

Managing Retail Vendor Relations for Competitive Advantage

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Retailers looking for a competitive advantage must find ways to optimize their vendor relationships. The optimization of this relationship, using software to manage and track vendor brand promotions and approvals, is the key to gaining the marketplace advantage.

The primary challenge to today's vendor management is its inefficiency. A recent study shows that 27 percent of U.S. retailers use some type of automated document routing technology¹. For retailers not leveraging such technology, promotional or merchandising changes may take days to complete rather than just hours at top retailers. As one retail participant put it, "time is critical in our business, and the slow-down of getting decisions made, partly due to information chaos, is costly and increases the cost of poor quality."² This inefficiency consequently generates multiple challenges for the retailer.

The sheer volume of pricing and promotional changes can overwhelm retailers. For a retailer with scores of brands and numerous retail and online stores, this volume leads to increased costs of managing the changes. The costs rise when human errors and delays lead to re-working of vendor promotions. Time and complexity are added to the sales cycle, inventory is bloated and carrying costs increase. As a result, consumer satisfaction and the retailer's competitiveness are reduced. The retailer without a vendor management system is at a disadvantage to retailers using such a system to automate and manage vendor promotions.

Inefficiency in the absence of automation drives the adoption of vendor management solutions. The retailer's need to improve the speed and accuracy with which promotions can be executed is crucial to being competitive. The faster changes to pricing and promotions can be fulfilled the shorter the sales cycle, and carrying costs are reduced. This improvement in service delivery translates into improved customer satisfaction levels and reduced costs. Gaining the advantage through speed, accuracy, shorter cycle times and better customer satisfaction should have non-automated retailers considering the Dayhuff Retail Vendor Management Solution (RVMS).

The Association for Information and Image Management (AIIM) quantified these adoption drivers in a survey of their membership³. Among the key findings of the survey were that "productivity of administrative staff can be increased on average by 33 percent" and "better decision-making and less re-work" of activities could improve productivity 25 percent. Customer service levels rose 33 percent.

Implementing a vendor management solution requires selecting a strong partner. User resistance, data storage and tracking the promotions should be considered when selecting a vendor management partner.

Employees who are not as technology savvy as others may resist adoption of a vendor relationship system. Employees need to be involved in the development process and properly trained on the new platform to help overcome this issue. A second consideration is to ensure

¹ "Capture and Business Process," AIIM Industry Watch, 2010.

² "Capitalizing on Content: A Compelling ROI for Change," AIIM White Paper, 2011.

³ "Capitalizing on Content: A Compelling ROI for Change," AIIM White Paper, 2011.

a process for data storage and archiving. Implementing a vendor management solution without a data storage plan can lead to data clutter, including e-mails, documents and marketing collateral. It must be organized and accessible to be useful. A third and vitally important consideration for retailers is tracking all the pricing and promotional changes in order to capitalize on trade funds from the vendors. If the retailer cannot track and validate the execution of vendor promotions, then these funds are at risk.

Retail vendor management from Dayhuff offers retailers a versatile and efficient mechanism for managing vendor pricing and promotional changes. Built on an IBM platform, Dayhuff's RVMS implementations have a 96 percent customer satisfaction rating. The RVMS removes the paperwork from business processes associated with marketing activities. Vendors submit requests for pricing and promotion changes to a secure website. Electronic approval signatures are gathered while the system routes documents to administrative staff. Vendors can validate that logos are used correctly and that products are merchandised according to specifications. The results of such an implementation are shorter sales cycles, improved inventory turnover and greater market competitiveness.

Managing retailer-vendor relations for competitive advantage requires retailers to understand the advantages of automation technology for promotions and merchandising. Frost & Sullivan believes the Dayhuff RVMS solution could be a competitive advantage for retailers not currently using a vendor management system. The efficiency that such a system delivers for collection, distribution and execution of promotional changes will help retailers improve their market reaction time, customer satisfaction and their financial results.

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