How abusive vendor compliance programmes are affecting retail store success

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Abstract

Inasmuch as supply chain vendor compliance programmes are meant to bring efficiency to the relationship between a customer organisation and its vendor community, the poor implementation of vendor compliance initiatives and the continued disruptions that result from the leftover chaos leads to high costs and disruptions on both sides of the supply chain partnership. Additionally, poorly executed vendor compliance programmes can disenfranchise vendors, who will then seek alternative customers and channels for their goods. Buyers can be too quick to cut off seemingly under-performing vendors, which can inhibit product selection and eliminate innovative products from ever catching their customers' attention. The organisation risks being reduced from a competitive company to a commodity player within the industry due to product stagnation. All this finger-pointing creates a 'blame game' that does not address the real root causes of the disruptive behaviours, in which the organisation may be very much at fault. Animosity replaces loyalty and the supply chain partnership is barely a supply chain relationship. In an age of struggling retail business models, vendor compliance is an overlooked opportunity to save stores and attract shoppers.

Keywords

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INTRODUCTION

I am admittedly old enough to remember the days when you went to your local department store for everything: concert tickets, a haircut, spectacles, insurance, a meal or snack, reliable automobile service, as well as merchandise shopping. But those days are long gone now, as are the added revenue those extra business models brought in. At one time department stores were more like marketplaces, offering a potpourri of services in comparison to the seemingly singular shopping destinations of today.

The perplexing question that retailers currently seem to be struggling with — as they shutter stores and close companies in record numbers — is how to get customers back into their physical locations. This should be an easy answer, because shoppers would rather touch–and–feel before they buy. In a 2017 Multichannel Merchant article,[1] according to Brent Franson, CEO of Euclid Analytics: 'Two out of three

shoppers, our research shows, would prefer to kick the tires in person, to see, touch and hold a product before they buy.' Franson continues,

'But let's face it. Amazon and other online retailers make a pretty compelling play in terms of person-alization and convenience. To win, physical retailers must make it fun and valuable for shoppers to come in person. Unless they make more effective use of their space, 2017 will definitely include more store closures.'

In-person shopping reduces the risks of customer returns due to fraud, dislikes and poor fits, especially when it comes to apparel and footwear. The ability to touch-and-feel helps to ensure satis-faction and close the deal, so to speak. In a December 2017 article by Nick Winkler posted on Shopify,[2] the writer states that while bricks-and-mortar return rates are at 9 per cent, online return rates are at 20 per cent, and that the online return rates can be significantly higher as a result of the gifts given at the end-of-the-year holidays. Retailers should be seeking solutions to reduce the opera-tional overhead of reverse logistics due to returns, which, depending on the terms of vendor compliance contracts, can have a negative impact on vendors if the retailer is left holding the bag with too much product inventory at the end of a season or time period and forces the vendor to either take the inventory or issue credits, as if the vendor was somehow at fault (assuming the quality of the product was not an issue) for the over-commitment or lack of retail sales or faulty forecasting. Yet another spike dividing the retailer–vendor relationship.

So, retailers are puzzled as to how to get customers through their doors.

Gone — apparently — are the myriad other reasons to enter a retailer other than shopping (or worse, just browsing for ideas, so the consumer can then shop online and purchase on a competi-tor's website), so shopping (translation clarification: the buying) has to be a compelling reason to enter a retailer. This paper will examine the subject of how archaic and draconian supply chain vendor compliance programmes have been damaging retail stores' abilities to forge real relationships with vendors and to woo customers back into their locations by offering innovative products, ideally even combined with new comple-mentary amenities.

THE PURPOSE OF VENDOR COMPLIANCE

Supply chain vendor compliance comprises the operational and technical mandates that customer buying organ-isations demand of their product vendors (aka suppliers) as a requisite for conducting business. Vendor compliance is very common in the retail industry, and is also found in grocery, pharmaceu-tical, automotive, publishing, electronics and government. This paper focuses on the flaws of vendor compliance within the retail industry, but is a lesson as to how vendor compliance is used — and potentially abused — in other industries as well.

Technical requirements primarily involve the exchange of business trans-actions (eg purchase orders, invoices, shipping notifications) electronically via electronic data interchange (EDI) in the US (the EDIFACT standard is widely used in Europe) and the use of automatic identification (eg barcode labelling, radio frequency identification) for item, carton and pallet tracking.

Operational necessities include floor–ready requirements as initially defined by Voluntary Interindustry Commerce Solutions (VICS), the former US retail industry trade association which is now part of GS1US; carrier specifications and routing guidance; carton weight and size restrictions; documentation (eg pack list, bill of lading, item tag, carton label) format guidelines; and whether pallets are used or not.

