

CPFR

Collaborative Planning,
Forecasting, and
Replenishment

Collaborative Commerce

- Definition -

Processes, technologies and the supporting standards that allow continuous and automated exchange of information between trading partners

Through collaboration, suppliers and retailers can work together to fulfill consumer's wishes better, faster and at less cost by improving business process efficiency and reducing waste.

What is CPFR®?

- A business practice
- Trading partners working together in planning fulfilling customer demand.
 - Links sales and marketing best practices to supply chain planning and execution processes.
 - Objective is to increase availability to the customer while reducing inventory, transportation and logistics costs.

Three modes of CPFR

- **Basic CPFR:** a **limited** number of business processes integrated between a **limited** number of supply chain partners
- **Developed CPFR:** will typically involve a **greater number of data exchanges** between two partners, and may extend to suppliers taking **responsibility** for replenishment on behalf of their customer
- **Advanced CPFR** goes beyond **data exchanges** to **synchronise** forecasting information systems and **coordinate** planning and **replenishment** processes

A Brief History

CPFR evolved from **Efficient Consumer Response (ECR)**.

ECR: Improve supply chain performance through better coordination of marketing, production, and replenishment activities.

- Prior to ECR
 - Relationships often **adversarial**.
 - Little or no joint planning
 - Lack of information sharing results in “unpredictable” ordering patterns, excessive inventories, service failures,...
- In 1987, P&G and Wal-Mart pioneered in Continuous Replenishment Process (CRP)
 - Information sharing
 - Joint demand forecasting
 - Coordinated shipments.
- CRP is best-known as the **Vendor-Managed Inventory** (VMI) program. This partnership laid the foundation for ECR.

- 1996, CPFR® (Collaborative, Planning, Forecasting, and Replenishment) pilot between Wal-Mart and Warner Lambert.
- CPFR®
 - Value chain partners co-ordinate plans to reduce the variance between supply and demand and share the benefits of a more efficient and effective supply chain .
 - Allow trading partners **time** to react
 - A supplier can build inventory well in advance of receiving a promotional order and carry less safety stock at other times.
 - A retailer can alter the product mix to reduce the impact of supply problems.
- Adopted by numerous other industries
 - Apparel, automotive and high tech.

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The Collaborative Process

