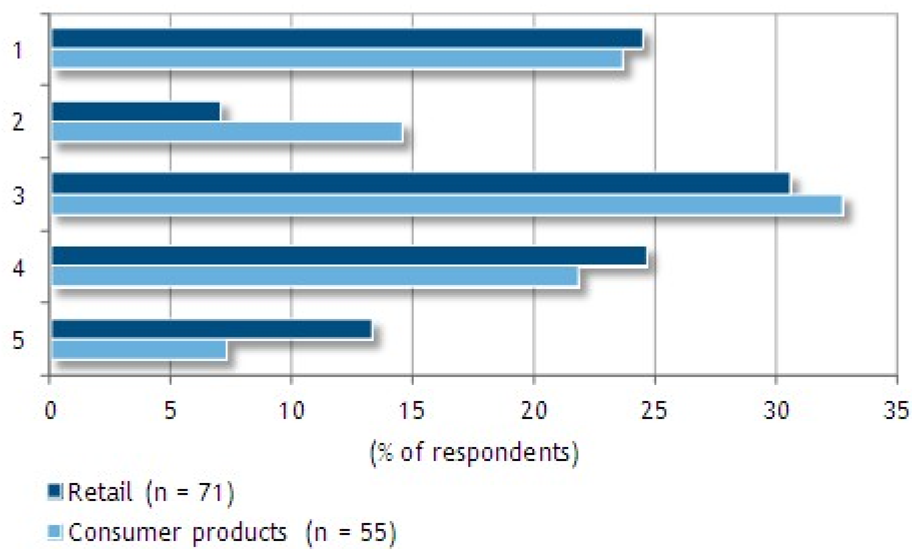
We also know that as far as collaboration in new product development and introduction goes, it's one of the least common forms of collaboration between retailers and CP manufacturers. When it does occur, it's all about the relationship — manufacturers working to be the partner of choice to their retail customer. Given the nature of the industry, we suggest this type of collaboration is only going to increase, if not naturally than out of necessity, as manufacturers work hard to ensure retailers don't replace them with internal capabilities (design and manufacturing owned/managed by the retailer) or external alternatives (other manufacturers).

We think that product life-cycle management (PLM) investments are a good indicator of commitment to product ownership, and our numbers tell us that retailers are placing an increasing value on their ability to influence or even own the product life cycle of the products they sell (see Figure 12). That doesn't necessarily mean they own the actual manufacturing, but we know this is definitely an area of change. The implications could impact such factors as brand equity, return on capital, market risk, customer/consumer loyalty, and the ability to successfully innovate and bring products to market.

## FIGURE 12

### Level of Importance for Investment in PLM by Retail and Consumer Products

*Q. How important is your investment in product life-cycle management?*




Note: Mean score is based on a scale of 1-5, where 1 = not important and 5 = very important.

Source: IDC's *Global Technology and Industry Research Organization IT Survey,* 2013

## Collaborative Planning: One Size Does Not Fit All

Volatility, principally in the form of demand complexity, has been a top concern for CP companies since the 2008–2010 global recession. The result has been a renewed focus on demand planning and S&OP as well as a desire to improve both forecasting capabilities and execution performance.

We would like to discuss four areas of planning (S&OP, demand planning, execution planning, and promotional planning) where we believe collaboration can be a win-win to materially improve the extended supply chain and drive better execution (and ultimately better performance) at the shelf.

S&OP and promotional planning have often been areas of collaborative discussion; execution planning and demand planning less so. Indeed, in a recent survey, we asked CP manufacturers about these areas of collaboration and the benefits that can accrue from better performance.

