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What is Supply Chain Collaboration? Benefits and Trends

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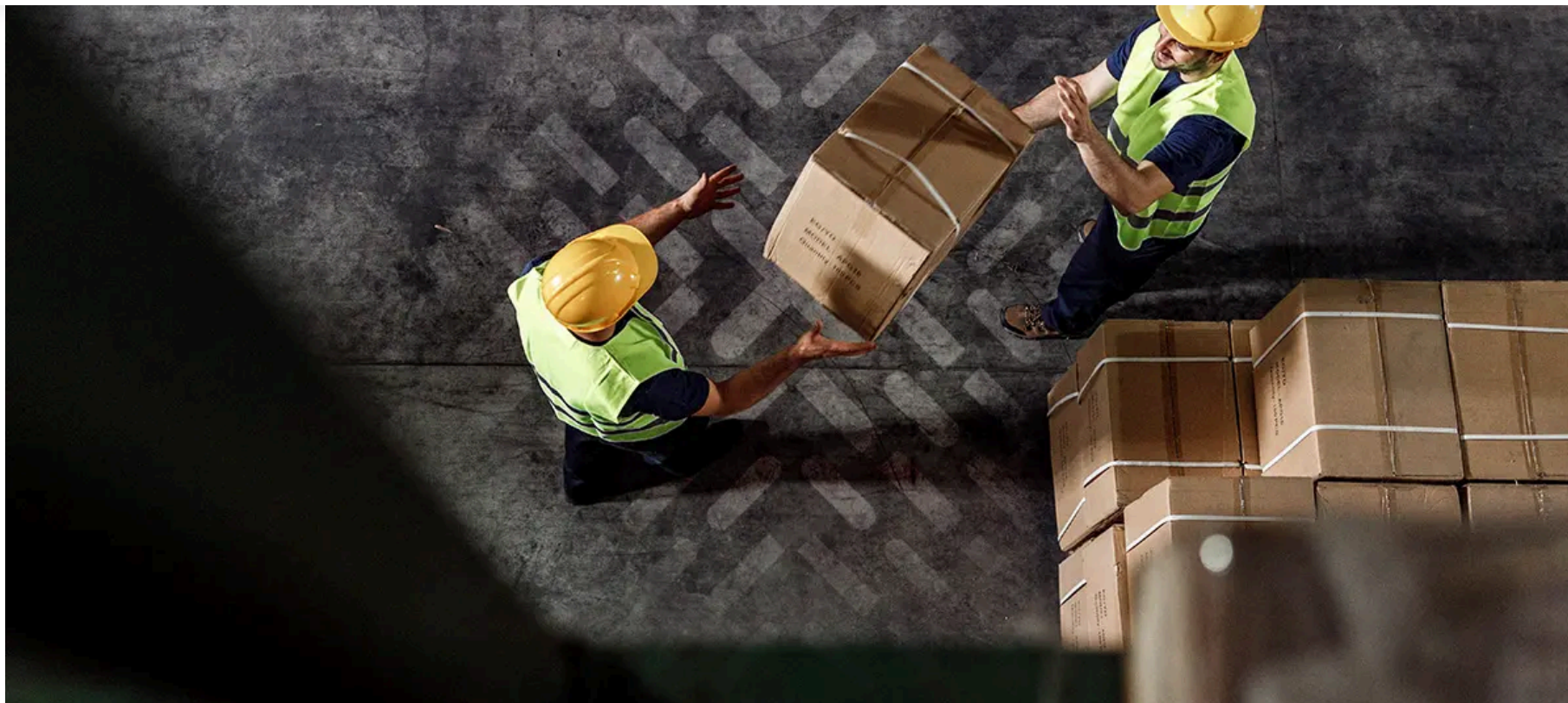
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In 2021, a 1,312-foot container ship called *Ever Given* was knocked off course by strong winds. It ended up wedged in the Suez Canal, blocking one of the busiest trade routes in the world. For the next six days, shipments were halted. Oil prices surged. Markets were erratic. *Ever Given* was eventually moved, and the backlog of ships was finally able to pass through, but the short event caused significant delays and economic losses. It was estimated to cost the global economy upwards of \$400

