Consortiums and "Virtual" Consortiums

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Consortiums and "Virtual" Consortiums: Attributes, Opportunities and Issues

Attributes

- Non-Strategic Items
  - Commodities
  - Services
  - Capital Goods
- Blanket Agreements
- Releases
- Volume Rebates
- Point-of-Use Delivery
- Price Elasticity
- Standardization
- Requirements Visibility
- Min/Max Environment
- Common Culture

Exploitation Opportunities

- Reduced Transactions
- Cycle Time Reduction
- Hidden Factory Costs
- Inventory Carrying Costs
- Visibility/Planning
- Level Loading
- Sub-Tier Supply Chain
- Improved Quality
- Improved Service

Issues

- Supplier Resistance
- Anti-Trust Violations
- Robinson-Patman
- Predatory Pricing
- Confidentiality
- Disclosure
- Equitable Risk/Benefit
- Sustained Commitment
- Corporate Culture

Consortium Types: Only the Tip of the Iceberg

Reciprocal Purchasing Privileges:
Highest leverage collaborator negotiates "piggy back" privileges for Partners and/or Sub-Tiers

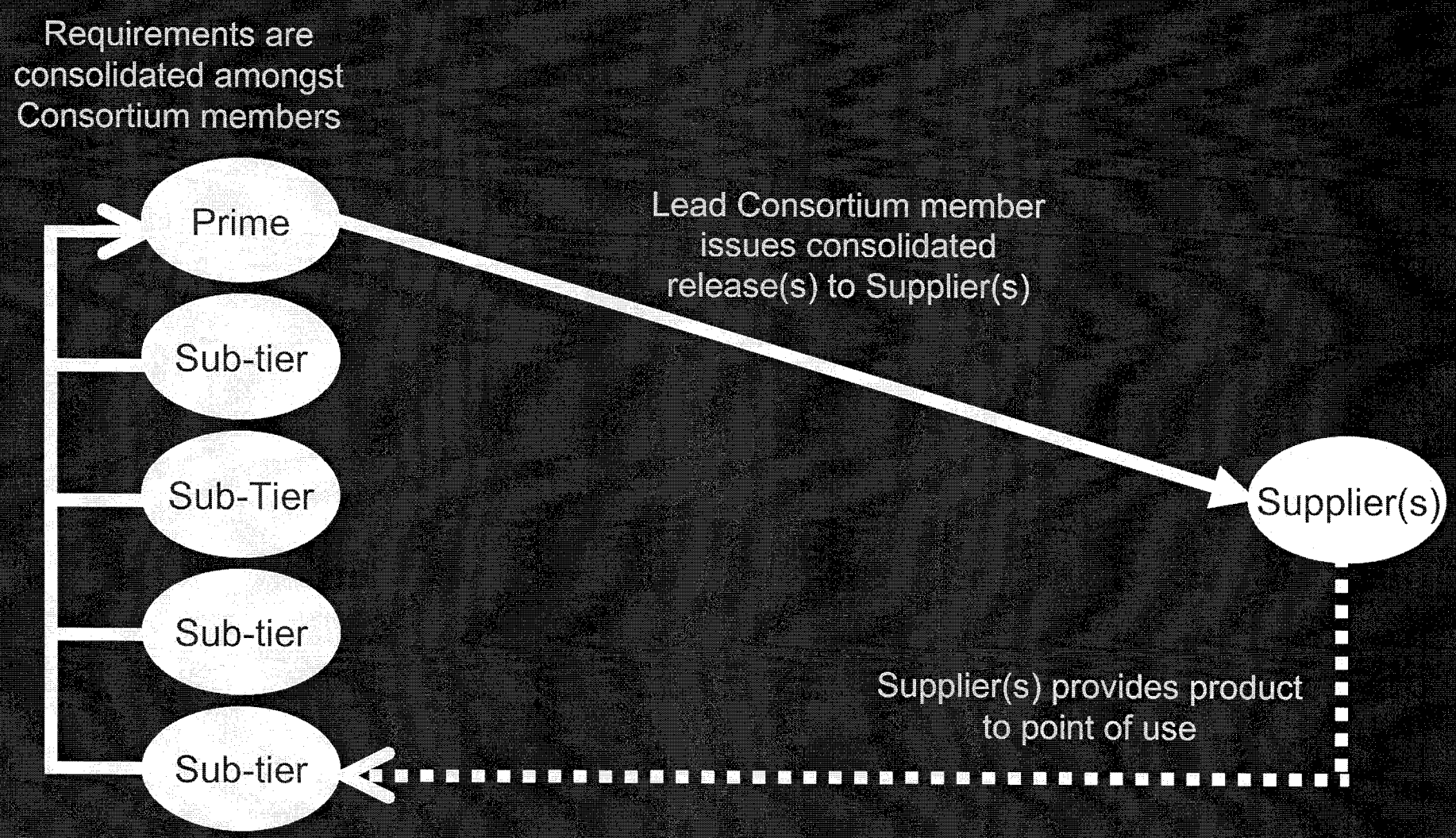
Supply Chain Consortium:
Extended supply Chain consolidates goods/services requirements

