The Supplier Collaboration Shortage:

Uncovering the Gaps in Supply Chain Readiness

October 2013
Introduction

High inventory liability, the inability to align supply with demand in real-time, and a lack of alternative supply sources are among the many issues that take their toll on today’s supply chains. The typical supply chain relies on the skills and resources of hundreds or perhaps thousands of suppliers—each of which occupies a “link” on the chain. When one link can’t see what another is doing—or, when one is isolated from the rest by siloed thinking and processes—the entire supply chain can suffer.

Manufacturers, distributors, and retailers are not blind to this reality. In fact, some are already forming stronger, long-lasting ties with their suppliers in an effort to create a more collaborative trading environment. Rather than operating blindly, organizations on both sides of the partnership can gain real-time views into shortages or disruptions, make adjustments in supply chain constraint scenarios, and send and receive data in a timely manner. As slow, resource-intensive processes give way to more collaborative efforts, demand forecasts suddenly become more accurate, communications improve, and supply chains become more agile. As the global supply chain becomes increasingly complex, the need for customer-supplier collaboration is expected to grow exponentially.

If your company hasn’t reached this collaborative Nirvana, take heart. In a recent study conducted by Peerless Research Group on behalf of *Supply Chain Management Review* and *Logistics Management* for E2open, Inc., supply chain executives openly discussed their current collaboration efforts with their partners, revealed the gaps in their systems, talked about how those inefficiencies transcend into their own operations, and revealed what technology-based solutions they are using to solve these challenges.

For this survey, we interviewed 111 supply chain and distribution operations executives employed in companies estimating $500 million or more in annual revenues to examine the current state of supplier collaboration and communication within the supply chain.
The State of Supply Chain Collaboration

While most supply chain executives we surveyed acknowledge that collaboration across suppliers is crucial to optimizing process efficiencies and ensuring accuracies, not all have moved in a direction that would put them in closer, two-way touch with their vendors. The majority (84 percent) of these managers boast that they have formal supplier relationship management strategies in place. Curiously one out of six do not use such programs, and, when questioned about the lack of an initiative, a few recognize the value and claim they are currently implementing a supplier relationship management solution. However, others who are slow to adopt a plan either blamed budgetary issues, noted that relationships are developed on a “department by department” basis, or that they just “haven’t gotten around to it.”

Organizations with a formal supplier relationship management strategy

Yes, have a formal supplier relationship management strategy 84%

No 16%

“The more we actually ‘partner’ with our suppliers, the better benefits we are able to bring to our customer base.”

Sourcing & Procurement Management; Wholesale/Retail Trade; $1B-$9.9B
The level of communication through the use of technology spreads across all levels or tiers of partners. This supports the need for a full exchange of information that extends beyond top-tier suppliers.

**Partners with who companies electronically communicate**

- **One:** Brand owner to tier-1 suppliers (51%)
- **Two:** Tier-1 suppliers to tier-2 suppliers (32%)
- **Three:** Tier-2 suppliers to tier-3 suppliers and beyond (17%)

Overall, many of those interviewed maintain that working relationships with suppliers is very dependable and that they are either fully aligned with their partners or stay in frequent communication when taking on any supply chain issues. However, one out of three (33 percent) reveal they are less satisfied with their suppliers, contending that some partners may not be as proactive or as responsive as needed, or that they just fall short in fulfilling requests.

**Relationship with key suppliers**

- Excellent—We are always in total alignment (14%)
- Very good—We communicate frequently and effectively to solve problems (53%)
- Good—They are responsive to requests (but not interactive or proactive) (27%)
- Fair—Responsiveness is slow and often incomplete (6%)
- Poor—We are actively looking for better suppliers (0%)

“Many of our key suppliers are neither responsive nor timely. Due to the uniqueness of our product line, holding suppliers accountable is challenging!”

Sourcing & Procurement; Healthcare; $1B-$9.9B
The greatest benefits that businesses garner through their supplier partnerships range from better product guarantees and warranties, compressed lead times and not having to deal with bureaucracy. Others rely on suppliers for support with product design and more attractive pricing, while others are availed better access and communication.