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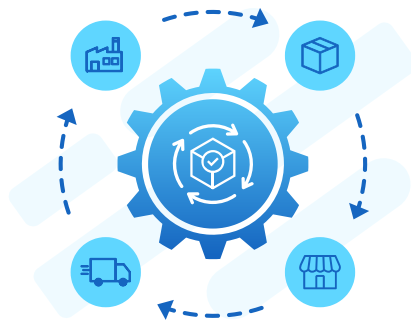
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on. Businesses are reevaluating their strategies and seeking more agile supply chain solutions to better handle these disruptions. They're making supply chain agility a priority, and supply chain collaboration is a key strategy to help them achieve it.

What is supply chain collaboration?

Supply chain collaboration is the practice of coordination between internal departments and external partners to optimize operations in the supply chain. It involves integrating systems and processes to increase visibility and efficiency between an organization and its supply chain partners. The goal is to share critical information, like purchase orders or capacity planning, in real time or near real time, and work together to solve issues *before* they impact the operations of all parties.



Supply chain collaboration:

The practice of coordination between internal departments and external partners to optimize operations in the supply chain.

At first glance, it's only right to assume that companies and suppliers have different goals. Companies want to secure the best price and have orders shipped on time.

Suppliers want to be paid on time and ensure orders aren't canceled at the last minute. So, how could supply chain collaboration help both parties achieve their goals?

Supply chain collaboration helps bring those different goals together to find common ground. It ensures everyone in the supply chain finds shared value in the process and benefits from it with steady business and fewer operational surprises. By communicating more frequently, sharing critical information, and building streamlined workflows, both parties become true partners who can handle disruptions and work together to get the right product to the right place at the right time.

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Vertical collaboration involves collaboration between different levels of the supply chain, typically between suppliers, manufacturers, and retailers or companies. By working closely with suppliers, companies can better align their production schedules, inventory management, and demand forecasting to reduce lead times, lower costs, and improve product availability.

Take a car manufacturer, for example. They may work closely with their steel material suppliers to synchronize production schedules, ensuring that materials are delivered just in time for manufacturing. This minimizes inventory holding costs and reduces waste.

Horizontal collaboration involves collaboration between companies at the same level of the supply chain, often competitors or businesses in the same industry. By sharing resources, such as transportation or warehousing, multiple companies benefit from lower costs, better market reach, and more optimal service levels.

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shared goals. As the highest level of collaboration, all parties are aligned, transparent, and focused on creating value for the entire supply chain ecosystem. Full collaboration requires end-to-end visibility and the right technology.

To accelerate its sustainability progress, Unilever, a global consumer goods company, [uses a full supply chain collaboration approach](#) with its suppliers, manufacturers, distributors, retailers, and even customers. The company works with suppliers to source more sustainable raw materials. By the end of 2023, 97.5% of its palm oil, tea, and soy orders were deforestation-free. They also partner with competitors in the Consumer Goods Forum (CGF) to improve supply chain traceability and advance circular economy initiatives, as well as promote more sustainable products to their customers.

No matter what kind of collaboration an organization aims to achieve, it typically involves:

Sharing transactional data and processes: All parties need to create a seamless flow of basic business information and processes, such as confirming purchase orders, sending invoices, issuing payments, etc. [An integrated and intelligent Total Spend Management platform](#) with supply chain collaboration tools can automate and streamline this step.

Integrating supply chain management information: A level deeper than basic transactional data, all parties aim to integrate operational data regarding production forecasts, demand forecasts, inventory, product availability, service levels, etc. This level of visibility into operational data enables all parties to make the best decisions.

Making strategic decisions together: Once the two steps above are complete, joint decision-making and [planning](#) can take place. This might include improving forecast accuracy, boosting profitability, expanding production facilities in the network, or resolving supply chain disruptions. The right supply chain collaboration tools enable organizations to not only share information but also make communication easier through an integrated, in-context messaging system.

