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New Ways of Working Together



September 2007





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helping you make great meals easy

Wegmans Food Markets, Inc. is a 71-store supermarket chain with stores in New York, Pennsylvania, New Jersey, Virginia, and Maryland. The family-owned company, founded in 1916, is recognized as an industry leader and innovator. Wegmans has been named one of the '100 Best Companies to Work For' by FORTUNE magazine for ten consecutive years. In 2007, Wegmans ranked #3 on the list. Visit www.wegmans.com



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Acknowledgements

Throughout this document reference is made to New Generation Sales Call Pilot Participants. Pilot participants include Diamond Team personnel from Wegmans Food Markets, Inc., The J. M. Smucker Company, Oracle and The Procter & Gamble Company. We would like to thank these Diamond Team members from all the participating companies. We would also like to extend a special thanks to the following New Ways of Working Together Team Leaders:

- Marianne Timmons, Vice President, Supply Chain & Global Business to Business, Wegmans Food Markets, Inc.;
- Paul Koch, eCommerce Analyst, Wegmans Food Markets, Inc.;
- Lori Bigler, Manager, Strategic Industry Initiatives, The J. M. Smucker Company;
- Milan Turk, Managing Director, Global Customer eCollaboration, The Procter & Gamble Company;
- Jim Flannery, Director, Customer Development, The Procter & Gamble Company; and
- Matt Johnson, Senior Director, Consumer Sector Collaboration, Oracle

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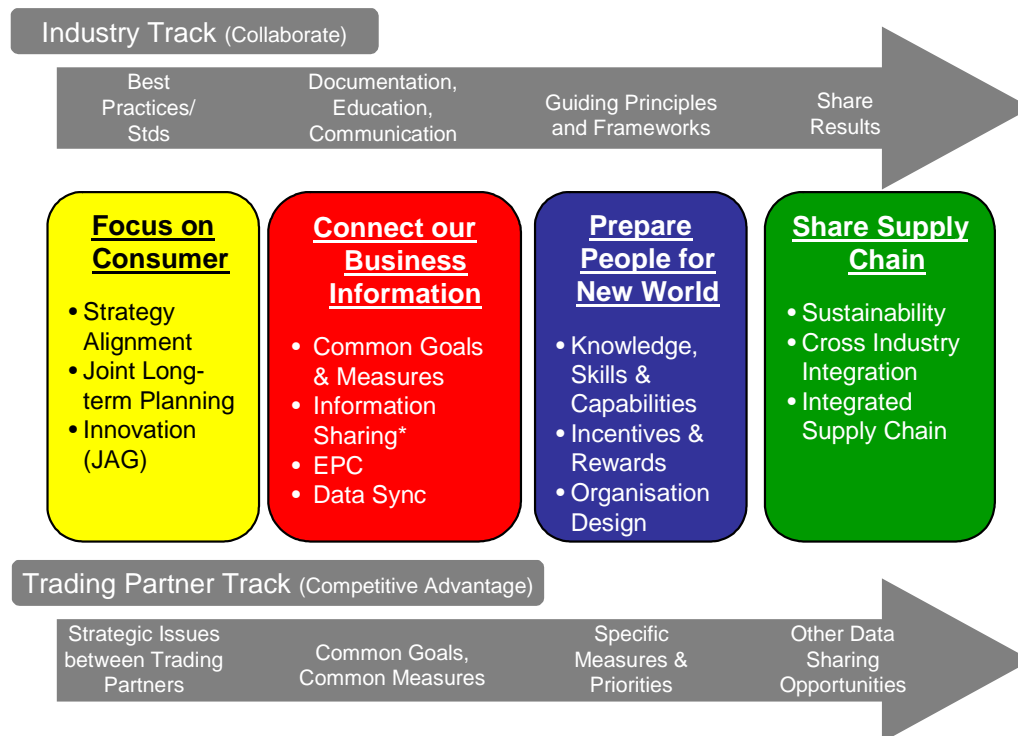
NEW WAYS OF WORKING TOGETHER FRAMEWORK

The New Ways of Working Together Framework consists of four strategic choices, which guide trading partner work plans, and two tracks, which define levels of interaction and sharing between companies and across the industry.

The four strategic choices were designed to show trading partner pairs what to focus on while they strive to eliminate disruptions in the supply chain and jointly grow their businesses. These four strategic choices are the centerpieces of new trading partner interactions and the basis for guiding their communications and joint business planning efforts. By discussing the way they will be working together on these four strategic choices, carefully outlining their joint goals, and agreeing to well-defined measures for achieving these goals, pilot studies have shown that trading partners will improve their relationships and better meet consumer needs in a more efficient manner.

The Industry and Trading Partner tracks demonstrate the importance of each player in the industry in helping everyone achieve success in New Ways of Working Together. The industry track focuses on developing and communicating best practices and industry standards. The Trading Partner track focuses on prioritizing and communicating strategies, goals and measures between trading partners.

Joining together all the pieces of this framework gives individual companies, trading partners, and industry support organizations a method for successfully achieving New Ways of Working Together.



*Note: Utilizations of Industry Standards

EXECUTIVE SUMMARY

New Ways of Working Together: How The New Generation Sales Call Enables Growth and Eliminates Disruptions by Enhancing Trading Relationships

Background: Business today is increasingly enabled by electronic capabilities, the Internet, information networks and the standards that enable their operation. These tools facilitate new business partnering opportunities and new operating practices that have great potential for all companies if harnessed effectively.

While brainstorming with these opportunities in mind, Colleen Wegman, Wegmans Food Markets, and Tim Smucker, The J.M. Smucker Company, developed a New Generation Sales Call concept which enhances trading partner collaboration by placing focus on the consumer and eliminating disruptions.

Since this vision was shared at the 2006 GMA Executive Conference, from November 2006 through June 2007, an initial pilot team consisting of Wegmans Food Markets, The J. M. Smucker Company and The Procter & Gamble Company personnel embraced four strategic choices that are integral to New Ways of Working Together: The New Generation Sales Call.

1. Focus on the Customer
2. Prepare our People
3. Connect our Business Information
4. Share our Supply Chain

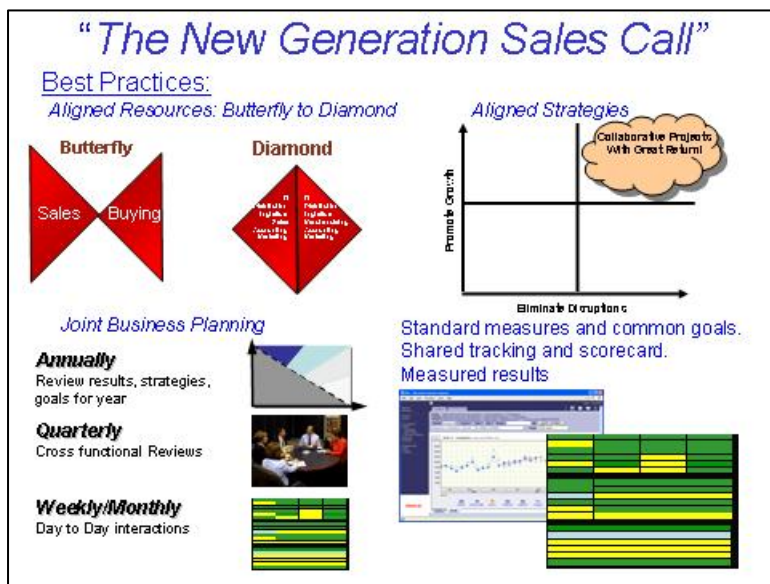
During the pilots, participants discovered a number of learnings that further defined New Ways of Working Together, its concept and it's potential. The initial pilot team has taken the learnings and developed recommended best practices in the form of the "How To" guide in section II of this document.