Legal issues, such as child labour regulations and item content clauses (eg California Proposition 65) are also common in vendor compliance guidelines. Test requirements, contact information, deduction amounts (usually in terms of percentages) for damages and the financial penalties that will be applied by the customer organisation to the vendor for non-compliance (aka 'chargebacks') are also standard inclusions in supply chain vendor compliance documentation.

Given that the typical retailer can have anywhere between a few thousand to 10,000 or more vendors that supply products, the need to establish uniform guidelines by which all vendors will engage and represent is an absolute necessity, operationally and financially. There is no question in this regard, and vendors who are forced to comply do gain an appreciation of this when it is properly and clearly explained to them.

VENDOR BENEFITS OF VENDOR COMPLIANCE

When reviewed and explained plainly and strategically, engaged vendor company senior management will understand that the embracing of supply chain vendor compliance is not a cost but an investment to their organisation. The commitment to people in terms of hiring and training, to improvements in software systems and business operations practices, all needed to achieve optimal performance for vendor compliance, also benefit in an overall better performing company, improving execution across all customers, not just the few large and select customers that are making these demands. Vendor compliance is a competitive edge: the vendor company that can form the tightest, most embedded relationship with its customer is thus more likely to keep its competitors from undoing the bonds of that relationship. The customer–vendor bond is formed not just by providing desired and quality products but also in the execution of the fulfilment of the products from start to finish. This vendor will likely be able to grow its business based on the foundation of its engaged relationship and solid performance. Savvy senior executives of vendor companies are — or should be — aware of this fact, which should be built into the strategic plans and goals of the organisation.

THE BREAKDOWN OF VENDOR COMPLIANCE

Regrettably, the vendor compliance standards that exist do not offer much respite for the vendors who must adhere to them and the retailer customer organisations who must understand, define and mould them appropriately for their purposes. Barcode standards are generally well–defined and narrowly focused. The Uniform Product Code (UPC) — even as the terminology has changed to the Global Trade Identification Number 12 (GTIN-12) — is and will forever be the same recognisable 12-digit product barcode used in North America.

Despite the fact that EDI is an American National Standards Institute

accredited standard developed and maintained by the X12 organisation,[3] EDI document frameworks and data field values are so broadly defined, because they are allowed across all supported industries and for multiple purposes, that the same singular business transaction — such as a purchase order — can be represented vastly differently in data structure and data content not just from one retailer to another, but by the same retailer sometimes just depending upon functional use, eg a drop-shipment to a consumer versus a fulfilment to a distribution centre.

Industries such as retail have failed to consolidate around data standards and usages that EDI — as a 'non-standard standard' — allows, which increases data variations and thus drives up costs and confusions for vendors across the industry. For example, there becomes little more than a semantic difference between a 'do not ship before', 'do not ship after', and a 'cancel after' date on a purchase order. Yet the retail industry has not addressed any such consolidation of concept about creating a single date on a purchase order that simply signifies when the purchase order is no longer valid, leaving the subtle definition and date discernment up to the vendor community to try and get correct as the variations, and subtle definition differences, abound within and between retail trading partners.

Data standards for code sets, such as the Standard Alpha Carrier Code defined by the National Motor Freight Traffic Association, are sometimes not adhered to by retailers, who will corrupt code sets possibly to cover for inadequacies in their own order processing systems. This causes data corruption within the order processing and EDI systems used by their vendors, necessitating costly work-arounds by the vendor community, adding unnecessary time and expense to supply chain requirement implementations.

Retailers do not always perform adequate consumer address verification for consumer drop-ship data that is passed to vendors for direct-to-consumer shipments, leaving it up to the vendors to take on this responsibility and falsely accept this costly burden.

Vendor compliance guidelines are too often written using retailer-specific terms to describe general industry concepts. A case in point is the variety of innovative ways different retailers have found to coin their own terms for 'distribution centre': store fulfilment centre, store support centre, distribution supply centre, direct fulfilment centre. Worse is when multiple terms are used by the same retailer by teams often representing different business models, eg consumer drop-ship versus direct fulfilment. My message to retailers is that your vendors really do not care: a distribution centre is a building to which your vendors ship their product, plain and simple. Just give it an identifier and an address and call it a day. Stop trying to be clever — your audience does not need to be impressed in this manner.

More egregious still is the varying definition of a backorder. Is a backorder the splitting of a purchase order across multiple shipments *prior to the* delivery date, and then regardless of or subject to ship-from location? Is a backorder the splitting of a purchase order across multiple shipments *regardless of* delivery date, and then regardless of or subject to ship-from location? I have seen plenty of definitions of a backorder with no industry standard meaning.

