White Paper

GCI: New Ways of Working Together

Preparing our People for Change

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Preparing Our People for Change

Contents

The views and recommendations expressed in this paper are exclusively those of Childs Davidson Limited.

References to collaboration between trading partners envisage that this involves only vertical relationships between manufacturer/retailer pairs and specifically does not encourage collaboration between competitors.

Any decision to act in part or full on the recommendations in this paper is at the discretion of individual companies.

Companies must take their own counsel to avoid discussion of margins in a way that might come close to resale price maintenance or discussions regarding competing brands and own label products.

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Preparing Our People for Change

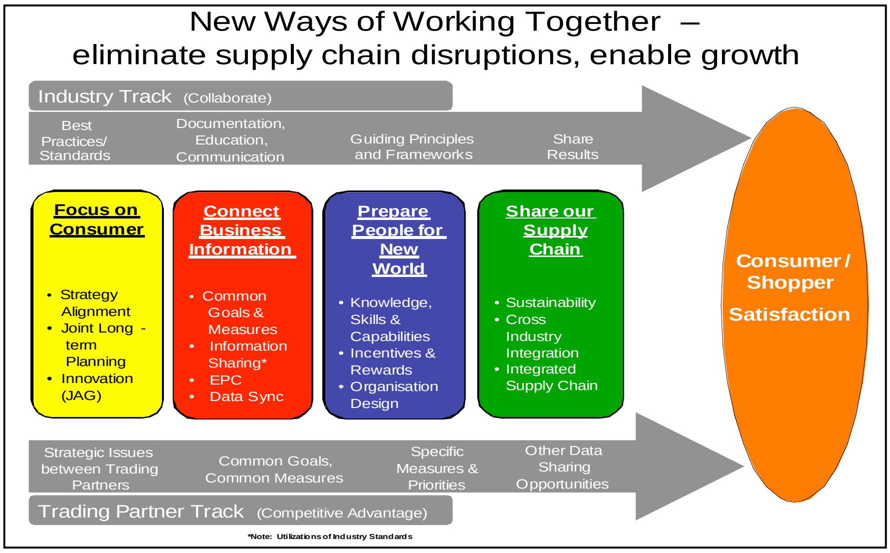
Introduction

In May 2006, the Global Commerce Initiative (GCI) launched a project to understand the forces that will affect our industry over the next 10 years.

The purpose of the project was to create a vision and enable dialogue among industry participants to understand how the industry should address or influence these forces in order to assure long-term success. Based upon the identified trends and forces, the purpose was also to define key areas where vertical trading partners should collaborate in order to manage the value chain in 2016.

In the conclusion of *"2016: The Future Value Chain"* the Board of GCI issued a call to action and launched three projects to help shape the future of the consumer goods industry.

New Ways of Working Together was one such project. Consistent with its name, its purpose was to develop new ways for vertical trading partners to work together – including sustainable changes in culture, collaborative business planning and new measures and rewards.



New Ways of Working Together is about business transformation to better satisfy the consumer and shopper. It offers a framework for getting alignment and commitment on four key strategic choices in the collaboration of trading partners. The main focus of this work is on *Preparing out People for the New World*. Clearly, this envisages the need for a step changing in the way organisations approach structures, skills, rewards, and incentives.

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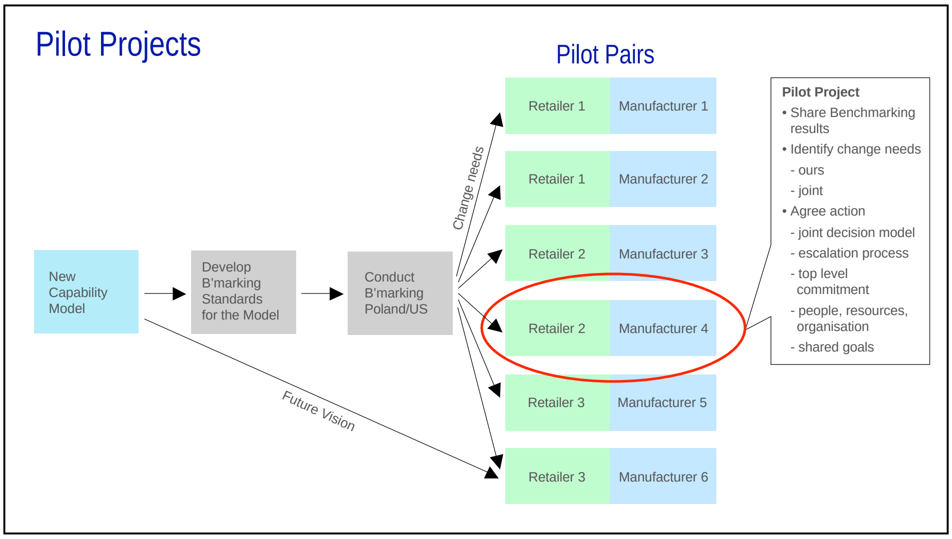
Aim of this Paper

This *White Paper* was commissioned by the project team as a foundation set of ideals upon which such change could be built. Its intent is to provide independent expert advice on how a *New Capability Model*, focused on collaboration to serve the consumer, should look.

