

Supplier and Retailer Collaboration

China ECR Meeting
Supply Chain Break Out Session
6/4/08

Principles to Drive Collaboration

- High sense of urgency / pain
- Clear quantification of benefits
- Shared corporate commitment and a "champion"
- Structured approach / methodology
- No measurement, no action
- Simple tools drive the greatest results and can be used by all members of the supply chain

Roadmap to Collaboration

- Recognize the problem/need for change
- Develop a project plan
- Map and Measure
- Analyze the information
- Develop more robust work process
- Implement test/Roll out

Recognize the Need to Change

- How much is the cost?
- How does it impact customer loyalty?
- What are the benefits of fixing it?
- Am I a victim or in control?

Develop a Project Plan

- What supply chain, from where to where?
- What collaborators / stakeholders?
- What is their current position?
- What products / stores?
- What performance measures / targets?
- When must improvements be delivered?
- What constraints?

Map and Measure

- Identify output and input measures
- Identify sources of information / data
- Map product and information flow
- Measure activity Vs non activity time

Analyze Information

- Fishbone
- 5 Why/Why Analysis
- Pareto

Develop More Robust Work Processes

- Has to be scaleable and ROI efficient
- Bias towards simplicity, it must reward the end user
- Technology to play supporting role
- Needs to call on ALL functional expertise
- Sustainable

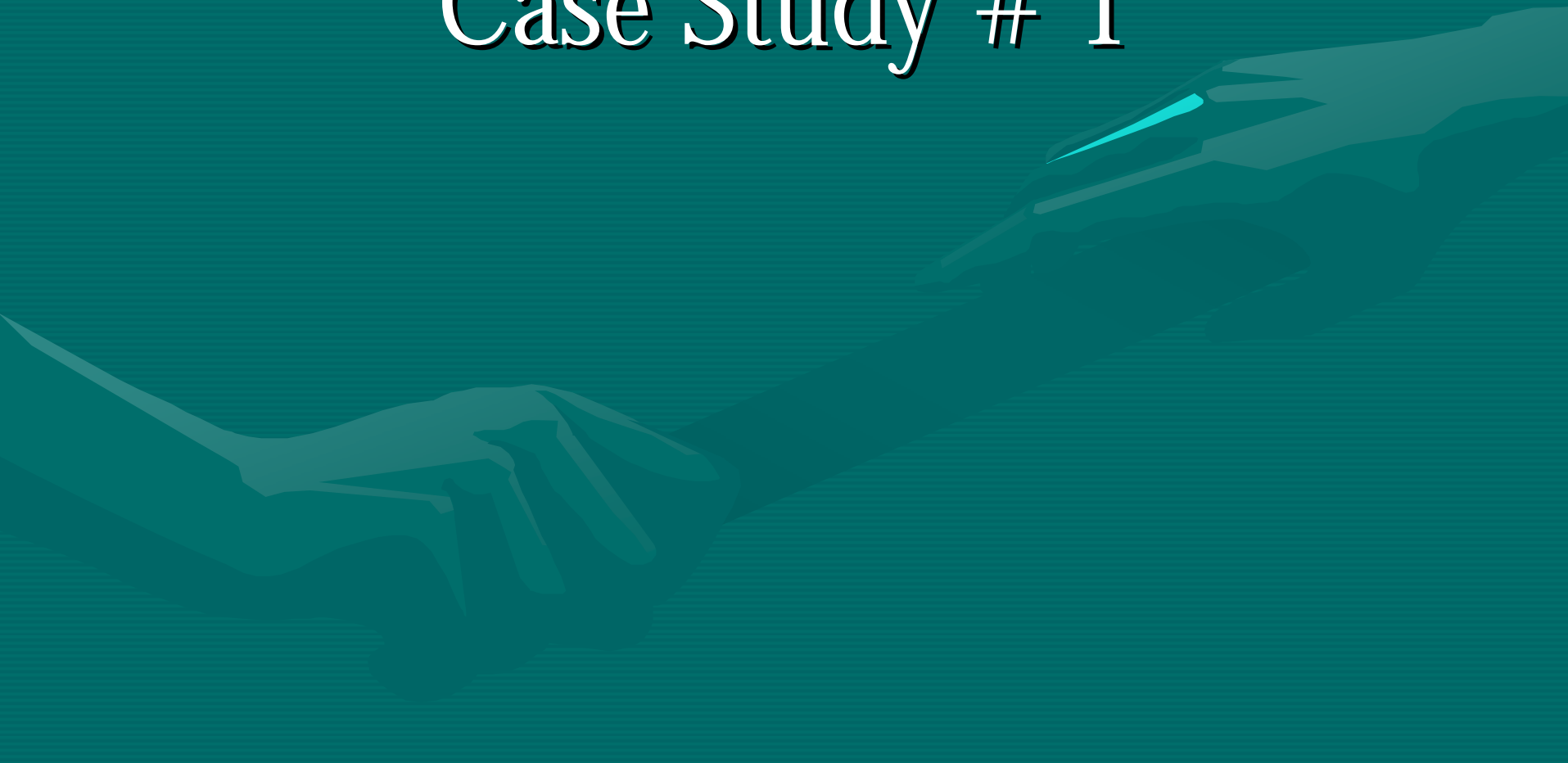
Implement Test/Roll Out

- Robust test design with test stores to be implemented.
- Keep tests simple; Don't test everything
- Evaluate and communicate to all stakeholders
- Independent evaluation needed

QUESTIONS ?