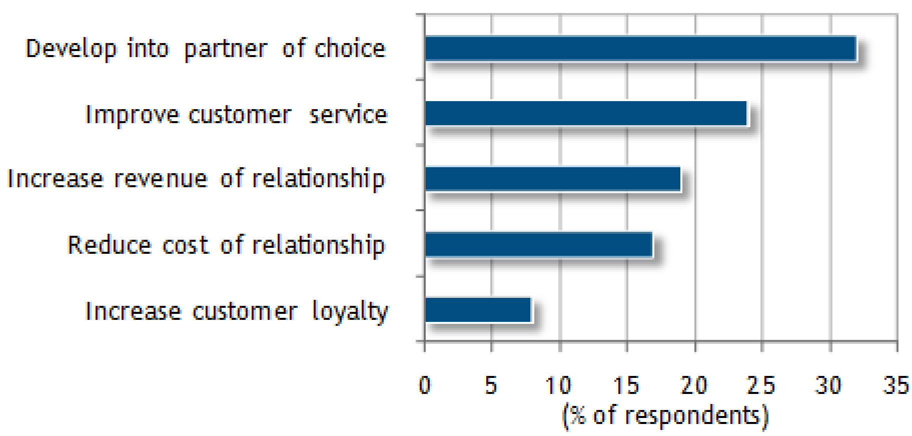
## *Sales and Operations Planning*

*S&OP* is an obvious opportunity to deliver results, particularly where the involved constituents are mature practitioners. CP manufacturers are not going to collaborate with all retailers on S&OP, obviously, but where collaborative relationships offer significant benefits, due to either scale or industry leadership, becoming a "partner of choice" or increasing customer service is definitely enticing (see Figure 13).

### FIGURE 13

**Connection of Manufacturing with Customer Orders**

*Q. Why do you collaborate with your retail customers in S&OP?*




n = 21

Source: IDC Manufacturing Insights and *CGT*'s *Shared Strategy Survey,* 2013

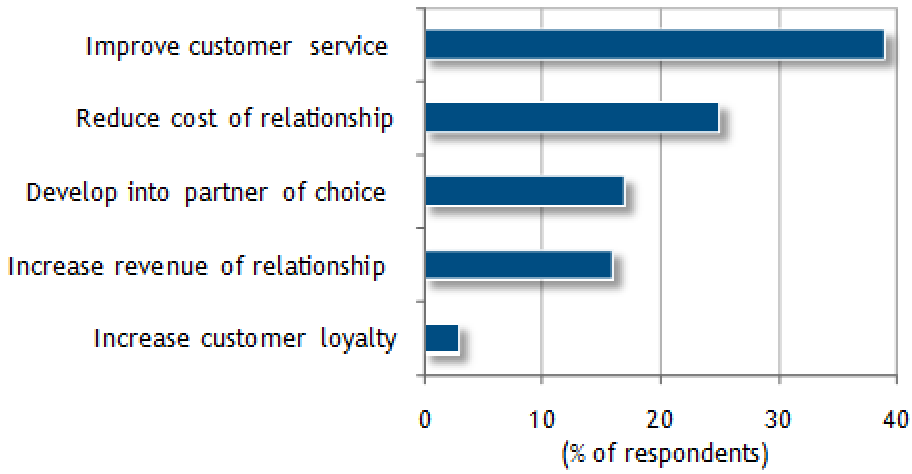
## *Demand Planning*

*Demand planning* is equally appealing for retailer-supplier collaboration, especially as we move more and more to demand sensing and the use of downstream data. While more CP manufacturers are passing data-driven insights back to the supply side of their supply chains, the vast majority of companies view engaging in demand planning collaboration as a way to use downstream data to inform a better demand forecast (see Figure 14). Being a partner of choice is at play here as well, but most view demand planning collaboration ultimately as a facilitator of better customer service.

