

Client Transformation Profile: Wal-Mart

Achieving Vendor Buy-in to Drive Customer-Focused Forecasting

Today, every executive understands that new technology and software solutions can save a company money, thereby increasing profit. With so many applications on the market claiming to do just that, the prize goes to those who can demonstrate the greatest value possible, including the actual financial benefit of a particular product.



Client Background: The World's Biggest Retailer

Wal-Mart's relentless focus on the customer has helped it grow to more than 2,500 stores and \$165 billion in FY 1999 sales (for FY ending Jan. 31, 2000). Wal-Mart views Information Services not as a business expense but as a competitive advantage that allows it to leverage the knowledge from its vendor partners to improve overall company and product performance. For over 5,000 vendors Wal-Mart has 102 terrabytes of information which includes 104 weeks of POS date, as well as 52 weeks of forecasting data that is accessed via the Internet by trading partner suppliers.

While Wal-Mart is the biggest retailer, it often represents only a fraction of a vendor's total business. Wal-Mart realized that in order for customer-driven forecasting to work, it would need buy-in from other retailers. Wal-Mart approached Benchmarking Partners to conduct a trial to convince key retail players to adopt a customer-driven replenishment focus.

Business Challenge: Bringing Vendors to the CPFR Table

Wal-Mart has long been a proponent of sales-based forecasting. But vendors were reluctant to adopt Wal-Mart's customer-driven approach.

Creating an effective system for Collaborative Planning Forecasting and Replenishment (CPFR) requires buy-in of both retailers and vendors. Vendors need to understand that switching from market-driven to customer-driven forecasting and replenishment can mean quantifiable benefits. Benchmarking Partners' trial with Wal-Mart not only showed clear benefits of such systems, but helped to create the standards by which worldwide efforts are now implemented.

Approach: Building a System for Customer-Driven Replenishment

As a partner for its trial, Wal-Mart chose pharmaceuticals vendor Warner Lambert, and a single product—Listerine. Wal-Mart was threatening to implement sanctions against Warner Lambert for poor in-store service. Could a new forecasting and replenishment collaboration or co-managed process turn its performance around?

Working with Wal-Mart and Warner Lambert, Benchmarking Partners created Internet-based collaboration software (the original prototype for Syncra) that allowed both companies to leverage Wal-Mart's point-of-sale data to arrive at accurate and mutually agreeable replenishment forecasts. Critical to this system and business process was Benchmarking Partners' development of "use cases" for adjusting data to causal factors such as seasonality, promotions, new product introductions, and other variable inputs.

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Benchmarking Partners also developed sales incentives and performance metrics to facilitate the adoption of the new forecasts by Warner Lambert's sales personnel. Sales staff were rewarded for the accuracy of the forecasts they collaborated with Wal-Mart. The incentive helped to ensure employee buy-in, as employees discovered that customer-driven forecasts improved their order accuracy and reduced supply chain nervousness.

Result: Improved Forecasting, In-Store Service, Inventory, and Sales

Benchmarking Partners' new collaborative system and business process, for customer-driven forecasting and replenishment, proved a success. Over the course of the six-month trial, Warner Lambert's in-store service levels improved from 87% to 98%. Overall on-hand inventory was reduced by two weeks. Sales of Listerine improved by \$8.5 million. Data showed that a customer-driven approach to forecasting and replenishment benefits both retailers and vendors.

Insight: Benefits at Each Point of the Value Chain

The customer-centric driven collaborative system and business process—developed by Benchmarking Partners—had industrywide implications: if an integrated spectrum of manufacturers, raw materials, suppliers, and retailers adopted collaborative customer-driven forecasting and replenishment, benefits could be realized at each point of the value chain. By eliminating value chain variances and improving accuracy, costs could be dramatically reduced and profits increased.

Benchmarking Partners and the Development of CPFR Standards

At gatherings of Industry leaders in the retail and grocery industries, Benchmarking Partners presented the results of the Wal-Mart trial, a and a proposal for the development of universal standards for a collaborative forecasting that drives supply and replenishment systems.

Working with the Voluntary Interindustry Commerce Standards organization and the Uniform Code Council, Benchmarking Partners has helped make worldwide standards for Collaborative Planning Forecasting and Replenishment (CPFR) a reality.

The Benchmarking Partners Incubator: Syncra Systems

Benchmarking Partners has always been a leader in inter-enterprise collaboration and in 1998 the firm created a new company, Syncra Systems, Inc., the first stand-alone company to be launched in the collaborative internet-based space. Today, Syncra is the only independent, interenterprise middleware company, providing B2B supply-chain collaboration solutions based on the industry-standard CPFR guidelines. Its products feature a Web-based, many-to-many architecture that enables manufacturers, distributors, and retailers to collaborate with trading partners to reduce inventory and improve customer service levels and sales. Syncra has received market acceptance by leading CPFR implementors and emerging marketplaces, such as the Worldwide Retail Exchange.

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