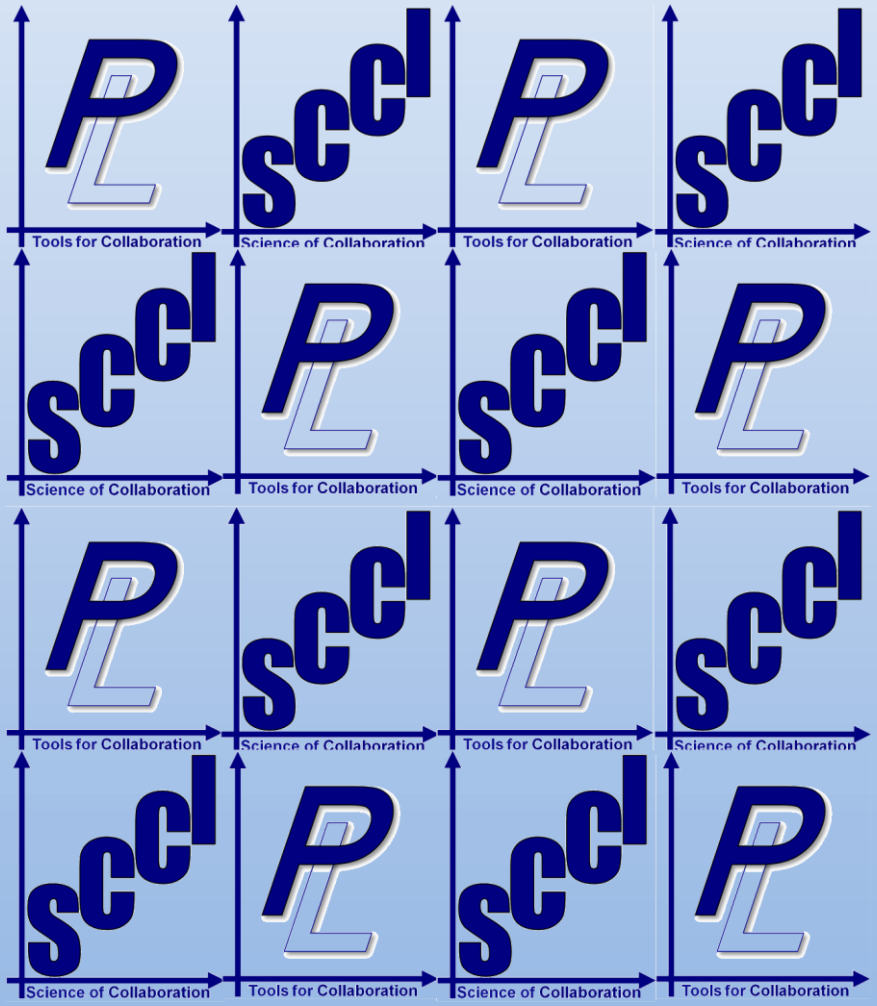
Research Summary
Retailing Supply Chain Sector
2003 - 2010



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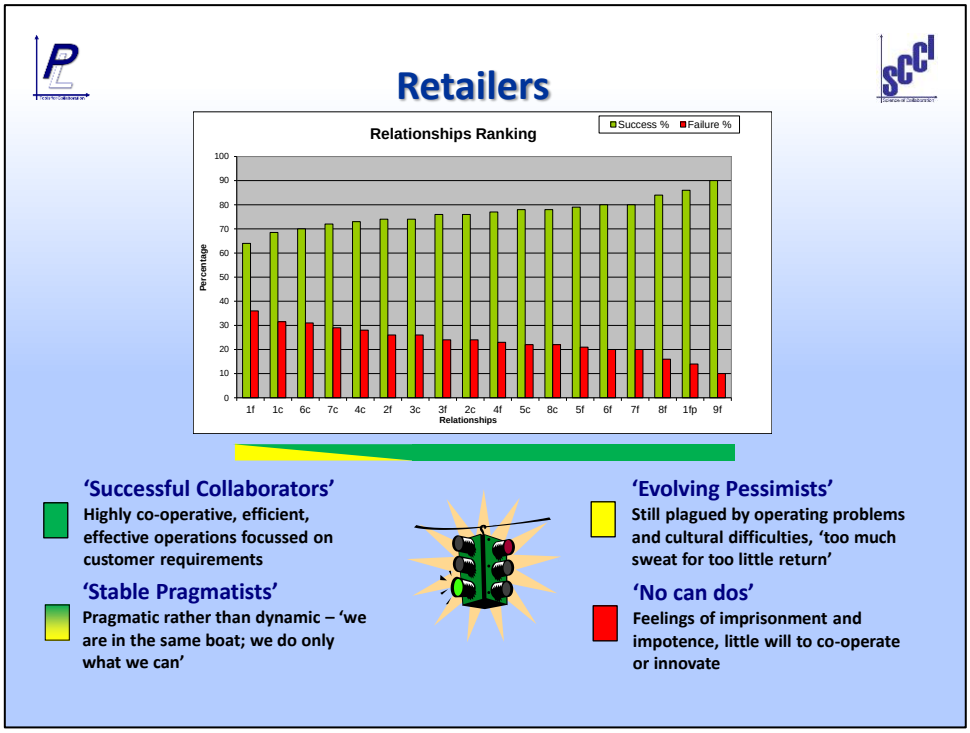
Research Summary – Retail Supply Chain Sector 2003 - 2010