Why supply chain collaboration is important

With the latest technology available, you'd imagine supply chain collaboration between suppliers, companies, and manufacturers would be widespread. In reality, it's far from it.

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may become a problem. It's impossible to collaborate effectively when everyone is working from different versions of the truth.

Even internal departments in a single organization can struggle to align on supply chain management processes. If a marketing department at a major retail chain decides to run a last-minute promotion but doesn't coordinate those plans with the inventory management and logistics teams, it could lead to stock shortages or the need for expedited shipping — both of which increase costs and strain operational efficiency.

Factor in the increasing frequency of supply chain disruptions due to natural disasters, geopolitical conflicts, and material shortages, and it's apparent that identifying potential risks and responding to them quickly is more important than ever. All levels of the supply chain need to work together to outmaneuver these disruptions effectively.

Supply chain collaboration tools — specifically ones that are easy to use — on a single platform empower organizations, suppliers, manufacturers, and logistics providers to seamlessly share information, communicate without the need for phone calls or emails, and streamline operations.

Benefits of supply chain collaboration

Traditionally, organizations aim to secure the lowest price with suppliers, but this can come with consequences. Opting for the lowest price could undercut the quality of a company's products. Constant price negotiations can strain supplier relationships. And price squeezing can lead to market consolidation that makes it hard to find and build lasting relationships with new suppliers.

Supply chain collaboration prioritizes value over quantity and focuses on building strong, mutually respected relationships. With greater transparency of key information, mutual decision-making, and opportunities for innovation, these long-term partnerships lead to greater efficiency and success for everyone involved.

Think of it this way: If a supplier has limited resources but has several purchase orders in its queue, who do you think the

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Forecasting and demand planning

By uniting operational data between companies, suppliers, and manufacturers and using a [demand modeling strategy](#), companies can accurately forecast demand, identify potential bottlenecks, and anticipate demand changes. Sharing demand forecasting visibility early and preparing partners for demand changes prevents service levels or inventory level disruptions.

For example, if an electronic game console company [projects a huge spike](#) in sales for a particular unit during Black Friday in November, it can share this information with its suppliers and manufacturers in early summer. The company says they'll need an additional 5,000 units ready by September, so the supplier will start acquiring additional raw materials while the manufacturer will hire more people to prepare for the production spike.

Inventory management

In turn, more accurate [demand forecasting](#) allows companies to work more closely with their supply chain partners to maintain optimal inventory levels and avoid the pitfalls of overstocking or stockouts.

Some companies may choose to implement just-in-time (JIT) inventory management, where materials and products are delivered exactly when they're needed to minimize holding costs.

This might look like a car manufacturer working closely with its suppliers to ensure parts and materials are delivered exactly when they are needed in the product process. This requires real-time data sharing of production schedules, demand forecasts, and inventory levels through an integrated digital platform. This transparency ensures suppliers can adjust their production and delivery schedules in line with the car manufacturer's needs.

Risk mitigation

Collaboration greatly [mitigates risk](#) by fostering real-time data sharing, improving communication, and coordinating responses to disruptions, such as material shortages, environmental impacts, or changing regulations.

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Supply chain collaboration allows partners to work collectively toward building a more efficient supply chain. Together, they can identify opportunities to lower excessive inventory, reduce carbon emissions by optimizing transportation, and better manage raw materials to lower overall environmental impact.

For instance, a tea company may work with its agricultural suppliers to choose alternative crops that require less water and are less vulnerable to climate change. This would reduce the risk of supply chain disruptions caused by environmental factors and help meet [the company's overall environmental, social, and governance goals](#).

