



TAG, TRACE & SYNCHRONISE

THE RETAIL EXPERIENCE IN DATA SYNCHRONISATION, TRACEABILITY & RFID



EXECUTIVE SUMMARY



THE CIES IT & SUPPLY CHAIN CONFERENCE 2004
7th & 8th OCTOBER 2004, PARIS, FRANCE

CIES IT & SUPPLY CHAIN UPCOMING EVENTS

CIES IT CONFERENCE 2005
23 & 24 MAY 2005, BERLIN, GERMANY



CIES SUPPLY CHAIN CONFERENCE 2005
6 & 7 OCTOBER 2005, FIRA PALACE HOTEL, BARCELONA, SPAIN



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WHAT IS CIES - THE FOOD BUSINESS FORUM?



CIES - The Food Business Forum is the only independent global food business network. It serves the CEOs and senior management of 175 retailer and 175 supplier member companies, and their subsidiaries, in over 150 countries by:

Providing a **neutral platform for knowledge-exchange, thought-leadership and networking**. CIES services are channelled through international conferences, benchmarking studies, publications and tailor-made member services. Current activities include the Global CEO Forum, the World Food Business Summit, the Future Leaders Programme and the functional areas of Marketing, Information Technology and Supply Chain Management.

Orchestrating positions and developing tools on key strategic and practical issues affecting the food business. These top-of-mind issues are identified by our ten retailer-led committees and taskforces. Priority projects include the Global Food Safety Initiative and the Food Business *in* Society Initiative.

CIES - The Food Business Forum has been growing with the food business for over 50 years. Its strength lies in the active commitment of its member companies and its privileged access to key industry players.

CIES retailer members alone generate over \$2,000 billion, employ 4.5 million people and operate close to 600,000 stores representing a total sales area of 160 million square metres.

THE CIES MISSION

CIES - The Food Business Forum is a Europe-based organisation with a global reach which represents the food retailing sector. CIES orchestrates top-level networking among retailers and suppliers and with other stakeholders in the food business. CIES facilitates the definition of common positions to support existing organisations on key issues affecting the industry.

CIES INTERNATIONAL COMMITTEE ON SUPPLY CHAIN MANAGEMENT



Chairman: Léandre Boulez, *International Supply Chain Director, Auchan, France*

Erland Björn, *Chief Operating Officer, ICA Handlarnas AB, Norway*

Dieter Dornauer, *Director of Logistics, Spar Österreichische Warenhandels AG, Austria*

Daniele Fregnan, *Logistics Director, Gruppo Pam S.p.a., Italy*

Gerry Greenleaf, *Vice President - Distribution, Hannaford Bros. Co, USA*

John Harvey, *Chairman, Tibbett & Britten Group Plc., UK*

Sharon Jeske, *Director - Specialised Management programmes, CIES - The Food Business Forum*

Frank Körber, *Division Manager Supply Chain Management, Metro Cash & Carry, Germany*

Philippe Lambotte, *Vice President Customer Service & Logistics, International, Kraft Foods International, USA*

Gérard Lavinay, *Group Supply Chain Director, Carrefour, France*

René Meyer, *Logistics Director, Migros-Genossenschafts-Bund, Switzerland*

Ian Mumby, *Head of Supply Chain, Logistics & IT - Foods, Marks & Spencer, United Kingdom*

Brad Newman, *Director European Value Chain, Gillette, Switzerland*

Antti Palomäki, *Vice President, Logistics, Kesko Foods Ltd, Finland*

Jonathan Pearce, *Head of Supply Chain Europe, Nestlé, Switzerland*

Alan Taliaferro, *President & CEO, Kom International Inc., Canada*

Peter Williams, *Product Supply, Central and Eastern Europe, the Middle East and Africa, Procter & Gamble AG, Switzerland*

COMMITTEE MISSION STATEMENT

To keep CIES members at the forefront of change to enable them to create a competitive advantage.

To act as a broker of leading-edge knowledge and provide a platform for discussion.

To provide networking opportunities for professionals in Supply Chain Management.