**Identifying Communication Gaps**

Incidents such as natural disasters, security breaches, spikes in product demand, technology failures, political unrest and economic instability, shipping delays, and other disruptive events are greatly affecting today’s global supply chains. According to the professionals we surveyed, preparing for and managing these types of events, along with other unanticipated supply disruptions, is a massive task. While roughly one-third (37 percent) say that they can adapt and recover from issues caused by unforeseen events, others claim they are not always able to efficiently and effectively resolve problems that arise. In fact, a few admit they are rarely able to settle such issues.

### Ability to resolve unexpected events with suppliers

- **Yes, always**: 37%
- **Not always**: 60%
- **Rarely**: 3%

For those businesses struggling with the problem of unanticipated events, collaborative supplier relationships can provide a level of relief. For example, the electrical distributor that suddenly finds itself short on generators during an epic storm would greatly benefit from working on a collaborative basis to anticipate such needs *in advance* and partner with a supplier that stocks and stages trailers with emergency generators nearby for immediate delivery in the aftermath of the storm rather than on a regular shipping cycle which may not occur until weeks later.

**“Our suppliers provide innovative ideas that help reduce our manufacturing expenses.”**

Logistics Management; Automotives; $1B - $9.9B

**“Our suppliers are often very proactive with timely solutions to issues. Service is efficient and we get very good rates.”**

Logistics Management; Financial Services; $10B+

**“Getting suppliers involved early on with new product development and with production start-up of new products greatly reduces problems and obstacles.”**

Supply Chain Management; Food & Beverage; $1B - $9.9B
The executives we surveyed were mixed on the effectiveness of their company’s collaborative processes and their ability to handle specific issues. Many, and in the case with some issues roughly two out of three, rate their efforts to be average, fair or poor on managing inventory, demand, forecasting, risk and events.

Approaches in communicating with suppliers in the face of precarious events are typically handled in the more direct—manual—ways, either over the phone (93 percent), by e-mail (85 percent), or in person (54 percent). Other means of collaboration, particularly those involving technology have, curiously, not yet been widely adopted. While nearly one out of four have put into operation a supplier portal, only a few of those we interviewed have implemented a collaboration software application.

So just how prepared are today’s supply chains, really, to respond to unforeseen events? And it’s not just about responding; the goal is always to maintain profitability amidst rapid change and volatility. While supplier portals offer advantages over more manual exchanges, they are, for the most part, one-way communication tools.

### Evaluating their supply chain on collaborating and addressing...

<table>
<thead>
<tr>
<th>Category</th>
<th>Excellent/Very good</th>
<th>Good</th>
<th>Fair/Poor</th>
<th>Not Applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parts shortages/Capacity issues</td>
<td>46%</td>
<td>29%</td>
<td>17%</td>
<td>8%</td>
</tr>
<tr>
<td>Event management</td>
<td>38%</td>
<td>38%</td>
<td>20%</td>
<td>4%</td>
</tr>
<tr>
<td>Risk management</td>
<td>35%</td>
<td>32%</td>
<td>32%</td>
<td>1%</td>
</tr>
<tr>
<td>Sales and operations planning</td>
<td>33%</td>
<td>38%</td>
<td>22%</td>
<td>7%</td>
</tr>
<tr>
<td>Forecasting</td>
<td>28%</td>
<td>35%</td>
<td>35%</td>
<td>2%</td>
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Information Management

The majority of those we surveyed rely primarily on manual systems such as email, phone, fax, and Web conferencing to communicate and collaborate with trading partners and 3PLs. About one in four also depend on an ERP system, connectivity through an EDI interface, or information exchange via a proprietary portal or platform. At this point, less than one out of 10 have adopted a cloud-based application for collaborating with suppliers, customers and other partners. However, as the global supply chain becomes increasingly complex, the need for customer-supplier collaboration—and better technologies to enable that collaboration—is expected to grow exponentially.

### Methods for communicating/collaborating with trading partners

<table>
<thead>
<tr>
<th>Method</th>
<th>Customers</th>
<th>Suppliers</th>
<th>3PLs and other 3rd party providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manual (email, phone, fax, web conferencing)</td>
<td>24%</td>
<td>16%</td>
<td>22%</td>
</tr>
<tr>
<td>Direct ERP connectivity</td>
<td>25%</td>
<td>27%</td>
<td>19%</td>
</tr>
<tr>
<td>3rd party web portal</td>
<td></td>
<td>26%</td>
<td>15%</td>
</tr>
<tr>
<td>Internally-developed portal or platform</td>
<td></td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>EDI</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cloud-based collaboration platform</td>
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<td></td>
<td></td>
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<tr>
<td>Other</td>
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The interactions taking place are commonly “step-by-step” versus interactive, according to these supply chain managers. This paints a revealing picture of a customer-supplier relationship that could be greatly improved and streamlined through the use of technology. A cloud-based system that ties multiple systems into a single platform that already has an established network of trading partners and is easily accessible to new trading partners—regardless of their technical sophistication—would save time, money, and hassle for all users.