Executive Summary

Between 2003 and 2010 we examined 18 major retailing supply chain relationships involving companies and organisations operating in UK and global domains. This report summarises the findings from our research. It does not concentrate on the individual projects but rather on the particular management features that characterise these relationships.



We summarise this research in three parts:

- Retail Fashion (1f – 9f)
- Retail Confectionery (1c – 8c)
- Food Processor/Retailer (1fp)

Their relationship performance is compared in the chart above. It should be noted that the majority are successful but a significant number lack dynamism.

Overall Conclusions

The Retail Supply Chain sector is a mature business that has adapted remarkably well to globalisation and the demand from customers for increasing speed to market. Successful players understood the importance of collaborative behaviours in their teams which paid huge dividends in flexibility and innovation in their dealings with partners. This management approach created a strong business model that endured and was admired. In contrast

where a structured approach to managing supply chain relationships was absent, staff morale was low and the business operations were sub-optimal.

- The key to successful relationships in this sector was using an effective relationship operating model – an Enterprise Relationship Management Plan
  - Personal engagement was an enduring feature that brought about a willingness to share risks and solve problems together. Negative behaviours were generally absent
  - This worked well when handling incremental changes in response to the market however, innovative leaps caused relational problems which forced the need for more rapid changes to the model
- Where there was no relationship management model the result was chaotic with lack of effective engagement which impacted on the efficiency of operations
- Traditional game-playing remains part of the culture although its impact depended on the quality and interdependence of the relationships
  - Customers either thought they were dominant or pretended to be 'ripped off'. They were concerned that suppliers might try to take advantage and therefore needed to be kept 'on their toes'
  - Suppliers pretended to 'play the expected game' but in reality they got on with business pragmatically. Both generally reaped the benefits of collaboration

Reference:

