

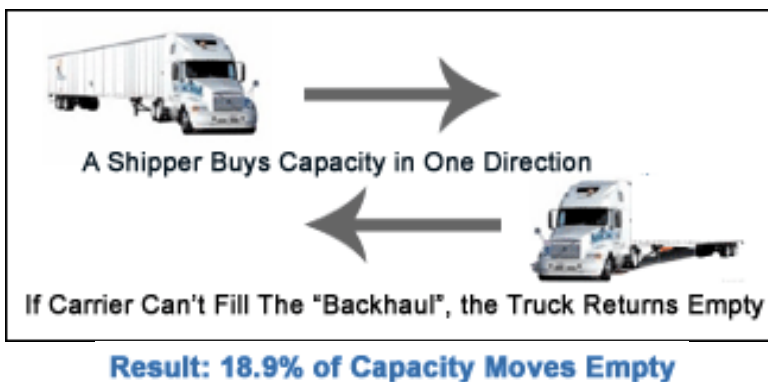
## Collaborate and Conquer

**"I not only use all of the brains I have, but all I can borrow."**

- Wilson,  
 Woodrow 28th President of the United States (1856-1924)

**P**aradigm changes in the way businesses have been operated in last few decades have arrived through a knowledge revolution. Economic structures induce flexibility through ever extending knowledge horizons. The new age knowledge economy is instrumental in transforming the traditional brick and mortar industries, dramatically influencing the basic components of Economics: Supply and Demand. And thus, affecting the organizational function connecting Supply and Demand components – Logistics.

**T**he Global Logistics Market is worth \$3 Trillion!! Millions of shippers and thousands of carriers are operating in a highly fragmented market with few global players. Across the globe, the Logistics industry is faced with a classical paradox. While lack of capacity is the most important issue in achieving economies of scale, every shipment itself creates an excess capacity!! It will require many shippers *to collaborate* their individual efforts in utilizing excess capacity and achieving competitive advantages.



**C**ollaboration is a platform to share expertise, knowledge and assets to bring out synergies of more than one organization. The basis of any Collaborative model is Demand Aggregation. Retailing industry is one of the best examples of collaborative model. Several products are reaching out to end customers through one window, instead of numerous small stores, traditionally. It allows manufacturers to aggregate



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### About DecisionCraft Analytics

We provide decision-making solutions to improve operational efficiency and business responsiveness. Our consulting services employ our strengths in industry knowledge, conceptual rigor, and information technologies. Developed using concepts from decision theory; our solutions use robust optimization, simulation, and statistical engines adapted to our client's focus areas.

### DecisionCraft Services

#### Business Diagnostics

We analyze business processes and transactional data to identify underlying patterns, unravel hidden relationships and recommend areas for improvement that can improve ROI and reduce costs.

#### Predictive Analytics

We use historical data intelligently to develop a view of future market trends and help our clients focus on

demand from several small shopkeepers to one big retail outlet, which helps them bettering production planning, inventory management and distribution planning. The cost advantage gained due to lean operations is passed on to the retail operator. Retailer enjoys special rates due to high volumes and part of this benefit is passed on to the end customer. However, this Collaborative Model is mostly functional at the front end of the Demand Chain, interacting directly with the end customer. Similar model can be replicated at the back end, in Supply Chain, popularly known as Collaborative Logistics. The concept has been widely discussed in various forums and has been identified as an area of new cost reductions in Supply Chain(s). The benefits are well known : better utilization of space, route planning, consolidation of shipments, backhauls, lower costs, reliability, shorter cycle times, greater flexibility, milk run, demand planning and forecasting, visibility and control over movement, cargo tracking and many more. In spite of a long list of advantages that firms can gain through Collaborative Logistics, the concept has not flown through logistics managers across the world and faces issues like implementation feasibility, data security, compatibility of various systems, and most of all, *start syndrome* . Just like any other paradigm change, concept of Collaborative Logistics suffers from ambiguity, ifs & buts.

**T**he right way to start with the concept of Collaboration is not to define it as a logistics prerogative, which is narrowly interpreted as using the same warehouse to store different products of different players and sending them to market through the same vehicle. Though this strategy is essentially a central theme in Collaborative Logistics, there is much more to it. Collaboration goes beyond vague expressions of partnership and aligned interest. *Collaborative Logistics is retailing of supply chain products and services achieved through 3PL.* The space in warehousing and distribution is a commodity available in larger quantity and accessible to all players similar to retail industry. Along with space, 3PL can provide various services like inventory management, warehouse management, distribution, forecasting, milk run, information sharing and MIS to support decision making, collaborative planning etc. This view point allow us to look at Collaborative Supply Chain as a retail opportunity, which will transform traditional logistics networks to collaborative networks. It does not require an overnight change in the way we carry out day-to-day business, but by introducing an enzyme of change.

the right audiences thereby developing their competitive edge.

#### Forecasting

We use advanced time-series and regression techniques for forecasting behavior of critical business variables that allows our clients to plan for their resources intelligently.

The success of Collaborative Logistics is achieved through implementation. To generate confidence among various players and management, it should be started with one location where benefits are quickly realized to everybody. Choosing a far off location with high logistics cost or a common strategic location for all players can be a good option to start with. It is also important to choose collaborative partners, who share common business objectives, complimentary product lines, mutually benefiting logistic networks and more importantly, progressive thinking. Selecting the right 3PL partner with state-of-the-art warehousing and inventory management systems and with experience of carrying out complex logistics activities is a key. At this point, one should also look at the system maturity of collaborative partners and 3PL to understand compatibility issues. Integrating player's ERP and Order System with 3PL's system will provide forward visibility to demand, enabling efficient re-circulation and sharing of excess capacity through collaborative network. Web based technology can be used as the common platform for conversing to various systems and streamlining business relationship. All the collaborative partners must prepare the Collaborative Mandate, which addresses data sharing and data security, pro-rata sharing of costs, rules of engagement, allocation of gains and losses. The Mandate should also define stringent KPIs to measure process performance. With increasing collaboration bandwidth, benefits and risks associated with it also increase. By establishing the Collaborative Mandate at the start of engagement and modifying them as the relationship continues, partners are better equipped to preserve their individual business objectives. Strict compliance of all the partners to this Mandate will amplify the gains. A periodic review to measure the cost benefit of collaboration provides value proposition to each player whether to continue or not. On favorable results, the collaborative model should be replicated to other geographies or markets.

As collaborative efforts gain momentum, and as Collaborative Logistics is recognized as a strategic priority, participating members will be well positioned to reinforce their core competencies. Web-based technology has removed a huge barrier in connecting different networks. Much of the remaining barriers are psychological. Collaboration, Commitment and Change management will define leaders and laggards of tomorrow.

**Next Issue:** [Choosing the right forecasting technique](#)

**Previous Issue:** [Collaborative Planning, Forecasting and Replenishment](#)

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