



**It Is An Imperative to Re-Think  
Collaboration**

# What needs to change & why

From the creation of the first EDI initiatives in Commerce1 to category management, ECR or VMI (vendor managed inventory), retailers and suppliers have always been trying to reinforce their collaboration to add value in the supply chain.

Still, these initiatives have often stalled by a perception of risk – often more perceived at retailer side.

A new mindset towards collaboration and technology can help retailers and their suppliers not only strengthen their supply chain, but also improve Range, Assortment, Promotions and Customer Engagement.

As certain countries are slowly easing restrictions and entering a re-build phase, now is a good time to rethink collaboration between retailers and their suppliers and try new approaches with a new mindset.

## **RECENT EVENTS HIGHLIGHT THE COSTS OF A LIGHT APPROACH TO COLLABORATION**

Nobody nor any technology could have reasonably forecasted the terrible events that started early this year. Using what retailers and suppliers through during that last few months as the basis of argument can be perceived as misplaced.

Still what happened highlighted certain already existing – or non-existing practices, and this is on these highlights we are focusing.

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For the last few months, after having found solutions to ensure Teams and Customers safety – the retail heroes will never be praised enough - many retailers in South-East Asia have been then looking for available products.

Several of their suppliers faced hard production challenges. And as factories were running at a low production rate – if not halted - their control over their distributors weakened. On their side, several distributors were fighting to cope with this unprecedentedly disrupted merchandise flow and having to make hard choices on which customer to serve.

Unsurprisingly, a series of unpleasant consequences happened like following a Domino Effect, crashing all investments retailers and suppliers had done in the past to strengthen their relationships:

- Loss of sales – up to empty shelves sometimes
- Loss of Market Share
- Profitability decrease
- Negative impact on Customers experience

Let's have a look at some examples

- When confronted to shelves not holding their favored products, Customers substituted Brands or products. Some Brands therefore lost market share, which was previously gained with lots of efforts and investments
- While trying to rebuild their range to ensures store can answer new consumption trends, retailers have challenges estimating, what would have been the sales of the out-of-stock items and therefore need to make a choice in there rebuilding approach: **Do it For Customers** (i.e. trying to evaluate the sales of top Brand Items without the certainty these products can be delivered) or **Do it for the Store** (i.e. focus on the unit of needs and what products have the highest availability and service level)
- As most retailers' promotion and CRM plan stopped during the crisis, Brands and Manufacturers lost direct contact with their in-store shoppers

**If the past can't be undone, new approaches can be explored or re-visited**

**Co-Pilot the supply chain**

Supply and availability are naturally the first challenges any innovative collaboration should try to tackle.

To improve service level and on-shelves availability, there are a few points to consider:

- There is no risk for retailers to share their inventory data. Even if these are not 100 % accurate (in our experience, they rarely are!), offer a great window of understanding for sales teams and suppliers' supply chain. Additionally, machines are today able to automatically replace non-accurate or wrong data by more statically calculated new data.
- When retailers are ready to also share the store's daily off-takes, there are excellent predictive analytics-based order calculation solution such (as Q-Predict™ from TRF Retail)

By defining simple business rules and sharing a common access to inventory data (store, warehouse and in-transit), sales data and analytics-based ordering, products availability could easily increase by 10% (Europe – DYI Store with 56,000 skus)

While there was no way to predict or anticipate what happened with and during the health crisis, Business Rules and Alerts can decrease the pain – and be automatically managed by technology.

For example:

- When volume increases more than X... supplier increase delivery volume by...
- When penetration increases by X... supplier increase delivery volume by... Such approaches also have the benefit or reinforcing the collaboration of Distributors who can have access to planned quantities and secure them.

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## Co-decide assortment & range evolution

- The same concept applies to the evolution of the Assortment and the management of Products Innovation.
- Sharing range effectiveness metrics evolution with suppliers would accelerate the return or clearance operations on non-performing items when business rules are established
- Sharing item volumes evolution by category by format with suppliers would enable to more clearly define business rules for new product launch, their maintenance and distribution evolution when the success metrics are reached - or delisting.
- For even improved range assortment management, advanced parameters should also be shared to strengthen the success rate of new products. For example:
  - Basket spending by Customer segment so market potential can be clearly measured
  - Evolution of categories penetration so interest of customers and trends are clearly defined
  - Pack-Size and Units Of Needs penetration evolution for exactly the same reasons

Managing assortment and ranges collaboratively doesn't mean letting Suppliers drive. It means establishing business rules (each retailer has its own), be transparent about them and share the required metrics so suppliers can collaboratively propose assortment evolutions that match

## Co-drive customer engagement

When a product is out of stock, not only does the store potentially lose a sales (unless substitution is available) and upset a customer, the brand is putting itself at great risks: it loses a final touch points with its Customer, and encourages Brands or Products switching.