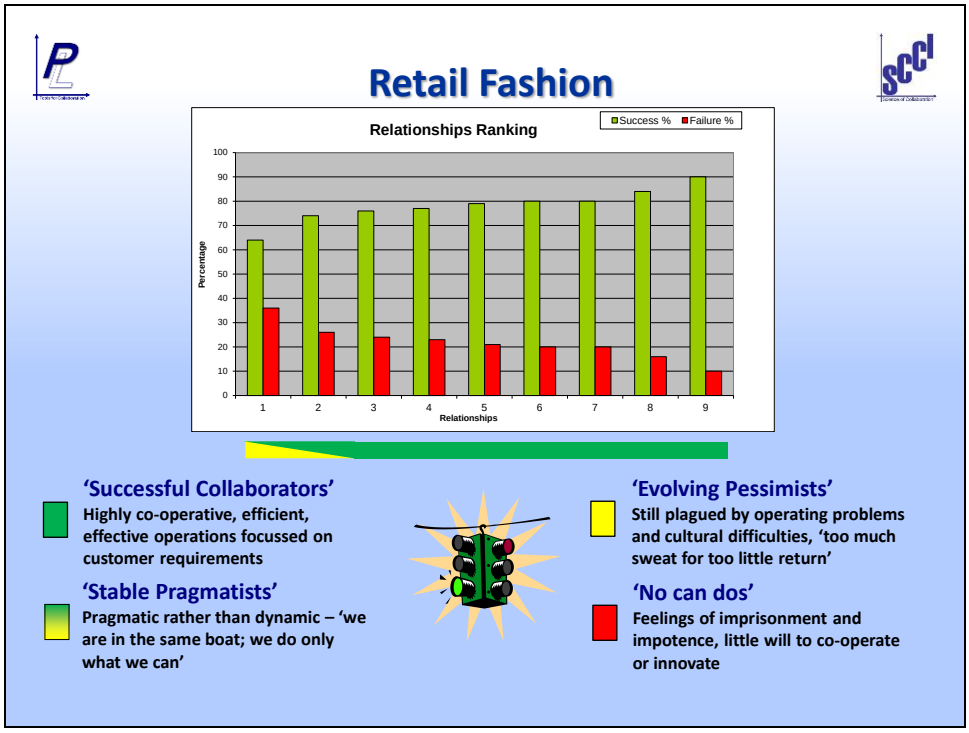
Andrew Humphries & Linda McComie (2022), **Implementing and Managing Collaborative Relationships – A Practical Guide for Managers**
Routledge, New York, ISBN 978-1032-1173-86
155 pages

Retail Fashion 2003 - 2004

Background

In this section we describe 9 relationships both UK based and international involving a major fashion retailer and its suppliers. The marketing proposition was to take fashion trends and interpret them for their core customers rather than directly following fashion. These customers were willing to pay a price differential and therefore price though important, was not key. The portfolio of suppliers was tailored to provide the array of products. Some were pure manufacturers; others were closely involved with design all the way through to production. There was a variety of sizes from SMEs to global players.

The relative performance of the 9 customer/supplier relationships is compared in the chart below.



Only one relationship is not considered to be a Successful Collaborator.

Relationship Management Model

The relationships between the buyers and suppliers were fundamental to the successful implementation of the retailer's marketing proposition. This business strategy was supported by a relationship management model which combined behavioural and business factors.

> *"We get offered new product lines that other more aggressive retailers would not get in a million years."*

- **Personal relationships**

The retailer believed that strong personal relationships were essential to working successfully with its suppliers.

> *"The relationship is with the individual director not with the company. It's very personal, about give and take. Will phone at the weekends, invite you and your partner for meals, will take you shopping."*
>
> *"The only way to get the best out of a supplier is to be nice to them."*
>
> *"They come over and discuss business but we also socialise and this can be very creative."*
>
> *"You have to pick up the phone to talk to them. If you send emails or fax it can take a few days to get an answer, although this seems to be improved now."*

However, close personal relationships could not always be guaranteed.

> *"They supply a good quality product but I do not feel that close to them."*
>
> *"Personalities can get in the way. If we have been through a bad few weeks he will say he can't deal with us. He needs to manage his passion, his emotions. When stressed he can be very negative."*

- **Trust**

The close personal relationships together with openness and honesty enabled trust to develop.

> *"The business is based on trust, a shake of the hand, we don't need contracts."*
>
> *"Trust is as high as with any company we deal with. If you do not want the product you tell us that rather than making up stories about quality or late deliveries."*
>
> *"We have an open and honest communication if there are any production problems which may mean late deliveries they are good at keeping us informed."*
>
> *"They lay their soul bare to provide solutions. We are constantly in dialogue. You can find their honesty disconcerting but I now understand how it works."*
>
> *"We share best seller and forecast information to support the relationship."*
>
> *"I don't know their margins; I do not think it would be appropriate to ask."*
>
> *"Their MD understands the market, she knows how to be confidential but shares her knowledge of market feelings about what is going on elsewhere."*
>
> *"Their Buying Director may ask me what models are missing? I will say what is on-trend but would not say what I was selling to my other customers."*

But in some situations trust still had a little way to go.

> *"They are not that trusting when it comes to problems of quality, often retreating behind `production specification' rather than coming to an agreement. It's a bit of a struggle."*
>
> *"When cancelling a product you cannot say you have just gone off it. The easy option is to make up a reason. This is all part of the game."*

"They have two key customers including one of our competitors. They claim they can ensure differentiation. But we can see a good design go to our competitor."