Early on in this project it was decided that the *Prepare Our People* project would be best served by piloting *New Ways* in Poland and the US. This would provide a focal point for evolving new behaviours and a testing ground for the *New Capabilities Model.*



The purpose of this white paper is therefore twofold:

- firstly, to identify the common barriers to effective people-interaction between vertical trading partners as a basis for finding ways to overcome them;
- secondly, to propose a new model that describes the organisational capabilities needed to align people within the goal of serving consumers.

It was also agreed that, although the pilot would consist of bilateral undertakings between pairs of trading partners, an industry-wide benchmarking study could provide a useful start point for determining the capability changes needed. The model described in this white paper will form the basis of that benchmarking study.

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Key Findings

The recommendations contained in this paper are a synthesis of inputs from 15 Retailers and Manufacturers at top management and operations levels. The barriers raised by both groups are, at first glance, quite different but, on close examination, remarkably similar. For example, Account Managers pushing their own brand volumes and Buyers pushing their own percent margin goals both reflect a failure to *Focus on the Consumer* caused by disconnected, single-purpose goals.

Before detailing either the barriers or a new model, three key observations need to be made:

1. Focus on the Consumer: Although this is the core purpose of the New Ways project, few Retailers and even fewer Manufacturers have worked through what such a commitment means to vertical trading partner collaboration. Clearly, in this context, *Consumer* means the *Shoppers* in each Retailer's stores. Yet most Manufacturers have only recently started to think about shoppers as a more distinctive form of consumer and, hence, a key driver of marketing and category strategy. Furthermore, brand strategy and brand innovation are even less tailored to shoppers because marketing methods and research have been directed towards a more general view of consumer segments.

The commitment to only doing those things that serve shopper satisfaction (the right products and a positive shopping experience) is very challenging for Manufacturers in particular, whose common instinctive response is defensive: *"how can I ensure that my own company's interests are protected?"*

A similarly bold commitment by Retailers is more obviously on-strategy for them, but no less challenging in cases where profit and assortment are driven by aggressive buying practices, and where they are not good at differentiating their offer to shoppers.

In both cases, the answer to the self-interest concern is quite simple. In a truly shopper-focused environment, Manufacturers will win if their efforts deliver better value, more relevant solutions than their competitors. Retailers can count on them striving to do so if target shoppers are well understood and if the benefits to both trading partners are mutual and sustainable. Moving to this new platform will require a higher level of trust than commonly exists at present. Finding and demonstrating the value of this new level of trust will be a key dimension of the pilots. Factors that facilitate it have been accordingly built into the Capability Model.

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One manufacturer offered a case study of how this can work in practice. In a sluggish category in one market, they led a major rethink of assortment and merchandising. The result was a 10% increase in their own sales, against a category average of 3%. Incidentally it also led to a 20% increase in their main competitor's sales. They counted the project a success because it better aligned the category to shopper needs and exposed the weaknesses in their own strategies, which had previously been masked by distortions in category strategy and spending.

2. Fragmented, functionally siloed goals: For both Retailers and Manufacturers there are two quite distinctive types of organisation structures. A *Functional* structure on one hand and an *Integrated* structure on the other.

Consider the following scenario:

- *a brand manager develops his/her brand and range strategy based on maximising and protecting brand equity and achieving profit targets. The aim is national distribution, with little or no reference to shoppers and Retailers;*

- *the sales manager uses a promotional budget to push volume targets, with only loose reference to brands and profit. He/she uses category data to support the case for maximising distribution and uses all available means to push weaker items into distribution;*

- *buyers, with little or no shopper reference point make their choices about listings on short-term financial grounds rather than on enhancing the attractiveness and relevance of the store to shoppers. The result is the acceptance of many items that clutter the category and add little benefit for shoppers;*

- *in ongoing category reviews the merchandising manager may decide to retain weaker items, also on the grounds of short-term turnover objectives. The result is that they remain on shelf far longer than they should and assortment is compromised.*

At virtually no point in this scenario is the shopper placed at the centre of considerations, because each of the decision makers has a narrow, single-purpose goal, typical of a *Functional* structure. The common features of such a structure are:

- the separation of each functional task;
- task-based accountabilities;

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- internal competition between functions to resolve priorities;
- the reconciliation of functional goals very high in the organisational hierarchy being well removed from day-to-day decisions;
- front line decision-makers seeing only partial outcomes of their actions.

By contrast, the main features of an *Integrated* structure are as follows:

- cross-functional integration of front-line decisions;
- accountabilities that mirror enterprise goals;
- functional goals that share a common core;
- internal collaboration used to resolve priorities;
- front-line decision makers seeing the whole outcome of their actions.

