

Executive Summary

To the CEO:

This message is for you. Your leadership will make CPFR a mainstream business process. Consumers will benefit, and companies will win together.

Consumers, category management, supply chain management—all reveal the importance of a holistic, cooperative, and synchronous approach to the business environment. Where there is little collaboration within companies or between trading partners, opportunities are lost.

Your leadership is crucial, despite the limited time you'll have to learn how CPFR can help achieve the company's goals:

- Reducing working capital, so funds can be invested in marketing and new product development.
- Reducing fixed capital and infrastructure expense.
- Reducing operating expense, as cost as a percent of sales is used to measure performance.
- Growing sales each year, consistent with the expectations of the stockholders and Wall Street.

You may ask if trading partners can achieve these objectives without resorting to major restructuring? Without major acquisitions? Without right sizing—or downsizing? The answer is found in today's consolidations, and the restructuring plans announced daily by companies who previously enjoyed market dominance.

Is CPFR a magic bullet? No. But it is an unconventional—yet piloted and proven—way of achieving those four crucial objectives of reducing working and fixed capital, reducing operating expense, and growing sales.

Several leading retailers and manufacturers have embraced CPFR and engaged in pilots. They have shared their results and the learning that they have gained in order to interest others in the business community. While there is much press, dialogue, and activity about the growth of CPFR, it will not bear fruit if you do not sponsor it and make it a company priority.



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Your concerns about innovative programs can be mitigated because the investment in systems is minimal; the Internet exists; communication standards are in place; human resources implications are few; continuous replenishment provides significant information; trading partners come together in a fashion not experienced in the past; and the initial investment in developing and testing the model has already been made by reputable companies.

So become engaged with one of your trading partners to determine if CPFR can make a difference for you, your trading partner and the consumer—and to your shareholders.

Sincerely,

The Vics CPFR Committee