"Sometimes I feel we are in a 'dog-eat-dog situation'. I can see their 'handwriting' in other competitor's products. I'm told we are their number one customer yet it feels like it's just 'who sees the samples first gets the products'."

- **HR Policy**

Their personal relationships model is supported by appointing Buyers who fit their relationship management style.

"Their style of working comes from the Buying Director who appoints people who work in a similar style, who want to work with their suppliers."

"The people they choose are moulded into their culture of working with their suppliers. Those who don't work like that don't fit in and go."

"Their merchandisers are experienced and good at their job and so this helps to make the job easier in terms of planning volumes."

But

"We have a professional distance in the relationship which is fine. The only issue is the level of experience and understanding by the Buying team of what is achievable from a manufacturing perspective."

- **All in one team**

Another part of the customer's relationship management model is close teamwork with the suppliers. This enables them to set the trend for their end customers.

"We are both coming from the view of constant development being the key to success for both of us."

"They are totally up front, not political so we all know how the relationship works."

"We are invited to Press and trend meetings to give us an overall view of where they are going as a company. This helps us feel we are part of the plan."

"The longer you work together the more they understand. They begin to understand your standards and expectations which stop problems developing."

"They have the best understanding of our customer and the market they operate in."

"There is not a plethora of other suppliers who can do what they can do. So we have to reach an agreement because they produce commercial winners. Their designs give them the edge."

"Had problems with high volume nylon range, agreed to re-negotiate prices as lots were going into markdowns."

"About one in ten styles have production problems, they are not so process-driven which means we can resolve issues easier than having to go through a lot of hoops."

"Due to our relationship we would be the first to ask to talk and to understand the problem."

But in a couple of cases specialised businesses producing unique products made the standard relationship model difficult to apply.

"Sometimes they can seem to rely on us like a consultant, which we are not. They have to recognize that we will help them but they are responsible for the solutions. "

"They deliver a brilliant franchise design, but prices are really high so we are only ordering quantities of 200. So they are not going out of their way to support us. Other suppliers would take a longer term view of the relationship."

"In spite of our good relationship their volumes are down 10% to 15% because we simply can't afford his prices."

"It would be good if they would recognise in some kind of a written statement that we are a chosen partner. It would motivate us a lot and cost nothing but, would show people they've achieved something."

"There is no sharing of the design logic. We have our own designer but they don't bother to talk to her."

- **Dynamic and Innovative Supply Chains**

The relationship model was characterised by partners who were prepared to change requirements and production at short notice.

"They deliver things on time most of the time and don't care how they do it; they just do. This is different to the way we work."

"They love to innovate, will do "free" trials meaning they know it will be built into the price later, but the point is that the Supplier will do this which helps the customer get things to market quickly, something they can't do themselves."

"They like the way we innovate new products and the way we are very flexible."

"They can make goods for us out of season to utilise spare production capacity at reduced costs. They are also prepared to hold our stock for us, for a long time at their cost."

"We can be in production for two days when we change our mind. We have then been able to take only the completed items and they will make the rest in a new style. When asked they will always do this for us."

"We are here to make money so if we get a reaction to an idea quicker from them (and we do) we will go to them."

"Our planners phone up and place an order then change it two or three time a month. Our factories would not stand for that!"

But on the occasions when exceptions to the normal 'give and take' ordering pattern arose friction was generated.

"One thing to change is to stop pratting about with phasing orders. I wish they would have the courage of their convictions when placing an order and not change their mind. Our other customers are not so bad."

"They can chop and change their orders. I accept that is what happens in fashion but they have to understand that this is not always possible."

"They could give us more notice on a project. When an item raw material price goes up suddenly we have to absorb it into our costs. If we had known about the project earlier we could have got the material from our suppliers cheaper."

"We manufacture in India and the Far East. Last year they were looking for almost daily changes in the production plans. In reality this is just not possible in a manufacturing environment."

