

Collaboration Talking Straight

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Agenda

- What is collaboration
- Corroborating Collaboration
- Benching marking research
- CPFR
- Case studies- West Marine and ITT
- Grocery Industries Analysis and Opportunities
- Wrap

What is this thing called
collaboration and what does it
mean to me.

What is Collaboration

- Consorting with the enemy
- Utilizing assets, experience and talents of others to my advantage
- Sharing information and establishing goals with internal and external players

Oklahoma University Research

- “Is Collaboration paying off for firms?”
- This research says yes!
- Managers must do more to reap long term gains.
- Keys to success

Oklahoma University (cont)

- FORMALIZATION
- PERFORMANCE METRICS
- MEASURE EVERYTHING
- SHARE
- MANAGE INVENTORY
- UNDERSTAND THE GOAL

Oklahoma U and U of Alabama

Research designed to answer the question; is collaboration working?

International Journal of Logistics Management

Research project conducted by OU and U of
Alabama

Supply Chain Collaboration-What's happening

Survey results:

Positive collaboration related outcomes include
enhancements to efficiency, effectiveness
and improved market positions for
respondent firms

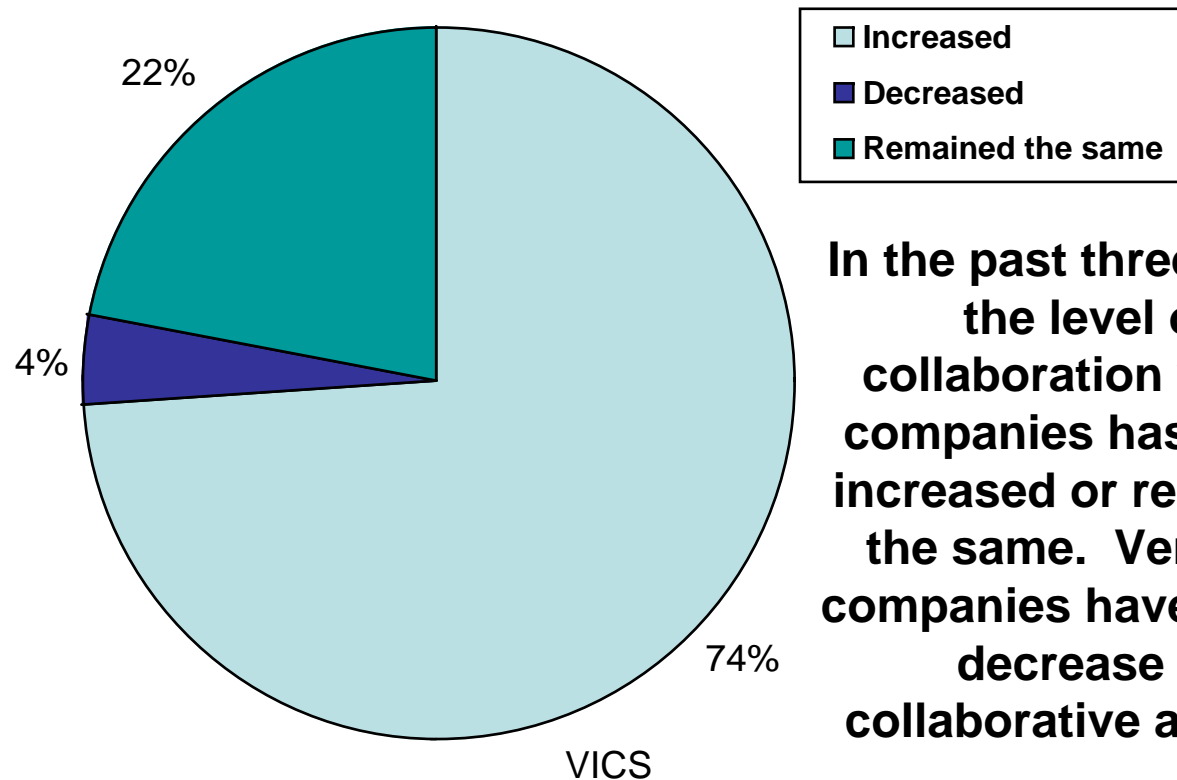
Collaborating Collaboration

- Accenture conducted research in 2002 and 2004
- 235 executives were surveyed
- The survey was cross industry
- Participants were asked a variety of questions about collaboration with supply chain partners, this also included the benefits of collaboration, barriers to collaboration and key areas for

Key Findings: The bottom line up front

- Executives increasingly list collaboration as one of their key strategic priorities
- Companies continue to keep operational and strategic collaboration as part of their future plans as they continue to execute transactional based collaboration
- Strategic forms of collaboration are seen as differentiating sources of future value

Compared to 3 years ago, would you say the level of collaboration conducted with your trading partners has: Increased, Decreased, or Remained the Same?



In the past three years, the level of collaboration within companies has either increased or remained the same. Very few companies have seen a decrease in collaborative activity.

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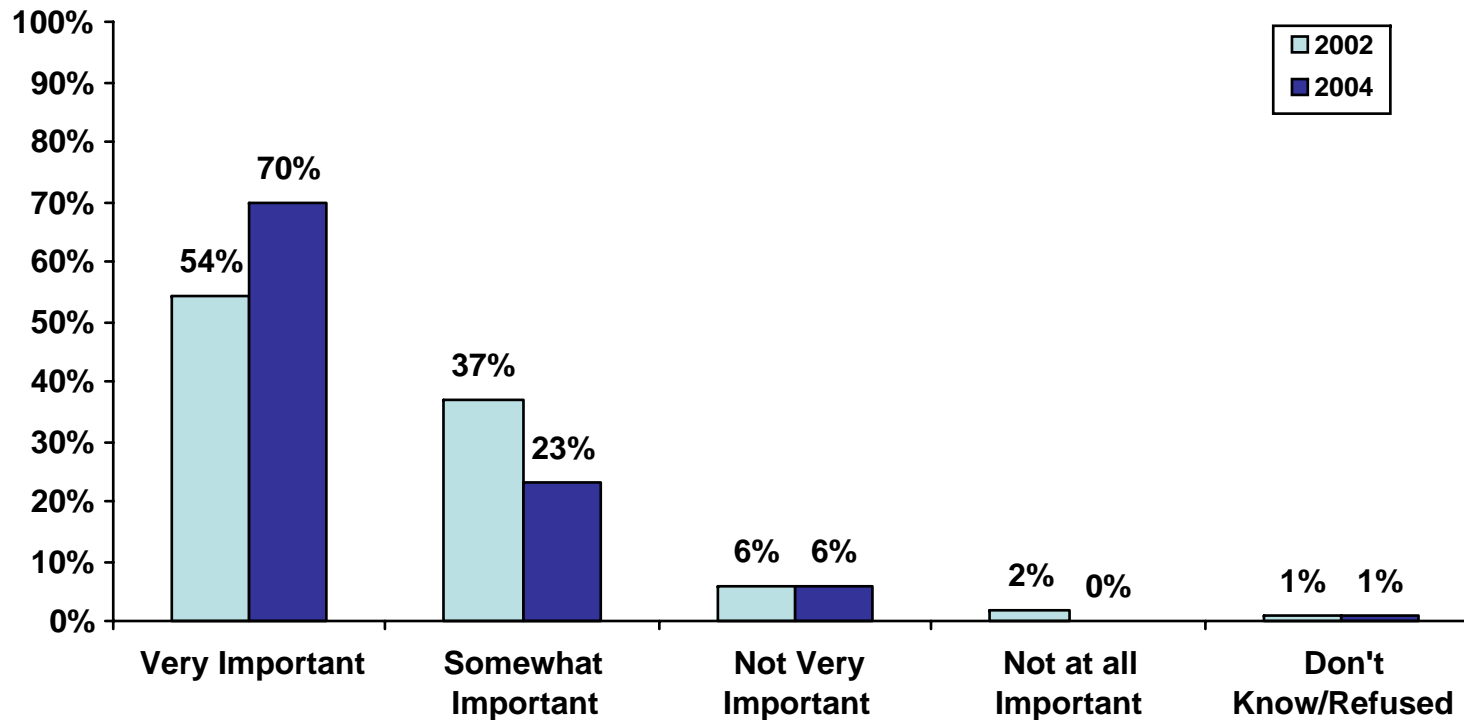
Source: Accenture 2004 Survey

The value of collaboration is recognized across industries, as evidenced by the increase in their collaborative activity.