Case Study # 1



**Overall improved supplier performance and more
(Metro and P&G 'win-win')**

Sales & Profit!

FR Improvement Project Phase I Review

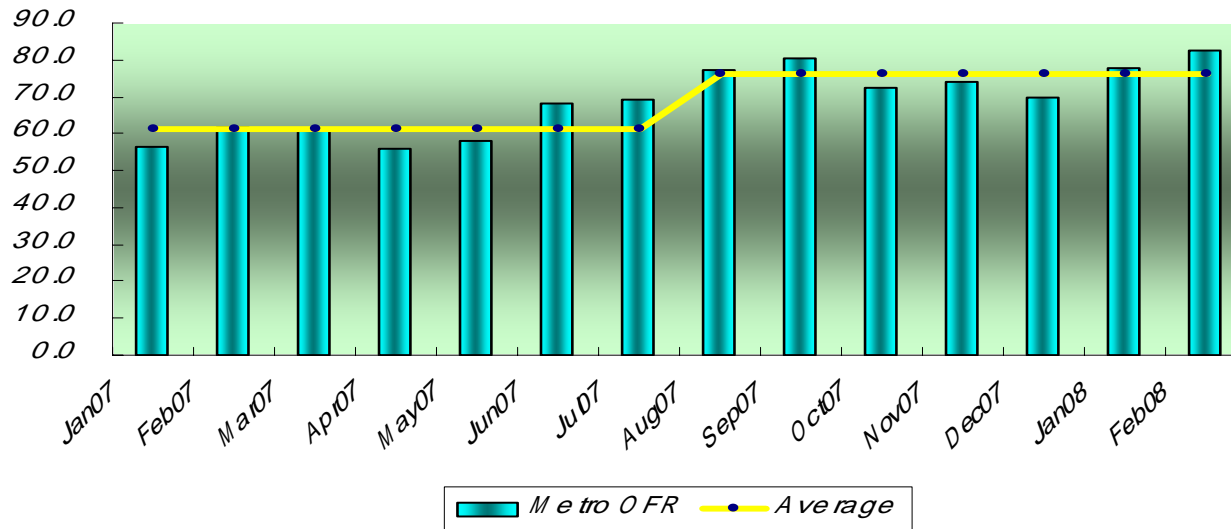
-- Priority alignment on Jun07 meeting

	Formula	Measure Unit	Tracking Period	Priority	Status
Order Fill Rate*	Metro's	Metro Unit	Monthly	First	On process
On Time Delivery*	Metro's	Delivered Order	Monthly	Second	No
Store Coverage*	Metro's	Metro Unit	Monthly	Second	No

* Metro data will be used as the official data, and P&G's will be the analysis reference for action plan

