

For Immediate Release

Retail/CPG Survey by ChainLink Research Reveals Dynamics of the Retailer-Supplier Tug-of-War

Study exposes fundamental disconnects in the power struggle between retailers and suppliers

Cambridge, Mass., June 30, 2003

ChainLink Research released its survey of 140 retailers and suppliers, representing over a trillion dollars in revenue. The study uses ChainLink's unique research methodology to reveal the dynamics of the link relationship. Areas of focus for the research included performance, promotions, and category management.

Study Reveals Disconnects

The research showed that top-performing suppliers with the best supply chain execution, compliance, brand strength, and demand are rewarded with more shelf space, increased visibility, and traffic. Marginal performers are starved out of the system. The study revealed striking disconnects in perceptions between retailers and their suppliers, for example:

- Suppliers consistently rate their own performance higher than the retailers rated them, highlighting the need for more honest self-assessment by suppliers and for clearer expectation setting and sharing of supplier's actual performance results by retailers.
- Suppliers overestimate the importance of their overall profit contribution relative to individual product's contribution. Category managers want to allocate shelf space based on each individual product's contribution in driving profit or traffic. This goal is complicated when suppliers price their line as a portfolio.

Performance Improvement Opportunities

The study also highlighted opportunities for performance improvement and differentiation that are frequently overlooked:

- On average 25% of promotions fail to achieve targeted lift, and for the lowest performing firms, more than 75% of promotions fail. Yet, less than 15% of retailers and suppliers have implemented promotion management systems, and very few of the rest have any plans to implement these systems, even in 2004 and beyond.
- The lowest area of performance for suppliers was markdowns—not surprising given that suppliers ranked the importance of markdowns much lower than retailers.

A synopsis appears in a Special Report in the June issue of Chain Store Age magazine. Copies of the synopsis or full report can be obtained by visiting www.chainlinkresearch.com/reports.htm

About ChainLink Research

ChainLink Research is a bold new supply chain research organization dedicated to helping executives improve business performance and competitiveness. ChainLink's fresh approach to actionable supply chain research and high-impact decision-making workshops helps manufacturers, retailers, and technology firms enter new markets, expand share, and achieve peak performance in their markets. For more information visit www.chainlinkresearch.com.

pr@chainlinkresearch.com

617-762-4040 x414