- **Consumer Goods/Food Retailers** – movement from tactical supply chain to strategic collaborative merchandising and joint consumer trend analysis opportunities

How important is developing collaborative relationships in demand and supply planning with your trading partners?

Since 2002, the importance of collaboration has seen a significant increase on the agendas of top supply chain executives of *Fortune* 1000 companies.



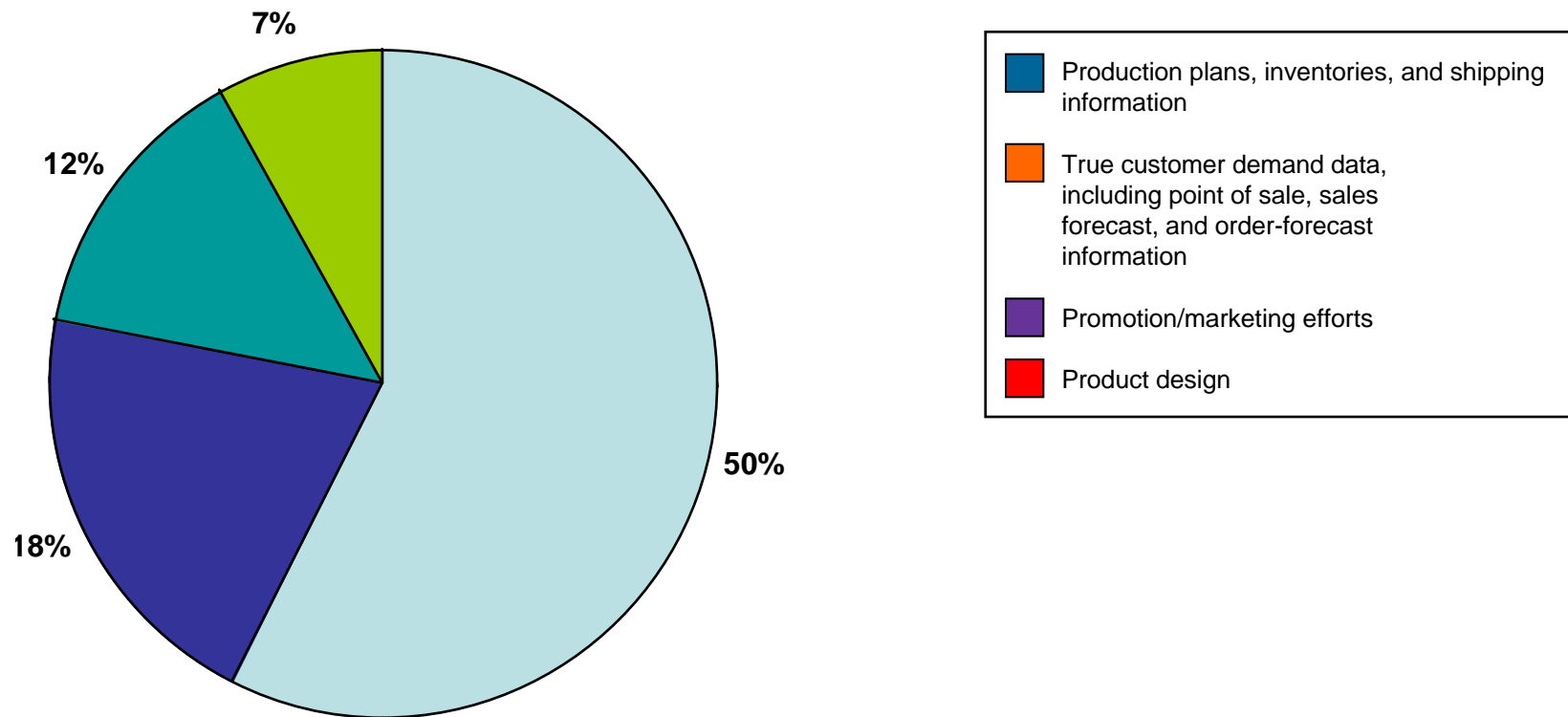
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In what area has collaboration increased the most?

Companies continue to increase collaborative activity on transactional information through the use of traditional information exchanges such as EDI



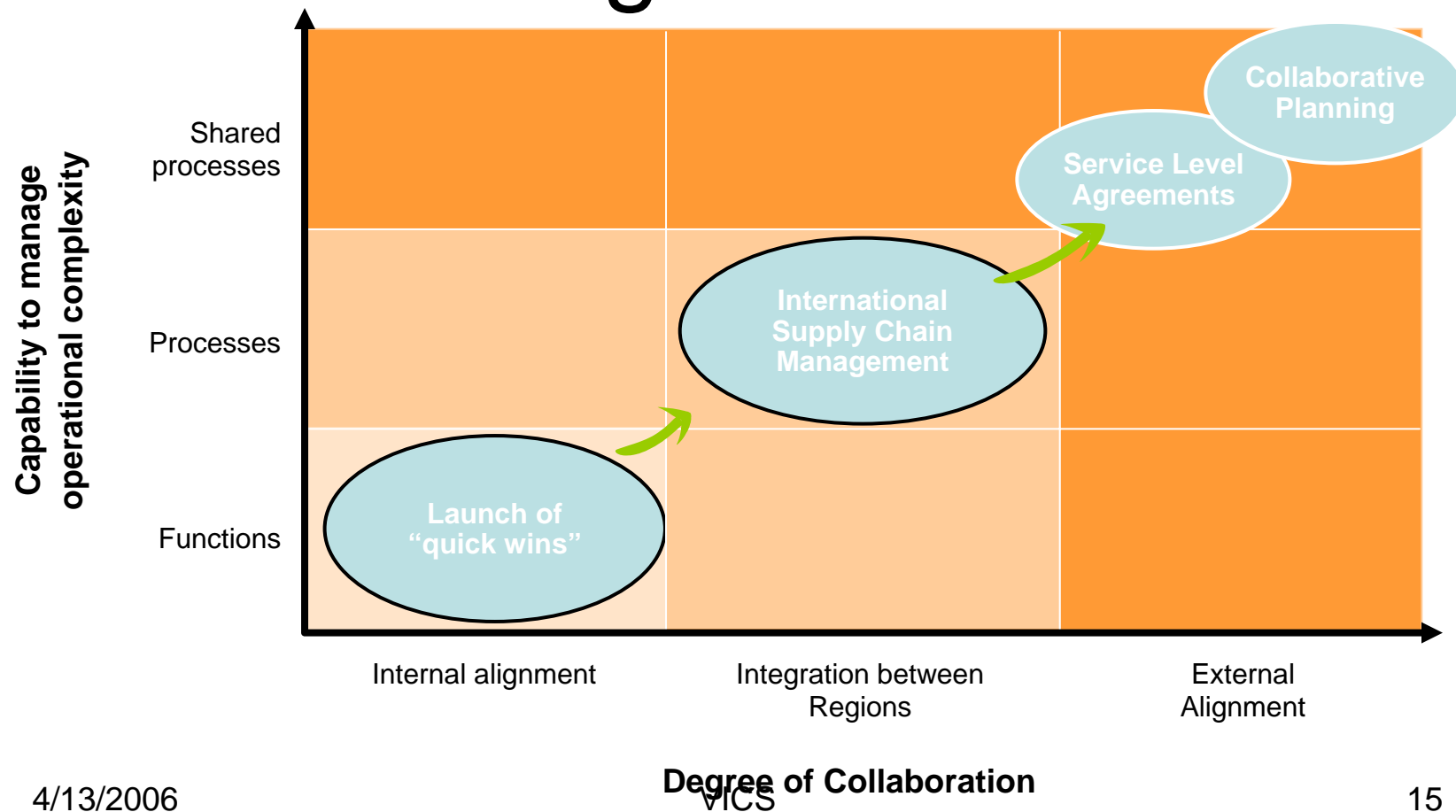
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Source: Accenture 2004 Survey

