Collaborative Commerce Over the Internet: CPFR In Action Or The End of ERP as we Know it!

Andrew J. Thomas, Vice President, Operations,
Heineken USA, Inc.
Andrew G. White, Vice President, Product Strategy,
Logility, Inc.

Introduction

The so-called "Heineken Story" has been reported more times in the public press than any other story relating to Internet-based, Business-to-Business (B2B) Collaborative Planning. Ever since the initial pilot and implementation, in late 1995, Heineken USA has been, willing or no, at the forefront of Value Chain Best Practice. Even before the word "Collaboration" was hot, and even before Netscape was a public company, Heineken USA was transacting business with its trading partners over the Internet.

This presentation is unique for several reasons. Firstly, as stated above, Heineken is a pioneer in their industry segment. Logility, their technology partner also remains a leader in Collaborative Planning as a result. But what makes this a landmark presentation is the fact that it is just that – a presentation – at the 1999 Annual Convention of the Council of Logistics Management. Last year, Eastman Chemical Company and Logility spoke about collaborative planning across the globe on a track called "Electronic Commerce". This year Heineken and Logility are speaking on a track called CPFR: Collaborative Planning, Forecasting and Replenishment. It is both remarkable and heart warming to be part of this newest and most important business initiative on the planet. For those that understand the true impact of CPFR and can imagine where we are headed, this truly is the end of the beginning and the beginning of the end, of what has gone before. This explains the alternative title: The End of ERP as we know it. Heineken does several things that CPFR does not yet (perhaps) address. This presentation will introduce the concept of (true) collaboration, and then explain how Heineken proved in 1995 that the concepts now subscribed to by Wal*Mart and Kmart have worked through today over the Internet.

Value Chain Best Practice

When one thinks about "Supply Chain Management" or Value Chain Management, as it has become known, one typically draws a picture of a retail-focused network. Speakers offer a litany of best practices such as:

- Scan-based trading
- Optimized Sourcing
- (Advanced) Distribution Resource Planning
- Vendor Managed Inventory

- Co-Managed Inventory
- Retail-Managed Inventory
- Efficient Consumer Response
- Cross Docking
- Merge-in-Transit
- Etc.

What appears to be a complete "who's who" of best-practice initiatives turns out to be acronym soup. As a practitioner in today's business world, what with the impact of the Internet "changing everything", it is very hard to understand what is needed. However, if we take a step backward, one can glean some meaning from this mess.

For the last 20 years, most Western organizations – from the visionaries to the workers, have focused on the asset-side of the business. Ever since computers were used to help us run our businesses, we perhaps predictably focused on the assets. We started to measure and count products and raw materials – once called Inventory Control. Then we tracked who owed what money – now called finance. Then we began to record who wanted what – now called Order Management. Then we added a tracking mechanism to show what I wanted and when – now called Purchasing. And so it goes on. Basically we computerized what we knew – asset management.

The ERP Master

The epitome of this business model is SAP. Oracle, Baan, QAD, PeopleSoft and so on are in the same cast as SAP - they are the result of such a move that began with Material Requirements Planning, or MRP. Little did we know in the 1970's that we would create a fertile ground for packaged application vendors to grow! SAP is one of the largest software companies in the world today. They were created through the application of domain expertise associated with asset creation, tracking and measurement – otherwise known today as Enterprise Resource Planning, or ERP. Interesting, as has been pointed out many times before, ERP did not contain much Planning. Truly, ERP should have been named Enterprise Resource Management – or better still, Enterprise Resource Execution.

The point is that most companies have, over the last 15 or 20 years, spent many billions of dollars implementing systems that help manage the creation, tracking and measurement of products and services; or "the physical creation, movement and accounting of good". What is so weird is that we have, as an industry, as a people, not spent anything like that much money on improving the information flow between companies.

