



2015 Report

TRADING PARTNER INTERFACE of the FUTURE

The next generation of retailer-supplier communication

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Special thanks to the following professionals and organizations for their contributions to the initial Trading Partner Interface of the Future study and the development of the concept:

- **Michele Arndt**, Senior Director of Business Solutions, APEX Analytix
- **Jennifer Beasley**, General Manager, Retailer Programs, Retail Solutions, Inc. (RSi)
- **Kevin Harris**, Director, Compliance Networks

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INTRODUCTION

Communication between retailers and suppliers will look very different in the near future. In order to meet the increasing demands of the end consumer, control costs and enhance collaboration, retailers and suppliers must improve processes for sharing data and extract as much value as possible from that data. The Trading Partner Interface of the Future, as conceptualized by **RVCF**, will achieve these goals while strengthening relationships between retailers and suppliers. By exploring the key areas of retailer-supplier communication, this report provides insights into what such a solution would entail and the business benefits it would create. Stakeholders in technology companies should take note that it is our vision that unrestricted, synchronized data sharing is the direction of the future.

WHAT IS THE TRADING PARTNER INTERFACE OF THE FUTURE?

RVCF has embarked on a three-year initiative to advance the concept of the Trading Partner Interface of the Future. Our extensive experience in working with retailers and their suppliers has enabled us to conceive of this neutral, cloud-based platform which would be accessed through a portal, providing all stakeholders with visibility of data that is current, complete, accurate, transparent and visible. Product setup, supplier onboarding, planning and forecasting, order management, replenishment, payment and reconciliation, returns, and end-of-product lifecycle would be automated. Essentially, the Trading Partner Interface of the Future would allow the free flow of information while minimizing and, in many areas, eliminating the need for human intervention.