FR Improvement Project Phase I Review

-- Fill rate improvement CY2007

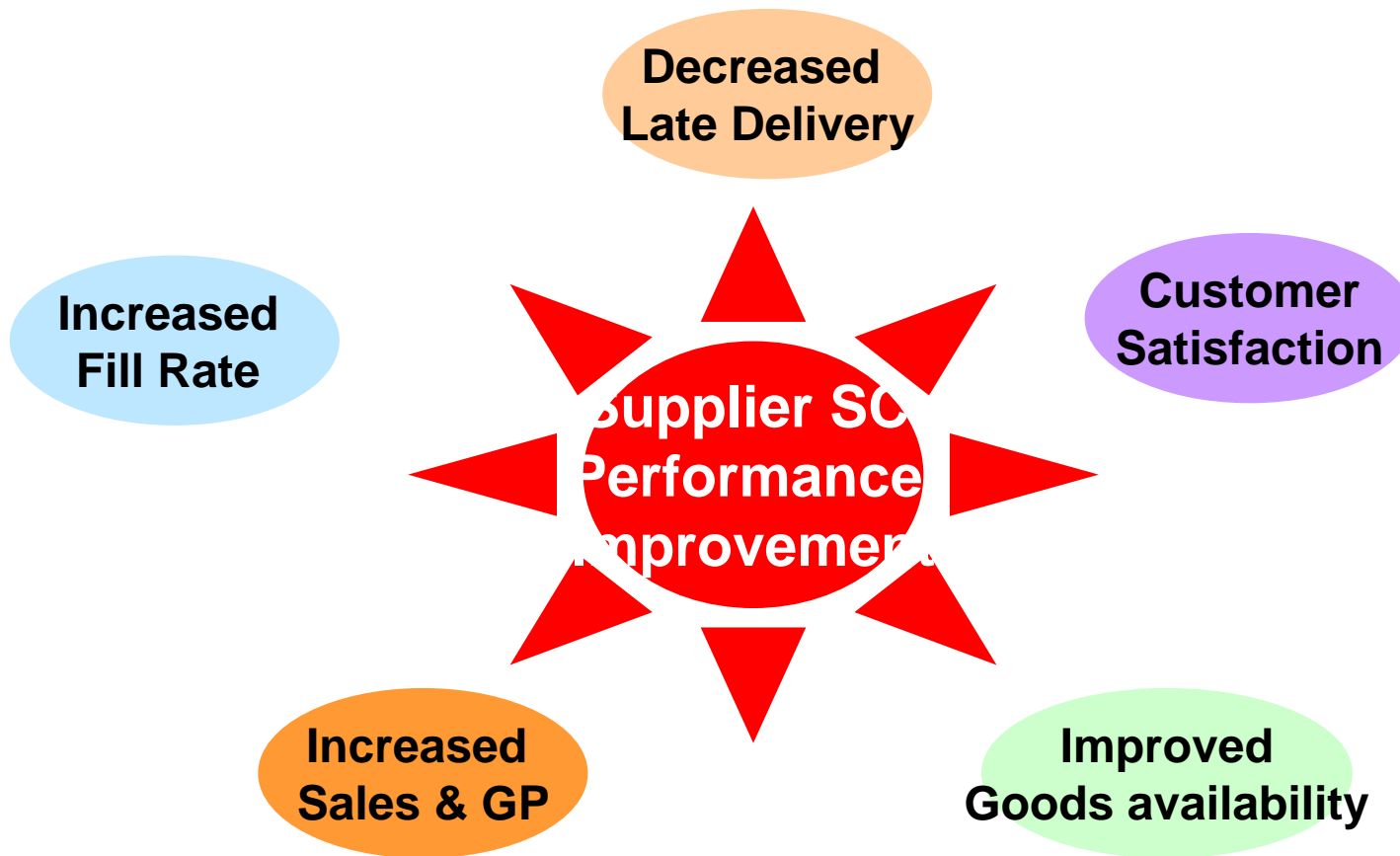


- FR improved from previous 60%(Jan-Jul 07 average) vs current 76%(Aug07-Feb08 average), 16% improvement already. 😊
- Promotion pack unfilled rate decrease 50% after process implement. 😊
- In Feb08, we got historical high FR data as 82%. 😊
- FR project was successfully put in Global M&M and P&G joint 2007 annual report as the first China supply chain golden case. 😊