CIES INTERNATIONAL COMMITTEE ON INFORMATION TECHNOLOGY



Chairman: *Michel Eeckhout, Senior Vice President & CIO, Delhaize Group, Belgium*

Nuno Abrantes, *IT Director, Jeronimo Martins, Poland*
Caroline Basyn, *IT Director, Procter & Gamble, Switzerland*
Terje Bjornstadjordet, *Chief Information Officer, ICA, Sweden*
Jean-Luc Galzi, *Chief Information Officer, Casino, France*
Eric Gregory, *Systems Director, Waitrose, United Kingdom*
August Harder, *Chief Information Officer, Coop, Switzerland*
Franz Hölzl, *IT Director, Spar Österreichische Warenhandels AG, Austria*
Sharon Jeske, *Director – Specialised Management programmes,*
CIES - The Food Business Forum
Michiel Kamermans, *Manager E-Business Development Group, Heineken,*
The Netherlands
Clyde Pereira, *Chief Information Officer, Coca-Cola HBC, Ireland*
Tony Puckett, *Vice President of International Systems, Wal-Mart, USA*
Søren Skovgaard, *Chief of Development, Coop Danmark A/S, Denmark*
Philippe Van Haecke, *Chief Information Officer, Auchan, France*

COMMITTEE MISSION STATEMENT

To anticipate change and optimisation for the food business, identify future trends and advance strategies and best practices, leveraging information technology.

To improve company performance through information technology and information management.

To be a forum of exchange for I.T. professionals.



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CONCLUSIONS

General Conclusions of the Conference

An acceleration phase: retailers and suppliers are making progress in testing standards and systems and have already recorded benefits in specific supply chain areas. RFID is now emerging from a pilot phase and is set for large-scale implementation by leading adopters. Data synchronisation is accelerating as companies use improving global standards and architecture to develop solutions that fit them and their partners.

It's about business, not technology: data synchronisation, traceability and RFID represent a huge commercial opportunity for retail companies. To understand and then exploit the benefits of these technologies, you need to develop a comprehensive business case, not just an IT project.

Practice makes perfect: tests are essential because technology is evolving, integrating solutions is complex and each company is different. Although there is much work to do in standards, interoperability of systems and retailer-supplier collaboration, there is enough available to get started. No one has all the answers at the moment but you can build your business case gradually through pilots with trading partners and specialist providers.

Collaboration counts: sharing data and knowledge is a sensitive area for retailers and suppliers but implementing data synchronisation, traceability and RFID is not possible without close collaboration. Retailers have clear expectations of suppliers in areas like data quality and RFID adoption. To get commitment, pilots are vital in order to show the specific benefits for each partner in return for their investment in systems, processes and training.

Global standards that work locally: the Global Data Synchronisation Network (GDSN) has provided a clear framework for implementing data standards. Supply chain partners are making progress by using available standards, supported by industry groups and specialist providers. However, global standards need to work locally and must therefore be adaptable to country requirements and the needs of SMEs.

Data Synchronisation

Data quality: this has become a critical issue as greater standardisation has exposed the large volume of inaccurate data. Standards and interoperability are essential but not sufficient unless accurate data is created at source and then updated correctly. This will require careful collaboration on product specifications and on process change.

Doing the hard work first: a lot of preparation is needed to make the step to using global data standards. Even for highly committed partners, plenty of work is needed to clean up data, change processes and achieve interoperability for systems. Again, it is important to get started in order to be ready for full standardisation in the years ahead.

Traceability

Meeting stakeholder demands now: traceability is an urgent issue for food companies because of incoming regulations and fragile consumer confidence in food. While risk will always exist, traceability systems can reduce significantly the impact of an alert both on consumers and companies. Effective traceability allows clear, non-competitive communication with partners, consumers and public authorities.

Retailers and private label: retailers need to be clear about their liability regarding own-brand products. In Europe, they are treated in the same way as suppliers by food safety regulations, so a comprehensive traceability system is critical. Retailers will thus tend to use more precise recalls for their own brands; however, qualitative traceability can be applied for manufacturer brands provided there is sufficient information at batch level.