Conclusions

The retailer had developed a very successful relationship management model largely based on personal contacts, loyalty, honesty and fairness. This worked despite geographical distance and the cultural differences of the partners. The system was not without friction but in the main, problems were negotiated and jointly solved to the satisfaction of the partners. However where the supply chain did not fit the model there was misunderstanding between the customer and the suppliers which resulted in relationship difficulties. The outcomes of the study were:

- The retailer became more aware of the `extra mile' the suppliers were prepared to go to support the relationship and it could make better use of their capabilities. It increased the level of responsiveness of its buying team by making decisions in a less bureaucratic and more timely manner
- They improved the management of supply chain issues that reduced selfish practices such as the re-phasing of orders to manage cash flow
- Regular joint face to face communications and problem solving procedures were established which enabled both sides to better demonstrate trust and fairness and increase empathy. This regular contact gave them jointly understood performance measures and overcame geography and cultural differences.
- Where the customer had extended its product range into more specialised, profitable lines it was agreed by the partners that closer interaction was needed to make the relationship more harmonious and productive

Retail Biscuits 2009

Background

In this section we describe a supplier/manufacturer and relationships with 8 retailers in India each administered by a two person team. The survey was run remotely with a subset of the Top Ten questions and as such the data capture was limited. Nevertheless there was sufficient to provide powerful insights that were of value to the participants. In the chart below it is noticeable that there was not a great difference in the perceptions of the retailers' buying teams, whereas there was a big difference in the views of three of the supplier's sales teams. The retailers were overall more pessimistic about their relationships.

Retailer

A number of retailers were complaining about the service they were getting.

"The quality of packaging is not good when the product reaches us."

"We feel that our suggestions are not taken into consideration."

"The supplier tries to take advantage of the benefits at some times."

"Other companies give us better discounts."

A collaborative relationship where honest, regular, two-way communications take place was not evident. Furthermore opportunistic behaviour resulted in a lack of trust.

Supplier

It is clear that the morale of the sales teams was variable. One in particular was demotivated.

"The information about the product sales is not provided to us very frequently."

"We are unhappy with our reward system which demotivates us from improving the relationship further."

"We are fed up. We have handed in our notice."

On the contrary from the chart above, it can be seen that in two of the relationships the supplier appeared to be highly self-satisfied and oblivious to the dissatisfaction of their customers.

This lack of consistency in the way that the sales teams were organised and managed was bound to have an impact on the quality of the relationships with the customers.

Conclusions

- There appeared to be no strategy on either side for managing the relationships
- There was no target operating model or principles for developing a homogeneous approach for guiding the teams' interaction with the customers
- The general lack of personal dealings between the supplier and its customers inhibited the development of rapport and trust and resulted in under-performing relationships

