Collaborative Relationships between Manufacturers and Retailers: A Supply Chain Collaboration Framework

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Abstract: The main objective of this study is to develop a framework for supply chain collaboration between manufacturers and retailers, which includes managerial, behavioural and technical issues. It is claimed that collaborative relationships yield significant benefits in areas like the management of both the private label and national brand. However, supply chain collaboration has proved difficult to achieve and one of the reasons is a lack of understanding of the elements that make up supply chain collaboration. An exploratory multiple case study was carried out in the Spanish Fast Moving Consumer Goods industry, examining both retailers and manufacturers from a dyadic approach. From the different elements included in the supply chain collaboration model, the results seem to indicate that the ones used most are related to the design of the collaborative initiative and the behavioural aspects related to inter-organisational relationships (trust and mutuality) and human resources (longevity and informal cross-functional team working).

Key words: collaboration; channel relationships; supply chain management; collaborative initiatives

JEL codes: M

1. Introduction

Collaboration appears when companies discover cases where working and operating alone is not sufficient to resolve common problems and to achieve the desired goals (Corbett et al., 1999; Barratt, 2004). It is just one of the alternatives that national brands manufacturers consider alongside aggressive or partnership strategies (Amrouche & Yan, 2015). Collaboration is a very broad and encompassing term: many authors cite mutuality of benefit, rewards and risk sharing, and the exchange of information as constituting the foundations of collaboration (Min et al., 2005); whereas some authors at the same time cite that manufacturers keep defending their national brands even when they collaborate with retailers (Chan Choi, 2017). Nowadays it is accepted that manufacturers and retailers need to collaborate to improve brand equity for national and private labels, as well as for marketing policies such as planning in-store promotions, product pricing and product assortment (Zondag & Brink, 2015). However, while this collaboration is a necessity, researchers continue to explore the reference framework in each of its facets, including risk (Ali & Shukran, 2016), the obstacles to its development (Richey, Roath, Whipple & Fawcett, 2010), its effectiveness (Yunus & Kurniawan, 2015), and trusting behaviours (Daudi, Hauge & Thoben, 2016).

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Despite the fact that collaboration has been referred to as the driving force behind effective supply chain management (SCM) and that it leads to performance improvements (Singh & Power, 2009), few firms have truly capitalised on the potential of collaboration (Crum & Palmatier, 2004). In reality collaboration is still far from being attained: we see retailers exercising their power through different policies such as severe listing constraints and fees, or aggressively pursuing private labels that threaten national brands (Ailawadi, 2001; Lennerts et al., 2016). Several researchers conclude that there is a need for a greater understanding of the elements that make up supply chain collaboration (Barratt, 2004), pointing out that, in particular, there is a need to understand how the relevant cultural, strategic and implementational elements interrelate.

2. Literature Review

Relationship marketing has become the dominant paradigm in both business-to-business and business-to-consumer marketing (Möller, 2013), and the resultant benefit is that these relationships become strategic assets of channel parties and the basis of collaboration. For instance we have insights regarding the influence of private labels on cooperative behaviour between manufacturers and retailers (Zippel, Wilkinson & Vogler, 2013); as well as results showing that manufacturers should cooperate as well as develop marketing activities to enhance consumer willingness for national brands (Steenkamp et al., 2010; Nenycz-Thiel & Romaniuk, 2014).

Elements of SCM collaboration identified in the literature review of recent papers published about collaboration have been classified under the following categories: Collaboration, Antecedents and Enablers. Collaboration is about organisations working together, and we have considered two levels: information exchange (operational level) and knowledge sharing/ joint decision-making (strategic level). The Antecedents of supply chain collaboration have been classified under two categories: organisational support and collaboration design. The Enablers identified in the literature are both tools like process alignment, supply chain metrics and information technology (Sawhney, 2002); and behavioural issues related with inter-organisational relationship issues (trust, mutuality, and openness and communication) and with human resources issues (longevity, constructive problem-solving and managing change).

After reviewing the literature, we developed a supply chain collaboration model that is shown in Figure 1. Our model includes the Antecedents, the Enablers and Collaboration elements identified in the literature review. The main contribution of our paper is that we empirically analyse the relative importance of these elements in making collaboration happen. Specifically, the research questions we aim to answer are: 1) what is collaboration? and, 2) how is collaboration achieved?
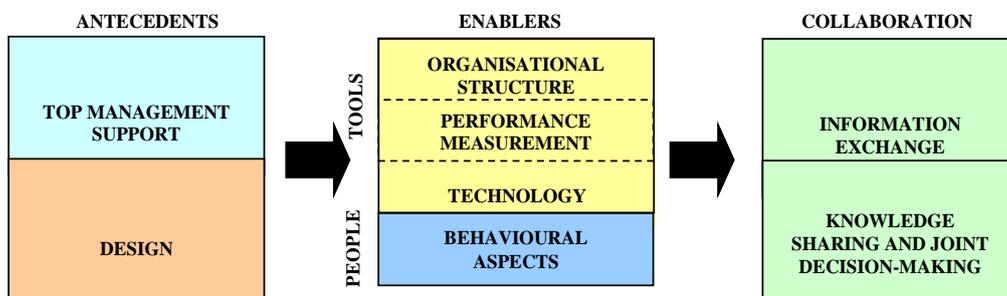
Figure 1   Supply Chain Collaboration

