OUR CUSTOMERS
FOSTERING STRONGER CUSTOMER RELATIONSHIPS

Our interests overlap with those of our customers. Both of us want to serve shopper and consumer needs. We foster multi-level, cross-functional relationships that help us pinpoint shared strategic objectives, and improve our operational performance, execution and availability.

How we engage
Healthy, mutually beneficial relationships are based on more than category and brand sales, they are grounded in a shared sense of purpose. We express our purpose through the innovations we deliver, by meeting consumer needs, and by making a difference with our brands to the categories in which we operate. And we develop those categories more effectively by working closely with our retail customers.

Customers prefer to work with agile manufacturers that have transformational ambitions for their brands and categories. And having closer connections with customers brings other benefits too.

When our customers tell us how what we do looks to them it’s a chance to improve. They are the retail specialists, and they know what their consumers want. They have insights that can spur product innovation.

Our top 25 customers contribute around a third of net revenue. We’ve invested significantly more time and resources in developing these customer relationships during 2020.

The appointment of a global chief customer officer at executive board level has added weight and focus to this effort. He is supported by CCOs for North America and International Customers, each managing the leading customers in their respective regions.

Depending on the profile of the customers, we coordinate our largest relationships globally, regionally or nationally. At the operational level, we have substantially expanded our customer-facing teams to provide multi-disciplinary support to our major North American and international customers. We aim to grow mutually beneficial long-term relationships by building structural partnerships and vertically integrated networks with our customers.

Strong relationships start from the top.

Top-to-top meetings help articulate shared objectives built on a common sense of purpose. We run strategy workshops with key major customers to identify areas of common interest. We are uncovering more ways to meet customer priorities by deploying our brands to address their priorities.

Strong structural partnerships and relationships are fundamental. Our customers can draw on the expertise of category, shopper, sustainability, operational, channel and format, and regional specialists. It means that when there is a specific issue, they have someone with relevant expertise who can articulate and advance their interests at Reckitt.
Where we engage
Globally, our major physical trading channels include hypermarkets and supermarkets, pharmacies, drug stores, traditional trade and emerging trade (including discounters, convenience stores, mother and baby stores, travel and specialty retail). Online, we have well over 1,000 e-commerce customers. Our brands are on all the main portals, we trade via marketplace platforms, through physical retailers’ digital presence and via e-pharmacy outlets.

Supermarkets are our primary channel in North America and developed markets, particularly for Hygiene. In Europe, supermarkets are the primary channel for hygiene and home products, while pharmacy is the largest single channel for our health and wellness brands.

It is still the case that most sales are made through physical outlets, but online presence is getting more important. Many large retailers have already adjusted their business models and those that have not will need to pivot quickly to omnichannel fulfilment to remain competitive. We are matching this change by developing an omnichannel approach to category and customer engagement.

Small independents with relatively few chain outlets make up the bulk of the pharmacy sector. This remains the primary channel for our health brand portfolio in many territories. We have built up an extensive network of expert local representatives who manage these relationships, and the cross-selling and detailing of our brands.

In e-commerce, we will often invest in building ever closer partnerships. Our digital customers promote our brands online through their e-commerce outlet, but we also generate revenue for them by investing in media space on their platforms. As we sell more on a platform we often spend more on media space.

Whether the sales channel is online or offline, we aim to identify synergies at the strategic level, promote purpose-led innovation and invest in partnerships and networks that enhance and expand our categories.

Joint value creation
The leadership team made purpose-driven customer engagement a corporate priority in 2020. We focused on building strategic retailer partnerships founded on common purpose. We identified common areas of interest and windows of opportunity through numerous top-to-top meetings and strategic workshops. Engagement is coordinated centrally to ensure customers connect with a unified Reckitt voice and have access to cross-functional and cross business unit support. Our digital capability allows us to deliver omnichannel support to customers and is a key engine for growth.

We find synergies when we work with customers on areas of common interest. This purposeful, coordinated approach is driving improved performance both within existing categories and in new spaces. Walmart is one of several big retailers with sustainability goals that mirror Reckitt’s approach. In September 2020, it announced plans to become a regenerative company targeting zero emissions by 2040. Its ambitious goals for regenerative agriculture, the circular economy and improved conditions for suppliers are consistent with our approach at Reckitt. The two companies work together to advance their shared agenda. For instance, following Walmart’s 2019 commitment to a 10% reduction in its chemical footprint by 2022, we contributed to that goal by reformulating our fragrances to make them more sustainable.