It is so strange when you think about it. Over the last 20 years we have made significant changes to the way we make, pack, ship and measure products and services. Yet in all that time, including several major wars, pandemics and global disasters, we have never once reviewed or revised the type, form and manner in which information is passed between trading partners! Today, 99.999% of companies still respond primarily to the same old piece of information that they have always responded to – that of a "Customer Order". The definition of a Customer Order has not changed one iota since it's inception. This then is the focus of CPFR: The information flow between trading partners. If CPFR is on the right track, the portent of doom is here. We should not accept that what has gone before is adequate or even valid. We should assume the opposite. CPFR is forcing companies to realize that there is an alternative way to transact business – one that virtually eliminates the need for Customer Order Processing, Purchasing and yes, ERP. It is a far off shore to which we must row the boat – but for once, we can see the shore.

Herald the Internet

Winners are defined in many ways. Those that know how to apply the Internet to develop NEW business processes are destined to win. Clearly, ERP players such as SAP as yesterday's winners are not guaranteed victory – a lot depends on understanding what the Internet could do to established business processes and models. Anyone who says that the Internet changes everything but then demonstrates or shows similar processes or screens from the old Client/Server model is brain dead. What the Internet does is force a re-write of the rules of engagement. In fact what is worse is that those very rules that were re-written 6 months ago may be re-written again in another 6 months! We just got used to change as a standard fact of business annually – now we need to get used to it happening monthly!

Two critical dimensional changes are influencing those companies "in the know" as they develop their strategy for the future. Time and Space are no longer barriers to entry. The Internet has numerous advantages and disadvantages. As you can get closer to your customer more easily, so too can your competitor. Back in the 1980's we all attended conferences focused on Global Competition. In those days Global Competition was the playground of the large multi-nationals. Today – Global Competition is open warfare with any and all companies that want to engage the Internet as the mechanism to get to your customer's desktop. The barriers to entry that once prevented your competitors from entering your space are now limiting your access to oxygen! The Internet is enabling anyone to get to anyone – anytime. The marketing side of the value chain is changing more than anyone can possibly imagine. The physical distribution side is where the next battle will rage – once the marketing hype has dies down.

For a short while, 7x24 "open all hours" was a competitive advantage for an Internet storefront. About 18 months ago this became the pre-requisite for entry. Principle: what once was a competitive advantage tends to become a commodity over (Internet) time. The Internet certainly does change everything – but few leaders really understand this and can articulate it to their followers. True entrepreneurs can articulate it, and even lead the charge.

Business to Consumer versus Business to Business: Press versus Grease

Most of the press over the last 24 months has focused on stories related to Dell and Amazon.com. For some reason the focal point for "Internet Commerce" as been the business to consumer, or B2C, space. This is probably because this business model is so easily enhanced and "re-engineered" through the use of the Internet. Business to Business or B2B was, until CPFR, so entrenched in EDI and ERP that few people understood what the Internet could do for B2B relationships.

With the focal point being B2C it is no wonder that several new "industries" are attracting massive investment that presents itself as increases in stock valuation. One such area is called EAI – or Enterprise Application Integration. This so-called market is brand new to Wall Street yet the problem that is being solved is as old as the hills! When one company buys or develops a computer system, they have to integrate it to their other systems. Ipso Facto – it's a fact of life. For some reason this “problem” space has been set alight because of the Internet. A whole new industry has sprung up based on software that helps companies integrate their business applications, and now also integrate their businesses with their trading partners. What is interesting is that this is not much more than a technology evolution – not a business evolution. These so-called EAI vendors are generally talking about integrating the same data and processes that companies have been trying to integrate over the last 15 years or so.

When companies moved business applications from mainframes to client/server, the actual processes themselves were not significantly revised. The Internet is providing another technology shift with the exception that it is facilitating business process shifts also. Collaborative Planning, Forecasting and Replenishment (CPFR) is the first of a new wave of new and different processes that actually eliminate several older processes. This is because CPFR provides a way to “jointly derive data” that “changes the transaction and hence the relationship between trading partners”.

It is on CPFR that we shall now focus as we discuss the world’s earliest implementation and longest running example of Internet-based Collaborative Planning.