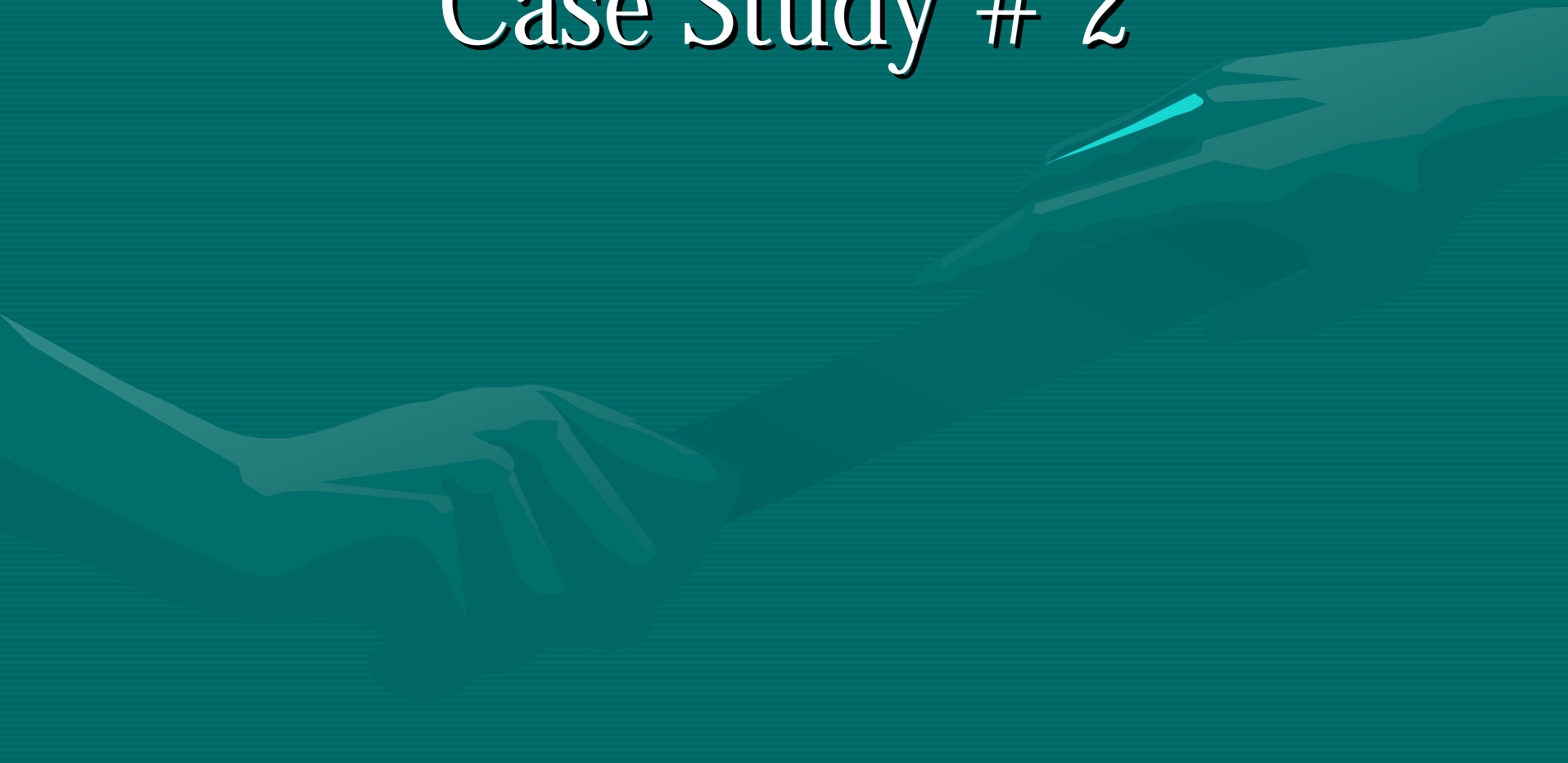
FR Improvement Project Phase I Review

-- How achieved:

- **Closely collaboration from both parties**
- **KPI definition clear alignment - Detailed KPI analysis to identify problem**
- **Standard and understandable order process**
- **Both internal alignment to follow the process**
- **Timely tracking, root cause analysis and follow ups**



Case Study # 2



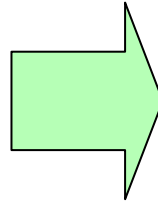
Win First Moment of Truth

Tesco and P&G Collaboration
Driving Availability Improvement

Shining Result in 2008 :



