

CPFR Pilot Project Overview

As you read the pilot project reports, you will find several significant themes—significant because their results can move organizations past barriers toward expanded implementations, and onward to improved corporate performance.

The pilot projects have several common features

Planning

The CPFR concept and pilot efforts are consumer driven without losing focus on best practices within the supply chain. In particular, setting common goals for organizations builds on and extends other ECR successes, such as category management and CRP. It pulls them together into a cohesive plan, supports better execution of the plan, and invites improved planning in the next business cycle. The improved planning drives sales gains through to the consumer and lowers costs throughout the supply chain.

Steps

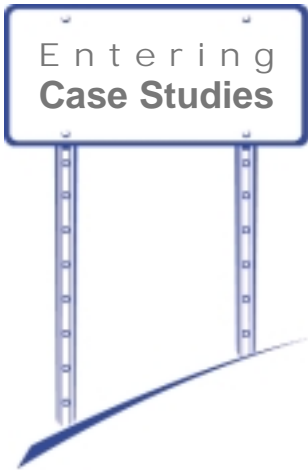
All the pilots addressed the first four steps in the business model. Even where they did not start with step one (the front-end agreement), they concluded that it was needed for best results.

Process

Across different buying organizations and a growing number of sellers from various industries, a strong common business process was established, and the process model was verified. All of the pilots began without collaborative software, but expansion plans and rollouts are tied to the implementation of collaborative software. Some of it is now in place.

Trust

The trading partner relationship improved. Greater trust resulted from better attention to common business goals. Stronger communication was established within each organization as each business function's part in the process was better understood.



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Benefit

Each pilot organization and partnership received different levels of benefit. Anecdotal evidence shows large improvements in service or retail sales levels, but the question remains: How many of those benefits are available to all the partnerships and products in the marketplace? There is no exact answer. The key is to focus on the pilot companies' actions. Have they backed away from the concept or are they moving forward? On this point, the evidence is clear. Pilot companies have seen enough business benefit (increased sales, lowered costs and improved in-stock levels) to move forward with additional customers, product lines, and integration efforts.

Resources

Few additional resources were dedicated to the CPFR pilots. Most pilots simply adjusted the priorities of those already assigned to the business relationship. All pilots emphasized that significant upper management commitment is essential to ensure resources for the new processes. Scalability issues require that one or both partners invest technology that enables expansion without staffing changes.

Data

Each pilot used existing EDI transactions or Internet-based information exchange. Additional systems will permit collaboration on a larger scale, demanding human attention only for exceptions or discrepancies between partners and between the planned activities and actual performance.

Expansion

Expansion of CPFR improves Vendor Managed Inventory, Co-Managed Inventory, and traditional replenishment. The information shared through collaboration can strengthen these replenishment processes. Pilot participants expect to expand collaboration across additional product lines, additional channels of distribution, and additional partners. This demands automated tools for scalability and integration of forecast information into production scheduling, product deployment, and replenishment systems.

There are also three significant differences between the pilots

Variety

First, there is great variety in product types and seller production strategies. This should encourage organizations to see CPFR's appropriateness for themselves. The concept and process are strong enough to bridge diverse industries.

Technology

Next, several technological approaches were used. Even the simplest efforts produced results that encouraged participants to move forward. The more technologically advanced pilots have developed into a mainstream business process that addresses partnership business goals and implementation issues.

Planning

Finally, all the pilot projects were successful no matter where they began in the business process or in the supply chain. This should encourage those who are not prepared to address store-level replenishment yet, or those who want to develop a common business plan between partners. As one committee participant stated while talking about CPFR pilots, "Start small, start early, start making it a mainstream process, but most importantly, start now!"

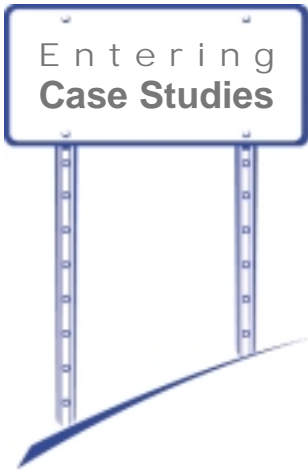
Final Observations

Partnerships

Critical mass is not needed before significant benefits are realized. The collaboration effort can help achieve the mutual goals shared by one buyer and one seller. But to benefit the entire supply chain—from consumers all the way back to the raw material suppliers—a broad spectrum of CPFR partnerships must be in place.

Forecasting

The CPFR model calls for the comparison of two forecasts (one from each partner) to generate exceptions. However, the process is still valuable when one forecast is compared to actual sales or the current forecast is compared to the previous forecast. Either way, a collaboration can improve forecast accuracy and ensure that it agrees with the business plan.



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Common Goals

The most powerful concepts seen in pilots are the attention to a single business plan and the ability to focus only on exceptions. The front-end agreement is a powerful tool to move organizations toward their common goals. The risks of avoiding CPFR are the same risks as avoiding a business plan. Partners may be moving in different directions without knowing it.

Unexpected Benefits

The CPFR process unexpectedly enabled other ECR initiatives. In several instances, CPFR moved other business initiatives to meet goals. Simple situations such as new product rollouts and shelf set changes could be more accurately managed between partners and within each organization.

Quantifying Benefits

A great deal of effort was given to quantifying benefits derived from CPFR. This was difficult because many benefits are achieved by avoiding costs and lost sales. Also, because of proprietary concerns, some facts could not be released by the organizations involved.

CPFR has been aptly named. As you read the pilot reports, you will see that collaboration has significantly improved results in each key area:

Planning–business planning between buyer and seller;

Forecasting– for input to production and deployment planning purposes;

Replenishment–from raw material to the consumer.