



MAY 6 - 7, 2008,
RENAISSANCE, MUMBAI, INDIA

CONFERENCE • CEOs CONCLAVES • EXHIBITION • AWARDS

New Ways of Working Together

Joseph C. Andraski

President and CEO, VICS

May 7, 2008





Compelling Need

Why should we worry about the future when we already have too much to keep us busy today?

- Globalization
- Energy Costs
- Technology
- More Informed and Demanding Consumer
- Channel Diversification

Call to Action

The industry must:

- Develop *New Ways of Working Together*
- More readily and freely *Share Information*
- Redefine the *2016 Value Chain*

NWWT IS and IS NOTs

IS	IS NOT
<p>... a change in business approach and practices</p> <p>... an opportunity for partners to share information about the consumer</p> <p>... an opportunity to develop common definitions about success</p> <p>... an opportunity to develop plans together</p>	<p>... a scorecarding project</p> <p>... a technical discussion</p>

Even though you may think we are already doing this – we're not

- We are lacking internal and external alignment
- We don't have clear definitions
- We don't have clean and accurate data

New Ways of Working Together

Strategic Choices

Focus on Consumer

- Strategy Alignment
- Joint Long-term Plans
- Innovation (JAG)

Connect our Business Information

- Common Goals & Measures
- Information Sharing*
- EPC
- Data Sync

Prepare People for New World

- Knowledge, Skills & Capabilities
- Incentives & Rewards

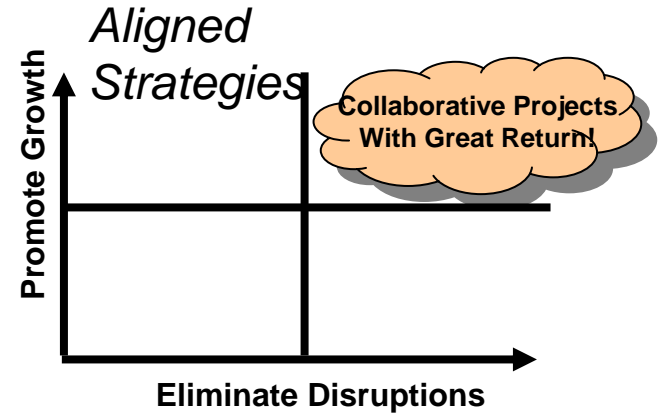
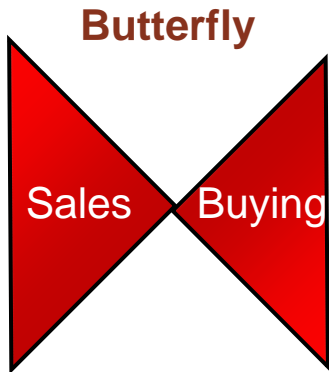
Share Supply Chain

- Sustainability
- Cross Industry Integration
- Integrated Supply Chain

*Note: Utilization of Industry Standards

Pilot Recap: Best Practices

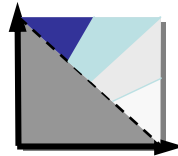
Aligned Resources: Butterfly to Diamond



Joint Business Planning

Annually

Review results, strategies, goals for year



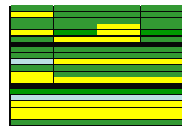
Quarterly

Cross functional Reviews

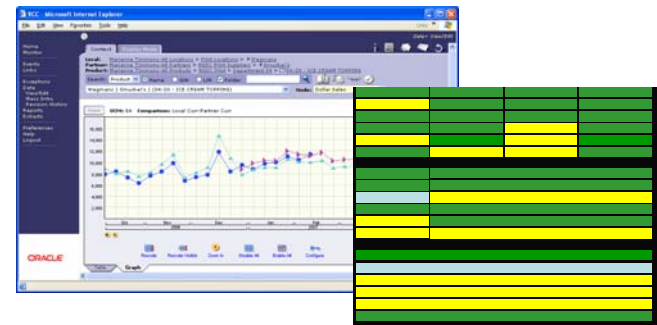


Weekly/Monthly

Day to Day interactions



*Standard Measures and Common Goals
Shared Tracking and Scorecard
Measured Results*