Best Practices: The Best Practices are approaches and tools that have been identified by pilot participants for enabling a smooth execution of New Ways of Working Together between trading partners. They include:

- Aligned Resources (Butterfly to Diamond);
- Aligned Strategies (Strategic Choices);
- Joint Business Planning; and
- Common Goals and Common Measures Shared Tracking.

Pilot Scope: Wegmans, Smucker's, Procter & Gamble and Oracle put the Strategic Choices into action in a pilot. More than 50 people representing a broad spectrum of responsibility from the participating organizations worked together in this new way.

Qualitative Results: Although the pilots were short in duration, some encouraging qualitative results and key learning's came out of the work:



- This process works only if the partnering organizations start with the alignment of Strategic Plans within and across partnering organizations.
- The existence of common goals and common measures help facilitate planning, performance and cross functional teamwork (internal and external) at higher levels than was possible before.
- Broader awareness of goals and measures help teams focus, eliminate disruptions more quickly and enable strategic development opportunities.
- Technology is an enabler to “Common Goals, Common Measures”, but people and processes are the keys to success in new ways of working together.

Quantitative Results: While the pilot result data is considered preliminary, the following presents a high-level summary of results. More details can be found in the results section of the case study.

- Sales growth for both Procter & Gamble and Smucker’s significantly outpaced category and store growth.
- Days of supply dropped drastically for all but one pilot category.
- Invoice accuracy improved across the board, eliminating disruption.
- Synchronization and accuracy did show some marginal improvement throughout the pilot, but most importantly, there was a heightened focus on the topics laying the foundation for future improvements.
- On time delivery and deductions did not perform to goal and are logical focus areas for future initiatives.

Next Steps for pilot participants:

- After a high-level review of both the qualitative and quantitative results, the participating organizations clearly recognized significant value in this process and will continue this work for these partner pairs. In addition, each of the pilot participants has approached additional partnering organizations to begin to frame up future initiatives in this same way.
- Results from this pilot will be shared broadly with the industry and future initiatives of this type will be included under the banner of *“New Ways of Working Together.”*

Opportunities for Industry-wide Actions on New Ways of Working Together initiative:

- Create scale and move beyond current participants.
- Identify the role of standards in the establishment of common definitions of measures
- Leverage the existing standards and capabilities in the GS1 system such as the Global Data Synchronization Network (GDSN).
- Identify a model for how technology will support the sharing of measures and results between trading partners.
- Enable the roles of industry organizations such as FMI, GMA, NACDS, GCI and GS1, and NACDS, particularly in the area of industry-wide education, communication of information, and building scale.

Challenges for the New Ways of Working Together initiative:

- Recognizing that the breadth of the project is not just a scorecarding or technology project, but actually a strategic project for business growth.
- Accommodating, or in some cases replacing, the installed base of systems and practices that support current retailer and manufacturer collaboration.
- Consolidation of similar-scope industry initiatives such as GCI’s New Ways of Working Together, into an effective, single initiative.

PILOT SUMMARY

What follows is detail behind the quantitative results discussed previously in this section. This summary compares the average of the four weeks preceding the pilot against the average of the last four weeks of the pilot. Due to the short timeframe of the pilot, this data should be considered to be a directional representation of results. These results are being used to help determine strategic initiatives of phase 2 of the pilot. More statistically significant results will be made available in 2008.

Pilot Summary **Smuckers**

Measure	First Month Pilot Start	Last Month Pilot End	Difference	% Change
Smuckers Sales (chg yr over yr for the period)				32.5%
Category Sales (chg yr over yr for the period)				7.6%
All Department Sales (chg yr over yr for the period)				9.8%
DOS	13	10.8	-2.2	-16.9%
Store Service Level	81.0%	96.0%	15.0%	18.5%
Order Cycle Time	4.89	5.60	0.71	14.5%
Synchronization	88.9%	99.0%	10.1%	11.4%
Data Accuracy	98.5%	100.0%	1.5%	1.5%
Invoice Accuracy	39.3%	46.2%	6.9%	17.6%
Order Changes	18.2%	18.8%	0.6%	3.3%
Service Level to Wegmans DC (Order fill rate)	81.8%	81.3%	-0.5%	-0.6%
On Time Delivery	89.5%	61.5%	-28.0%	-31.3%
Average Payment Days Late	0.25	0.88	0.63	252%
Deduction Dollars				-84.6%
Deduction Balance				9.2%

Data samples taken from w/e 2/10/07 - w/e 8/4/07

Pilot Summary **Procter & Gamble**

Measure	First Month Pilot Start	Last Month Pilot End	Difference	% Change
Procter & Gamble Sales (chg yr to yr for the period)				19.6%
Category Sales (chg yr to yr for the period)				12.6%
All Department Sales (chg yr to yr for the period)				9.8%
DOS				
Shipping Point #1	8.8	5.8	-3.0	-34.1%
Shipping Point #2	12.8	8.8	-4.0	-31.3%
Shipping Point #3	12.8	15.5	2.7	21.1%
Store Service Level				
Shipping Point #1	70.0%	97.0%	27.0%	38.6%
Shipping Point #2	90.0%	96.0%	6.0%	6.7%
Shipping Point #3	69.0%	80.0%	11.0%	15.9%
Order Cycle Time				
Shipping Point #1	4.04	5.00	0.96	23.8%
Shipping Point #2	4.97	6.00	1.03	20.7%

Measure	First Month Pilot Start	Last Month Pilot End	Difference	% Change
Shipping Point #3	6.38	12.40	6.02	94.4%
Synchronization	85.4%	92.2%	6.8%	8.0%
Data Accuracy	59.6%	53.0%	-6.6%	-11.1%
Invoice Accuracy	77.7%	90.9%	13.2%	16.9%
Order Changes	41.9%	17.7%	-24.2%	-57.8%
Service Level to Wegmans DC (Case fill rate)	98.0%	98.0%	0.0%	0.0%
On Time Delivery				
Shipping Point #1	91.8%	91.3%	-0.5%	-0.5%
Shipping Point #2	100.0%	100.0%	0.0%	0.0%
Shipping Point #3	70.3%	41.8%	-28.5%	-40.5%
Average Payment Days Late	0.7	0.2	-0.5	-71.4%

Data samples taken from w/e 2/10/07 - w/e 8/4/07

As seen above, some of data revealed negative trends over the course of the pilot. This is not to say the pilot was unsuccessful. For starters, the data for some measures were captured on a monthly basis giving the pilot team only three snapshots to analyze trends. Most importantly, having the ability to identify opportunities such as those identified above was touted as one of the biggest wins by the pilot team. Previously, diamond teams had little visibility to these cross functional measures and without knowing the full picture they were unable to avoid these disruptions to the relationship. As a result of this new visibility and the cross functional diamond relationships, we are currently focused on each of the opportunity areas and expect to see a turnaround in time for the next business planning period.

