



# Not Just More Collaboration... *Better* Collaboration

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# McKinsey and the Trading Partner Alliance (TPA) have partnered to develop new insights on collaboration



## What we've done

- Surveyed **70** retailers & manufacturers
- Interviewed **~30** industry executives and experts on collaboration
- Incorporated insights from over **25** studies on collaboration
- Developed model to quantify the value of collaboration

## Who we've spoken to\*



\*sample of companies



# How we define collaboration in this context



## We are less focused on...

Regular interactions between partners; or ad-hoc initiatives not explicitly integrated within the companies' business plans

## We are more focused on...

A set of joint initiatives with shared accountability and targets, which go above and beyond the normal course of business and can lead to significant long-term impact

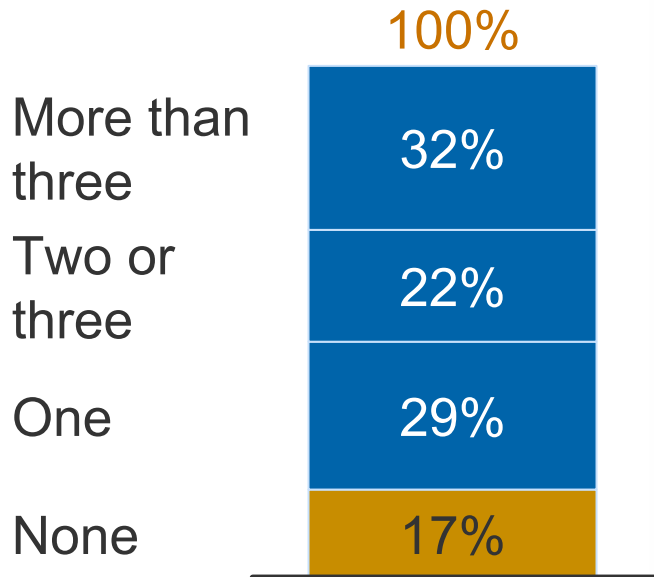


# We won't urge you to collaborate; you're already doing it

83%

of companies engaged in collaboration efforts last year

# of collaborations last year



SOURCE: 2011 McKinsey TPA survey, 2010 CCM survey, McKinsey analysis

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# However, most collaborations don't achieve the expected results



**~80%**

added  
little or no value

**~20%**

produced  
**significant results**

**Are collaborations really worth the effort?**

SOURCE: 2011 McKinsey TPA survey, 2010 CCM survey, McKinsey analysis

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# The size of the prize from successful collaboration is large...

up to  
**4** p.p.

Increase in EBIT margin  
for **retailers**

up to  
**5** p.p.

Increase in EBIT margin  
for **manufacturers**

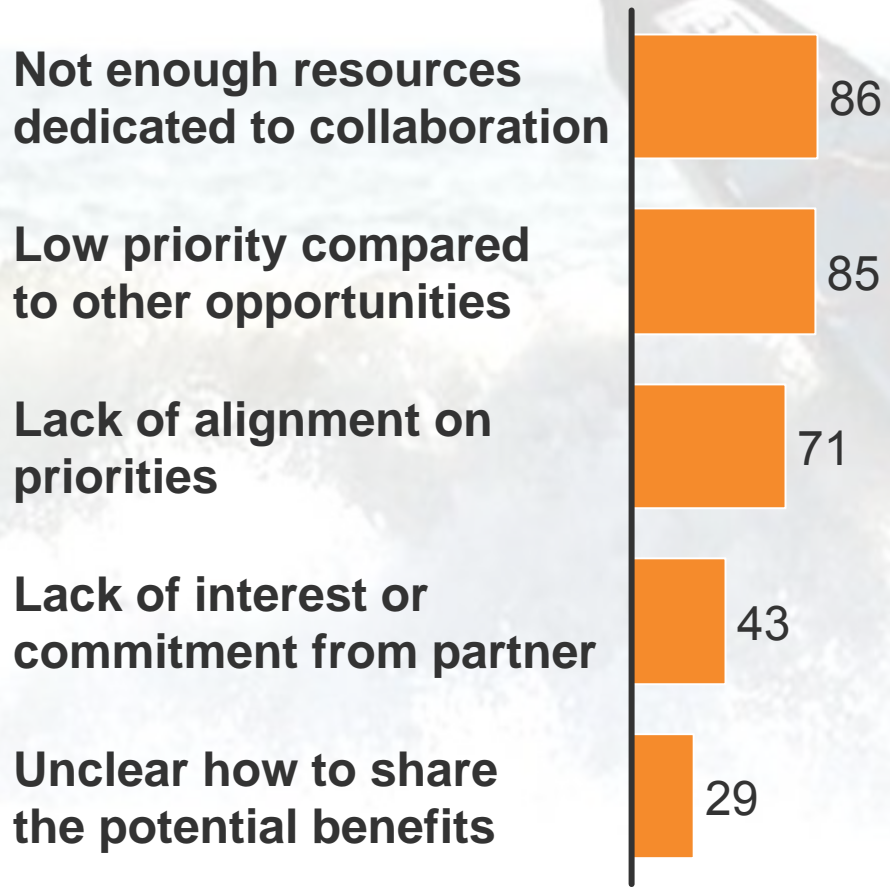
**\$8-12 bn.**  
*EBIT value  
for industry  
given areas where  
collaboration applies*

... so don't give up trying!

