

CPFR Inter-operability

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What is CPFR inter-operability?

CPFR inter-operability is defined as any peer-to-peer collaboration where one trading partner uses their CPFR application and the other trading partner uses another. These applications can be on privately hosted networks or on public exchanges.

Why is it important?

- The power of one. There is value in eliminating all connectivity points beyond one. Sending data to, and receiving data from one system is easier and less expensive than anything greater than one. In addition, it is easier and less expensive to train and keep resources current on one application within your enterprise, than with multiple applications across trading relationships.
- Not all trading partners belong to the same exchange, nor do all enterprises participate on an exchange. In addition, some enterprises will implement CPFR behind their own firewall. In order to gain the advantage of scale with CPFR, enterprises will want to conduct CPFR with trading partners, many of who don't participate in the same exchange or hosted application. Therefore, each exchange must build full CPFR functionality to serve the needs of all their constituents. For those exchange constituents that want to collaborate with a partner that *is* a member of a different exchange, there is value in causing these peer applications to inter-operate for the reasons stated in the previous bullet-point.
- Enterprises need to be given the option to choose the CPFR application that best meets their needs to take full advantage of the CPFR data internally to their enterprise. This includes identifying private exceptions, looking at aggregate views across trading partners, and interfacing with other enterprise applications. At the same time, the peer applications need to be able to "talk with each other" to allow *all* the collaboration benefits to be achieved regardless of what unique internal needs an enterprise has.
- To drive the supply chain, the data from the collaborative process needs to be synchronized and reside in multiple places. Retailers need to drive store replenishment and manage transportation requirements. Manufacturers need it to drive their internal planning and inventory management systems, provide visibility to their transportation base, and explode the data through the bill of materials for suppliers. CPFR applications provide the tools to look at and manage data views that are required to streamline the supply chain.
- As the number of CPFR relationships increase the issues of data integration, number of connectivity points, and training on new software releases multiply exponentially without CPFR peer-to-peer inter-operability guidelines.

What is today's reality?

CPFR applications and work processes are in their infancy, especially on the major public exchanges. Few enterprises have in-depth experience of the CPFR work process across multiple trading partners and the CPFR software continues to change and evolve. As a result, much of the current work is focused on one-to-one pilots.

There are limitations today in synchronizing data and applications because there hasn't been an overriding business need before CPFR and the advent of exchanges. These limitations are related to the technology and software as well as the lack of industry standards for inter-operability. For example, the collaboration XML messages (exception notification and exception criteria) have not been tested in a production environment. In addition, the standards for sending product and location hierarchy data and rules have not been defined. CPFR inter-operability depends upon common message formats, message selection, message transport, and security standards.

Despite the limitations, the long term implications of not coming together to solve this issue will ultimately result in higher overall value chain costs than if not tackled. Based on the speed of adoption of CPFR and the need to achieve scale quickly, inter-operability is a priority. This is truly proactive and leading edge work.