Before

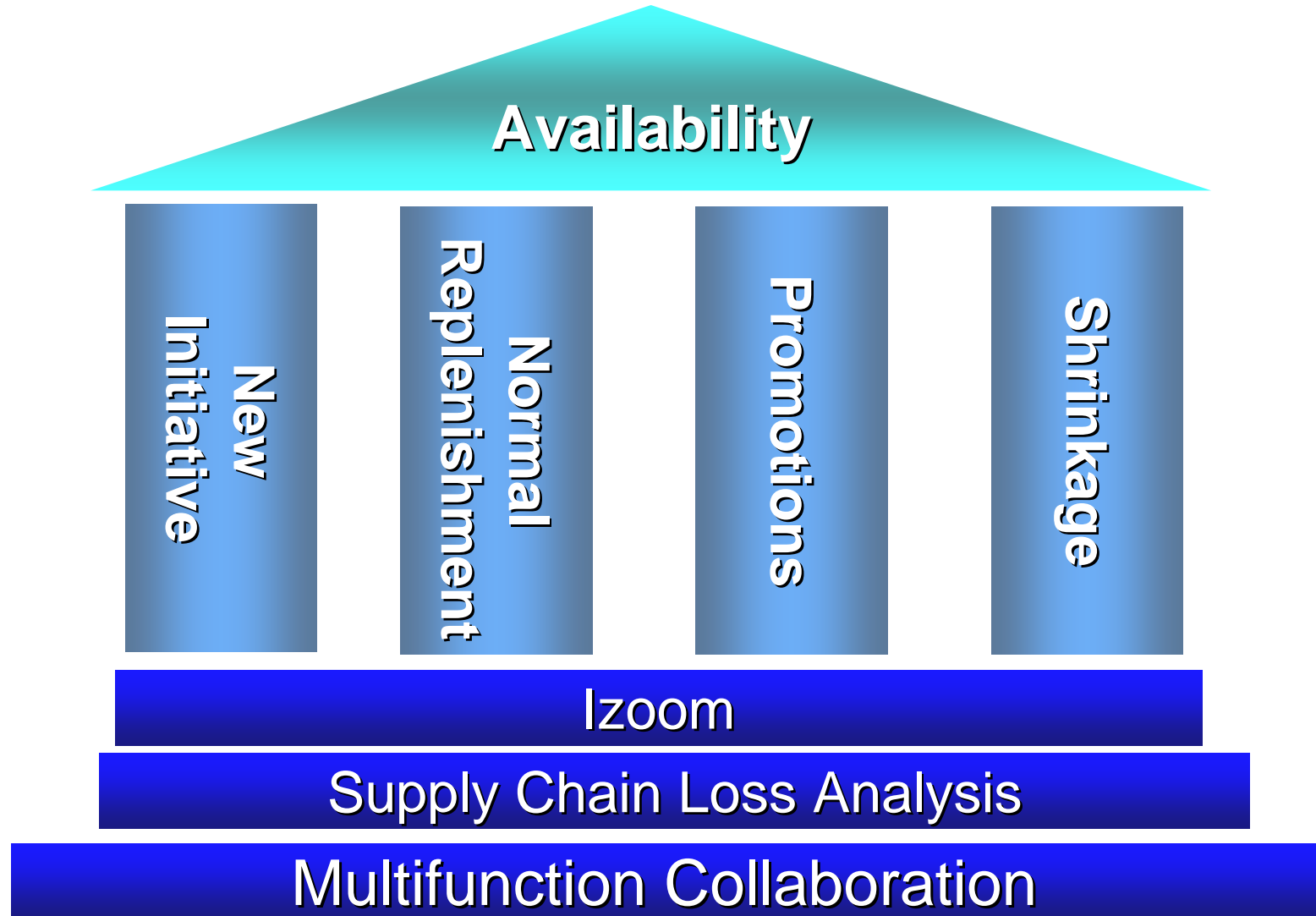


After

SOOS Results: (Shelf out of Stock) reduced in April '08 by 75% vs. 2007 average.

Value Created: **Sales increase** for P&G; **Sales and Margin increase** for Tesco

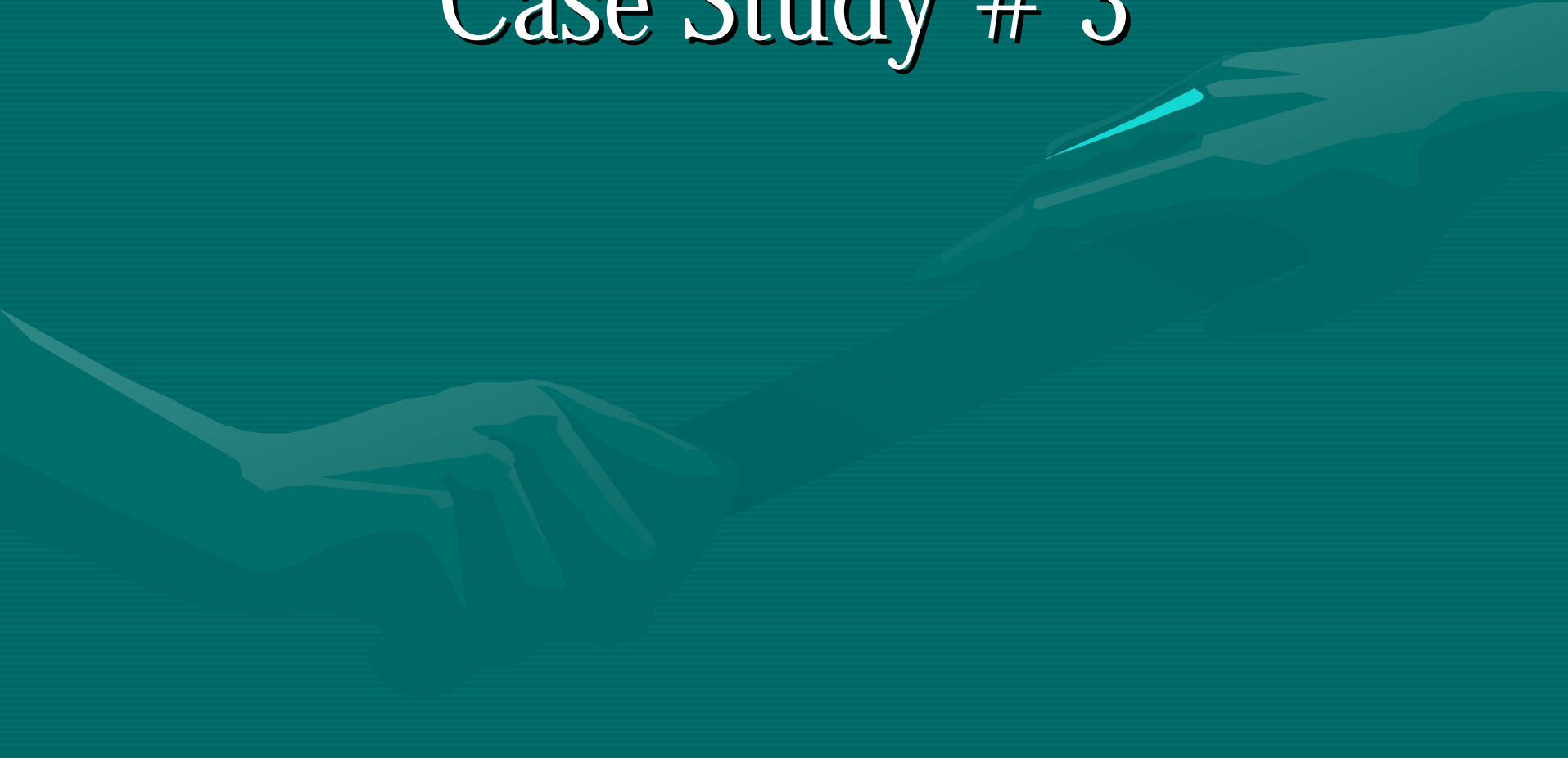
How to Achieve:



