



SNS COLLEGE OF TECHNOLOGY

Coimbatore - 35

19BAE743 – Supply chain in Digital Era

Unit II – Supply chain Strategies

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Topic for Today



CPFR



Recall

- Bullwhip Effect
- Causes of Bullwhip Effect
- Strategies to Alleviate Bullwhip Effect





CPFR



✓ Collaborative Planning, Forecasting and Replenishment





What is meant by CPFR?

- ✓ Collaborative Planning, Forecasting and Replenishment (CPFR) is an approach which **aims to enhance supply chain integration** by supporting and assisting joint practices.
- ✓ CPFR seeks cooperative management of inventory through **joint visibility and replenishment of products** throughout the supply chain. **Information shared between suppliers and retailers** aids in planning and satisfying customer demands through a supportive system of shared information.
- ✓ This allows for continuous **updating of inventory and upcoming requirements**, making the end-to-end supply chain process more efficient.
- ✓ Efficiency is created through the decrease expenditures for merchandising, inventory, logistics, and transportation across all trading partners.



Origin of CPFR

- ✓ Developed by The Voluntary Interindustry Commerce Solutions (VICS) Association, which created a framework and set of guidelines for conducting CPFR in supply chains.
- ✓ For example, home appliance giant Whirlpool adopted CPFR for its supply chain and enjoyed immense success. Before CPFR was adopted, Whirlpool was struggling with a forecast error rate of 70%, which reduced to 11% after the company and its supply chain partners began working together under the CPFR framework.



Forecasts done by CPFR

- ✓ Forecasting and Replenishment (F&R) offers the following kinds of forecasts:
- ✓ **Operational forecast:** This provides a sales forecast for stores and/or goods issue forecast for distribution centers, and is intended for internal use only.





Forecasts done by CPFR

- ✓ **Tactical forecast:** A tactical forecast is used for CPFR purposes and is calculated in exactly the same way as an operational forecast (same parameters, same forecast basis). The only differences between them are the forecast horizons and the fact that the tactical forecast is always based on a specified number of weeks (typically 13 weeks, but can be up to 52 weeks).
- ✓ **Tactical order forecast:** This provides detailed data for future or projected orders where an outside vendor delivers products directly to the stores.



Stakeholders in CPFR

- ✓ Suppliers
- ✓ Your company
- ✓ Your Customer





What is Replenishment?

- ✓ Restoration of Stocks







Steps in CPFR Model

1. Develop Front End Agreement
2. Create Joint Business Plan
3. Create Sales Forecast
4. Identify Exceptions for Sales Forecast
5. Resolve and Collaborate an Exception Items

**Collaborative
Planning**

**Collaborative
Planning (Done by
Sellers)**



Steps in CPFR Model

6. Create the Order Forecast
7. Identify Exceptions for Order Forecast
8. Resolve and Collaborate Exception Items
9. Generate the Order

Done
by
Buyer



Benefits of CPFR



- ✓ Strengthen the Supply chain Partner Relationship.
- ✓ Better Inventory Management
- ✓ Reduction of Costs and Expenses
- ✓ Better Understanding of Consumer Purchasing Patterns
- ✓ Improvement in Forecast Accuracy



Summary

- CPFR
- Origin of CPFR
- CPFR Model
- Steps in CPFR
- Benefits of CPFR





Reference

<https://www.supplychainsecrets.com/an-introduction-to-cpfr-in-the-supply-chain/>

https://help.sap.com/saphelp_scm700_ehp02/helpdata/en/e0/32417f57a44283ae3e600df3f58639/content.htm?no_cache=true

<https://demand-planning.com/2018/12/12/collaborative-planning-forecasting-replenishment-cpfr/>



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THANK YOU...