During interviews for this white paper, it was very apparent that the Manufacturers and Retailers who are making real progress towards collaboration to serve shoppers had all adopted an *Integrated* structure.

3. Goal alignment between vertical Trading Partners: When the project team discussed this at its November '07 meeting in Paris, consideration tended to focus on how to align profit and growth objectives. However, in retrospect, the discussion probably started at the wrong point. Had it started with *Shopper Satisfaction* in mind, the emphasis would have more appropriately been on the question: *"how can we measure attainment of this goal, whilst aiming for mutual benefit for vertical trading partners?"*

For this restated question, the answer seems more obvious. If *Satisfaction* can be achieved through *the right products* and *a positive shopping experience*, then the key performance indicators should be:

- category growth, overall and for target shopper segments, because growth will only occur if shoppers are attracted to stores and motivated to buy;

- margin $ and %, because individual margin targets can only be achieved if category growth occurs hand-in-hand with price optimisation for shoppers;

- share of national category, shopper's wallet, shopping missions and total basket, to ensure that success against all of the other shopping options is being achieved;

- retailer brand equity, in terms of its value image and shopping experience, to measure the long-term impact on shopper satisfaction.

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Furthermore, in line with earlier comments about organisation structure, these should remain an integrated set of KPIs pursued by category teams on both sides of the trading relationship. Clearly, trading partners are more likely to achieve goal alignment at enterprise-to-enterprise level than through the artificial distortions caused by single purpose, functional goals. By applying integrated goals at operational level choices and trade-offs are made in full knowledge of how results balance out.

Common Barriers

We asked those interviewed to outline typical barriers to effective collaboration, both in their own behaviours and in those of their vertical trading partners. As noted earlier, the observations made by Retailers and Manufacturers are quite consistent. A summary of the main *Barriers*, their implications and potential solutions is shown in Attachment 1. Their numbering is for ease of reference and does not imply order of priority.

Most barriers are a consequence of misaligned or disconnected goals, poor transparency and information sharing, and a lack of trust. The lessons from this work have been incorporated, along with participant views on required capabilities to support New Ways of Working, into the New Model.

A New Capability Model

As with *Barriers*, many of the proposed *Capabilities* for Retailers and Manufacturers at first look different. This makes sense because, after all, the tasks of each differ markedly. However, this too is deceptive since, at the points where the two organisations meet, *Capability* requirements are closely linked.

The following sets out a framework for a *New Capability Model* under seven dimensions of organisational effectiveness. This is also shown graphically in Attachment 2, along with more detailed explanations.

We should stress here that the model, in its conceptual form, can be adopted or adapted by both Retailers and Manufacturers. Its practical application to each will differ, however, because the respective roles and tasks will be different under several of the headings.

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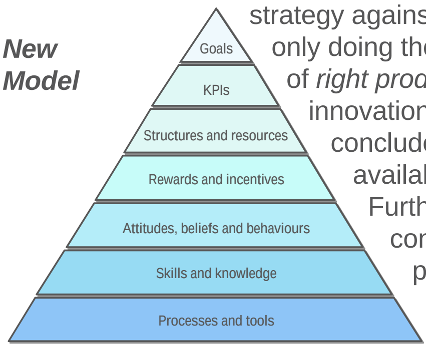
For example, *Flexible about shopper solutions* raises different issues for each partner because each controls a different, albeit linked, part of the value chain that creates solutions.

The consequence is that the detail of the model and, hence, the related benchmarking standards will be different for Retailers and Manufacturers.

The seven element format is proposed in order to establish a bridge between the capabilities identified and the theme of *Prepare Our People*.

Goals: As noted earlier, vertical trading partners need to place shopper satisfaction at the centre of all considerations. This will mean justifying all strategy against this ideal and, wherever possible, only doing those things that enhance it. The notion of *right products* should commence with innovation and *consumer* category strategy, and conclude with the right assortment being available on shelf at the right price. Furthermore, *positive shopping experience* contains many facets on which trading partners should collaborate.

New Model



Key Performance Indicators: A set of KPIs was described previously that aims to define the goal of *shopper satisfaction*. These need to be seen as an integrated, indivisible set governing the choices made by operational decision makers in their daily work. However, to be effective, they must also be embraced at an enterprise level and supported by all functions.

To be viable, KPIs will need to provide the potential for long- and short-term mutual benefit, whilst also creating sustainable *shopper satisfaction*.

Structures and Resources: It is not the purpose of this paper to describe in detail an ideal organisation structure for vertical trading partner collaboration, as every corporation has its own particular style and preferred model. However, the principles for this are clear in those companies who are succeeding. Empowered, cross-functional category teams on both sides seem to offer the best vehicle for effective collaboration on joint business strategy. These teams need the authority to act fast to grasp opportunities, have the resources to conduct analysis, plan and execute trials and undertake joint initiatives, and be accountable for overall business results, as noted in KPIs above. Furthermore, team leaders on both sides need to be well-rounded executives with the experience and skills to act as business managers.

