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We've helped Asda get their suppliers working together to improve resilience and efficiency...

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“ Because of the Asda Sustain & Save Exchange I can now contact my opposites in other companies and ask a question and they will answer, and I'll do the same. It's a tool I never thought would exist. But now it does, it's a tool I don't want to lose. ”

Rick Lloyd, Chief Engineer - Stateside Foods

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SUPPLIER collaboration may fit nicely together with the ideals of sustainability in

marketing material, but the relationship between the two concepts is underserved if we conflate them.

For business, the 'green agenda' has been at various points a concern, a risk, a new market, an opportunity – but it's consistently been a challenge to act across the value chain to effect change. In that respect, collaboration is a crucial strategy for reaching across industry, aligning goals and commercial outcomes. In so far as sustainability is a driver for collaboration, the mesh of different standards, the difficulty of measuring or auditing supplier performance, the return on investment, have all meant that few have been able to perform consistently and with results. By looking at the techniques and platforms that can open up collaboration, we can hope to achieve many of procurement's fundamental objectives.

Steve Hall

Editor, *Procurement Leaders*

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Knowledge share

Facilitating collaboration between suppliers can drive innovation, efficiency and quality, writes **Malcolm Wheatley**



BACK IN 2010, pharmaceutical giant GSK reached a sobering conclusion. Keen to reduce its energy costs and improve its sustainability performance, it had discovered that more than a third of its carbon footprint lay not within its own operations, but in those of its supplier base.

Worse, adds Matt Wilson, head of GSK's global Environmental Sustainability Centre of Excellence, individual suppliers' contributions to that overall footprint were highly fragmented.

"From a supplier perspective, no single supplier had more than a 1% impact on our carbon

footprint, meaning that we'd have to engage with an awful lot of suppliers if we were to make a material impact on our suppliers' carbon footprint," he recalls. "Clearly, the supply base carbon footprint was important to us. But how were we going to tackle it?"

As more businesses seek to engage with suppliers to address important corporate agendas – not just sustainability, but also issues such as innovation, efficiency improvement, quality, and labour best practices – it's a quandary that is increasingly common.

Hugh Williams, managing director at supply chain ➔

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consultant Hughenden Consulting, says: “There just isn’t the bandwidth to collaborate with an entire supply base to drive these agendas. Consequently, we see companies forced to segment their supplier bases in order to determine the best way to focus their resources – and classic ‘ABC-style’ segmentation isn’t necessarily the answer. You can have a very small supplier that is strategically important, and other much larger suppliers of, what are in effect, commodity products.”



Heightened expectation

Yet the issue can’t be ducked. For consumer-facing businesses such as retailers and consumer packaged goods businesses such as GSK, inactivity isn’t an option.

Stuart Higgins, partner at supply chain consultant LCP Consulting, says: “It’s increasingly important for both consumer businesses and their suppliers to meet the heightened expectation of today’s customers – expectations across a wide range of characteristics such as price, quality and brand

values. But in doing so, there are significant challenges in engaging with suppliers in significant numbers, quickly enough and effectively enough, to make a difference. It’s a major bandwidth problem.”

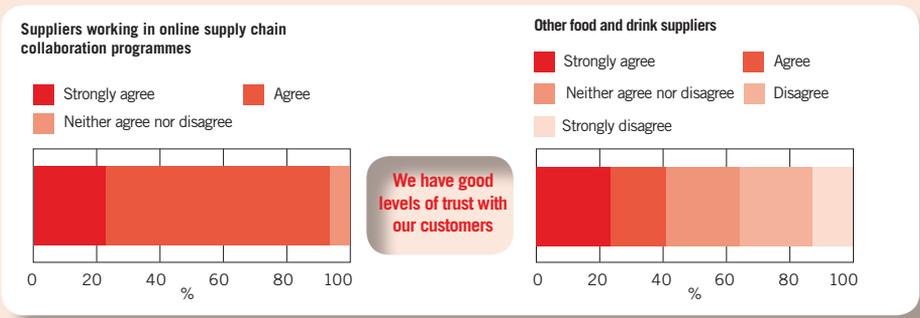
Moreover, adds Hughenden’s Williams, it’s also a language problem. Conventional approaches to such supplier engagement exercises often founder because of the difficulty in engaging with the right people.

“For issues such as innovation or sustainability, it’s pointless

having commercial people talking to commercial people,” he says. “Yet if you host a supplier conference, you’ll largely get commercial people, or quality people. You won’t get sustainability people, or operations people, or innovation people. You need to find a forum that enables appropriate people to speak with other appropriate people.”