Retailers want to blame supply chain disruptions on vendor variability, but

as previously stated, it is the retailers themselves who, as the supply chain partnership leaders, fail to establish or adhere to the standards and good — let alone best — practices they demand of their vendor partners. In *Supply Chain Digest*'s 2018 Retail-Vendor Benchmark Study, there seems to be only a focus on reducing *vendor* variability, but not the variability caused by a single retailer

across its different business models, let alone the variability by all retailers across the industry. Figure 1 represents the response from retailers, showing that retailers are not really focused on reducing the variability of vendor supply chain issues. Notably missing from the study, however, was whether retailers are even at all focused on reducing their own retailer-generated variability issues that are the cause of so much supply chain disruption.

Figure 2 shows that vendors view variability as a concern, although with a degree of scepticism, given that the vast majority are unsure. Vendors are essentially the whipping posts of the retailers, reacting to the myriad demands placed upon them. Reduce the complexity and variability of the demands, and the disruptions will decrease and the consistency will increase. But there has to be leadership from the top, and the retailers hold this position.

The perspective of some vendors may be that this variability causes them concern and becomes a return-on-investment factor, thus their uncertainty in addressing. Why bother to do more compliance than the minimum for a relationship that might not be long-lasting or permanent? It circles back to the retailers, not the vendors, who have painted themselves into an uncomfortable corner. The less variability, the more stability in any relationship: personal or professional. And a stabile relationship is one worth investing in.

Now I am not naïve in thinking that all retailers can alter their software systems and business processes to align with everyone else entirely. The industry as a whole will greatly benefit, however, by agreeing to not corrupt data sets, in order to reduce the variability of multiple versions of a data transaction per retailer
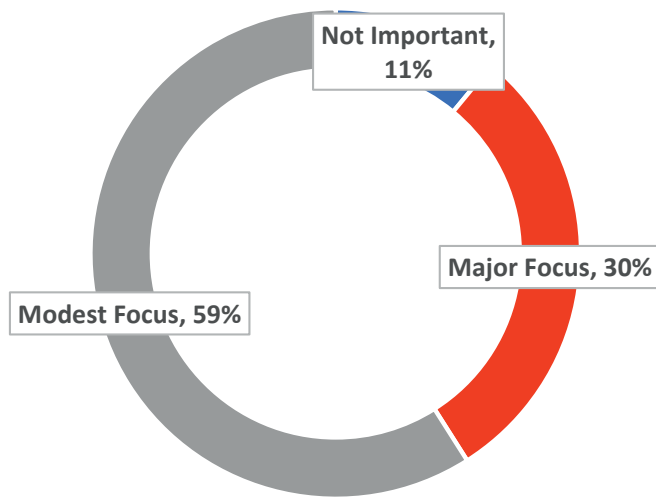

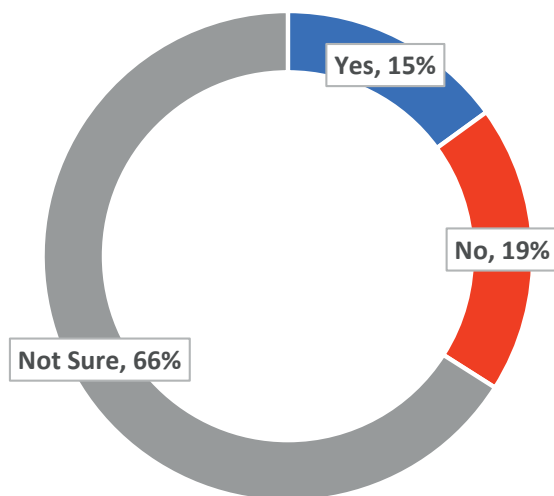**FIGURE 1** Variability — retailers
Source: Supply Chain Digest[4]

FIGURE 2 Variability — vendors
Source: Supply Chain Digest[5]

across business models — even though these same transactions (such as invoices, purchase orders, ship notices) will differ from one retailer to another. This does not reduce competition between retail participants; rather, it strengthens the industry and allows greater focus towards individual initiatives that each retailer wants to undertake. During my time consulting for the marine industry, I was pleasantly surprised and pleased at the industry-focused level of collaboration between competitors in meetings who openly discussed even their own company's financials, knowing that their secrets would be forgotten by all as soon as the meeting was adjourned, provided such a revelation helped to progress conversation and forward initiatives that would benefit the industry, and all the partner participants, as a whole.

With no real industry standardisation, and neither the appetite nor initiative from retailers to do so, vendors, along with their third-party logistics providers, have the technical and operational burdens to get the retailer customer buyer organisation differences defined and integrated into their procedures and software systems — the latter of which are nowhere near as sophisticated as those of their customers for the majority of the vendor demographic.

The disparities here are highlighted for several key reasons.