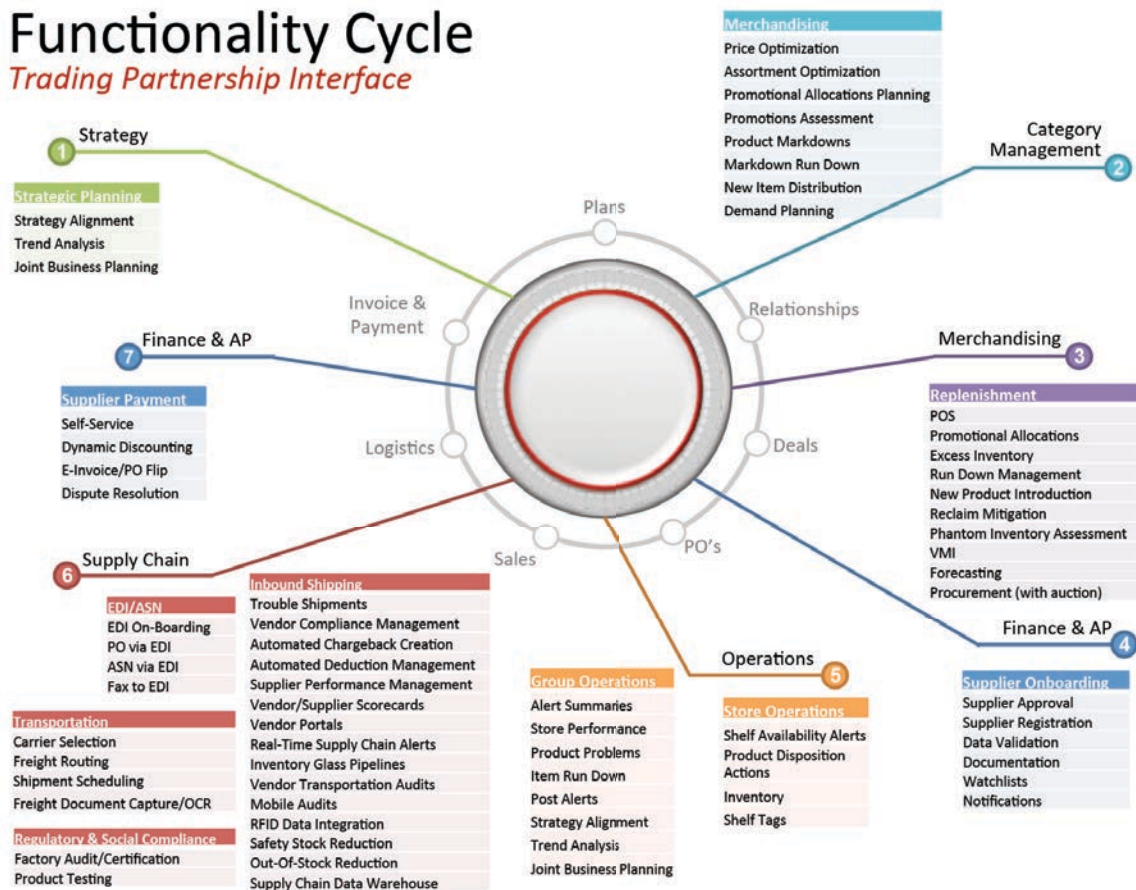


RVCF launched this initiative by bringing together three respected service and technology providers in 2014 - APEX Analytix, Retail Solutions, Inc. (RSi), and Compliance Networks - to analyze current and future trading partner needs. The overall goals of the Trading Partner Interface of the Future are to improve operational efficiency, increase speed to market, enhance the customer experience, advance the retailer-supplier relationship, and enable all stakeholders to take full advantage of the value of data.

THE FUNCTIONALITY CYCLE

The sharing of data involves a number of moving parts across the retail value chain. This Functionality Cycle, developed by Kevin Harris at Compliance Networks, provides a general framework that illustrates the relationships between key retail activities and the back-and-forth flow of data in the Trading Partner Interface of the Future. As indicated in Figure 1, the cycle begins with high-level strategy, proceeds through category management, merchandising, finance and accounts payable, operations, and supply chain, and eventually returns to finance and accounts payable. It is important to analyze each of these areas and how all parties can benefit from next-generation communications.

Figure 1: Trading Partnership Interface Functionality Cycle



STRATEGY

The Trading Partner Interface of the Future would enable retailers and suppliers to follow the model currently used by best-in-class retailers to leverage data. In this model, strategic goals are tied to day-to-day execution. Best-in-class retailers are working with granular levels of data and collaborating with suppliers on high-level joint business planning and performance scorecarding, as well as detailed use case collaboration, both

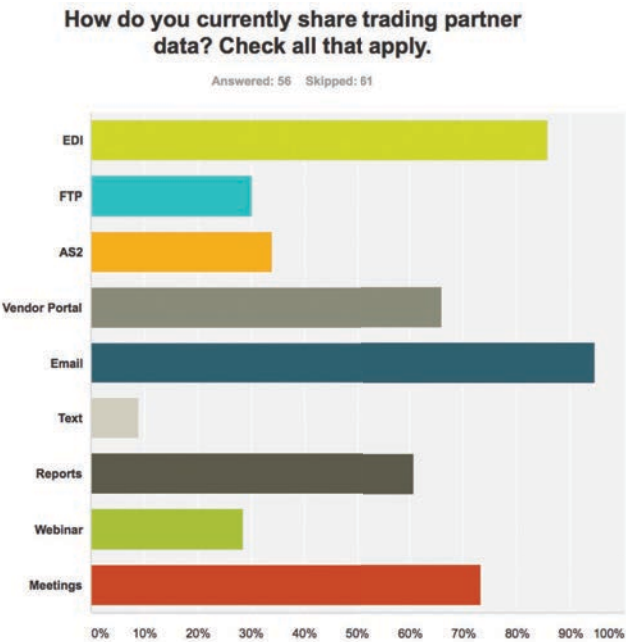
“Email is still the most common tool used by retailers to share data with suppliers.”

internally and externally. They’re also adding extra value to profit and loss (P&L) statements by improving operations, store alerting, and digital services.

Sharing the right data and using the right metrics are critical to improving top-line sales and bottom-line margins. More than basic sales and inventory data, this involves sharing more functional, deeper data, including promotional calendars, reclaim, planogram assortments and forecasts. Advanced metrics such as master data, store data, store flow and distribution center inventory can be used to support future use case objectives.

