

**INTERVIEW****Challenge your current ways of working**

Peter Brabeck-Letmathe interviewed by Alan Mitchell

10 Despite ten years of progress towards better cooperation, there are still too many barriers preventing retailers and manufacturers from working together effectively. To deliver the growth we need, we need to challenge our current ways of working and overcome these barriers, warns Nestlé CEO Peter Brabeck-Letmathe, the new co-chair of ECR Europe. The aim must be “joint growth creation through innovation”.

There are many practical things that can be done, but the key lies in mindsets. New forms of collaboration won't be possible without mutual respect and trust. Manufacturers and retailers need to look beyond their current concerns to build a joint 'shopper centric agenda' that's able to deliver tangible value to consumers beyond price. For example, consumers are looking to the industry to help them face issues relating to unbalanced diets and even, sometimes, unhealthy lifestyles. They are looking for better nutrition, the advice and service part will clearly play a more important role in the future.

We also need to make shopping a pleasant, entertaining aspect of life again, says Mr Brabeck. “That would be a great contribution to everybody's quality of life”.

Destination 2016

by Peter Jordan and Ruud van der Pluijm

16 The packaged goods industry faces a 'huge agenda for change', warns a specially commissioned GCI report on the supply chains of the future.

A move from 'push' to 'pull' supply chains, intensifying two way communication with shoppers, and much greater information sharing are just a few of the transformational trends to sweep the packaged goods industry over the next ten years.

The rapid growth of China, India and other rapidly developing economies will tilt the world's economic balance, creating huge new opportunities for manufacturers and retailers. At the same time, however, climate change and other environmental concerns will place intense pressure on companies to rethink every step of their production and distribution processes from initial energy inputs to waste disposal.

New technologies will make virtual reality a common day-to-day experience, biometry will be a key to security and authorization, while machine-to-machine communication (via mobile logistics, RFID and telematics) will open up new opportunities for supply chain flexibility and efficiency. Better use of consumer data will be critical. Together, such developments will change not only what consumers shop for, but how they shop and from whom they buy.

Put together, such trends don't just mean more of the same. They point to a rapid evolution of consumer expectations and behaviours – and business models.

INTERVIEW**We don't question ourselves enough**

Anders Moberg interviewed by Alan Mitchell

26 Consumers are changing faster than the industry, warns Ahold CEO and new ECR co-chair Anders Moberg in this interview. Manufacturers and retailers need to run hard to keep up with consumers' growing concerns about the environment, health and well-being, for example. The industry needs to take responsibility and find a common, agreed language for talking about these issues.

Mr Moberg's agenda for the ECR movement over the coming years revolves around three priorities. First, to go beyond traditional 'inside out' thinking to see the industry from the consumer's perspective. To innovate and grow retailers and manufacturers need much deeper insight into consumers' lives and attitudes, through better use of new and existing data and being “immersed” in consumers' lives. His second priority is take co-operation to new levels in areas like innovation and the supply chain. “Perhaps we should be opening the books a little to make the right analysis. If we did this, perhaps we might redefine who does what work in the supply chain.”

Third, he wants to develop a vision for the industry's future. “An aging population, the desire for healthier food, a changing population, the environmental impact of our distribution systems. Each one of these issues impacts on the way we do business and how we impact consumers.”

The Invisible Opportunity

by Daniel T. Jones

32 The Western European packaged goods industry is not 'mature'. It's suffocating under a mountain of institutionalized waste - waste that's so deeply embedded that it's not easy to see; waste that's stifling the industry's ability to deliver improved value. Now, however, a series of related but separate initiatives among both retailers and manufacturers is transforming the industry's prospects.

Manufacturers are learning how to move from producing big batches towards a new goal of making 'every product every day'. In doing so, they are slashing bloated inventory levels, freeing up space and time, improving service levels, and creating a platform for continuous improvement.

Retailers are learning how to move from forecast driven replenishment systems which are not responsive to real demand towards new, flexible supply chains which replenish products as consumers buy them. In doing so, they are slashing inventory levels, eliminating unnecessary touchpoints and labour, and improving on-shelf availability.

