

# SUPPLY CHAIN COLLABORATION



Haymon Keller

In May this year, a Reverse Logistics Conference was addressed by Haymon Keeler, the ECN Group's business development manager on supply chain collaboration. *NZRetail* recently caught up with Keeler to ask a few questions related to his presentation.

**I**n the US today, some of the world's top suppliers and retailers are collaborating through the supply chain, and across other supply chains, to gain more efficiencies.

**Q. What global trends are you seeing with today's supply chains?**

**A.** We are seeing many changes and developments in today's supply chains – in both attitudes and models – especially with the growing emphasis placed on being green and sustainable along with the more traditional focus on efficiency gains and cost reductions. A key theme is collaboration; new ways of working together via:

- Information sharing; and
- Logistics and distribution.

ECN has been closely monitoring the great work of the GCI – now called Consumer Goods Forum (CGF) – with its development of strategies and new models for the future supply chain. The results from its pilots, trials and live implementations are really shaping the direction we as a business are going in – and I'm convinced they

will have a huge impact on New Zealand in the near future.

**Q. So who and what is the CGF?**

**A.** The CGF has been formed by some of the world's leading retailers and manufacturers in the consumer food and non-food sectors – uniting to create a global trade and industry body.

It is governed by equal numbers of retailers and manufacturers with a charter to drive the implementation of standards and supply chain best practices, identifying opportunities for improvement, developing best practices, endorsing global standards and driving adoption throughout the industry.

**CGF**

Members of the CGF are a who's who with combined sales of €2.1 trillion (NZ\$4.2 trillion). Manufacturers of the likes of Procter & Gamble, Unilever, Coca-Cola, Nestlé and Kraft join retail behemoths such as Wal-Mart, Tesco, Carrefour and Australia's own Woolworths.

There are over 50 companies on the director's board, and many more members on initiative committees. The CGF was created by the merger

of CIES, the pre-eminent food and consumer goods industry body, with the Global CEO Forum and the Global Commerce Initiative (GCI); two global retailer and manufacturer collaborative bodies.

**Q. Can you tell us some more about 'collaboration'?**

**A.** Collaboration has been identified as the key driver in evolving the supply chain to help focus on reducing CO<sup>2</sup> emissions and freight costs, together with increases in productivity, efficiency and improving the bottom line for both retailers and manufacturers. Collaboration between manufacturers and retailers, manufacturer and manufacturer includes:

- Information sharing – e.g. POS data, aligning goals and strategies;
- Collaborative warehousing;
- Collaborative city distribution (including home delivery and pick-up); and
- Collaborative non-urban distribution (including home delivery and pick-up).

Improving such collaboration demands new ways of working

together in the physical supply chain and is a dynamic shift in thinking and processes..

**Q. How is collaboration going to affect New Zealand and our market?**

**A.** Globally, consumers are making new demands, looking for value-added products, asking about sustainability – and highlighting issues of social responsibility when they make their choices about what and where to buy. Globalisation, new technologies, volatile costs for energy and raw materials, changing demographics and the recession are all contributing factors in a world that is changing quickly.

New Zealand is very reliant on its export markets so must adapt and



change as the world around it does. Along with its desire to be seen as clean and green, the country must be innovative and efficient to remain competitive and up with the world's leaders. The advantage New Zealand does have is the low population and geographical size which could make it easier to organise and co-ordinate the changes needed to evolve its supply chains.

**Q. This is a massive change to the supply chain. Where does it start?**

**A.** Information sharing is probably the easiest point in the supply chain and a good place to start. POS data sharing, for example. It can start small – e.g. a retailer exchanging data with one or two manufacturers – and grow the number of manufacturers/suppliers over time as the results and benefits are proven with relationships and collaboration terms being addressed as part of the initiative.

**Q. POS data sharing: what is it and what are the benefits?**

**A.** POS (point of sale) sharing of store level data – such as sales transactions and stock on hand – means having information collaboratively shared between trading partners (e.g. retailer and manufacturer) readily available so that both parties can generate greater insight and better meet the needs of their consumers. Availability of the data will be governed by agreed rules regarding frequency, access, security and legal constraints of that information. Obviously, for any collaborative relationship to work, it requires a win-win situation for both parties and benefits for both parties.

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The benefits from POS data sharing include:

- Reduction of out-of-stocks – out-of-stocks in Europe cost retailers revenue equating to 4.0% of sales (Vendor Compliance

Federation Survey 2008);

- Better demand signalling/forecasting to the manufacturer and thus improved distribution (reduce bull-whip effect);
- Reduction of retailer and manufacturer inventory levels;
- Improved management of promotions; and
- Improvement of the bottom line for both retailers and manufacturers.

**Q. Which businesses are currently doing this?**

**A.** There are a number of pilots and case studies out there now. POS data sharing is not something totally new; we are seeing the level of maturity from retailers and manufacturers increase with the need to improve supply chains now driving the readiness to be adopted.

Encouragingly, within New Zealand and Australia, there is a small number of POS data collaborations already up and running.

Early adopters and industry leaders like Walgreens, Tesco, Metro, Carrefour, Winn Dixie, Unilever, Kraft foods, Nestle and HP have all run pilots and now are running live systems focused on:

- Sales by store by time period for a controlled list of skus.
- Inventory by store location for a controlled list of skus.
- Inventory by distribution centre for a controlled list of skus.

The results from these solutions are:

- 30% improvement in forecast accuracy;
- 15% lower inventories;
- 35% shorter sales-to-cash cycle;
- Better understanding of product demand patterns;
- Better understanding of supply requirements;
- More insight into consumer behaviour; and
- Generation of higher profits.

## CASE STUDY – WALGREENS

Walgreens now has 120+ suppliers using this system. All suppliers were required to register and meet agreed requirements to be an authorised participant in Walgreens POS data-sharing solution.

Walgreens used a third party who supplied a SaaS (Software as a Service) solution that validates, cleanses and structures the data into a standard format – making it easily available for suppliers to collect the data and gain insights. Engaging a third party allowed Walgreens to focus on its core business. Other benefits included:

- Faster on-boarding of suppliers via third-party sales and marketing campaigns;
- Fewer internal staff on the project; and
- Better support for suppliers.

Walgreens quick wins included:

- Reduced store inventory levels and improved balancing;
- Improved new-item launches and monitoring of supplies;
- Improved management of discontinued products;
- Better analysis of planogramme resetting;
- Increased promotion performance;
- Greater visibility and improved distribution; and
- Supplier-recommended force-out quantities from the distribution centres to the stores.

**Q. How would you recommend a New Zealand retailer or manufacturer starts POS data sharing?**

**A.** Open the paths for communication. Start by breaking down the barriers of 'yours' versus 'mine' by collaborating on a plan and strategy with common goals, common language, common measures – such as key performance indicators (KPIs) focused on the consumer.

Note: sharing information requires openness and transparency about consumer trends and demands – which will lead to greater insights into consumer behaviour – enabling both parties to serve the consumer better and collectively improve revenues.

- Select and work with an experienced third party that can manage the data appropriately for all parties concerned. Things to consider include security, validation and scalability. A quality

third party will really assist you in developing data standards and allow your business to focus on core business and the relationship with your partner – rather than managing data.

- Read some of the free white papers and case studies out there. Go to: <http://www.futuresupplychain.com> which, with CGI, is leading the vision and model change.

These are exciting times. There hasn't been a change in the supply chain model for decades and this major shift is imminent. Enjoy the journey and reap the rewards of collaboration. ■

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