First, business models are blending in today's omnichannel environment. Whether shopping at the store or shopping online, it should not be making much difference any more. Yet too often retailers have yet to merge vendor compliance technical and operational requirements for the omnichannel environment. Omnichannel, as defined by the *Oxford English Dictionary*, is: 'denoting or relating to a type of retail which integrates the different methods of *shopping* available to consumers (eg online, in a physical shop, or by phone)' (emphasis added). Note that the definition has nothing to do with *shipping*. Consumers have been omnichannel shopping for decades, eg telephoning stores and asking associates for the price of an item, along with checking catalogues, mailers and newspaper adverts, before getting in their cars and going to the store with the lowest item price. Vendors have been shipping direct to consumer, to stores, and to distribution centres at the request of the retailer for decades. So, asking vendors to ship to different places is nothing new.

So, why are retailers even splitting the vendor compliance technical and operational requirements across omnichannel business models for the vendors, given that vendors have already been shipping to distribution centres, direct to store and direct to consumer, for decades? (And from my experience, vendors were asked to handle more complex data such as gift messages and alternative ship-to addresses, eg for sending a gift to someone, going back decades too.) My perspective here is that retailers are needlessly replicating efforts due to a misunderstanding of what omnichannel really means to their own supply chain relationships with their vendors. Retailers have realistically created siloed business models that they are now struggling to integrate, and this fractured structure is one of the root causes of why retailers are — inadvertently perhaps — to blame for the supply chain woes they believe are the fault of the vendor community.

Any way the retailer can minimise the burden on their internal staff, their internal systems and the vendor community by limiting the myriad vendor compliance variations reduces

costs and disruptions, both internally to the retailer organisation and externally to the vendor community. And when this happens, compliance time is also decreased, compliance rates are increased and supply chains function better. Do not think for a moment that data analytics must be compromised during any of this either, as it does not. EDI is so robust that a retailer could reduce data transaction structure variations across business models without compromising its ability to recognise transaction type variances across different business models for the same business document, eg a purchase order.

Secondly, if you have ever experienced bad customer service when on the receiving end of a conversation with a person who should know the answer but does not, or has given you a contradictory answer in comparison to another person you spoke with at the same company, imagine being a vendor trying to get help and facing the same situation when they call your retail company for help. Because this happens far more often than retailers want to admit. Whether due to inexperience, poor training, or just a poor attitude, vendors are at the mercy of retailer employees to resolve their problems on a timely basis to get their orders shipped and invoices paid. Retailers are rarely proactive on having the experienced staff who can help their vendors when they most need it.

Retailers need to know and understand supply chain vendor compliance technologies and operations issues and write to their audiences, internal and external. Simplifying terminology, sticking to standards, reducing variations, and editing documentation for clarity all go a long way towards reducing frustrating disruption. Retailers should remember that their staff employees may not be experienced and may (will likely) turn over. Vendors are less likely to have the expertise to understand what retailers want, let alone when mixed with unwieldly jargon.

Continuing this point, understanding one's customer demographic is important. The customers of vendor compliance are the vendors themselves. As I have already stated, the typical retail vendor is unlikely to have software systems, such as ERP and EDI, as sophisticated as the retailer themselves. While this should not be the retailer's concern, it is by default a reality nonetheless and therefore a consideration to keep in mind when introducing supply chain demands, especially technical requirements. Given that many retail vendors utilise third-party logistics providers (3PLs) to effectively meet the technical and operational demands of their retail customers, the greater the reduction in complexity and variation to technical mandates the retailer can make, the faster and easier it will be for supply chain partners to data map, test and implement. And maintenance for all parties will also be less costly.

Thirdly, let us review the costs of disruption. The more effort expended in dealing with vendor problems, the costlier those problems become; however, the root cause is the excessive time spent by operational staff because vendors and/ or retailer staff do not understand the problems and solutions themselves — often because the vendors cannot find clear answers to their questions in the vendor compliance documentation. The more that vendors can self-correct, the less burden upon staff to get involved. But this also returns to the previously mentioned documentation issue of writing to one's audience, internal and external in this case. This necessitates

such documentation to be available to vendors, for example on a secure web portal that is sensible to navigate — another general point of failure for most retailers.

Fourthly, retailers complain of a lack of compliance in key metrics areas such as on-time shipments, labelling and documentation, and fill rates, according to the 2018 'State of Retail–Vendor Supply Chain Relationships' report published by *Supply Chain Digest*[6] magazine. Retailers have, however, traditionally assumed the vendor is guilty until proven innocent, and then often guilty as initially charged. The point here is that retailers — as judge, jury and executioner — have fallible software systems and employ humans who are capable of error. Because of these facts, it is certainly very possible that the root causes of the lack of compliance problems are due to the retailers' failure to implement systems and procedures effectively and with their vendor demographic in mind, let alone that their own software systems, technologies and employees may be at fault.