RFID

The bigger growth picture: RFID promises significant savings in specific supply-chain areas like receiving and dispatching goods in the warehouse. However, the real opportunity is in generating top-line growth by improving store performance. While item-level RFID remains several years off in food retail, tracking at pallet and case level can already improve sharply stock availability and, as a result, the customer experience.

Trial and error: there is no substitute for testing since there are numerous technical and business issues to be resolved by each company (e.g. choice of frequency, type of tag, amount of data). Standards and hardware are advancing quickly and there are now enough elements in place to run live tests. The leading adopters are already at this stage but, like other companies, are still learning continuously.

Glossary of frequently used acronyms

General business terms

ROI: Return On Investment

SME: Small and Medium-sized Enterprise

Technical terms

AS(2): Applicability Statement (2)

GPC: Global Product Classification

EAI: Enterprise Application Integration

GSMP: Global Standards Management Process

EDI: Electronic Data Interchange

GTIN: Global Trade Item Number

EPC: Electronic Product Code

PIM: Product Information Management

GDS: Global Data Synchronisation

RFID: Radio Frequency Identification

GLN: Global Location Number

XML: eXtensible Mark-up Language

GDSN: Global Data Synchronisation Network

Other abbreviations are explained in the text. For further explanation of technical terms, please visit <http://www.ean-int.org>

KEY CONFERENCE QUOTES FROM SPEAKERS

"[Data synchronisation] is not an IT project, it's a commercial project."
Tanguy t'Serstevens, Supply Chain Manager, Delhaize, Belgium

"Data quality will make this [data synchronisation] work at the end of the day."
Michael Paton, Operations Director, ACNielsen Global Services

"If you don't have GDS, how are you going to implement RFID?"
*Peter Irish, Vice President Sales & Marketing, Consumer Tissue,
SCA Hygiene Products AG, Germany*

"Traceability will be a consumer expectation, not a governmental mandate."
Gerry Greenleaf, Vice President Distribution, Hannaford Bros. Co., USA

"Traceability is not sufficient but it is necessary...
Trust in food is not a dominant feature of omnivorous species."
Claude Fischler, Sociologist, CNRS, France

"Focus on what you know will work and you will not be disappointed by [RFID]."
Colin Cobain, IT Director, Tesco, United Kingdom

"[RFID] is a sales game, not a costs game."
Jack DeAlmo, Vice President Logistics and Replenishment, CVS, USA

"It's not tag reading that's the problem, it's tag writing!"
*Ian Mumby, Head of Supply Chain, Logistics & IT - Food, Marks & Spencer,
United Kingdom*

"RFID is not the silver bullet but the next stage in improving the supply chain."
Tony Puckett, Vice President, Information Systems, Wal-Mart, USA

"In industry, you can be either brutally fit or sexy.
There is nothing in between when the going gets tough."
*Kjell Nordström, Professor at the Institute of International Business,
Stockholm School of Economics, Sweden*

SUMMARY

Thursday 7th October 2004

Welcome to the Conference

Léandre Boulez, Supply Chain International Director, Auchan, France, & Chairman of the CIES International Committee on Supply Chain Management

Michel Eeckhout, Senior Vice President & CIO, Delhaize Group, Belgium, & Chairman, CIES International Committee on Information Technology

Léandre Boulez welcomed the group and announced the following figures on attendance at the conference:

- 300 delegates
- 29 countries
- 35% retailers
- 48% suppliers



Michel Eeckhout introduced the three main themes as important contributors to our industry's search to satisfy consumers and improve executional performance. In *data synchronisation*, a lot still has to be accomplished, he explained, but everyone feels that we are in an acceleration phase. In *traceability*, speakers would show why the industry has to move and then how to implement. On *RFID*, the focus would be on retailers explaining what they are doing and what their experience and learnings are.



DATA SYNCHRONISATION IS ON THE MOVE - RETAILER & SUPPLIER EXPERIENCES IN GLOBAL DATA SYNCHRONISATION

Introduction by Session Chairman: Data Synchronisation - What is it? Why do we have to do it? How do we have to do it?

