

Seeing Things Differently with Advantage:

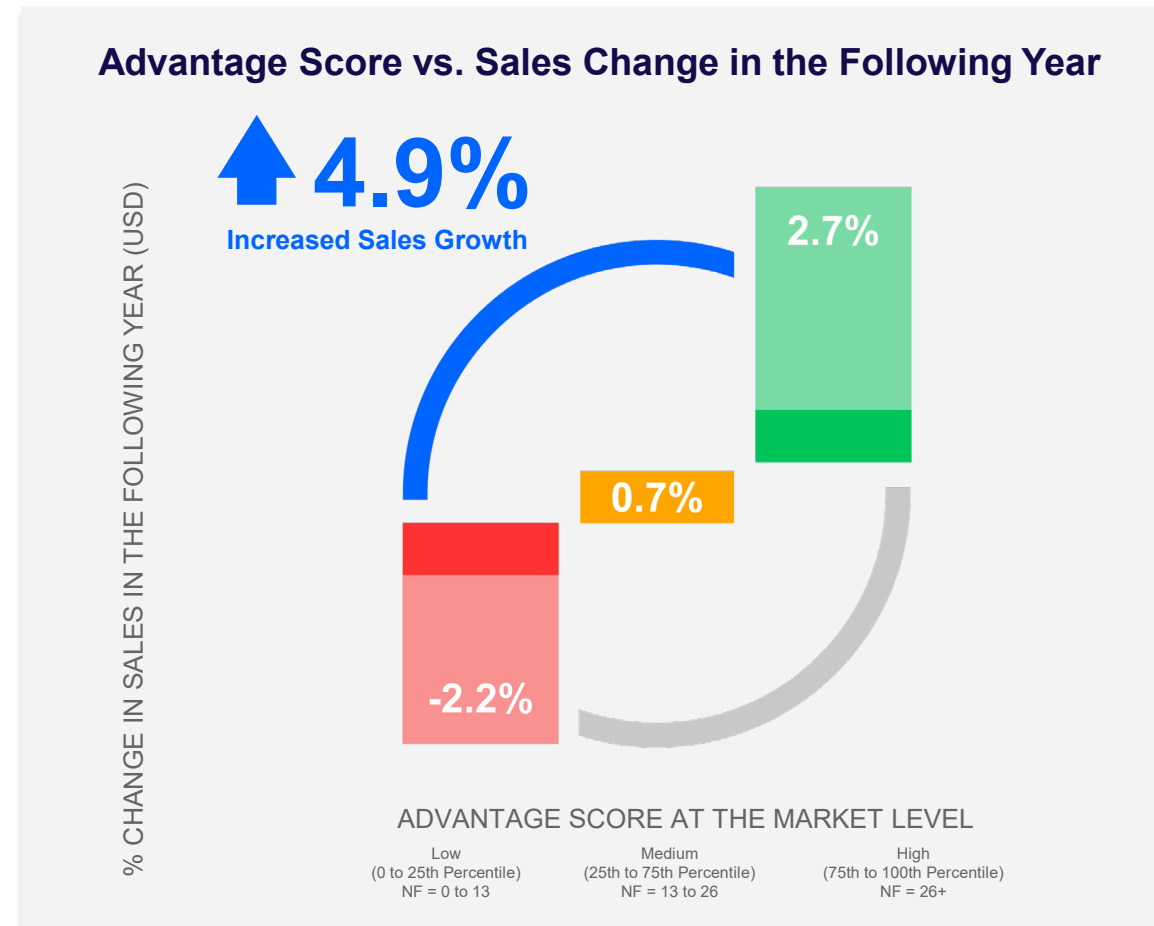
# The Importance of Aligning to your Customer's Supply Chain Metrics for Better Relationships and Business Results



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Better collaboration leads to better business results. In fact, our research has proven that high performing suppliers in Advantage Report® **achieve 5% higher sales performance<sup>1</sup>** on average in the following year, than low performers<sup>2</sup>.



