

## Joint ECR Europe/McKinsey & Company Survey



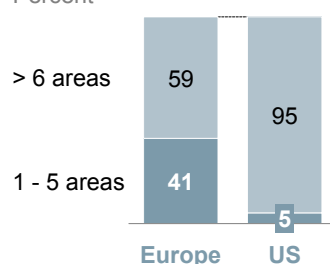
# Collaboration today and tomorrow – taking the right steps on the path to impact

### *140 survey participants from 13 European countries*

Collaboration between consumer packaged goods manufacturers and retailers is often talked about and illustrated in case examples, but overarching facts about the collaboration's magnitude, impact, and key success factors are rare. In a joint effort to better understand the real situation on collaboration today – and particularly the elements of success – ECR Europe and McKinsey & Company administered a comprehensive survey and conducted interviews with company executives to build a fact base on the topic. 140 participants representing industry leaders in 13 countries were surveyed – 31 from retail, 97 from manufacturing, and 12 from service providers.

#### **Collaboration areas covered by survey participants**

Percent



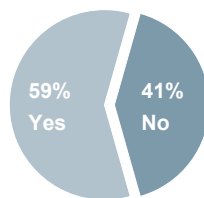
### *Collaboration is alive and well, but still has vast upside potential*

All survey respondents reported that they collaborate on at least one area of their business, and more than half reported that they collaborate on at least six areas, such as product assortment and supply chain flows. As a strategy, collaboration has certainly moved beyond the testing phase into the era of widespread implementation. Still, in comparison with the US, where a similar survey was conducted, Europe is still lagging behind.

### When successful, collaborations deliver substantial impact

While all respondents collaborate to some degree, only about 60 percent of the initiatives yielded a substantial benefit. About 40 percent didn't have any positive impact at all, despite the cost and effort. The major reasons for collaboration failure were

**Impact reached**  
Percent



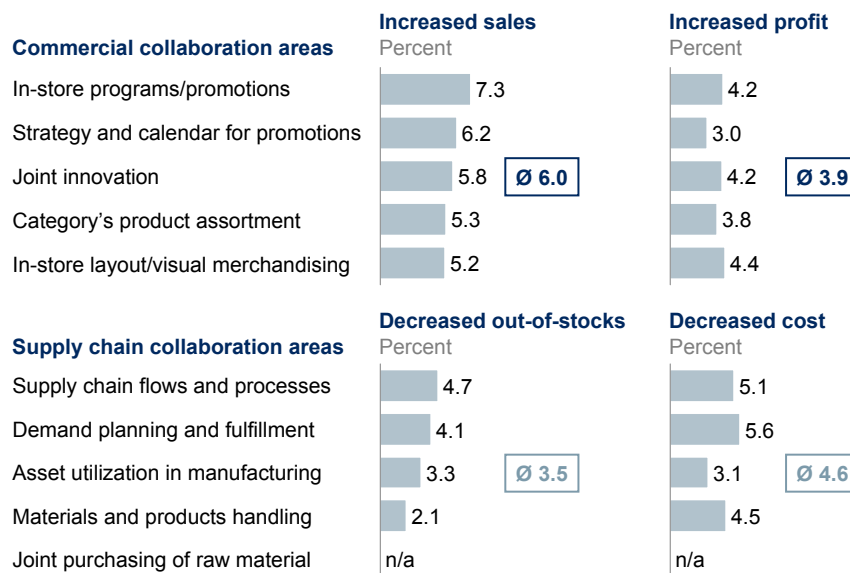
#### Top reasons for collaboration failure

- 1 Not enough resources dedicated to collaboration
- 2 Lack of support from leadership
- 3 Unwillingness to share information

insufficient resources dedicated to the effort, a lack of support from top management, and a resistance to share information.

For the 60 percent of initiatives that produced results, there was significant positive impact for both parties. Research participants claimed that successful collaboration initiatives on the commercial

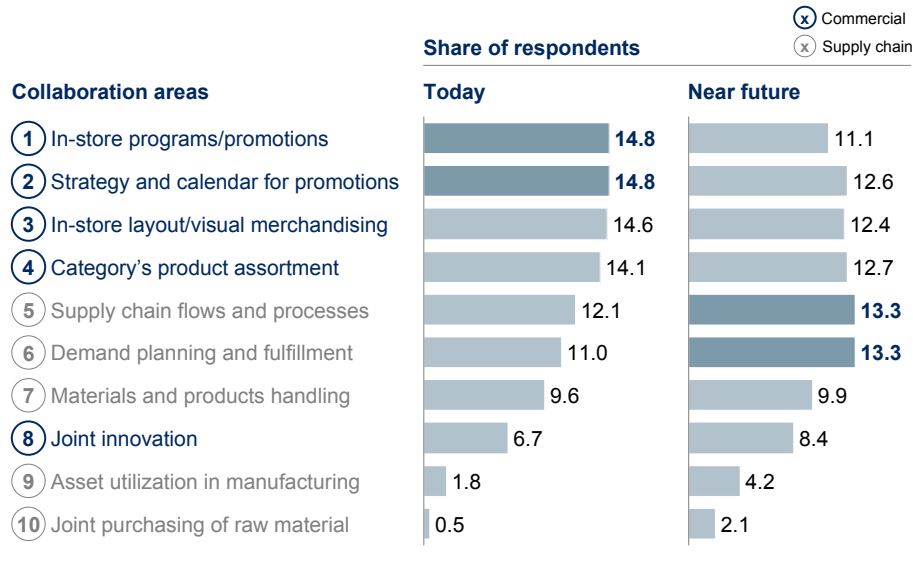
side increased sales by about 6 percent on average and profitability by about 4 percent (self-reported). Successful initiatives that focused on the supply side resulted in an average decrease of out-of-stocks by almost 4 percent and a cost reduction of 5 percent.