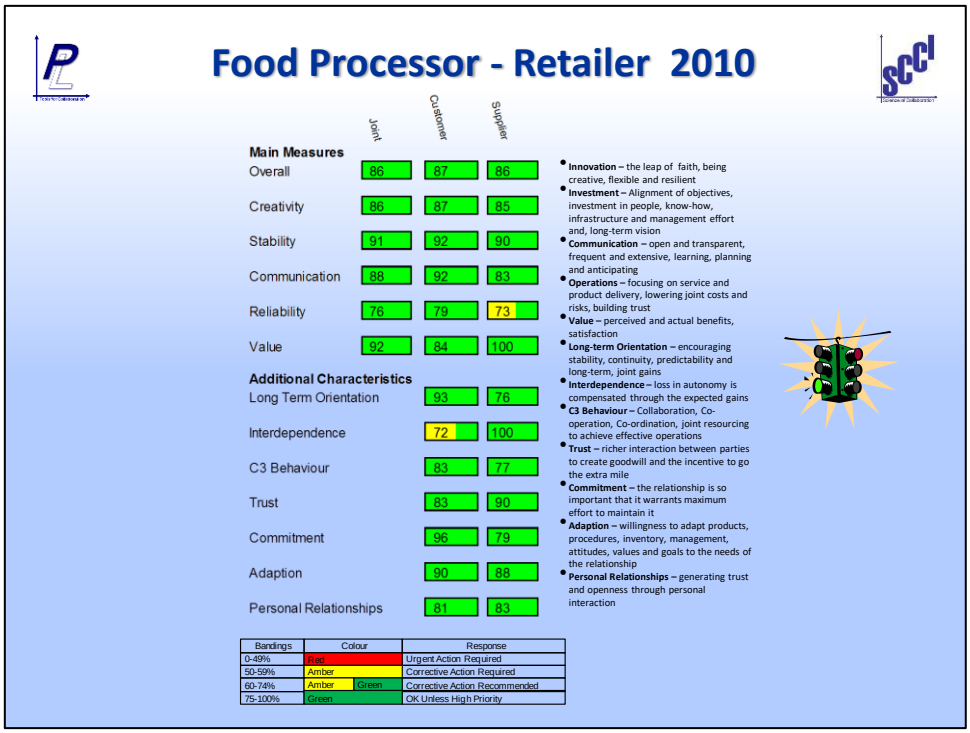
Food Processor - Retailer 2010

Background

This section describes a relationship between two very different companies, both organisationally and culturally. The supplier was a relatively small, entrepreneurial company with fairly stable teams of people managing the business. The customer was one of the top 5 supermarkets in the UK. It was a very large organisation with a policy of frequent staff movement and as a result it relied on the supplier for its expertise and knowledge as a food manufacturer and purveyor. The supplier relied upon the customer for its wider knowledge of consumer trends and for an extremely effective channel to market. The result was a productive blend of resources and capabilities.

> *"I don't have all of the answers I rely on their expertise and I expect them to put forward ideas to address challenges we have."*

In the chart below which shows at a glance the relationship performance measures, it can be seen that overall this was a highly rated, productive collaboration.



However discussions with managers revealed a somewhat bumpy ride with longstanding tensions taking the edge off the effectiveness of the joint operation.

Continuity and Innovation

Staff turbulence within the customer's organisation made it difficult to maintain a stable relationship and held back new product development. The supplier had to spend extra time bringing their partner's new personnel 'up to speed' and rebuilding links although it was acknowledged that the introduction of new ideas often was beneficial. An important result of this situation was the accumulation by the supplier of a wealth of knowledge about the

industry and the market for specialist products which brought considerable added value to the relationship.

"They often look to us for advice and appreciate our help especially when they have new staff in post."

"We provide much of the data on pricing, promotions and so on that gives us both market insights. We have the expertise and knowledge and employ someone specifically to do this."

"We provide few cost reduction ideas. They are supposed to be the experts. We are good at spotting the ideas missed by them. We present these to them as tasks and challenges."

"Change of personnel is good in some respects as it freshens the approach but it can be disruptive."

"Their personnel changes have limited our ability to develop new products. Lately we have only been focused on sales."

"In the New Year greater staff stability will allow us to look ahead to develop new flavours for next summer."

Problem Solving

Both parties acknowledged that bureaucracy slowed down the resolution of problems, the provision of information and the progression of new initiatives. However, both were determined to work through this successfully and overcome the administrative limitations.

"They respond very positively to those issues that do occur. Their fixes are permanent."

"Our administration can seem a bit slow. There is a lot of paperwork required and price queries take time to resolve. There is a new computer system which will speed things up but as yet it doesn't seem to be helping."

"If we have problems we do not hide them because it can have a negative impact on the relationship. Honesty is the best policy."

But

"There is much chopping and changing on a daily basis of who you should speak to about a continuing issue."

"We are having a promotion next week and still have not received sign off."

"There is a lot of red tape at their end but we understand a lot of people from different departments have to get together to deal with issues."

"The development process can be seen as cumbersome, painfully slow and clunky."

Relationship Commitment

The commercial framework for the relationship was defined in a joint business plan which stimulated improved performance by incorporating growth and quality objectives. This worked well with clear expressions of loyalty.

"We do not contemplate changing our supplier. Of course, we could but it would be difficult and expensive. "

"If you understand each other's objectives, it gives you the confidence to invest."

However, the apparent lack of a long term commitment, especially on pricing caused uncertainty and some reserve on the part of the supplier. The customer on the other hand, had no misgivings about its commitment to the relationship.

"We don't have a contract with them so they could change supplier at a moment's notice."

Nevertheless both partners were investing strongly in the relationship; the supplier in terms of new lines (shelf space, promotions, pricing policy, range of flavours) and increased production capacity, and the customer in terms of sustainability e.g. carbon foot printing and sourcing.

"We are looking to invest to increase our flexibility."

"We invest money, time and effort in our relationships and this indicates our commitment for the future."

