



## Trading partner collaboration

*Extending and synchronizing  
the value chain*



Empowered consumers, mounting global competition, a shifting marketplace and a growing reliance on technology are compelling retail and CPG companies everywhere to reexamine how best to leverage the functions, processes and relationships that sustain their businesses. To boost shareholder value, these organizations are turning their attention back to the basics: **growing revenue, reducing costs and raising productivity.** These requirements are familiar to every executive. Yet in the age of e-business and an uncertain economy, they have new and far-reaching implications for large and complex enterprises and their trading partners, who must now act, interact and react as a single entity—in realtime.

These challenges only highlight the industry's acute pain points: costly and inefficient procurement processes . . . sluggish and extended product-innovation cycles . . . poor category planning . . . inaccurate and inconsistent product and partner information . . . little or no visibility into the shared supply chain . . . and a lack of synchronization. It's no surprise that executives are seeking to resolve these issues by reaching out to partners and suppliers who share a common focus: the consumer.

The objective is simple. Provide higher levels of service and a superior consumer experience at every opportunity while speeding time to market, trimming costs and heightening productivity. The key—now more than ever—is in building a collaborative enterprise in which trading relationships are characterized by shared visibility, workflow and tight integration—requisite to optimizing processes and delivering shareholder value. IBM can help you get there.

To boost shareholder value, organizations are turning their attention back to the basics: growing revenue, reducing costs and raising productivity. Today, this requires enterprises and their trading partners to interact and react as a single entity—in realtime.



## ***Eliminating barriers internally and across the corporate divide***

As the saying goes, the right relationships mean everything—and never more so than in the retail and CPG business. With the proper forethought and support, these enterprises can break down the barriers that limit strategic trading relationships and turn rigid organizational structures into proactive, adaptive value chains ready to respond to market and consumer shifts. In doing so, they can:

- *Replace process and information silos with collaborative value nets*
- *Accurately align supply with demand*
- *Move from proprietary, expensive and labor-intensive platforms to open, cost-effective, highly synchronized environments*
- *Meet expectations at every link in the value chain and at every consumer encounter*

### **IBM: Helping companies and their partners foster collaboration**

As defined by IBM, trading partner collaboration refers to “the optimization of both internal workflows and external trading partnerships through the interoperation of key business processes and the shared visibility into the information that supports them.”

Although the principles of this model of collaboration are certainly not new, initial efforts to achieve broad adoption have been limited by three primary factors: a shortage of standards, poor communication among trading partners, and inadequate technologies. Today, the concentration of retail power, broad support for the Global Commerce Initiative (GCI), collaborative efforts

like UCC.net and other trading partner alliances are changing the game. The rapid evolution of collaborative infrastructure tools to support complex business integration is adding a new sense of urgency to restructure the retail and CPG business model.

IBM offers a unique blend of industry expertise and business-process skills, best-of-breed applications and the supporting business integration infrastructure required to enable broad collaboration across the extended enterprise. Through our flexible, scalable and highly secure collaborative framework, companies and their trading partners can:

- *Collaborate digitally and securely*
- *Manage business relationships across networks and geographies – virtually*
- *Enhance decision making and confirm agreement on such things as assortment, pricing and promotions*
- *Utilize applications from leading independent software vendors – including i2, CAS, Velosel, Trigo, SAP, Retek, JDA, PeopleSoft, Matrix One and Syncra (to name a few) – to augment and improve processes unique to the business*
- *Oversee the product lifecycle end to end*
- *Align items and pricing to comply with industry standards*
- *Reduce the cost of goods*
- *Dynamically adapt to consumer demand and better align supply with demand*
- *Map business and technology requirements to achieve a faster, enduring ROI*

IBM actively participates in global alliances and standards organizations, and performs ongoing proof-of-concept testing for our collaborative offerings at IBM Centers of Excellence in Dallas, Texas, and La Gaude, France. These locations regularly host demonstrations of prototypes for new collaborative processes that today's retail and CPG leaders demand.

### **Did you know?**

A full 30 percent of item data in retail catalogs has errors.<sup>1</sup>

### **Measuring our success**

One of the world's largest home improvement retailers came to IBM for assistance in extending its e-business infrastructure, which, in addition to serving more than 1,300 stores, 300,000 associates and millions of customers, must integrate with more than 45,000 of the company's business partners. The core of the IBM solution is WebSphere<sup>®</sup>, an open infrastructure software that can manage high-volume transactions and integrate various business applications across platforms. In addition to raising service levels, WebSphere will enable the company to enhance customer service, improve the efficiency and effectiveness of its supply chain, and provide secure access to critical business information. The solution will also allow the retailer to handle its millions of customer and replenishment orders, vendor invoices and other business transactions – quickly and efficiently.