Yet a model for such a forum did exist, Wilson came to realise. And moreover, it was in use at other blue-chip businesses such

Comparison of levels of supplier/customer trust developed with online supply chain collaboration programmes versus traditional supplier management approaches



Source: 2degrees

PUSH TO BE CUSTOMER OF CHOICE AND BUILD TRUST

In today's supply chains, security of supply is everything. But how best to become the 'customer of choice'? The one offered innovations and new products first, and the one not put on allocation when supplies are scarce?

One clue: according to suppliers, participation in a customer-sponsored online collaboration programme materially impacts suppliers' opinions of that customer. And for the better, as research

carried out by 2degrees highlights.

Some 88% of suppliers in customer-driven supplier collaboration programmes said that they either agreed or strongly agreed with the statement that they have a good relationship with the customer. This compares to just 53% of a control group of other suppliers, who were asked if they either agreed or strongly agreed that they had a good relationship with their top three customers.

Moreover, it's a relationship built on trust. Just 41% of suppliers in the control group said they either agreed or strongly agreed that they trusted their top three customers. But among members of supplier collaboration programmes, the figure was 94%, more than twice as many.

And since becoming a member of a programme, 88% of suppliers reported viewing the customer as more attractive.

as Tesco, Asda-Walmart, and the Royal Bank of Scotland. Namely, online 'communities' of suppliers, hosted and facilitated for companies in GSK's position by 2degrees – the online collaboration platform for sustainable business, where suppliers collaborate with other suppliers to drive progress.

At Asda, for instance, the retailer funds the Asda Sustain & Save Exchange (SSE), a private, online community of suppliers and colleagues focused on sustainability and cost-efficiency. Supplier participation is voluntary, and underpinned by two important principles. First, the community is facilitated by 2degrees acting as a trusted third party, not Asda itself. Second, suppliers have an assurance, enshrined in what the supermarket calls 'the golden rule', that any savings resulting from ideas shared within the community are the suppliers' own savings to keep. They are firmly ring-fenced from Asda's commercial team.

It's an improvement model that isn't without a certain logic, says Richard Wilding, professor

of supply chain strategy at Cranfield University's Cranfield School of Management.

In terms of fruitful collaboration, a retailer's suppliers may have more in common with each other than with the retailer itself, he points out. For example, two identical pork pie manufacturers might

real innovation opportunities out there on sites such as LinkedIn," he says. "Instead of discouraging access, businesses should be promoting it as a way of finding potential innovations – yet they don't."

And certainly Asda's own view of its experience with SSE is that it has undoubtedly fostered

“Many businesses bar social media access, yet there are real innovation opportunities out there”

be loath to share information, but the businesses of a pork pie manufacturer, a chicken processor and a sausage manufacturer are far enough apart to ease such competitive concerns.

Moreover, Wilding adds, a network that was positively endorsed by a major customer can handily sidestep some of the barriers to online innovation that companies' IT and HR functions sometimes erect.

“Many businesses bar social media access, yet there are

innovation in sustainable good practice, says Chris Brown, the retailer's senior director for sustainable business. From LED lighting to biomass boilers, and improved air compressor efficiency to reduced packaging waste, Asda can point to a rich seam of examples of shared best practice that would have been difficult to engender in any other way.

“Of course, when it comes to people working in operations, they like talking to their peers, and there is a tendency for ➔

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people to prefer face-to-face contact,” says Brown. “But there’s an immediacy to online communication that is hugely attractive. Not everyone has the time or inclination to get in the car and drive 50 or 100 miles to see something that might not meet their needs.”

On-site meetings

That said, he points out, the fact that the Asda SSE is online doesn’t preclude face-to-face contact. Indeed, face-to-face meetings occur both spontaneously and on an organised basis, and several suppliers have hosted on-site tours and meetings to see particular innovations, or discuss particular issues. And a physical meeting of the SSE’s supplier-led steering board takes place every quarter, with a waiting list of Asda suppliers wanting to host it.

65 PERCENT

Of suppliers surveyed agreed that they view their client as a more attractive customer because of the fully linked collaboration programme they run.

Moreover, adds Laura Babbs, Asda’s sustainability manager, the SSE provides a forum where a wide variety of people in different job roles can pool insights, as well as participate in Asda-funded webinars for independent third-party subject experts to share knowledge.

