Solution-Driven Integrated Learning Paths

- Educational Sessions
  - Lean
  - Global Supply Chain
  - Basics of Operations Management
  - Demand Management, Forecasting, and S & OP
  - Professional Advancement
  - Special Interest Topics
- Plant Tours
- Networking Events/Peer Interaction
- Materials for Sale at the APICS Bookstore

Make the Most of Your Educational Experience

- Develop a Learning Plan
- Assess your learning needs
- Use teamwork
- Prepare to learn
- Create your own Action Plan

Live Learning Center

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The Association for Operations Management®
Ron Ireland is on the Oliver Wight Americas and International Board of Directors, and is a leading educator and consultant in supply chain, sales and operations planning, demand management, and supply chain collaboration. Ireland began his career at Martin Marietta Aerospace where he was involved in 6 different Class A certifications for materials requirements planning. He then joined Wal-Mart Stores as a strategy manager, responsible for the design and implementation for a significant portion of Wal-Mart’s Supply Chain Strategy. Ireland was awarded Wal-Mart’s “Visionary of the Year” for the design and implementation of the company’s replenishment and forecasting processes. He also has authored a new book titled, “Supply Chain Collaboration—How to Implement CPFR and other Best Collaborative Practices,” and was one of the leaders in the development of the “Oliver Wight Class A Checklist for Business Excellence.”

Collaborative Planning, Forecasting, and Replenishment in the Global Supply Chain

Ron Ireland
Principal Consultant, Oliver Wright Americas

Challenges in the Global Supply Chain

- Poor communication
- Different performance expectations
- Longer lead times
- Excess inventory
- Poor service levels
- Poor quality
- Reduced flexibility
- Others?
Common Comments about our Trading Partners

- They are always surprising us
- We can’t trust them
- They aren’t very collaborative
- They are very demanding
- They are clueless in what they want
- POs are never consistent
- They won’t share any information
We need our trading Partners help more than ever to help smooth out the bull whip effect.

Sam Walton knew he needed his Vendors help. 

“COMMUNICATE everything you possibly can to your partners. The more they know, the more they'll understand. The more they understand, the more they'll care. Once they care, there's no stopping them.”

Sam Walton, founder of Wal-Mart Stores, Inc.

Collaborative Planning Forecasting and Replenishment

A formal way to improve global Supply chain collaboration.
CPFR®

- Voluntary Inter-industry Commerce Standards (VICS) sponsors CPFR® Working Group
- VICS creates collaboration guideline standards
  - Business
  - Technology
- Original guidelines centered around forecasting
  - Sales demand
  - Planned orders
- New guidelines being currently developed
  - Retail S&OP
  - Expanded planning collaboration of S&OP to S&OP between trading partners

Mission of CPFR®

Change the relationship paradigm between trading partners and create significantly more accurate information that can drive the value chain to greater sales and profits.

CPFR® Defined

Collaborative planning, forecasting and replenishment (CPFR®) is a business practice that combines the intelligence of multiple trading partners in the planning and fulfillment of customer demand. CPFR® links sales and marketing best practices, such as category management, to supply chain planning and execution processes to increase availability while reducing inventory, transportation and logistics costs.
**CPFR® Principles**

- Joint business planning
- Common goals and metrics
- Agreement to collaborate
- Use technology standards for data sharing
  - Data, text, and security
- Measurement and reporting of joint benefits and performance results

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**Why CPFR® Is Important?**

**Financial Benefits**

- Cut costs
- Increase profits
- Grow revenue
- Fewer surprises
- Coordination for better optimizations
- Core competency focus

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**The Original CPFR® 9 Step Guidelines**

1. **Step 1 - Front-End agreement**
   - Agree to confidentiality and dispute resolution
   - Develop methodology to track supply chain metrics
   - Establish a shared plan

2. **Step 2 - Joint Business Plan**
   - Project team develops plans for promotions, inventory policy changes, new product introductions, store openings and closings

3. **Step 3 - 4 - Sales forecast collaboration**
   - Trading partners share demand forecasts and identify exceptions
   - Resolutions are collaborated on causal factors to a single forecast number

4. **Step 5 - 6 - Order forecast collaboration**
   - Trading partners share replenishment plans, identifying and resolving exceptions

5. **Step 7 - 8 - Order generation/delivery execution**
   - Results data is shared and forecast accuracy problems are reviewed
   - Performance metrics are accessed

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CPFR® Challenges

- Trust
- Complexity
- Cultural issues
  - Internal
  - External
- Organizational – Getting rid of the silos
  - Internal
  - External
- Execution - Doing what was promised
- Win/win partnerships

To resolve some of the CPFR® Challenges of the past: Use a Simple CPFR® Approach

- Educate
  - Business process flow
  - How trading partners plan and execute
- Share
  - Information and knowledge
  - Data
- Execute
  - Measure and monitor results
  - Continuously improve
- Agree
  - When and how to collaborate
  - Improvements and benefits that will be gained
Types of information shared and collaborated on using CPFR®: Globally

- Demand forecasts
- Replenishment orders
- New product launches
- Shipments and withdrawals
- Inventory positions
- Performance scorecards
- Promotions
- Collaborative VMI
- Supply commitments and constraints
- Collaborative transportation flow
- Business plans — Strategic S&OP

When you agree to Collaborate
Keep it Simple and Write it Down

- Document the front end arrangement
- Define objectives and scope
- Define roles and responsibilities
- Agree to what information will be shared
- Agree to how collaboration will work
- Agree to the performance metrics
- Keep the lawyers out of it!

