

# Retail Vendor

## PERFORMANCE MANAGEMENT BULLETIN

### Research on State of Retailer-Vendor Supply Chain Relationships is Back

First in 2015 and then again in 2017, Supply Chain Digest undertook a major study on a number of issues related to the supply chain relationships of retailers and vendors.

We've just launched the 2019/20 version of the biannual study, which will be released in January 2020.

What is the state of retailer and vendor/supplier supply chain relationships today? Is it getting better and more collaborative - or heading the other way? What are the trends in chargebacks and deductions? Is the focus on improving supply chain performance - or something else? How is omnichannel commerce changing the game?

The study will look at all these questions and more. It promises to again be a excellent piece of research that will add a lot of insight to the consumer goods to retail value chain. The previous

studies have been widely cited in industry articles. Key to the insight is a survey of both retailers and vendors – and we need your help.

You can access the survey at this link: [www.scdigest.com/state\\_retail\\_vendor\\_2020.htm](http://www.scdigest.com/state_retail_vendor_2020.htm).

In the near future, we will send all respondents a copy of the survey results aggregated across all respondents. We know you will find it valuable.

All responses are strictly confidential. That means there will be no results reported/discussed/etc. at an individual company or respondent level. These results will be reported at an aggregate level across all respondents only. We guarantee it.

We've launched the 2019-2020 update of this bi-annual study, which will be released in January 2020... And we need your input!

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### Industry News Round Up

**Compliance Expert Says Many Retailers Shooting Themselves in Foot; Gartner Says Retailers Need to Partner with Vendors to Go "Circular"; Amazon Changes Stance on Shipping Low Cost Items**

**Compliance Expert Says Many Retailers Shooting Themselves in Foot**

Consultant Normal Katz is perhaps the most recognized authority on vendor compliance, not only in retail but in other sectors as well. A few years ago, Katz authored the book *"Successful Supply Chain Vendor Compliance."*

Katz is in favor of vendor compliance programs – but often criticizes retailers for compliance programs he views as too often inefficient or overly punitive.

He picks that theme up again in a recent article in the academic *Journal of Supply Chain Management, Logistics and Procurement*.

There, he argues the stakes have never been higher in getting compliance programs right, given the challenge retailers face and the pressures of omnichannel commerce.

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### Traverse Systems Corner:

**Compliance Networks Is Now Traverse Systems!**

Compliance Networks has achieved a full rebrand to Traverse Systems, an interdisciplinary team of supply chain professionals whose platform drives a unified understanding of your entire supply chain. The rebrand comes as Traverse Systems expands its offerings beyond retail.

Now, the company will begin to also offer comprehensive supply chain solutions for wholesale distributors, grocers, digitally native vertical brands, and suppliers.

"We made the decision to rebrand because the supply chain world is changing rapidly. As our current customers know, Compliance Networks no longer encapsulated the entirety of our value. We've grown and expanded the capabilities of our technology platform over the course of the last two decades," says Greg Holder, CEO of Traverse Systems.


"Our solutions go far beyond compliance: they give customers bidirectional visibility into their supply chains. We chose Traverse Systems because it elegantly explains our core competencies: traversing across various systems to drive a unified view of the supply chain."

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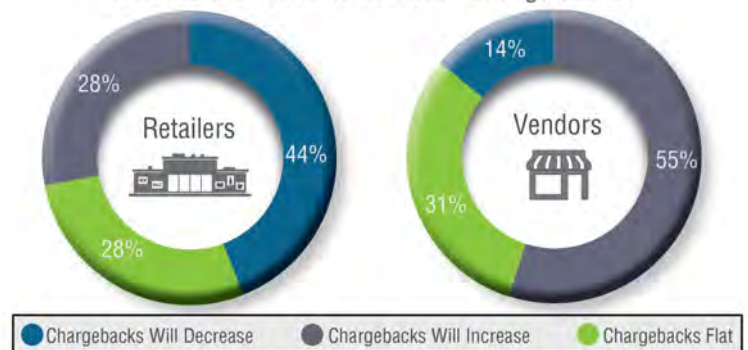
## Research on State of Retailer-Vendor Supply Chain Relationships is Back (continued)

On the right is a graphic from the 2017 report, for which we asked both retailers and vendors for their views on relative to the always controversial subject of chargebacks, and the results and comments were quite interesting.