Pilot Results

Wegmans/Smucker's

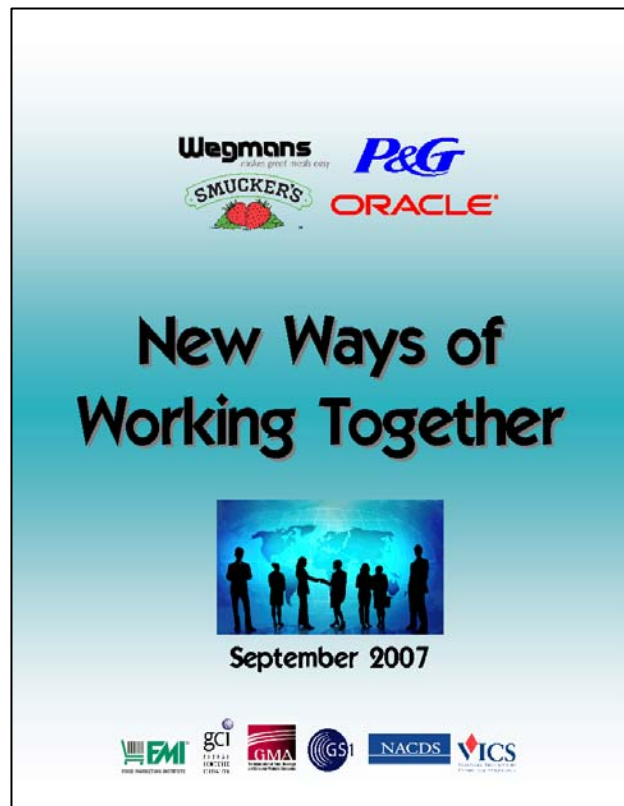
Measure	Change
Smucker's Sales (yr over yr change)	32.5%
Category Sales (yr over yr change)	7.6%
All Department Sales (yr over yr change)	9.8%
Days of Supply	-16.9%
Store Service Level	18.5%
Order Cycle Time	14.5%
Data Synchronization	11.4%
Data Accuracy	1.5%
Invoice Accuracy	17.6%
Order Changes	3.3%
Service Level (orders 100% filled)	-0.6%
On Time Delivery	-31.3%
Average Payment Days Late	252%
Deduction Dollars	-84.6%
Deduction Balance	9.2%

Pilot Results

Wegmans/P&G

Measure	% Change
Procter & Gamble Sales (chg yr to yr for the period)	19.60%
Category Sales (chg yr to yr for the period)	12.60%
All Department Sales (chg yr to yr for the period)	9.80%
DOS	
Shipping Point #1	-34.10%
Shipping Point #2	-31.30%
Shipping Point #3	21.10%
Store Service Level	
Shipping Point #1	38.60%
Shipping Point #2	6.70%
Shipping Point #3	15.90%
Order Cycle Time	
Shipping Point #1	23.80%
Shipping Point #2	20.70%
Shipping Point #3	94.40%
Synchronization	8.00%
Data Accuracy	-11.10%
Invoice Accuracy	16.90%
Order Changes	-57.80%
Service Level to Wegmans DC (Case fill rate)	0.00%
On Time Delivery	
Shipping Point #1	-0.50%
Shipping Point #2	0.00%
Shipping Point #3	-40.50%
Average Payment Days Late	-71.40%

First New Ways.. Publication



- Published jointly with GMA, FMI, NACDS, VICS, GCI, GS1
- Global Framework
- Initial Pilot Results
- High-level “How to” guide



New Ways of Working Together Pilots

- Initial pilots
 - Wegmans – P&G
 - Wegmans -- Smuckers
- New pilots beyond initial tests
 - Wegmans-Coke
 - Safeway –Smuckers
 - Kroger-P&G
 - Safeway –P&G

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Focus on Consumer

- Strategy Alignment
- Joint Long-term Plans
- Innovation (JAG)

Connect our Business Information

- Common Goals & Measures
- Information Sharing*
- EPC
- Data Sync

Prepare People for New World

- Knowledge, Skills & Capabilities
- Incentives & Rewards

Share Supply Chain

- Sustainability
- Cross Industry Integration
- Integrated Supply Chain

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

*Note: Utilization of Industry Standards

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Focus on Consumer

- **Strategy Alignment**
- Joint Long-term Plans
- Innovation (JAG)

•Strategy Alignment

- Senior level sponsorship
- Understand that not all strategies will align
- Align brand consumer with retail shopper
- Top-to-Top hosted “kick off” event with all “doers”
- Allot adequate time (one day or two days versus one or two hours)
- Include internal and external Diamond Team members
- Develop specific action plans with responsible parties on each side
- Schedule Action Plan follow up meetings regularly (at least quarterly)

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Focus on Consumer

- Strategy Alignment
- **Joint Long-term Plans**
- Innovation (JAG)

Joint Long-term Plans

- **Best Practice:** In addition to Strategy Alignment, develop Long-term business plan (New Ways of Working Together is an ongoing relationship) 3- or more years out
- **Build trust and feel free to protect Intellectual Property while focusing on the consumer**

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Focus on Consumer

- Strategy Alignment
- Joint Long-term Plans
- **Innovation**

Jointly Agreed Growth

- Processes agree upon mutual innovation

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Connect our Business Information