Jean-Luc Galzi, CIO, Casino, France, & Member of the CIES International Committee on Information Technology

If the difference between animals and humans is the ability to speak, then data synchronisation is what will move companies from an animal to a human state, Jean-Luc Galzi joked. He explained data synchronisation by answering a series of simple questions.

What is it? The process of exchanging product information between the enterprise systems of retailers and suppliers.



It involves three elements:

- A common language* with syntax (XML) and semantics (EAN.UCC standards).
- Common communication rules* that establish who talks when, how etc.
- A common media* (internet).

Why do it?

The world is moving fast and if you don't have the right figures, you have a big problem. 100% of non-food items change each year, meaning that companies have to handle a lot of new stock. Overall, there is inaccurate information for one out of every 15 items. Data synchronisation can thus have huge implications in terms of supplier relationships, optimising orders and generating administrative savings.

What do we synchronise?

There are three levels of data synchronisation. Today, the market is focused on item and price data. This is where most savings are to be made and the area is already covered by standards. Secondly, there is party data, which is also covered by standards and represents the next step. Thirdly, there are other business processes such as deliveries, orders and payment that could be synchronised to replace EDI in the mid/long term.

What is an item?

An item looks simple physically but from an information point of view it is much more complex. There are different categories of item data such as the physical characteristics and supply chain data. Data will then vary according to its use, i.e. whether it is public, private, country-specific etc.

In terms of integration, he noted, a lot of us are not even at the stage where a supplier enters data via internet to a retailer's extranet. The goal is to connect retailer and supplier systems via data pools that are linked to a global registry. This level of synchronisation will be enabled by a number of technological developments, including the AS2 standard protocol that allows secure internet communication. In this integration process, there are a number of players at both national and international level. The main players are the retailers, suppliers, local catalogue providers, major data-pool marketplaces (i.e. GNX, Transora and WWRE) and standards organisations.

Summing up, Jean-Luc Galzi offered the following keys to success:

- Be pragmatic: you don't have to wait for standards to implement systems.
- Importance of data model and data mapping: these must fit retailer requirements, be flexible and extensible.
- A standard product classification: e.g. GPC.
- Effective supplier on-boarding: explain the data model to avoid ambiguous data.
- Powerful IT tools: PIM behind the firewall and an effective EAI system.

GLOBAL STANDARDS - ARE ALL THE PIECES AVAILABLE?

Global Standards - Are All the Pieces Available?

Michael Paton, Operations Director, ACNielsen Global Services

An often-used quote is "I love standards, there are so many to choose from." If there are different standards, the chances of misalignment are high. This creates the risk of information not being passed through or poor data being passed through, which means that the right decision is not made.

Coordinated by EAN.UCC, the industry has now developed GSMP, supported by local initiatives from organisations like Gencod France. At the same time, "leading implementers" have gone ahead and developed systems. Input from all these partners will make standards robust. In the future, the data pools that are in the middle between retailers and suppliers should have one standard. The data will include both global master data, target market data - which contains information specific to a country - and retailer-dependent data. At present, there are fairly robust standards for the first type, patchy progress on the second and a big challenge remaining for the third.



In particular, there is the need for retailers and suppliers to agree on standard language for describing brands.

But it is not just a question of creating standards. Once the rules are in place, data has to be created and needs to get through. In other words, the interoperability of systems and the management of data input are important issues. Migration thus becomes critical and there are different approaches being used in the industry:

- Use old standards and 'map' data to fit these standards
- Use old standards but update as possible (not easy as standards are changing globally)
- Use new standards + some old/local (a lot of leading companies are following this pragmatic approach)
- Use full new standards (to ensure quality)

Above all, migration cannot be approached from an IT point of view only, otherwise you will run into problems, Michael Paton argued. The key issue is in fact data quality, because without it interoperability is not enough. Looking ahead, companies should get involved: there are enough standards there to start using and to understand the impact, he argued. The benefits will come from participating now as companies will be able to understand alignment and build flexible solutions. Nothing is set in stone, he concluded; there are a lot of good pieces but the pieces will change.

