

*Customer Intelligence Report:*

# **Collaborative Planning, Forecasting & Replenishment CPFR®**

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**Vendor Selection Guide for Services**



*Accelerating Performance by Calculating Results™*

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Hypatia delivers high impact market intelligence, industry benchmarking, best practices, technology vendor selection, ROI assessment, and consulting services that reduce cycle-time and influence customer management, product strategy and channel development goals. Since 2001, clients have relied on our industry insight, expertise and independent research for guidance in assessing various technology, solution and service options. Like our namesake, Hypatia, we are committed to *Calculating Results™* for our clients.

*Hypatia of Alexandria* (c.370-415 AD), invented several scientific devices--the astrolabe, plane sphere, and hydroscope (hydrometer). These instruments were used to calculate the distance between planets, the position of visible stars at any time of the year, and the gravity of liquids respectively. Hypatia was the first woman to make substantial contributions to the development of mathematics, astronomy & philosophy.

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## Executive Summary

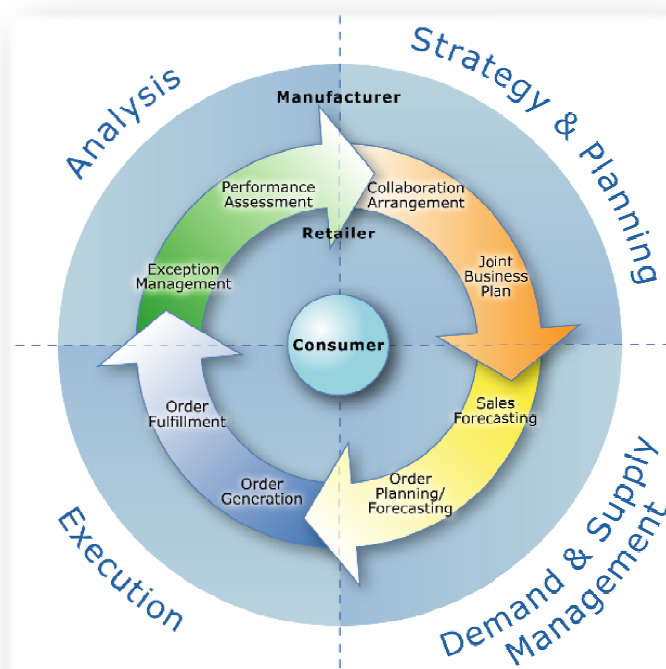
Whether one approaches commerce from the perspective of B2B, B2C or through multiple distribution channels as in B2B2C, it is imperative to interact and collaborate with one's trading partners on some level. Large retailers such as Wal-mart, insist their trading partners collaborate at a granular level as a requirement to become a trusted supplier. Taking this one-to-many approach allows Wal-mart to compete on commodity pricing and delivery to order timeframes through a combination of collaborative business practices such as Collaborative Planning, Forecasting, and Replenishment and Vendor Managed Inventory [VMI]. Conversely, automotive manufacturers are more likely to foster one-to-one relationships with major suppliers of certain parts [20% of suppliers providing 80% of parts] while taking a tiered approach with the majority of its trading partners.

Collaboration with one's demand and supply chain trading partners is a set of complex business processes comprised of:

- **Trust:** Communication between companies and people
- **Business Processes:** CPFR, S&OP, VMI, JIT, APS
- **Technology & Data:** Automation, Validation & Synchronization
- **Performance:** Visibility, Exception Alerts & Metrics

Originated in 1998 by the Voluntary Interindustry Commerce Standards Association, [VICS], CPFR® processes [Source: VICS Model] have been defined as a nine-step process focused on business process collaboration. Industries that rely on complex demand, supply and distribution channels such as retail, grocery, consumer goods, food & beverage have adopted and benefited from collaboration practices most often while in industries such as manufacturing, healthcare, defense, telecommunications or energy and natural resources, collaboration is more likely to focus on processes such as:

- ✓ Sales & Operations Planning
- ✓ Demand Planning & Forecasting [constraints-based]
- ✓ Vendor Managed Inventory
- ✓ Just in Time Manufacturing [contract]
- ✓ Advanced Planning & Scheduling

