



## Logistics Association of Australia Ltd

### COLLABORATIVE THEMES

The Logistics Development Award is sponsored by CHEP Australia and supported by TMP Worldwide.

Following is the second in a series of articles from Paul Walton, winner of the Logistics Development Award 2001, sponsored by CHEP Australia and supported by TMP Worldwide.

The CLM Conference theme in 2001 was Collaborative Relationships in a Changing Economy. Almost all 240 track presentations took up this theme illustrating that 'collaboration' is not an isolated buzz word but an integral element in the supply chain. In line with this focus, my next two papers will cover:

- **Collaborative Themes**

The development and US lessons in collaborative commerce.

- **Collaborative Successes**

Case studies of three pioneering firms in the collaborative arena.

The conference theme for the Council of Logistics Management in 2001 was ***Collaborative Relationships in a Changing Economy***. Almost all two hundred and forty track presentations interwove a collaborative theme into their area of interest, an illustration that collaboration is not an isolated buzz word but an integral element in all functions of the supply chain.

In deference to the importance and focus of collaboration at the CLM conference, my following two papers will both cover key learnings in the collaborative field:

- ❑ US Priorities - State of Play
- ❑ Collaborative Successes
- ❑ Mass Customisation
- ❑ Collaborative Themes
- ❑ Technology Solutions
- ❑ Materials Handling and Innovation

#### *Collaborative Themes*

The focus of the CLM conference for 2001 was collaborative relationships. The collaboration theme was woven into presentations as widely spread as logistics finance, customer service and warehousing – in addition to areas more often

considered hand in hand with collaboration such as planning/forecasting/replenishment and product innovation.

I was fortunate enough to attend a number of presentations on collaboration, incorporating the latest thinking in addition to a number of valuable company case studies. Furthermore, I spent an afternoon with Accenture in Texas who have consulted on major collaborative projects with international names such as Dell, Sun Microsystems and Compaq.

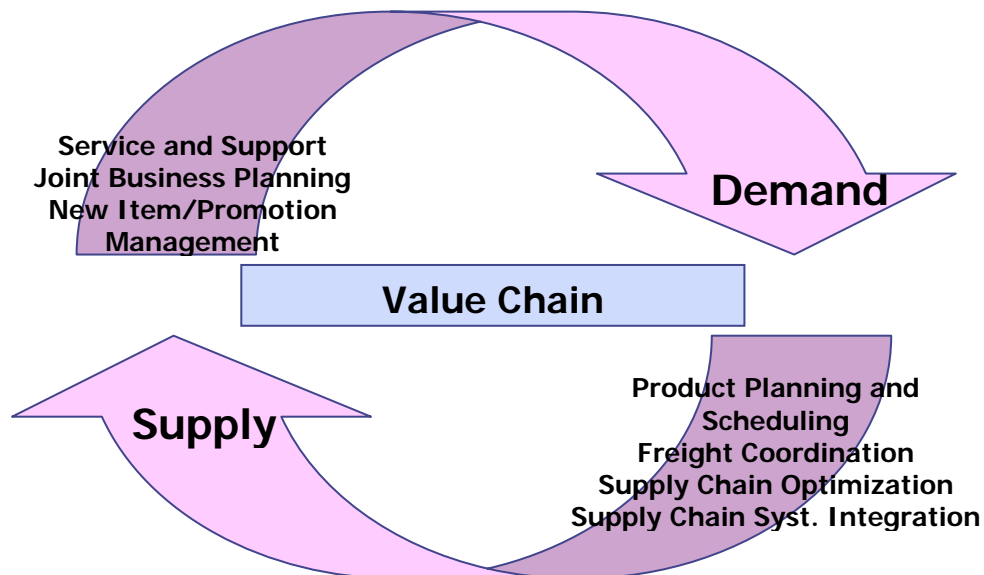
### *What is Collaboration?*

With such a broad area of applications, perhaps Accenture had the most concise definition of collaboration:

***“Collaboration involves the strategic and tactical sharing of information between trading partners for the purpose of developing a joint plan of action, and then working together to execute that plan”***

Many practitioners throw the term collaboration around when companies are only undertaking the first component. Without the joint plan of action and co-operation in execution, it is more accurately described as integration.