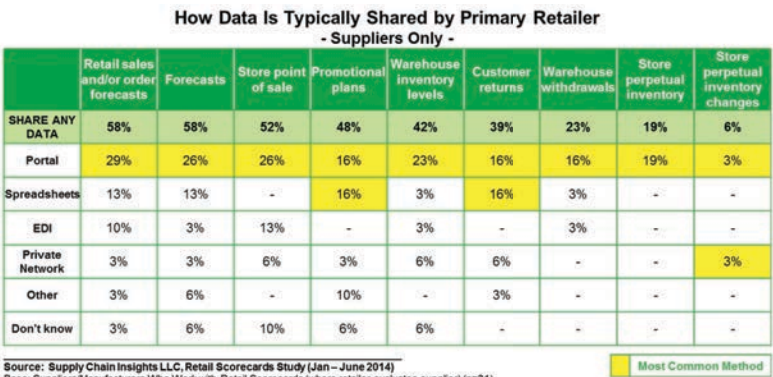
Data must also be shared more efficiently, using technology and processes that make data sharing simple, secure and efficient. According to the RVCF Summer 2014 Study, as outlined in Figure 2, email is still the most common tool used by retailers to share data with suppliers.

Figure 2: RVCF Summer 2014 Survey



Email is not only inefficient, error-prone and labor intensive, but it limits the amount and types of data that can be shared. The 2014 Supply Chain Insights Retail Scorecards Study (Figure 3) found that more sophisticated tools for sharing data, such as portals, aren’t widely used by North American retailers.

Figure 3:
2014 Supply Chain Insights
Retail Scorecard Study



CATEGORY MANAGEMENT

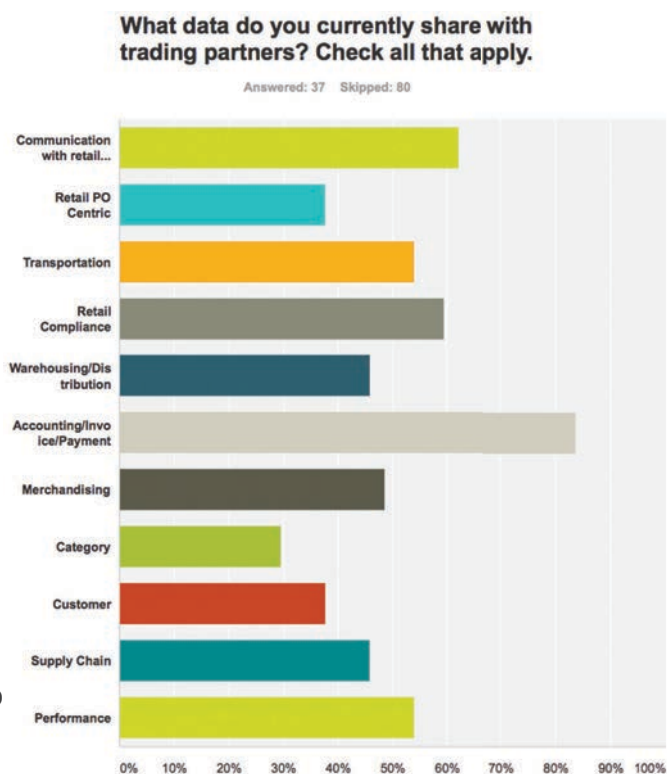
From a more tactical perspective, retailers are taking advantage of collaborative data sharing to execute on use cases, which can drive sales and reduce expenses. For example, retailers go through category resets at least once per year. This process typically involves evaluating not only the overall performance of categories and sub-categories, but also the performance of suppliers. Evaluation can go all the way down to the item level, including item performance review, item rundown analysis and new item introduction analysis, followed by promotion effectiveness and post-reset analysis (scorecarding). This data is important when gauging the effectiveness of the retailer in terms of sales and revenue, as well as the quality of the customer experience.

Category management is directly tied to supply chain, and data is the lifeblood of supply chain and replenishment. Consider the job of a replenishment group after a new product launches. They must ensure forecasts were accurate, distribution goals were met, and inventory was in the correct stores. Retailers need the support of suppliers to ensure that the right product gets to the right place at the right time.