“Usage has really broadened out,” she notes. “You get everyone from engineers asking for advice regarding specific pieces of specialised machinery

to very senior executives wanting to ask questions about other businesses’ approaches to top-level sustainability agendas. Initially, suppliers’ people went on the Exchange because we asked them to use it, but now they go on it because they see very real value in it. And it is value that they know they will be able to keep because they now trust us to adhere to our golden rule about keeping such gains off the table.”

It’s a view of the SSE that precisely mirrors the experience of the Moulton Bulb Company, a 300-employee business based in south Lincolnshire that supplies Asda with garlic, onions and shallots. In addition to director Chris Woodrow, a number of Moulton Bulb’s production managers and supervisors are regular users of the SSE, as well

SUPPLIER-TO-SUPPLIER COLLABORATIONS

We feel able to go to other suppliers and ask for advice/help

Suppliers working in online supply chain collaboration programmes



9/10 AGREE OR STRONGLY AGREE

Other food and drink suppliers



4/10 AGREE OR STRONGLY AGREE

We feel willing to share our experiences and insight with fellow suppliers

Suppliers working in online supply chain collaboration programmes



8/10 AGREE OR STRONGLY AGREE

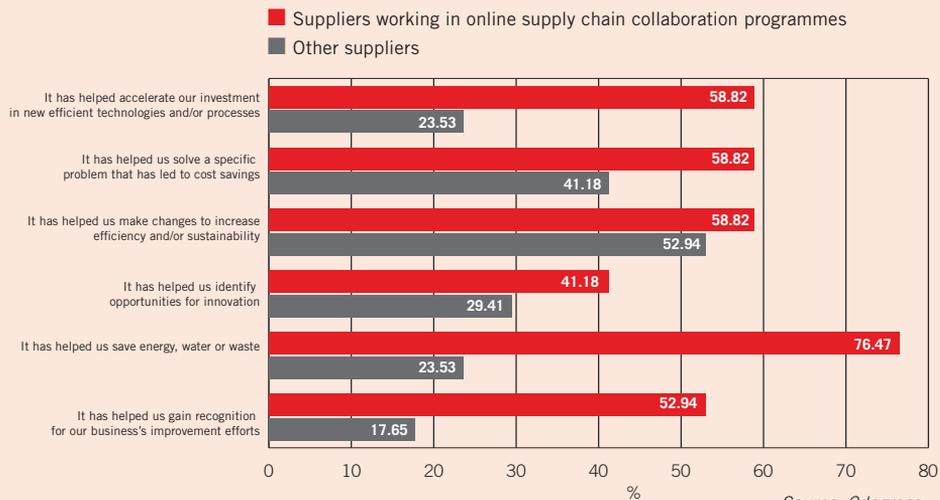
Other food and drink suppliers



4/10 AGREE OR STRONGLY AGREE

Source: 2degrees

Q: Have you experienced any of the following outcomes as a direct result of collaboration with your top three customers or fellow suppliers?



as the firm's engineering manager and its Asda account manager.

"We started with one user and grew from there," says Woodrow. "We take the view that there are a lot of energy-saving opportunities available through participation in the SSE, and the more of our people who see them, the better."

More than that, he adds, the SSE offers a route to expert insight that would either not normally be available to the business, or which would require cash expenditure to acquire. Instead, thanks to Asda's financial support for the SSE, that insight is available for free.

"There's a huge wealth of experience and knowledge out there that we don't possess," enthuses Woodrow. "We take the view that we're onion and garlic specialists, not energy experts, so it makes sense to tap into the views of people who are experts, and talk to people who we wouldn't otherwise speak with, and who have insights and advice

to share. Ordinarily, for instance, we'd never normally talk to dairy companies, and it's clear that they are ahead of us in doing some of these things."

What's more, the opportunity to learn from the experience of others helps to level the playing field in terms of Moulton Bulb's competitive stance right across the board, he adds.

"We're a relatively small business, without the same access

going about them in the right way, and dealing with reputable businesses which will deliver what they promise."

Not that the information sharing is purely one way, he stresses. Recently, Moulton Bulb has been sharing with the SSE community its experiences of installing electricity sub-meters at its 50-acre site, which contains a lot of cold stores and packing machinery.