3. Methodology

In order to develop a better understanding and comprehension of the interaction of different elements of collaborative relationships (tools, behavioural aspects, top management support and collaboration design), we used a qualitative approach. An exploratory multiple case study was carried out in the Spanish Fast Moving Consumer Goods industry, examining both retailers and manufacturers from a dyadic approach. In order to develop a better understanding and comprehension of the interaction of different elements of collaborative relationships (tools, behavioural aspects, top management support and collaboration design), we used a qualitative approach. The unit of analysis was a collaborative manufacturer-retailer relationship. The sampling criteria used was purposeful sampling, with the underlying principle of selecting information-rich cases, in which we had the cooperation of key informants (Patton, 2002). Nine cases were selected, with one to three interviewees in each case; Table 1 shows the general characteristics of the companies selected for sample units.

Semi-structured in-depth interviews were conducted between March and June 2015 to collect the data. In order to increase the reliability of the case study analysis an interview protocol was created. Interviews lasted approximately one hour fifteen minutes, and were audio taped for transcription with the participants' consent. After each visit, one researcher wrote the final qualitative report and the other two researchers checked it. We validated our qualitative research design in keeping with the principles outlined by Yin (1989). We used ATLAS/ti software to study our interviews.

Table 1   General Characteristics of the Companies Selected for the Sample Units

Case	Activities	Geographical coverage	Market share	Functions of managers interviewed
Manufacturer 1	Multinational: detergents and cosmetics	National	23% in the category	-Key Account Manager for Retailer 1 -Key Account Manager for Retailer 2 -Key Account Manager for Retailer 3 -Logistics Manager
Manufacturer 2	Multinational: food, detergents and cosmetics	National	21% in the category	-Key Account Manager for Retailer 1 -Key Account Manager for Retailer 2 -Key Account Manager for Retailer 3 -Logistics Manager
Manufacturer 3	Multinational: food	National	61% in the category	-Key Account Manager for Retailer 1 -Key Account Manager for Retailer 2 -Key Account Manager for Retailer 3 -Logistics Manager
Retailer 1	Multi-format: supermarkets and convenience stores	National	2% total market	-Logistics Manager -Purchasing Manager
Retailer 2	Multi-format: hypermarkets, supermarkets and convenience stores	National	16% total market	- Logistics Manager - Purchasing Manager for Manufacturer 1 and 2 - Purchasing Manager for Manufacturer 3
Retailer 3	Multi-format: hypermarkets, supermarkets and convenience stores	National	23% total market	-Logistics Manager -Purchasing Manager for Manufacturer 1 and 2 -Purchasing Manager for Manufacturer 3

4. Findings

Findings are analysed according to the two research questions defined. Regarding "What is collaboration?", all interviewees defined collaboration focusing on win-win situations. Manufacturers considered that there was still a long way to go, as collaboration was limited very often to CRP and very rarely it included joint planning.

Main collaboration areas between the manufacturers and retailers are Category Management, mainly in assortment and space management, and collaboration on ad-hoc promotions; they were working also on Continuous Replenishment Programmes (CRP), on Cross Docking deliveries and on Electronic data Interchange (EDI). As a framework for classifying these areas, we used the model of Efficient Consumer Response (ECR) Europe, and Table 2 shows the main collaboration areas between the manufacturers and retailers included in this research.

Table 2   Areas of Collaboration According to Efficient Consumer Response (ECR) Classification