## FIGURE 14

### Improvement of Forecasting with POS and Historical Data

*Q. Why do you collaborate with your retail customers in demand planning?*




n = 21

Source: IDC Manufacturing Insights and *CGT*'s *Shared Strategy Survey*, 2013

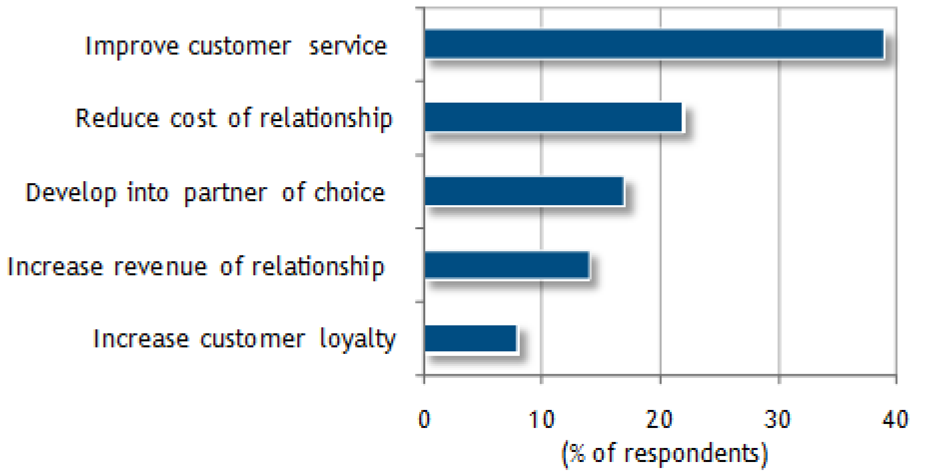
## *Execution Planning*

Although we don't necessarily think of *execution planning* as planning (it's execution!), the reality is that this is an area ripe for collaboration. Whether it's through traditional approaches like vendor managed inventory (VMI) or collaborative planning, forecasting, and replenishment (CPFR), or newer approaches like shared data and analytics insights, the opportunities to collaborate better on inventory management (and optimization), on-shelf availability, and common scorecards are significant. Again, CP manufacturers see execution planning collaboration through the lens of better customer service, but it's also a way to reduce the total cost of the relationship (see Figure 15). Our only caution here is that it strays into the misperception that the supply chain is primarily about cost, not quality or service.

## FIGURE 15

### Fulfillment to Warehouse and Retail Store

*Q. Why do you collaborate with your retail customers in execution planning?*




n = 21

Source: IDC Manufacturing Insights and *CGT*'s *Shared Strategy Survey*, 2013

## *Promotional Planning*

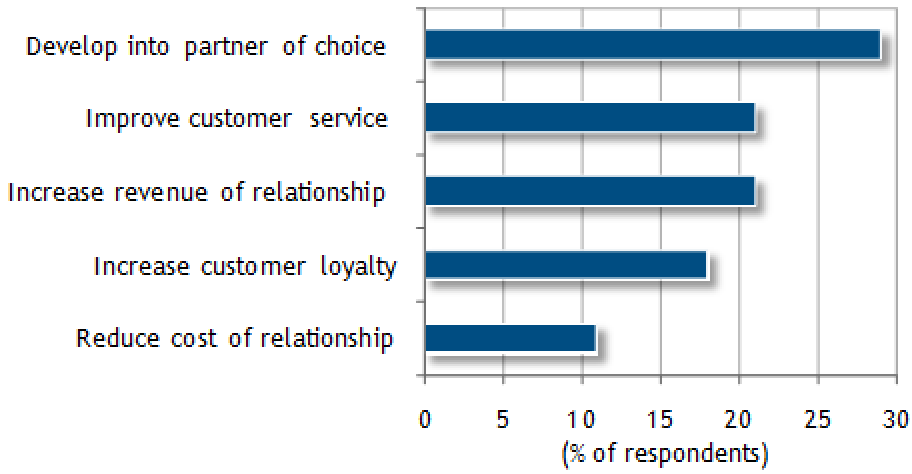
Last, we come to one of our favorite topics, *promotional planning.* We've seen great progress in optimizing promotional funds over the past few years, through technological innovation and a willingness to collaborate more — frankly, both inside the CP manufacturer (i.e., between sales, supply chain, and finance within the company) and outside with the retailer. With the highest scores for collaboration across the four planning topics we've included in this study, we know most already see (and foster) collaborative opportunities in trade promotion management (see Figure 16). Interestingly, when considering collaboration in this area, it's not a matter of cost, but once again about better service levels and developing into a partner of choice.