"We take the view that there are a lot of energy-saving opportunities available through participation"

to finance that some of Asda's larger multinational suppliers possess, and consequently, when we make an investment, we want to know that it will work and that it will deliver the return that we expect," Woodrow says. "Talking to others, we can get reassurance that we're doing the right things,

Woodrow says the initiative has provided enormous insight into where energy was actually being used. And, building on that, Moulton Bulb's subsequent move to a new variable speed air compressor has also been extensively shared – a move that delivered a reduction in energy ➔

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consumption of 1.6% at the site.

That said, such supplier-to-supplier collaboration needs careful facilitation, not least in terms of competition law. It is important to set out the ground rules in terms of sharing commercially sensitive information, and to avoid any suggestion of price collusion.

Alan Hayes, strategy and engagement manager at the Institute of Grocery Distribution (IGD), who has closely followed the SSE's progress, says: "We've definitely seen instances where senior managers have needed approval from their headquarters in order to set foot in competitors' offices, even as part of an industry-wide initiative, or as hosted site visits that are open to all suppliers. It's not a frequent occurrence, and companies' attitudes do differ, but it has happened."

Taking it too far?

But is such caution warranted? There's certainly an argument that British businesses are perhaps overzealous in this regard, says Christopher Bovis, professor of international and European business law at Hull University Business School.

"In the UK there's a tendency to overreact, with an atmosphere of caution and a reluctance to engage collaboratively with other businesses," he says. "In a number of other European countries, attitudes to collaboration are much more open, with legal frameworks that allow and encourage alliances between companies."

And certainly, adds IGD's Hayes, the use of a trusted facilitator is absolutely

fundamental to the success of any supplier-to-supplier collaborative initiative – not just to provide a clear and unambiguous platform for discussion and co-operation, but also to act as a 'buffer' between suppliers and their customer.

"You need an independent, non-lobbying, impartial organisation both as a facilitator and to guide the agenda and the

discussion in the right direction," he says. "If you look at the Asda Sustain & Save Exchange, you'll see an online platform, you'll see supplier site visits, and you'll see focused webinars on specific topics and issues. It's about orchestrating a richness of opportunity that otherwise wouldn't exist."

And those opportunities stretch way beyond narrow



Martin Chilcott
Founder & CEO,
2degrees

Procurement Leaders (PL): Sustainability is hugely topical, of course, but does the world really need yet another talking shop devoted to it?

Martin Chilcott (MC): Does the world need yet another talking shop? Probably not. But we don't provide a talking shop. We help companies to deliver change and build measurable improvements into their supply chains. And the world, and the world's major businesses, are desperately short of ways of doing that.

PL: Why? What is so difficult about it?

MC: Because it doesn't scale very well. If you're a consumer goods company, you face three problems in working with suppliers in order to create improvements. One, there's a limit to the number of conversations you can have. Two, you're probably not best placed to help them with specific

improvements, because their businesses will probably be very different to yours. And three, the people in your own organisation, who might have at least some of the answers, aren't in a supplier-facing role. So there isn't a communications channel.

PL: But, at the risk of sounding cynical, is the sustainability agenda important enough to warrant it? Putting an entire supplier base in touch with each other is quite an undertaking.

MC: Which is precisely the argument for outsourcing it to a business for which this is a core competency, of course: we make it much less of an undertaking. But seriously, what could be more important? Sustainability impacts everything: efficiencies, cost structures, brand values, reputational risk, and quality. Make a sustainability improvement, and the impact

sustainability agenda, affirms Marcela Navarro, head of customer innovation within the corporate banking division of the Royal Bank of Scotland (RBS). A similar collaboration exchange at the bank, she explains, has sought to demonstrate RBS's commitment to boosting the inclusion of under-represented groups within its supply chain.

"A huge achievement for

us is being able to show that we have been able to bring under-represented groups into the bank's sustainability and customer innovation processes in a way that delivers that additional inclusion faster, credibly, and in a tangible results-oriented manner," Navarro says. "It's a real success story."

GSK's Wilson's own investigations into the

opportunities offered by supplier-to-supplier collaboration exchanges had led him to the point of active discussions with the company that managed Asda's SSE: UK-based online sustainable collaboration platform specialist 2degrees.

But while the concept clearly worked at Asda, and for other businesses besides, would it work for GSK? And for its supply base? Wilson decided to find out, and engaged a consulting firm to talk to a cross section of suppliers, focusing first on areas of major spend in the UK and France. Key questions: How focused were they on improving energy efficiency? And how open were they to the idea of collaboration in order to identify and deliver those improvements?