GLOBAL DATA SYNCHRONISATION - THE BATTLE FOR INFORMATION

Global Data Synchronisation - The Battle for information

Sally Herbert, Chief Operating Officer, World Wide Retail Exchange, USA

Johan Sauer, Vice President Strategy & Business Development, Transora, USA

Jörg Pretzel, CEO, Sinfos, Germany

Graham Hodge, Data Pool Project Manager, e.centre, United Kingdom

Sally Herbert explained the context and WWRE's role by answering three questions:

Is data sync relevant to my business? Data synchronisation offers gains and savings in the supply chain. Moreover, clean data is the basis for any other supply-chain-related project (e.g. traceability, CPFR). Thirdly, trading partners and competitors are already moving on this.

How do I evaluate a data sync partner? There are a number of questions to ask, such as how do I maintain ROI?, and do I have the time, capability and resources to get 1,000s of suppliers onboard?

What is the role of WWRE? It enables access to all trading partners through a single point of entry. WWRE's WorldSYNC system is approved by GS1 and is interoperable with other data pools and local catalogues.

WWRE is also focusing on data quality through a specific programme. This is central to sustaining long-term ROI, since data synchronisation will magnify bad data, she stressed. Looking ahead to 2005, she predicted increasing data synchronisation readiness as companies refine plans and roll out data sync to more items and parts of the business. GSMP standards and the GDSN Global Registry will also progress. The latter depends on demonstrable value to retailers and suppliers and confidence that EAN.UCC is a neutral body.



In terms of actions, she urged company to start now with a small, thorough initiative that has company-wide support. This will involve choosing a data pool provider and registering for a GLN and signing a Global Registry Subscription Agreement.

Johan Sauer first corrected some 'myths' about Transora, notably that it is US- and manufacturer-only. The data pool provider now operates in 19 countries and serves retailers, manufacturers and local EAN organisations. It also has a large number of SMEs as customers. In terms of data standards, Transora supports price, promotion, RDD (Relationship-Dependent Data) and country-specific attributes, reflecting an understanding among manufacturers of the need for more than core data.



So how should companies get started in data synchronisation?

Confusion is one of the biggest barriers to adoption, he argued. It is important to realise that a GDSN beta test does not equal interoperability. Production-level interoperability requires a lot of 'plumbing' that is hard to do.

It took Procter & Gamble and Coop Italia – two very committed partners – eight weeks to achieve this in partnership with Transora and WWRE, and it can take months.

In choosing a data pool, companies need to ask a series of questions about capacity, functionality, security and best practices. In driving adoption, companies have to ensure that their commercial staff understands that it is not just an IT plan. But the important thing is to get started since the tools are out there. Quoting an industry executive, he warned that “what we have is a failure of imagination”.



Jörg Pretzel described Sinfos’ work in supporting data synchronisation. The data pool provider operates in Europe on behalf of 1,700 retailer and manufacturer users. SMEs are very important for Sinfos in volume, while multinationals are more important in turnover. In terms of its solution, Sinfos has developed 286 attributes which cover 92% of the GSMP item attributes. Like its counterparts, it offers a single point of entry for customers.

As an example of benefits, Sinfos estimates that a supplier with turnover of 500 million-5 billion euros, 500 base items and 40 retail partners could reduce data costs by 66%.

GSMP compliance is fundamental to Sinfos’ activity. It is part-owned by an EAN member-organisation, is part of GDSN and has run projects with Transora and WWRE members. To make GSMP more effective, Sinfos recommends harmonised timing for press releases and implementation, and more flexibility for locally required attributes (GSMP cannot yet replace local processes). To make GDSN a success, players need to stay focused on basic principles like global standards and data quality. The second area is important as it can take eight to 10 months from the signing of a contract for a company to supply data to a pool, because of the infrastructure work needed to get ready.

Graham Hodge explained the development of UK data standards body e.centre. Part of EAN International, the organisation is leading a UK data pool project to combine GDSN and UDEX, the established local provider of data accuracy services for suppliers. The vision of the new pool is to be based on EAN.UCC standards, interoperable with other data pools, single-entry and payment, easy-to-use and interoperable with UDEX services in order to protect existing relationships. It is very important for SMEs – who make up 85% of e.centre’s members – that the solution be cheap and easy. At a general level, country data pools are able to meet local needs and gather local support. An EAN member organisation moreover benefits from its neutrality as a non-commercial industry body.