<sup>1</sup>Based on Annual Gross Revenues in US Dollars  
<sup>2</sup>Analysis conducted in 2017 of 54 Global FMCG Suppliers over five years (2012 to 2016)

**Advantage** creates sustainable growth for suppliers and retailers.



In today's competitive environment, Supply Chain basics are the cost of entry; orders must be accurate, on-time and in full. To move to the next level, **you must be aligned with your Customers' metrics and bring efficient and proactive processes to improve the total supply chain**, this includes robust forecasting to prevent out of stocks.\*

If your Customer is frustrated by your ability to align with their supply chain metrics, this will greatly impact your overall relationship, even affecting sales potential. How can you open the door to collaboration and better business outcomes? The disconnect most often lies in not having the right processes in place or in failing to have the appropriate forums to exchange feedback between partners.

Advantage Report® is a 360° benchmarking and performance evaluation program based on two-way feedback that facilitates collaboration, creates more rewarding business relationships and aids in driving higher sales performance.

**Advantage can provide your teams with the guidance needed to manage success across your Supply Chain and Commercial departments. Here's how...**

\*Source: 2017 Global Scorecard Program

## Examples of **Aligning to Customer's Key Supply Chain Performance Metrics** According to Customers:



### OWNERSHIP & RESOLUTION

"They had some difficulties a couple of years ago ...and completely took ownership and turned that around. Last year, they were our top performing vendor ...and they were consistent throughout the year. They understood our requirements and went back inside their organization and executed it. ...They delivered to their commitment and their metrics on their scorecard proved it. Their operational performance, commitment and follow-through is outstanding, and it sets them apart from others."



### RESOURCING & ACCOUNTABILITY

"Our best-in-class suppliers are on top of their business. It could be that they have enough people to manage what they need to manage in all aspects of the business... Any time there have been issues, they have been very proactive in addressing those issues. There have been some things that they could have pushed back on with us. They do not come up with excuses as to why they cannot do it. They just do it for us."



### CONSISTENTLY EXECUTES

"We have always deemed them to be the benchmark. If they fall below 98 percent they are hard on themselves, whereas a lot of vendors aspire to be 95 or 96. They are one of those vendors that consistently executes. ...They know this type of delivery requires constant attention and they put the energy and the resources towards it. They know it is the cost of doing business with us, so they do not take it lightly, whereas we think others think we are just kidding about how important it is. We have nothing but praise for them on that."



### INTERNALIZES THE CUSTOMER'S METRICS

"Best-in-class suppliers own our metrics. As opposed to measuring their case fill rate, they are looking at what we want to measure like subscribed store in-stock levels, inventory turns and our on-time fill rate. They internalize and own our metrics and measure themselves that way."



Customers identify the following **positive behaviours** demonstrated by Best in Class Suppliers in aligning with their key Supply Chain metrics

These behaviours are supported by **proactively implementing practices and processes that improve total supply chain efficiency...** which includes robust forecasting to prevent out of stocks.

## Best in Class Suppliers...

- Understand our business end to end
- Internalise our metrics and align with us both strategically and operationally
- Collaborate with us and meet with us to discuss supply chain
- Are reliable such that they consistently meet or over-deliver against our requirements
- Are flexible in adapting their processes to meet our needs
- Take responsibility/are accountable for meeting our supply chain metrics
- Identify issues and take accountability to proactively solve them
- Are open to our feedback; are responsive to our requests and follow through
- Are transparent with issues and communicate them to us in a timely manner
- Implement processes that make it easier and less costly for us
- Bring sophistication and expertise to include a strong analytics team
- Are forward thinking and plan for the future
- Have the appropriate number of people resources against supply chain
- Provide us with dedicated/embedded supply chain resources including forecasting
- Compare/align forecasts with us, work with us to improve accuracy, share data, leveraging multiple sources to improve forecasting

## Examples of Not Aligning to Customer's Key Supply Chain Performance Metrics

### According to Customers:



#### LACKS CUSTOMER CENTRICITY

"They work within their own world. We are not prioritized. There is a lack of accountability. We have horrible fill rates with them. We have had a long running shipping issue that has not been fixed. They neglect this issue and push it off to the side because it does not matter as much to them. They have issues with on time shipping, fill-rate shipping and communication between data systems. They have internal metrics that they focus on more than ours... It is frustrating because they are causing us to miss our metrics goals and they seem to be okay with that..."



