

GMA-FMI Trading Partner Alliance

**Action Plan to Accelerate
Trading Partner Electronic Collaboration**



A.T. Kearney Assessment & Recommendations



GMA is the world's largest association of food, beverage and consumer product companies. With U.S. sales of more than \$460 billion, GMA members employ more than 2.5 million workers in all 50 states. The organization applies legal, scientific and political expertise from its member companies to vital food, nutrition and public policy issues affecting the industry. Led by a board of 42 chief executive officers, GMA speaks for food and consumer product manufacturers at the state, federal and international levels on legislative and regulatory issues. The association also leads efforts to increase productivity, efficiency and growth in the food, beverage and consumer products industry.



Food marketing Institute (FMI) conducts programs in research, education, industry relations and public affairs on behalf of its 2,300 member companies – food retailers and wholesalers – in the United States and around the world. FMI's U.S. members operate approximately 26,000 retail food stores with a combined annual sales volume of \$340 billion – three-quarters of all food retail store sales in the United States. FMI's retail membership is composed of large multi-store chains, regional firms and independent supermarkets. Its international membership includes 200 companies from 60 countries.



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Manufacturers

Anheuser Busch Companies, Inc.
Cadbury Schweppes plc
The Campbell Soup Company
Cargill, Inc.
The Coca Cola Company
Colgate-Palmolive Company
ConAgra Foods, Inc.
General Mills, Inc.
The Gillette Company
H.J. Heinz Company
Hershey Foods Corporation
Hormel Foods Corporation
Kellogg Company
Kraft Foods, Inc.
Masterfoods USA
Nestlé USA, Inc.
The Procter & Gamble Company
PepsiCo, Inc.
Sara Lee Corporation
The J.M. Smucker Company
Tyson Foods, Inc.
Unilever United States, Inc.

Retailers / Wholesalers

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Intermediaries

Acosta Sales and Marketing Company
Crossmark Holdings, Inc.
Tibbett & Britten Group plc

Standards Organizations & User Groups

EAN International
Electronic Commerce Council of Canada
Global Commerce Initiative
Uniform Code Council
UCCnet

Industry Exchanges

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Transora
EFS Network, Inc.
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Worldwide Retail Exchange, LLC

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e-nvision
Information Resources, Inc.
Manugistics Group, Inc.
Oracle Corporation
Synkra Systems, Inc.
UDEX
The viaLink Company



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Executive Summary

A Call to Action

Background

The Consumer Packaged Goods (CPG) and Retail Industries face a crisis. Over the last three years, industry members have invested almost \$1 billion in various industry utilities, trading exchanges and proprietary technology-platforms intended to enable "Electronic Collaboration" – the use of internet-based technologies to allow *continuous automated* exchange of information between supply chain partners. But few companies have actually begun to use this infrastructure. As a result, industry participants have seen little return on their investment, and the various organizations established to enable collaboration are at risk of dissolving.

To address this inertia, the Boards of the Grocery Manufacturers of America (GMA) and the Food Marketing Institute (FMI) asked the GMA-FMI Trading Partner Alliance (TPA)¹ to develop an action plan to accelerate electronic collaboration in the CPG and Retail Industries. The TPA engaged A.T. Kearney to help diagnose the causes of industry inaction and define concrete actions to regain momentum. This Action Plan is the result.

Findings

Interviews with more than 100 industry executives confirmed that the majority of industry leaders agree that electronic-collaboration is a critical business priority. Most also recognize that data synchronization is a necessary first step to other forms of collaboration (CPFR, etc.). Unless suppliers and customers have correct, up-to-date item data in their catalogs, information exchanged about future plans, replenishment, etc., may be unreliable and misleading. However, most executives have been reluctant to invest in preparing internal systems and processes for data synchronization, because they hear conflicting messages on whether the infrastructure and the business case have been proven.

To address this reluctance, A.T. Kearney conducted an independent assessment of the infrastructure and business case for data synchronization. The result is a clear case for action:

1. **The necessary infrastructure for data synchronization is in place:** The global network of standards organizations (EAN•UCC) has agreed to a single vision for how the global data registration and synchronization system will work. The necessary data standards have been published. In North America, UCCnet (a neutral organization intended to provide a central item registry for the industry) has been endorsed by major industry players, and several manufacturers and retailers are already synchronizing data using UCCnet. Some important issues still need to be resolved for UCCnet to be accepted as the global item registry, but EAN•UCC has committed to resolving these issues by the end of 2002.
2. **The benefits are significant and have been demonstrated:** Numerous studies and pilot cases have shown that data synchronization (by eliminating errors from catalogs and reducing the time it takes to introduce new products) will save manufacturers and retailers billions of dollars a year. The pioneers who have begun synchro-

¹GMA and FMI created the Trading Partner Alliance (TPA) in October 2001 to develop an industry agenda for achieving results and gaining tangible wins through collaboration across the industry. It comprises a joint committee of six leading manufacturers and six leading retailers, and is co-chaired by Bill Grize of Ahold USA and Irene Rosenfeld of Kraft Foods.

nization on a large scale have already begun to realize these benefits – Procter & Gamble, for instance, expects synchronization to eliminate 30,000-50,000 hours per year in unnecessary transcription work, reduce stock-out incidence by 10% and reduce the time required for new item introductions by 80% - in the U.S. alone, P&G expects minimum savings of \$25 million per year.