Whenever we think about collaboration between CP manufacturers and retailers in planning their respective businesses, the notion of trust is invariably raised, and while it may be an issue in some relationships, the clarity these days around mutual benefit has made trust a secondary issue. It's also important to point out that we fully acknowledge that manufacturers are not going to want to collaborate with all retailers, and retailers not with all manufacturers. Size, influence, and the opportunities for mutual benefit will ultimately guide these collaborative exchanges. But as one CP manufacturer pointed out, having those collaborative efforts in place bring gains to both companies, and when things don't go exactly as planned, they create a way to solve the challenges, too.

## FIGURE 16

### Sales and Marketing Initiatives

*Q. Why do you collaborate with your retail customers in promotion planning?*




n = 21

Source: IDC Manufacturing Insights and *CGT*'s *Shared Strategy Survey*, 2013

## FUTURE OUTLOOK

Collaboration requires ongoing attention, and CP manufacturers will continue to make investments in their people, their processes, and their technology.

### Process Improvements Required

A close review of collaborative processes will benefit retailers and their suppliers. Based on our survey findings, most consumer products manufacturers are investing in collaboration improvements to become the retailers' partner of choice and to improve customer service. Certainly, there will be cases where the intent of collaboration is to reduce the cost of relationship, but most consumer products manufacturers will drive cost improvements within their own four walls or in those processes that they primarily own. We found this to be a common sentiment at a recent *Consumer Goods Technology* event where we presented some of our findings. One point that seemed clear from the panelists, and in general at the conference, is that technology is certainly helping us to do our job more efficiently and engage with the consumers more, but we also need to pay close attention to the people and process components of collaboration. For example, when a manufacturer must discuss out of stock situations with their retail partners, it's the relationship that allows them to collaborate on a solution. After all, while collaboration may be facilitated with a technology, it is *based on* a relationship.

## Technology Investments to Support Change

We've already shared how many new technologies will help the way these CP companies work together and serve customers and consumers. For example, mobility in the fulfillment process in combination with product life-cycle management and material tracking application investments will provide better traceability and product quality as well as support more product-based collaboration.

Aggressively or efficiently adopting new technology is a required skill in this market. During the 2013 Consumer Goods Business and Technology Leadership Conference, we heard from PepsiCo with details on just how dramatically its business model has changed as supermarkets have changed. In the 1960s, most supermarkets had only 6,000 items; currently, supermarkets have hundreds of thousands of items and even more SKUs to choose from to fill those stores. Retailers not only have superstores, they also have more store formats (such as vending machines and ecommerce sites). All of these new ways of reaching consumers and changing supermarkets mean that CP manufacturers like PepsiCo have to promote and protect their brands to consumers and customers (like the supermarket) differently. CP manufacturers must learn new technology and recognize what that technology means for how they store data and share and access information and collaborate, all of which contribute to their success in the market.

McCormick Spices shared details on one of its new technology initiatives — a beta application called FlavorPrint. The application provides a way for consumers to understand the flavors that they like and flavors they might like. Although this application is in its early days, the idea is that the results are something that the consumer can use not just to identify new spices or spice blends and other products that they may buy from McCormick but also other products that might interest them from other companies. Essentially, consumers will have a flavor footprint that they can use to appreciate and enjoy food. While improving consumer experience, FlavorPrint also provides a way for McCormick to drive collaboration with its customers — retailers and other consumer products manufacturers.

## A Need to Support Changing Business Models and Hybrid Manufacturers

We've been researching collaboration for many years, and we still see that collaboration is an ongoing challenge despite the business opportunities it may create. As a result, we have to ask ourselves — is collaboration getting more difficult?

Maybe the reason why we have to ask that question is the fact that there are no longer clear-cut retailers or clear-cut manufacturers. Or those that are just retailers or just manufacturers are fewer and fewer in number every year. Most companies are hybrid in some way — retailers may take increasing responsibility for the products they sell either through private label, exclusive offerings, or product designs or even directly sourcing or owning manufacturing. Manufacturers are exploring their ability to improve their relationship with consumers, perhaps through new consumer engagement options or even through direct-to-consumer sales. It is this change that adds more complexity to collaboration.