#### LACK OF COMMUNICATION & PROACTIVITY

"Some vendors feel it is adequate to report what is happening, versus taking action to fix the issue as soon as possible. ...We want them to give us an actual, firm date, and tell us what they are doing outside the box to get the problem corrected..... Regardless, they need to figure out a solution and take care of our company."



#### RIGID & INFLEXIBLE

"They are terrible for aligning with our key supply chain performance metrics. They are just so big they do not care. It is pretty much expected that we do it their way or that is it. They are extremely rigid in everything they do... They are not flexible in their turn time. If they are out of product, they do not want to ship the rest of the product. They only want full trucks so even if they do not have the product, they want us to wait until they can fill a truck. They are just very difficult, always asking to cancel orders or redo orders. They should try to work with us more and meet us in the middle sometimes."



If your Customers see you as letting them down in key Supply Chain practices, it is highly likely that you are exuding **behaviours that are damaging their perception of your performance** in this area.

Customers identify the following **behaviours to avoid** which will help you understand where to improve. Reference these behaviours as a guide for what 'not' to do in your business relationship.

## Poorer Performing Suppliers...

- ◆ Do not align with the way we look at performance but use only their internal KPIs
- ◇ Are only tactical providers, lacking strategic expertise and sound analytics
- ◆ Are too busy fixing the basics to take it to the next level/be forward thinking
- ◇ Do not understand our business or prioritize our needs
- ◆ Are not reliable/do not deliver with consistency
- ◇ Lack transparency and specific information regarding issues and solutions
- ◆ Are rigid and can only do it their way or are too reactive and do not take accountability
- ◇ Have structures which are too complex/have too many layers of people without clear lines of ownership
- ◆ Lack the appropriate number of people resources against supply chain
- ◇ Do not collaborate or meet with us to discuss the key issues and opportunities
- ◆ Add extra work/cost and time to us
- ◇ Do not review forecasts and/or do not leverage the tools that we provide
- ◆ Are not willing to try new ways and resort back to what they have always done
- ◇ Are not aligned internally across functions

The following **6 positive behaviours** support **aligning with your Customer's key supply chain metrics**. Critical to this is **proactively implementing practices and processes that improve total supply chain efficiency**, including robust **forecasting to prevent out of stocks**.

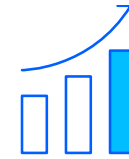
When effectively applied, these behaviours may help improve your Customer relationships and commercial outcomes.



- 1. Proactively identifies issues and provides solutions**



- 2. Is transparent and communicates issues and/or changes they are making well in advance to mitigate risk**



- 3. Takes accountability for supply chain performance; actively seeks ways to improve the process**



- 4. Collaborates with Customers in supply chain on efficiencies and forecasting**

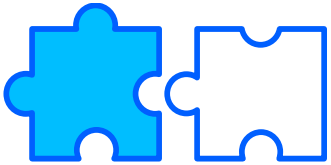


- 5. Effective planning; is on time, in full with no out of stocks due to accurate forecasting**



- 6. Provides the appropriate number, and skill sets of people resources in supply chain**





## 1. Proactively identifies issues and provides solutions

### Why is this critical?

Delays and errors in the Supply Chain process cost your Customers time, money, and reputation with *their* Customers. Supplier partners who are proactive and solutions-oriented make their Customers' lives easier and allows them to focus on growing their business rather than chasing down their Suppliers to fix issues. It is Suppliers who demonstrate these basic competencies that will establish trust and have the strongest Customer partnerships.

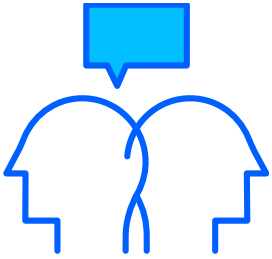
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When a matter occurs, the best-in-class companies are **proactive in identifying root causes** and, once the matter is resolved, in **telling us what they will be doing going forward** and whether they request some support from us. They are very good at being **able to analyze the impact on the business...** they will come back with what they believe are solutions to avoid those mishaps again..