## The IBM framework for trading partner collaboration



### Did you know?

When confronted with an out-of-stock situation, 21 to 43 percent of customers will make that purchase at another store, while another 7 to 25 percent will not buy the item at all. A typical retailer loses about four percent of sales due to having items out-of-stock.<sup>2</sup>

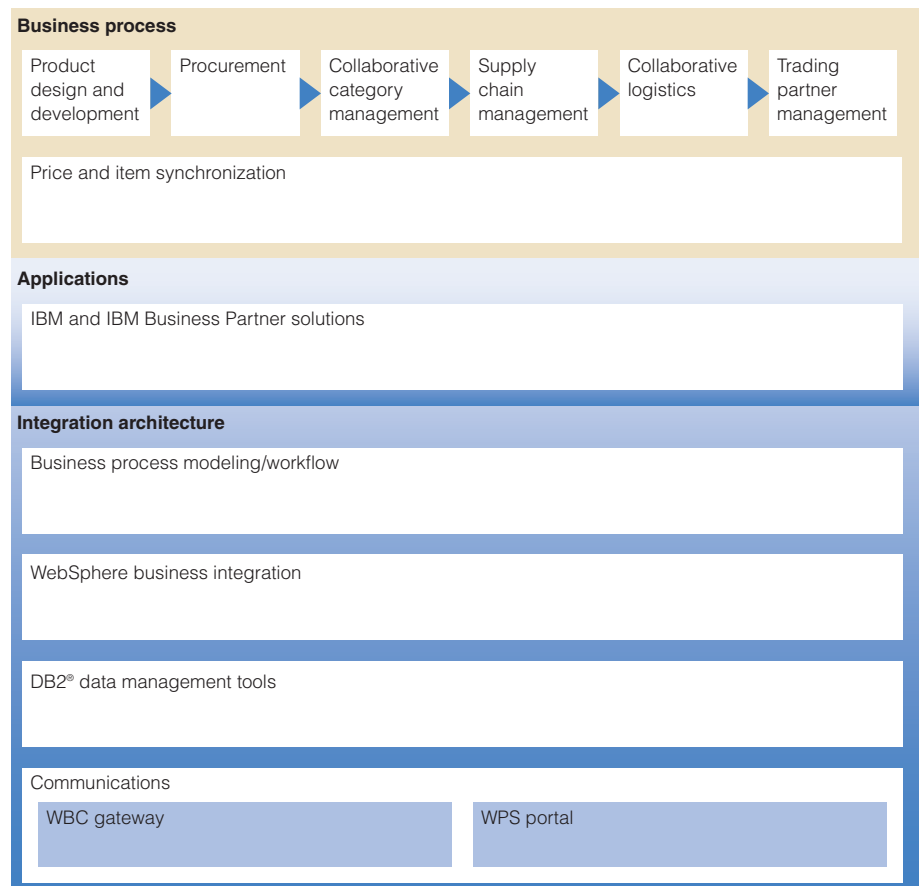
### Measuring our success

A major retail enterprise called on IBM to replace its cumbersome, paper-based procurement process with an Internet-based system that dramatically streamlines this function. The solution combines the Ariba Buyer software solution and strategic sourcing expertise from IBM Global Services to provide the company with online supplier catalogs. IBM helped select and enable strategic suppliers for the catalogs and negotiate prices for everything from pens and staplers to lighting products.

Traditionally, retail and CPG business processes are artificially confined by proprietary applications supported by disparate platforms. Bringing these functions together in a way that unlocks maximum value and efficiency requires a secure, carefully aligned and orchestrated infrastructure that supports collaboration among all parties, across all aspects of their internal and external business relationships. The IBM framework for trading partner collaboration

helps retail and CPG partners address tactical business challenges while building an extensible and reusable platform to support the full collaborative vision; in other words, to think big, start small, and grow fast. Our offerings—geared for rapid deployment and designed to be implemented separately or in concert—address all key pain points, and are supported by a common infrastructure.

### Trading partner collaboration: Tactical solutions within a strategic framework



## Business process areas

*Trading partner management* helps companies keep tabs on trading partner performance, publish appropriate relationship information and track activities—in realtime.

*Price and item synchronization* encompasses a set of tools and capabilities for aggregating and managing shared product information with trading partners, either directly or through an external data pool.

*Collaborative category management* makes it easy to convene online with suppliers and partners to confirm product assortment, pricing and promotions.

*Product design and development* enables enterprises to manage the entire product lifecycle—from concept, design and development, to launch, delivery and maintenance.

*Procurement* helps control costs by improving the methods for buying materials, components and finished goods.

*Supply chain management* provides support for better administering inventory planning, forecasting and ordering among suppliers, partners and customers through processes such as collaborative planning, forecasting and replenishment (CPFR), and vendor-managed inventory (VMI).

*Collaborative logistics* enables shared monitoring and collaborative management of inventory location, movement and transportation.

## Supporting applications

*IBM and IBM Business Partner solutions* include applications and skills for supporting open, standards-based communication and coordination among business functions.

## Enabling infrastructure

*Collaboration and integration infrastructure* comprises the proven components of IBM infrastructure, including the WebSphere suite of process modeling and simulation tools, WebSphere Business Integration software, role-based portals, DB2 data management tools, Tivoli® systems management tools, and IBM @server systems.

*Communications* defines the best way for data and information to flow among external and internal business partners, external and internal customers, and includes WebSphere portal and gateway tools, plus XML, EDI and EDIINT skills.