Heineken USA

From my perspective, Andy Thomas of Heineken, this part of the paper will describe the company and environment in which it operated before this project was undertaken. The previous systems characteristics will be described as well as the competitive environment in which Heineken USA found itself. It is this combination along with a desire to completely reengineer itself that caused Heineken to undertake this project.

In 1994 Heineken USA was a very staid beer distributor in the USA. Being family owned, Heineken operated in a very quiet market. Growth was relatively flat – and the company had a very flat brand program with only 4 brands making up 26 stock keeping units. The organization was also fairly staid with a very traditional, for its time, centralized focus. Marketing was more of a concept than a reality so we played little part in the general market as a whole. Further, our IT infrastructure was very basic. In 1994 we had no Personal Computers and communicated with everyone, customers and suppliers, via fax. All of our beer was made in Holland and shipped to our US customers. Heineken was and is today a non-stock environment.

Our company was focused on the trade but because of our lack of marketing we often watched the market evolve and grow from the sidelines. Since prohibition, the distributor of the beer has to be a separate organization from that which retails and manufactures. To make matters worse, the US operation operated independent of the parent company in Europe. This fragmented approach had created a very slow, static supply chain with poor customer service.

This is in contrast to where we were in 1997.

In that year the parent company in Europe bought back the US operation so that it became an operational division. This helped better to align the US goals and objectives with those of the rest of the company. The market had also changed dramatically because more Americans, in fact more of the world, drink more beer than ever before. Light beers are the current high growth area, but from 1993 to

1996 there was a 24% growth in demand. This was an ominous threat to any manufacturer or distributor who had outdated and inefficient supply chain systems.

Our product line also expanded. From 4 brands / 26 SKU's we moved to 7 brands / and 42 SKU's. Even though this might sound like a small portfolio to many, this was a massive change for us and our systems – and it does not include the state requirements for packaging and labeling that further complicates these numbers. We moved from a slow, reactive centralized organization to a more de-centralized, proactive structure with 30off-premise focused sales people. Previously we had 2! We have since implemented an integrated marketing organization and process and we are supported now by a state-of-the-art IT infrastructure.

More importantly and thankfully, we are now focused on customer service. Instead of focusing exclusively on shipping numbers and the trade, now we worry primarily about customer service issues such as planning, replenishment and performance. If and when we get that right, then the numbers will follow. That is our singular focus today. With this integrated and outward approach, we also play a more important role within the overall Heineken Group. That is better for our organization as we take more of a global perspective on our activities. But this is not all a bed of roses. We did not wave a magic wand and all was well. This was a massive learning experience. We would like now to review the "before" environment – how we worked.

The Way it Was

Back in 1996, our business world was a confusing place. We suffered from numerous conditions that undermined our goals and objectives. We had:

- Totally separate and independent processes which led to distributor beer orders based on "negotiation" between the distributor and our sales people;
- Sales planning was independent of Marketing Planning which didn't necessarily support the Financial Targets or meet minimum production runs in the brewery;
- Data collection was manually (fax) driven; Inventory Management was haphazard at best;
- Order processing was a manual process requiring human intervention on containerization and routing;

This was a fragmented series of processes that supported our traditional view of the supply chain. The results of these fragmented processes were very clear and painful to us – even today it is hard for us to remind ourselves how bad it was:

- Uncertain impacts on Production Resources
- Antiquated Systems and Processes; Policeman-Like Relationship with Customers/Distributors; Ineffective and Inefficient Communication throughout the chain
- Long Lead Times waiting for product
- Inaccurate Prediction of Demand
- Sales Force overwhelmed with paperwork
- Inconsistent inventory management

Back in those days we produced beer well in advance of actual customer orders. We had to forecast those orders and we used the tools we had around at the time.