Counterpart Consortium:
Complementary collaborators take the consolidation lead for goods/services in their respective areas of leverage

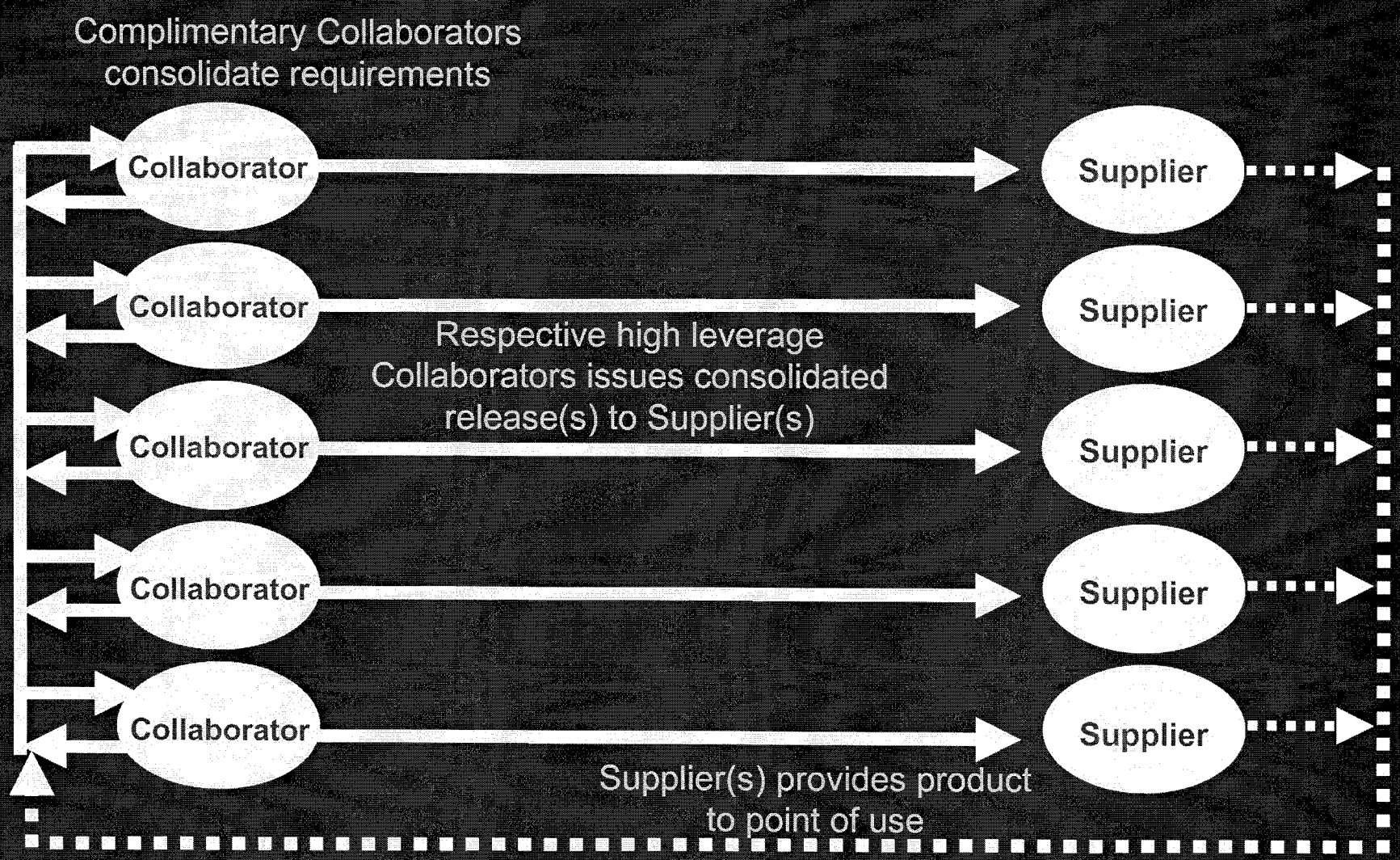
Decentralized Collaborative Consortium:
Source Board aggregates the common requirements of dispersed units to realize the benefits of centralization and decentralization simultaneously

