

Supplier-retailer Collaboration

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Supplier-retailer collaboration is a process aimed at reducing excess costs in the supply chain and/or improving profitability by increasing sales and gross margins.

Types of SRC

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- **Operational focus**
 - Cost reduction
 - Products and paper flows
 - Technology heavily involved
- **Marketing focus**
 - Synergy in marketing mix
 - Assortment, product innovation, lower cost promotion

Comparison with “Efficient Customer Response” program

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- **Similar driving force**
 - Competition, cost reduction
- **Similar set of actions**
 - Operation and marketing
- **Similar implementation steps**
- **Different benefit estimation**
 - ~10-11% in the US
 - ~2.5-3.5% in Europe

SRC in operations

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- **Operating standards**
 - Optimise distribution
 - Order based, no EDI
 - No POS data or RDC information
- **Replenishment**
 - **Additional information**
 - Short term forecasts
 - RDC information
 - Analytical store sales data
 - **Different levels of confidentiality**

SRC in operations

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- **Administration**
 - **Reduction of non value-added work**
 - error correction
 - rekeying data
 - **Transmission costs**
 - **Transmission time**
 - invoice mailing
 - **Overhead costs**
 - invoice matching

Operating standards

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- **Flow of goods**
 - Centralization via RDC
 - DSD - Direct store delivery
- **Flow of information**
 - EPoS - Electronic Point of Sales
 - CAO - Computer Assisted Ordering
 - EDI orders
 - ASN - Advanced Shipping Notes
 - Bar Codes

Replenishment

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- **Aggregated RDC information**
- **Disaggregated information for DSD**
- **Management strategies**
 - **Retailer: Reduce order volume**
 - **Add sales forecasts**
 - **Allow planning for supplier**
- **Higher retailer benefits**

Replenishment benefits

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Suppliers

- **Cost reduction**
- **Improved service to retailers**
- **Improved information flow**

Retailers

- **Improved service from suppliers**
- **Cost reduction**
- **Improved information flow**