Through the use of paper and spreadsheet tools we had a very detailed paper-chain rather then a real value chain! We spent an inordinate time gathering information and sharing information in a slow, outdated and unresponsive manner. We basically saw IT more as a chore than as a way to exploit or deliver competitive advantage

Our relationships with our customers, the beer distributors, were not strategic. In our competitive environment, we are at the small, upper end of the market for high-value or premium beers. The market is basically "owned" or driven via the large US-based domestic brewers such as Anheiser Busch. They represent a very large share of the market and consequently "own" the distributors. We have to be nimble and customer focused if we are to be aggressive and create more market share. We have to deliver a service and system that provides greater value-add than what the big guys can deliver.

Our antiquated systems were the result of our lack of vision. Because of this our manufacturing processes in Holland were subservient to poor visibility and inaccurate forecasts. To help the manufacturing plants meet their objectives (long run times), which were different from ours (revenue growth), our customers were subjected to long lead times. This produced a vicious circle. The longer the lead times, the poorer the forecast, which meant we had to extend the lead times to give the plant greater visibility and so on. Consequently the beer inventory that should have been a customer service asset turned out to be a liability. Our sales model was focused on customer service, late deliveries, inadequate response, and order expediting.

Our business model was such that this "state of play" was replicated across all the 450 customers that we have in the USA. And these 450 distributors are all very different. We have several very large customers who have their own ERP and Supply Chain systems at one extreme, and we have very small so called "mom and pop" customers at the other extreme who have no computer systems to speak of other than a PC. Therefore our systems had to cater to all the varied type of environments in which we operated.

Consequently we recognized that we needed a massive change. If we were, as an organization, to enter the late 1990's with a highly competitive, dynamic business model that could allow us to grow and weather competitive threats, and to manage changing market conditions, we had to change everything we did. This then was the challenge.

Alice in Wonderland to the Rescue

But what should we do? Where should we start? How should we do whatever it is we will decide to do? Turning to one of the Classics, we can imagine a dialogue as this:

> Alice: "Would you tell me, please, which way I ought to go from here?"
> Cat: "That depends a good deal where you want to get to."
> Alice: "I don't much care where."
> Cat: Then it doesn't matter which way you go."
> Alice: "So long as I get somewhere."
> Cat: "Oh, you're sure to do that, if you only walk long enough."

We recognized that we had a choice. If we could not build a vision, a new, dynamic and forward-looking vision for our company, then it mattered not what we did.

Whatever we did we would "get there" so long as we did not care much where "there" was. So we decided to create a vision. With a new team in place at Heineken USA, we built such a vision. The interesting part is that we built a vision significantly ahead of its time. Today, as we speak to you, this vision now has a name. CPFR is part of the vision we undertook. Internet-based Collaboration is another name that is today bandied about. But when we started this project, the Internet was not even popular. In fact Netscape was still a private company!

So what was our vision? What was the "burning issues" on which we built our future? Here is the agenda we set ourselves. We put our thinking hats on and came up with a challenging set of "wouldn't it be nice if…":

- We all had one plan that was integrated through one central planning organization and if that plan was created from the bottom-up, and
- If that common plan drove initial forecasts for all areas, and
- If those initial forecasts were made visible to our distributors so they could "collaborate" and "massage" them based on local market knowledge, and
- If those "collaborative forecasts" became the basis for orders, depending on a distributor's sales patterns and inventory levels, and
- If those forecasts, sales patterns and orders were seamlessly communicated throughout the chain requiring minimum labor to drive the process
- If there was a system that facilitated the above while minimizing the impact on both Heineken USA's and the distributor's infrastructure, and
- If that system could also be used to communicate programs and promotional information to distributors, and
- If that system had a catchy acronym?

The smart answer to this question was a wholehearted yes!

Software and Partner Selection Process

We worked with AMR to determine a process to find a software partner to work with in order to built and meet this vision. We built a selection process and went through the selection process. We ended up with a few vendors that we thought had a chance to meet our needs. We included them in a final round where we asked them each to propose how they might deliver on our vision. The finalists were IRI Logistics (later acquired by Manugistics), i2 (then Think Systems), Manugistics, and Logility (then American Software's Supply Chain Planning Division). Each of these vendors was given a chance to present and demonstrate how they thought they could build and deliver a complete solution for us. We were not expecting nor did we receive an "out of the box" software tool. In those days, as we found out later, the software industry had not yet evolved to meet such needs.