Price Sensitivity

The relationship was very price sensitive because it was serviced by a supply chain that had high volatility at both the input end and from the consumer. As a result the supplier could appear to be reticent during price negotiations because he attempted to 'hide' his cost structure from the customer. However, this game playing did not seem to affect the end result.

"We have such a vested interest in success; we cannot afford to compromise their business. Our growth is dependent on them."

"We have to negotiate all of the time to maintain our share and our price. We are kept on our toes and not given any quarter."

"They sometimes hide behind cost concerns and appear less flexible than they really are."

"In the long term we feel we are in a more precarious position because of the constant pressure on pricing and the fact that they are free to move their business elsewhere at very little notice."

"We are sole suppliers for some of their products. Maybe this has made them nervous."

"They can be sceptical of us and our motives. I think it is just a vendor/customer thing."

Teamwork

Team work in this relationship was strong with very positive attitudes on both sides. Individuals got on well together in a professional manner.

"We are a tight knit team."

"Relationships are just as important as a contract."

"The relationship works well because we have like-minded individuals working together."

"We are pretty joined up so there is a consistent message across the board."

"The relationship has always been positive, very professional with high standards. There is give and take and it's a good team."

Regular Communications

Communications took place often and between appropriate departments and people. However, there were gaps and it took a lot of effort to obtain routine information. As a result issues were not resolved as quickly as they should have been and time was wasted. Furthermore misconceptions could remain unresolved as 'blots on the relationship landscape'.

"We have monthly and quarterly meetings which are productive and constructive, but the meetings and communications are fragmented and unstructured. There is room for improvement."

"When there are issues we let them know. We don't always give them feedback when things are going well."

"Getting information out of us can be hard work. It is not available at our fingertips but we expect them to have the information available when we call them."

"We like to think that we give out a lot of information but in actuality there is not enough detail, it is often too little, too late."

Often the supplier forged ahead with the activities and projects needed for what was perceived to be future joint requirements. This caused difficulties and problems because the customer felt he wasn't being consulted.

"When we have projects they will just work on them so everyone assumes that they aren't involved. They just do it. This gives the impression that they are hesitant to participate and makes them look as if we are not important to them."

"Our expectation is that they will lead from the front and tell us what they are doing. We don't have the resources to find out for ourselves."

"They are good. They should be shouting this from the roof tops!"

"Maybe we do keep stuff close to our chests but it is a competitive business."

Supply Chain Planning

Both sides acknowledged that the computerised supply chain forecasting system caused problems. It failed to take into consideration short term variations due to weather and consumer buying patterns. This put pressure on the whole supply chain which cost the partners money.

"Our biggest issue is supply chain planning. Forecasts can go from 0 to 1000 overnight regardless of the production lead times involved. In some categories of product we disregard their system forecasts altogether while in a few we are able to feed them directly into our production system."

"The weather can change a forecast at the last minute. Across the whole of our business it is accepted that forecasting is not an exact science. Because the supply chain is 'system driven' this causes serious supply chain problems."

"In the main, operations relying on the Supply Chain system have cost us all money. Sales and sales opportunities have been missed."

"We don't make them produce to forecast - they do so at their own risk."

"We asked for a terminal so we could update the short-term forecast but they told us it was not policy to allow suppliers access to their system."

Trust

There was a foundation of trust in this relationship that was based upon a history of successful collaboration.

"We get on very well at the personal level. There is high trust and we try to make things work despite rule-sets that do not allow much room for flexibility and personal initiative in their organisation. The relationship has been forged over a long time."

"Normally they are extremely honest and trustworthy; they do what they say they will do."

Conclusions

This report was not about the average supermarket/supplier relationship. It was about a sole supplier arrangement for a top end range of products in a category of foods. As such it did not fit the standard industry procurement model:

- Due to the customer's HR policy the Buyer was unable to function fully as a Relationship Manager and as a result the relationship quality was not as good as it could have been
- Despite the idiosyncrasies of the respective organisations, personal relationships were generally very effective
- Game-playing around the prevalent customer/supplier attitude in this industry was clearly evident, for instance over price negotiations. Surprisingly, this did not appear to materially affect the effectiveness of the operation but it did have unnecessary costs
- Both companies fully realised that they were interdependent and that they each contributed unique resources and capabilities to achieve high value objectives

"We are very dedicated because if we do our best they grow and so we grow."

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