By Jeff Doucette

Retailers are from Venus. Vendors are from Mars.

MAKING BOTH SIDES HAPPY AND PROFITABLE IS HARD – BUT WORTH IT.

I recently saw a great post on LinkedIn from Manjit Minhas the co-founder of Minhas Brewing and star of CBC's Dragon's Den. It said something to the effect of "Marriage is hard. Divorce is hard. Choose your hard. Obesity is hard. Being fit is hard. Choose your hard… Life will never be easy. It will always be hard. But we can choose our hard. Pick wisely."

This really resonated with me and got me thinking about the current state of fee increases being communicated by retailers and the reaction of the vendor community to those increases.

No doubt, 2020 has been a very hard year and there are very few businesses that have not needed to change their go-to-market strategy. Without delving into whether the retailer fees are right or wrong or whether the industry needs a code of conduct or other regulation, I want to focus on the areas where retailers and vendors really have aligned interests and how these two groups, which may seem diametrically opposed right now, really have lots of common ground to find a solution.

It's clear that the new reality of the Canadian shopper means that expenses are on the rise for retailers and offsetting those cost increases with fees is the "easy" fix to spread the pain across the vendor community.

It's also clear that the vendor community has had its own struggles through COVID-19 with demand surges and production interruptions, declines in foodservice revenues and reduced consumption in categories that consumers use less of when they are staying at home (like make-up and even deodorant).

The common ground for retailers and vendors lie in these three key areas:

SHOPPER/CONSUMER FOCUS

By ensuring each time the shopper walks into the store they have an experience that is positive and "on-brand" is key to loyalty; and loyalty means profitability for the retailer. This is not about every retailer trying to be a premium retailer. This is about retailers staying true to their brand with the service, products and promotions that they put forward to the shopper.

If I am shopping at a discount banner, I expect big brands at great prices, a wide selection of store brands and a "cheap and cheerful" shopping experience. When I go to a traditional supermarket, I expect great service, unique products and an enjoyable shopping experience. The reality is that many shoppers are visiting a range of stores in the same week based on their needs and adapt their expectations to the retailer they visit. This is where vendor teams can really collaborate with retailers by understanding the retailer brand and shopper mindset, and bringing category management, promotions and new products that are aligned with the overall retailer brand and the shopper expectation for shopping at that banner.

By not trying to force or buy access for products and promotions into a retailer that are not a fit, and instead aligning offerings with the retailer brand, we can drive loyalty and reduce the inventory and shopper marketing costs associated with programs that are not aligned to the retailer brand.

INNOVATION

One thing that we have learned in the past nine months is that Canadian consumers are looking for small pleasures to improve their lives as they spend more time at home together. New product innovation got lost in the initial stock-up surge as the industry worked just to keep essentials on the shelf. Now we see the shopper looking for ways to make the meals they prepare at home taste a little better, or for ways to make Friday movie night a little more like the big screen experience, by upgrading their snacks.

Innovative new products that meet consumers "where they are at" will always be profit generators for both retailers and vendors. By supporting product innovation in their stores and highlighting it to the shopper effectively through display, retailers will generate greater sales and profits on these higher margin items. Success in innovation means that vendors have more resources to support their base businesses as their brands grow. Working together to bring relevant innovation to shoppers is a win-win.

EXECUTION

I have left the most important and the most difficult until last. The reality is that any store check will expose a laundry list of fundamental errors in execution that are holding back sales and profits for retailers. High levels of out-of-stocks on-shelf, missing displays that vendors have paid dearly to ensure placement and slow distribution of new products are a constant source of aggravation for vendors and are a lost profit opportunities for retailers.

In working with several U.S.-based vendors, the common thread in our discussions has been how shocked they are at the huge gap in execution in Canada versus the major grocery players in the United States.

Vendors pay millions in execution-based fees to retailers and often they do not get what they pay for. This is why the incremental ask for fees is facing push back. If I am not getting value for what I am already paying, why would I consider paying more? Retailers need to ensure they can deliver on their execution promises and be held accountable for execution much like vendors are held accountable for supply chain metrics like fill-rate. There is simply too much money at stake to continue to turn a blind eye.

By collaborating on improving the shopper experience, driving innovation and nailing execution there will be more profit for both vendors and retailers to share and stronger business fundamentals for both sides.

Execution is hard. Negotiation is hard. Choose your hard. Pick wisely. ●

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