Just how and how often supply chain managers collaborate with their suppliers differs greatly by company. The bulk of the companies surveyed exchange demand data with their trading partners on a weekly basis, or less often. Data on inventory levels for merchandise and materials, as well as shipping information, is typically shared more regularly.

### Frequency with which data is exchanged with trading partners

<table>
<thead>
<tr>
<th>Data Type</th>
<th>Batch–weekly or less often</th>
<th>Batch–daily</th>
<th>Batch–hourly</th>
<th>Near real-time</th>
<th>Real-time</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand</td>
<td>51%</td>
<td>24%</td>
<td>3%</td>
<td>8%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Inventory levels–finished goods</td>
<td>33%</td>
<td>28%</td>
<td>3%</td>
<td>10%</td>
<td>5%</td>
<td>21%</td>
</tr>
<tr>
<td>Inventory levels–components or materials</td>
<td>32%</td>
<td>27%</td>
<td>3%</td>
<td>10%</td>
<td>7%</td>
<td>21%</td>
</tr>
<tr>
<td>Shipment information (track-and-trace)</td>
<td>23%</td>
<td>30%</td>
<td>7%</td>
<td>17%</td>
<td>13%</td>
<td>10%</td>
</tr>
</tbody>
</table>
When asked about the supply chain processes for which they are most dependent on their trading partners, these manufacturers and distributors point to transportation and logistics (62 percent), inventory management (49 percent), order management (44 percent), manufacturing (40 percent), and reverse logistics (38 percent) as the top areas. It is not surprising that transportation and logistics tends to be at the top of the list in many of our survey responses. But a significant percentage of respondents acknowledge a dependence on trading partners for order and inventory management and manufacturing—areas with even greater complexity and risk.

However, when asked about the level of collaboration currently in those complex outsourced tasks—managing orders, inventory, demand, manufacturing, and procurement—less than a quarter of respondents could describe it as high. Given the outsourced nature of today’s global supply chains, the question remains: How well would these organizations respond to an unforeseen event?
When it comes to improving supplier collaboration, supply chain managers claim they have taken steps in gaining greater control over logistics operations, are upgrading customer fulfillment planning and development, and are improving decisions related to sourcing and distribution optimization.

These executives realize the importance of establishing a collaborative program as many initiatives are being planned to help improve collaborative efforts with suppliers. Nearly half of respondents plan to adopt a collaborative inventory planning strategy, improve management of global suppliers, and gain greater visibility into in-transit shipments. Other businesses are creating single points of contact (versus customer service centers), striving for clearer and more frequent communications, and leveraging technology for order fulfillment, replenishment, demand management, and forecasting. At present, social networking is only beginning to be viewed as a viable collaboration methodology for addressing acute events.
Steps taken/plan to take to improve collaboration with suppliers

- Better management of logistics: 60% have taken, 35% plan to take, 5% do not plan to take
- Improve planning of customer fulfillment: 53% have taken, 33% plan to take, 14% do not plan to take
- Optimize sourcing and distribution decisions (network design): 51% have taken, 35% plan to take, 14% do not plan to take
- Implementation of supply chain software/IT solutions: 47% have taken, 31% plan to take, 22% do not plan to take
- Gain greater visibility into in-transit shipments: 42% have taken, 40% plan to take, 18% do not plan to take
- Better management of global suppliers: 37% have taken, 42% plan to take, 21% do not plan to take
- Adopt collaborative inventory planning strategy (e.g., VMI): 36% have taken, 44% plan to take, 20% do not plan to take
- Implementation of social network technologies (e.g., Chatter, Yammer): 9% have taken, 19% plan to take, 72% do not plan to take

“A quick and easy solution is in the management of warehouse management through the use of bar coding. We are focusing on this for better management for VMI tools with various stakeholders.”