(Hint to retailers in the US: Have your corporate attorneys review your vendor compliance practices in comparison to the Uniform Commercial Code. Inasmuch as I am not an attorney and cannot be relied upon for legal advice, fair-minded attorneys at many retailers would — and should — be appalled and concerned at what you are doing to your vendors. If you are a public company in the US and follow Committee of Sponsoring Organizations (COSO)[7] Sarbanes-Oxley compliance framework, ask yourself if this is the tone at the top you want to be responsible for setting when it comes to supply chain relationships and how you treat (or otherwise mistreat) your vendors. Inasmuch as vendors are not retaliating with lawsuits — after all, they do need to sell their goods somehow, somewhere — they are hitting back by proving their lack of loyalty to retailers, reaching out to anyone at whim who will sell their products, whether bricks-and-mortar store, online retailer or thinking about establishing their own direct-to-consumer channel.)

In my professional career I have experienced software system errors by numerous retailers, pointed out necessary corrections to many retailer EDI and operations documentation discrepancies, and caught abuses to data standards by retailers that caused significant issues to vendor software systems in trying to reconcile the incongruity at significant time and expense.

Retailers — as the customer buyer organisations of size and leverage — are supposed to have the knowledge and expertise and be the partnership/relationship leader. There is simply no excuse for the retailer to show any lack of knowledge and expertise, or worse, to corrupt a standardised code set to cover for their own software system or business operation inadequacy. The dumping of problems like these onto the vendor community exacerbates the situation by forcing the vendor community — each and every one — to spend unnecessary time and money to independently and individually fix a problem the retailer should have singularly fixed themselves. This is part of the reality of vendor compliance happening today, right now. So, when retailer executives wonder why vendors are so frustrated, why compliance rates are not higher and why compliance costs are so high, they need look no further than the poor implementation and execution of their own vendor compliance programmes.

Retailers need to be the knowledge leaders, but are either abdicating their

responsibilities or are just not stepping up to the plate. The statistics of *Supply Chain Digest*'s 2018 'Retail–Vendor Benchmark Study'[8] do not promote great confidence in retailers' technical and knowledge leadership when it comes to vendor compliance. Table 1 shows responses to the question 'How good is your company at retailer or vendor supply chain collaboration?'

The problem with the resulting retailer statistics is that less than half are even ranked 'above average'. For an industry that is supposed to be leading the way, with companies heralded as global leaders for their supply chain prowess and savvy business models, I would certainly expect many more to be 'near the top' than a rather disappointing 16 per cent. I am also convinced that if more retailers were leaders in reducing the complexity of their vendor compliance, more vendors would be able to move up the statistical ranks.

THE CORRUPTION OF VENDOR COMPLIANCE

Vendor compliance itself became corrupted when it placed an impenetrable wall between buyers and not only the vendors they were responsible for, but also prospective vendors who sought audience with anyone who would review their product ideas.

The first problem is that buyers could often be difficult to work with, making communication a real chore.

Buyer assistants were not empowered to make decisions, leaving vendors with no backup recourse for their time-pressed queries. Buyers were never meant to be supply chain experts, yet were forced into this position by many retailers.

Secondly — and I do understand this — retailers cannot just open up a buyer to the world of every person who believes they have a great product to sell. This is highly problematic and can consume all a buyer's time. This is where either a buyer's assistant or a separate select group should be formed. Now, with the Internet, the submission of new product ideas and company qualification is absolutely possible, even starting at a local or regional level and allowing the vendor to grow; anything to get unique quality products into a store that attracts shoppers should be considered a win. But retailers continue their staid, old business model of using vendor compliance as a shield rather than a window.

Thirdly, as I already wrote, retailers have to face the facts that they may be — correction: that they are — the reason for much of their own execution failures. Realistically larger than the vast majority of their vendors, my experience is that retailers lack the experienced personnel and too often the sophisticated software systems to adequately, let alone professionally, address their supply chain vendor compliance needs, irresponsibly passing along their problems to their vendor community to solve. Exacerbating the situation and multiplying the costs of

TABLE 1 How good is your company at retailer or vendor supply chain collaboration?

Retailers	Vendors
Near the top: 16%	Near the top: 11.5%
Above average: 44%	Above average: 25.5%
Average: 28%	Average: 48%
Below average: 11%	Below average: 15%

corrections across the vendor community by failing to adhere to standards, failing to provide up-to-date and clear documentation, failing to coordinate and merge multiple divisional requirements all drives up operational costs, increases lead times to compliance, decreases compliance rates, increases complexities and increases the incidences of errors. The last point — the incidences of errors — is perhaps the largest sticking point for vendors, given that vendors are always assumed guilty until proven innocent and then typically branded guilty again, their chargeback (the financial penalty for non-compliance) fee rarely returned even after expending excessive and costly time and money to research and get refunded by the retailer. It is a well-regarded postulation within the retail industry that chargeback programmes are profit centres at many retailers, especially in today's more competitive retail landscape.