The following represents a summary of the presentations. Manugistics, who were part of the then-CFAR (Collaborative Forecasting and Replenishment) pilot, proposed an EDI-based solution. This we can say now was predictable as EDI was the base technology used for the CFAR model at that time. CFAR later moved to the Internet – probably because of the numerous questions Logility (painfully) asked of Benchmarking Partners at the Fall 1996 Software Vendor Meeting in Boston when CFAR was promoted as an EDI business model with Wal*Mart and Warner Lambert). i2 presented to us their standard Pre Sales presentation that focused on their vision and how they intend to solve many of the world's woes. This was a great vision but it was not the one we asked them to design for us. Therefore it did not meet our needs. IRI presented a good message – suggesting that the Internet might be a way to enable such a vision. They came second in our selection processes. They subsequently left the supply chain space, with no subsequent customers, and were basically sold to Manugistics.

Logility actually demonstrated to us, live, over the Internet, a web page that encapsulated our vision. And this was in 1995! Logility had listened to our needs and showed us a software tool and supporting solution that met our vision. In the presentation our selection team almost immediately recognized the winning proposal. Logility was selected as our partner and software provider. We have been working with them closely now ever since. They are a fundamental component member of our team as we continuously look to the future to improve what we do.

The Solution: Process Model

The process that we jointly came up with looked like this:

One Number Planning – We determined that in order for all parts of the organization to synchronize their efforts, and to tie those efforts to the customer needs, we needed a "one number planning" system. This meant that we would integrate sales inputs, marketing plans, financial goals and objectives, and the various strategic planning goals we shared with corporate.

We needed a tool to enable these one number processes. Logility has a pyramid structure embedded in the software that supports the gathering of forecasting information from remote and distributed sources and for merging the numbers together to one, agreed-upon number. Each function in the organization then can see the one number in their own unit of measure. Generally, finance is interested in profit, sales and marketing in terms of revenue growth, and operations in terms of pallets of beer.

There is further integration with the rest of the Heineken operational systems in order to support brand quotas, regional quotas, distributor quotas, brewery forecasts for products and overall company cash flow projections. What started out as a way to plan better turned out to be a complete business planning and management solution.

Integrated Planning – By synchronizing the forecasting process we began to achieve a much more highly organized and synchronized business. Sales volume planning was now part of an integrated planning process that drove brewery short-term production plans as well as longer-term capacity plans for capital investment. Finance was now part of the processes as the forecasts now represented real numbers that we worked towards. Therefore the cash flow projections that could be derived from the processes were invaluable inputs to the financial management of the organization. Integrated to all of the above are Heineken's corporate and regional marketing plans.

Collaborative Planning - Our customers, the distributors, now have an environment in which to collaborate successfully, real-time, 24-hours a day as needed via the Internet with Heineken USA. Their initial plans are submitted to the processes with our own experienced people who make recommendations. Subsequent collaborations take place until agreement is reached. From this agreed-upon sales plan the resulting (and now deterministic) replenishment plan or order forecast is also collaborated upon. The order plan takes into account the on hand inventory status at both customer and supplier end of the value chain.

From Order Placement to Customer Relationship Management – What began as a simple order placement system (the original name was Heineken Order Placement Systems – HOPS - and was replaced with Heineken Operational Planning Systems) has become a complete customer relationship environment, or CRM as the market now calls it. In this environment, more than just orders are placed. Customers now communicate at their leisure their most recent demand statistics and inventory status – in some cases this is automatically updated. Then medium-term sales forecasts are shared and subsequent short-term replenishment orders (order forecasts). Additional data pertaining to a shared calendar of events such as period-ends, or special deals and promotions, are communicated across trading partner boundaries. This creates a unique experience for our customers – one they cannot and do not get from their other suppliers at this time. This provides a unique competitive advantage for Heineken USA.