As shown in the chart, 28% of retailers said their chargeback levels were growing, whereas vendors saw things a bit differently, with 55% indicating they were seeing rising chargebacks.

We weren't quite sure how to reconcile those two data points in 2017. Regardless, a higher percentage on both sides said chargebacks were rising than in the 2015 study, where 36% of retailers and 51% of vendors saw chargebacks levels increasing. 

What is the Trend with Retail Chargebacks?



### What changes will we see in this year's results?

To have a report, we need survey respondents! Please help the cause and receive useful data in return.  
Access the survey today by visiting: [www.scdigest.com/state\\_retail\\_vendor\\_2020.htm](http://www.scdigest.com/state_retail_vendor_2020.htm).

### Traverse Systems Corner: Article title (continued)

The Traverse Platform aggregates data from disparate systems to drive a unified understanding of entire supply chains. Its core capabilities and benefits include:

- **Reduced Supply Chain Days** – Identify opportunities for continuous improvement, resulting in a reduction in supply chain days.
- **No Integration Needed** – Minimal data wrangling and zero integration to get started. You provision access to the necessary data, and we handle the rest.
- **Business-Speed Performance Monitoring** – Fully automate identification and reporting on events that disrupt the flow of merchandise and add avoidable costs that reduce overall profitability.
- **Automated and Manual Auditing** – Robust suite of supply chain audit tools automates reporting and streamlines your communication with trading partners.
- **Out-Of-The-Box Collaboration Tools** – Align your entire partner ecosystem towards meeting your goals.
- **Fortress-Level Data Security** – Reduce security concerns and overhead of on-site data centers with secure IT hosting of client applications and hardware, including foolproof backups of critical business data.

Built upon the core capabilities of the Traverse Platform, Traverse Systems' industry-specific supply chain solutions transform the operational center of any business from a cost center into a margin contributor. Each vertical solution – built on the core platform that

Traverse Systems' customers have long relied upon – leverages sets of tools that address industry-specific challenges. The

Traverse System team can also build custom solutions to fit any organization's unique needs.


“We're excited to extend our solutions to verticals outside of retail, where our technology can provide immediate value,” said David Watts, CFO of Traverse Systems. “At the same time, I want to ensure our existing customers that our platform provides the same functionality as it always has. At the end of the day, we're still the same team you've relied on day-in and day-out for over 18 years.”

To learn more or get in touch, please visit [traversesystems.com](http://traversesystems.com).

### About Traverse Systems

Traverse Systems is an interdisciplinary team of supply chain professionals. Our platform drives a unified understanding of your entire supply chain. For 18 years, we have served some of the world's most respected brands including CVS, Burlington Stores, PepBoys, Tractor Supply, Kohl's, and more.

In an era when competition is fierce, mistakes and miscommunication are acute sources of risk. Meanwhile, supply chains are more dynamic than ever. Markets and consumer expectations are changing rapidly, and old operational models are breaking under the pressure. Our job is to mitigate those risks with technology and expertise that optimizes performance and execution. We get business partners to peak performance and keep them there.

Our platform aggregates data from disparate systems and provides a holistic understanding of your operations so that nothing is left to chance. Traverse Systems is proudly based in Sugar Land, Texas. 

## Industry News Round Up (continued)

For example, in the article Katz writes that often vendors are late shipping to retailers because compliance requirements are unclear and/or vendors cannot get quick and accurate answers to their compliance questions.