A “HOW TO” GUIDE TO NEW WAYS OF WORKING TOGETHER

ABOUT THIS GUIDE

This brief “How To” guide is designed for retailers and manufacturers who want to adopt New Ways of Working Together principles into their business. It goes step-by-step through the process of initiating, preparing and implementing an initiative with trading partners. Each section also includes background information on the process, critical success factors and examples from other projects.

This guide is not prescriptive. Retailers and manufacturers who want to engage in a collaboration initiative can consult the best practices documented here and select the strategic initiatives, organizational model, joint planning approach, measures and reward mechanisms that best address their business challenges.

OVERVIEW – STEPS TO SUCCESS

New Ways of Working Together is about a business transformation. This transformation is NOT about “present” vs “future”. It is about NOT settling for “status quo” but striving for a New Generation!

New Ways of Working Together is about a business transformation. This transformation is NOT about “present” vs “future”. It is about NOT settling for “status quo” but striving for a New Generation!

Early pilot studies have shown there are four major phases of a successful New Generation Sales Call in New Ways of Working Together. While it is not necessary to adhere to all four phase, they have proven to help trading pairs eliminate disruptions and grow their businesses:

Phase I

Getting Started: Strategy and Executive Commitment

Corporate initiatives succeed when they are tightly aligned with the company’s core strategy, and gain the sustained commitment of executive management. New Ways of Working Together offers a framework for getting alignment and commitment.

- 1. Prioritize Strategic Choices** - Consider how the four strategic choices of New Ways of Working Together map to the company’s top business needs and prioritize the objectives of the project based upon those with the best alignment.
- 2. Internalize Best Practices** - Implement New Ways of Working Together best practices that fall within the selected strategic priorities.

3. **Identify Strategic Partners** - Engage trading partners who are willing to collaborate, share their company's priorities and information and are strategic for your company.
4. **Assign Diamond Team Members** - Identify individuals from each of the companies who will work with their trading partner peers during the project.
5. **Establish Business Value** - Build the business case for success in the initiative that justifies the level of investment it will require.
6. **Communicate Internally and Externally** - Ensure that everyone on both teams are aware of the strategy, best practices, team alignments and business objectives for your New Ways of Working Together initiative.

Phase II

Preparation and Understanding

Once strategic partners are identified, the business planning process begins. New Ways of Working Together enhances traditional business planning with the inclusion of cross-functional Diamond Team members and Key Performance Indicators (KPIs) that are focused on eliminating disruptions from source to consumer.

1. **Conduct the Kick-off Planning Meeting** - It takes a special effort to get people's attention to do something new. A well-run launch event generates a shift - a signal of real change - that is an essential ingredient of effective execution.
2. **Select Top Business Opportunities** - Consider all the activities from source to consumer that affect the effectiveness of the relationship. Select a subset of processes and technologies which have the greatest potential impact (enhancing growth and eliminating disruptions).
3. **Identify KPIs and Supporting Measures** - Define a common language and supporting standardized measures for the Key Performance Indicators that will be needed to track performance and provide visibility to the top business opportunities your organizations will focus on.
4. **Set Project Timeline and Milestones** - Set a realistic timeline with milestones allowing the team to measure progress and improvements, analyze and identify risks and opportunities and measure and celebrate successes.
5. **Communicate Internally and Externally** - Ensure that everyone is focused on top business needs and priorities as aligned with the project's strategic choices. Monitor progress and develop a plan to communicate progress.

Phase III

Project Implementation

New Ways of Working Together relies on people and processes to succeed. Technology and standards are the enablers that enhance communication internally between business units and externally between trading partners.

1. **People: New Ways of Working Together (Diamond Team)** - In the diamond relationship, subject matter experts from each trading partner organization work together toward a common goal. Their productivity is enhanced by empowering them to take action to achieve the project goals.
2. **Processes: Joint Business Planning** - This is an enabling process for developing business action plans. Strategy alignment and setting common goals and common measures takes place within the structure of the annual, quarterly and regularly scheduled sales meetings.
 - **Annually: Review results, strategies, goals for the year**
 - **Quarterly: Cross-functional reviews**
 - **Weekly/Monthly: Day-to-day interaction**
3. **Enablers: Standards and Technology** - Standards and technologies will continue to enhance our visibility into the entire supply chain, giving us timely information to make better decisions. The trading partner teams need to determine the best scorecarding technology available for their project and agree on how all project information, including KPI measurement, will be relayed and viewed. (See Provide Visibility to Data below.)

Phase IV

Measure the Process and Results

With every project you need to measure your results to ensure you are achieving your objectives and you can celebrate the successes!

1. **Provide Visibility to Data** - Measured data drives results. Each of the agreed upon KPIs and supporting measures should be made visible to everyone on the Diamond Team. Technology can provide the means to display accurate and timely data to ensure everyone sees the same information. As industry KPI definitions, means of measurement and communication of KPI scorecarding become available, adherence to the Standards can provide a simplified means to the exchange of similar information between multiple trading partners.
2. **Develop Joint Performance Scorecard** - New Ways of Working Together promotes the inclusion of measures beyond the sales and growth categories which appear in most traditional scorecards today. New Ways of Working Together scorecard elements should include measures of interest and value to both trading partners, providing motivation for everyone to participate and add business value to the process.
3. **Review Results** – It is important to review the scorecard results on a weekly or monthly basis depending on the frequency of the data input. The results should be shared with everyone on the Diamond Team and discussed in weekly or monthly trading partner meetings. Timely review of the results allows for easier and more effective course corrections if needed. Where favorable results are achieved, success should be celebrated along the way.

PHASE I - GETTING STARTED: STRATEGY AND COMMITMENT

Corporate initiatives succeed when they are tightly aligned with the company's core strategy and gain the sustained commitment of executive management. New Ways of Working Together offers a framework for getting alignment and commitment.

Phase I

Step 1: Prioritize Strategic Choices

New Ways of Working Together presents retailers and manufacturers with four strategic choices. Each initiative prioritizes these choices based upon the trading relationship's capabilities and objectives.

Strategic Choices

1. Focus on the Consumer

Satisfying the consumer delivers value to both the manufacturer and the retailer. Placing the consumer at the center of the business process impacts the way we think about the business, the strategies we choose the goals we set and the measures we use to evaluate our results.

