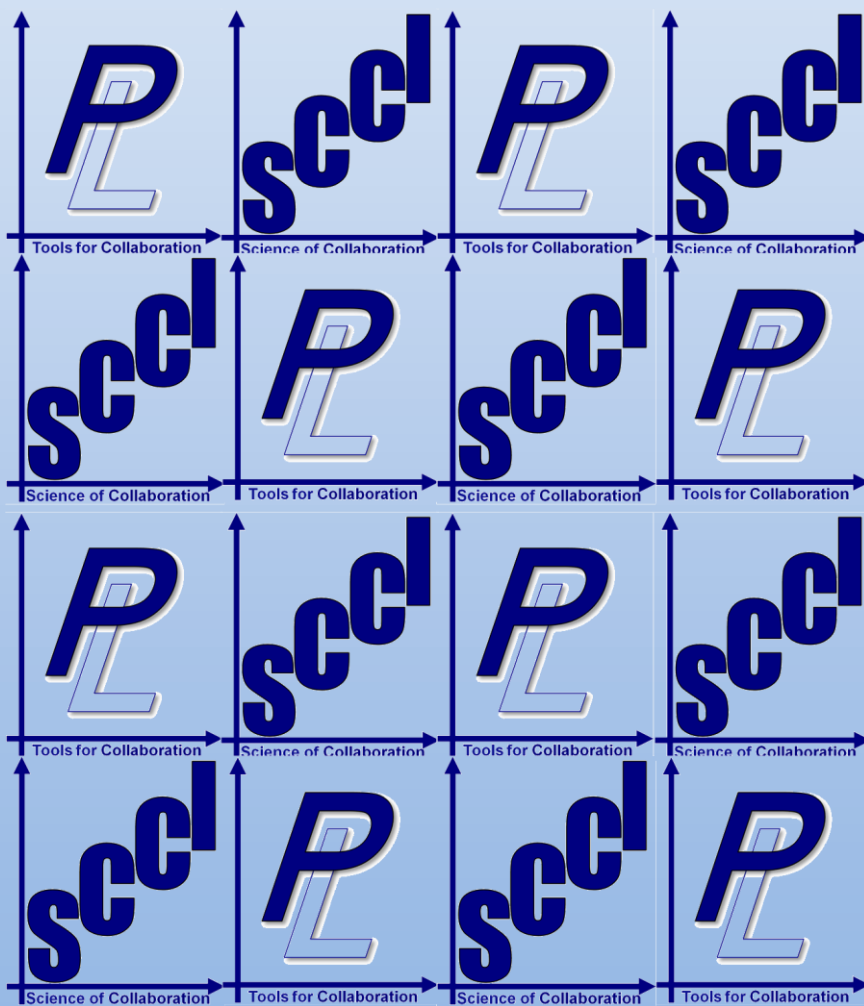


# Case Study:

## Food Logistics Co-opetition

'Compete on the shelf, not on the truck'



Andrew Humphries & Linda McComie



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## Case Study – 'Compete on the shelf, not on the truck'

*By Andrew Humphries & Linda McComie*

### 10 Year Co-opetitive Relationship:

- Nestlé Plc – a global food manufacturer
- Pladis Plc – a major UK biscuit and snacks producer

### Objective:

- To reduce running costs and carbon footprint by better utilisation of delivery vehicles

### Issues Revealed:

- The operation was static and the relationship had become complacent
- New young dynamic staff were frustrated by their inability to seize opportunities

**“The operation was set up with modest ambitions and we both believe that its longevity is due to keeping it simple with straightforward governance and cost allocation mechanisms and no grand plans to redraw the complete supply chains of either company”**