The Benefit is in the Eating

The technology employed is the Internet. Already this is challenging all that has gone before it. Heineken realized this would happen yet bravely adopted the technology way ahead of any other company. It was a challenge that has paid off. In a recent survey of our customer satisfaction we experienced a 100% improvement in customer satisfaction. Now more than 70% of our customers (up from 35%) said that we provide a good or excellent service compared to our much larger and resourceful competitors. But, there is no room for complacency. We must and do continuously review the processes with a view to improve them. Another measure that we are proud of is that we have, in random tests, proved that we can now deliver beer to a retailer shelf from a factory over 5,000 miles away with a longer shelf life left than a local, micro-brewer! That is a telling measurement!

Technology as an Enabler

Many of our partners and even our own people were very nervous about adopting the Internet back in 1995. Back then we were called weird or perhaps innovators. Today, we are just ahead of the curve. I am glad we took the plunge. Today, several of our customers simply use an AOL account to collaborate on plans, forecasts and replenishment orders with Heineken USA. The Internet has provided us a 24x7x365 operational environment that offers the highest level of customer service. There is no down time.

The Internet was also light on our IS resources. We did not need to acquire a complete new infrastructure. Several of our competitors had tried a more traditional IS approach in the past and had failed. With an Internet application we reduced the training requirement of our customers and reduced dramatically the cost of ownership associated with a traditional client/server application. If we had had to implement our new processes with a client/server application, we would probably still be in early rollout phase or have had to spend many times more money to get where we are today.

Keep our feet on the Ground

But before you think this was one happy marriage, let me say this. This was new technology. Accordingly it had its teething troubles. It was not always a smooth path we traveled. Thankfully our partner, Logility, treated us like a partner. The team they assembled to support us, and all the other folks in Customer Support and Development, were and are extremely helpful

Summary of other Benefits

- Better Forecasting and Planning
- Self-Regulating Order Planning
    - Adjusts for inventory variance due to forecasting error
- Better Inventory Management
- Reduced Lead Times
- Fewer manual processes and procedures
- Stronger and more focused communication
- Shifted sales focus from "what goes into the warehouse" to "what leaves the warehouse"
- Perceived "Leadership"
    - GartnerGroup ieC Award
    - VICS '99: Best in Class Logistics
    - Food Processing Achievement Award 1999

It is interesting to note that Heineken and Logility have won several awards over the years – for "best practice" and "collaborative planning" even before the word acquired is current popularity. Indeed, we often now win awards and are not even aware of it! This story is probably the most published and written about story for B2B Collaborative Commerce. There have been about 100 or so articles, stories, publications, or reports referring to it.

But despite all this fame, the benefits are real. Our cycle time from when we recognize customer demand to when we satisfy it has been reduced by over 67%. This is not because we ship the beer quicker, or pack it quicker or ship it faster – we have simply eliminated huge amounts of wasted time and inefficient processes that hindered our customer relationship environment.

The Future for Heineken USA

There are numerous things that we could do. There are a number of things we will be doing. Suffice it to say that this is a very interesting period in the history of the company. Further, the Internet is bound to play a part. We are excited at the opportunity to serve our customers better and we are thankful that we can do so proudly.

The Use and Abuse of "Collaboration"

The Heineken example is today the best example of the real use of the Internet for true collaboration. But what do we mean by true collaboration? All the large ERP vendors now advertise (even on TV) collaborative solutions when all they are doing is putting their ERP screens inside a browser. Is this true collaboration? No.