2. Prepare our People

The effectiveness of New Ways of Working Together is limited only by the effectiveness of our organizations. The most obvious aspect of this choice is to enable cross-functional work to take place between trading partners by enabling new connections between supply resources and IT resources for example. Enabling people to more effectively impact the business will include exploring work process redesign and reward systems.

3. Connect our Business Information

Our business operations are increasingly reliant on information and this information must be managed as a strategic asset. The New Ways of Working Together approach is to establish connections between trading partners through shared information and use those connections to eliminate disruptions and enable growth. Standards based information initiatives such as accurate data synchronization and the Electronic Product Code (EPC) are in scope, but so are more basic types of information such as Point of Sale (POS) data and inventory information.

4. Share our Supply Chains

Trading partners should aspire to operate their supply chains as if they were one company. This means that sharing supply system information will become the standard way of operating. The shared supply chain will be more efficient, with fewer disruptions and contribute to consumer satisfaction.

Phase I

Step 2: Internalize Best Practices

The best practices are approaches and tools identified by current participants for enabling a smooth execution of the New Ways of Working Together Initiative between trading partners. Depending upon which strategic choices a company makes, participants need to internalize some or all of these best practices.

Best Practices

1. “Diamond” Organization Model

Link individuals from multiple functional areas (such as supply chain/logistics, finance and IT) with their counterparts at strategic trading partners, rather than routing all communication through a single point of contact.

2. Align Strategies

This seems obvious, but alignment of strategy is hard work when it involves two organizations working together. Identifying the few priorities that will enable sales growth or eliminate disruptions for both trading partners requires senior management commitment and an empowered organization. It is particularly important to align strategy before setting goals and measures that will focus the work.

3. Joint Business Planning

This is an enabling process for developing business action plans. Strategy alignment and the setting of common goals and common measures takes place within the structure of the annual, quarterly and regularly scheduled sales meetings.

4. Standard Measures and Common Goals; Shared Tracking and Scorecard and Measured Results

This best practice supports the delivery of results through a set of common goals and common measures regularly shared between trading partners and regularly reviewed in order to make adjustments and track results. When we have visibility to the right information, we enable faster, more informed decision making allowing us to focus on those projects with the greatest return.

5. Shared Recognition

Establish incentive and reward systems which promote collaboration within the company and externally with trading partners. These systems should reinforce and be based on consumer-driven performance metrics.

Phase I

Step 3: Identify Strategic Partners

When considering New Ways of Working Together strategic partners, current pilot participants recommend:

- Selecting a partner that is like-minded in company culture
- Gaining a partner's commitment to change the way you work together
- Assuring the quality of the data (clean and accurate) exchanged.

Strategic alignment assurance at the highest levels of each organization with partner companies is a key component. Partners must understand and respect each others missions and remain aware, in positive fashion, of areas where they may not be perfectly aligned.

Jointly prepare your people for the new way of working together with a framework that is not "cookie cutter" and flexible enough to enable both organizations to gain benefit. Discussion on Diamond Team Member assignment follows.

Phase I

Step 4: Assign Diamond Team Members

The Diamond Team approach is an investment in human resources with proven ROI in efficiencies. Utilizing our subject matter experts on strategic focus areas delivers incredible service to customers.

An example of one trading partner pair Diamond Team follows:

Retailer

Executive Sponsors

Chairman
CEO

Steering Team

SVP, Merchandising
Chief Logistics Officer
Chief Information Officer

Project Leader

VP, Supply Chain & B2B

Merchandising

VP, Grocery
Group Manager Grocery
Category Merchants

Manufacturer

Executive Sponsors

Chairman and co-CEO
co-CEO and CFO

Steering Team

SVP, Consumer Market
VP, Sales, Grocery Market
VP, Logistics
VP Information Service, CIO

Project Leader

Manager, Strategic Industry Initiatives

Sales

Director Sales - Easter Division
Atlantic Central Region Manager
Business Development Manager - Broker

Logistics DC Transport Manager	CRP Analyst
Accounting Controller Manager of AP/AR	Logistics Director of Corporate Distribution Director of Customer Logistics
IT Senior Programmer/Analyst Systems Manager EDI Coordinator	Accounting Director of Accounting
Marketing VP Marketing Marketing Specialist	IT VP Information Services, CIO
	Marketing Director of Category Development Director of Marketing

Phase I

Step 5: Establish Business Value

New Ways of Working Together pilot participants immediately captured value by eliminating business disruptions and allowing merchandisers and sales personnel to focus on growth. Changing the business planning and execution approach will provide cumulative growth.

Setting strategies before focusing on measures is highly recommended. Customization of New Ways of Working Together by strategies provides a scenario where the individual partners can make business planning and execution adjustments suited to their business needs and priorities. Let the strategies drive the metrics. Collaboration between retailers and manufacturers holds much of the potential for deeper consumer insights, more efficient operations, and ultimately, the growth we all seek.

Phase I

Step 6: Communicate Internally and Externally

Communicate and keep communicating - up, down, and out in all directions - so that everyone understands what you are doing, what you are doing means to them, and how what they do contributes to the overall success.

New Ways of Working Together provides a systematic approach to the art of effective communication. Building good communication processes into each step - shaping the strategic choices, identifying Diamond Team participants, the kick-off meeting and progress reviews – provides the transparency needed to allow Diamond Team members to adjust “on the fly” to maximize value.

Full-circle communication, providing and receiving positive feedback, insight into the needs of each team member as well as the cause and effect of each member's actions, provides empowerment to make a difference.

This new way of working together may be the most important component.

PHASE II – PREPARATION AND UNDERSTANDING

Success should begin with the end goal in mind.

Step 1: Conduct the Kick-Off Planning Meeting

Identifying opportunities to improve begins with the right people having the right discussions using the principles of continuous improvement. Ensure everyone has the same visibility to and definition of success. The kick-off planning meeting should be viewed as a journey of renewed collaboration.

The objective of the joint planning meeting should be to achieve alignment on the business outcomes both organizations wish to achieve by implementing New Ways of Working Together Best Practices. Principles for consideration should include:

- **Participants**: Start with a small group of allies with shared interests and proven abilities.
- **Scope**: Consider all the activities - from source to consumer - that affect sales call effectiveness. Pilot the subset of processes and technologies which have the greatest potential impact (enhancing growth and eliminating disruptions).
- **Objective**: Choose an approach that works for your organizations and the participants.
- **Approach**:
 - Set common goals and a process to evaluate progress with common measures;
 - Consider the impact on people - skills, roles, responsibilities;
 - Prototype the technology required to automate key parts of the process; and
 - Consider the impact of incentives, rewards and recognition for success.

Step 2: Select Top Business Opportunities

This seems obvious, but alignment of strategy is hard work when it involves two organizations working together. Identifying the few priorities which will enable sales growth or eliminate disruptions for both trading partners requires senior management commitment and an empowered organization. It is particularly important to align strategy before setting goals and measures which will focus the work.

Sample Business Opportunities

Promote Growth

- Match products and assortments to consumer interests.
- Plan well targeted campaigns and promotions.