Preparing Our People for Change

Rewards and Incentives: Most companies agree with the axiom that *you get what you measure*. If shopper satisfaction, along with its associated KPIs, is to be placed at the centre, then reward systems will need to be realigned to match. The new model has three *hard* reward dimensions: hard-wiring to KPIs, a balance of long- and short-term focus and integrated (and perhaps weighted) outcome rewards; and one *soft* dimension: *cultural norms*.

Some of the Retailers interviewed appear to have quite a strong cultural commitment of satisfying shoppers, which is evident in their corporate goals and the linkage between this and business strategy. Many others on both sides will need to take steps to ensure that revised KPIs are genuinely enabled by a sympathetic culture.

Most companies agree that the biggest challenge is striking a balance between long- and short-term goals. Here, the distinction between private and public companies cannot be ignored. The short-term reporting pressures of the latter can push them off-strategy at times. In such cases, the *Terms of Engagement*, including an escalation process, may be used as a steadying influence where possible. Top management will need to play a key role in ensuring that teams exhaust options for creative (jointly developed) solutions to overcome weak commercial results before compromising longer term KPIs for shopper satisfaction and equity.

Attitudes, Beliefs and Behaviours: This goes to the heart of the New Ways project, representing one of the key challenges for any pilot. Existing practices within and between vertical trading partners are self-reinforcing, reflecting a long evolution of styles, skills, behaviours and beliefs about what works and what any individual might see as a successful personal strategy.

The key behavioural characteristics needed to support the New Capability Model include:

- a desire to create long-term, sustainable relationships;
- recognition of and willingness to work collaboratively and a belief that joint effort is necessary for success;
- a mindset that supports the need to constantly search for efficiencies in order to improve value to shoppers;
- a willingness to question existing practices so that flexibility in shopper solutions can be maximised;
- a willingness to trust and to remove those things that undermine it.

Preparing Our People for Change

Companies participating in the pilot will need to assess the suitability of existing personnel in light of these considerations and be willing to introduce new role models where appropriate. Top management will also need to provide unambiguous leadership in sponsoring these new behaviours, including willingness to invest in training and coaching if necessary. Companies that already have some demonstrated success in this regard say a strongly branded, structured program endorsed at the highest level can offer significant change momentum. Carrefour's *Masse de Marge* program is a good recent example of this.

Finally, all involved should recognise that embedding new behaviours is likely to take some years and require sustained commitment from top management. This will necessitate some tolerance for failure and preparedness to openly examine lessons and make changes. The proposed benchmarking study is intended to give initial impetus to change by acknowledging strengths and recognising areas of weakness.

Skills and Knowledge: Most companies already have elements of the required skills somewhere in their organisations. Manufacturers are increasingly investing in shopper research and using the insights to develop shopper solutions. Many of them also have long experience with disciplined use of globally consistent methods and tools. Many Retailers are also quite advanced in defining shopper segments and aligning strategy to them.

Both sides will need to reassess current skill levels, particularly in Poland, and enhance these where necessary. The use of shopper insights to develop creative shopper activation may need further support. Furthermore, some new joint processes are needed, as noted below, and training/coaching in their use will be required.

Processes and Tools: One could argue that this area is out of scope for the *People Plank*. However, since processes and tools are, in effect, embedded know-how, they are also critical to any change strategy.

Most of the process elements listed could, in practice, be rolled into the *New Decision Model*. However, they have been shown separately for the sake of clarity and to provide a basis for benchmarking existing capabilities.

The emphasis here should be on redesigning end-to-end use of information and insights to create the most relevant, cost-effective shopper solutions. This requires knowing in advance how decisions are made and what information is needed at each stage to ensure that objective *shopper logic* is consistently applied.

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Next Steps

By the time this paper goes into general circulation within GCI, it will have been scrutinised by the project team and by legal counsel.

Ultimately, its acceptance and application as a working model in Poland, the US and anywhere else will be a matter for individual pairs of vertical trading partners.

In May/June 2008, the Model will be translated into a detailed benchmarking study initially intended for Manufacturers and Retailers in Poland and the US. GCI will encourage companies in these markets firstly to join the benchmarking study and then to consider forming pilot projects with selected vertical trading partners.

The GCI project team will continue to work on providing support and tools to participants and to establish the means for ongoing shared learning from this work.

