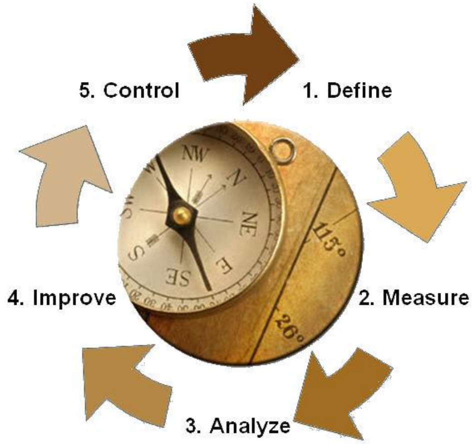
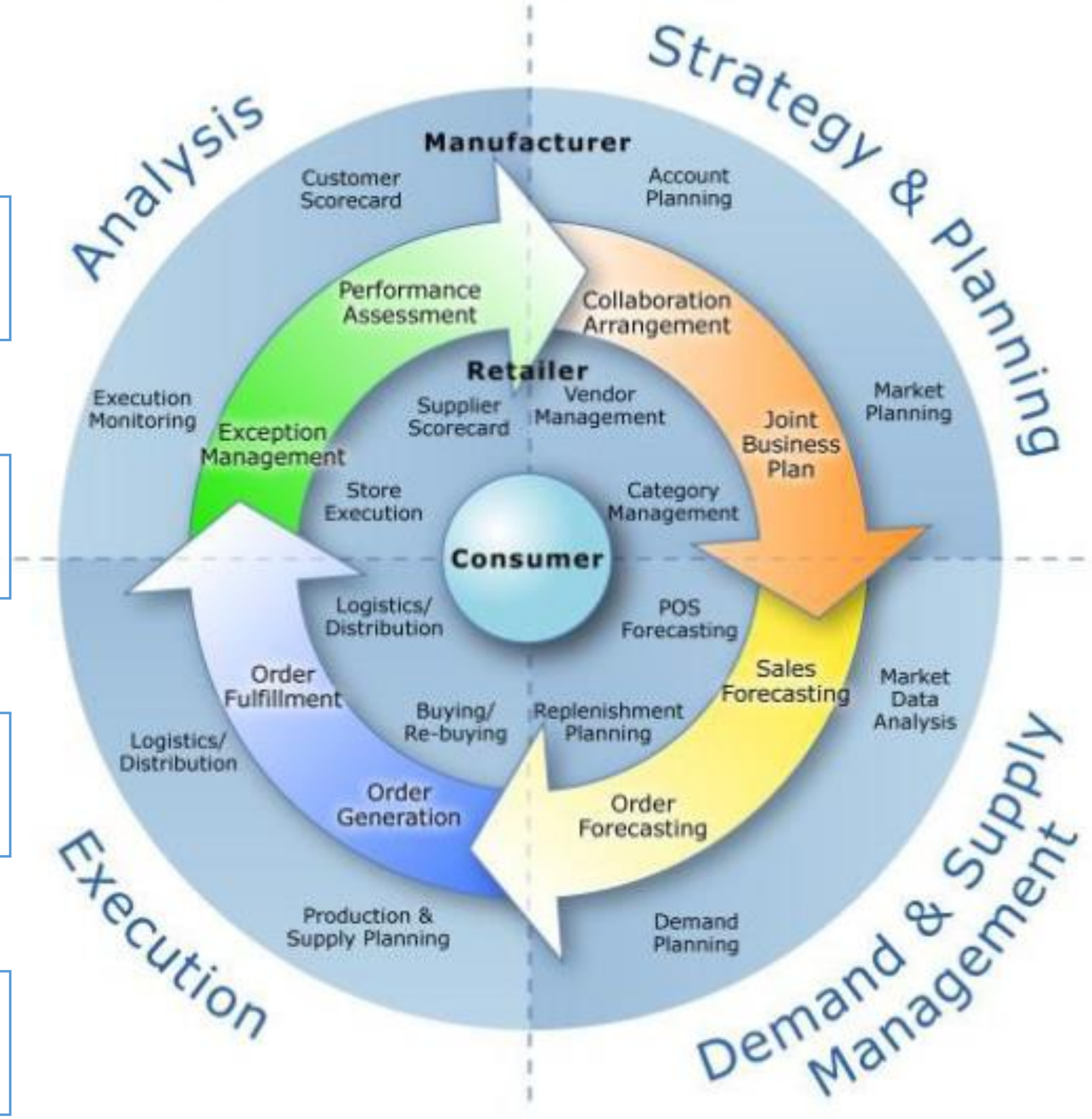