- Share timely feedback on retail performance.
- Strive for superior shopping experiences for the consumer.

Eliminate Disruptions

- Tackle specific logistics challenges;
- Minimize store out-of-stocks;
- Stop pricing/scanning errors; and
- Reduce invoice discrepancies and deductions.

Phase II

Step 3: Identify KPIs and Supporting Measures

New Ways of Working Together is not a scorecarding project. It is a change in business approach and practice. It provides a venue for partners to share information about the consumer and to develop common definitions for success.

While most organizations think they are already doing this, in reality, they most likely are not. Misalignment on the definition of KPIs and how KPIs are measured is a common problem between trading partners (external). Compounding the problem is the misalignment of definitions and measures within an organization (internal).

The lack of clear, agreed upon, standardized definitions is at fault. New Ways of Working Together is about achieving alignment – internally and externally, from trading partner to trading partner - across industry.

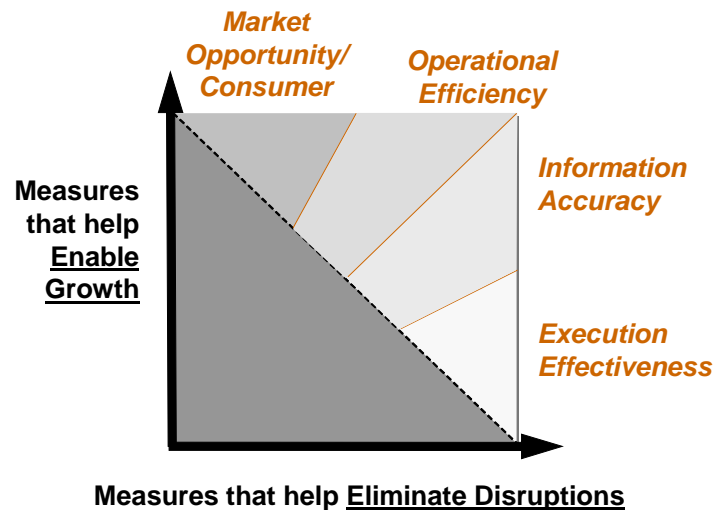
Measure Selection

To promote business growth and eliminate disruptions, identify KPIs and agree on supporting measures. One approach could be to select measures for the following four general areas:

- **Market/Consumer** - Measures which help identify the best category growth and profit strategy (sales, margin, supplier penetration, and retailer share of the market)
- **Operational Efficiency** - Measures which help reduce costs by highlighting unnecessary overhead and waste (order cycle time, days of supply, unsaleables, timely payment)
- **Information Accuracy** - Measures which indicate whether the companies are sharing data and working in a synchronized manner (percentages for item data synchronization, item data accuracy, invoice accuracy, deduction incidents & balance)
- **Execution Effectiveness** - Measures which help avoid consumer out-of-stocks by revealing supply chain issues (percentages of order change, supplier service level, on time delivery, and store service level)

Depending on the strategic initiatives chosen and their ensuing focus, clearly defined/standardized measures between trading partners such as those listed above are key. New Ways of Working Together participants are employing effective communication processes to standardize their definitions and measures of these and other KPIs.

While industry-wide standards on definitions and measures are pending, effective communication and alignment between trading partners on their definitions and measures are paramount. (See Phase III, Step 3: The Role of Standards.)



Phase II

Step 4: Set Project Timeline and Milestones

Fundamentally, New Ways of Working Together is not a project, but an ongoing new way of working together. Yet, like any implementation, it is advantageous to plan a series of transition phases.

Each New Ways of Working Together project should encompass a complete business cycle. While typically a season, the business cycle can be any mutually agreed period within the planning horizon. Participants need enough time to agree on their strategic initiatives, select measures, set goals, monitor progress and take actions that have a tangible impact on results. Leaving time for analysis and review, an initial project cycle may take seven to nine months.

Formal milestones are important to keep each project on track. For The New Ways of Working Together process, project milestones fall into three categories:

- **Organizational:** Team identification, kickoff meeting, project reviews, project conclusion
- **Joint business planning:** Objective setting, goal selection, quarterly reviews, results compilation/summation
- **Systems implementation:** System selection, system go-live, user training

Along the way, team leads from each company should hold weekly conference calls and/or face-to-face meetings to drive the project deliverables and address issues as they occur.

Example Pilot Project Timeline

November: The pilot begins with a project kickoff meeting, including all of the executive sponsors in attendance. The group sets the overall timeline for the project and assigns team leads from each company.

December: Steering committee members from all of the companies gather to select measures that best reflect New Ways of Working Together objectives. The team leads identify the source of data, frequency of collection, calculation method and other details for each measure.

January: Each trading pair meets separately to set goals for the pilot period. A technology solution is put into place to track results vs. goals along with data on the prior year's performance.

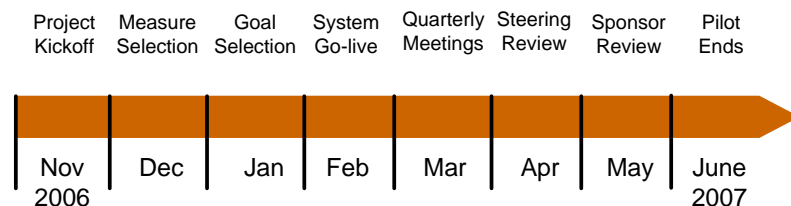
February: Users are trained on the on-line system and the tracking of goals vs. results begins.

March: The Diamond Teams hold their first quarterly business review meeting, establishing the sales initiatives and disruption remediation strategies for the pilot period.

April: The steering team members meet to review progress-to-date and recommend mid-course corrections to ensure successful pilot results.

May: The team leads present preliminary results to the project sponsors in preparation for future project phases.

June: The pilot officially ends, though systems, processes and teams are left in place to maintain New Ways of Working Together as an ongoing process. Team leads compile before vs. after results to build the business case for rolling out additional trading relationships.



Phase II

Step 5: Communicate Internally and Externally

Trading partner collaboration is relationship building. The relationship between trading partners, like the internal relationship within a corporation, improves when information is shared accurately and freely.

The key is effective follow-up which reinforces and advances progress while supporting growth for both the companies and people involved.

One-to-One Reviews

Check in with people who are carrying out assignments individually. Understand what is being accomplished and what issues are being encountered. Ask what help is needed.

Group Progress Reviews

Assemble all key stakeholders and bring everyone up to date at once. The meetings should include a reminder of the ultimate goal established during the original kick-off meeting, along with a review of the master plan and progress reports from each leader. To ensure productive reviews, each presenter should be brief, speak with candor and allow adequate time for questions.

Progress review sessions have educational impact. People's understanding of the whole initiative improves as issues are raised and discussed. Participants should keep in mind progress reviews are for progress reporting and planning of the immediate next steps. They are not debating events or meant for devising long-term strategy.

Industry Sharing

As we explore new ways of working together by eliminating disruptions to enable growth, we are mindful that there are opportunities for sharing non-competitive learnings for the benefit of the industry. We encourage all New Ways of Working Together participants to share their non-competitive learnings with industry through their respective associations and to harness the collective learnings of other New Ways of Working Together participants.

