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PAPER PRESENTATION

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The Benefits of Horizontal Cooperation for Supply Chain Management.
A Supply Chain Network Design Model to Assess the Benefits of Horizontal Cooperation

Workshop: Operations and information systems
Type of paper: Empirical

Abstract:

Horizontal cooperation consists in the collaboration of companies that work at the same level of the supply chain (e.g. two suppliers working together). The literature on horizontal cooperation discusses several real-life cases and simulation studies of horizontal collaborations. Authors generally acknowledge that horizontal collaborations generate savings. Recent researches have however shown that these savings may have various scales from 5% to 30%. Answering the call for a better understanding of the impact of markets' and partners' characteristics on the coalition gain, we conduct a large set of numerical experiments using a location-inventory model, varying several key parameters, to estimate their respective impact on the coalition gain of partnerships. This study also enables us to assess the evolution of transportation, inventory, ordering and safety stock costs at distribution centers and retailers, comparing results of stand-alone companies and horizontal partnerships.