Key Learnings --- True Collaboration

- Agreement between Supply Chain & Commercial at both sides is the foundation.
(from top Mgt down to every level)
- Common Goal setting, Clear Role & Responsibility are essential.
- Information visibility enables seamless collaboration.
- Execution Excellence makes the fantasy come true

Case Study # 3



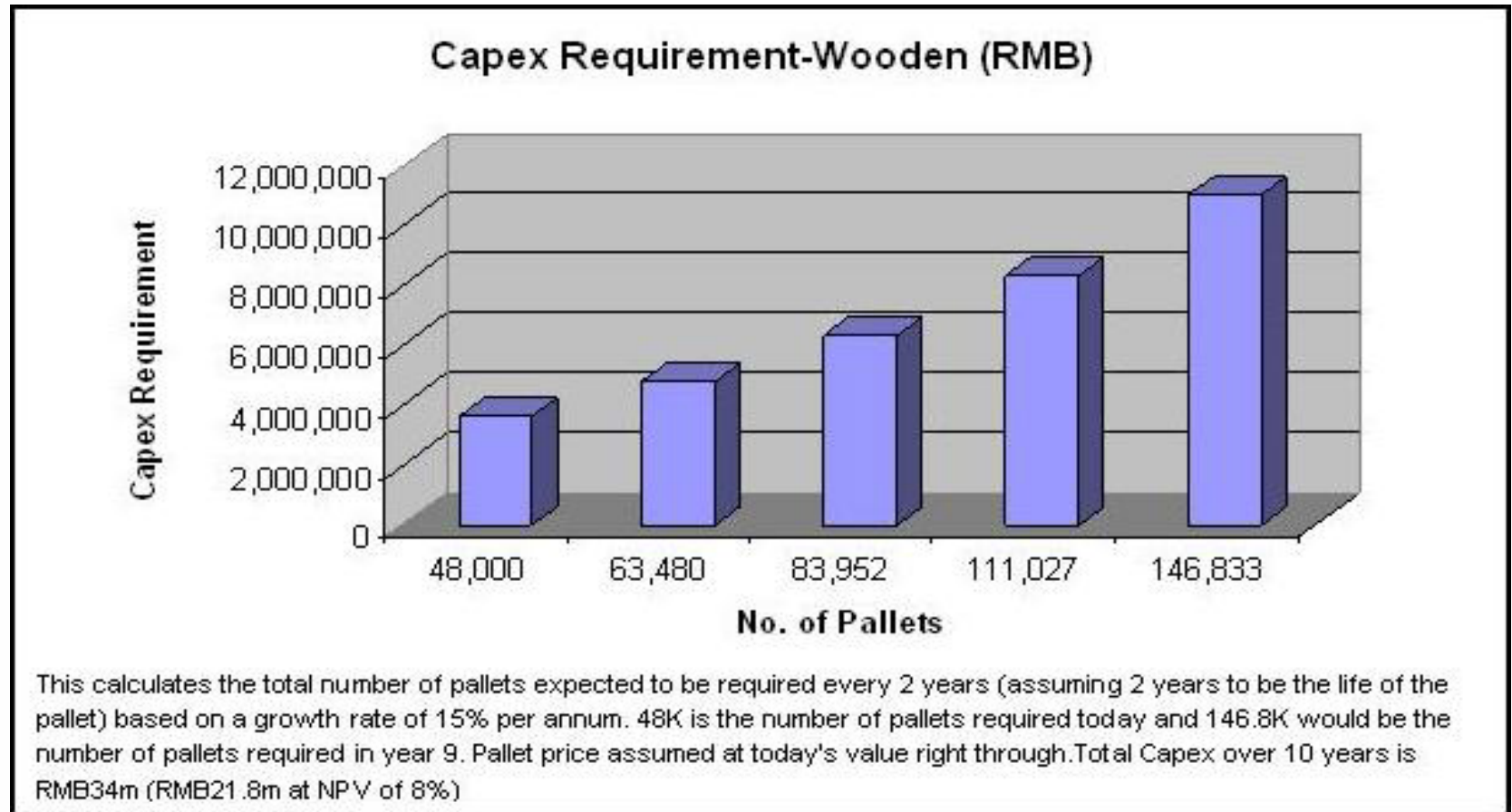
WORKSHOP:

Understanding Your Current Supply Chain Pallet Costs And How To Reduce Those Costs

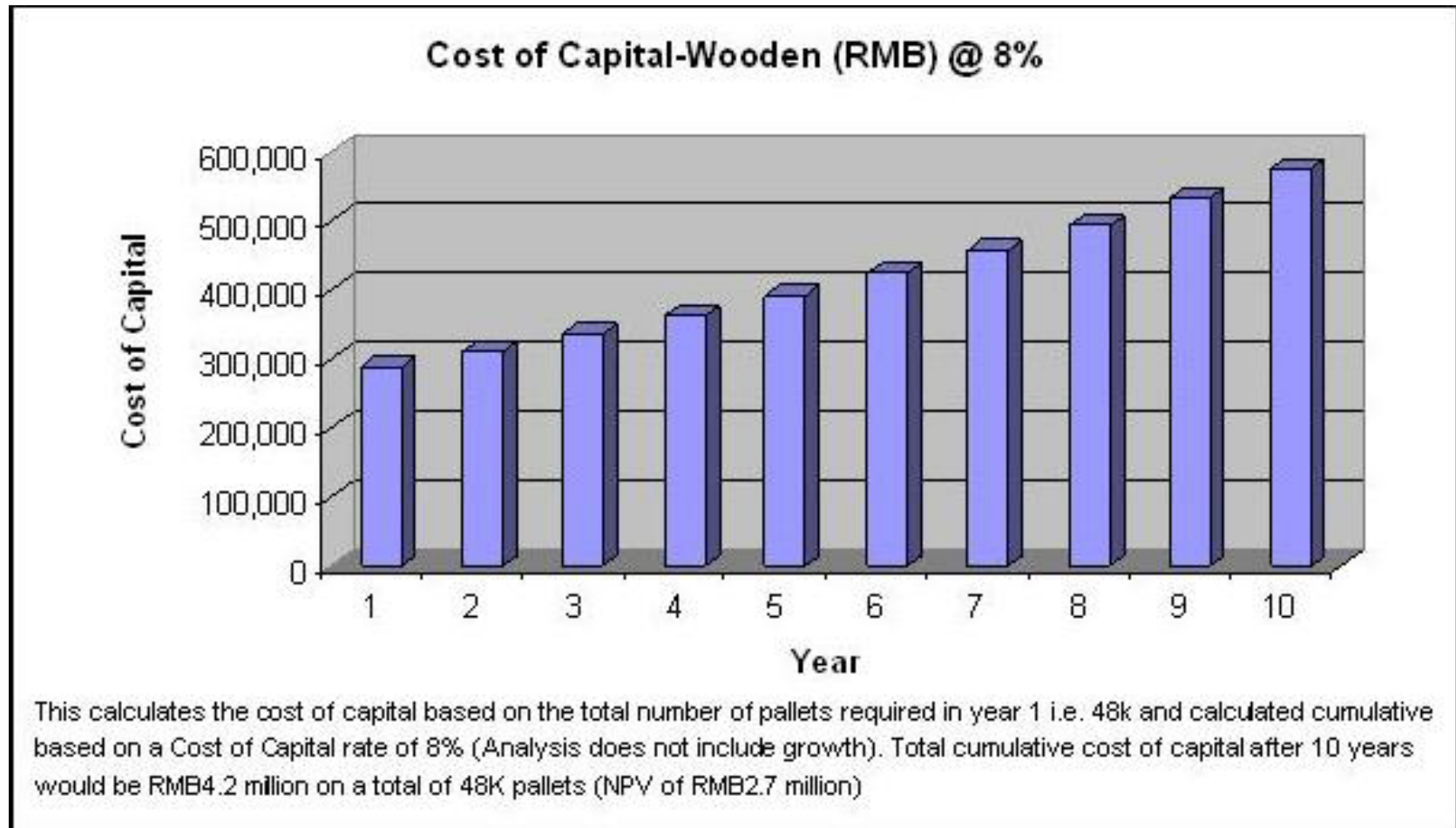
June, 2008

- **Factors that affect supply chain pallet costs**
 - *Capital expenditure*
 - *Cost of capital*
 - *Seasonality*
 - *Handballing benefits/Labour savings*
 - *Pallet operation environment*
 - *Quick inventory/truck turnaround*
- **How to reduce those costs**
 - *Shared pallet pool*

