



Retail Supply Chain Collaboration Down to the Store Shelf

A collaborative supply chain can cut costs, risks and inventory problems for retailers and their trading partners alike, in theory. In practice, it seldom works out that way. Since its advent in the 1970s, retail supply chain collaboration has had a reputation blemished by exorbitant costs, complex integration efforts and failure to deliver on its promises.

But today, new computing models and consumer behaviors have dramatically changed supply chain dynamics. Retailers and their suppliers are increasingly relying on more touch points domestically and globally to meet their end consumer needs. Consequently, the demand for enterprise communication across the supply grid has grown. Increasing the flow of better information exchange improves supply chain performance and value — a communication process that forms the core of the supply chain — linking suppliers upstream and customers downstream.

These new “supply grid” enterprises can more easily work together across domestic and international boundaries to improve sales, reduce stock-outs, increase consumer loyalty and eliminate demand uncertainties, among many other benefits.

Let’s take a look at what’s changed in the market, and examine the seven most important criteria in selecting a new retail supply chain collaboration platform.

Collaboration, then and now

A recent survey of retailers by Retail Systems Research LLC found that a majority of respondents are either in the process of evaluating their supply network, just completed an evaluation, or are just about to start one — a recognition that the supply chain model of old is inadequate to meet modern retail needs. There is a growing understanding that in order to meet consumer needs and maximize shelf value, the ability to have visibility and collaboration across a grid of connected trading partners is critical.

The old world of supply chain was often an adversarial relationship between partners. Retailers arm-twisted their suppliers to deliver products or materials at the best price. Retailers didn’t share information, and the suppliers had to take on all the risk in their pricing, replenishment planning, merchandising and logistics.

The industry developed a new business practice called Collaborative Planning, Forecasting and Replenishment (CPFR) to address this conflict. CPFR was designed to link together multiple trading partners to increase product availability to customers while reducing inventory, transportation and logistics. However, CPFR implementations have been relegated to just a few of the largest customer-supplier relationships rather than encompassing the entire market.

Market drivers

CPFR’s inability to gain traction doesn’t eliminate the need for efficient collaboration between trading partners. That’s because most retailers cannot sustain double-digit growth in sales year after year. The only way they can continue to improve profitability is by increasing their operational cash flow rather than wasting cash in excess inventory.

But, the only thing worse than being overstocked is being out of stock. The typical way to avoid out-of-stock situations was to stock up surplus inventory across all retail stores. That’s a lot of cash out of hand, as well as an excellent way to reinforce inefficiencies and lack of collaboration.



A new model to consider is one based on collaboratively managing inventory by synchronizing store and shelf-level demand and inventory across the supply chain. This allows suppliers to take control of their products' performance at retail stores. In other words, collaboration takes place directly at the store shelf level, with all trading partners having an influence on its product forecasts and potentially even the replenishment process.

This model requires more than just a retailer providing its partners with the best available POS data. Customer demand must be synchronized with supplier capabilities for optimized inventory and production. In this fashion, they can now see accurate product demand patterns and make recommendations for the planning forecast. Manufacturers can then share their planned order forecasts with key suppliers. And, the retailer benefits greatly by avoiding out-of-stock situations while at the same time increasing cash flow, maximizing promotional programs, improving gross margins and freeing up precious warehouse space and store shelf space for more profitable products.

Another key market driver for next generation collaboration is Software-as-a-Service (SaaS), made possible through breakthroughs in cloud computing. The SaaS model dramatically improves the time-to-value for retailers in two ways: faster, less expensive deployments and shorter order cycles. Whereas old-world collaboration solutions required giant capital expenditures, lengthy data integration efforts and legions of consultants, some SaaS solutions can be configured, tested and implemented in less than six weeks, and at a fraction of the cost and no up-front investment. Build it once, and you can quickly configure to support all tiers of trading partners as they join the supply chain.

Seven important characteristics to look for in a supply chain collaboration solution Considering these changes in the industry, here are seven characteristics you should look for to address these issues when selecting the right platform:

- 1) **Retail Focused** — Enterprise systems vendors that offer solutions for all departments in all industries won't have the necessary expertise and cultural awareness unique to the retail supply chain environment. Make sure your solution is built by experienced retail professionals.
- 2) **Flexibility and scalability** — Beyond offering just computational scalability, verify that your solution has the built-in flexibility needed to evolve as your needs change, including the ability to configure the platform to accommodate all levels of suppliers.
- 3) **Many relationships in one platform** — In addition to supporting all tiers of suppliers, it's critical that you're able to manage levels of relationships from a single portal. Confirm that your solution covers the full spectrum of capabilities, from POS data sharing to the complexities of collaborative, shelf-level information sharing. A piecemeal approach to functionality is cumbersome, error-prone and time-consuming.
- 4) **Collaboration at the store shelf** — A collaborative managed inventory based solution will enable your trading partners to help manage the supply chain beyond the retail distribution center, bringing true collaboration across the retail supply chain.
- 5) **Actionable Intelligence** — You and your partners will need more than just visibility into the data and supply chain; you need the ability to take quick action. It's optimal that your solution provides one-click access to detailed analyses, demand forecasting, accurate inventory recommendations and instant transactional capabilities so you can make fast decisions.
- 6) **Custom reporting** — Don't buy a one-size-fits-all approach to the programs and data. Your solution should



provide the ability to configure your reports to your daily needs, and flexible enough for you to quickly change them as your business evolves.

7) Rapid time to value — Many SaaS-based solutions offer affordable, subscription-based services with no upfront investment or specialized training required. Plus, you can get up and running in weeks rather than months.

Today's retail market is more complex than ever before. Keeping up with unpredictable demand and changing to meet consumer needs is more difficult — and more essential — than ever. Next generation supply chain collaboration breakthroughs have evolved to transform a once challenging relationship between retailers and their trading partners into a grid-connected, collaborative partnership in which inventory risks are shared and problems are solved at the store shelf level.

NeoGrid

NeoGrid, formerly Agentrics, was born from the merger of World Wide Retail Exchange (WWRE) and Global Network Exchange (GNX) — solutions created by many of the world's largest and most prominent retailers to meet their supply chain service needs.



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