**They are always there to work with us. It makes our job a lot easier.** We do not have to chase them down about anything. **They are always coming to us about issues, rather than us discovering an issue and bringing it up to them.** They are two steps ahead, always.

They **understand the customer**, the timelines and the repercussions. They **understand the expectations** of on-time delivery. If there is a problem, they do not just come with the problem; **they tell us the problem and what they are doing to fix it.** It is as simple as that. We place orders and they fill them.

”



## 2. Is transparent and communicates issues and/or changes they are making well in advance to mitigate risk

### Why is this critical?

Open communication and sharing across strategic and operational matters will elevate your standing with your Customers. The path to partnership is smoother if each understands what the other needs, is willing and able to bring to the table (and is limited by). Suppliers should lead these conversations. Communication should be both formal and informal as appropriate.

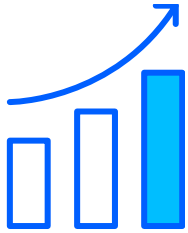
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The biggest thing with best-in-class companies is a **willingness to be open and transparent** about both the needs within their own supply chain as well as the goals that their organization has for them. When we can have those **frank conversations**, we every single time identify at least a handful of opportunities that we **can align through a core strategy** or an area that we may have worked on with another manufacturer and we can help **dig into the basic root causes** and put a **forward-thinking solution in place** as opposed to just correcting and after the fact treating the symptoms.

We think companies that are best-in-class for supply chain management have good communication. If something is going to go wrong, **they talk to us about it...** they can detail what has caused the problem and give a timeline for how long it is going to take to get back to normal. **We think communication is the number one thing we need.**

If there are issues **we get letters from them on their company letterhead** which we share with our retailers, who in turn **can communicate with the consumers at the store level.** They have been quite good at getting us the information ...putting the reasons they are out-of-stock on their letterhead.

”



### 3. Takes accountability for supply chain performance; actively seeks ways to improve the process and communicates issues

#### Why is this critical?

Bringing forward proposals to improve efficiencies and cost savings will always be appreciated by your Customers who want you to own the process, to accept accountability, and get the job done. They are looking for you to bring innovation and to test & learn from new concepts. Reporting and recommendations must be actionable and supported by appropriate context to give them the understanding and confidence they need to move forward.

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Best in class suppliers **understand** our organization's supply chain and where we are incurring expense and inefficiencies, and they **find ways for us to become more efficient** to save money in the supply chain. As an example, there may be a way to improve the way something is being shipped.

What they do really well is they **always try to improve and find efficiencies and better ways of doing things and reducing errors.**

...They take efficiency and processes very seriously, and that leads to a better performance.

Our best-in-class suppliers **are on top of their business**....There have been some things that they could have pushed back on with us. **They do not come up with excuses as to why they cannot do it. They just do it for us.**

They provide **actionable reporting** ..It actually tells us stuff that we can take action on. They will not just give us an in-stock number or a fill-rate number; they will **give us some context** around that number, which will influence what our next steps are. Generally, the context around what or why something happened is **usually what is missing from vendors.**

They are an innovative company to work with. They **are always willing to try new things and experiment** with our processes.... They are **willing to be flexible** and innovative and **they are not be locked into one way of doing things.**

”



## 4. Collaborates with Customers in supply chain on efficiencies and forecasting

### Why is this critical?

Collaborating with your Customers in Supply Chain brings efficiencies, helps reduce costs, creates agility and improves performance – in addition to fostering an easier working relationship. Your Customers want to know you are looking at Supply Chain from their point of view as well as your own, and are willing to step up to help them. They want you to demonstrate flexibility and follow through on what you say you will do.

“

From a leadership perspective, best-in-class suppliers provide the support to really **enact change...** We can **collaborate with each other to be agile** to identify those areas of waste and come up with creative solution to drive those inefficiencies out.