CPFR: Collaborative Planning, Forecasting & Replenishment

CPFR

- Strategy and Planning
- Demand and Supply Management
- Execution
- Analysis



CPFR: 9-Step Process Between Manufacturer and Customer

Collaborative

PLANNING

1. Develop collaboration agreement
2. Create joint business plan

FORECASTING

3. Create demand forecast
4. Identify exceptions
5. Resolve/collaborate on exception items
6. Create order forecast
7. Identify exceptions
8. Resolve/collaborate on exception items

REPLENISHMENT

9. Generate order

CPFR: Single Shared-Demand Plan

Demand Forecast

- Demand created by buyer's customers – the consumers/ end-users

"Foundation for all planning activities related to that product for the buyer and seller."

Order Forecast

- Demand between the trading partners
- Supply needed to meet consumer / end-user demand
- What buyer will buy from seller
- Reflects inventory objectives, required lead time, minimum order quantities, etc. by product and receiving location
- Short-term order forecast used to generate orders, longer-term for planning

CPFR: Guiding Principles

Source: CPFR Homepage

- Trading partner framework places the operating process on consumers/end-users and orients them toward value chain success.
- Trading partners manage the development of and agree upon a single shared forecast of demand that drives planning across the value chain.
- Trading partners jointly commit to the shared forecast through risk sharing in the removal of supply process constraints.
- Work together to reduce costs and increase sales.
- Work with consumer centric demand.
- Share information about forecasts, promotions, inventory, opening and closing of stores, and any other information that has a bearing on forecasts.
- Work with one set of forecasts.

CPFR Collaborative Planning, Forecasting, and Replenishment®

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Joint Business Plan

- Mission statement
- Promotional activities, closing and opening of stores, products to be introduced and/or discontinued
- Organizational structure and process
- Performance goals
- Data management (accuracy and timeliness of data)
- Order policy
- Process of reconciling forecasts between supplier and customer

Exception Items

- What to do when:
- Forecast error is greater than the benchmark
- Promotional lift is assumed to be lower than what was agreed on
- Difference in forecast of two trading partners is beyond the acceptable limit
- Performance metrics are below the agreed upon tolerance limits

Order Policy

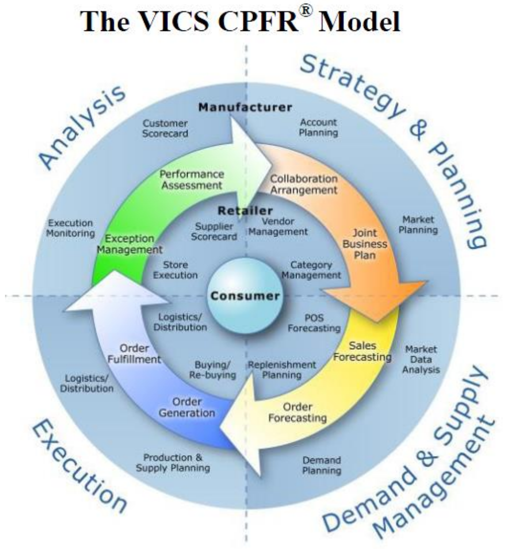
- Vendor minimums
- Lead times
- Safety stock settings
- Minimum and maximum shelf capacities
- Order points
- Customer service levels
- Pack sizes
- Truck loading

Time Fence

- Long Time Range: here there is no commitment. Forecasts are only for determining future capability
- Medium Time Range: here some flexibility is allowed to change the demand plan
- Short Time Range: here we have the least flexibility. Production is already set. Little or no change in the demand can be made

Four Activity Recommendations by VICS for CPFR Implementation

- Strategy and planning
- Demand and supply management
- Execution
- Analysis



- Note: (VICS stands for Voluntary Inter-industry Commerce Standards.) http://www.vics.org

VICS
VOLUNTARY INTERINDUSTRY COMMERCE SOLUTIONS

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Why CPFR?