“Companies now understand that collaboration will become a critical aspect of their business and the key to building trust and competitive excellence. Industry analysts estimate that a stronger collaboration with vendors and a closer synchronization between demand and supply can reduce inventory levels by up to 25 percent—a total savings of US\$250 to US\$300 billion in the U.S. retail industry alone.”

— *Sas.com* magazine<sup>3</sup>

## Did you know?

Sixty percent of all invoices have errors; forty-three percent of those errors result in deductions—each of which adds from US\$40 to US\$400 in cost to the value chain.<sup>4</sup>

## Measuring our success

A well-known office supplies company chose IBM WebSphere Commerce to help it integrate inventory and order management and increase the online performance of both its business-to-consumer and business-to-business sites. Today, the company’s site, which serves approximately 10,000 medium- and large-sized organizations and more than 2.6 million customers, enables purchasing managers to decentralize purchasing while consolidating and controlling costs. The site provides realtime inventory availability on more than 80,000 products, company-specific contract pricing and line-item shipping status.

A man in a dark suit jacket and white t-shirt is looking down at a handheld device in a warehouse setting. He is holding a yellow pen in his right hand. The background is a blurred warehouse with cardboard boxes and other people.

A major component of the IBM portfolio is IBM WebSphere Business Integration for Retail Distribution – an all-in-one solution that enables companies and their suppliers to link information, processes, channels and customers in a single, consistent and seamless communications stream – across platforms.

#### **Measuring our success**

A leading low-price grocery retailer operating more than 1,000 stores and employing more than 85,000 associates in 11 U.S. states recently adopted WebSphere Business Integration for Retail Distribution – a new IBM item-management solution that employs UCCnet standards and IBM collaboration technology to help retailers integrate and communicate with suppliers and speed products to market. This solution will enable the company and its trading partners to significantly improve accuracy and efficiency throughout their supply chain by correctly conveying new or changed product data and ensuring that all parties are working from the same item information.

## Call on us

While industry leaders have embraced the importance of collaboration, they nonetheless struggle to define the path forward. IBM recognizes this challenge, and stands as a trusted advisor to the industry. Today, we are helping retail and CPG companies across the globe reap significant and continuous returns from their IT investments. Our success is based on our ability to cut through confusion and deliver guidance on the practical, pragmatic steps CPG and retail leaders can take to solve tactical business problems and achieve rapid value.

Our comprehensive, industry-leading solutions, including the all-in-one WebSphere Business Integration for Retail Distribution, address the many areas and requirements of today's businesses—from consulting to hardware, software, skills and services. All are backed by best-of-breed partner

applications and the infrastructure required to build a collaborative enterprise. We actively participate in global alliances and standards organizations, and are recommitted to supporting the industry on its path to breakthrough value.

IBM Business Consulting Services is the world's largest consulting group. Our capabilities, which extend from strategy development to implementation and follow-on support, can help organizations like yours reap the rewards of a highly collaborative, end-to-end infrastructure that successfully fuses business and technology. To find out more about the work we do, or to contact an IBM industry specialist, please visit:

[ibm.com/industries/retail](http://ibm.com/industries/retail)

[ibm.com/industries/cpg](http://ibm.com/industries/cpg)

IBM is working with a multifunctional team to create a global infrastructure service for one of the world's leading CPG manufacturers. The service will enable business transactions among internal and external partners across all processes and geographies.

### Did you know?

Studies have shown that by collaborating on supply, retailers can achieve an improved store-shelf stock rate of two to eight percent, lower inventory levels by between ten and 20 percent, and trim logistics costs by three to four percent.<sup>5</sup>

### Measuring our success

IBM and Velosel Corporation are helping a global manufacturer of convenience-food products deploy a new collaborative platform for accelerating product introductions, increasing data accuracy, and enhancing supplier and consumer relationships.

The initial implementation, completed in just seven days, combines Velosel eChannel Manager-CPG with core information technology infrastructure components from IBM. Implementation services were provided by IBM Global Services. The new platform aggregates product data from back-end systems and oversees the creation, management and distribution of catalogs to help assure compliance with standards for multiple electronic selling channels, including private and public exchanges such as the WorldWide Retail Exchange.



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IBM Global Financing offers attractive financing that allows organizations to spread expenses and lower initial cash outlays. With our easy, flexible payment options, retail companies can bundle and finance their entire solution on a "per-user" basis.

Other company, product and service names may be trademarks or service marks of others.

<sup>1</sup>"GMA/Executive Conference: Action Plan to Accelerate Trading Partner E-Collaboration," AT Kearney, June 2002.

<sup>2</sup>"Retail Out-of-Stocks: A Worldwide Examination of Extent, Causes and Consumer Responses," Executive Summary, The Food Business Forum, Food Marketing Institute and Grocery Manufacturers of America, October 2002.

<sup>3</sup>David Joseph, "Synchronizing Supply & Demand," *Sas.com* magazine, July-August 2002.

<sup>4</sup>"GMA/Executive Conference: Action Plan to Accelerate Trading Partner E-Collaboration," AT Kearney, June 2002.

<sup>5</sup>Janet Suleski, "Beyond CPFR: Retail Collaboration Comes of Age," AMR Research, April 2001.



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