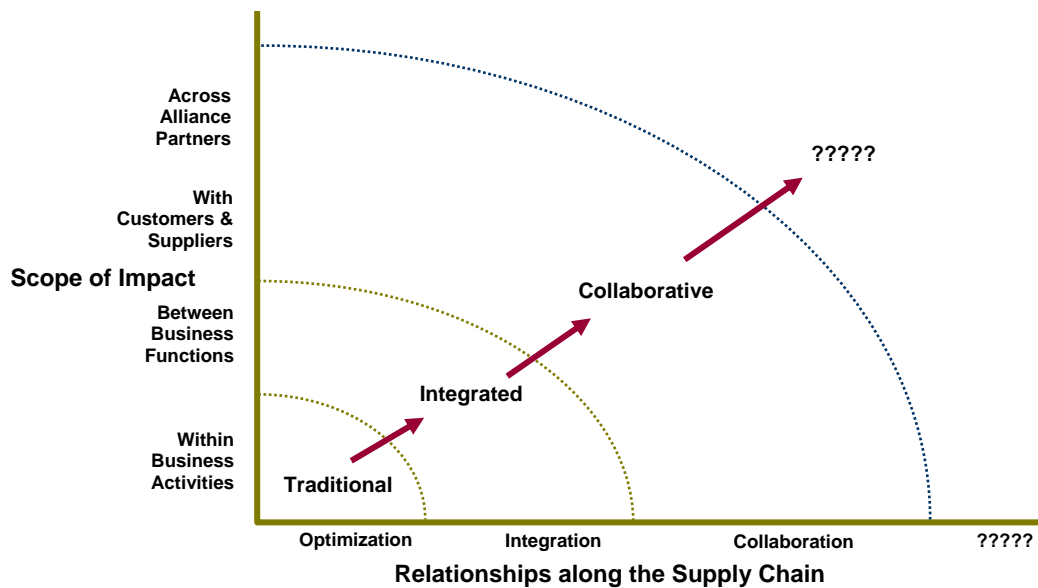
Collaboration can be applied to realise value in a number of areas across businesses:



*Figure 1: Collaborative Value Areas*

### *Where does Collaboration Fit?*

There is a wide acceptance that collaboration is not a final step in supply chain evolution, but simply the latest step toward the ultimate goal of a fully synchronised supply chain.



*Figure 2: The Supply Chain Continuum*

Collaboration is not new. Like the move from traditional logistics to integrated supply chains through MRPII and more recently ERP, collaborative commerce is undergoing its own evolution.

When considering collaboration, companies should target:

- Critical hand off points between companies
- Functions between companies that are high in value, cost or complexity

### **Why Collaboration Now?**

The two primary reasons for collaboration at this point in history are simple:

- Further value will not be available to top tier companies without exploring both up and down the supply chain
- Technology has put both simple and more complex collaboration within reach

Companies such as Wal Mart, Dell, Proctor and Gamble, and Compaq have refined their internal supply chains to a point at which inventory and cycle time improvements are not accessible without the input and support of partners in the supply chain. These partners may be one or more levels away. Furthermore, the appetites of tier one companies have been whet by initial forays into collaborative commerce.