The solution will go live in the first quarter of 2005. To support current needs, ECR UK is to publish a guide by the end of this year, while a data standards groups reporting to GS1 will look at ongoing issues. As an illustration of the importance of the project, UDEX reports that over a third of items it receives contain one or more data errors. In terms of the benefits of data synchronisation, supermarket chain Iceland found that UDEX services reduced its mis-scan rate by 75%, helped raise availability by 0.8% and improved its pass-rate for invoices by 30%.



PRACTICAL ROADMAP FOR DATA SYNCHRONISATION - CASE STUDIES FROM RETAILERS AND SUPPLIERS

Implementation of Data Synchronisation at Delhaize Group in the USA and in Europe

Terry Morgan, Senior Vice President & CIO, Food Lion, USA

Tanguy t'Serstevens, Supply Chain Manager, Delhaize, Belgium

Terry Morgan explained Delhaize Group's strategy for global data synchronisation. The retailer's roadmap follows the GCI pyramid: i.e. a foundation of synchronised data based on standards that leads to efficiency in transactions and, finally, growth through shared information and processes. Delhaize sees EDI as corresponding to the foundation, GDS to the second level and RFID to the third. The group is a founding member of WWRE and follows the same GDSN vision as the data pool providers. Its business case for data synchronisation is summarised as follows:

Increase speed and reduce costs of item management cycle

Build foundation for scalable collaboration between banners

Improve product data quality and standards for efficient collaboration with suppliers

Prepare for RFID



Delhaize is currently preparing an item life-cycle management system that aims to present data clearly to decision-makers. In this system, item data is fed from WWRE's Worldsync and Delhaize's Global Registry into an integrated item database that is connected to all the company's legacy systems. In this system, data can be approved and reviewed if necessary with trading partners as it comes in through the automated flow.

Tanguy t'Serstevens gave some more details on how data synchronisation is working at Delhaize. Data on products is available via WWRE for all group banners. Suppliers synchronise their data by working either directly with WWRE or with a local catalogue that is linked to WWRE. The data provided by suppliers goes into the item database if it is ok; if not, a warning is sent to buyers. In terms of product attributes, Delhaize applies three levels: core item-specific attributes, which are mandatory and today covered by global standards; regional/country-specific attributes, such as a multi-language item description; and retailer-specific attributes, such as a fair trade code.

To help get synchronisation started, Delhaize this year published a letter to suppliers together with other WWRE retailer members. The retailer has classed participating suppliers in three categories ('gold', 'silver' and 'bronze') according to their level of synchronisation. To get the full benefits, he stressed, suppliers need to clean up their data to ensure that Delhaize gets the right product data.

Participation from retailers and suppliers is in fact one of the main challenges going forward. GDS is now a live project with usable, evolving standards and with interoperability and the GS1 Global Registry now in place. The foundation has been laid, the time is now!, he urged.



The Ahold Experience in Data Synchronisation – How can the issue of the quality of data be solved?

Ruud van der Pluijm, Vice President B2B eCommerce, Ahold, The Netherlands

In addition to improved accuracy and efficiency in data, Ahold's objectives for GDS include simplifying the implementation of new commercial relationships (e.g. a toolkit for SMEs) and, in the medium term, extending the quantity and quality of consumer information (e.g. in marketing, multimedia, quality and safety). The group has defined four projects:

Roll-out of GDS in three operating companies in a 'big bang' in 2004

On-going measurement on benefits of GDS

Use of Key Performance Indicators (KPIs)

Data quality improvement at the source



Data quality improvement throws up challenges for retailers. While their assumption is that they will have to do very little work – since suppliers and data pools will check for accuracy – they will still have to check the data, particularly for non-core attributes; this can mean waiting 12-24 hours before the correct data can be sent to stores.

Data accuracy is the focus because data synchronisation is bringing the issue of bad data to light. Ahold found for example that 30-40% of its data attributes were of “low quality”.