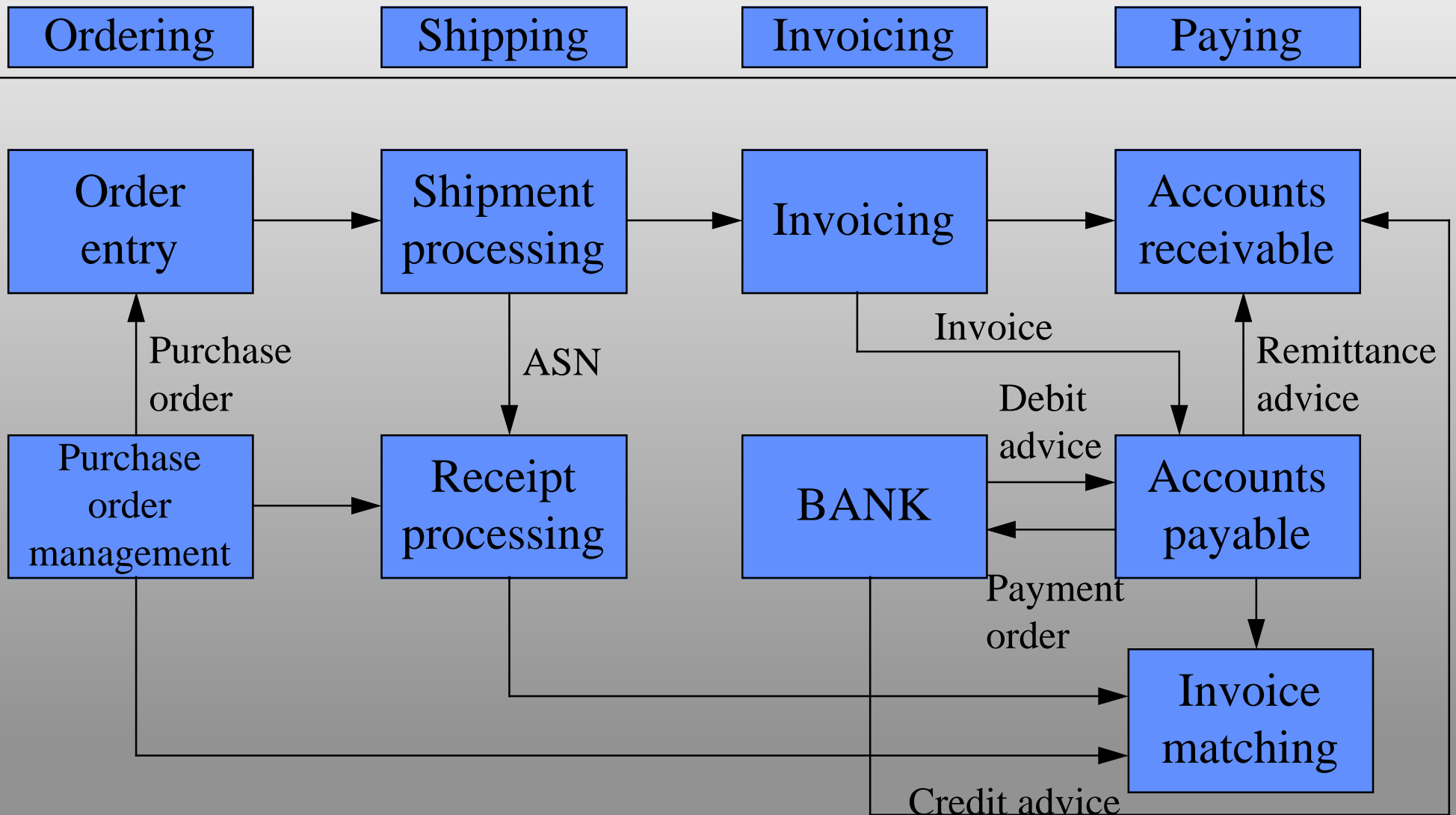
Administration

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- **Enhance administrative work**
- **Automate routinized work**
- **Establish standards**
- **Use of EDI / EDIFACT**

Information flow

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EPOS data use

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Suppliers

- **Better promotion and sales analysis**
- **Increased sales through segments**
- **More knowledge**
- **Enhanced product development**

Retailers

- **Sales based ordering**
- **Replenishment**
- **Promotion monitoring**
- **Assortment planning**
- **Forecasting**