# ESSENTIAL GUIDANCE

## Actions to Consider

To ensure that investments in collaboration and collaboration improvements are well spent, we suggest the following:

- **Consider the omni-channel experience that retailers must support.** Evaluate exactly how well your investments translate into something that the consumer and your customers value. Be particularly sensitive to the challenges of inventory management and fulfillment execution — the right product in the right place, from the customer's perspective. Consider the real-time availability of inventory data and the quality of that data, traceability and transparency, and how new technology (including mobile apps and devices) can help. We know that many retailers are a step behind on IT investments they need to support omni-channel, so you may need to provide additional support through the transition period.
- **Think more like a partner, not a supplier.** While this begins with a better understanding of what's most important in serving the customer and the consumer and making the sale, it extends to how you work to address the challenges (like recalls and out of stocks) and how you make best practices more common. To some extent, we're suggesting that you build not only resiliency into your relationships with feedback loops for corrective action but also positive reinforcement that makes the customer and the consumer more loyal and profitable at the same time.
- **Take a proactive approach to the consumer.** We're not suggesting that you aggressively accelerate your direct-to-consumer business, but make sure you can provide retailers with more granular data on what consumers want, such as identifying the product exclusives that will bring more business to both of you. This does require you to review just how good your consumer information is and how well you can analyze that data and use it to drive business decisions.

The reality is that the collaborative relationship, whether facilitated through the use of technology or not, is only as good as the information available to the common constituent partners and, by inference, the degree to which data is turned into useful information on which to serve as the basis for that information. As the amounts of data grow, whether as a result of the proliferation of omni-channel commerce or as a result of the blurring of lines between consumer products manufacturers' and retailers, the challenge grows for both parties to more effectively leverage data for collaboration. Indeed, in *Worldwide Manufacturing Supply Chain 2014 Top 10 Predictions* (IDC Manufacturing Insights #MI245094, December 2013), we made the point that while business instinct will always have a place in the decision-making process, the reality is that data exists somewhere to facilitate just about every collaborative decision — you just have to find it!