PHASE III – PROJECT IMPLEMENTATION

Execution is key to business success. Great strategies alone cannot drive winning results. While successful execution isn't simple, the potential payoff is big for companies and their people.

Phase III

Step 1: People: New Ways of Working Together - Diamond Team

The Diamond Team approach is a big investment in human resources. When executed properly, the Diamond Team approach provides efficiencies that offset the investment. By using subject matter experts to work on the various opportunities that arise from time to time, we can accelerate growth and deliver incredible service to our customers.

Evaluate the entire value chain from source to consumer to be truly successful. Utilize your Diamond Team principles to achieve results in all functional areas.

The butterfly diagram below represents the traditional buyer/seller connection structure where communication is channeled through a single point of contact on each side. The depiction shows how organizations have traditionally used the sales call as a communication funnel where all information was fed between Sales and Merchandising regardless of the topic. In this scenario, merchandising and sales personnel can get bogged down on tactical issues on behalf of various parts of the organization.

The diamond diagram represents the preferred model which creates connection between organizations across functional areas and skill sets. More connections deliver better alignment across the organizations and more opportunities for the creation of value.

The diamond relationship partners key functional area personnel with their trading partner counterparts. The scenario allows the real subject matter experts to work together toward common goals. New Ways of Working Together participants to date have noticed that empowering people has enhanced productivity in those key relationships.



Phase III

Step 2: Processes: Joint Business Planning

This is an enabling process for developing business action plans. Strategy alignment and the setting of common goals and common measures takes place within the structure of the annual, quarterly and regularly scheduled sales meetings.

The Joint Business Planning Process

Annual Executive Review

- Review annual results
- Approve future strategies and goals
- Refine/revise joint business plan process

Quarterly Cross Functional “Diamond” Sessions

- Review achievement against goals
- Agree on any new strategic initiatives
- Refine/revise goals for next period

Day-to-Day Interactions

- Execute joint business initiatives
- Exploit newly identified opportunities
- Address critical performance issues

Phase III

Step 3: Enablers: Standards and Technology

Technology is a powerful tool that continually changes our world and lives. It shatters conventional ways of doing business with extraordinary paradigm shifts. But true success is measured by the human potential technology releases. It is by equipping and empowering our people that untapped potential will be unleashed.

The Role of Standards

Many retailers and manufacturers engage in joint performance measurement initiatives in their ongoing trading relationships. To date, the means of calculating metrics values have been proprietary. Manufacturers and retailers often use different terms and calculation approaches for the same measures.

New Ways of Working Together promotes the development of a library of comprehensive unambiguous industry standard measures. Companies should have enough standard metrics available to represent the diverse performance measurement requirements. They must include revenue, margin, market share, inventory, logistics, data quality, product quality, order management, invoicing and payment, as well as consumer and demographics measures. The measure definitions need to be precise enough that independent companies working with the same underlying data will derive the same metrics result.

The New Ways of Working Together initiative is working with the GS1 standards organization to develop standard specifications and interchanged data formats for performance measurement.

Data Sharing Alternatives

There are several options for sharing data to support New Ways of Working Together.

Supplier Extranet

A retailer can set up a supplier extranet allowing manufacturer users to log in, review information and perform tasks on the retailer's site. The extranet model has the advantage of offering access to manufacturers of any size - they do not need any in-house IT or planning applications to participate. However, a manufacturer has to work with each retailer that has an extranet separately, and often must cope with widely varying capabilities, navigation paradigms and user expectations. Manufacturers that depend on retailers' extranets cannot easily aggregate data across all of their customers to understand demand patterns and anomalies.

Message Interchange

Some companies exchange data through business-to-business transactions sets, using EDI, XML or flat file formats. The company-to-company model offers the advantage of standards based messages, and uses each company's own enterprise applications to analyze and act on the data. Companies can also combine this data across trading partners to get market-level insights. However, this approach also demands that a company invest in a B2B communications infrastructure, and have applications that can deal with large volumes of consumer demand data. The company-to-company approach also must overcome batch data synchronization delays, and subtle differences in each company's user views.

Hosted/On-Demand

The hosted/on-demand model collects data from multiple retailers and makes it available to multiple manufacturers through a public exchange or private service. The hosted model combines the benefits of ease of access of the extranet model with the data aggregation and single point of access of the company-to-company model. However, the hosted model raises issues of data ownership and payment, security and competitive positioning. Some retailers also do not allow their data to be hosted by a third party, limiting the potential for the hosted model to become universal.

Hybrid

Realistically, most companies will have to accommodate multiple models. For example, a retailer may operate an extranet for smaller suppliers, while sending B2B transaction data to larger ones. Manufacturers may need to access extranets for retailers who do not offer message interchange as an option. In this complex environment, the use of standards is vital.

PHASE IV – MEASURE THE PROCESS AND RESULTS

People want to succeed. Giving them the ability to know what success looks like and a common way to achieve that success drives teamwork and a personal sense of accomplishment. What gets measured gets done.

Phase IV

Step 1: Provide Visibility to Data - Measured data drives results. Each of the agreed upon KPIs and supporting measures should be made visible to everyone on the Diamond Team. Technology can provide the means to display accurate and timely data ensuring everyone sees the same information. As industry KPI definitions, means of measurement and communication of KPI scorecarding become available, adherence to the standards can provide a simplified means to the exchange of similar information between multiple trading partners.

Phase IV

Step 2: Develop Joint Performance Scorecard - New Ways of Working Together promotes the inclusion of measures beyond the sales and growth categories which appear in most traditional scorecards today. New Ways of Working Together scorecard elements should include measures of interest and value to both trading partners, providing motivation for everyone to participate and add business value to the process.

Phase IV

Step 3: Review Results – It is important to review the scorecard results on a weekly or monthly basis, depending on the frequency of the data input. The results should be shared with everyone on the Diamond Team and discussed in weekly or monthly trading partner meetings. Timely review of the results allows for easier and more effective course corrections if needed. Where favorable results are achieved, success should be celebrated along the way.

WEGMANS, SMUCKER'S, AND PROCTER & GAMBLE CASE STUDY

Major Accomplishments

The Common Goals Common Measures pilot within New Ways of Working Together resulted in several major accomplishments that are currently being celebrated and shared.

