



EXPLODING THE MYTHS AROUND HORIZONTAL COLLABORATION IN THE SUPPLY CHAIN

As Europe's first & still premiere forum for the promotion & facilitation of Horizontal Collaboration across supply chains, ELUPEG has the advantage of a great deal of knowledge about what does (& as importantly, what does not)work in this area.

There is a great deal of "noise" around collaboration right now & hence ELUPEG has decided to share its vast knowledge in order to "explode a few myths" regarding collaboration

Collaboration is a "Strategy"-it is not a strategy per se but it can add value to a strategy. The only sense in which a company can adopt Horizontal Collaboration as a strategy would be tactically or as a guiding principle. Collaboration is the output of a culture based on trust and openness, where individual requirements are overall met better in concert with others than by striving to make it on one's own capabilities/resources.

Collaboration is dangerous & could lead to a fine of 10% of revenue under EU anti competition law- Provided companies adopt horizontal collaboration based on sharing of assets or non commercially sensitive information with a view to reducing overall costs, reducing congestion, improving customer service, then they will not fall foul of the EU anti-competition authorities. Utilizing an "independent trusted third party" such as ELUPEG to hold & analyze confidential or commercially sensitive data for evaluating collaboration potential without risk is a well tried & proven process.

Companies with inefficient supply chains will benefit from collaboration the most-Wrong! We have categorically proven that companies who have the most efficient supply chains get more from horizontal collaboration as they:- know their costs to the last cent, indeed such efficient companies have squeezed out all the costs possible internally and need to look outside the business for future big savings. They have overcome the problem of internal collaboration, have secured significant benefits from vertical collaboration with suppliers & customers & most importantly have THE TIME & SENIOR MANAGEMENT ENDORSEMENT which is vital to making Horizontal Collaboration work.

Companies always fall out over how to share the savings – We would not say this never happens but by benchmarking the respective supply chain costs of each collaborating party before commencing the project and agreeing on a "fair formula" for distribution of savings this can be avoided. It is also interesting to note that "reinvesting" some of the first savings in order to drive deeper collaboration can ultimately lead to even better results. ELUPEG can facilitate any of these services if required.

Businesses & products change & hence any strategic investment in horizontal collaboration is doomed to end in tears –This is definitely one for the "nay-sayers". If you treat the collaboration project as you would any other significant investment & include the costs of winding up the collaboration & replacing it with an alternative solution you will soon see if the benefits outweigh the risks, if they don't you will not proceed as you would with any investment opportunity. This is not "planning to fail" but recognition of the real business world & means only really viable projects get implemented. Agreeing the arrangements for sharing the benefits, and for ending the



collaborative operation before the operation starts is just as important as is the methodology for dispute resolution. In this way with agreement on the difficult issues the venture stands a far greater chance of success and managements will not sit there worried about how to deal with future changes.

Collaboration leads to loss of control and reduction in customer service –In fact if done properly the opposite can be true. Collaboration enables more economic and more frequent shipments which can increase delivery frequency to customers. For retailers this is precisely what they are looking for. For suppliers the benefits of higher on shelf availability or in stock availability can lead to less lost sales.

Collaboration "The Way Forward" - in spite of the dual benefit of cost and carbon footprint reductions, horizontal collaboration has very little traction in the market place. Collaboration takes work. It is not like flipping a switch. It's the work, not talking, which will make collaboration happen.

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The next ELUPEG Conference entitled "Exploding the Myths of Horizontal Collaboration in the Supply Chain" & incorporating "The Great Antwerp Collaboration Debate" will be in Antwerp Belgium hosted by Coca Cola Enterprises. For more information & to reserve your place, go to www.ELUPEG.com