The group has gained several learnings from its GDS pilots launched in 2003. It notably found that standards are not well understood in stores and that validation and quality control is difficult. In analysing data quality, Ahold identified a series of problems among suppliers, data pools and internally. It found for example that it was misusing standards internally because these were subject to much interpretation. Specific issues defined concerning data quality included dimension measurements and tier x height (TiHi) for cases and pallets.

In terms of implementation, Ahold is supporting GDSN and using WWRE for on-boarding suppliers who haven't chosen a home data pool. It is also measuring data quality per supplier (rating them gold, silver and bronze) and keeping track of GSMP process changes, particularly in order to develop internal training and awareness.

A Supplier's Experience with Data Synchronisation – The SCA Hygiene Case Study *Inevitable Conflict? Global Standards vs. Local Data*

Peter Irish, Vice President Sales & Marketing, Consumer Tissue, SCA Hygiene Products AG, Germany

International manufacturer SCA recognised back in 2002 that standardisation of data would be a matter of life and death for suppliers. While it would represent an advantage only in the long term, failure to adopt would exclude suppliers from transacting with retailers. SCA thus decided to pursue early access to technology and knowledge. Its business justification was two-fold: in the short term, it would be a more attractive trading partner to retailers; and in the longer term, it would enjoy a financial advantage in lower costs (estimated at 5-10 million euros a year).

Reflecting this strategy, SCA became the first supplier member of WWRE and currently chairs industry association AIM's B2B committee. In terms of practical learnings, Peter Irish pointed out the following areas:

Attribute mapping: don't panic if there is low correspondence between pools (SCA has had as little as 3% initial correspondence).

Classification mapping: be pragmatic as GPC is subject to a lot of change requests.

Data quality standards: these do not exist, so there is work to be done.

Language: this affects the long and short product-description attributes.

Redesign of internal process: especially in validation and the ability to absorb new attributes from GDSN.

Complex pricing vs. transaction pricing.



Summarising the 'roadblocks' in the way of GDSN, he argued that there has been too much emphasis on IT and too little emphasis on commercial obstacles. The first is data quality, which is basically a manufacturer responsibility, he stressed. Local data and pool fees are also important issues, since around 80% of values stored in the near future will come from local suppliers. Revenue models must allow local data pools to survive because they can provide the local language and low-cost access required for SMEs. Synchronising data is another 'roadblock' but the AIM B2B committee has communicated a common position to GSMP, requesting the implementation in the autumn of 2004 of the simple transactional price standard (without the description of its components and price build-up).

Looking ahead, he cautioned that RFID is built on the foundation of GDS. To advance in GDS, he urged companies to move from pilot to scale and to assure the independent governance of GS1.

Data Synchronisation - How Gillette is Working with Retailers to Implement the Process of Electronic Data Sharing

Brad Newman, Director, European Value Chain, Gillette, Switzerland

Gillette started a data synchronisation project in June 2003. It engaged with Transora as its sole data pool and developed a Global Product Catalog to bring together all item master data. The company's view was that its data was good enough at the moment but not good enough for the future, when it would have to be perfect. Its lack of clean data related to three factors: fragmented systems, its historical organisation and missing business process and data ownership.



In terms of organisation, Gillette changed from a vertical silo structure to a horizontal value chain in which a single organisation owns the data. To fix its fragmented systems, the company developed the Global Product Catalog (GPCAT) as the vehicle to deliver accurate and timely data. This single repository replaces all the previous department systems.

On an industry level, Gillette has been supporting global standards through EAN organisations and standards groups. It has also developed data synchronisation with a number of retailers via Transora and the retailers' respective data pools. The group has also focused on the link between data synchronisation and EPC. EPC increases exponentially the volume of data (e.g. concerning logistics) and so clean data is a must. If GDS and EPC are developed in parallel, suppliers can look forward to growing benefits: fewer disputes with retailers and faster new product introduction from GDS, and improved shelf availability, faster receiving and e-proof of delivery/payment from EPC.