	Demand Management	Supply Management	Enablers	Integrators
Manufacturer 1 /Retailer 1	Category Management. Adhoc Promotions. Online Promotions. Special events.	CRP Flow.	Point of Sales (POS) data exchange to be used for manufacturing planning. EDI. Global Data Synchronisation.	
Manufacturer 1 /Retailer 2	Category Management. Optimisation of product POS formats. Ad-hoc promotions. Direct Marketing and loyalty card. Private label.	CRP. Optimisation of total logistics cost. Cross Docking.	EDI	Manual Collaborative Planning, Forecasting and Replenishment (CPFR) for promotions and new SKUs.
Manufacturer 1 /Retailer 3	Category Management. Optimisation of product POS formats. Ad-hoc promotions. Direct Marketing and loyalty card.	CRP. Cross Docking.	Electronic Data Interchange (EDI). Global Data Synchronisation.	Manual Collaborative Planning, Forecasting and Replenishment (CPFR) for promotions and new SKUs.
Manufacturer 2 /Retailer 1	Category Management. Adhoc Promotions. On line Promotions. Special events.	CRP Flow.	Point of Sales (POS) data exchange to be used for manufacturing planning. EDI.	
Manufacturer 2 /Retailer 2	Category Management. Optimisation of product POS formats. Ad-hoc promotions. Direct Marketing and loyalty card. Market Research. Private label.	CRP. Optimisation of total logistics cost. Cross Docking. Unidentified loss.	EDI	Optimisation of retailer's supply chain management. Retailer's processes optimisation. CPFR for promotions and new SKUs.
Manufacturer 2 /Retailer 3	Category Management. Shopper Marketing. Sales Fundamentals in launching new products. Loyalty card. On-line business management. Shopper marketing. Private label.	CRP. Cross Docking.	Electronic Data Interchange (EDI). Global Data Synchronisation.	Optimisation of retailer's supply chain management. CPFR for promotions and new SKUs.
Manufacturer 3 /Retailer 1	Category Management. Adhoc Promotions. On line Promotions. Special events.	CRP.	EDI	
Manufacturer 3 /Retailer 2	Category Management. Adhoc Promotions. On line Promotions. Special events. Private label.	CRP.	EDI	Optimisation of retailer's supply chain management. Retailer's processes optimisation. CPFR for promotions and new SKUs.

Regarding "How is collaboration achieved?", companies seem to use all type of elements: organisational support, collaboration design, behavioural issues and tools. Some significant aspects should be pointed out: collaboration initiatives were pursued to achieve strategic goals, being collaboration included in the company mission and strategy, and with top management involvement as a key issue. Selecting the right partner and setting the goals of the collaborative programmes were key elements, as well as behavioural issues such as trust and mutuality. Finally, regarding tools nearly all of the companies used functional reporting.

5. Analysis and Interpretation

All companies interviewed were collaborating in different Marketing and Operations programmes. They defined Collaboration as working together to achieve win-win situations. Regarding our conceptual model shown in Figure 1 it seems that the companies interviewed are collaborating more at an operational level exchanging information than making decisions jointly.

Regarding the Antecedents, it should be mentioned that in all cases collaboration was included in the company mission and strategy, being consistent with the findings of Whipple and Russell (2007). Our results show that the involvement of top management is key at the early stages of the collaboration. Afterwards, top management support is present only when it is needed. Finally, regarding the design of the collaborative programme, all companies agreed on the fact that setting the goals of the programme, selecting the right partner and formalising the agreement were key elements, being consistent with other studies (Min et al., 2005).

Concerning the Enablers, the inter-organisational aspects of trust and mutuality were mentioned by all companies. This is consistent with previous studies (Matapoulos et al., 2007; Vieria et al., 2009). Regarding intra-organisational behavioural issues, it is important to stress the existence of informal cross-functional teams in companies without formal teams. This seems to indicate that collaboration may largely depend on people's personal interest in working together. Our results regarding the need for low employee turnover are consistent with the findings of Ellinger et al. (2006) and Koulikoff-Souviron and Harrison (2006).

Concerning the rest of the tools (KPIs, process alignment and technology), none of the companies interviewed mentioned information technology as an enabler. This might be due to the fact that supply chain collaboration does not need to be based on technology; in fact a major criticism is that an obsession with it is one of the major barriers to collaboration (Barratt, 2004). Our findings are consistent with the results showing that interpersonal collaboration (measured as trust, reciprocity and interdependence) was the most important element (Vieira et al., 2009).

6. Conclusions

This study has two main contributions. First, all the collaboration elements have been considered together, both Antecedents (Organisational support and Collaboration design) and Enablers (Behavioural issues and Tools); the ones used most are related to the design of the collaborative initiative and the behavioural aspects related to inter-organisational relationships (trust and mutuality) and human resources (longevity and informal cross-functional team working). Results also show that after a decade of collaborative programmes in the Spanish grocery industry, there is still a long way to go, as most of the companies are still at the operational level of collaboration. And the second contribution has been the analysis of collaboration from a dyadic approach as most of the collaborative experiences in the real world have been.

Researchers have been provided with some guidelines for further study: (1) Future research should try to investigate why strategic collaborative programmes are very rare and why companies are not working on some tools, such as process alignment and common KPIs. (2) Further research should also analyse the role of top management involvement at different levels of collaboration (operational versus strategic). Furthermore, (3) future studies should also try to test our collaboration model with a survey and investigate why IT has not been mentioned as an enabler

Professionals are provided with the following managerial implications: (1) Collaboration is typically tailored towards the customer. The "one fits all" approach is not suitable: collaboration was defined by our interviewees as "developing common projects". (2) Collaboration is difficult to achieve, and few programmes go further than operational levels. The difficulties encountered in achieving collaboration may be related to the fact that companies are not using the right tools. Another reason may be that very often the human resources aspects of longevity in the company and the importance of having a constructive problem-solving attitude are forgotten.

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