- Better forecasts
- Less inventory
- Better customer service
- Lower production costs
- More sales and profit
- More visibility, which ensures that products, material and components will be available when needed
- Bullwhip effect – less demand variability

Lessons Learned from a Successful Implementation o the CPFR Process

- Trust
- Crawl, walk and run
- Company has a collaborative process within the organization
- Minimum expectations
- Focus on customer’s demand/needs

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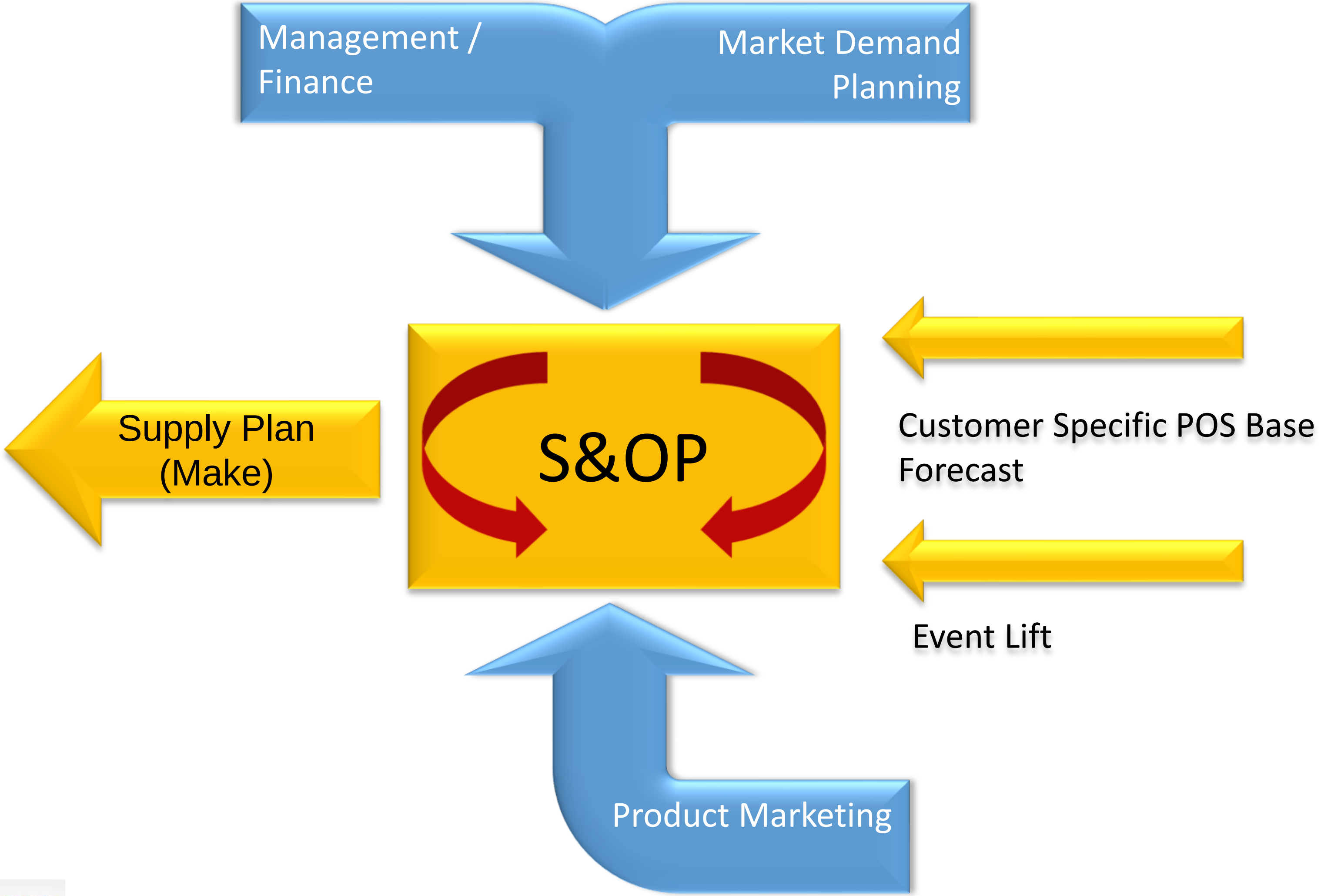
POS Driven S&OP Process

Source: VICS



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