

Technology Global data synchronisation



Money well spent: synchronising product information between retailers and suppliers will help reduce supply chain inefficiencies and could save the industry about 3.5% of total sales a year

IN SYNC

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Retailers and their suppliers are slowly but surely warming to the idea of global data synchronisation, says **Alison Clements**

Poor data costs money. The admin price tag of manually investigating and correcting a single invoice error is £40, according to AT Kearney. But when you start calculating the cost of rectifying supply chain failures caused by data inaccuracies – affecting store planning, on-shelf availability, the speed of getting a new product to market and causing physical warehouse and distribution cock-ups – the numbers can be shocking.

R&R Ice Cream, which supplies ice-cream brands including Nestlé, Skinny Cow, Fab, Yorkie and Smarties to retailers such as Tesco, Sainsbury's and Iceland, calculates that a wagon-load of goods sent back from a retailer's distribution centre because of a data mix-up can cost £3,000, once repacking, labour and transportation expenses are factored in.

According to global standards organisation GS1 UK, about 3.5 per cent of total sales is lost each year because of supply chain inefficiencies, the majority of which could be overcome if retailers and their suppliers were using synchronised product information.

Five years ago, wholesaler Makro, which is part of the Metro Group, calculated that 3.2 per cent of invoices

going through its systems contained inaccuracies – typically invalid GTINs (Global Trade Item Numbers or barcodes) – and putting such problems right was costing an eye-watering £700,000 a year. Now, by using clean product data and standardising the way it collects its supplier data, Makro has all but eradicated these expensive and time-consuming problems.

Makro was an early and successful adopter of global data synchronisation (GDS), but the wider global movement towards standardising data has been plagued by false starts and the painfully slow process of deciding and ratifying which data fields to include in centrally held product catalogues. Convincing all organisations along the supply chain to co-operate in the costly, time-consuming process of opening up data and synchronising it to agreed standards has been challenging, particularly where smaller suppliers are concerned, and this is still causing problems today.

“The initial challenges have been around identifying the key personnel or departments within the manufacturers who are responsible for the relevant data,” says one retailer managing a big GDS programme. “GDS information crosses a number of departmental borders within an organisation and this is further compounded when

you are dealing with international brands.”

However, there is a sense that critical mass is being achieved now and cost and efficiency benefits are kicking in. GS1 UK, which hosts the GS1 UK Data Pool, says the number of retailers and food service suppliers joining to use its data pool has rocketed 60 per cent in the past six months. As well as Makro, major names such as Boots, Spar, Nisa-Today's and Brakes are on board. Comet has also just begun a project to synchronise its data through the data pool, making it the first UK electricals retailer to participate.

“The manufacturers have given us tremendous support and take on board fully the reasoning and benefits behind GDS,” says Comet commercial process general manager Chris Kent. “They have been quick to grasp the potential benefits that this initial trial will lead to in the future for the industry and customers alike.”

ESTABLISHING A GLOBAL NETWORK

GS1 UK GDS business manager Robert Besford says there are now more than 1,000 suppliers using the GS1 UK data pool and more than 2 million unique items registered to the network, double the 1 million registered a year ago. “There's no finishing line with a project like this, because new products are constantly coming onto the market and needing data uploaded and shared, but the numbers are now big enough to be having a real impact,” he says.

The growth of registered products can be attributed to the adoption of the Global Data Synchronisation Network (GDSN), with the total number of GDSN-certified data pools now standing at 26, supporting data synchronisation in 50 countries.

Meanwhile, retail giants such as Wal-Mart and Tesco have effectively developed their own data pools. Besford explains that, although big retailers like



R&R ICE CREAM: DRIVING SERVICE TO RETAILERS

Since joining the GS1 UK Data Pool in 2005, R&R Ice Cream's service levels when supplying to retailers have increased 3 percentage points to more than 98 per cent, so the company is reaching its aim of being able to satisfy customer orders fully and accurately, it says. "Because the data we deliver to customers is more accurate and they're using the correct Global Trade Item Numbers, we see fewer errors and exceptions when getting products listed in our EDI-based ordering and invoicing," says R&R Ice Cream group data integrity controller Jon Bemrose. "That means fewer queries from customers and less time spent by both us and our customers on sorting out supply chain issues."

On average, R&R's products contain 10 to 20 different ingredients and three to four items of packaging, including the individual wrapping, carton, case and lolly stick. The ice-cream manufacturer has to supply detailed product data to each of its customers' systems. The product data is used to support traceability in the event of a product recall and allow retailers to provide nutritional information to consumers, as well as manage the product as it goes through the supply chain.