Vendors should not be assumed guilty as charged unless there is irrefutable proof that is checked-and-balanced against other irrefutable proof. If the retailer cannot perform such a double-check that the vendor has failed to conform and therefore perform, then the retailer must accept it has no basis to financially penalise the vendor.

A RETURN TO THE PURPOSE

If, hypothetically, 80 per cent of a retailer's goods are sourced from the top 20 per cent of its vendors, while this may be a statistical supply chain benefit, is it creating a product selection limitation for shoppers? Just because a large or very large supplying vendor has capacity does not imply it has the exclusive domain to creativity. Can the retailer's own private

label brands keep pace with or stay ahead of fashion trends?

Let me return to what Brent Franson said: 'To win, physical retailers must make it fun and valuable for shoppers to come in person.' Children's storytime in the book and toys section, cooking displays in the housewares department, tips-and-tricks demonstrations where video games are sold, all make for potential compelling reasons why someone would enter a retailer and become engaged in the environment and then shop. Data from Retail Systems Research (RSR)[9] in June 2017 proves this point. Figure 3 shows the replies of 100 responding retailers in a survey of store relevance.

Figure 4, however, shows the replies when RSR asked 1,000 consumers what they wanted in a store.

Note the customers' number 2 response: better products. And let's not overlook the disparity gap between the two perception results: while the shared results can be interpreted as implying that the instore experience needs improvement, and that this improvement is primarily focused on the store employees with the possibility of technology (note that customers want convenience but never mentioned 'technology' per se), clearly the lack of 'better products' is an inhibitor for customers that store executives are failing to understand. And for the retailer, what is the barrier to 'better' products getting to the shelves? My answer is vendor compliance!

But creating an experience is only part of the solution. Getting innovative products into the stores requires retailers to remove the blockades to buyers and instill a willingness to work with, and even help grow, smaller vendor companies.

First, there needs to be a return to the purpose of vendor compliance. The

FIGURE 3 Survey of store relevance
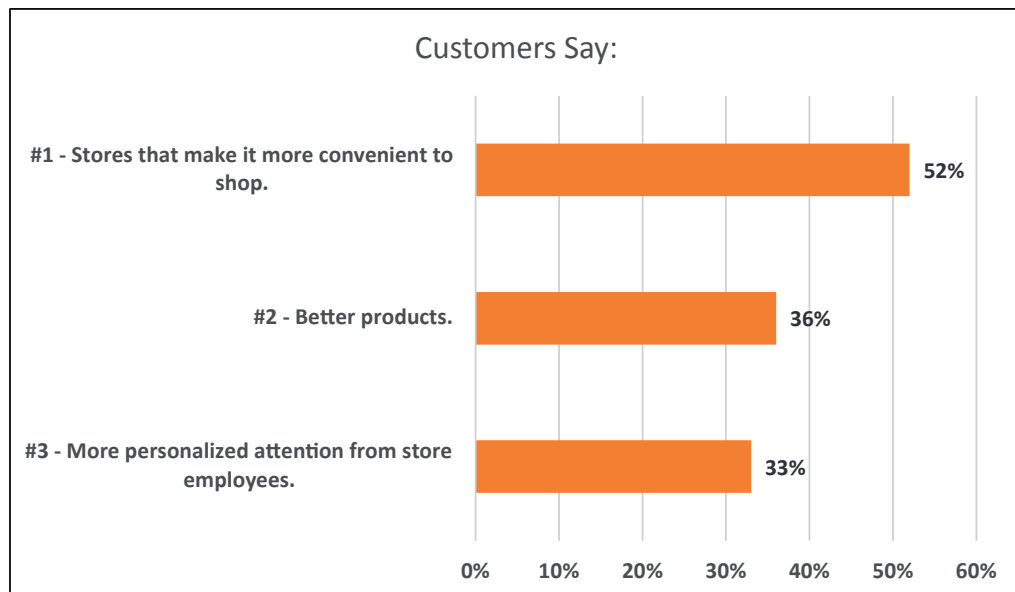Source: Retail Systems Research[10]

FIGURE 4 What customer want
Source: Retail Systems Research[11]

purpose of vendor compliance is to create a uniform set of guidelines by which all vendors will interact — technically and operationally — with the customer buyer organisation. The retailer needs to clean up its act and streamline and simplify its technical and operational requirements, taking an introspective perspective on how these requirements are defined and described. The beneficial results of this

exercise are that the costs due to internal and external confusion will be reduced related to operational and systematic factors. Retailers and vendors will save money. Compliance rates will increase. Software and data maintenance will become easier and therefore less costly. Supply chain disruptions will decrease. Everyone will be happier.