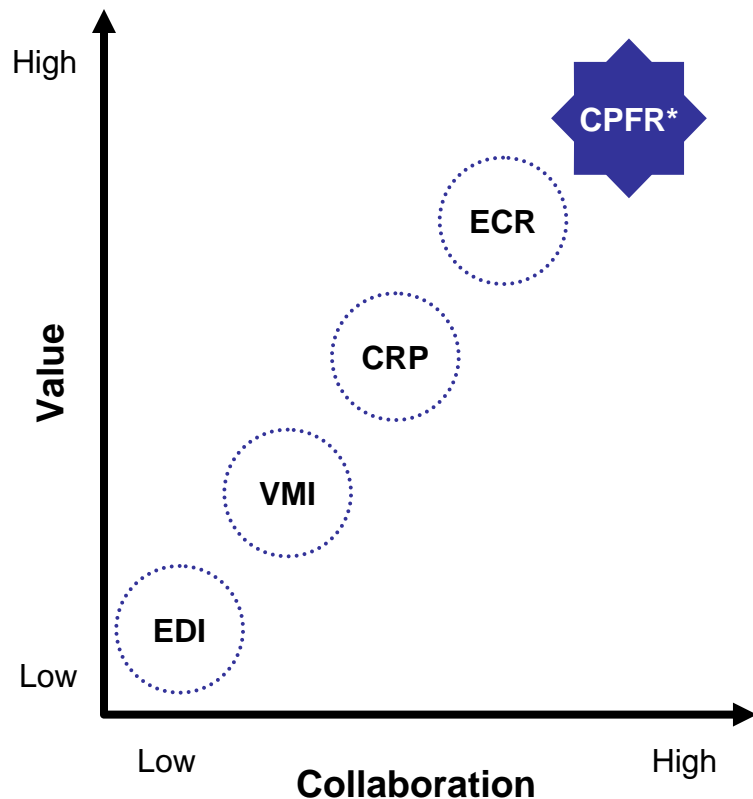
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Collaboration with Trading Partners begins with internal alignment.



CPFR builds on lessons learned, leverages current programs and improves marginal practices.

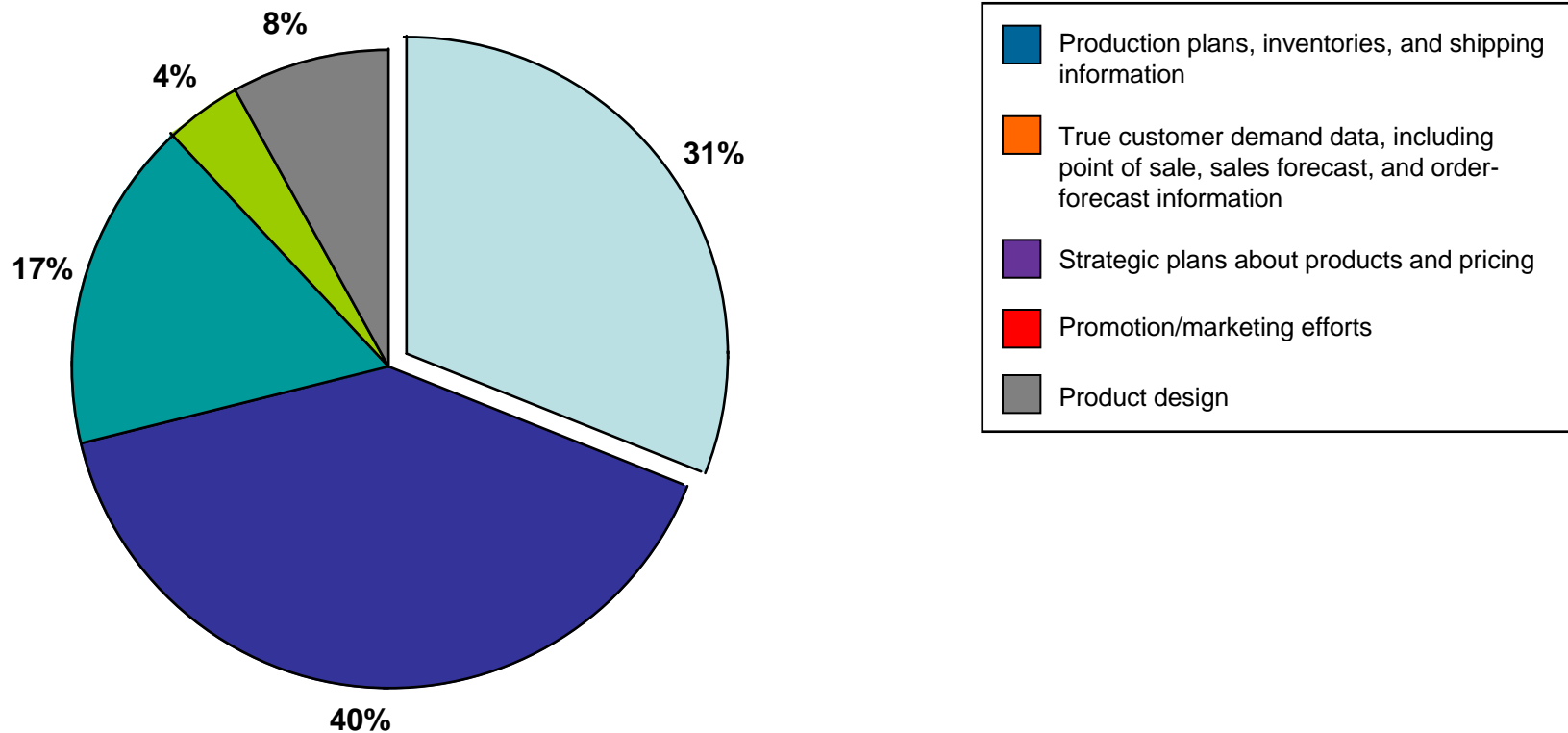


CPFR Components

- Are based on a high degree of collaboration – **requires partnering**
- Provide visibility to retail level consumption data – **true demand**
- Offer a significant **value proposition** that can be obtained even with only a single trading partner
- Simplify implementation by using a **standard** set of processes and a **low-cost technology (internet-enabled)** solution for communication
- Are processes which **link demand & supply planning** for the first time and can be a major driver of **top line growth**

Where do you expect to see the greatest increase in collaboration in the next 3 years?

There is an expected movement towards more operational and strategic collaboration with multiple trading partners.



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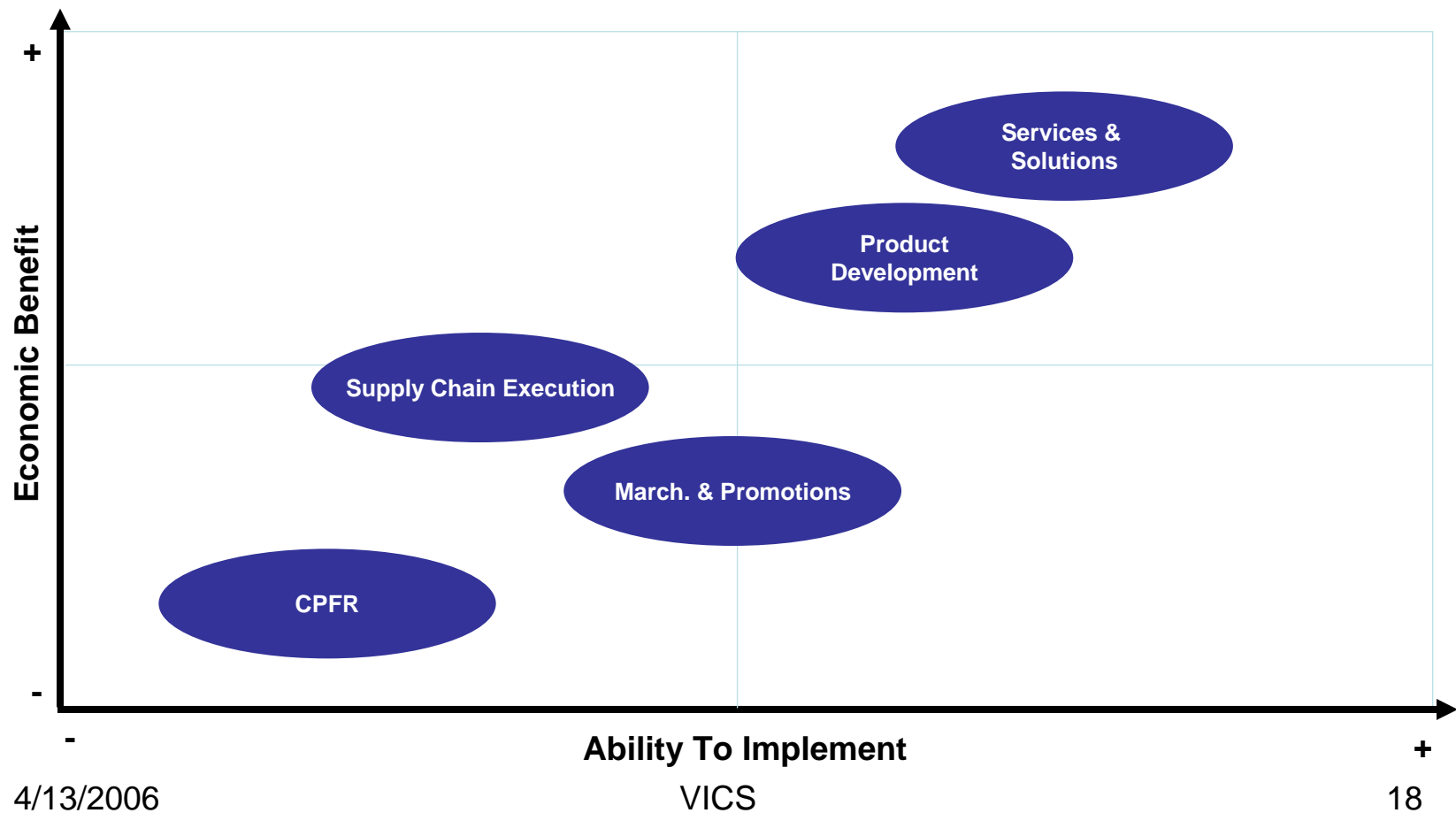
Source: Accenture 2004 Survey