- **Common Goals & Measures**
- Information Sharing*
- EPC
- Data Sync

Common Goals & Measures

- Eliminate disruptions through measuring performance based on common goals and decide what information is appropriate
- Support Scorecard based on mutually agreed upon cores
- Support Supply Chain visibility

How? The Stairway to Electronic Collaboration

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

* Note: Utilization of Industry Standards

THE STAIRWAY TO ELECTRONIC COLLABORATION



Source: *GMA/FMI Trading Partner Alliance*

Connect the Dots: Harnessing Collaborative Technologies to Deliver Better Value to Consumers

© A.T. Kearney and Kurt Salmon Associates 2004

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Connect our Business Information

- Common Goals & Measures
- **Information Sharing***
- EPC
- Data Sync

Information Sharing

- **Eliminating disruptions through data sharing**
- **Best Practice: Data Quality and Integrity as Foundational**
- **Master Data Management alignment**

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

* Note: Utilization of Industry Standards

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Connect our Business Information

- Common Goals & Measures
- Information Sharing*
- **EPC**
- Data Sync

EPC

•Support Supply Chain visibility

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

* Note: Utilization of Industry Standards

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Connect our Business Information

- Common Goals & Measures
- Information Sharing*
- EPC
- **Data Sync**

Data Sync

- Eliminating disruptions through the **Global Data Synchronization Network (GDSN)**
- **Best Practice** - Data Quality and Integrity as Foundational
- Synchronize item & price/promotion information

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

* Note: Utilization of Industry Standards

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Knowledge, Skills & Capabilities

- Butterfly versus Diamond
- Lead promoting an environment of “trust”
- Team leaders general managers with cross-training (can be a training ground)
- Provide Leadership Training
- Clarity of roles & responsibilities
- Skills: Strategy / Collaborative Leadership
- Skills: Tactical / Standards
 - Knows internal processes
 - What are the data synch processes in your company? How are ASNs sent?

Prepare People for New World

- Knowledge, Skills & Capabilities
- Incentives & Rewards

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Incentives & Rewards

• Performance Based on Focus on Consumer

- **Pending:** Project on:
 - Knowledge, Skills, Capabilities
 - Incentives & Rewards – Eliminate Silos of Conflicting Approaches and Processes,

Prepare People for New World

- Knowledge, Skills & Capabilities
- Incentives & Rewards

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Sustainability

- GCI "2016 - The Future Value Chain"
- Develop best practices to enable trading partners to "act as one company" in their supply chain
- Partner to promote a sustainable environment
- Leverage standards for transacting business

Share Supply Chain

- Sustainability
- Cross Industry Integration
- Integrated Supply Chain

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Cross Industry Integration

- Define Supply Chain
 - Distribution through Point of Sale
- Develop best practices to enable trading partners to “act as one company” in their supply chain
 - Examine and consider regional regulations
 - Warehouse, DSD, etc.
- Partner to promote a sustainable environment
- Leverage standards for transacting business

Share Supply Chain

- Sustainability
- **Cross Industry Integration**
- Integrated Supply Chain

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

New Ways of Working Together

- eliminate disruptions, enable growth

Industry Track (Collaborate)

Best Practices

Documentation, Education, Communication

Guiding Principles and Frameworks

Share Results

Integrated Supply Chain

Define Supply Chain

- Distribution through Point of Sale
- Note “pain points” and disruptions
- Develop best practices to enable trading partners to “act as one company” in their supply chain
 - Examine and consider regional regulations
 - Warehouse, DSD, etc.
- Partner to promote a sustainable environment
- Leverage standards for transacting business
- **Pending**: Modeling on Shared Supply Chain from GMA

Share Supply Chain

- Sustainability
- Cross Industry Integration
- **Integrated Supply Chain**

Strategic Issues between Trading Partners

Common Goals, Common Measures

Specific Measures & Priorities

Other Data Sharing Opportunities

Trading Partner Track (Competitive Advantage)

Global CEO Support

Quote from AG Lafley (CEO P&G)/ Jose Luis Duran (CEO Carrefour) presentation at Global CEO Forum

“While most of this work gets accomplished in one-on-one relationships -- where shoppers are identified, plans are developed and executed, and our companies are rewarded with shoppers’ and consumers’ purchase, trial and loyalty. There is also a role for the industry. We need to share and apply best practices. This is an area where we, as CEOs, need to create the vision and energize and enable our organizations to change.”

Potential Areas of Focus

- “Connecting Our Supply Chain”
 - How do we change our retailer and manufacturer supply chains to “act as one company”?
 - Pilots
 - Best Practices
 - Identify potential issue areas
- “Prepare Our People for the New World”
 - How do we change culture and mindset
 - Reward systems
 - Common Measures
 - Best Practices