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Attachment 1

Barriers and Their Consequences

Barriers and Their Consequences

Barriers	Implications	Solutions
1. One-dimensional or single point KPIs. For example, buyers accountable for % margin only or Account Managers accountable for volume only.	• Creates tall organisational *silos* where trade-offs between competing priorities (e.g. volume and profit) are too aggregated and politicised and too remote to aid day-to-day choices. • Account Managers may be pushing unprofitable volume or protecting unwanted items. • Buyers may be excluding items that enhance total profit or innovations that enhance shopper satisfaction.	• Integrated KPIs that reflect core enterprise goals and allow trade-offs and choices between competing priorities in day-to-day decisions. • Create alignment between team and individual goals on one hand and enterprise-level goals on the other.
2. Manufacturer brand strategy and Retailer own label driven by brand objectives, not category and shopper needs.	• Can produce innovation and assortment that does not anticipate category needs and does not enhance the offering to shoppers. • Can mean that both spend precious resources pushing unwanted items or items aimed at occupying shelf space. • Results in category development and merchandising strategies that aim to retrofit brands to categories. • The obvious self-interest displayed by these behaviours undermines trust between trading partners.	• Introduce category-based marketing focused on consumer and shopper needs as a platform for brand and shopper strategy. • Ensure that only those product innovations that enhance categories (for consumers and shoppers) attract investment.
3. Poor Retailer compliance disciplines.	• Usually reflected in only partial execution of head office programs at point of purchase. • Manufacturers invest heavily in programs, including advertising, only to see them poorly executed. • Tends to undermine commitment to JBPs.	• Introduce more disciplined policy direction for programs. • Align store-level incentives in cases where store autonomy is key to the Retailer’s management strategy. • Agree Manufacturer support activity at POP where appropriate.

Barriers and Their Consequences

Barriers	Implications	Solutions
4. Protracted annual contract negotiations.	• Get in the way of JBP because negotiations become a threshold for collaboration. • Tends to be a zero-sum game, with both sides battling over the last cent, rather than focusing on growth. • Reinforces adversarial relationships, with players on both sides invested in the conflict. • Reflects distrust by Retailers who need to be satisfied they are getting a fair deal.	• Integrated KPIs that don't just focus on price. • Manufacturer efforts to build trust, including measures to show that pricing and terms are fair. • Commitment on both sides to end negotiations quickly in favour of JPBs that deliver growth.
5. Relationships distracted from collaboration by single negative issues	• Impact similar to that of protracted negotiations. • Symptomatic of poor escalation process and unproductive conflict.	• Set *Terms of Engagement* that place value on the wider collaborative process. • An effective escalation process.
6. Lack of Manufacturer price transparency	• Undermines trust, increases Retailers' anxiety that their competitors may be getting a better deal. • Means Retailers feel the need to aggressively negotiate until they are satisfied no $ left on the table. • Suspicion reinforced by evidence such as *diverting* in the US, caused by uneven pricing.	• Create price transparency mechanisms for individual trading partners.