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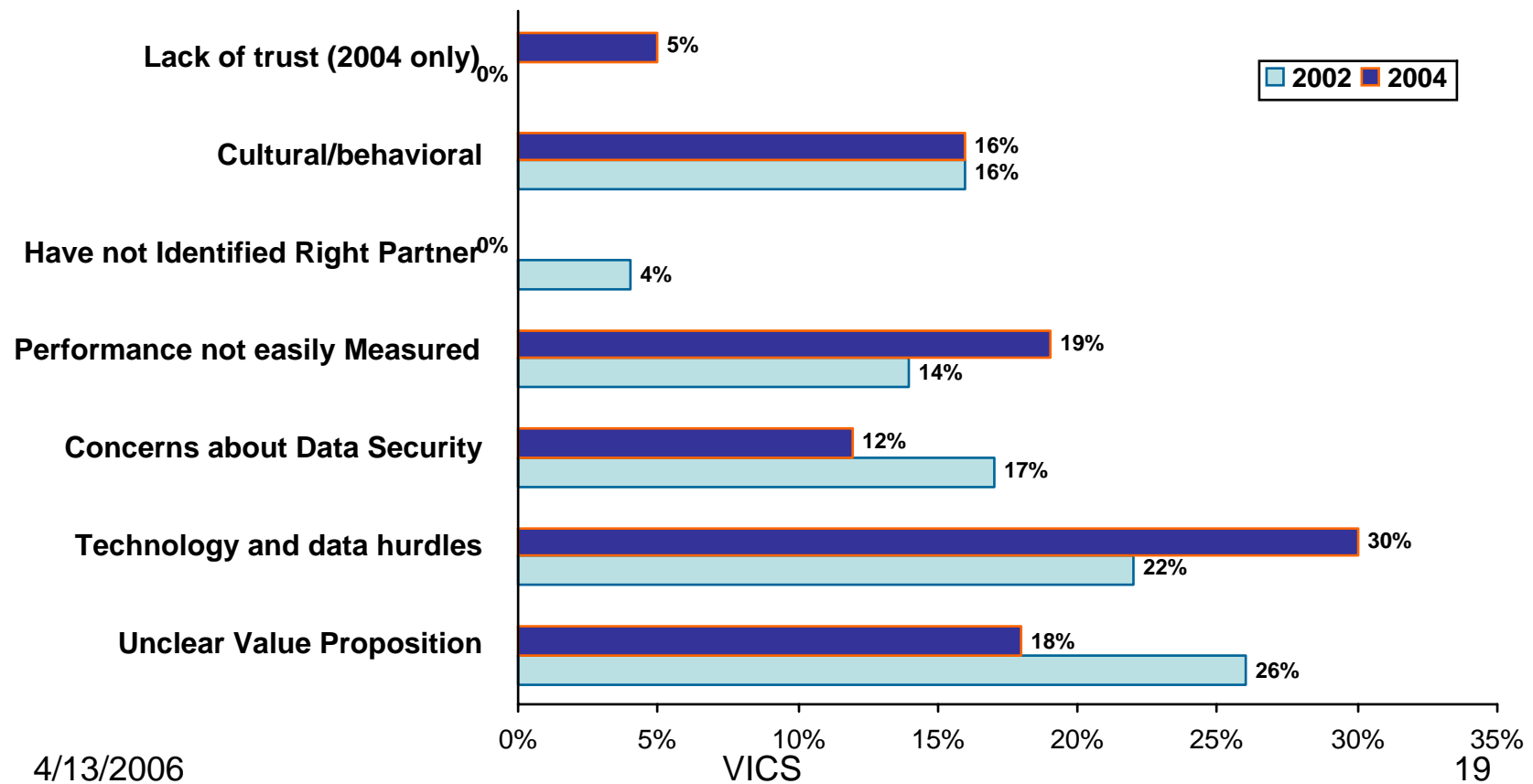
CPFR lays the ground work for collaborative relationships between trading partners;
Collaboration extends beyond the Supply Chain.

Summary Assessment



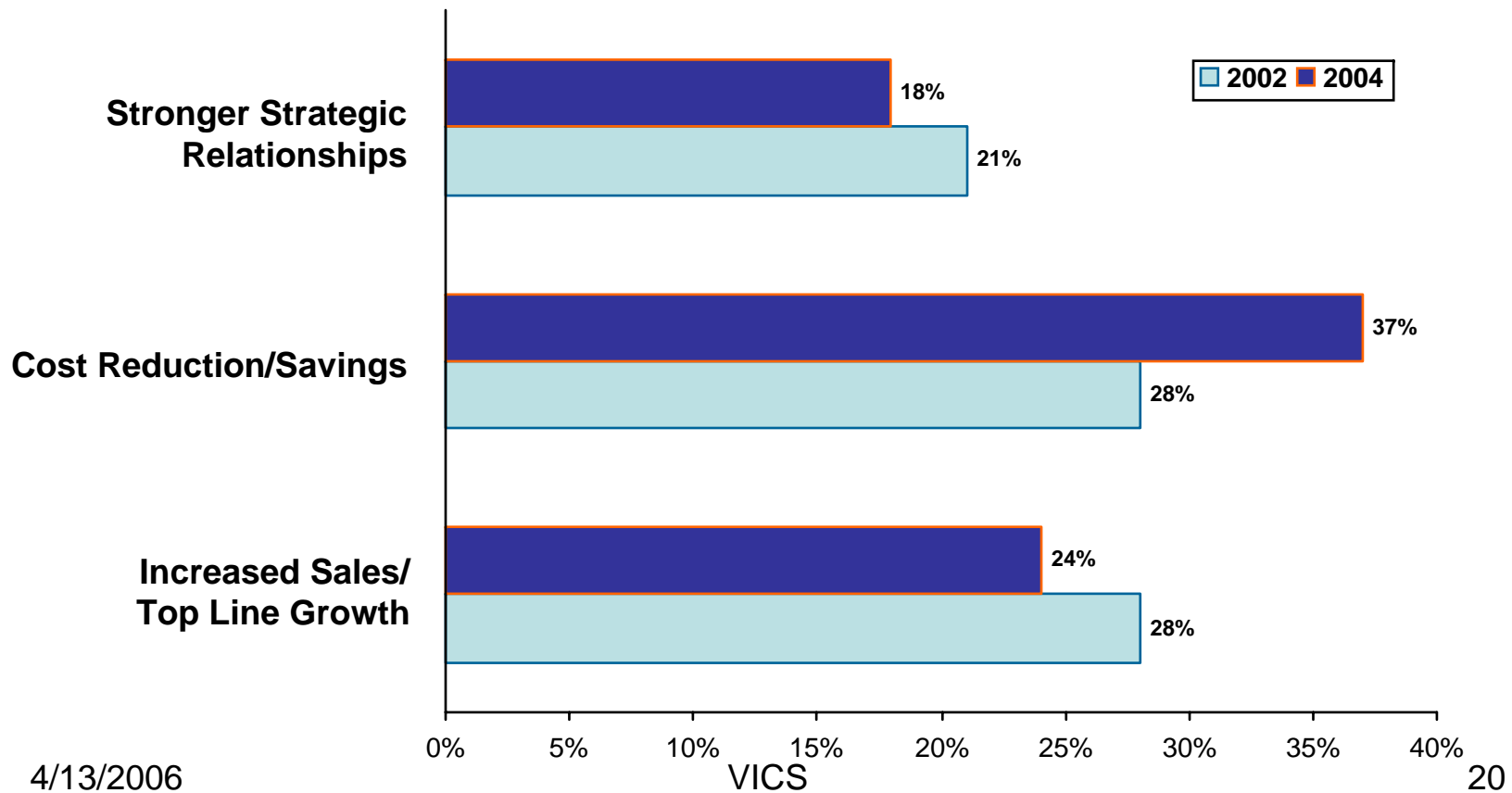
Which one of the following is the greatest barrier to collaborating with your trading partners?