- Let's review an example of a CPFR® Front End Arrangement

CPFR® in the Global Supply Chain collaboration opportunities between all links
VICS CPFR® Working Group expands to S&OP

New Subcommittee formed in Spring 2009 to define S&OP Collaborative Guidelines for Retail Supply Chain

VICS Retail Supply Chain S&OP Subcommittee

- Retailers
  - Wal-Mart - sponsor
  - Best Buy
  - Lowes - sponsor
  - West Marine
- Suppliers/Vendors
  - Kimberly Clark
  - P&G
  - Kraft
  - J&J
  - HP
  - Samsung
  - Garmin
  - Whirlpool
  - Reckitt Benckiser
- Technology Providers
  - JDA
  - Agentrics
- Consulting
  - Oliver Wight – facilitator
  - Alipartners

Why is VICS defining a standard guideline for Retail S&OP?

- Retailers first wanted to require all major suppliers to have Best Practice S&OP processes
- Retailers realized that they should also adopt S&OP processes
- VICS is developing a Best Practice Guideline for S&OP in Retail that Links to the Best Practice S&OP processes used by their suppliers and links to the CPFR® Guidelines
- VICS is the sponsor to help Retailers and Suppliers think through this S&OP and CPFR® effort to develop what would be Best Practices for the expanded S&OP Collaboration effort
Could both partners benefit if they do S&OP?

S&OP Benefits Reported by 40 Companies

- Increased Forecast Accuracy by: 18–25%
- Increased Sales Revenue by: 10–15%
- Increased On-Time Delivery by: 10–50%
- Inventory Reduction by: 18–46%
- Safety Stock Reduction by: 11–45%
- Increased Productivity by: 30–45%

Could both partners benefit if they do CPFR®?

- Sales increased 15% to 20% from inventory optimization and instock improvements
- Margin rate improved 3% to 5% from reduced markdowns and better operational efficiency
- Inventory reduced 12% to 15% from increased planning horizons and forecast accuracy
- SG&A expense reduced 3% to 5% from lower transportation expediting, inventory carry and overhead
- Kurt Salmon Study of CPFR®

VICS S&OP Best Practice Model
To link S&OP and Retail S&OP using CPFR® you need to be able to “Pitch and make the Catch” both ways.

You need to have the skills if you're going to execute well with others.

S&OP Links To CPFR® - TBD

How they could work together

- The S&OP process supports better demand forecasting, just as CPFRs supports better forecasting of demand
  - Could lead to the actual use of the forecast in execution
- S&OP provides greater visibility to product marketing
  - Retail S&OP provides greater insight into retailer product transitions
  - MFG provides better insights to New Product Introductions
  - Private Label collaboration potential seen
- S&OP provides visibility of supply capabilities
  - Manufacturing constraints and optimization decision making
  - Store Expansions and longer range impacts on supply
- CPFRs provides the mechanism for coordination between Supplier S&OP and Retail S&OP
  - Expansion on information sharing and collaboration points
S&OP and CPFR® – better together

• The synergy
  - Time frame
    • S&OP and Retail S&OP 1 – 24 months
    • CPFR: 1-12 months – currently
      - Main focus is 1 – 13 weeks

• Key Benefits
  - More accurate demand forecast
  - Stronger internal alignment
  - CPFR process well positioned to provide more accurate demand forecast for S&OP
  - Addresses constraints and opportunities to create a consensus forecast
  - Smoothing the Retail Supply Chain Bull Whip

Global Extended Supply Chain
S&OP with CPFR®

So what’s next?

• The new Retail S&OP Committee is now active
• Strong support by leading companies
  - Retail
    • Has a Gorilla behind it
  - Manufacturing
    • Has many Gorilla’s behind it
  - Technology
  - Consulting
• Goal to have Retail S&OP and the CPFR Guidelines defined and implemented by 2010
Using CPFR® in your Global Supply Chain

Key Take Aways

CPFR® is Flexible

- CPFR® is an Industry “Guideline”
- You can define each collaborative relationship differently
- Keep the process simple
- Ensure you have leadership sponsorship
- Write down and agree to how the collaboration can work
- Make this a Win/Win Partnership

Get Started

- Determine your own readiness for CPFR®
  – Do you have Your Own House In Order?
- Determine if your trading partners are willing to collaborate in a CPFR® process
  – You can’t teach a Pig to Sing
- Develop a CPFR® program
  – On boarding workshops
  – Front end Arrangement
  – Structure review and collaborative processes
- “Learn from Doing”
Prepare now for the future

- An industry transformation will change with Retail S&OP
  - The Gorilla Retailers are going to "Strongly Encourage" S&OP to S&OP using CPFR®
  - Don’t become the Victim of the “Bar Raising”
  - Other industries often watch what Wal-Mart is doing
- CPFR can help you “Smooth the Bullwhip”
- You can collaborate if you try

Thank You!

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