R&R has ambitions to become Europe's largest ice-cream manufacturer – and this can't be achieved without accurate data and the ability to share that data with trading partners quickly and cost-effectively.

"Retailers are responding to the media and the Government's initiatives on healthy eating, information about allergies, advice on food miles, GM and so on and are pressurising suppliers to deliver very detailed information way beyond the basic data," says R&R Ice Cream group data integrity controller Jon Bemrose.

"I think it would be helpful to pinpoint three dozen or so attributes that we can all focus on and get right in the first instance, rather than try for too much and have everyone providing fragmented bits of data. Otherwise, it's a case of running before we can walk."

Management consultants DCE Consultants senior consultant Garry Smith feels that smart suppliers are progressing with the data.

service alongside its order management systems. Kewill has teamed up with data pool organisation SA2 Worldsinc to provide data synchronisation systems and access to SA2's data pools around the world, ensuring customers can trade effectively, based on GDSN-standard data.

He says: "The penetration of GDS across Europe has suddenly taken off in the past year or so, so to remain competitive, UK retailers and suppliers must be participating. Of course it's essential to keep GDS projects as low-cost as possible and that's something we hope our service can help with."

REAPING THE BENEFITS

SA2 Europe regional director Lorraine Knight says standardisation has reached such a level of maturity that switched-on companies with GDS projects completed are seeing tremendous benefits in lower-cost data management, improvements in planning and forecasting, supplier score-carding and overall business relationships. "It's taken time to get here, but today many of my customers are saying it's business as usual – the hard work is done," she explains.

Leslie Hand, research director at US analytics company Global Retail Insights, thinks the biggest benefit of standardisation is that it allows





these are committed to working with clean data and encouraging collaboration and standardisation with suppliers, “they have their own plans”.

Suppliers are certainly finding the big multiples have contradictory agendas when it comes to the information they request about products, which could explain why some of the big guns are forging ahead on their own. “They’ve got their web portals and are now receiving the information they want from suppliers, so big retailers don’t really need involvement in the wider drive for standardisation,” says one supply chain consultant.

When GDS was first mooted, there were calls for the amount of data attributes included in the standardisation process to be kept to a minimum. However, that vision of simplicity – sticking to basic information about ingredients, dimensions, pack size, branding and place of origin – has not been borne out, much to some suppliers’ chagrin.

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Management consultants DCE Consultants senior consultant Garry Smith feels that smart suppliers are progressing with the attitude that it’s worth doing the legwork to get their data in order, covering as many fields of information as possible, because it will need to be clean and standardised at some point, even if it’s not crystal clear what retailers require now. “They’re effectively saying to retailers: ‘When you decide what you want, our data will be available in a standardised format, to comply with those needs.’”

Of course, packaging and ingredients are changing on a daily basis, creating endless data management work for suppliers. For example, while blue Smarties were withdrawn three years ago because of concerns about artificial additives, they reappeared last year when a natural colouring from seaweed was sourced. “You need to have very robust housekeeping systems in place to keep pace with the constant change,” says Bemrose. “We’ve found that, since introducing GDS, every department has become more thorough in its handling of data, because there are rigid processes in place and everyone understands the importance of getting things right for the data pool.”

GDS adoption is being made easier as IT vendors provide solutions to help speed up the process. Kewill Systems director of marketing Rob Smith says Kewill now offers GDS capability to retailers as a value-added

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Leslie Hand, research director at US analytics company Global Retail Insights, thinks the biggest hurdle for suppliers is integrating GDS into legacy systems. She warns that this must be overcome and the pace of GDS adoption seriously stepped up if tangible rewards are to be forthcoming.

“Unfortunately, most suppliers have yet to automate their GDS on-boarding processes or their data-quality reviews,” says Hand. “My personal view is that retailers will have to force GDS compliance mandates on them – imposing financial penalties if necessary. So far, none have opted to do this, perhaps because of the difficult economic climate. They obviously feel they can’t afford to alienate partners or attract negative press.”

GDS provides a solid foundation for supply chain efficiency, practicable multichannel retailing, global expansion – because the standards are universal – and RFID, which can only lead to supply chain visibility, if data is spotless from the start. However, perhaps because GDS has been viewed as an IT headache rather than a means of developing data as a corporate asset, it has remained a low priority.

Ultimately, the prize of reclaiming that 3.5 per cent of total sales lost each year can’t be ignored. Perhaps it’s time for IT, finance and marketing directors alike to get excited by the speed-to-market capability and projected cost savings that data synchronisation can deliver – once systems and the right attitude to change are there to get it up and running that is. **RW**