

# Relationship dynamics between retailers and suppliers strengthen - report

While multiple local crises, the global pandemic, supply chain disruptions and the impending financial crisis have placed strain on businesses, South African retailers, suppliers and distributors continue to demonstrate resilience.



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This is according to Advantage Group's latest [Advantage Report for South Africa](#), a resource that enables enterprises to measure, track and strengthen their businesses, through feedback from their partners.

The results for South African retailers and suppliers from 2021 were the third most volatile globally, and the most volatile across emerging markets. This is indicative of the operating environment and varied responses to these crises.

"The route to market, manufacturing process, supply chain, operating model, capabilities and resources, culture and leadership varies, yet suppliers and retailers compete in the same market," says Dylan Piatti, MD of Advantage Group Africa. "What we have seen, across our global results, is that those companies that have given more focus to customer and supplier engagement have improved their Advantage results."

## Collaborating for better engagement

Through data collection, analytics and insights generation, Advantage Group, headquartered in Canada, helps supplier and

retail partners unpack opportunities to improve ways of working together for greater commercial success. To discover these opportunities, Advantage considers data from three levels in the business: strategic (often used at board or exco level), operational/functional (used for multi-functional development programs) and account or category level specific.

These insights are then translated into action plans: i.e. what needs to be done to improve partnerships and engagement via process and systems, culture and leadership.



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The *Advantage Report* is premised on sustainable growth and future-fitness through a specific focus on business-to-business partnership enhancement.

The 2021 SA results were based on more than 1,100 in-depth survey responses, over 250 one-on-one telephonic interviews and 2,500 items of codified verbatim commentary. This is from 29 retailers rating suppliers of which more than 45 suppliers are benchmarked. Thirty-eight suppliers rated retailers, of which 48 retailers were benchmarked.

Suppliers and retailers are measured across more than 24 competencies under the KPAs of: Strategic Alignment/Business Relationship, Personnel, Category/Business Development, Retailer/Wholesaler Execution, Consumer Marketing, Trade & Shopper Marketing, Supply Chain, Customer Service and Ecommerce/Webshop Execution

Participating suppliers and retailers receive their ranking within their chosen competitive sets, and their Net Favourability, (the difference between positive and negative feedback). Key performance areas and competencies can be viewed as trends over time enabling tracking of both competitive movements and overall scores.

## E-commerce still on a learning curve

The report contains positive indications that retailers are more willing to test and learn in e-commerce and, importantly, that trading teams are dedicating attention to online business development.

There are clear signals that suppliers are seeking greater integration of e-commerce into joint business planning. However, there is low satisfaction from suppliers regarding the commercial value in online partnerships with retailers.

The four most common supplier recommendations on areas of focus were:

1. Maintaining stock availability both online and in-store is crucial
2. Build internal logistics capabilities or identify affordable third-party vendors
3. Increase the ease of online buying for consumers across platforms
4. Ensure fair distribution of costs associated with e-commerce.



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## Trust on the rise

A significant and standout competency metric is Trust, where retailers and suppliers are rated against their competitors on the extent to which they are a trusted partner. "This is a powerful metric on its own, however, it's not independent of the

other competency ratings,” says Piatti.

Over the past three years, suppliers’ Trust scores have been on a steady [upward curve](#), increasing by more than 40% in NF in the SA Core Benchmark set. This points towards drivers, including:

**Pandemic response** - SA suppliers and retailers responded to the Covid pandemic in different manners, however, levels of engagement across the industry increased. The crisis brought out the best in collaborative engagement as all players leant in, increasing communications and engagement.

**Unprecedented civil unrest** - Rioting and looting in KZN had a significant impact on retailers and suppliers. Fortunately, the trust and engagement built in 2020 continued to strengthen as companies responded with agility and the “make a plan” mentality to work better together - a positive signal of working culture and behaviours in South Africa.

**Crisis fatigue** - Against a backdrop of a consistently complex and difficult trading environment in SA, “the demand on suppliers and retailers for constant crisis management is resulting in fatigue. Communication and engagement levels cannot be sustained, and as a result we predict a plateau or slight decline in overall engagement and trust scores in 2022,” says Piatti.

## Improved performance despite the challenges

The final 2021 data showed that 57% of SA retailers had improved their overall performance according to suppliers. One retailer’s performance remained constant, and 39% of SA retailers showed a decline in overall performance.

Responses from suppliers show an increase in satisfaction scores across all KPAs from 2019 to 2020 - a clear indication of increased engagement levels in response to the Covid-19 crisis. However, from 2020 to 2021, there were declines in Strategic Alignment and Category Development, while Overall Performance results and Supply Chain plateaued.

[Read the full report here.](#)

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