If requirements were crystal clear, he says, “Vendors can self-correct,” improving compliance and reducing the staff needed to support compliance programs at retailers. Katz is especially critical of standards relative to EDI communications, where he says retailers often push issues with limitations of their own internal systems on to vendors.

Interestingly, Katz cites research finding consumers want “better products” at physical stores to get them to frequently visit. Katz says those new or innovative products will often come from smaller vendors – but those companies often struggle operationally and financially from overly complex or unclear requirements that cause relatively high chargebacks and frustration.

Retailers “can do better and create a winning strategy,” Katz says – starting with taking a good look in the mirror. We’ve barely scratched the surface of all that’s in this article, some of which we suspect retailers will take issue with – but should read anyway.

The Journal itself requires a subscription to access, but a copy can be obtained from Katz at [normank@katzscan.com](mailto:normank@katzscan.com).

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## Gartner Says Retailers Need to Partner with Vendors to Go “Circular”

Earlier this year, the analysts at Gartner released as always its top 25 supply chains list, and then later, its top 25 retail supply chains rankings as well.

The top supply chains are based on a formula that includes the financial metrics of sale growth, return on assets and inventory turns; rankings from about 40 Gartner analysts and a “peer group” of about 150 supply chain professionals; and a score for Corporate Social Responsibility.

One ramification from that formula is that only public companies are considered, in order to have access to the financial numbers. Gartner also has a minimum revenue threshold of \$10 billion, so only very large companies are considered.

*The retail top 10 supply chains for 2019 include:*

- Amazon – in a special “Masters” category
- Inditex, parent company of the Zara and other banners
- Starbucks
- Alibaba
- Walmart
- H&M
- Home Depot
- Gap
- Best Buy
- Target
- Kroger

As part of the discussion accompanying the list, Gartner cites “leveraging partner ecosystems” as a key theme across retail top 25 companies.

This is especially true for pursuing “circular economy” strategies, Gartner says, referring to the emerging practice of focusing on recycling and re-use of the materials and components in products sold to consumers.

Vendors almost by definition have to participate in retailer circular strategies. Gartner cites the example of Gap and H&M, along with Burberry, HSBC, Nike and Stella McCartney, which have signed on as core partners to the “Make Fashion Circular” initiative. This was established by the Ellen MacArthur Foundation in an effort to get the fashion industry to radically redesign its operating model and become more circular.

At H&M, circular initiatives have already gained significant traction, Gartner says. One of the most successful is its garment collection program that focuses on keeping products and materials in use for an extended period. This works by incentivizing consumers; for example, in the US shoppers receive a 15% discount off their next in-store purchase if they drop off used garments from any brand at an H&M store. In 2018, this led to the equivalent of over 100 million used T-shirts being provided to H&M by consumers. These items are then being resold as secondhand goods, converted into other products such as cleaning rags, or broken down and recycled as new textile fibers.

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## Amazon Changes Stance on Shipping Low Cost Items

In a recent change, Amazon is now offering its free Amazon Prime one-day shipping for items costing as low as one dollar. In general, items costing less than \$5.00 or even \$10.00, even with the previous two-day shipping, would only ship for free on Amazon if customers ordered so-called “add on” items to bring the total sale to a higher number.



But Amazon has now essentially removed those restrictions, and is also starting to place wholesale orders from vendors for resale for cheap items it had started turning away due to profitability concerns. Analysts at Edgewater Research wrote in September that Amazon has “essentially turned off its add-on program in recent months.” The category of products likely to be most impacted by the changes? Consumer packaged goods, which encompass everything from deodorant to toothpaste to shampoo.

How can Amazon afford this free shopping for items where the shipping might cost more than the product? Who knows. But some pundits are saying Amazon is looking to take sales away from retail rivals such as Walmart, Target and CVS that sell a lot of such low priced CPG items.



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Retail Vendor Performance  
Management, visit

**Traverse Systems**

[traversesystems.com](http://traversesystems.com)

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