

Enabling CPFR in the FMCG industry

Supply chain optimization has typically been an introspective endeavor, with companies attacking inefficiencies within corporate boundaries. However, results from these internal initiatives cap at the corporate firewall. The key difference between Collaborative Planning, Forecasting and Replenishment (CPFR) and past supply chain initiatives is that CPFR requires companies to look outside of their enterprises and collaborate extensively with supply chain partners.

Looking outside means letting in opportunity. CPFR demands clearly defined processes that transcend organizational boundaries that are designed by retailers and manufacturers together. The input of specific business intelligence from both partners draws a clearer picture, yielding significantly better results with regard to planning, forecasting and replenishment. Better planning leads to more efficient execution, which translates to increased top-line revenue while reducing operating expenses. Collaborative relationships with supply chain partners create competitive advantage. Companies that fail to engage in CPFR will lose the opportunity to benefit from the financial gain those results from true collaboration.

The apprehension many companies face when considering CPFR surrounds three main fears: trusting and sharing information with supply chain partners, investing in technology, and achieving critical mass for a return on investment. An enterprise-wide commitment to collaboration both within the enterprise and externally with trading partners delivers supply chain optimization benefits that far outweigh any risks generating these fears.

Fear: CPFR means I have to give away my secrets.

Fact: The fear of sharing information and trusting allies goes back as far as the secrecy of battle plans in war. Indeed, a company's worst-case scenario is competitors' knowledge of its "battle" plan. Should a partner leak price points, strategy and tactics to a competitor, the effectiveness of promotions would surely be compromised.

The retail industry collaborative opportunity will not likely be met with "Trojan horse" conspirators looking to take advantage of trusting partnerships. In fact, the reality is just the opposite. When the cloak of supply chain invisibility is lifted, manufacturers are willing to prove reliability and responsiveness to their strategic retail trading partners.

In the FMCG industry, the fear of sharing is especially strong, and is clearly reflected in current supply chain inefficiencies. The level of information and data sharing between supply chain partners in this arena to date has been negligible, consisting of once-a-year forecasts based on product-level sales reports, rather than information accrued from promotional events, and the amount of products shipped rather than actual units sold in stores.

Reality: Fear of sharing information with CPFR partners is an easy scapegoat for other problems within the enterprise. While the fear of sharing information with entities outside the company seems a formidable obstacle to many considering CPFR, the reality is that this fear can mask internal problems and barriers to gathering and sharing information. Often, the company does not understand the value of sharing information or its impact on supply chain optimization and profit margins. In other cases, the company is simply unwilling or unable to address pain points in data gathering and supply chain processes. Very possibly, the company is unable to share accurate and timely information with CPFR partners due to outdated internal planning and forecasting processes and technologies to support information availability and quality.

Many of today's retailers have the ability internally to use point of sale (POS) data to measure business results. In turn, they expect manufacturers who have access to that information to provide rapid business analysis. Leading edge retailers are already creating data warehouses to provide themselves and their trading partners with knowledge about product movement at both the stores and the warehouse: for example, information about consumer loyalty, new items sales, and promotion effectiveness.

Manufacturers and retailers alike must understand the limitations of relying on third-party data syndicators for information. While these parties can perform sophisticated sampling of what is being sold in key stores, they do not have the ability to look at all products in all stores. That depth and breadth of information, residing in retailers' own systems, will be the driving force behind supply chain optimization. For any retailer or manufacturer who wants to keep up with competitors, an increased focus on more-sophisticated business analytics is critical.

Sharing information under CPFR will result in increased turns, reduced inventory, increased sales, fewer out-of-stocks and better sell-through of products. This means improvements in revenue, customer service and capital use.

Fear: CPFR means committing to a huge technological solution.

Fact: A major technology manufacturer spent US\$7 million on supply chain applications that at first did not produce any returns, because many essential employees would not use them. For many companies, uncertainty over which technical solution they will need, as well as how early in the process they need to make a decision can stall efforts toward CPFR.