### Notes

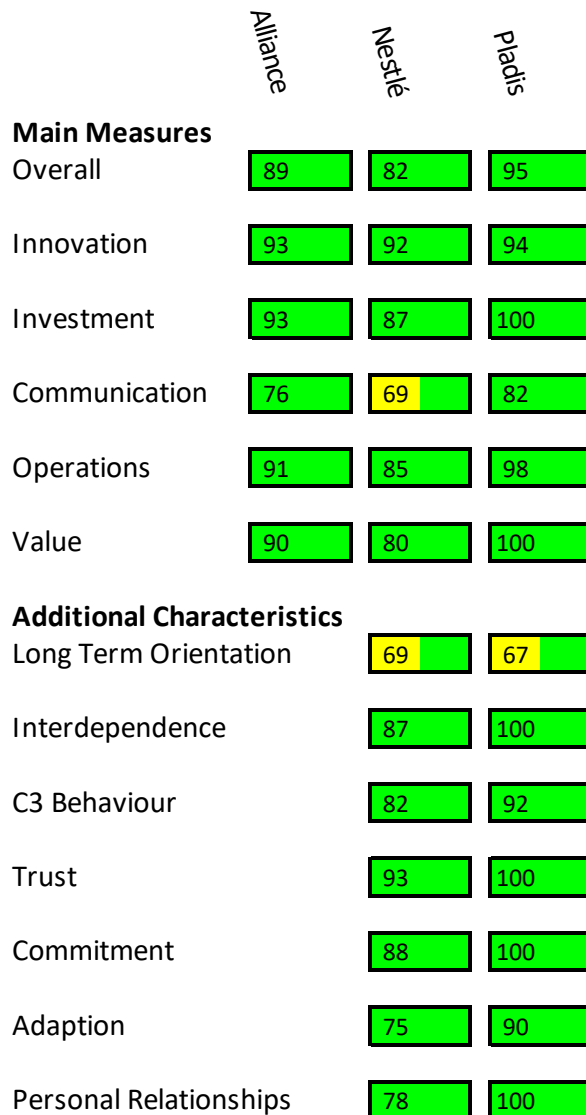
This logistics co-opetition between was brokered by the UK Institute of Grocery Distributors in 2007.

Initiation and sustainment was accomplished by visionary managers who had to overcome the cultural attitudes against working with a competitor. Pladis sells empty space on its vehicles to Nestlé. to consolidate deliveries and balance out supply and demand where there are geographical synergies.

Both organisations operated in a similar manner using similar equipment, procedures and commercial arrangements.

To avoid complex contractual arrangements, they agreed some basic rules of engagement and put clear boundaries in place to protect both parties' interests. They decided from the outset to limit their collaborative partnership to internal freight movements only. They put processes in place to ensure that they conformed to anti-trust legislation and used market rates to avoid accusations of undercutting third-party suppliers.

## Performance at a glance



- **Innovation** – the leap of faith, being creative, flexible and resilient
- **Investment** – Alignment of objectives, investment in people, know-how, infrastructure and management effort and, long-term vision
- **Communication** – open and transparent, frequent and extensive, learning, planning and anticipating
- **Operations** – focusing on service and product delivery, lowering joint costs and risks, building trust
- **Value** – perceived and actual benefits, satisfaction
- **Long-term Orientation** – encouraging stability, continuity, predictability and long-term, joint gains
- **Interdependence** – loss in autonomy is compensated through the expected gains
- **C3 Behaviour** – Collaboration, Co-operation, Co-ordination, joint resourcing to achieve effective operations
- **Trust** – richer interaction between parties to create goodwill and the incentive to go the extra mile
- **Commitment** – the relationship is so important that it warrants maximum effort to maintain it
- **Adaption** – willingness to adapt products, procedures, inventory, management, attitudes, values and goals to the needs of the relationship
- **Personal Relationships** – generating trust and openness through personal interaction

Bandings	Colour	Response
0-49%	Red	Urgent Action Required
50-59%	Amber	Corrective Action Required
60-74%	Amber Green	Corrective Action Recommended
75-100%	Green	OK Unless High Priority

These traffic lights represent a very good and successful relationship that meets its objectives. However, the staff in both teams are impatient to move the operation forward to achieve even greater benefits.

**“If they have space we use it. If they don't we look elsewhere. There is no exchange of information in advance. As a result of the lack of interaction we have missed opportunities”**

## Outcomes

- Savings of over 280,000 km of empty trailer movements, 95,000 litres of diesel, 250 tonnes of CO<sub>2</sub> and £300,000 running costs annually
- It is widely reported as being the most successful ongoing example of co-opetition in the UK logistics industry resulting a number of prestigious awards
- Both companies acknowledge that the capability they have developed is being used with other partners
- Nestle and Pladis are re-energising their relationship and working together to extend the boundaries of the collaboration
- Regular joint meetings were initiated involving all the staff to seek new ideas and discuss future plans

**“This project made me think. It was useful to participate. The scores highlighted areas for improvement and we can use them to move forward”**

### Notes

This is a classic case that demonstrates collaborative working between competitors can access quantifiable operational, financial and environmental benefits that were not available through regular partnerships.

The case also proves that it is possible to manage co-opetition successfully and remain with the regulatory anti-trust constraints.

The developed capability represents a substantial competitive advantage.



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