The best-in-class companies are concerned about **not only their own efficiencies but also the needs of the customer...** As an example, one of our best-in-class suppliers was concerned about their efficiencies not being met, and they gave us data to show how they could improve their efficiencies while still supplying our needs. That is really supporting our needs.

They are able to **compensate for our supply chain's inefficiencies...** for example, when we run out of inventory they are able to provide inventory to our distribution centre.

They will adapt and **adjust their supply chain methods** to meet what is best for both of us. They do this by having **regular meetings...they provide a lot of the leg work for us through their supply chain team.**

They are a great partner and collaborative company to us. They had some difficulties a couple of years ago from a supply chain performance standpoint, and **completely took ownership** and turned that around...They **understood our requirements** and went back inside their organization and executed it...They **delivered to their commitment** and their metrics on their scorecard proved it. Their **operational performance, commitment and follow-through is outstanding, and it sets them apart from others.**

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## 5. Effective planning; is on time, in full with no out of stocks due to accurate forecasting

### Why is this critical?

Planning involves alignment not just operationally but strategically. Your Customers expect you to be well planned, to have robust processes around forecasting (a real time process down to store level) – they want to be able to trust your forecasts. They want the focus to be about driving the business forward not putting out fires because of inadequate planning.

Demonstrating future thinking is also where the best in class suppliers are winning.

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The biggest thing that a company that is best-in-class for supply chain does is **engage strategically**. We are not talking about putting out fires or chasing individual POs....**the majority of the time the focus is spent on what the overall engagement looks like...it is a very future-focused** .. as opposed to reacting to shifts, changes, and new issues.

**They make plans with us, not just on today's business, but for where we are going in the future.** They have a lot of **sophistication** from a supply chain standpoint. There are a lot of things that they do that **we can leverage to help us change the way in which we work**. We approached a number of vendors recently, looking at end-to-end supply chain and what the supply chain of the future looks like. Because of their sophistication and some of the strategic work we have done with them, they were one of the vendors that were included in that.

The forecasts that they send us **can be trusted to be within a few percent** of what we actually sell. It **saves us time that they have accurate forecasting**. When we run a promotion, they send us their forecast. We validate it, but we know that after a year, we could probably get away with not even validating it at all. **They just have accurate forecasting**.

Best-in-class companies in the supply chain area know their **forecasts on a weekly** ..not just at a high level but **at a store level as well**. As long as vendors know what is happening in **real time in real stores** and they have all **the data available**, that is what is going to make them better than the others. At a high level, they need that understanding; at 30,000 feet, they need to know what the weekly forecast is and then plan for it at about the 200 foot level where they can see how the stores are for stock.

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## 6. Provides the appropriate number, and skill sets, of people resources in supply chain

### Why is this critical?

Best in class Suppliers will embed resources into the Customer, and have leadership invested in their Customer's business. Higher levels of engagement means a greater understanding of the mutual supply chain process and where the opportunities for improvement are. This fosters collaboration and sharing to uncover even greater opportunities. Suppliers who adopt the Customer's processes achieve higher levels of alignment.

“

Best-in-class companies invest in **not only supply chain partners, but they invest in supply chain leadership**. .... where we see the best-in-class are the ones that have **team members that are trying to be more proactive** and come up with solutions to make next year better and make more money for both companies involved. Those are really where we have the most collaborative relationships

All the processes we have put in place to fix availability and strike rates, **they have grabbed onto them and put resources behind them**. ..We made a portal available to vendors on pricing and **they are on the portal every day**, checking to ensure no orders are rejected and whether there are pricing issues or bar code issues, etc.

Best-in-class suppliers **invest in more resources**. We have vendors who have **dedicated, specific resources** to the supply chain side of the business and who are really engaged...understand where to find those hidden costs and find that hidden money, and how to ensure they are getting the shelf presence and execution they need.

Best in class suppliers provide us with **dedicated resources centered around supply chain** initiatives and performance. Those teams that we collaborate effectively with we **usually have a group of individuals from them that we can share and bounce ideas off of and work to create new initiatives**. They will **take the lead** in organizing the initiatives, **ensuring they have the resources on our end**, providing follow-up on where we are at and what we are working on as well as communication.