Secondly, the purpose of vendor compliance cannot be as a profit centre. Retailers, and other industries, must realise that fallibility exists within all supply chain partners: customer/buyer, transporter, vendor/seller, 3PL. If all parties are going to work together towards a single purpose, then there had better be some open honesty that people — and software systems — make mistakes. Yes, disruptions cost money, but since vendors cannot charge back retailers for their mistakes, retailers need to ease off the pedal for their failures, which certainly extend to poorly executed and error-containing vendor compliance initiatives including specifications, documentation and labyrinth-like website portals that cost vendors precious time and money to navigate through and figure out. Retailers needs to start accepting the fact that vendors are as valuable as customers and as critical to the equation as the shoppers they so desperately seek. Invest in making vendor compliance better in all areas.

Thirdly, retailers need to open themselves up to new ideas, and therefore new vendors. Yes, this is a potentially scary proposition, given that there is no shortage of people with the next new product idea who want to present to a buyer and — admittedly — are in no way capable of being prepared to enter retail either locally or nationally. Yet, this does not mean that their product idea is not innovative, it may just need

some nurturing. So, a retailer looking to capture and evaluate these budding item initiatives need only set up an Internet portal, on which there needs to be some qualifying questions that will initially filter out some of the entries, or at least divert them to other reviewers. Perhaps some of the submitting entries will be developed enough to work with stores only at the local level for trial product runs, and maybe this is where some of these items will only find their homes. Stores should be able to dedicate some space for local products that the demographic population can more closely relate to.

The retailer may find that some small vendor goods sell so well, or have such potential, that larger vendors or contract manufacturers with which the retailer already works can assist the smaller vendor. This is the type of small business community growth and help that looks really good on a corporate resume and that the retailer should be fostering. It is exactly the kind of outreach spirit that spreads fast in today's social media environment and should help get shoppers through the doors.

The money saved from reducing the costs of vendor compliance can certainly be shifted towards innovative product outreach programmes such as those I have described above. Instead of shunning the smaller business community, as has seemingly been the mantra of traditional bricks-and-mortar retail for decades, perhaps changing course and embracing it instead in a mentorship-type capacity would reap some new positive results. Department stores need to think and act more like marketplaces.

Remember: just because the store shelf is limited by its physical size, that does not mean the online shelf is equally constrained. Retailers who travel down

this new path of opening their vendor compliance doors should realise that they do not need to compromise their requirements. Put simply, once their requirements have been sanitised and standardised, products by smaller vendors can be marked for either the store shelf or the e-shelf depending upon the sophistication of the vendor. Where the smaller, less sophisticated vendor who is limited by capacity may not be able to supply stores, set aside some virtual space on an e-shelf in an online area dedicated to products from innovative vendors where shoppers will be drawn to looking. This may lead to a multi-tiered vendor compliance programme or a fast-track vendor compliance option, depending upon product fulfilment path.

SUMMARY

I have been deeply involved in supply chain vendor compliance since 1993. And even way back then, the requests from retailers had started to go awry from both technical and operational perspectives, and there were no good reasons why they should have strayed from the standardised path. I served for four years on a VICS trading partner alignment committee, creating and developing a supplier education course suite with the belief that an educated vendor is a less disruptive vendor. Unlike my four-year experience as the supply chain consultant for the marine industry, I did not find retailers willing enough to put aside their differences and ultimately show an inclination to work together for the good of the industry, let alone truly partner with the vendor community at large on industry initiatives. As such, with everyone going in their own direction for their own selfish purposes, the only logical result is the current state of chaos

that actually exists within the details of retailer — bricks-and-mortar and online — vendor compliance programmes.

It will solely be the innovative retailer that strategically decides to investigate the vendor compliance area of its business who will find my stinging analysis to be — perhaps surprisingly — true and my suggestions for business improvement worthwhile to undertake, because your competitors are not willing to be honest enough with themselves to look or creative enough to try.

Conclusions drawn in the 2018 'State of Retail Supply Chain' report produced by Auburn University's Harbert College of Business Center for Supply Chain Innovation[12] in conjunction with the Retail Industry Leaders Association[13] point to the fact that retail leaders recognise their companies — and their industry — is woefully behind where it needs to be in comparison with customer expectation and demand.

> 'A realization is setting in that consumers are much more adaptable and savvy than retailers previously believed.'