We have seen already how sharing customer data can greatly help collaboration on increasing availability and assortment evolution.

But the final goal of data collaboration resides in driving sales growth and share of Wallet

During the health crisis, surveys showed that brands increased their spending in Social Media by 14% to maintain a certain visibility and acquire shopping interest. The fact is, **social media leads are much less qualified leads than what a retailer's data can offer.**

When retailers and suppliers join hands for targeted campaigns based on Customer Profile and Shopping patterns – while strictly respecting Data Privacy Laws - both of them can recapture customers attention, share of wallet and drive growth.

Such approaches also have the additional benefits of engaging Distributors in planned outcome and quantities, thus increasing products availability and improving the supply chain

## Save time on each side

At last but not least, there is so much time spent at both retailers and suppliers' side to prepare reports, count, recount and cross-check data for **Category Reviews, Business Reviews, Joint Business Plan** updates. Each of them contains so many analyses and numbers...that there is little time left to strategies and build execution plans.

Retail Collaboration Platforms such as [HPT ARIANE](#) enable you to automatically generate any type of reports. When teams meet, they already have the same data, under the same format. They already made their plans on what they have left to do is align and execute.

## Technology can be used to build new collaboration approaches

Technology and digitalization might have some shortcomings, they also create a wealth of benefits. Here below are some examples of what Digital Retail Collaboration Platforms such as HPTA ARIANE can enable retailers and suppliers to achieve

### INVENTORY

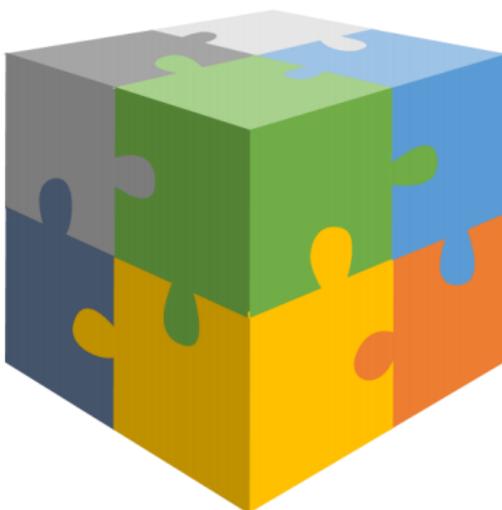
By sharing both stores and warehouse data, intelligent alerts can inform both parties as soon as specific parameters are reached

### DEMAND PLANNING

By sharing sales, penetration and spending details, demand planning can be jointly established using real and factual data.

### AI ORDERING

AI Driven replenishment algorithms are now easily available. While they cannot forecast disasters, they can align suppliers and retailers and what is the best merchandise flow based on off-takes.



### CRM

CRM data sharing delivers a wealth of insights on Shopper Behaviors for both retailer and supplier. Sharing and leveraging them delivers more profitable growth and customers loyalty.

### ASSORTMENT

Sales performances and customer shopping patterns provide a quantified reflection of the Assortment attractiveness. Data collaboration opens the door to improved management practice where speed-to-market and efficiencies are drastically increases.

### BUSINESS PLANNING

Sharing the same data, automatically generating the same reports, gives a completely different approach to Collaborative Business Planning where time and mistakes are saved.

## We help regional and family-owned companies transform their retail business to remain competitive and drive profitable growth.

To remain competitive and drive growth in a new disrupted world, new approaches are required.

Our Teams gather former retailers, consultants and technology talents. We marry retail expertise with people, processes and data to support Leaders in their Transformation Journey.

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### Capabilities

- Transformation Journey
  - Commercial Offer
  - Customer Engagement
  - Teams Development
  - Digital Readiness
  - Operations
  - Vendors Engagement
  - Advanced Analytics
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