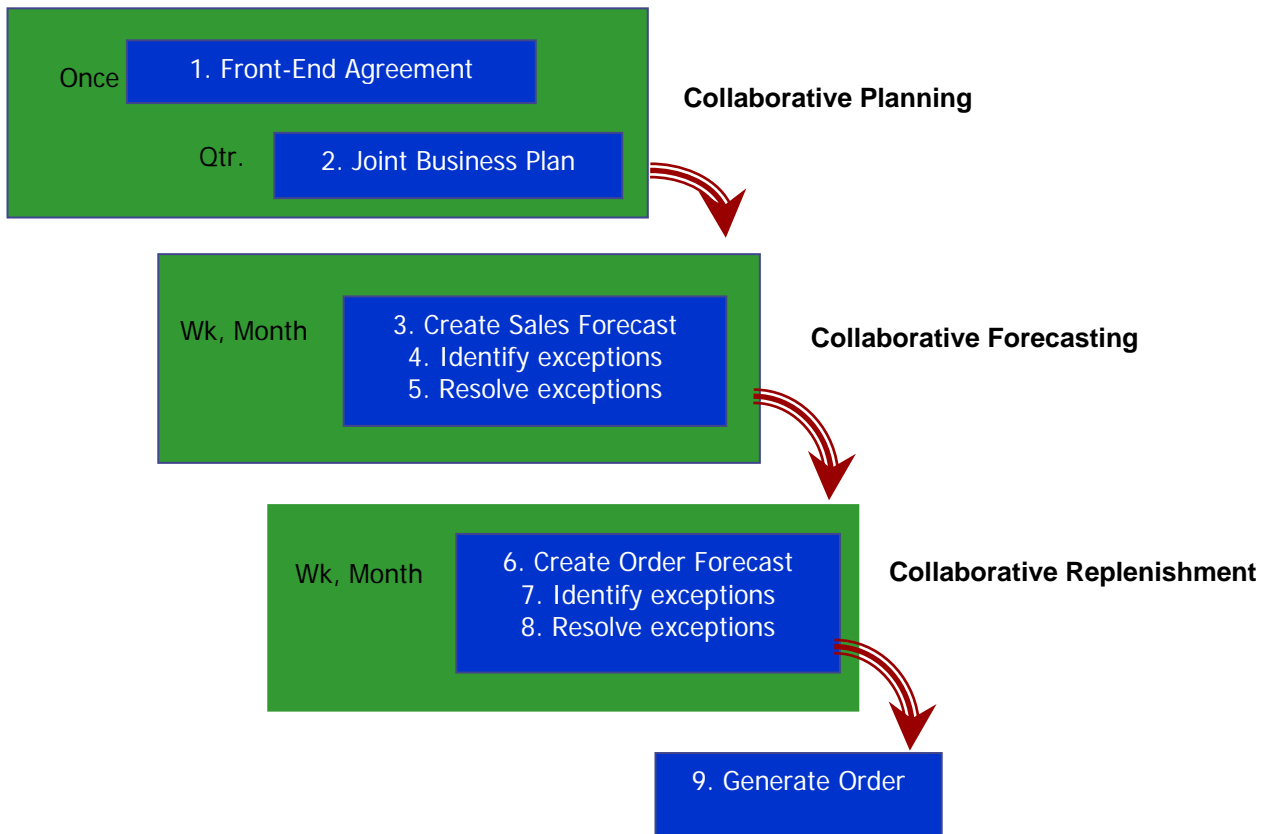
In tandem with these successes, a plethora of software developers have identified collaboration as a key opportunity for the future and developed programs to simplify and support the process. While the list is significant, some of these are relatively untested:

<b>Collaborative Software</b>	<b>Software Suppliers</b>
<b>Integrated SCM/APS providers</b>	<i>I2, Manugistics, Oracle, People Soft, JDE, SAP, Adexa, Logility, Synquest</i>
<b>Collaborative Planning</b>	<i>Syncra, Extricity, CastaLink, Eqos</i>
<b>Customer Collaboration</b>	<i>Retek, Big Machines, Nonstop, E3</i>
<b>Supplier Collaboration</b>	<i>B2E, Ozro</i>
<b>Collaborative Manufacture and Design</b>	<i>Agile, PTC, Formation, MatrixOne, NexPrise</i>
<b>Collaborative Transportation and Logistics</b>	<i>Blinco, Capstan, GT Nexus, NextLinx, Swift Rivers, WorldChain</i>

***CPFR: What is it?***

CPFR is an acronym that is often tossed around: so what is it?