Where once a retailer believed that the consumer was loyal, the reality is no more. Consumers are more finicky and picky than ever and retailers are to blame. Retailers have taught consumers to shop on sale, and have commoditised products and their own stores (bricks-and-mortar and online) to the point of scant differentiation any more.

> 'It's not just that consumers are savvier; they can switch their allegiance away from a retailer's brand quickly if their needs are not met. In contrast, retailers can be like giant ships that take too long to change direction.'

Clearly, sticking with the same friction-causing vendor compliance programmes is not going to make any retailer's other initiatives work, as the ripple effects from this core initiative are felt throughout other supply chain attempts such as inventory management, data analytics, cost reduction and product selection. My belief is that consumers are not as brand-conscious any more, as they are acceptable to buying what is in front of them from what they perceive to be a reputable retailer. Retailers have diluted brand recognition due to private labelling and the fact that consumers appear to be less concerned about wearing a brand label, focusing more these days on quality, appearance and value.

I have yet to read an article on retail resurrection where a retailer has approached vendor compliance as a solution to their woes. Retailers all seem to be focused on the same fixes, seemingly dancing around the issues, and yet still, nonetheless, retailers are shuttering their stores and closing down their businesses. A June 2017 article[14] on CNN states that mall traffic is declining so rapidly that up to 25 per cent of malls will be closed by 2022 due to the rapid expansion of online shopping. This is primarily due to anchor stores that are closing, but the fact is that many other retail outlets have closed up that were not traditional anchor stores.

The lack of senior retail management focus on vendor compliance is understandable, however. When a retailer's information technology department decides — rightly or wrongly — to establish the data set for a purchase order, for example, for a particular channel or group (eg direct fulfilment versus consumer drop-ship) within the retailer's overall suite of business models, there is no expectation that this technical layout is ever communicated to senior management, let alone understood. This gap — correction, chasm — between the technical tactics and their knock-on effects on the business strategy is exactly at the crux of the underlying cause of the problems I am discussing here. With no communication and no understanding of the impact, it is little surprise that senior executive management has no understanding that the damage being wrought upon their operating costs and supply chains is being caused primarily from within. As such, it is no wonder that their strategic plans focus too little on vendor compliance improvements and the ripple effects throughout their organisations and supply chains. Figure 5 perfectly highlights how vendor compliance is given a low priority in retailers' perspectives.

Retailers can do better and create a winning strategy. It starts with a good, hard, uncomfortable look in the mirror; a willingness to change internally; then the drive to spread that change among the external stakeholder vendor and customer community. Supply chain vendor compliance programmes have grown too muddled and too corrupted to be functional and workable any more, even as it has taken several decades for this realisation to finally come to awareness, despite the fact that no one is actually focusing on it yet. Vendors want to sell their goods, and will find whatever channels and partners they can, with loyalty to none. For retail to return to its heydays of success, the current state of vendor compliance must change for the better, creating the partner relationships it was meant to, and, with the Internet in full swing, driving the innovations and growth it is capable of in the right hands.
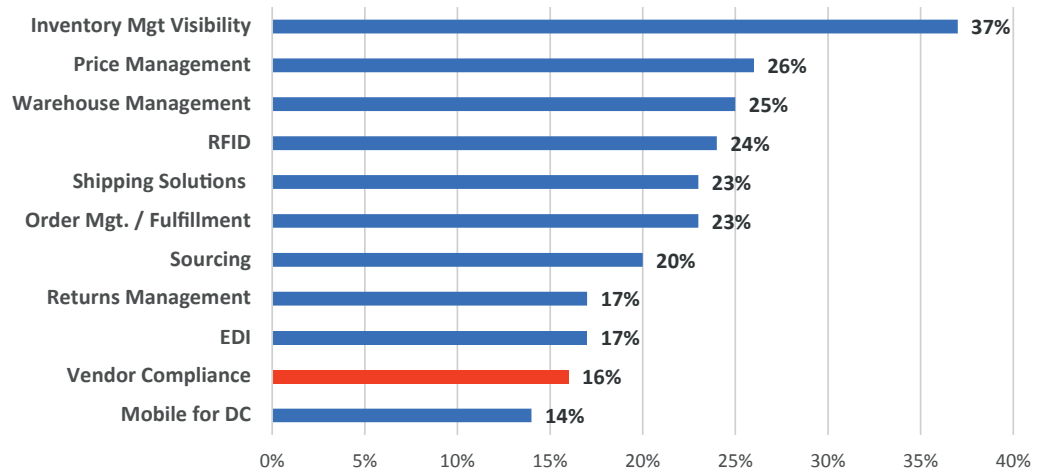
FIGURE 5 2017 supply chain/logistics solution investments
Source: Innovative Retail Technologies[15]

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