Benefits / problems

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Suppliers

- **Improved speed**
- **Less errors**
- **Cost reduction**
- **Customer wants**

- **Standards**
- **Willingness**
- **Internal integration**
- **Critical mass**

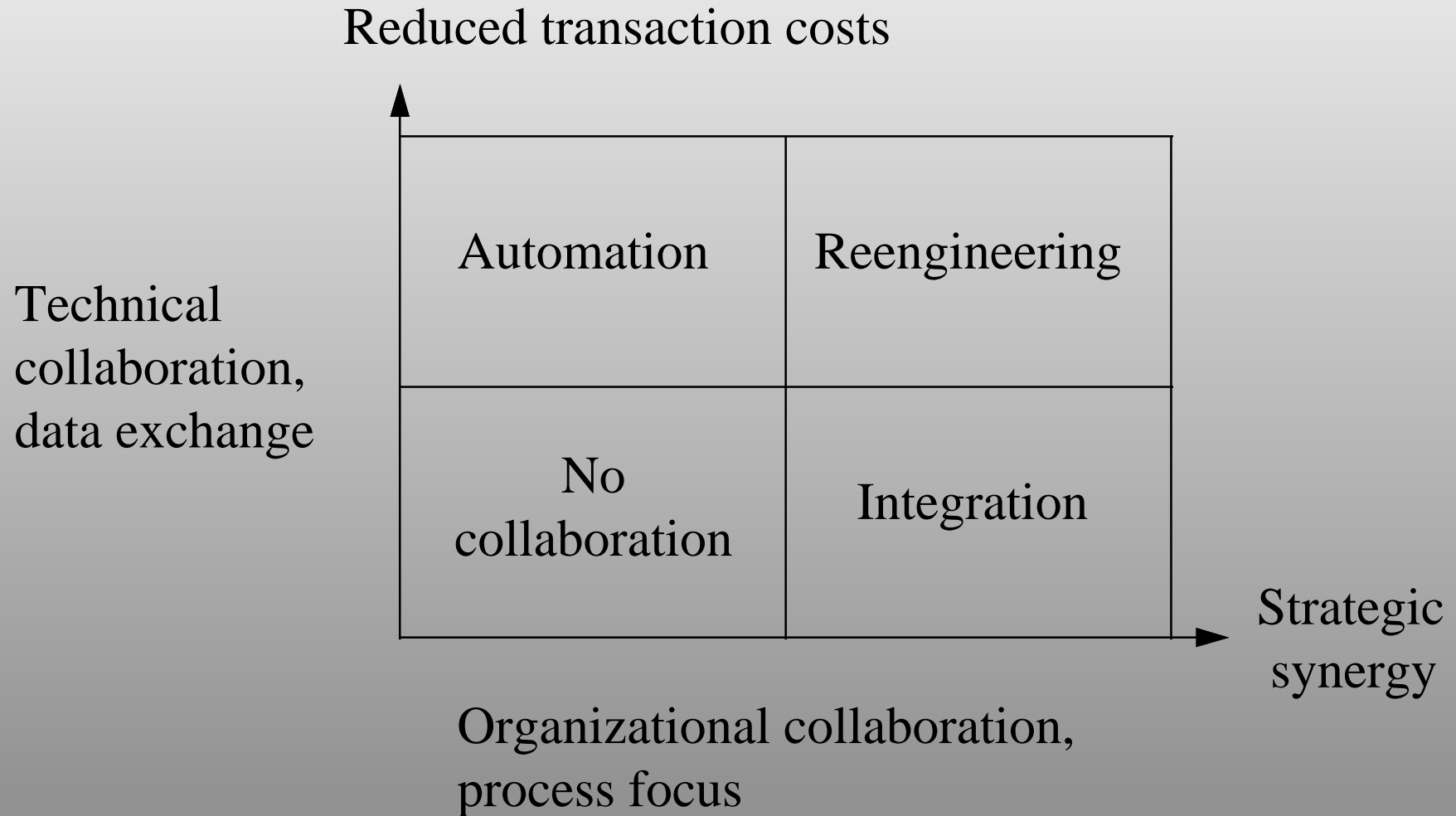
Retailers

- **Paperwork, staff error reduction**
- **Data security and accuracy**
- **Quicker billing**
- **Cost reduction**

- **Lack of standards**
- **Lack of critical mass**

Collaborative focus

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Automation

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- **Administration & operating standards**
- **Improve existing forms of exchange**
 - **Speed**
 - **Accurateness**
- **Often limited to exchange large amounts of non-confidential info via EDI**
- **Platform for exchange to joint applications**

Integration

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- **Marketing SRC**
 - Promotion, assortment, product dev.
- **Close organizational cooperation**
- **Often confidential information**
- **Based on common visions**
- **Not necessarily focus on transaction cost reduction**

Reengineering

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- **Replenishment**
- **Cooperation along the chain**
 - Logistic process
 - Flow of goods
 - Flow of information
- **Striving for efficiency and sharing of common strategies**
- **Joint development and use of IS/IT**

EDI in Europe

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- **Current 72%, by 1996 >90%**
- **Often retailer driven**
 - **Exceptions: E.g. Volvo, emphasized on cooperation with suppliers**
- **Different intentions**
 - **Retailers: Cost reduction**
 - **Suppliers: Strategic alliancing**

Documents transferred

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<u>Rank</u>	<u>Document</u>
1	Purchase orders
2	Invoices
3	Sales forecast
4	Product data
5	ASN
6	EPoS data
7	Stock levels

Obstacles

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- **Insufficient critical mass**
- **Lack of EDI standards**
 - **Local standards in pioneer countries**
UK: TRADACOMS, GE/AT: SEDAS, FR/BE: GENCOD
 - **Followers use EDIFACT**
- **Inflexible IS**
 - **Age of +20 years**
 - **Difficult adaption**

Drivers

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- **Industry climate**
- **Top management vision**
- **Investments**
- **Business Process Reengineering**
- **Emerging technologies**
- **Standards**
- **Data accuracy**
- **Shared benefits**
- **Internal MIS**
- **Legal barrier reduction**