Overall, the benefits of collaboration are more apparent to Supply Chain executives while the need for data synchronization and technology enablement continue to increase.

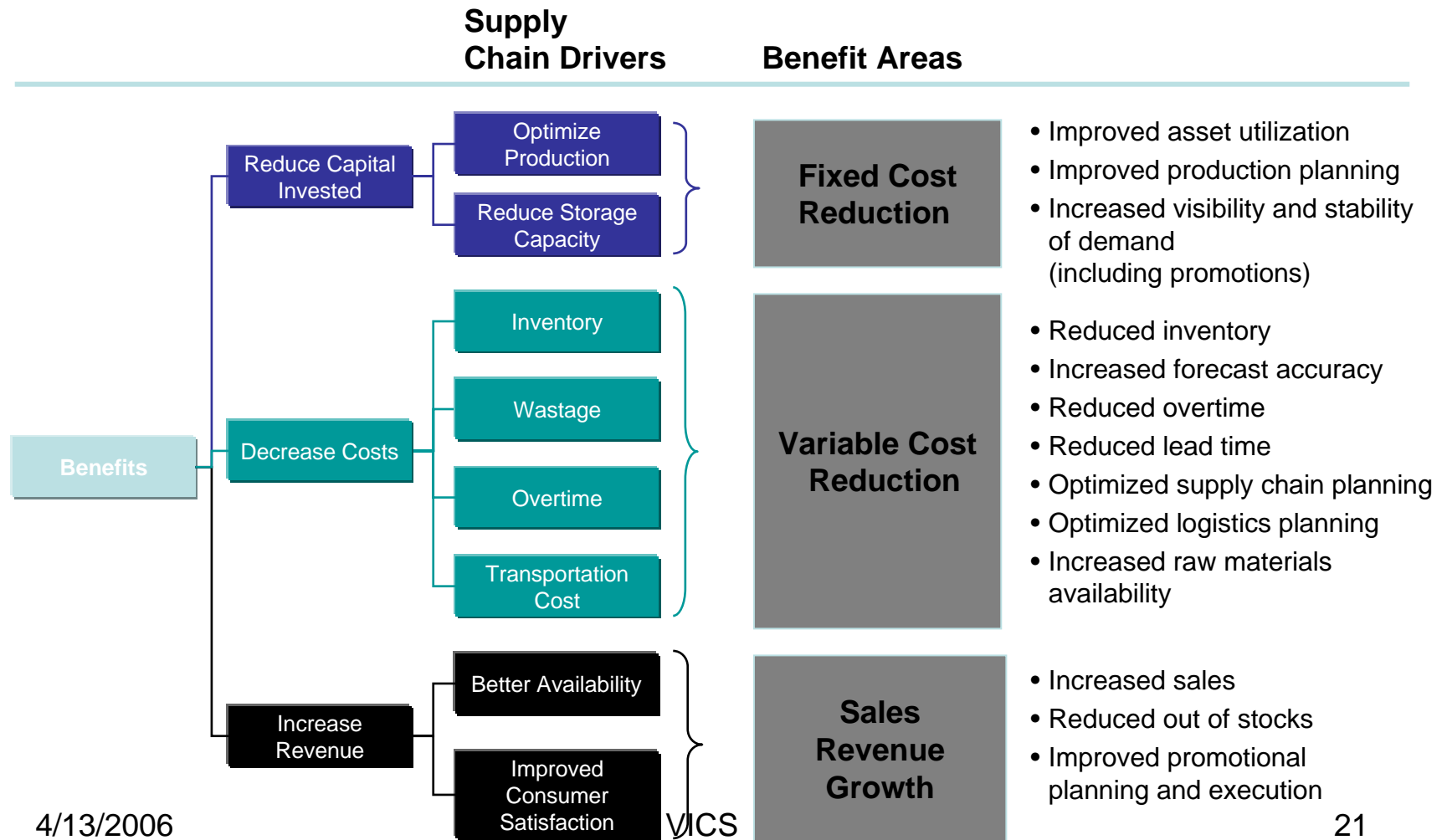


What is the largest benefit your company achieves or expects to achieve by collaborating with your trading partners?

Cost reduction benefits continue to be the top driver for collaborative activities.