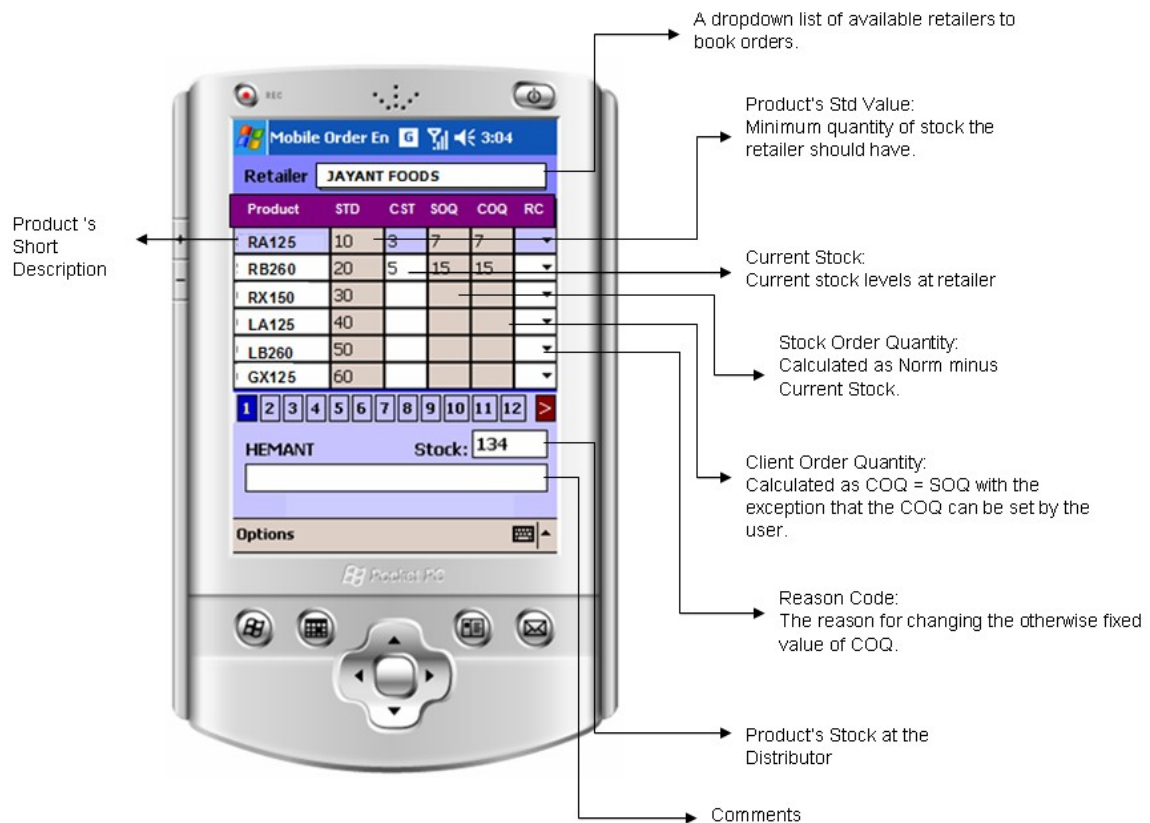
What do companies who want to interact with these retailers need in terms of technology? This question, coupled with a multitude of technology suppliers claiming industry leadership and touting "cure all" solutions, makes it difficult for decision makers to feel comfortable committing to a single solution.

Reality: Good news, you don't have to commit to any unknown and unproven technology. CPFR is applying technology which is at reach today to be able to heal outdated and inefficient processes. Companies will get results now.

Mobility as an enabler for CPFR

Consider the initiatives within the current FMCG scenario where companies are turning towards mobility to bridge the information chasm between themselves and their retailers. Whereas today's processes of primary sale stopped at the distributor and secondary sales were largely manual with distributor sales force chasing paper-based processes focused primarily on order-taking, today's solutions can provide a fully automated CPFR infrastructure linking retailer intelligence to the distributor and higher-up into the corporate and vice-versa.

The mobile solution illustrated herewith completes the information loop by providing retailer/store level transactional and business intelligence.



The “C” comes first

Collaboration is the key to solving the CPFR puzzle. Sharing information with, and placing trust in, strategic partners, pinning down the right technological solution for your company and building critical mass all require true collaboration both inside and outside of the business. To remain competitive, every company should turn its focus to its ability to trust and share data collaboratively. If a company can't share quality information, climbing the ladder to supply chain optimization is a moot point: the company simply won't go as far or as fast as its supply chain partners, or its competitors.

How much lead-time do companies currently have on their promotions? How soon do they know when their ads are going to run, what the price point for the event will be, or about the logistics for production and delivery? As CPFR becomes a reality for more and more companies, success will depend on the quality of data that partners use to plan and the amount of lead-time allowed by that information. Companies who can't offer their partners the visibility and availability of the data they need— when they need it — will always be a few rungs below competitors who have established collaborative partnerships.

True collaboration cancels out the ability to make excuses. Companies can't hide behind the inherent slowness of paper processes and human error much longer. Those who collaborate become instantly accountable for the accuracy and integrity of the information they share, and will benefit from the same level of commitment from their CPFR partners.

The value of collaboration hinges on the quality of data and the timeliness in which it is received. Now, more than ever, it is imperative that companies clean up internal processes. Immediate focus on internal collaboration is key to collaborating externally. For optimum value, data shared with CPFR partners must be supported by efficient business processes that focus on supplying accurate information.