

It's Time to Get Strategic: Future success with shoppers require business partners, not tactical executors



Upscale department store retailer Nordstrom has been testing a program that has key product vendors drop-shiping online orders directly to consumers. The goal is to build a more efficient fulfillment system that reduces shipping times, lowers costs and offers greater product choice.

Meanwhile, Target Corp. is shipping online orders from more than 1,000 stores this holiday season, a change in supply chain strategy that not only reduces costs for the retailer but improves the shopper experience by shortening delivery times. It also helps the retailer balance out chain-wide inventory and, potentially, reduce the need for markdowns later on.

On the other side of the negotiating table, Procter & Gamble is testing MyTide.com, a website that lets consumers customize their laundry detergent by choosing their own scent, size and cleaning "boost" (like stain removal or lasting freshness). They can personalize the product even further by giving it a name. The service is currently available in four cities.

That's just one of the direct-to-consumer sales experiments P&G has undertaken. In Atlanta, the Tide Wash Club lets fans of the brand's Pods line sign up for pre-scheduled shipments — a la P&G's already national Gillette Shave Club. In Chicago, Tide Spin is a branded laundry service that includes pick up and delivery. The actions of all three companies illustrate the changing needs of today's consumers. More significantly, they also represent the radical disruption to the traditional business model that's taking place for retailers and consumer product manufacturers, and the extent to which these companies are responding in a bid to stay relevant.

There's been a lot of discussion about how pervasive digital technology and the resulting empowered consumer is requiring retailers and product manufacturers to collaborate at a deeper level — how they need to go well beyond deciding how efficiently products can be made, delivered and marketed to establish true partnerships based on:

- an intimate understanding of their respective needs and objectives.
- a commitment to leveraging any and all internal capabilities to drive mutual growth.
- a joint focus on creating real innovation that can deliver loyalty-building solutions for today's empowered consumers.



White Paper

Identifying Solutions Delivering Results

But there hasn't been much discussion about how this need for strategic partnerships should also extend in the other direction — not just throughout each organization internally, but outwardly to encompass suppliers many of whom traditionally have been considered little more than tactical providers of contracted products and services. Given these shifting retail requirements, it's no longer enough for leading companies to find supplier partners that are skilled at delivering the right “product” be it creative (Advertising/Promotion) or materials at the right time to the right place. Fulfilling the exact product specifications, expertly executing the creative brief, doesn't suffice anymore. Those capabilities are table stakes.

Today, marketplace disruptions are coming too often and too quickly to rely on the old service-based contract. Today, retailers and product manufacturers need suppliers who don't just deliver what's requested, but who can also help determine what's needed. In short, “best-in-class suppliers” can't act like suppliers anymore. They need to become strategic partners, devoting the time and resources needed to fully understand the business of their clients and the changing environment in which they operate. They need to be just as committed to growing the client's business as their own.

Nordstrom acknowledged this by acquiring a minority stake in the software firm that it's using to build out the supply chain — the underlying implication being that these changes are so essential to ongoing success that a typical supplier relationship just wasn't going to work. Such literal business partnerships aren't a requirement, of course. But retailers and manufacturers do need to reevaluate their supplier base, looking deeper than basic capabilities and skills to find partners who can deliver the innovation, the insights and the data needed to help them navigate the ongoing disruption in the marketplace.

Innovation. Now that consumer choice is almost literally unlimited in terms of both what to buy and where to buy it, innovation has become more important than ever.

Insights. Consumer and shopper behavior is evolving so rapidly that it's now impossible to develop an effective go-to-market strategy without having ongoing access to timely, accurate and actionable insights.

Data. The most vital ingredient for both innovation and insight is, naturally, information. But despite the nearly relentless streams of data that feed many areas of the consumer goods world, there are still some gaps in industry understanding.

One of those gaps is the store, where there's still no ongoing source of data to track behavior and measure programming effectiveness. Without that, assessing the impact of in-store activity remains a tricky proposition. In addition, to innovation, insights and data, true strategic partners today must come to the table with a strong compelling point of view on their client's business. A perspective that engages the client in a perspectives and approaches that brings new thinking to the table.

Are you demanding this thinking from your partners or just asking the same old questions?