- a) ***Achievement of key deliverables during pilot:*** A team of people from merchandising, accounting, logistics, IT, and marketing at Wegmans, Procter & Gamble, and Smucker's have recently completed a 90 day pilot of the New Ways of Working Together concepts. During this pilot:
- Diamond Teams were established
 - Eighteen (18) measures were chosen
 - Strategic initiatives were developed
 - Goals were established and weekly online measurement of performance data began in a collaborative fashion.
- b) ***Identification of four strategic principles:*** It was clear to the pilot team that every New Generation Sales Call New Ways of Working Together initiative should adhere to the four strategic principles described in Phase I:
- Focus on the Consumer
 - Prepare our People for the New World
 - Connect our Businesses
 - Share our Supply Chain.
- These principles provide the framework for improving trading partner collaboration, eliminating disruptions, enabling growth, and ultimately, satisfying the consumer.
- c) ***Documentation of New Ways of Working Together best practices:*** The pilot team determined New Ways of Working Together best practices should include the alignment of resources into a diamond relationship, the alignment of strategic initiatives, joint business planning, standard measures and common goals, shared tracking and scorecard, and measured results. The pilot team succeeded in pulling each of these commonly used practices together, forming a cohesive process that facilitates the elimination of disruptions and enabling growth.
- d) ***Development of an annual business planning process:*** Wegmans recently completed the development of a new annual business planning process for non-perishable departments. This process includes a set of standard horizontal measures which can be used for all suppliers in addition to guidelines for incorporating various cross functional (Diamond Team) groups into the planning process. The pilot team incorporated standard horizontal measures into their New Ways of Working Together initiative.
- e) ***Identification of requirements to enable data sharing:*** Work is currently underway at Wegmans to define a long term strategy for data sharing. This strategy will provide Wegmans Diamond Team members with the data that they need to measure disruptions and performance within their own areas of responsibility with the ultimate goal of eliminating disruptions and supporting the annual business planning process.

- f) ***Achievement of key deliverables during pilot:*** A team of people from merchandising, accounting, logistics, IT, and marketing have recently completed the 90 day pilot of the Common Goals Common Measures concepts. During this pilot, all of the established deliverables were achieved: Diamond teams were established, eighteen (18) measures were chosen, strategic initiatives were developed, goals were established and weekly measurement of performance data began in an online collaborative fashion.

The pilot team learned from these activities and arrived at several key conclusions.

Findings:

- a) ***The existence of common goals facilitates long term planning:*** With the alignment of common goals, decisions in business fundamentals (distribution, merchandising, pricing, and shelving) in the pilot categories were more consciously and deliberately evaluated against the impact. With a relatively lesser focus on short-term decision-making, pilot participants laid the foundation for sustainable growth. Additionally, continual progress in the annual planning process has strengthened the relationship between trading partners at all levels of the organization. For example, senior management as well as Diamond Team functional experts from both Wegmans and Procter & Gamble participated in a meeting at key meetings throughout the pilot. Identification and alignment on common business objectives and opportunities has directly led to incremental project resourcing.
- b) ***Definitions should not be assumed:*** The pilot team learned early on that trading partners will often have conflicting definitions for terms that seem straight forward on the surface. When measuring on-time delivery, it was discovered that Wegmans definition of “on-time” was the delivery date that their buyers put on the purchase order. In contrast, the manufacturer believed that they could change the on-time expectation through the delivery appointment process with Wegmans distribution center. The resulting scorecard rating was a source of disagreement between Wegmans and their supplier until they realized the problem and synchronized their definitions for on-time delivery. This is just one example of why time should be invested up-front to agree on common definitions for each measure used in the New Ways of Working Together process.
- c) ***Disruptions were eliminated before growth was achieved:*** The New Ways of Working Together approach will enable accelerated growth, but only when combined with a new annual business planning process and allowed to run its course. Based on the immediate success stories received from the pilot team, it is obvious the elimination of disruptions, such as inaccurate invoices, misunderstood service levels and deductions are immediately attainable and set the stage for more productive sales calls. Disruptions equate to waste and removing waste is continuous improvement any organization should already be engaged in.

With that said, a quick comparison of dollar sales for all categories versus the pilot categories revealed that the pilot category increase over previous year was significantly higher than the average increase for all categories. Without an analysis of margins, unit sales, penetration, and other measures, along with an understanding of pre-planned promotional activities, it is difficult to tell what caused this difference in sales but it is nevertheless intriguing and worthy of further investigation.

Although many of the pilot category sales and margin trends were favorable during the last 90 days, the cause can not be 100% attributed to New Ways of Working Together

measures. It's possible that some of the favorable results are due to added focus on the categories, but the Wegmans pilot team firmly believes that real growth benefits will be achieved with the new annual business planning process which they beginning to implement. Continuing to focus on eliminating disruptions will make trading partners more efficient and will allow New Ways of Working Together to be more productive. The pilot continues to expose additional opportunities to eliminate disruptions and the Diamond Teams are currently engaged in the process of continuous improvement while preparing for the next phase of this initiative.

- d) ***Sharing priorities enhances strategic planning:*** Despite the best intentions, retailers and manufacturers do not always agree on growth strategies. This is especially evident where private labels are involved, resulting in goals that may be diametrically opposed to one another. When this is the case, there is the potential for a breakdown in the Common Goals/Common Measures model. The pilot team learned that the annual planning process can minimize this problem by comparing priorities. Comparing priorities allows both trading partners to agree on strategic initiatives that are mutually beneficial.
- e) ***Collaboration tool and scorecard:*** It is understood that many organizations already utilize a scorecard approach for measuring trading partner relationships. What's different about the Internet-based collaboration tool and scorecard utilized by the New Ways of Working Together pilot team is that it aggregates key metrics data from multiple sources. The tool simplifies the process of analyzing cause and effect relationships combining information from Accounting and Logistics that may not have been previously available with sales and growth metrics traditionally visible to our category merchants. The scorecard functions as an alert tool, enabling the Diamond Team to quickly and proactively focus on areas requiring attention. Deeper dives into specific problem areas can then be performed within the collaboration tool as needed. In addition, having access to the tool via the Internet has been widely regarded as a key enabler to more productive sales calls, enabling the supplier to prepare for meetings in advance.
- f) ***General comments:*** It was generally agreed upon by all Wegmans pilot participants that New Ways of Working Together will only work to its full potential if the process begins with strategic planning. While disruptions can be easily identified and often resolved on the fly, accelerating growth requires careful planning and agreement between trading partners in order to be truly successful. It has also been noted that the technology is not the end-all solution, but an enabler in New Ways of Working Together. People and process are the keys to pulling all of this together. To this point, several pilot team members felt that the Diamond Team needs to be established early and brought together frequently to sustain momentum. Depending on the strategic initiatives, Diamond Teams could vary in size. Some expressed concern about the need to understand and control the resource requirements. Also related to people, everyone agreed that it is most important to develop internal Diamond relationships before working on external relationships. In general, pilot team members feel that they are getting more attention from higher levels of their supplier organizations partly due to the focus on this new initiative across the industry, but also due to the change in our business processes.

Procter & Gamble sees a big opportunity to systemically add a 'Consumer Focused' measure. While Retailer's Share of Wallet would be the ideal, this data is not available with enough frequency to really track and measure. With a need to balance value of the data point with availability, Procter & Gamble's recommendation would be to add 'Closure Rate' to the list of key measures. Closure Rate is defined as the percentage of Wegmans' Core Loyal Shoppers that have a bought a particular category/brand at least

once within the latest pre-determined time period. This can be pulled from Wegmans' Shoppers Club database and speaks to the ability to attract Wegmans shoppers' to categories and brands they have not normally shopped for at Wegmans.

