

# *the* **RETAILER** **MANUFACTURER** **DYNAMIC**

What manufacturers can learn about pricing and collaboration from a retailer's point of view.

## **CPG AND RETAILER COLLABORATION**

is a buzzworthy topic if ever there was one. Industry disruption is putting more pressure on price discounts and growth strategy for both parties, but that doesn't mean they can't find a balanced approach to their relationship. We talk with Cathy Shifflett, an accomplished retail expert and strategic consulting partner at CHS Enterprises, about how manufacturers and retailers can find mutually beneficial ways to save money and boost sales.

**SMOKE JUMPERS:** Hi, Cathy. Tell us about yourself.

**CATHY SHIFFLETT:** I've spent almost 30 years working in the food industry. I started in CPG category management and moved to the retailer side. I've worked for several great retailers – Tops Markets, Giant Eagle, Shopko – from each of them I've learned something different.

**SJ:** What are common misperceptions CPGs have about retailers?

**CATHY:** One, the assumption that your category partner has all the same information as you. Retailers do have a lot of data, but we don't have a way to easily extract it. CPG reps suspect everyone's looking at the data in the exact same way they are, but we're not.

Two, CPGs don't see the number of new items coming in daily. The reality is, your retail category manager probably sees five or six reps with similar products. It's not always enough to have a great product; you need a plan for that product.

Three, once your product is on the shelf, you're not done. You have to drive turns and new traffic.

**SJ:** What are common mistakes retailers see from CPG manufacturers as they negotiate promotions and pricing?

**CATHY:** A retailer doesn't want to feel like you, the CPG, are going to all the stores with the same plan. We want collaboration, a strategy that works for our unique needs. The biggest mistake is failing to understand what success is. If you don't know what goals the retailer has, you may be going along thinking sales are extraordinary when really, they're lousy. You should go back to the retailer for feedback and find out what needs to change.



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— CATHY SHIFFLETT, PARTNER, CHS ENTERPRISES

**SJ:** What is the best way for a CPG to negotiate with you?

**CATHY:** CPGs have intimate knowledge of their products and core consumers. The best collaborators are the ones who take their information and marry it with ours for a uniquely tailored promotion that's right for the retailer and the product.

**SJ:** Do CPGs with a TPM / TPO solution have an advantage?

**CATHY:** They should. The TPM or TPO will show you a bigger picture. These solutions give you discipline. They allow you to systematically see what will (or will not) happen if you run a promotion. TPM and TPO tools are great for building a logical framework. I would rather have someone come in with the TPM/TPO data to convince me that I should do a different promotion than I had in mind than just offer up the idea without substantiation.

**SJ:** Does data availability create clarity, or does it muddy the waters in the retailer/CPG relationship?

**CATHY:** A little bit of both. The biggest challenge I've seen is conflicting data. If the CPG data suggests that business is up, but mine says it's down, then that's a problem we need to address and correct before any other conversations take place.

**SJ:** How can manufacturers create better relationships with retailers?

**CATHY:** It all starts with trust. When you're open and develop a relationship, then you can work on developing a program. Be unbiased. I remember, Nabisco decided to do a BOGO on Saltine crackers. I didn't think the promotion would work. Boy, I was wrong, it was one of the best promotions we ever had and I admitted it!

Be honest. Sometimes, it doesn't work. Either way, we learn. Trust. Be respectful. Be in it for the long-run.

**SJ:** What industry pressures do you see as drivers for better retailer/manufacturer collaboration?

**CATHY:** Consolidation is a huge issue. There are fewer retailers and CPGs, so there are fewer avenues to choose from. Labor is another driver for collaboration. There's a huge push to get minimum wage to \$15. Amazon already does it. Target says it's going to. If retailers provide all store employees with a \$1, \$2 or \$3 raise, that's serious money. This creates pressure to maintain costs in line with sales. Supply chain pressures, the potential China tariffs — all of these create anxiety. If a CPG comes up with ideas to diminish the pressures or minimize risk, that would be pretty important.

**SJ:** Your last piece of advice for CPGs is...

**CATHY:** Have regular communication and follow up. Listen to what's important for that retailer. Needs change every day. Talk to your rep about critical things to work on. The more you share and bring in expertise, the better relationship you'll have. 🔥