I recently wrote a column on Collaborative Planning, Forecasting, and Replenishment (CPFR) for a special CPFR issue of the Journal of Business Forecasting (Winter 2010-2011). In writing the piece, I came to realize the profound effect that the CPFR phenomenon has had on my career. This column reflects many of the thoughts I expressed in that JBF column.

I got on what eventually turned out to be the CPFR bandwagon just as it was starting to roll. Back in the 1990s, there was supply chain industry interest in Efficient Consumer Response (ECR). Essentially, ECR was a concept whereby manufacturers and retailers might drastically reduce inventories, costs, and waste in consumer-product goods supply chains by sharing information. There was a lot of excitement about the potential of ECR, though for a variety of reasons, that potential was never realized.

But the initial excitement generated over ECR did spark an interest in the broader notion of supplier-customer “collaboration”, which eventually led to the development of CPFR as an enabling approach. This innovative approach was offered as a panacea for integrating supply chains to gain huge benefits in inventory reductions and increased sales. Like most technology innovations, CPFR followed the Gartner “Hype Cycle.” That is, early on after a trigger, it experienced a period of inflated expectations, then a period of trough of disillusionment, and eventually enlightenment—leading to its current period of productivity.

The Early History

The potential of CPFR as an electronically enabled capability was brought to my attention in a 1996 Business Week article titled “Clearing the Cobwebs from the Stockroom: New Internet software may make forecasting a snap” (http://www.businessweek.com/1996/43/b3498166.htm). The article described a working pilot being conducted by Warner-Lambert and Wal-Mart to co-forecast the retailer’s sales of Listerine mouthwash and to improve retail inventory replenishment of that product. Then, the initiative was called Collaborative Forecasting and Replenishment, or CFAR—the acronym suggesting that it would help you “see far.”

The Business Week article noted that a small consulting firm called Benchmarking Partners, with funding from Wal-Mart, IBM, SAP, and Manugistics (now part of JDA Software), had developed CFAR and was trying to establish industry standards for how retailers and suppliers should collaborate over the Internet. In January of 1996, I joined Benchmarking Partners for about a year to play a part in CPFR’s evolution. I continued to track the initiative during my subsequent tenure as a supply chain analyst for AMR Research (now part of Gartner).

Like many others, I felt CPFR was going to be an important way to leverage the Internet to integrate supply chains. And, like the Internet, it was going to change everything and move the industry to a “new economic” model.

In 1998 I wrote a report at AMR Research titled “Are We Moving from Buyers and Sellers to Collaborators?” While the title was posed as a question, the report was bullish on CPFR’s long-term prospects. In that report, I presented Exhibit 1 to depict not just the manufacturer-retailer collaboration (regarding

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**My CPFR Journey**

_Though Collaborative Planning, Forecasting, and Replenishment may not have played out the way we thought it would, the results to date have been a resounding affirmation of collaboration._

*By Larry Lapide*

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demand planning), but also various other opportunities along a supply chain for buyer-seller collaboration. I conjectured that collaboration would be beneficial not only for relationships between manufacturers and retailers (i.e., the focus of CPFR), but also among manufacturers and their multi-tiered set of suppliers to do Synchronized Production Scheduling and Collaborative Product Development. I also addressed the potential for collaboration among manufacturers and logistics providers via Collaborative Logistics Planning for transportation and warehousing services.

The Voluntary Interindustry Commerce Solutions (VICS) Association later that year began developing industry standards and supporting CPFR pilots. The group’s website (www.cpfr.org) describes the progress made since: “Since the 1998 publication of the VICS CPFR guidelines, over 300 companies have implemented the process. Numerous case studies of CPFR projects document in-stock percentage improvements of 2 to 8 percent for products in stores, accompanied by inventory reductions of 10 to 40 percent across the supply chain.”

**Dot.com Meltdown Changes Everything**
CPFR never became the big deal we all thought it would be. Once the Dot.com bubble burst in March 2000, the enthusiasm for CPFR waned despite ample evidence of its benefits from the VICS pilots. Along with the World Wide Web, CPFR went through its trough of disillusionment. Companies decided it was too difficult to scale up the piloted processes to collaborate with larger swatches of their retail-customer bases. Many just wound up implementing it in standardized form with a handful of their major, most-demanding, and capable customers.

Yet while the standardized form of CPFR may not have been the big deal we all thought it would be, its introduction was an important watershed event for all types of electronic collaboration. In particular, it was instrumental in showing that the collaboration concept could be leveraged throughout the supply chain to improve planning and operations. In fact, the term CPFR became associated with a variety of inventory co-management programs such Vendor Managed Inventory (VMI) and Supplier Managed Inventory (SMI). It was also being connected with forecast-sharing and other types of downstream data sharing (including the sharing of channel and warehouse inventories, and warehouse withdrawals).

These types of collaboration programs are very much alive today. Many consumer product companies (General Mills, P&G, and Hershey’s, to name a few) have implemented successful co-inventory management programs such as VMI, and to a lesser extend CPFR, with significant portions of their customer bases. High-tech companies such as Dell, TI, and Cisco Systems have important co-management inventory programs with their suppliers. Lastly, many manufacturers have implemented just-in-time (JIT) inventory replenishment programs to support production operations by sharing inventory replenishment forecasts with their suppliers and contract manufacturers.

Going back to the Hype Cycle, we have passed through a period of enlightenment for CPFR and now are in a period of productivity. That’s true not just for standardized CPFR, but also for the broader concept of supply chain collaboration. And with the possible exception of Collaborative Logistics Planning, which has yet to gain much traction, the collaboration opportunities today are much as depicted in our graphic from 1998.

Like recent Internet initiatives, such as the Web 2.0 and 3.0, CPFR concepts are being successfully implemented—however, not in the “standardized” ways we thought of during the peak of the hype. The recent growth of mobile devices and wireless communications, coupled with the various social networks, bode well for increased electronic supply chain collaboration in the future. CPFR is alive and well, albeit with a broader manifestation and spelled with a capital “C” for collaboration!