



## Question:

"Collaboration" is much on the lips of CPG suppliers and retailers.

But meaningful collaboration must start with **FACTS** — solid, agreed-upon information about a mutual problem or mutual opportunity. Please name a **SPECIFIC** industry problem / opportunity that trading partners could fruitfully collaborate on, if only they had the **FACTS** (read: good information).

What facts about this problem / opportunity do trading partners typically lack? How could they obtain them? In the fact-gathering process, what role should be played by the supplier? By the retailer? What difference would / could having these **FACTS** make, in trading partner relationships and in outcome?

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**C**OLLABORATION OCCURS WHEN PARTIES ACT IN CONCERT TO ACCOMPLISH A COMMON GOAL.

While facts certainly help facilitate any working relationship, when it comes to collaboration, trust is the most important ingredient and the necessary foundation. In order for organizations to reach this level of trust required for true collaboration, they must progress through a process of *communication*, *coordination* and then *collaboration*.

A great example of this "trust before collaboration" paradigm is new product introduction and supply chain management in the CPG industry. Traditionally, the selling and purchasing of goods has been founded on basic communication. In the simplest terms, manufacturers seek to sell certain goods at certain prices. Buyers have communicated what they wish to purchase, how much, at what price, and when / where they would like to take receipt.

This basic two-way communication allows for a transaction to occur, but ultimately fails because the overall process is not efficient and the parties tend to act in a unilateral manner. Efficiency and accuracy gains have been made over the years through the use of EDI and other forms of automation, but the basic communication at the heart of this system can be wrought with errors and latency. The unilateral behavior is a product of each party talk-

ing but not ultimately *working* toward the same goal.

The journey towards collaboration next evolves from communication into **coordination**. Building on the new item and supply chain management example, all parties in the CPG industry have sought to better plan for desired outcomes by forecasting consumer needs, desires and demand. Sophisticated marketing and innovation practices have been used to develop new items and categories.

Forecasting tools have been developed in an effort to maximize the given strategies and profits. Manufacturers and retailers have benefited greatly from these disciplines and tools, but their efforts have largely been redundant and often ill-equipped to achieve the desired outcome because the underlying goals, risks and assumptions were not shared openly.

In short, the top-line goals of sales growth and profit are aligned, but the parties withhold information because of an absence of trust.

Once the involved parties understand the dynamics of their relationship through coordination, they can achieve collaboration through trust. In supply chain management, this is exemplified through joint forecasting and vendor managed inventory (VMI). In the VMI model, the retailer trusts that the supplier will ship only what is needed at the right time. The vendor trusts that the retailer will supply accurate data and execute prescribed programs (stock-

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ing, displays, new item placement, etc.).

VMI models rely on good and timely data, but would not work without the implicit trust among all parties. Granted, there are often penalties for behavior outside the prescribed norms, but ultimately a positive stasis is maintained because each party is cooperating to achieve its collective interest and shares in the risks. In terms of new item innovation, breakthroughs have been achieved when parties have co-developed ideas through sharing of information, capabilities, experiences and risk.

Ultimately, collaboration is very important and should be a

priority of CPG manufacturers because, as a working dynamic, it establishes efficient exchange and a platform for meaningful growth. As the new product and supply chain example demonstrates, companies are better served through collaboration than by acting in their own self-interests.

Data and other hard facts are important facets, but they are meaningless unless trust has been established. This trust can be achieved when companies move from communication to coordination to collaboration. Once collaborative relationships have been established, manufacturers can use this as a springboard to improved planning and integration and growth. ■



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