FINANCE & ACCOUNTS PAYABLE

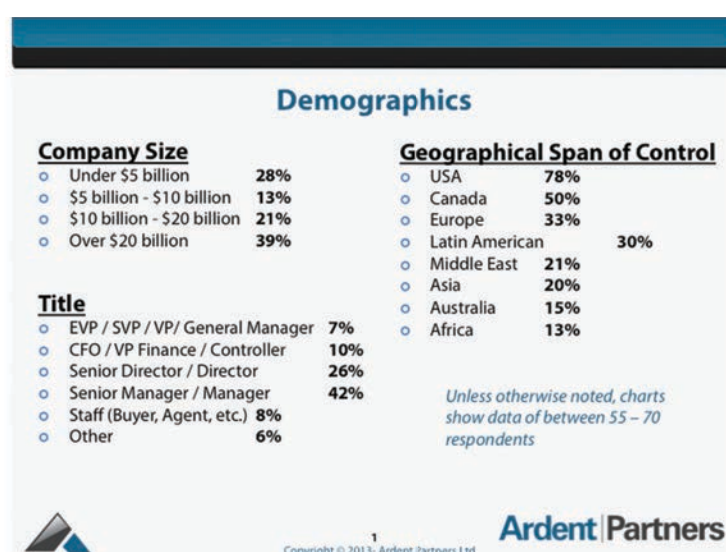
Finance functionality is absolutely essential to the Trading Partner Interface of the Future, a fact reinforced by the RVCF Summer 2014 Study, which found that 80 percent of respondents currently share accounting information with partners. Unfortunately, this often requires the management of diverse data sources from multiple systems, and disparate sites and processes. However, the right technology can provide an integrated, seamless solution that enables retailers to efficiently and cost-effectively on-board new suppliers, manage changes, resolve issues and share information. Another major area of leverage for a portal for the finance organization is dynamic discounting, a value driver for the company contributing to cash management and working capital objectives. These benefits explain why a recent (November 2013) APEX Analytix/Ardent Partners survey found that adopting a supplier portal is the second-ranked priority, trailing only initiatives to reduce staffing costs.

Figure 4: RVCF Summer 2014 Survey



The APEX Analytix/Ardent Partners survey (Figure 5) also found supplier registration and onboarding to be the most commonly desired vendor portal function. This would replace the slow, error-prone process of manual onboarding. When supplier registration is automated through a portal, information is captured in a central repository and easily accessed and updated by both parties. Submitting information online rather than email or paper reduces errors and ensures compliance with onboarding requirements. Validation of supplier data occurs on one platform instead of many, allowing retailers to eliminate duplicate vendors in the system, verify tax ID numbers, identify high-risk characteristics in a company, and ensure that all necessary documentation, including W9s, W8s and insurance certificates, are captured. A portal automates these vetting processes for faster, more accurate onboarding.

Figure 5: APEX Analytix / Ardent Partners Survey



OPERATIONS

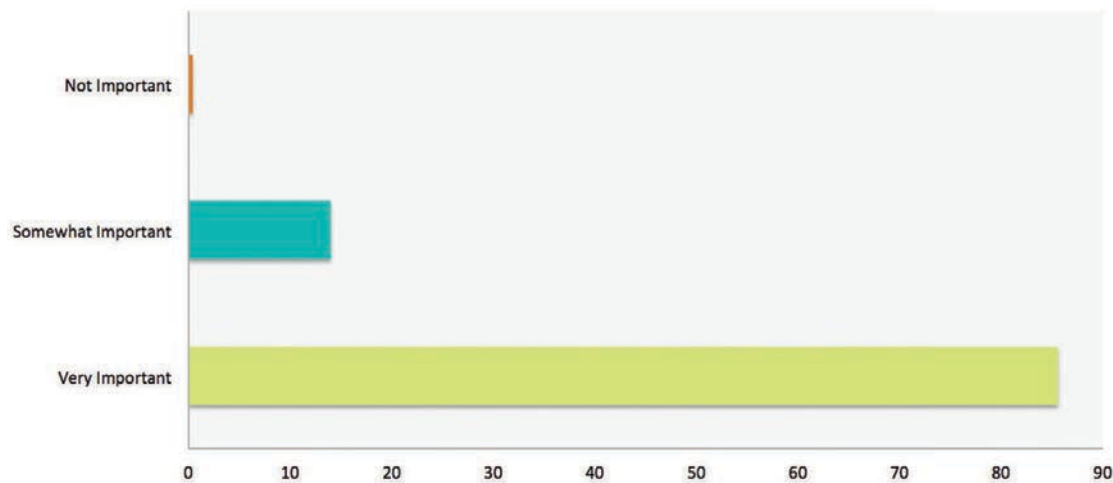
Once the product has been delivered to the store, store-level data is essential to boosting sales and margins and improving the customer experience. Best-in-class retailers are sharing data with their supplier community to help improve on-shelf availability and store conditions. Sophisticated algorithms and prioritized alerts are used to find items that are about to go out of stock, have on-shelf availability issues, or have excess inventory and are producing high carrying costs for the retailer.