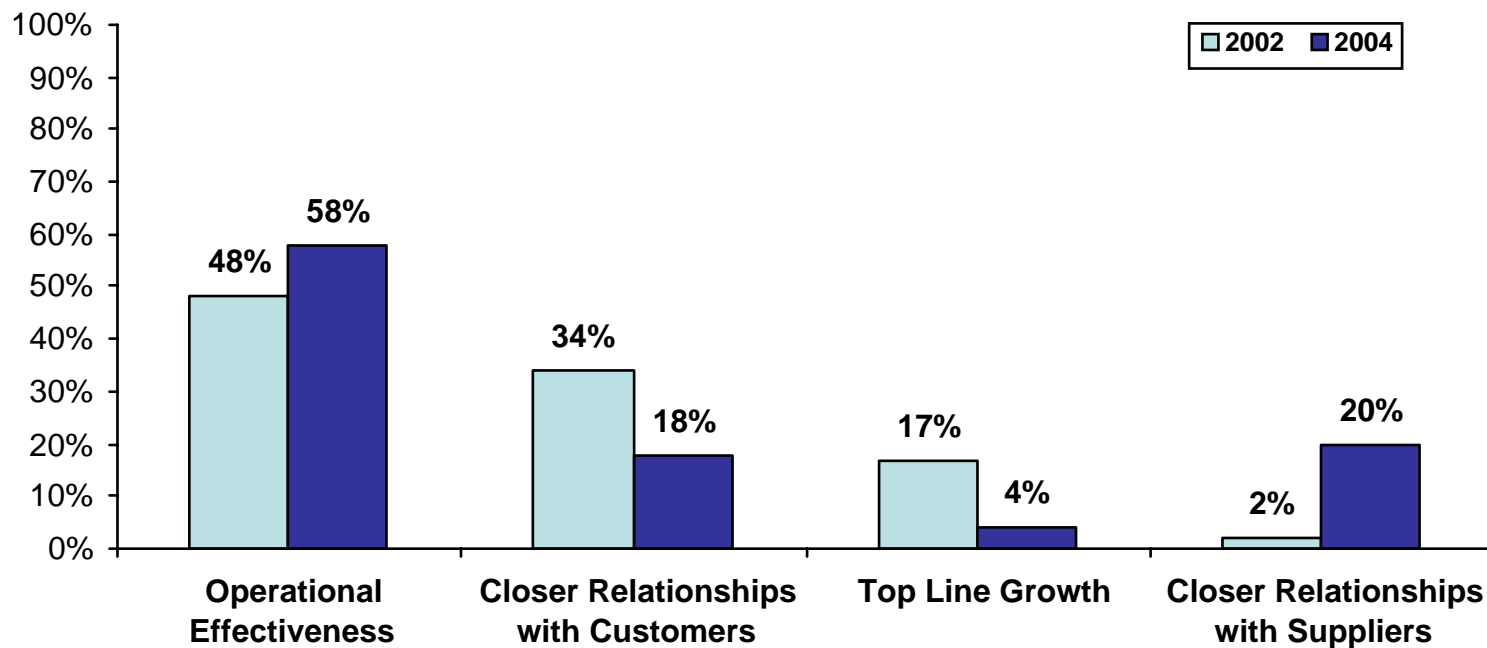
CPFR Benefit Sources



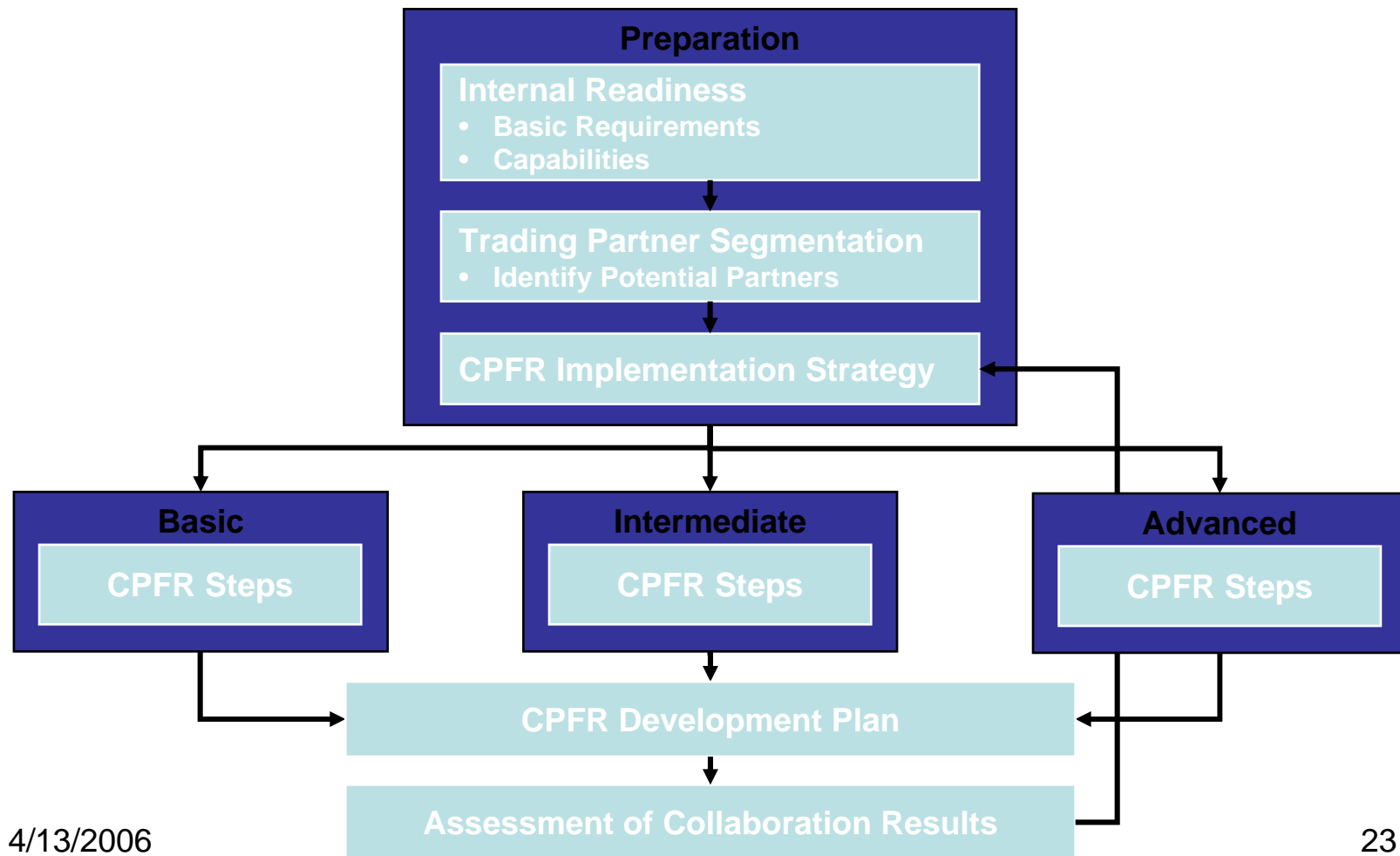
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Which one of the following factors would most persuade you to invest in integrated processes and technologies with your trading partner?

Supply Chain executives see closer relationships with their suppliers as one of the most significant benefits of a collaborative relationship.



Based on segment, trading partners will perform various levels of collaborative activity

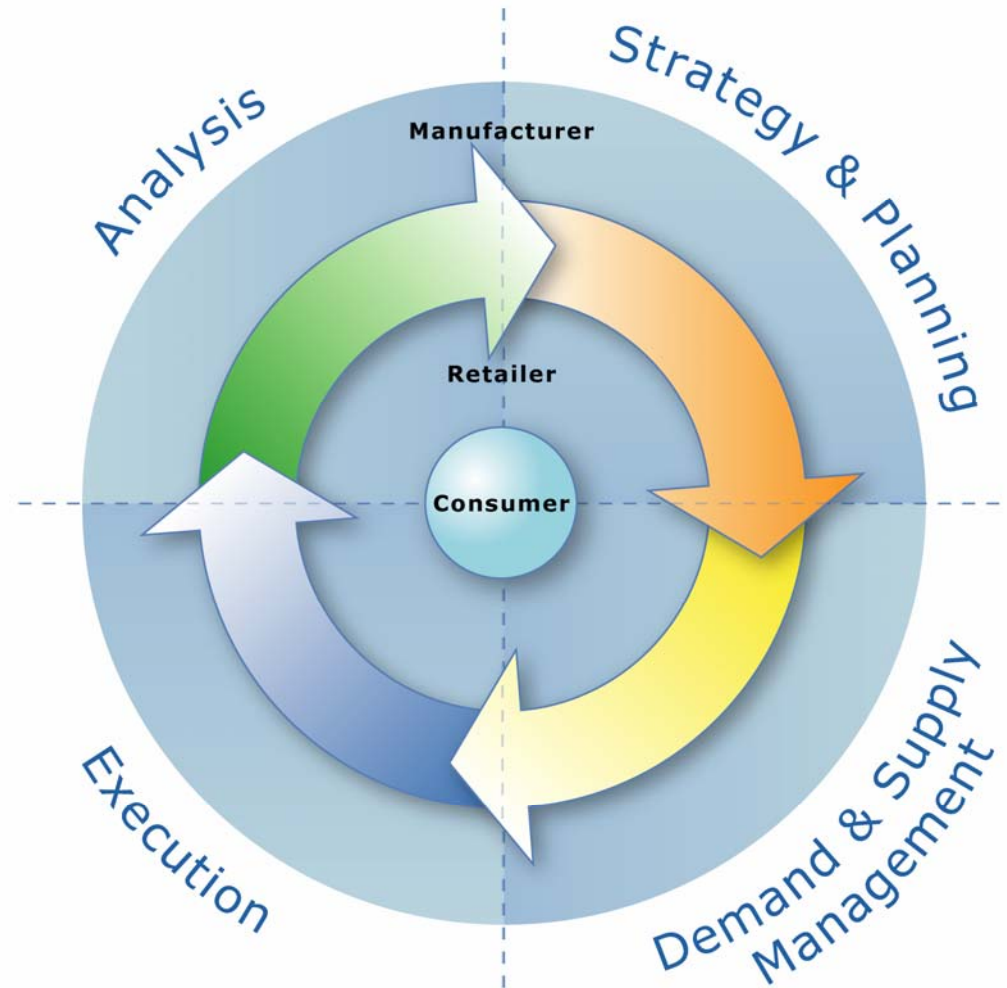


The New CPFR Model: *Key Elements*

- Collaboration Participants
- Collaboration Activities (4)
- Collaboration Tasks (8)
- Retailer and Manufacturer Tasks
- CPFR Scenarios (4)
- Collaboration Role Alternatives (4)

