

# Wal\*Mart and Sara Lee Branded Apparel

## Executive Summary

Wal\*Mart believes that our vendor partners are among our keys to success, and that exchanging information with them creates a unique synergy that allows both companies to be successful.

CPFR is an extension of what we have done for several years and we believe that standardizing the industry's exchanges of pertinent information, such as sales and order forecasts, will continue to remove cost from the supply chain and increase overall profitability. By exchanging information such as forecast and replenishment data with our vendor partners, we ensure that we have the right item at the right time in the right place, resulting in increased customer satisfaction.

Our focus in the pilot was to validate the industry's best-practice document, and to ensure that all steps required for collaboration between buyer and seller were clearly documented and executable. Our pilot identified minor technical changes that were made before the initial publication, and further proved that collaborating on forecasts with our partners and focusing on exceptions was the next evolution in reducing costs and increasing profit throughout the supply chain.

Sara Lee Branded Apparel believes that long-term business relationships depend on gratifying the consumer. Participation in this CPFR pilot represents Sara Lee's endorsement of synergistic, logical, and measurable efforts in this progression of business processes.

## CPFR Processes Addressed

We addressed three phases of CPFR:

- Creating the Sales Forecast
- Identifying Exceptions to the Sales Forecast
- Collaborating and Resolving Exceptions to the Sales Forecast



### 4.3 Wal\* Mart and Sara Lee Pilot Overview

We followed both the business and technical specifications outlined in the industry model, validating all steps. We also informally walked through the Joint Business Process to ensure that key data inputs had been included in the technical specifications and that all primary business needs were addressed in the models.

#### **Pilot Objectives**

Our primary objective was to validate the industry model documented in the *VICS CPFR Guidelines*, and to identify missing or inaccurate steps in the business case and in the technical specifications (such as ERD). To validate the specifications in the industry model, part of our pilot created a CPFR site to address the above processes, which was successfully completed.

Our secondary objective was to address practical application of these principles and processes during the execution phase of the pilot.

#### **Scope (Execution Phase)**

Twenty-three branded women's underwear items were selected for the pilot. Five of the items were new introductions to the line and distributed to smaller stores; the remaining items had either full chain distribution (to approximately 2,400 stores) or were distributed to all but the smaller stores.

Collaboration began in July 1998 and is still actively taking place. The collaboration focused more on identifying exceptions and resolving the exceptions than on creating a sales forecast (sales forecasts were already being created, and the creation of the sales forecasts did not change with the initiation of CPFR).

Changes in the way the sales forecasts are updated continue to evolve as information is exchanged and exceptions are identified and resolved.

Positions involved in the detailed collaboration discussions included POS Replenishment Manager, Director of Sales, Sales Analyst, Forecast Manager, and Manager of Sales Systems and Logistics. Allocation of pilot functions is shown in the chart below. Duties often overlapped. Results of those discussions led to adjustments of associates' placement within each organization.

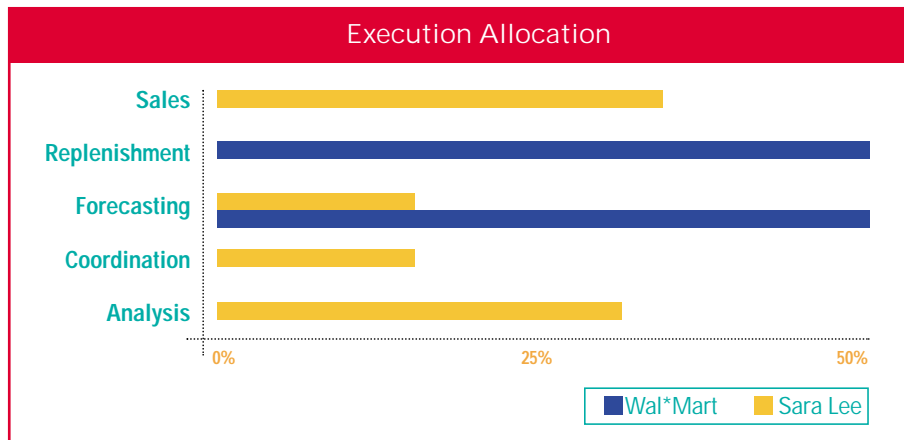


Figure 8

### Technology Used

Our collaboration site was developed within Wal\*Mart's existing Internet-based vendor communications system. We validated the industry specifications and provided our feedback for the guidelines publication.

The VICS-EDI 830-transaction set (a subset of the ANSI X-12 standard) was the data vehicle used to transmit the sales forecast between companies. Using existing standards expedited setup of collaboration and eliminated development time in managing multiple data exchange mechanisms.

### Metrics

We used these metrics for the pilot:

- In-stock
- Weeks on hand at store level
- Forecast accuracy
- Lost sales



### 4.3 Wal\* Mart and Sara Lee Pilot Overview

After 24 weeks of implementation, we realized a 2% improvement in retail store in-stock, a reduction of 14% in store-level inventory compared to a 32% increase in sales, and an increase of 17% in retail turns on the pilot items.