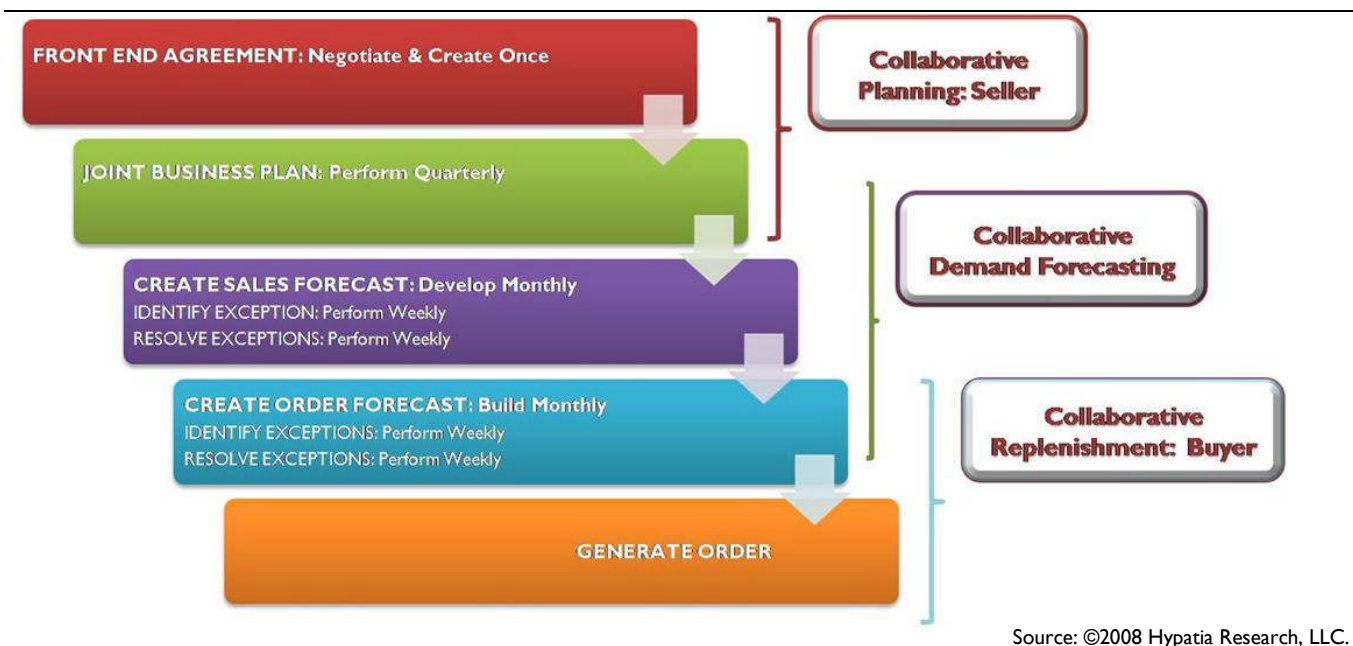


## Numerous Options Drive Multiple Choices for Collaboration Services

Given the enormous opportunity to profit from the benefits of CPFR, numerous vendors in multiple categories have developed consulting services, software products that automate business processes, packaged solutions and managed services. Because trading partner collaboration is not a “one size fits all” type of solution, many point solutions that enable and automate CPFR processes were developed [ex. Demantra acquired by Oracle, Sterling Commerce acquired by AT&T or Manugistics and I2 acquired by JDA Software] and later consolidated as the market matured. Several trends and best practices have driven selection criteria for organizations across industries and domains:

- ✓ Demand-Driven Networks: Visibility & intelligence matters
- ✓ B2B eCommerce: Technology, infrastructure, & total cost of ownership [TCO] leads
- ✓ Trading Partner Networks: Domain knowledge & best practice processes provide an advantage

Figure 1: Standard CPFR Trading Partner Processes



## Challenges & Barriers to Engagement

Economic uncertainty, aversion to risk, job protection, competition, infrastructure interoperability or technical compatibility, organizational resistance to change, trust, and lack of formal training, are just a few of the many challenges cited by practitioners and experts interviewed. Hypatia’s research found that the major concern in outsourcing CPFR is loss of category or product management knowledge and expertise. Consumer product and retail companies often compete on product enhancement or product innovation—keeping this expertise in-house is often necessary to survival.

Management and on-boarding of trading partners along with data security are also key challenges—although organizations are more likely to consider an opportunity to outsource standard or repeatable business collaboration processes to third-party suppliers of B2B network integration [VAN], electronic data interchange [EDI] or content exchange, web portals, data synchronization and business activity monitoring [BAM].

## Vendor Selection: CPFR as a Managed Service

Since publication of “Business@ the Speed of Thought”, organizations have sought to attain greater economies of scale, reduced costs or TCO, persistent and reliable communications networks, operational flexibility and agility, and industry expertise from vendors and service providers. Software as a service [SaaS] or software + managed services enables organizations to focus on core competencies while reducing implementation and internal resource expenditures. Not surprisingly, the ability to scale standard collaboration processes without incurring costs for additional resources, operational down-time, or training was found to be a compelling value proposition.

**Our Assessment:** Services that standardize and synchronize key SCM information, automate or facilitate business processes and communications between trading partners, provide product category or industry best practice expertise and support SCM decisions, [such as the key trends detailed below], will continue to be in high demand for the next decade. Packaging, pricing and partnerships will continue to evolve as customers become aware of the various options, benefits and return on investment. Moreover, we predict that global IT consulting firms, providers of B2B trading partner network services, and software solutions will capitalize on the opportunity to supply these value-added services for the next decade.

- ✓ Performance Management & Advanced Analytics
- ✓ Multi-enterprise Trading Networks & Collaboration Infrastructure
- ✓ Operational Business Process Management Consulting
- ✓ Master Service Level Management of CPFR Processes
- ✓ Master Data Management:
  - Product Data / SKU
  - Customer Data
  - Trading Partner Data

### About the Author:

Leslie Ament is a Customer Intelligence Management thought-leader and industry analyst who focuses on how organizations **capture, manage, analyze and apply** actionable customer insight to improve customer management techniques, reduce operating expenses and to accelerate corporate growth. Her research coverage include: Business Intelligence, Media Intelligence/Search/Text Analytics, CRM, Web Analytics, Marketing Automation and Customer Data Management/Data Quality.

Previously, Ament served on management teams and lead global marketing and market research groups at Demantra, Inc. (acquired by Oracle), Arthur D. Little Management Consulting, Harte-Hanks, Banta Corporation, International Thomson Publishing (Chapman & Hall, UK) and Carnegie Hall, Inc. She is a member of the American Marketing Association, Society for Competitive Intelligence Professionals, Customer Relationship Management Association, DataShaping Certified Analytic Professional, Arthur D. Little Alumni Association, Software Industry Information Association and a Board Member of the Product Management Association.

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