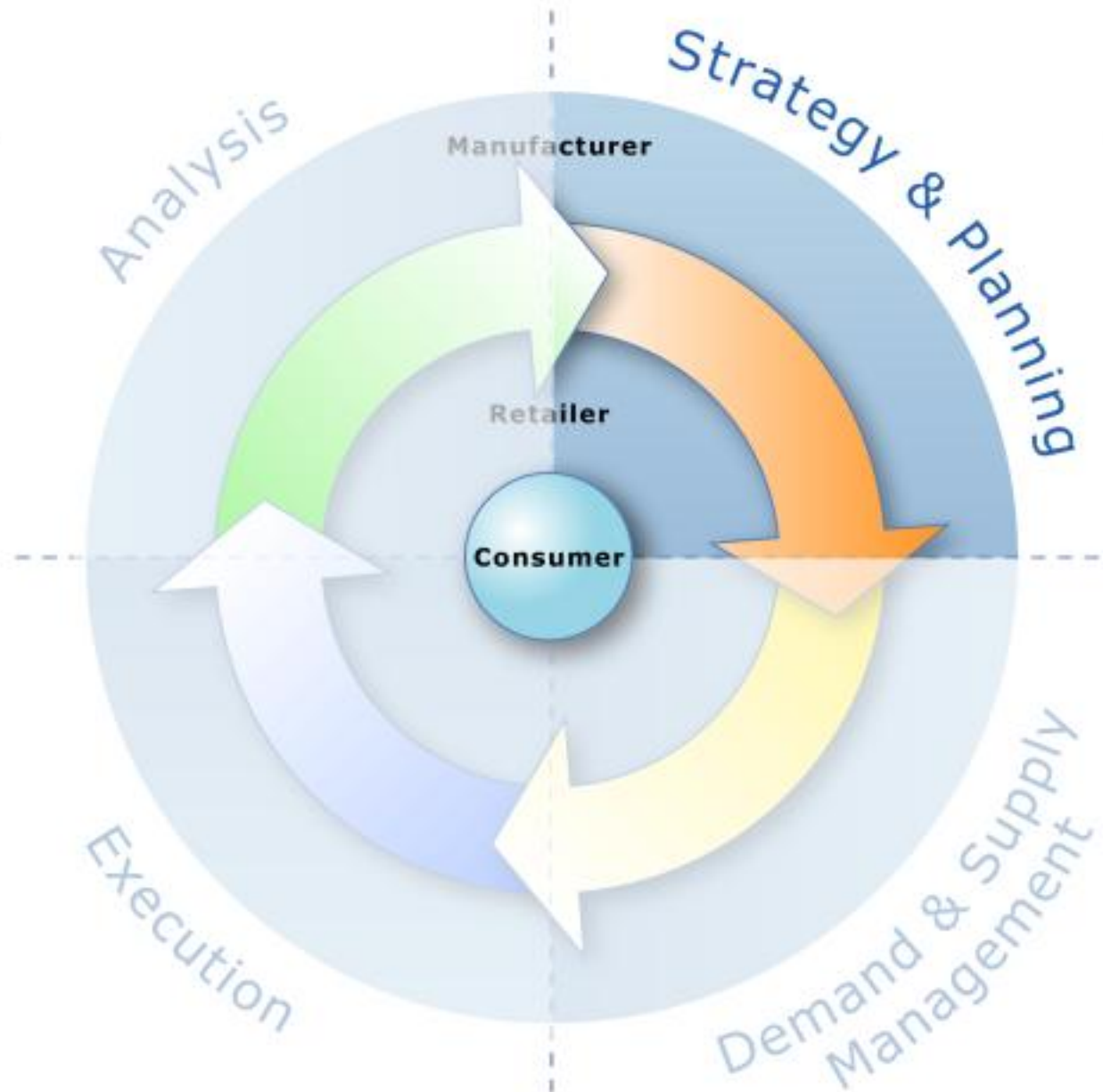
Four Collaboration Activities

1. **Strategy and Planning**
2. **Demand and Supply Management**
3. **Execution**
4. **Analysis**



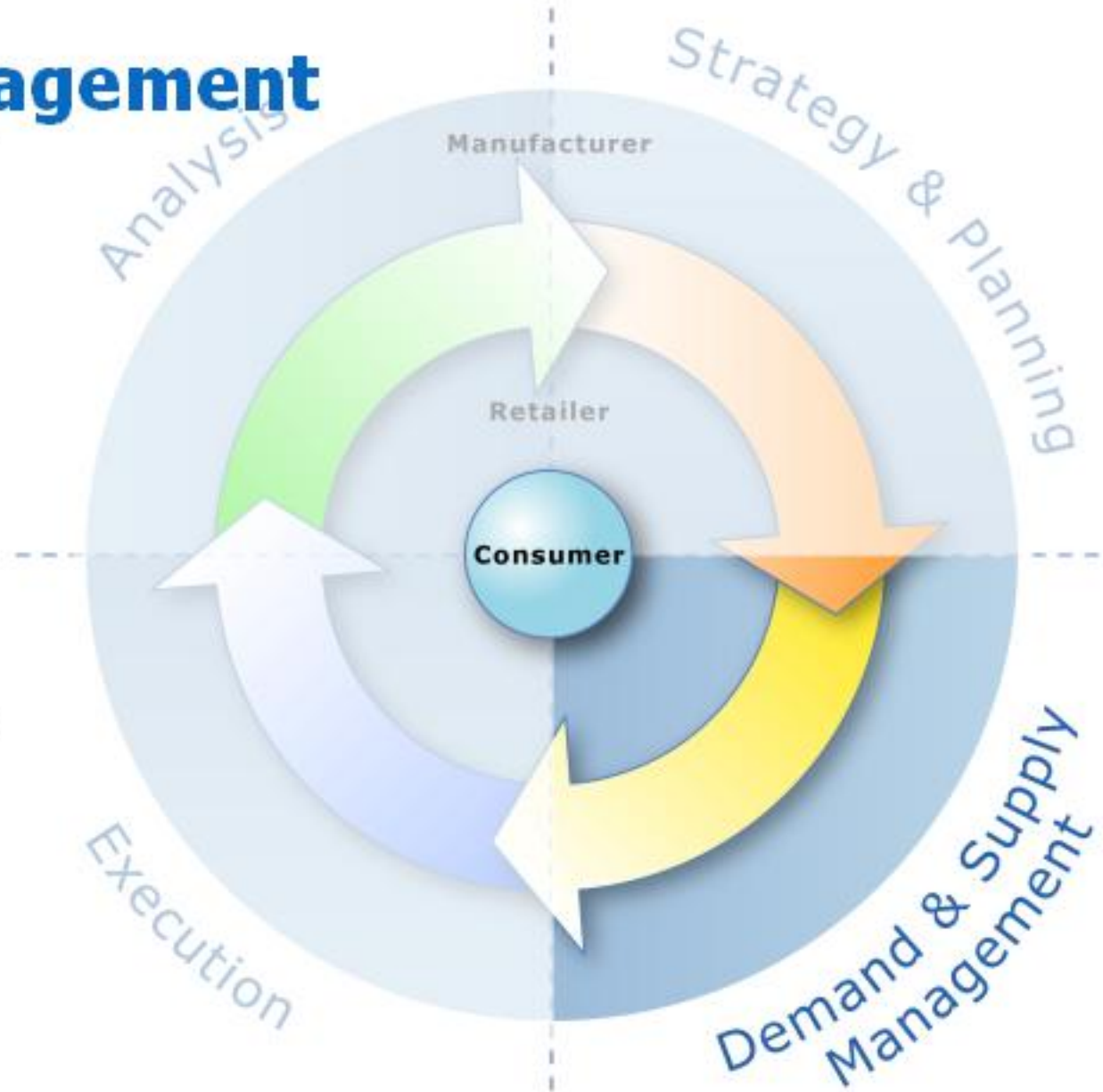
Strategy & Planning

- Establish the ground rules for the collaborative relationship.
- Determine product mix and placement.
- Develop event plans for the planning period.



Demand & Supply Management

- Project consumer (point-of-sale) demand.
- Calculate order and shipment requirements over the planning horizon



Execution

- Place orders, prepare and deliver shipments.
- Receive and stock products on retail shelves.
- Record sales transactions and make payments.