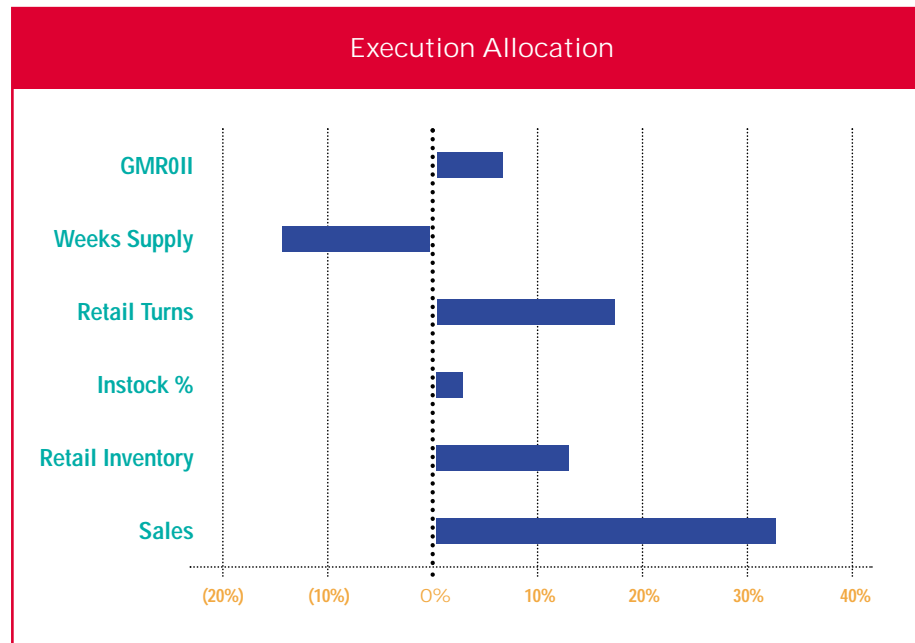


Figure 9

#### Resources Involved

People from many areas in both organizations participated in the pilot, including executive sponsors in Information Systems and in Sales/Replenishment from both companies. Included in the initial pilot were individuals from Information Systems (multiple application development teams), Forecasting/Replenishment, Logistics, Marketing, Supply Chain and Sales.

No incremental staff was hired for the pilot.

In addition to the collaborative site, Wal\* Mart's Retail Link Decision Support System was used for drill-down analysis.

## Project Challenges

Since the Front-End Agreement was not formalized, the initial stages of the pilot determined both the metrics and the criteria for exception reporting (an iterative process). Ideally, the Front-End Agreement would be part of the initial merchandising phases of goods deployment; however, as this pilot revealed, effective collaboration can occur at any stage of a product life cycle.

Although historically seen as barriers, inter- and intra-company system integration plays an increasingly crucial role in collaboration. Promotion, replenishment (store- and distribution-level), production, capacity, and over-the-counter forecasts exist either independently or at a less-than-optimum dependence and at varying levels of detail. Until attention is given to integrating these forecasts—first at manufacturer and retail level and then between the trading partners—realizing substantial savings will be slow.

Varying levels of commitment and understanding exist throughout the organizations. It became an inspiration during the collaborative process on the basis of its definition: *to work together, especially in a joint intellectual effort*. As the process rolls out and others learn from it, professional and business relationships will have new standards.

## Methodology

Review of the *VICS Collaborative Planning Forecasting and Replenishment Voluntary Guidelines* established a framework for pilot execution. We began by agreeing on metrics and targets.

We established a time frame for discussions. A telephone conference call was held weekly for the first eight weeks; discussions continued every other week thereafter, and we are currently on a monthly schedule.

Practical considerations clarified responsibilities as the pilot progressed.

Sara Lee provided the core analyses as the basis of discussion. After agreement was reached, changes in tactics for either party (such as forecast) were executed.



### 4.3 Wal\* Mart and Sara Lee Pilot Overview

Areas of discussion included in-stock position, POS, forecast-to-forecast comparisons, forecast accuracy (bias and absolute), promotional activity, and product availability issues.

Here are depictions of some of the analyses:

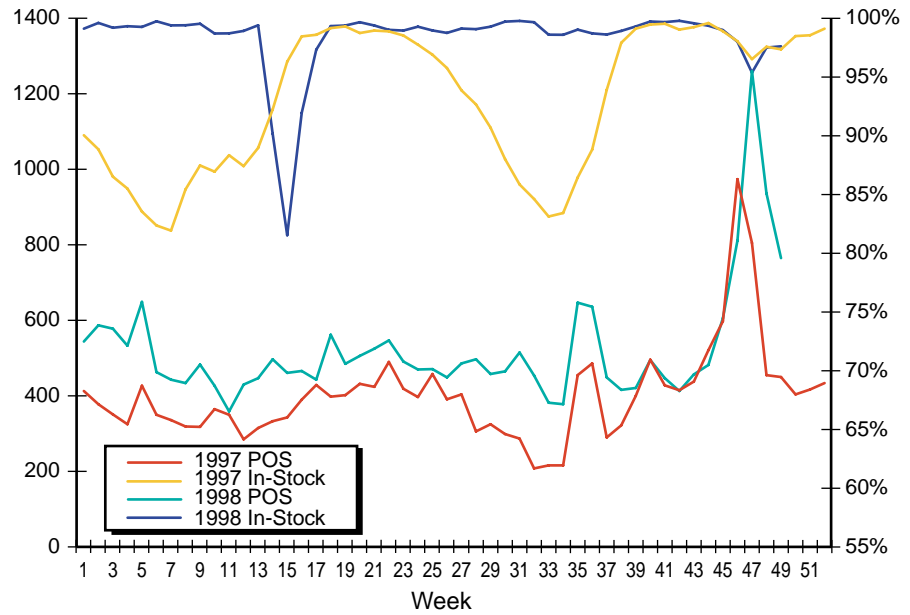


Figure 10

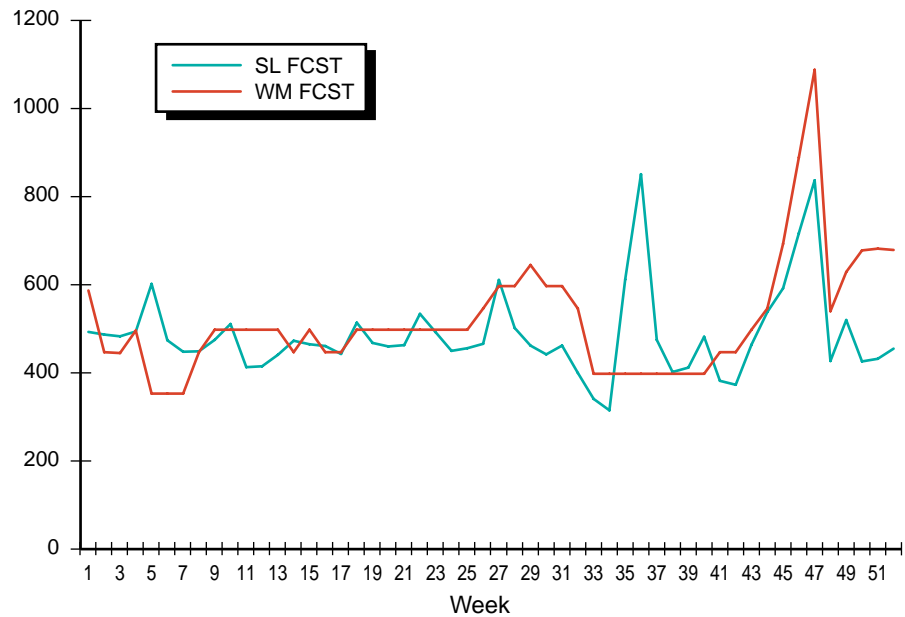


Figure 11

Discussions about product availability have always been difficult in a manufacturer/distributor relationship. Through this process, difficulties were handled in a professional and practical manner, creating winning results for both partners. Commentaries on events that affected execution were summarized for planning and to avoid their recurrence.

#### Product Availability Among Manufacturer/Distributor

Date	WM Week	Items Affected	Type	Comment
7/3/98	9822	All	Service	Product availability
9/11/98	9832	Item A, Item B	Service	Change in specs and delay in assembly; service resumed on all other SKUs
10/1/98	9835, 36	All	Promotion	TAB - Same tab in 9735, 9736
10/16/98	9837	Item D Item I	Service	Should resume service WM Week 9840; all other SKUs back in service
		Size X	Misc.	Cannibalization by similar product
10/16/98	9838	See Comment	Misc.	To increase % in-stock, all but Item K (service) and Items A-J (solid in-stock position) will have an extra 1 week purchased to jump-start in-stock
			Rollback	X-day rollback Wal*Mart will change profile by x%; will change by y% on y week of rollback
			Promotion	Tab, all items

**Table 2**

#### Summary of Pilot Effectiveness

The pilot has been effective, and it met the original project scope of defining and proving the guidelines as well as designing and developing systems for execution. As with any large project, it was difficult to define the scope and work within it. From the early stages of the pilot, one of the obstacles has been the need for continual growth of the processes and systems.

The execution of the pilot was effective as evidenced by the improvement of bottom-line results.



### 4.3 Wal\* Mart and Sara Lee Pilot Overview

#### **Trading Partner Relationship Changes**

There was increased communication between partners and within each enterprise. Multiple operating areas built relationships through this cross-organizational pilot, and now communicate their strategic efforts. Internal collaboration has also improved between functional areas of both companies.

A real benefit not within the scope of this project was the redefining of business relationships and commitment to 'win/win' actions.

#### **Model/Guidelines Functional?**

The CPFR model and guidelines were validated and the basis for the execution of this pilot.

#### **Rollout Plans**

CPFR will roll out to all applicable partners and products. As a continuing part of the rollout of CPFR, development will continue to address scalability needs for all types of manufacturers and to continue to automate the existing process. As with any new process or system, on-going analysis will ensure the partners remain up to standard and provide automated solutions.