CPFR stands for collaborative planning, forecasting and replenishment. CPFR is the area of collaboration that is currently receiving most attention in supply chain discussion. The process has been enabled by technology and has primarily been applied to the Consumer Packaged Goods industry. It involves 9 steps:



*Figure A. The Nine Steps of CPFR*

The evolution of CPFR over the past 15 years can be clearly seen:



*Figure B. CPFR Evolution*

The evolution features change in two areas from earlier versions of collaboration. These can be classified as:

- Information – Improved from retailer orders, to inventory information, to POS data
- Relationship – Improved from orders, to sharing of key business information, to shared infrastructure and joint forecast / planning responsibility.

### ***What's Been Learnt?***

Some of the big US players have gained valuable experience and knowledge in implementing their collaborative programs. Collaboration enabled by technology is still in early stage of evolution with both soaring successes and critical learnings. The key issues and lessons learnt by these pioneering firms include:

<i>Issue</i>	<i>Lesson</i>
<i>While some suppliers were happy, many were not</i>	Effort is required developing incentives to develop commitment
<i>Systems have limited the application and success</i>	Software functionality needs to be carefully reviewed before scoping the project and potential value
<i>Value for customers is not strategic, few customers on line</i>	The incentives need to be more strategic and in accordance with the customer's priorities
<i>Technology was capable but people and habits limited the benefits</i>	Non technology enablers needed to have equal or greater status in collaborative programs
<i>Significant people and MIS resources have been required, both up front and ongoing</i>	The program must be justified with full life costs in mind, collaboration is not a head cutting exercise
<i>Most programs are still in pilot stages in the consumer packaged goods industry</i>	The CPFR model, like many others, may not be scalable to all suppliers/customers

### ***What are the Benefits?***

Through their collaborative programs, a number of companies are already experiencing tangible benefits.

Away from the well publicised top tier players, there are other firms with less scrutinised activities who are also creating successes. These are across a number of industries and represent both manufacturers and retailers, who have applied collaborative commerce in different forms:

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#### **Grainger**

- ❑ ***An industrial supply retailer focusing on mail and web based orders***

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#### **Collaborative Program**

- ❑ ***Implemented a comprehensive web based supply chain management system focused on vendor relationships titled "Supplier Connect"***

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#### **Benefits Achieved**

- ❑ ***52.3% increase: On-Time Shipping***
  - ❑ ***16.0% decrease: Receipt Variances***
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- ❑ *9.2% decrease: Warranty Returns*
  - ❑ *28.4% decrease: Inventory*
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## **Micron PC**

- ❑ *A manufacturer of high technology goods and services*
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### **Collaborative Program**

- ❑ *Implemented a turnaround plan based on streamlined operations and inventory which relied heavily on collaborative relationships with vendors*
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### **Benefits Achieved**

- ❑ *60-70% decrease: Product Lead Time*
  - ❑ *97% increase: Forecast Accuracy*
  - ❑ *87% decrease: Inventory*
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## **Tyco Mallinckrodt**

- ❑ *A manufacturer and marketer of healthcare products*
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### **Collaborative Program**

- ❑ *Implemented CPFR with its distributors*
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### **Benefits Achieved**

- ❑ *23% increase: Sales*
  - ❑ *33% decrease: Safety Stock*
  - ❑ *97.5% Service Level*
  - ❑ *16.6 Inventory Turns: all items*
  - ❑ *40+ Inventory Turns: A class items*
  - ❑ *Service Levels Increase: Distributors*
  - ❑ *Inventory Decrease: Distributors*
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### ***How were these benefits achieved?***

My paper in the next LAA newsletter will look at collaboration with a more practical view, including a case study on each of the successes above. It will focus on the strategies formulated, programs established, key success factors, and comprehensive results.