Now these once-parallel tracks are beginning to merge. In the process, they are creating a platform for the industry to innovate fundamentally: to offer the freshness of farmers' markets, the prices of hard discounters, the convenience of the best convenience outlets, and the range of the biggest out of town stores - all at the same time.

Brand versus brand

by Nirmalya Kumar and Jan-Benedict E.M. Steenkamp

46 Once upon a time, 'private label' was another word for 'cheap', 'generic', 'copycat'. But over the last ten years, leading retailers have completely reinvented private label, introducing products that sometimes beat manufacturer brands on quality and price, innovating on value, and building complete portfolios to give shoppers a choice of price points and benefits. Along the way, they have turned 'private label' into fully fledged brands in their own right.

To flourish in this new environment, manufacturers need to reinvent their brand strategies too. By partnering effectively with retailers they can embed their brands in their retail customers' marketing strategies. By focusing their resources on carefully chosen categories and markets, they can take traditional strengths such as economies of scale to new levels. And by innovating their innovation processes they can keep their brands attractive to consumers - and a 'must' for retailers to stock.

For manufacturers, there is no magic bullet. The secret of success lies in execution rather than grand plans.

What are Visa and Mastercard for?

by Arnd Huchzermeier and Ludo Van der Heyden

54 At one level, today's payment card system is spectacularly successful. The industry offers a potentially rich 'win-win-win' between consumers, retailers and banks, providing consumers with an easy, convenient way of making payments both at home and abroad (plus the no-hassle ability to draw on credit lines), retailers with security and processing ease, while also delivering lucrative a revenue stream for banks.

However, at another level, this system is becoming increasingly dysfunctional, imposing an effective tax on all consumer/retailer transactions while resisting all attempts at reform.

To find a way forward, we need to understand how and why the system works as it does: how it is designed to stifle competition between banks and to suppress flows of information that could help retailers negotiate better deals, for example.

By carefully analyzing the system's dynamics it is possible to pinpoint which reforms and initiatives will have the greatest positive effect.



RFID: Peering through a glass darkly

by Hau L. Lee

60 Many early estimates of the benefits of RFID have proved to be wildly optimistic in terms of timing and/or scale. Companies thinking of investing in RFID face a dilemma: many of the biggest likely benefits of RFID implementation are, in principle, impossible to quantify. How, then, to build a robust business case for investment?

One way forward is to plan and judge investment opportunities in the light of a deeper understanding of how technologies evolve.

Typically, new technologies go through three stages of implementation. The first is substitution, where the technology is used to replace existing, established processes – where costs and benefits are easy to identify and quantify. The second stage is scale, where the new technology becomes just a routine part of daily business. Typically, the benefits here are much greater, but so are the uncertainties. How soon will it happen? What obstacles and pitfalls could sabotage our plans? In the third stage of structural change, the implications reach much further, often into areas that are impossible to predict.

Investment projects, and new research, that focuses on the transition from substitution to scale will make the biggest contribution to turning RFID's potential benefits into reality.

RFID: Vision or Fantasy

by Paul Zipkin

69 Many glib assumptions are being made about the progress of RFID. It is generally assumed that the cost of RFID tags will inevitably fall to a level where they become economic for example, but achieving these low costs isn't simply a matter of time. The chicken-and-egg challenge of cost (we need low costs to generate volume and we need volume to generate low costs) won't be overcome without breakthroughs in many areas.

For example, 'passive' tags are much cheaper than 'active' tags but cannot deliver some of the key functionalities retailers want from RFID. Widespread assumptions that RFID will make theft and counterfeiting much more difficult underestimate the criminal mind. And issues of security and privacy are far more complicated than may appear at first sight.

In addition, none of these issues can be solved in isolation. If security and privacy issues aren't conquered, RFID cannot be implemented. But solving these security and privacy issues has functionality – and cost – implications. Practitioners need to balance many conflicting demands and constraints. That's why RFID has a bright but hazy future.