SOURCE: McKinsey analysis, industry interviews

# What makes it so hard? – Top reasons cited for collaboration failure

## % of Retailers



## % of Manufacturers

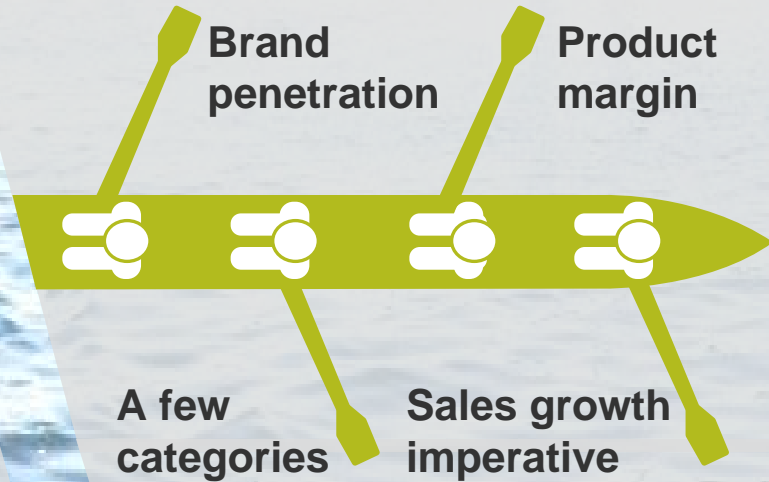
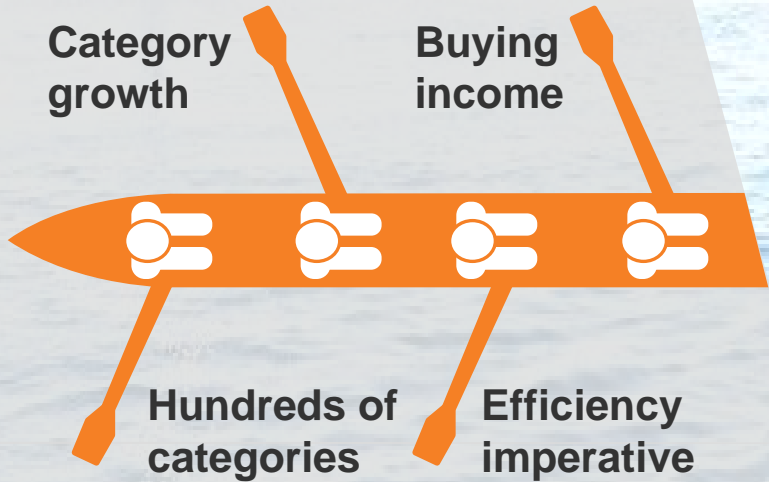


SOURCE: 2011 McKinsey TPA survey, McKinsey analysis

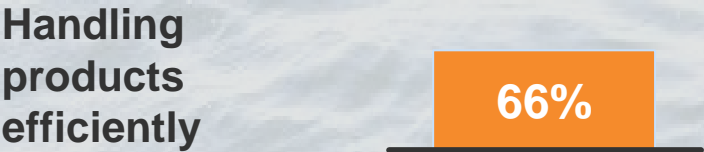
# Transformation in one company is challenging, let alone across several

## Retailers

## Manufacturers



### Willingness for future collaboration



SOURCE: 2011 McKinsey TPA survey, McKinsey analysis



# The industry needs a new approach



What to collaborate on

Whom to collaborate with

How to collaborate

## From...

## To...

- Collaborating in *response to deficiencies*
- Choosing only *win-win* opportunities

- Collaborating in *areas where you have strong fundamentals*
- Turning *win-lose to win-win* through benefit sharing models

- Selecting partners mostly based on *size*
- Planning *“top-to-top”* without aligning frontline

- Selecting partners on *capability* and *strategic alignment*
- Aligning incentives and *engaging “top-to-bottom”*

- Adding initiatives to already *fragmented resources*
- Giving up or declaring victory *too quickly*

- Investing in *dedicated infrastructure* and *people*
- Committing to *long-term* actions and jointly *measuring impact*



# Improve the odds by focusing on areas of highest value



\* Estimate limited to category expansion opportunities  
SOURCE: McKinsey analysis, industry interviews

# Select the right model to address asymmetry of costs and benefits

## Sharing Models



Collaboration costs and benefits similar for both parties and recognized individually



Transfer of costs and benefits to equalize incentive for both sides to collaborate



Joint benefits pool created and used to sustain collaboration effort


# Taking collaboration further: what should we do as an industry?



## Examples of opportunities

- Common performance metrics
- Standardized data and IT processes
- Retail-ready packaging
- Innovative/digital marketing
- Transport efficiency
- Reduce unsaleables
- Staying ahead of quality and health standards
- Rapid recall exchange

# Not just more collaboration... Better collaboration

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- **Why is collaboration an imperative for industry leaders today?**
  - **How do you think about what partners to collaborate with, and what areas to collaborate on?**
  - **What factors have you seen drive success or failure in collaborations?**

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