It is easy to say that certain processes and data are making a difference, but without measurement, you don't know the true impact. That is why providing suppliers with scorecards for categories, sub-categories and operations is so important. Delivering those scorecards through a next-generation portal provides tremendous value within the retail organization and to the supplier community.

SUPPLY CHAIN

The **RVCF** Summer 2014 Study found that nearly 87 percent of respondents ranked collaboration as “very important” (Figure 6). This is extremely important to the Trading Partner Interface of the Future because data from disparate, internal and external corporate silos becomes much more actionable and valuable for analysis and decision-making when it is integrated. Accurate, complete, and integrated data that is visible to and shared with other stakeholders is an essential foundation for effective collaboration. In addition to granular supply chain data, communication must also include the sharing of ideas, intentions and objectives so all parties can succeed.

Figure 7: RVCF Summer 2014 Survey



“Nearly 87 percent of respondents ranked collaboration as ‘very important.’”

An online portal enables trading partners to share performance data and metrics, analyze historical data and improve operations. This activity creates a significant amount of supply chain data. When this integrated data is accurate, complete, current and visible, it is capable of supporting strategy development, operational planning and the creation of merchandising plans. Emerging predictive analytics creates an additional layer of value to data. Predictive analytics enables supplier risk assessment, retailer risk assessment, the reduction of safety stock to reduce inventory costs, and the increase of safety stock to reduce out-of-stocks and lost sales.

FINANCE & ACCOUNTS PAYABLE

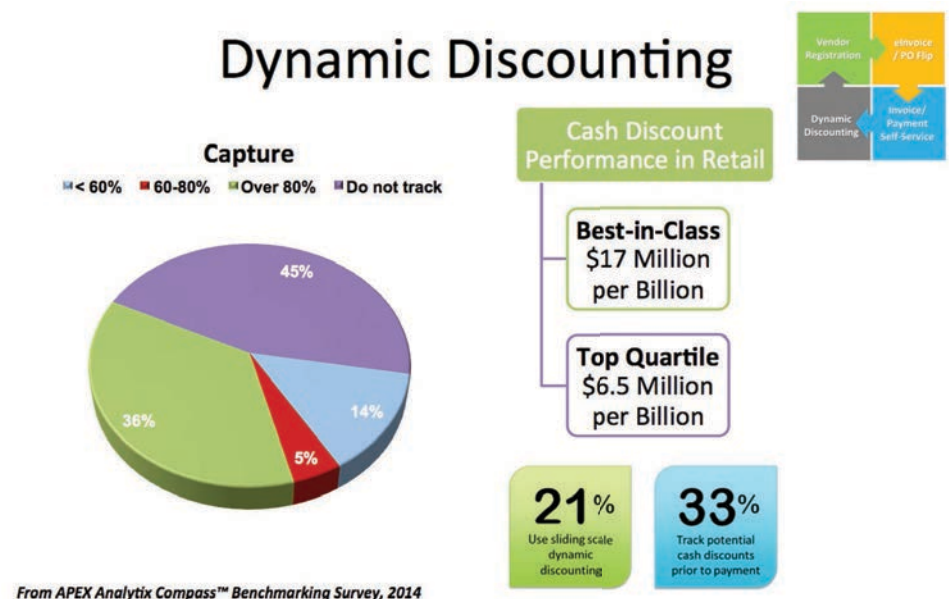
As the Functionality Cycle returns to finance, the Trading Partner Interface of the Future can reduce the time spent on invoice processing and administration, benefitting both retailers and suppliers. Although EDI is used very successfully by many companies, certain types of invoices, such as goods-not-for-resale, adjustments and credits, don’t flow well through EDI. An online portal can be used to submit and receive invoices electronically and “flip” a purchase order into an electronic invoice. These invoices can

be integrated into the retailer's workflow system. The elimination of time-consuming, manual processes and paper reduces costs and payment errors. Visibility into purchase orders can make it possible to proactively avoid discrepancies on the back end instead of reactively resolving them.

The self-service capabilities of a portal provide suppliers with real-time visibility into the status of all invoices and payment details from the retailer's accounts payable system. Suppliers are empowered to access relevant information whenever they need it by simply logging in rather than picking up a phone or sending an email when they have a question.