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It is recommended that you closely evaluate how you are perceived by your Customers. They will appreciate and reciprocate your willingness to develop weak spots in your business relationship.

In combination with your Advantage Report® feedback, you'll find **the following checklists** insightful in improving how your Customers view your ability to align with their key supply chain performance metrics and being proactive in bringing efficiencies to supply chain (inclusive of accurate forecasting).

# There Are Always Opportunities To Improve.

## 1. Your Checklist for: **Aligning to Customers' key supply chain metrics**

- Are you intentional about understanding and aligning with your Customers' key supply chain metrics?
- Are you reliable in consistently meeting or over delivering on Customer requirements?
- Are you flexible in adapting your processes to those of your Customers to meet their needs?
- Do you have the appropriate number and skill set of people in Supply Chain?
- Do you meet regularly with Customers about Supply Chain to make them feel like they are a priority?
- Do you identify and communicate issues in a timely manner and include relevant internal and external teams to ensure transparency?
- Are you open to feedback and responsive to Customer suggestions?
- Do you consistently respond with a sense of urgency to Customer inquiries and provide proactive solutions?
- Do you provide all relevant details regarding an issue so the Customer can assess the risk potential?
- Do you take ownership of Supply Chain problems and come forward to resolve them instead of making excuses?

## 2. Your Checklist for: **Proactively implementing practices & processes to improve total supply chain including a robust approach to forecasting**

- Are you forward thinking and do you plan for the future in Supply Chain with Customer needs in mind?
- Do you proactively work to improve the total Supply Chain?
- Do you have a level of Supply Chain sophistication that allows your Customers to leverage their strengths against your own?
- Are you willing to test and learn in the Supply Chain?
- Do you lead change and innovation in Supply Chain by collaborating with your Customers at a strategic level?
- Do you have a strong analytics team to support forecast accuracy, planning, and optimization?
- Do you consistently monitor stock at a high level to manage overall inventory as well as day to day to stay in-stock?
- Do you collaborate on forecasting with your Customers?
- Do you fine-tune forecasts to make them more accurate?
- Do you work on forecasts well in advance to help Customers maintain their lead times and other requirements?
- Do you share tools and actionable data from multiple sources to prevent errors and make forecasts more accurate?
- Do you actively resolve issues internally without involving or impacting the Customer?
- Do you provide dedicated forecasting resources to support your Customers?



# Want to Know What your Customers think About your Business on This Practice?

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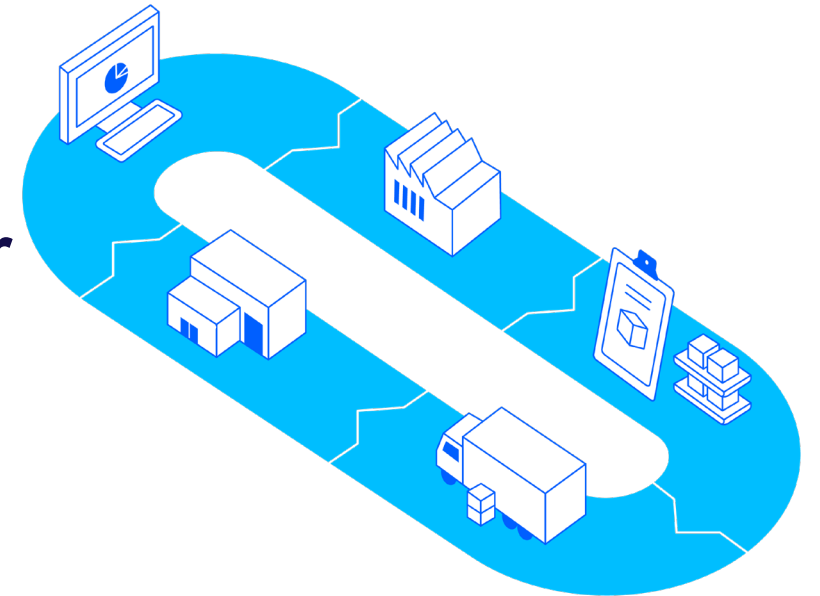
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