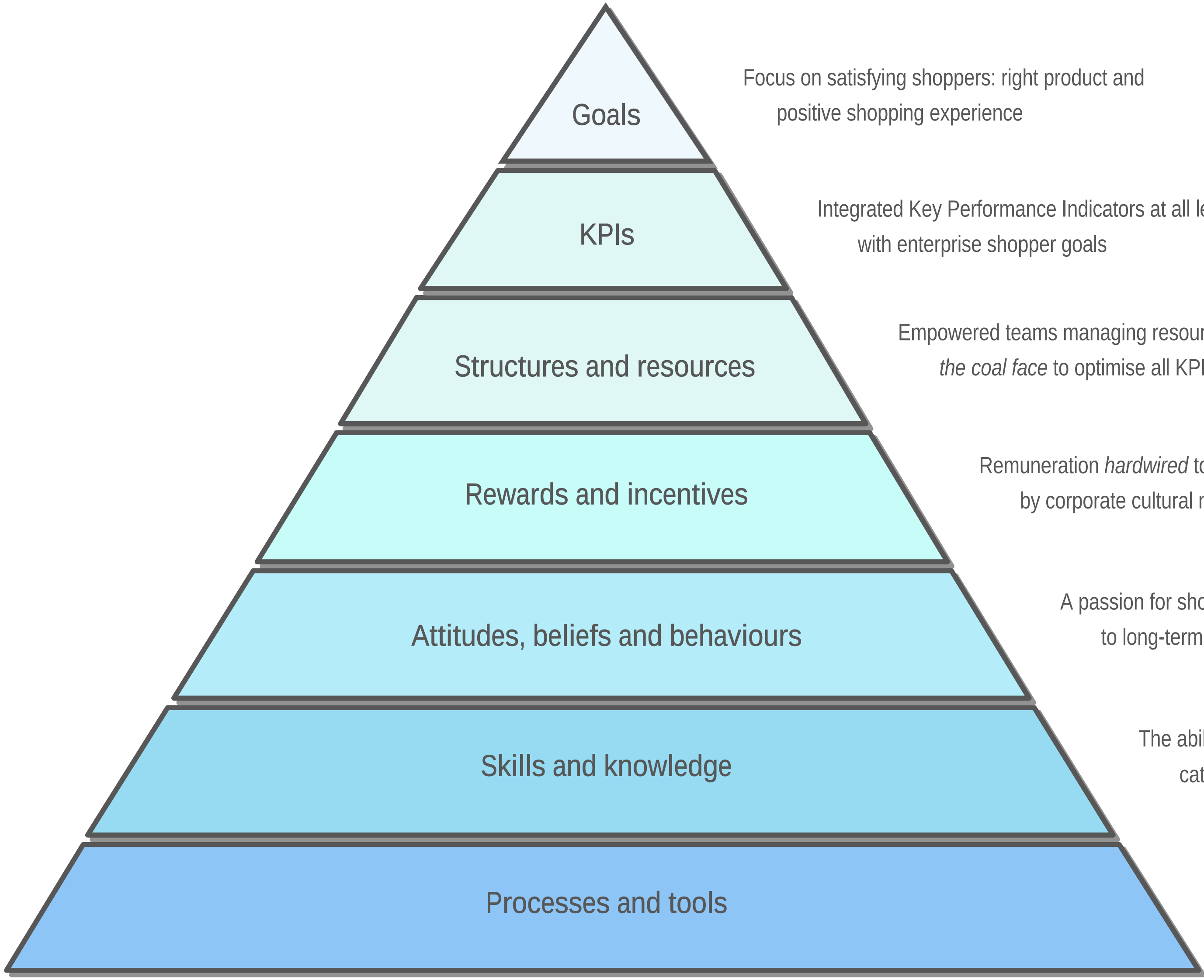
Barriers and Their Consequences

Barriers	Implications	Solutions
7. Lack of end-to-end logistics cost transparency	• Poor or unshared information on logistics costs make joint strategy on cost/efficiency improved difficult to identify • Uneven principles on the notion of reducing costs to benefit shoppers resulting in constraints and inertia on large scale investments in efficiency improvements.	• Resolve principles for ongoing logistics cost reduction sharing that provide incentives for investment. • Make logistics cost truly visible between vertical trading partners

Attachment 2

New Capability Model

New Capability Model



Focus on satisfying shoppers: right product and positive shopping experience

Integrated Key Performance Indicators at all levels that align with enterprise shopper goals

Empowered teams managing resource trade-offs *at the coal face* to optimise all KPIs

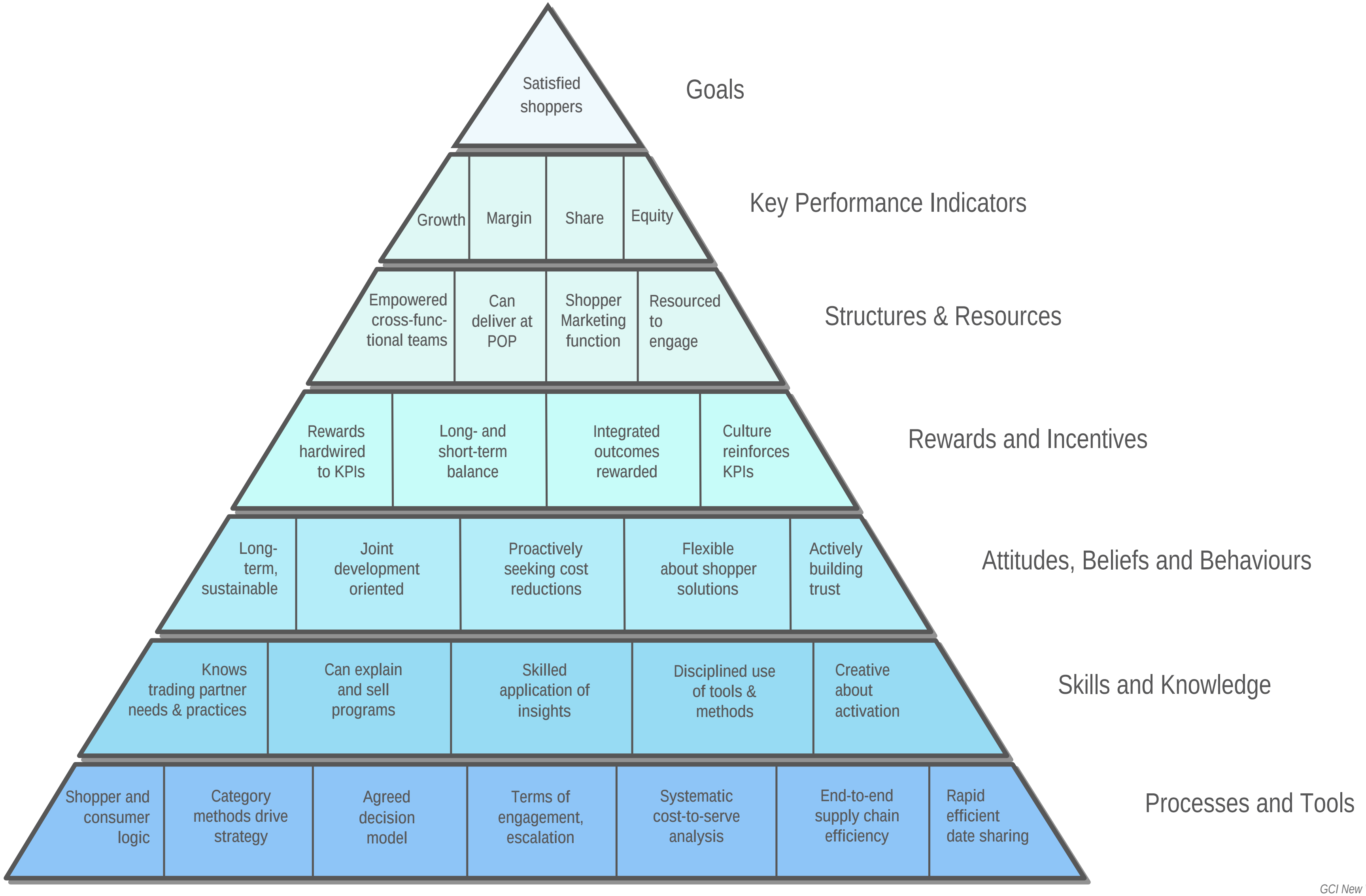
Remuneration *hardwired* to KPI outcomes, reinforced by corporate cultural norms