As mentioned earlier, a key financial component enhanced by the use of a portal is dynamic discounting, which offers enormous growth potential for the retail industry. The 2014 APEX Analytix-Compass Benchmarking Survey found that top quartile discount capture is \$6.5 million per billion in spend, while best-in-class is almost two-and-a-half times higher at \$17 million per billion. By leveraging invoice status information accessed through a portal, opportunities for accelerating payments can be identified. The supplier receives payments early in exchange for a discount, a process that can be managed and tracked in a more automated fashion when using a portal. Best-in-class solutions include advanced methodologies to drive adoption and improve supplier collaboration in order to achieve mutual working capital objectives.

Figure 8: APEX Analytix -Compass Benchmarking Survey



CONCLUSION

The Trading Partner Interface of the Future would make it possible for stakeholders to find new and better ways to leverage existing data. Such a cloud-based platform, accessed through a portal, would provide broad visibility into data, from high-level strategic planning data to individual transactions and item-level data. When this data is effectively managed, all trading partners benefit through:

- Improved efficiency and accuracy
- Greater transparency and visibility
- A better customer experience
- Faster revenue recognition
- Improved margins for both retailers and suppliers
- Seamless data sharing and collaboration
- Better decision making driven by the right data
- Stronger trading partner relationships

Because no single vendor is currently capable of designing and implementing such a solution, **RVCF** is looking for additional service providers, including but not limited to those specializing in demand planning and predictive analytics, to contribute to the further development of this concept in collaboration with other partners and stakeholders. For the immediate future, the focus of the initiative will be on domestic brand procurement.

When the flow of information slows or stops, there are serious consequences to both retailers and suppliers. These consequences should no longer be viewed as an accepted cost of doing business. A next-generation platform for data sharing and communication can be a true game-changer for the retail industry. Ultimately, the Trading Partner Interface of the Future will provide a single, shared version of the truth that balances the needs and interests of all parties.

To learn more about the Trading Partner Interface of the Future initiative, please contact:

Kim Zablocky, *Founder*

RVCF

P: 646-442-3473 or E: kzablocky@rvcf.com

SPONSORING ORGANIZATIONS

APEX ANALYTIX



APEX Analytix solutions are all about safeguarding disbursements. They've had a portal on the market since the late 90s, but recently have released a new version with a focus on supplier onboarding, dynamic discounting, self-service and other functions related to the financial relationship between companies and their suppliers.

Michele Arndt, *Senior Director of Business Solutions*

APEX Analytix

E: marndt@apexanalytix.com

COMPLIANCE NETWORKS



Compliance Networks is the leading provider of vendor performance and supply chain visibility solutions for the retail supply chain. Compliance Networks' solutions enable retail trading partners to optimize merchandise flow within their extended supply chain operations resulting in increased customer satisfaction, profitability and shareholder value. Since 2000, Compliance Networks is proud to serve leading suppliers and retailers such as Kohl's, Burlington Coat Factory, Pep Boys, Stein Mart, The Sports Authority, Bon-Ton Stores, Pac Sun, Bob's Stores and others.

Kevin Harris, *Director*

Compliance Networks

E: kevin.harris@compliancenetworks.com

RETAIL SOLUTIONS INC. (RSi)



Retail Solutions turns retailer data into opportunity with business processes and applications. Their platform processes billions of daily records from over 100 major retailers globally, turning the data into actionable insights. From solving out-of-stocks, to identifying inaccuracies in the supply chain, and optimizing digital marketing efforts, they're trusted by more than 500 global CPGs.

Jennifer Beasley, *General Manager, Retailer Programs*

Retail Solutions, Inc. (RSi)

E: jennifer.beasley@retailsolutions.com

ABOUT THE RETAIL VALUE CHAIN FEDERATION



The Retail Value Chain Federation (**RVCF**) is the leading collaborative retail organization facilitating profitable relationships between retailers and suppliers. An independent organization, **RVCF** promotes best practices, trading partner alignment, collaboration and technology solutions that streamline operations, lower costs and speed goods to market throughout the retail value chain. **RVCF** advocates initiatives designed to improve industry-wide productivity, profitability and growth. To learn more about **RVCF**, visit www.RVCF.com.



Retail Value Chain Federation (**RVCF**)

51 Cragwood Road, Suite 200
South Plainfield, New Jersey 07080

www.rvcf.com