Corporate Management; Chemicals; $10B+

“We are looking to upgrade internal systems capabilities to provide a higher quality of data and enhanced integration capability for order flow.”

Strategic Procurement of Logistics Services; Retail; $10B+
With so many critical processes depending on the exchange of goods, reliable data between trading partners, and with technology serving as the ultimate facilitator for such relationships, the case for solid customer-supplier collaboration is clear.

Unfortunately, getting from Point A to Point B isn’t as easy as it should be. Nearly one-half of these supply chain managers blame poor data quality (49 percent), an insufficient technology infrastructure on the partner side (47 percent), and a lack of ownership and responsiveness (46 percent) as main reasons for cracks in their supply chain.

Other obstacles blocking effectual customer-supplier collaboration include disconnected process configurability (34 percent) and an inadequate internal technology infrastructure (33 percent). Combined, these challenges continue to make it difficult for companies and their suppliers to effectively optimize and leverage collaboration.

Challenges in collaborating with partners to improve supply chain processes

- Poor data quality: 49%
- Insufficient technology infrastructure on the side of our partners: 47%
- Lack of ownership/responsiveness: 46%
- Lack of process configurability: 34%
- Insufficient technology infrastructure/sophistication on our side: 33%
- Insufficient data granularity: 28%
- Data latency: 23%
- Cumbersome user experience: 22%
- Data overload: 18%

“There are varying degrees of IT sophistication and a willingness to improve among our supply chain partners.”

“Execution is our primary focus. If a supplier commits to a requirement and does not perform to that level, it is a failure. It also is a failure when a supplier does not meet our business control requirements and puts us in a poor compliance posture.”
Summary

Effective communication across suppliers is crucial to optimizing the efficiency, accuracy, and profitability of the supply chain—whether it’s business as usual or, some might say more importantly, in times of unexpected change or chaos. Getting to that point requires technology, a dedication to the process, and a dose of patience as trading partners learn to “let down the walls” somewhat and share information like never before.

Open, cloud-based platforms, for example, allow supply chain managers to connect with suppliers around the globe in a 24/7/365 format that isn’t possible with disparate, proprietary, and/or installed software options. Once integrated, businesses and their suppliers gain complete visibility across one another’s inventories, transactions, and activities—and can enjoy the benefits of real-time data exchange and collaboration.

When done right, collaboration allows companies to respond more quickly to potential inventory shortages and shipment delays; ward off and deal with supply chain disruptions; create and share supply and demand signals; and coordinate with literally hundreds of suppliers at once.

By aligning and collaborating with such a wide swath of suppliers, supply chain managers gain the visibility that they need to respond to any supply chain challenge that’s put in front of them in today’s competitive business environment.
The Supplier Collaboration Shortage: Uncovering the Gaps in Supply Chain Readiness

Methodology

This research was conducted by Peerless Research Group (PRG) on behalf of Supply Chain Management Review and Logistics Management for E2open. This study was executed in July, 2013 and was administered over the Internet among subscribers to Supply Chain Management Review and Logistics Management magazines.

Individuals were pre-qualified for being involved in decisions as they relate to sourcing, outsourcing, and supplier relationship management, and for having at least 10 suppliers or trading partners in their business network.

The findings are based on information collected among 111 top supply chain and logistics executives employed in businesses estimating their 2013 revenues to be in excess of $500 million.

Overall, responding companies work with a multitude of suppliers, many of whom are located outside their home country. Respondents are predominantly supply chain management (34 percent), logistics management (22 percent), corporate or executive management (8 percent), and sourcing or purchasing management (16 percent). A wide range of industries are also accounted for and include manufacturers of electronics and electrical components, computers, automobiles and parts, industrial machinery and metals, medical devices, etc., as well as wholesale and retail businesses, 3PLs, and consulting services.

About E2open

E2open is a leading provider of cloud-based, on-demand software solutions enabling enterprises to procure, manufacture, sell, and distribute products more efficiently through collaborative execution across global trading networks. Brand owners use E2open solutions to gain visibility into and control over their trading networks through the real-time information, integrated business processes, and advanced analytics that E2open provides. E2open customers include Celestica, Cisco, HGST, IBM, L’Oréal, LSI, Motorola, Seagate, and Vodafone. E2open is headquartered in Foster City, California with operations worldwide.

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