A passion for shopper satisfaction and a commitment to long-term joint value creation based on trust

The ability to apply shopper/consumer insights to shape categories/brand innovation and deliver efficient supply

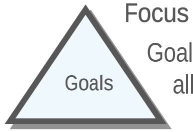
Transparent, stable decision model that embeds all of the forgoing in joint ways of working

New Capability Model



New Capability Model: Notes

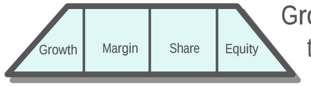
Goals



Focus on satisfying shoppers: right products and a positive shopping experience.

Goal shared between trading partners, used as a core ideal against which all strategy is tested.

Key Performance Indicators



Growth: Includes overall category growth and growth in target shopper segments.

Margin: Expressed as dollar and percentage margin but with preferred emphasis on the former.

Share: Should include four dimensions covering share of national category, shopper's wallet, shopper missions and category share of basket.

Equity: Is a longer-term measure of the strength of relationship with target shoppers. It is recommended that this be expressed via tracking of shopper perceptions about value and the shopping experience.

Structure and Resources

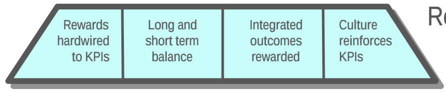
Empowered cross-functional teams: An important dimension of integrated business management practices. The aim is to bring together the necessary skills and knowledge at the point of interface between trading partners. Teams need authority to respond quickly to opportunities, and accountability for business results.

Can deliver at Point of Purchase: For Retailers, this means genuine empowerment of their category teams to commit programs and in-store strategy plus consistency of systems to achieve high levels of compliance. For Manufacturers it means capacity to support timely execution at store level.

Shopper Marketing Function: This is given specific mention here because this expertise is new and evolving on both sides. For some it means investment in a new organisational resource plus research budgets and analysis tools to facilitate significant elements of the Skills/Knowledge and Processes/Tools noted later.

Resources to Engage: Necessary to overcome a frequently mentioned deficiency: insufficient resources to carry through developmental initiatives at category level. Clearly, the success of any Pilot will partly hinge on participants investing appropriately to make it work.

Rewards and Incentives



Rewards hardwired to KPIs: All Companies have their own remuneration philosophies; some very results-based, some not. Within the confines of such philosophies, companies need to establish the maximum possible direct connection between KPIs and rewards. For those with conditional bonuses, the connection is relatively simple. For those with emphasis on base salaries, the connection will need to be reinforced through performance reviews.

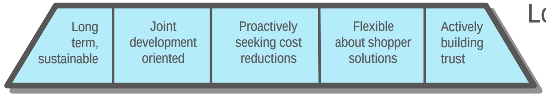
Long- and short-term balance: most recognise the need for three year development plans, yet rewards are commonly linked to short-term results. The recommendation here is for three year staging of KPIs, with rewards linked to continuity of results across the plan period.

Integrated outcomes rewarded: Even in organisations with tightly defined KPIs, people quickly learn which of them are career critical and which are not. To overcome this, the relativities between the recommended KPIs should be *baked* into scoring ratios or formulas. This should ensure that their integrated nature is clearly communicated.

Culture reinforces KPIs: The communications and ongoing internal dialogue surrounding this program need to reinforce the belief that soft rewards, like career opportunities, are aligned with stated KPIs.