Success Examples

- a) ***Inventory management and supplier service level:*** Smucker's Days of Supply were consistently tracking above goal prior to the beginning of the New Ways of Working Together pilot. Over the course of the pilot period, Wegmans logistics and merchandising teams collaborated to improve service levels to 100%, which made the merchants more comfortable with reducing inventory. This result exceeded our goal by 3 days of supply without sacrificing service levels, with a total improvement of 5 days of supply equating to a one time reduction of over \$120,000 in inventory. If sustained, the associated warehousing and transportation savings could be substantial when measured on an annualized basis. The team is currently working to understand what the optimum goal is and to adjust the days of supply accordingly. The lesson learned with this example is that good things can happen when all eyes are focused on measurable data and Common Goals/Common Measures enabled this to occur.

Procter & Gamble also improved their days of supply over the course of the pilot by 6 days with similar reductions in inventory cost. Their service level, already at 98% at the beginning of the pilot, was sustained throughout.

- b) ***Data Sync/Data Accuracy:*** Procter & Gamble succeeded in making major improvements to their accuracy percentages in preparation for this pilot. Prior to the beginning of the pilot period, they raised their data accuracy rate by 50%. In addition, The Procter & Gamble Company is working aggressively to implement further improvements to their internal processes that will complete their transformation to a best-in-class supplier in the areas of data accuracy and synchronization. Formerly, there was no process established to update product information after specs had been finalized. This appears to be a common challenge as manufacturers struggle to provide new item data to retailers before the items are in full production. The Procter & Gamble Company has established an internal task force to sync its own internal systems and ensure only 'Production Verified' data is shared externally. As a result, additional improvements in data quality are expected over the next six-to-ten months.

Smucker's Data Accuracy remained somewhat constant at 98% during the majority of the pilot but they eventually achieved 100%. This is high for the industry and is cause for celebration. Equally impressive, their Data Synchronization rate improved 10% from 89% to 99%. This improvement was a result of collaborative efforts between Wegmans and Smucker's directly related to the focus placed on New Ways of Working Together over the course of the 90 day pilot.

- c) ***On Time Delivery:*** Procter & Gamble on time delivery was measured for each of their three distribution centers involved in the pilot. Two out of the three distribution centers have performed well throughout the course of the pilot. Aside from just a couple of weeks, these two distribution centers delivered at near 100% and the third is averaging about 55%. Having a common goal and tracking tool helped draw attention to the third distribution center and brought the right people together to seek resolution in a timely manner.

- d) **Store Service Level:** Always a top priority for Wegmans, improving store service levels can have a direct impact on the consumer. As a result of the focus on common goals and common measures, store service levels improved by double digit percentages across the board for both Procter & Gamble and Smucker's. This was a significant achievement and it raises the bar for the next phase of the pilot.
- e) **Invoice Accuracy:** A quick glance at invoice accuracy would lead one to believe that major improvements were made by the suppliers. In reality, it was Wegmans interpretation of invoices that caused much of the early discrepancies (see the note on deductions below). The focus on common goals and common measures facilitated a deeper dive into the cause of the invoice accuracy issues and determined that there was a training opportunity involving a relatively new purchasing system at Wegmans. The problem has been resolved and the data shows significant improvement in this area.
- f) **Order Changes:** Order changes for Procter & Gamble improved by 58%, comparing the first week of the pilot to the last. This trend is significant and is an example of one of the benefits that manufacturers receive from New Ways of Working Together.

Opportunities:

Some of data revealed negative trends over the course of the pilot. This is not to say that the pilot was unsuccessful. For starters, the data for some measures was captured on a monthly basis giving the pilot team only three snapshots to analyze trends. Most importantly, having the ability to identify opportunities such as those identified below was touted as one of the biggest wins by our pilot team. Previously, our Diamond Teams had little visibility to these cross-functional measures and, without knowing the full picture they were unable to avoid these disruptions in the sales call process. As a result of this new visibility and the cross-functional diamond relationships, participants are currently focused on each of the opportunity areas and expect to see a complete turnaround in time for the next business planning period.

- a) Interestingly, increasing deductions were identified early on in the pilot. At Smucker's one of the causes was a problem with invoice accuracy. However, even after the original problem was resolved, we once again a steady increase in deduction balances as well as invoice accuracy problems. Our invoice inaccuracy continued. Accounting and Merchandising teams collaborated to discover that a learning opportunity with the way some of our folks interpret existed at Wegmans regarding interpretation of how deal costs appear within our in a new purchasing system. Our Merchandising reinforced the new process and our Accounting team settled the amount due to Smucker's. Smucker's actually received a reimbursement! With Smucker's deduction balances under control, the teams are currently focusing on similar opportunities with Procter & Gamble. From a supplier perspective, the fact that Wegmans initiated an investigation into high deduction balances is a success story in itself. Typically, it is the supplier who raises concern over deductions which eventually becomes an interruption to the sales call process.
- b) Unsaleables is another opportunity that needs to be investigated. When comparing the same periods (February – July) year over year, unsaleables for 2007 is 39% higher than 2006 for Procter & Gamble and 105% higher for Smucker's. Once again, without the ability to call out problem areas such as this one, trading partners cannot be proactive when they implement course corrections.

CONCLUSIONS

Wegmans Food Markets, The J.M. Smucker Company and Procter & Gamble clearly recognized significant value in New Ways of Working Together. In addition to continuing current New Ways of Working Together relationships, they plan to expand their partner base.

At the time of this writing, The Kroger Company, Safeway, Inc., and The Coca-Cola Company have kicked off their own customized New Ways of Working Together projects and the early results are overwhelmingly positive.

If trading partner collaboration delivers results and New Ways of Working Together enhances trading partner collaboration, the win/win scenario is apparent.

Companies need nothing more than the willingness to enhance trading partner relationships and the desire for growth to begin their outreach to strategic New Ways of Working Together partners.

As industry-wide momentum grows and more trading partner pairs get onboard, the cumulative learnings, best practices, case study results and the development of scale-driven standards paves a smoother path for us all.

INDUSTRY ACTION PLAN

Initiate a New Ways of Working Together strategy and begin outreach to strategic partners.

Monitor your industry association publication listings and events for updated information on New Ways of Working Together projects, statistics, best practices, etc.

As you begin to amass learnings, results and best practices from your own New Ways of Working Together, share your insights with industry through associations such as GCI, GMA, FMI, NACDS and others.

Key opportunities for New Ways of Working Together industry-wide sharing include:

- Driving scale beyond current participants
- Identify the role of standards in the establishment of common definitions of measures
- Leverage the existing standards and capabilities in the GS1 system such as the Global Data Synchronization Network (GDSN)
- Identify a model for how technology will support the sharing of measures and results between trading partners.
- Enable the roles of industry organizations such as FMI, GMA, GCI, NACDS, GCI and GS1, particularly in the area of industry-wide education, communication of information and building scale.

Most importantly, begin the process now.