"Trying to do it through our procurement organisation would lead to a commercially-oriented conversation, which would set the wrong tone," he says. "We hypothesised that suppliers wouldn't trust us and think that this was another commercial discussion, thereby going through consultants acted as a buffer, and by providing suppliers with the ability to respond anonymously if they liked, we further contributed to their comfort level."

The picture that came back was at the same time both disturbing and optimistic. For example, 70% of respondents said that saving energy was important to them, but only 35% reported having a programme in place that was aimed at doing this.

"From a GSK perspective it was a sobering finding," sums up Wilson. "If the sample ➔

shows up in the bottom line. Fail to make a sustainability improvement, and the impact can show up in the headlines.

Data shows that typically in one of our programmes with 300-500 suppliers collaborating, we are seeing between €50-100m of additional savings and investments by suppliers that would not be happening otherwise.

PL: Yet why is the use of a third-party facilitator so important? What do you do that businesses couldn't do for themselves?

MC: It's not so much what we do, as our skills, experience and passion in doing it. Yes, a third party acts as a buffer, a trusted intermediary who stands between a supplier and their customer. But more than that, we're proactive. We try and find out who else within supplier organisations we should be encouraging to participate – people whose roles include water, waste, energy, engineering, quality and so on. We actively look for best practice that can be shared and celebrated.

And more than simply facilitate communication, we

also curate the community's information. When someone posts something about building a business case for low-energy lighting, for instance, we'll go back and look for people who have already done it, or have said that they are also working on it. Plus, of course, the reporting role is difficult without someone like us in place.

PL: Reporting role?

MC: Generally speaking, customers don't just want improvement to happen, they want to know about the scale of that improvement. But, individually, suppliers will be reluctant to provide detail, or put a value on it. But they will tell us about their savings, and we can aggregate it, and provide a total picture, without the end customer knowing individual details.

PL: And if you've got a conversation going with suppliers, you can impact on more than just sustainability, of course.

MC: Absolutely. Innovation, supplier loyalty, being the 'customer of choice', labour practices – sustainability is the beginning of the conversation, not the end of it.

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was representative, then 65% of the company's suppliers didn't have an active programme in place to reduce energy costs, which clearly wasn't good news and was going to have an impact on GSK's own carbon reduction aspirations and achievements."

Positive outlook

And yet there were also signs for optimism. Around 85% of suppliers had been happy to respond openly, rather than taking advantage of the proffered anonymity. Moreover, some 90% were happy to engage in collaboration programmes aimed at improving energy efficiency. And, perhaps best of all, a significant number of responses had come not from their commercial arms, but elsewhere in their organisations.

"In short, we realised that if we could move the conversation past the commercial teams and engage directly with the people who are closer to the sustainability issues then we could have a much richer



conversation," sums up Wilson.

In short, the case for an Asda-style collaboration exchange was largely made, and GSK's own exchange duly launched in August 2014, initially as a six-month pilot project with 2degrees.

Some 200 suppliers were invited to participate, reports Wilson, with 105 accepting immediately, yielding an initial

community of just fewer than 200 members – approximately two people per supplier.

"And it's already started to grow organically," adds Wilson. "As more and more of them see value in it, they are inviting more employees to participate. When we surveyed members to ask if the pilot project should continue, 85% said yes – and so we are." ■

ABOUT OUR PARTNER

2degrees helps major global corporations bring thousands of their suppliers together to identify and unlock hidden opportunities for efficiency and to deliver smarter, faster, sustainable business growth.

By facilitating fully-linked collaboration, 2degrees programs have helped clients, including GlaxoSmithKline, Asda-Walmart and Tesco, work towards achieving a world-class

and secure supply chain: cutting costs, reducing risks and environmental impacts, building trust and bringing about innovation in their supply bases.

It does this by working with clients to build bespoke online communities, where suppliers can collaborate to solve problems, share and normalise best practice and access information. These ground-breaking programs are underpinned by dedicated

community management experts who help clients engage suppliers, as well as data reporting components that provide insight on supply chain efficiency and identify opportunities to improve performance and track progress over time.

2degrees accelerates these programmes by providing access to the expertise and innovation of its 50,000 global members in its wider open community.

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2degrees has developed a trailblazing collaboration solution used by companies such as Asda, GSK, Kingfisher, Bord Bia and RBS to cut costs, reduce risk, drive innovation, and build trust.

ASDA



Kingfisher

Bord Bia
Irish Food Board

RBS
The Royal Bank of Scotland

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