New Capability Model: Notes

Attitudes, Beliefs and Behaviours



Long-term sustainability: Behaviour principles should emphasise the concept that trading partners are important to each other's success, and sustainability means being able to rely on mutual, long-term benefits. By definition, this means resisting the temptation to exploit each other for short-term gain. Top management on both sides will need to demonstrate low tolerance for such behavior.

Joint Development oriented: This will mean overt receptiveness to ideas and inputs from trading partners, and a willingness to recognise and tap into the collective expertise pool.

Proactively seeking cost reductions: Whilst the operations people on both sides (manufacturing, logistics, store operations) are typically well attuned to ongoing cost reduction efforts, commercial people are not . Since the main linkage between trading partners is managed by the latter, cost reduction has not always been a core priority for trading relations. This issue will need to be addressed in the way respective teams think about JBP.

Flexible about shopper solutions: Large corporations have inevitable, built-in rigidities resulting from the pursuit of scale and efficiency. This element calls for recognition that such behaviours can be at odds with the *Shopper Satisfaction* goals. Companies in both sides will need to be willing to question current practices and find ways to be more responsive to shopper needs.

Actively building trust: All acknowledge that more trust is needed if true collaboration to serve shoppers is to be achieve. This element recommends specifically putting trust on the agenda and accepting responsibility for creating if. Companies will need to examine their own conduct and eliminate behaviours that risk undermining trust with trading partners. This point emphasises the fact that trust is about *us* not *them.*

Skills and Knowledge

Knows trading partner needs and practices: This element requires both sides to become more expert in the other's business. Manufacturers are generally better at this for understandable reason. Effective interaction between cross-functional teams will be enhanced if trading partners make efforts to learn about each other.

Can explain and sell programs: Manufacturers, in particular, express the need to gain recognition and tangible benefits from the investments they make in Retailers. Both sides need to be effective in communicating their programs and priorities to the other. This calls for quite advanced consultative selling skills aimed at overcoming the risk that programs could fail, despite having merit, simply because the message was poorly sold.

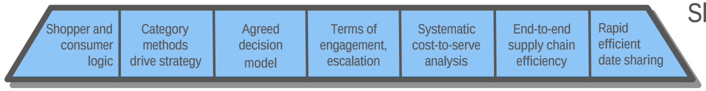
Skilled application of insights: This is an evolving area of know-how for both Retailers and Manufacturers. Its importance should be self evident, given the core focus on shoppers. However, insights alone are not useful unless those involved are capable of efficiently applying them to create shopper solutions. This process will be aided by an agreed new decision model that embeds the need for shopper insights.

Disciplined use of tools and methods: An agreed set of joint methods will form the basic language of collaboration. For this to work smoothly, training of those involved will be necessary. This should aim to develop consistency of understanding about how those tools and methods are applied and trust in the outputs they produce.

Creative about activation: Traditional trading relationships between account managers, buyers and merchandising managers are not noted for their creativity. Companies will need to find ways to supplement category teams with the kind of ability normally associated with brand management or creative third party agencies. Of course some will already have this in the form of an advanced shopper marketing function. Others will need to upgrade this capability. The capability is particularly important if Trading Partners are to succeed in working together to create value-adding programs for shoppers.

New Capability Model: Notes

Processes and Tools



Shopper and consumer logic: This element emphasises the need for methodology to embed shopper and consumer rationale in all decisions about business development. The logic flow will start with target shopper segments and use insights about shopper and consumer need-states as a critical input to category solutions.

Category methods drive strategy: Often, the marketing process within Manufacturers starts with brands, not categories. Such companies may have a wealth of consumer knowledge, but this tends to be brand-centric. A category-based approach starts with consumer and shopper needs, to which brand strategy is then aligned. The resulting brand and innovation initiatives are more likely to be compatible with category strategy at Retailer level.

New decision model: This will bring together the various elements of data, insight, analysis tools, conceptual modeling tools and decision principles into a well understood whole, where timing and roles of key players are defined and agreed.

Terms of engagement and escalation: These must set out the principles governing how trading partners will interact. The aim is to provide more certainty as a basis for trust, and to ensure that individual personalities or situations are not permitted to derail the larger, constructive relationship between two enterprises. In particular, the escalation procedure will provide top management on both sides with ultimate control over the quality and effectiveness of interaction between teams.

Systematic cost-to-serve analysis: The options for improved logistics efficiency are not easily known due to lack of data transparency. Improvements in ongoing visibility in this area are a necessary element of the constant search for improved shelf replenishment and cost reduction.

End-to-end supply chain efficiency: Building on visibility of cost data, trading partners need to engage in understanding how the supply chain works as a total system for efficiently replenishing shelves and work jointly on ways to optimise it.

Rapid, efficient data sharing: This element is already a major undertaking as part of the *Connect our Business Information plank* and is mentioned here for the sake of completeness.