- **Large capital spend, this pressure will grow with business explosive growth.**



- *Opportunity cost of capital expenditure/cost of capital*

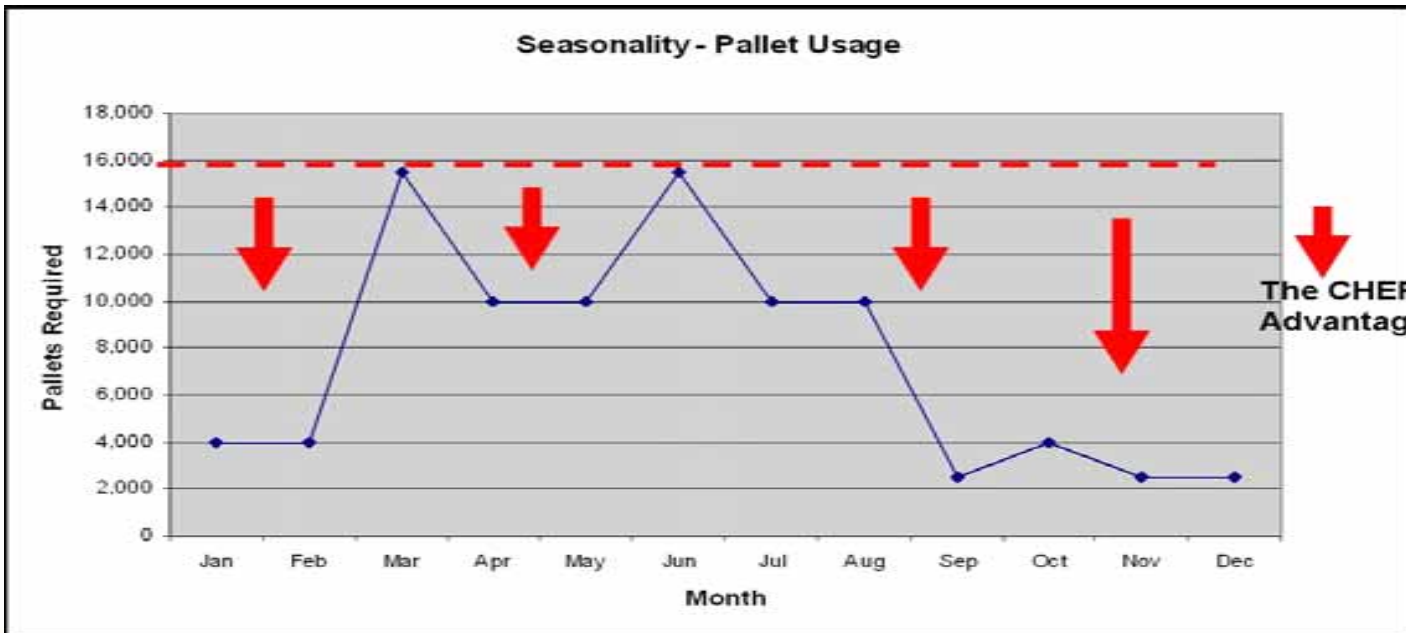


SEASONALITY-

High Seasonality Means Least Efficient Use Of The Pallet

HANDLING THE WORLD'S
MOST IMPORTANT PRODUCTS.

everyday.



HANDBALLING BENEFITS

-LABOR SAVINGS

HANDLING THE WORLD'S
MOST IMPORTANT PRODUCTS.
everyday.



- ***Labor cost for loading and unloading from manufacturers to DC and downstream is non-value added, waste, and not suitable for automation***

- *Pallet costs are also impacted by mishandling of operators during the loading and unloading process*
- *As a direct result, more pallet repair costs may be incurred (wood)*
- *Sustainability of the pallet life also depends on the supply chain environment, a closed loop usage within warehouse or full supply chain from upstream to downstream*



QUICK INVENTORY/TRUCK TURNAROUND

HANDLING THE WORLD'S
MOST IMPORTANT PRODUCTS.
everyday.

- *Fast/efficient inventory means less usage of pallets, less space required and quicker speed of goods to stores*
- *Faster truck turnaround helps reduce*





How To Reduce Supply Chain Pallet Costs?

BY MOVING TO A SHARED PALLET POOL:

HANDLING THE WORLD'S
MOST IMPORTANT PRODUCTS.
everyday.

- ***Solve seasonality issue:***
Hire when needed and dehire during off-peak seasons with no payment.
- ***Reduction in unnecessary manual hand balling***
- ***Better truck utilization***
- ***Faster turning DCs***
- ***Remove Capex – Cost of Capital Benefit***
- ***A world class better quality pallet to reduce product damage***
- ***Standardization of the operation equipment***



Thank you!

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