"Virtual" Consortium:
Independent consolidator aggregates the requirements of disparate consortium members

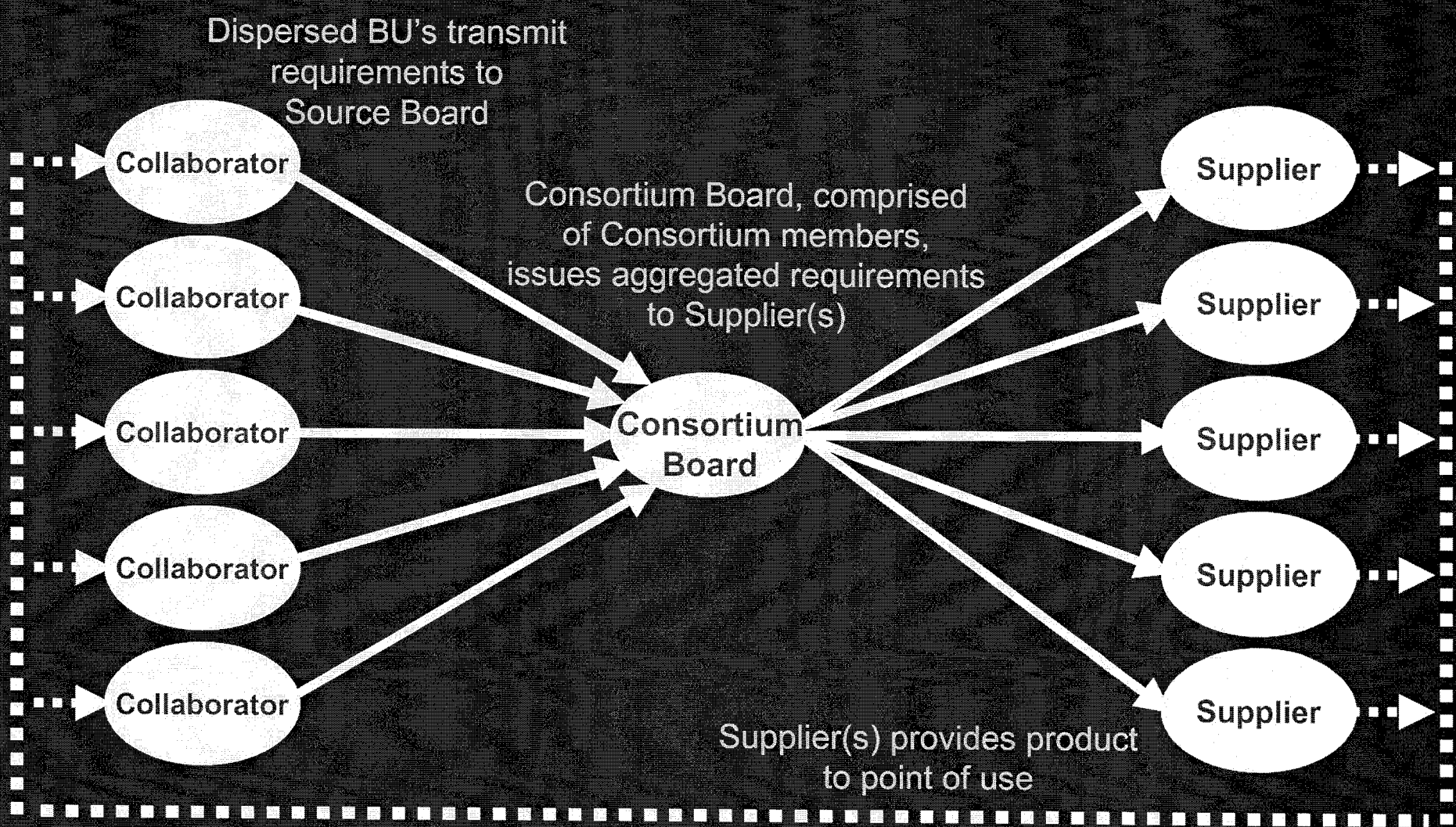
Supply Chain Consortium



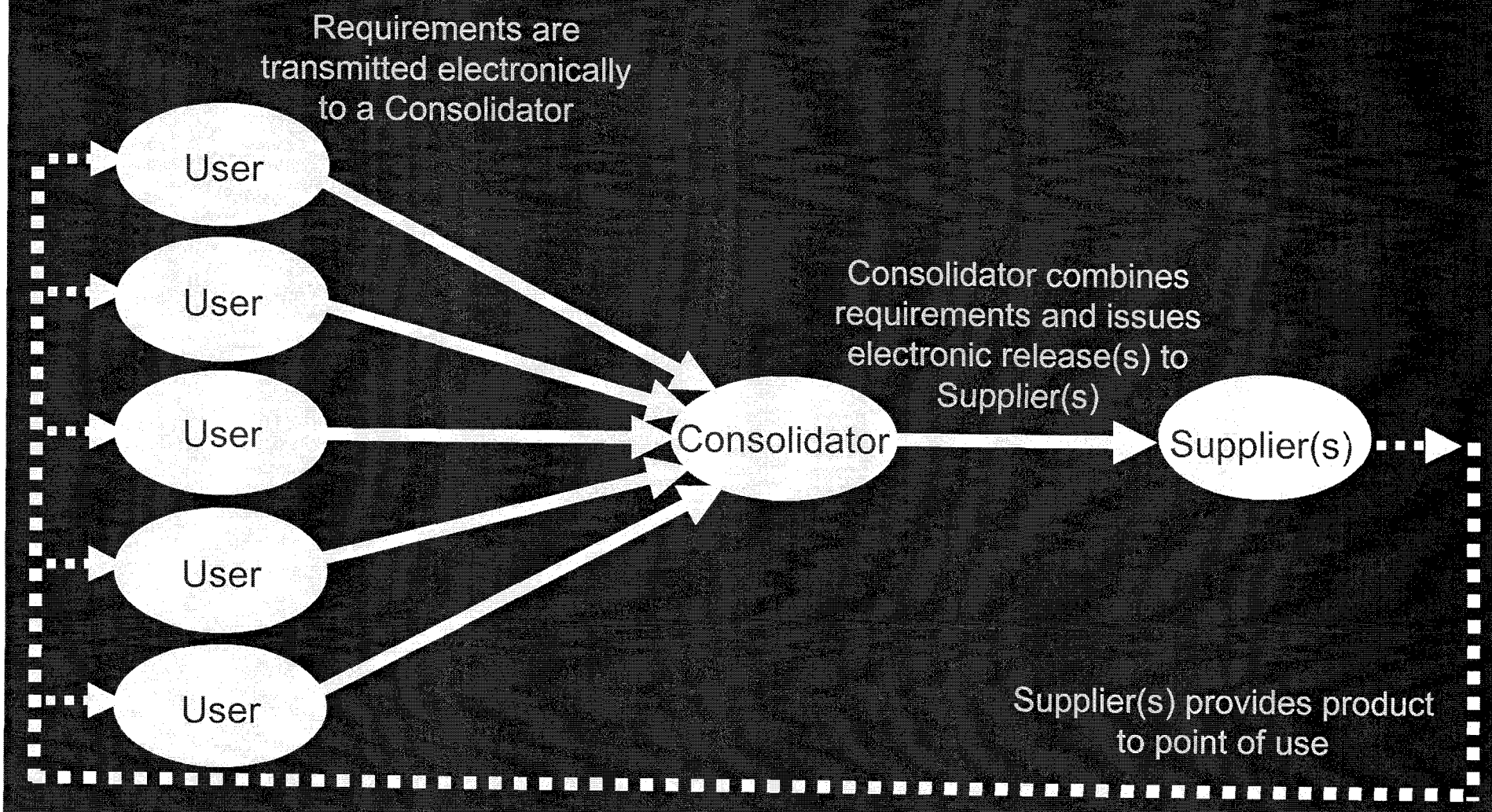
Counterpart Consortium



Decentralized Collaborative Consortium



Electronic "Virtual Consortium"



Consortium Strategies Summary

- Consortium buying has proliferated over the past decade
  - 968,000 Consortium Web page hits
  - 910 dedicated Consortium Web sites
- Nonstrategic and strategic application opportunities
- 1997 CAPS Focus Study
  - *"Purchasing Consortiums: Horizontal Alliances Among Firms Buying Common Goods and Services. What? Who? Why? How?* by Thomas E. Hendrick, Ph.D.