Remember the start of the paper. True Collaboration is any process that helps to: a) jointly develop or derive data or information, and b) change the transaction between partners and hence the relationship. Simply putting Order Entry into a browser and offering it to a customer is very short sighted but necessary for those behemoths to survive. If they do not do even this simple thing they will die sooner rather then later. Even putting an Available to Promise (ATP) model inside a browser and letting a customer "do the work" is almost as short sighted as the Order Entry example. But again it is the epitome of an ERP world gone mad. It is, as Geoffrey Moore would say, a continuous improvement rather a discontinuous improvement. Anything ERP does over the Internet is "business as normal" and should be treated with keen awareness. CPFR, as done at Heineken, is today the only, best example and first deployment of true collaboration. There will be others – and several even claim to have them now, but this is more marketing hype than reality.

Logility Efforts regarding CPFR

Logility was there with Heineken in 1995 building Internet applications. Today, in 1999, Logility is about to release their third generation of solutions for CPFR, namely Voyager XPS™ for eXtensible Planning Solution. This third generation technology is far removed from the work affected with Heineken in that new technology has been applied in order to deliver to the market scalable CPFR solutions. Workflow is a key enabler to delivering a flexible and scalable environment as well as universal exception and alert notification features

Logility is also on the VICS CPFR Committee and is among one of only 6 other companies that have the same representative members attending for over 2 years. Even the SAP and Oracle companies have never even attended one meeting! Soon they will, as they must, but their information is severely lacking. More insidious still are those ERP vendors or consultants who give lip service to CPFR in their marketing and yet also have never attended a single meeting or experienced an implementation. The power of CPFR as the "next big thing" extends far and wide!

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The Market Acceptance and Phases of CPFR

Additional features are also available today that include the hosting of the CPFR toolset. Heineken implemented what today is referred to as "hub and spoke" CPFR, which is where there is one central hub (Heineken) and all the trading partners (customers and/or suppliers) use the Heineken system to "CPFR." Those partners are not enabled to CPFR with any other partners except Heineken USA, as they are effectively "subscribing" only to the Heineken system. In order to CPFR with multiple and any partners, those partners would need to acquire their own CPFR solution. This would then create what is called "Peer to Peer" CPFR.

The latest development in the CPFR think tanks is that of "hosted CPFR". This is where there is one hub or Community, and all trading partners, customers, suppliers, carriers and so on all go to one location to do CPFR. This is what Logility pioneered 6 months ago with it's Logility i-Community℠. This is a good way for a company to implement CPFR much faster as they do not even need to build a web site or web server. This is completely separate and anathema to the more predictable and "self-service" trading exchanges that are being touted by the ERP and e-Commerce vendors today.

The Future of CPFR and Collaboration

It is likely that ERP and CRM vendors may not soon understand CPFR for what it is. Anyone who pushes self-service ERP or CRM clearly does not yet understand where the real future lies. It is likely that CRM vendors have a better chance at "getting it" sooner than the ERP vendors.

It is likely that pilots will ramp down in the next 6 months and be replaced with live implementations. Several of those will probably copy the early Heineken model and add new features close to what Heineken USA is doing today. CPFR itself as a standard will evolve and add several new facets. Collaborative Transportation Management is one area that is already underway. Collaborative Promotion Planning, an implicit assumption in CPFR, may become an explicit part of the standard. Logility is well placed for this likelihood.

One of the down sides of CPFR is in the International arena. We failed, as a business world, to prevent EDI from splintering and becoming a non-global standard. CPFR could also go this route as the Europeans attempt to re-invent the wheel. This would be very sad – especially as very large multi-nationals are today at the forefront of CPFR.

The last words of wisdom are these. Virtually all other major IT initiatives that have ever been pioneered required a large barrier to entry. For many years, only the largest companies could do MRP. ERP has a very high price tag associated with it. Even EDI is a very expensive option. Heineken has proved that a world class Customer Relationship Management model can be built using AOL for $19.95 a month. This is a different plan to those of the multi-million dollar, multi-year ERP projects that is the realm of SAP. The horses of ERP, CRM and CPFR are coming to the starting gate – and we know which horse we are backing. Anyone who has ever read Andy Groves "Only the paranoid will survive" will recognize CPFR as a major, strategic inflection point. Only those companies that recognize this will reap the rewards.