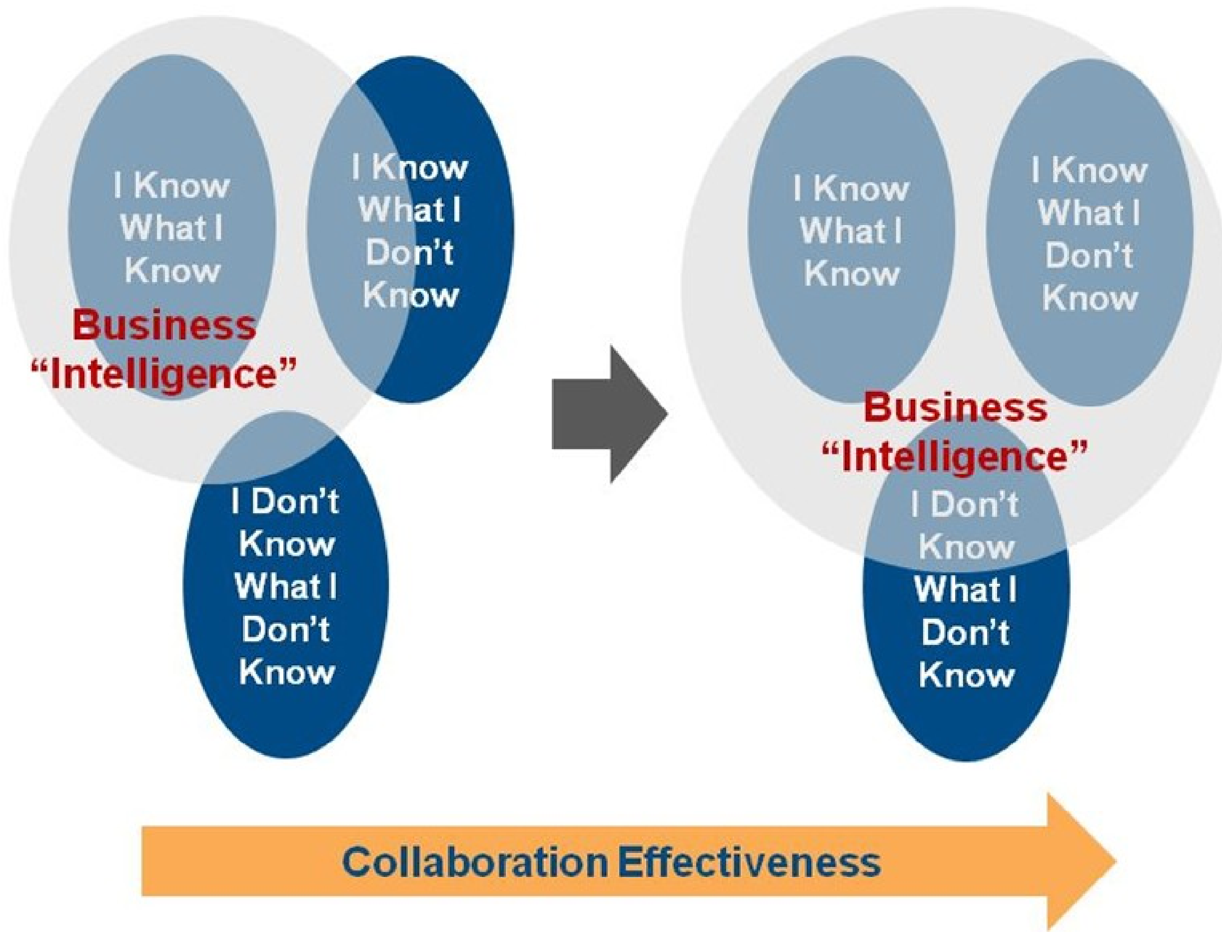
And this concept is not unique to the supply chain: it applies everywhere.

We have had more than a few conversations with CP manufacturers that noted to us that a particular business problem could have been averted if "we had only known what someone, somewhere in the business knew." And it is not just about what a business knows versus what a business doesn't know, it is also about making information available to critical decision makers when and how they need it. Figure 17 illustrates the notion of using analytics and leveraging available data to expand the "practical" knowledge of an organization to include all of the things that may be known within the business and beginning the process of gaining collaborative insight from the things "we don't know what we don't know" — actionable knowledge if you will!

The degree to which CP manufacturers and retailers are able to expand the base of real-time knowledge brought to bear on collaborative decisions will, we believe, separate the long-term winners from the losers.

## FIGURE 17

### Collaborative Business Intelligence




Source: IDC Manufacturing Insights, 2013

## LEARN MORE

### Related Research

- *Worldwide Manufacturing Industry 2014 Top 10 Predictions* (IDC Manufacturing Insights #MI245010, December 2013)
- *Perspective: 2013 NG Retail Summit — A Great Mix of Strategic and Tactical Questions Answered* (IDC Retail Insights #RI244023, November 2013)
- *Perspective: The Demand Signal Repository* (IDC Manufacturing Insights #MI244485, November 2013)
- *Business Strategy: Brand-Oriented Value Chain 2013–2014 Investment Guide* (IDC Manufacturing Insights #MI243470, October 2013)

### Synopsis

This IDC Manufacturing Insights report analyzes how consumer products manufacturers are applying existing and new investments to improve collaboration and customer service and to become their customers' partner of choice.

"We believe that manufacturers are always looking for ways to improve their relationship with their retail partners. Some of the most visible benefits of collaboration will be in fulfillment execution, greater transparency in the supply chain, fewer stresses in global operations, and more successful product strategies," according to Kimberly Knickle, research director, IDC Manufacturing Insights.

## About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1000 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For more than 48 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

## Global Headquarters

5 Speen Street
Framingham, MA 01701
USA
508.988.7900
Twitter: @IDC
idc-insights-community.com
www.idc.com

---