Roadblocks and hurdles in supply chain collaboration

Implementing a supply chain collaboration strategy brings significant benefits. It also comes with a range of challenges. The most common ones include:

Data integration

Many suppliers still rely on electronic data interchange (EDI) systems to communicate with buyers. However, EDI systems are costly and time-consuming and don't allow bidirectional data to flow between suppliers and buyers. Getting suppliers to adopt platform technology is critical. It's also important for POs — whether they're user-generated or machine-generated from an MRO or ERP system — to be [integrated into the supply chain collaboration tool](#).

Cultural resistance at an organization

Internal teams at companies and suppliers may be accustomed to traditional, siloed ways of working and resist the changes required to collaborate. Open transparency, data-sharing, and joint decision-making can be a tough task when trying to get two (or more) organizations with different goals to work in unison. Sometimes organizations don't provide the necessary resources, like the right technology or leadership guidance, to make collaboration work.

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Establishing trust might mean sacrificing one area (like price point, for example) for the benefit of another (like building a long-term relationship with a supplier that's reliable for on-time delivery).

Global complexity

Dealing with global supply chains means differences in regulations, languages, and technological skill sets. Adhering to all compliance measures and communicating effectively with suppliers can be daunting. When choosing a supply chain collaboration platform, consider whether it offers support in multiple languages, is easy to use, and automates cross-country compliance across invoices and payments.

Strategies and best practices

Businesses seeking to thrive in today's competitive landscape can use supply chain collaboration to improve efficiency, risk mitigation, and innovation. Despite the challenges of implementing supply chain collaboration, the benefits it brings to organizations are well worth the effort.

To set your strategy up for success, focus on:

All spend: Ensure you're accounting for all indirect spending and verify it's properly segmented. Once data around your indirect spending is centralized, you can focus on ways to consolidate and reduce it. Those savings can help you fund initiatives towards your direct spend management efforts, like buying supply chain collaboration tools.

All suppliers: It's only natural to think you should work closely with the suppliers with whom you have significant spending. However, don't look at spending as the main factor. If a supplier is providing critical products or materials, they're a supplier worth collaborating with.

All business processes: PO collaboration is one of the most fundamental components of supply chain collaboration, but you should also consider expanding into invoicing, sourcing, and risk management collaboration. For a true partnership,

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Emerging technology and future trends in supply chain collaboration

Technology is fueling a new era of supply chain collaboration, mainly driven by AI. It can enhance demand forecasting, optimize inventory levels, and in the future, identify potential disruptions before they occur.

One major advantage of AI is the ability to read emails from suppliers and convert them into order confirmations or identify what the supplier is trying to convey. Coupa does this with an AI layer on top of its [PO Collaboration software tool](#). It ensures that 100% of emails are responded to and that compliance is enforced.

Some companies are building a network database. Coupa holds the largest private B2B database in the world, with \$6 trillion in anonymized transactional data between buyers and suppliers. This community network data is applied with [AI to provide insights into pricing, supplier risk, and more](#).

Digital twin technology is another area that is making impressive strides. A [digital twin](#) is a digital model of a physical supply chain that harnesses real-time operational data. It can then be used to test scenarios, analyze performance, and predict outcomes. It can also use AI for [time-series and demand-gap analysis](#) to forecast demand more accurately. Partners can visualize the impacts of decisions, optimize processes, and respond more efficiently to disruptions.

Create a successful supply chain collaboration strategy with Coupa

As you consider your own supply chain collaboration strategy, remember that the journey is just as important as the destination. Continuous improvement, open communication, and a shared commitment to building trust will be the driving forces behind a successful strategy.

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Automate workflows and processes, such as confirming POs at the line-item level and automating manual spreadsheet reconciliation to boost S&OP ([sales and operations planning](#)) performance.

Increase supplier cooperation with an easy-to-use interface and in-context message center — no complicated or costly IT integrations required.

Improve operational performance with AI insights on commodity pricing, supplier performance ratings, and suspicious activity monitoring.

Now is the time for businesses to assess their supply chain strategies and invest in collaborative tools to build strong relationships with their partners. By doing so, they'll be better equipped to navigate future uncertainties and achieve sustainable growth.

Secure your supply chain with stronger collaboration.

[Learn How](#)

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