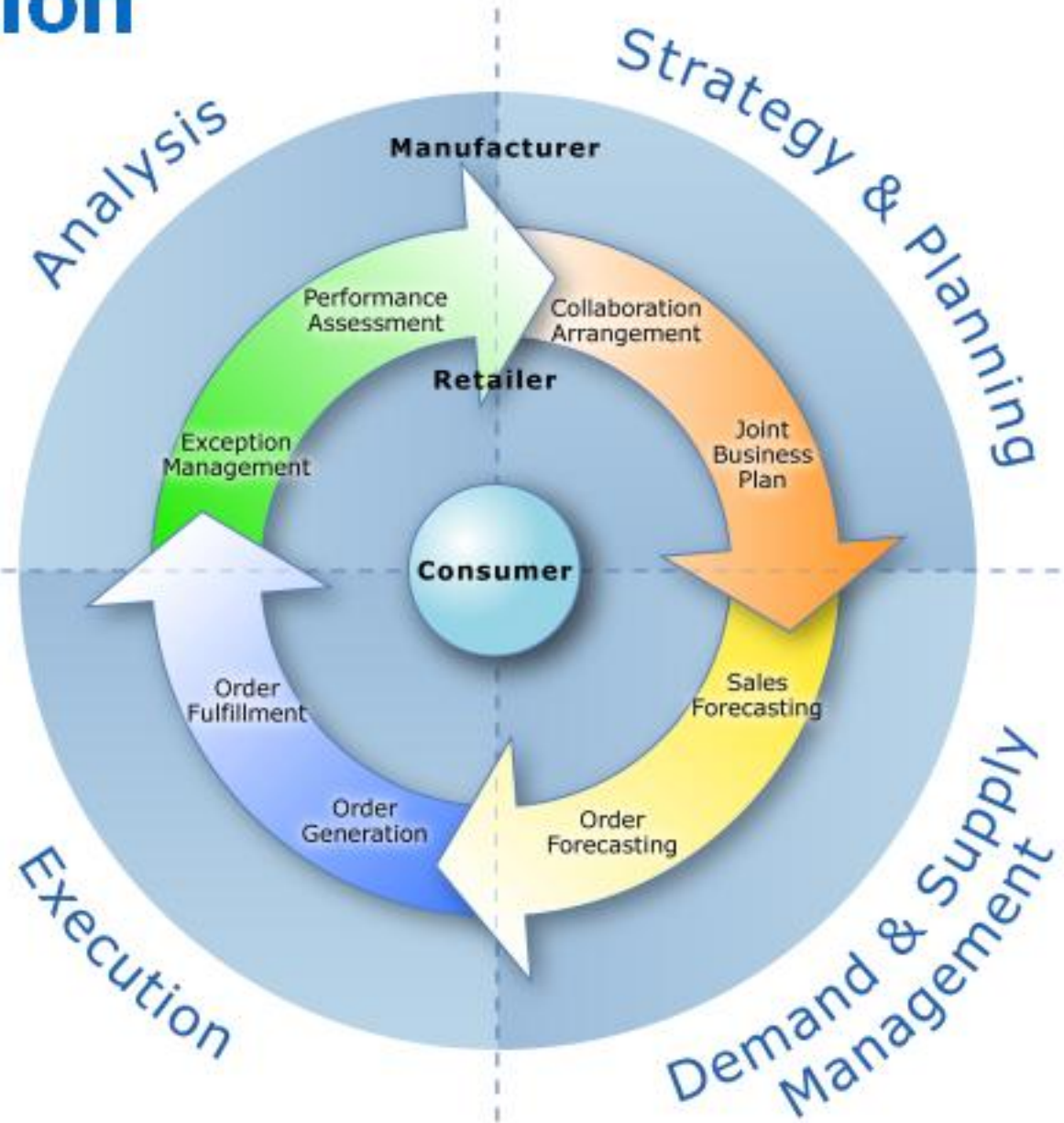
Analysis

- Monitor exception conditions.
- Calculate key metrics.
- Share product and market insights.
- Adjust plans for continuously improved results

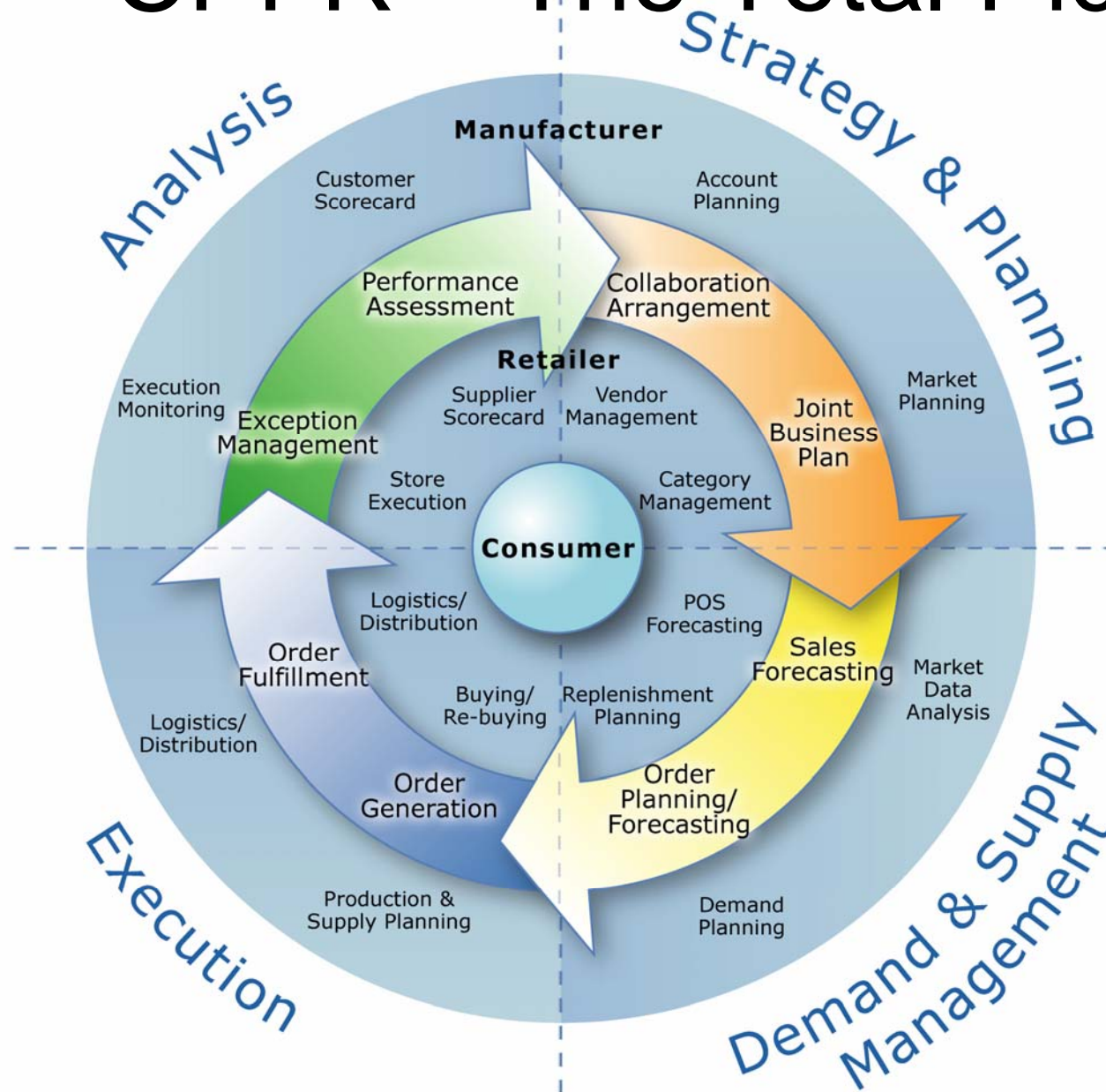


8 Collaboration Tasks

- Collaboration Arrangement
- Joint Business Plan
- Sales Forecasting
- Order Forecasting
- Order Generation
- Order Fulfillment
- Exception Management
- Performance Assessment



CPFR – The Total Picture



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Grocery Industry Challenges

- Existing Competition increasing market share
- Tesco Launches C-Store invasion
- Online order/delivery models
- New Verticals making an impact
- Primary and secondary retail outlets

CPFR® at West Marine

- Solve real supply chain shortfalls
- Become a high-performing value chain
- Resolve cultural, executional barriers
- Improve cross-functional and inter-company processes
- Specific process map
- Integrating philosophy, compatible with goals, like Six Sigma etc.

West Marine CPFR® Technology

- Aggregate ordering solution
- Retailer forecasting and ordering platform
- EDI
- Merchandise planning
- Automated metrics and exception reporting
- Commitment or guarantee

Goals

- 90% initial on time shipping.
- Less than two receipts per purchase order
- Instock > 96% in every store, every week
- Forecast accuracy > 85%
- Vendors to load the forecast weekly

Metrics, Audits

- **In stock:** a measure of outages, measured and communicated via email weekly to the entire collaboration team
- **Late orders and “Understock”** (problem items) reported weekly to the entire collaboration team
- **Shipping performance:** measured by Advance Ship Notices provided by suppliers, reported monthly
- **Order forecast accuracy:** reported monthly during collaborative conference calls

“Routine” Collaboration Meetings

- At least two “supply chain captains”
- Powerful champions in their organizations
- Half hour to one hour format
- Concise meetings encourage other attendees
- Review results (metrics)
- Manage continuing and new initiatives
- Resolve supply chain constraints based on the forecast

ITT Industries Case study

Grocery Industry Analysis

3 slides

DC By Pass

Conclusion

- Collaboration among trading partners at the planning forecasting, replenishment and logistics levels has been practiced for years. At one time it was an option, but today with the challenges of a consumer that has multiple options and sourcing from around the globe, a stand alone supply chain/company cannot be as successful as the industry leaders.

Conclusion

- We have made the case for action
- We have established the range of opportunities
- We have provided a roadmap
- We have provided a specific action item

- Just do it!

QUESTIONS

THANK YOU!!!