Retailers tend to gain more from the collaboration efforts than their manufacturing partners, e.g., about 8 percent vs. 2 percent cost reduction effect on the average supply chain collaboration initiative. This disparity can be a barrier to areas where collaboration makes sense overall, but benefits are not evenly shared.

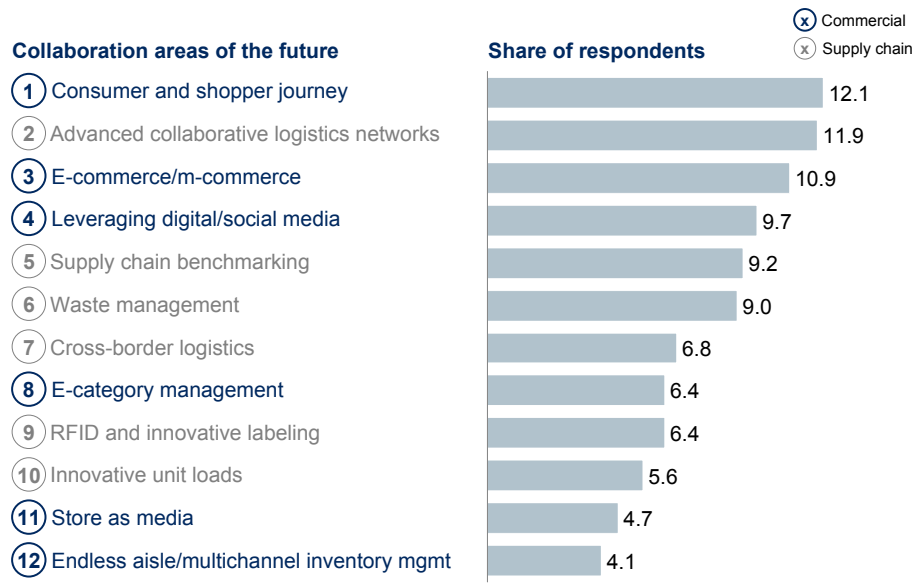
### Collaboration in commercial areas is dominant, but supply chain is on the rise

Looking into the areas that are mostly collaborated on today, commercial topics dominate – especially those related to promotions. Supply chain topics, however, are on the rise. When asked about the areas where they are eager to collaborate in the near future, two supply chain topics topped the list of respondents' answers.



### *The next generation of collaboration will be digital*

Looking into the more distant future, digital, e-commerce, and social media are clearly emerging on the collaboration agenda. These are still in the early phase, and very few companies already collaborate in these areas. Topping the list of uncharted yet hoped for collaboration areas are the consumer and shopper journey – a concept to leverage the deeper consumer understanding made possible by the vast amount of digital consumer data in strategies that deliver benefits for consumers and increased sales and profits for retailers and manufacturers. Advanced collaborative logistics networks also scores high, embracing the idea to broaden logistical collaboration not just on the depth of integration of assets, data, and services, but also on the number of possible partners.



### *Six steps to making collaboration work better*

Consumer packaged goods manufacturers and retailers can greatly improve their prospects for collaboration success by taking a more thoughtful approach to the areas they select, their choice of partners, and the way they implement their efforts. Based on the results of the survey – especially of the participants with the highest impact results – and our experience with observed collaboration projects, we have identified six essential steps that can make the difference between a productive collaboration and a frustrating one.

<b>“Six key steps to successful collaborations”</b>	
<b>What to collaborate on</b>	<ol style="list-style-type: none"> <li>1 Collaborate in areas where you have a <b>solid footing</b> to build on strengths rather than compensating for weaknesses</li> <li>2 <b>Turn win-lose situations into win-win opportunities</b> by agreeing on benefit-sharing models for formerly neglected collaboration areas</li> </ol>
<b>Whom to collaborate with</b>	<ol style="list-style-type: none"> <li>3 Select partners not only <b>on potential performance</b>, but also on their <b>capabilities</b> and <b>willingness</b> to collaborate</li> </ol>
<b>How to collaborate</b>	<ol style="list-style-type: none"> <li>4 Dedicate your best teams to the collaboration initiative and ensure <b>senior leadership involvement</b></li> <li>5 <b>Jointly manage performance</b> and measure impact to avoid misaligned incentives</li> <li>6 Collaborate for the <b>long term</b> to overcome initial hurdles and to activate a positive virtuous circle</li> </ol>

Making collaboration successful is not an easy task, and many initiatives still fail to deliver. Nevertheless, successful collaborations hold the key to significant impact and long-lasting relationships. It is on you now to tackle the opportunities, contact your potential collaboration partner, and take the next steps towards impact.



#### **About ECR Europe:**

ECR Europe is the retailer-manufacturer platform for collaboration with a mission of “working together to create sustainable value for consumers – better, faster and at less cost”. It is a non-profit organization which aims to help retailers and manufacturers in the FMCG sector to drive supply chain efficiencies and deliver business growth and consumer value. Since November 2010, ECR Europe is the strategic partner for collaboration in Europe of the Consumer Goods Forum. Visit ECR Europe website: [www.ecr-europe.org](http://www.ecr-europe.org)

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