We are embracing the digital revolution as we continue to invest in marketing expertise. In October 2020, we launched our virtual interactive Marketing Excellence Village. We invite partners and selected customers here to share and discuss our values, plans, and visions virtually in various online buildings. Our teams hold quarterly town halls in our main events building, the Curve. We discuss insights, data and analytics in the Hive; collaboration in the Design Lab focuses on brand experience; we meet in the Stack to discuss data-driven marketing and media topics; in the Forum for Good we work on purpose-led brands; and in the Academy we concentrate on marketing capabilities and operations. The cutting-edge concepts mapped out in the Village are carving out new ways of working in the digital arena.

Safer, cleaner retail spaces
In 2020, as society grappled to control the spread of COVID-19, physical retailers suffered as social interactions declined. Surveys revealed that some 60% of shoppers felt anxious about being in stores after lockdown. Not surprisingly, most retailers experienced a radical reduction in footfall.

We worked with key strategic partners in the pharmacy and drugstore sector to reassure consumers by creating safer, more hygienic spaces. We introduced front-of-store sanitisation stations, put health and safety advice at strategic, in-store locations and installed protective zones for those waiting for prescriptions. We also worked with retailers to safeguard business areas and protect employees. Some retail partners introduced dedicated hygiene zones within their stores, which provided a focus for Reckitt brands.

Growth in e-commerce
With widespread lockdowns and social distancing in place to combat COVID-19, many consumers turned to digital channels for their groceries and provisions. Online sales experienced double-digit growth during the year. Our e-commerce operation continued to outperform: online operations now account for 12% of our global sales, a significant uplift since 2019. The global pandemic turbo-charged online growth this year, but most analysts agree this was not a one-off event, rather, it has accelerated an underlying consumer trend. Much of this growth is now baked in and expected to remain when social distancing constraints ease. According to data from IBM’s US Retail Index, the pandemic has accelerated the shift from physical stores to digital shopping by roughly five years.

Having already built a strong e-commerce capability Reckitt was equipped to respond quickly and flexibly to the rapid changes we saw during the year. As physical retailers migrated their offers online, we were able to adapt our supply chain and core offerings to maintain access to our products via multiple online channels. Reckitt has strong relationships with all the major global marketplace platforms, like Amazon, Alibaba and JD.com. A mix of 1P/3P, these platforms constitute our largest online channel. They account for more than half of Reckitt global online sales. We deploy advanced analytic and automation tools to optimise revenue here.
Omnichannel/eGrocery retailers, our second major channel, returned the highest level of absolute growth in 2020. All large physical retailers are now leveraging their strengths in geographic reach and scale and developing omnichannel strategies. We can call on the multi-disciplinary skills and resources we’ve developed for marketplace online platforms to help them succeed in the digital arena.

In some domestic markets, the unemployment and job insecurity caused by the crisis reduced consumer demand. Cross-border platforms with full localisation and familiar payment options helped our brands attract consumers in international markets. We are also building direct online relationships with consumers for our brands on a growing number of direct-to-consumer (DTC) channels.

E-pharmacy is another fast-growing channel. There has also been rapid development in the newly emerging ultrafast channel over the last two years. These on-demand platforms are attracting consumers by delivering products within minutes not hours. We are adapting to these challenging delivery criteria by mobilising highly responsive supply chains that can meet these requirements.

For each of these channels, we’re developing closer customer partnerships and building up our brands.

Consumers’ needs are evolving rapidly. And we have to be ready to respond at pace. To do that, we’ve designed our e-commerce operation to be fluid, adaptive and to share expertise globally. This is a highly dynamic environment where today’s innovation can be outdated in months. We take nothing for granted.

**CASE STUDY**

**AMAZON EVENTING**

Amazon Global Events have gained traction as key staging posts for global e-commerce. This year, with the COVID-19-led boost in e-commerce, they took on even greater significance. We coordinated preparation and execution for these events globally. In 2020, the coronavirus delayed Prime Day from July to October, moving it perilously close to the Black Friday-Cyber Monday dates. Our planning had to adapt. Our strategy enlisted over 1500 people during a 13-week lead-up that combined channel, supply chain, advertising and finance elements. Teams were equipped with advanced tools to enable automated website scraping, real-time performance tracking, and AI media buying.

Eventing execution was a huge collaborative effort involving 23 countries, 43 teams and multiple bots working 24/7. Many of our brands outperformed, with Finish, Durex and Enfamil exceeding expectations. We saw stellar performance from our Dettol and Lysol brands which achieved triple-digit, year-on-year growth.

Our combined experience and expertise have created a multiplier impact on a global scale for these events. Our eventing execution continues to improve. We’re learning more each year, building on our AI capabilities and locking in increasing levels of automation.

12% of global sales come from our e-commerce activities