3. **The costs of inaction are escalating:** If more companies do not take action now, there is a real risk that investments already made will be lost – existing organizations may have to fold, and industry groups in other parts of the world will likely proceed with developing parallel solutions. All industry participants will face far higher costs than if they act now and leverage the infrastructure already available.

Recommendations

To ensure the success of e-collaboration in the CPG and Retail Industries, the GMA-FMI Trading Partner Alliance therefore recommends a series of concrete actions – both on the part of individual companies and on the part of the standards organizations, solutions providers and industry associations. These recommendations can be summarized as follows:

Recommended Actions: Manufacturers, Retailers and Intermediaries

1. **Confirm your company's commitment to the Global Data Synchronization Vision.**
 - Set target dates for adoption of Global Trade Item Number (GTIN) and Global location Number (GLN) standards within your organization.
 - Commit to a single global item registry – while the requirements for the global registry are being resolved, do not support creation of parallel registries.
 - Direct external catalog services (exchanges, commercial providers, etc.) to comply with agreed industry standards.
 - Communicate these commitments to trading partners and all internal constituencies.
2. **Endorse and subscribe to the UCCnet GLOBALregistry™.**

A central item registry is a critical pre-requisite for efficient multi-party data synchronization. The UCCnet registry is fully operational, and has been endorsed by all major industry players in the United States. To ensure critical mass, more companies must subscribe to and start utilizing the registry in the near future.
3. **Prepare internal systems and start using the synchronization infrastructure.**

Implementation will be the key to realizing the benefits of data synchronization. Early adopters have found that it can take several months or more to clean up internal catalogs and information systems to be ready for data synchronization. Companies therefore need to take a systematic, program-management approach to ensure successful implementation, with executive-level leadership, dedicated internal

resources, well-defined targets and progress-metrics. Companies should also leverage the wide range of external resources that exist to help companies through the process – UCCnet and its implementation partners, the trading exchanges, commercial solution providers, etc.

4. Support the drive towards industry-wide participation.

Individual companies can also play a significant role in moving the industry forward:

- Encourage trading partners to subscribe to the UCCnet registry.
- Assist in the process of training and onboarding trading partners.
- Share implementation results and publish case studies.
- Participate in the various initiatives working to complete the design of the Global Data Synchronization Network, e.g. the EAN•UCC Global Standards Management Process and the Global Commerce Initiative.

Recommended Actions: Standards Organizations and Solutions Providers

Widespread confusion among executives clearly indicates the need for better communication from standards organizations and other solution providers (trading exchanges, etc.). The GMA-FMI TPA recommends that these organizations:

1. Improve the effectiveness and clarity of communications.

- Better explain the different roles and relationships of EAN, UCC, UCCnet, GCI, the trading exchanges, etc.
- Provide better case studies, enumerating the specific costs and benefits realized by individual companies as a result of data synchronization.
- Provide simpler materials describing the principles of data synchronization and the implementation process, with less use of jargon and trademark terms.

2. Proactively respond to industry concerns and misperceptions.

- Identify and understand concerns, by conducting regular customer and industry surveys.
- Increase transparency, by conducting independent assessments in areas of concern.
- Better communicate actions taken to address concerns.

3. Resolve the issues required to establish the *Global Data Synchronization Network*.

- EAN•UCC and the GCI should apply all necessary resources to resolve the remaining issues required to establish a truly Global Data Synchronization Network by the target date of January 1, 2003.
- UCCnet in turn should act quickly to comply with these requirements and take whatever steps appropriate to become the Global Item Registry.

Recommended Actions: Industry Associations

GMA and FMI and other associations representing segments of the CPG and retail industries should continue to take a leadership role in driving forward the electronic collaboration agenda:

1. **Promote participation among members:**
 - Include data synchronization as an agenda item at all industry events and meetings.
 - Issue communications and provide briefings to individual members.
 - Provide objective updates on latest standards agreements, technology developments, etc.
 - Host training sessions to educate members about implementation.
 - Publish case studies, demonstrating benefits and implementation best practices.
2. **Provide an objective channel for industry feedback:**
 - Channel members' feedback to the standards organizations and other solution providers.
3. **Provide leadership in resolving remaining issues:**
 - Participate in the various initiatives working to complete the design of the Global Data Synchronization Network, e.g. the Global Standards Management Process, the Global Commerce Initiative, etc.
4. **Track and report progress:**
 - Survey members on a regular basis to confirm their implementation plans, track progress against these commitments, and identify bottlenecks.

Conclusion: Gathering Momentum

In the couple of months since the TPA began work on this Action Plan, momentum towards implementation has been accelerating:

- ⇒ Over 200 companies have now signed up to use the UCCnet data registry.
- ⇒ Several companies have committed to complete registration of the majority of their item data in the UCCnet GLOBALregistry™ by January 1, 2003.
- ⇒ At least five leading retailers have told their suppliers that they expect them to be capable of automated data synchronization in the near future.
- ⇒ Industry leaders have re-emphasized their commitment to resolve the remaining issues required to globalize the registry and synchronization system by year-end.

In this environment, companies that have not begun implementation not only hold back the industry, but face considerable business risk. Given the time required to prepare internal data and systems for synchronization, late adopters will find themselves at an increasing competitive disadvantage – both in terms of costs and in their inability to meet the requirements of key customers and suppliers.

The Trading Partner Alliance and the leadership of GMA and FMI therefore urge all industry players and their supporting organizations to act now to leverage the infrastructure they have built. It is time for the CPG and Retail Industries to take the lead in realizing the enormous benefits that true collaboration can bring.