Debate Session – The Retail Experience in Data Synchronisation

Speakers from the Data Synchronisation Session

Benoît Frémaux, IT Division Director, **Auchan**, France

Jésus Molina, Manager of New Technologies, **El Corte Inglés**, Spain

Luca Meconi, B2B Manager, **Coop Italia**, Italy



Jésus Molina explained that El Corte Inglés had adopted an automation strategy using WWRE in coordination with AECOC Data. **Luca Meconi** said that Coop Italia was also using WWRE to work with global suppliers. He picked out as important issues measurement, quality and attributes in relation to specific country requirements (e.g. labelling regulations).



Asked how Gillette organised data across country operations, **Brad Newman** explained that the group combined a central project team for Europe with 'hubs' that work with individual retailers. While awaiting its Global Data Catalog (scheduled for six months' time), the company is using different repositories for products.

Asked if Delhaize had enough hard proof of ROI, **Tanguy t'Serstevens** noted that it was too early for detailed figures but that the pilot had made the company much more efficient on the buying side and provided a good tool for validating supplier data. In terms of getting suppliers involved, he stressed that data synchronisation is a commercial project. It is a win-win project, he insisted, so suppliers should not participate just because a retailer is asking. Concerning the impact of data synchronisation on retailers' listing fees, he argued that it was the wrong debate: you have to collaborate if you have a problem. **Jean-Luc Galzi** added that this kind of 'trick' will not be necessary given the benefits of GDS.



Ruud van der Pluijm explained that a US project for retailers to develop common data attributes is being repeated in Europe. This is not easy because local retailers are reluctant to share information, he noted, but Ahold's view is that sharing data is non-competitive, whereas *using* data is competitive. Concerning global standards, he argued that it was up to local communities to decide how many out of EAN's 151 standardised attributes are relevant at country level.

Regarding suppliers, he stressed the importance of their involvement to make the business case valid: with investments of over 1 billion euros in systems, Ahold has got to get to them on board in order to get ROI!

WHY YOU SHOULD CARE ABOUT TRACEABILITY

Introduction by Session Chairman - Why you should care about traceability

Jonathan Pearce, Head of Supply Chain Europe, Nestlé SA, Switzerland, & Member of the CIES International Committee on Supply Chain Management

While RFID represents a 'pot of gold' for the years ahead, traceability is immediate, Jonathan Pearce insisted. In some countries, there are more TV programmes about food and food safety than news. This wide media coverage has produced some bad press but it has been positive in forcing the industry to wake up to the issue. Consumers are confused and worried about food: if we don't address the issue we could go out of business, he warned.



Despite the fact food has never been so safe, consumers therefore lack trust. A survey in the US put food at the bottom of a trust index. Most companies have strict standards but 'most' is not enough, he stressed. Companies are reacting to rules but they need to make legislation a focus over time as new issues arise. No process is risk-free and products out of specifications will always get on to the market.

So there needs to be a traceability process to get products rapidly off the shelf. In addition to meeting legislation, traceability will help build brand value and consumer trust.

THE CONSUMER'S VIEW

Have Consumers lost their faith in Food Safety?

Claude Fischler, Sociologist, CNRS, France

There are two answers to the question, do consumers have expectations about traceability? Firstly, they take it for granted, and secondly, they think it not possible. Companies assume that consumers want zero risk but this is not true all the time, as shown by demand in Japan for a type of sushi that causes on average 12 deaths a year. So companies need to have a mechanism to establish where consumers find it acceptable or unacceptable to incur risks.



There are big discrepancies between lay and expert ratings of risk. A US study from 1987 found that the biggest risk according to women voters was nuclear energy, whereas it was only 20th for experts. This is because scientific risk is based on probability, whereas most people think of risk in terms yes and no. Human perception of risk can be summarised in the following factors:

Fear & outrage increases with...

Proximity
Imposed risk
Benefit to others, not self
Impossible to control
Human cause
Novel technology

Fear & outrage decreases with...

Distance, abstraction
Deliberate risk
No benefit
Controllable
Natural cause
Familiar technology

Perceptions thus do not follow the probabilistic model. Yet they are partly predictable and cannot be dismissed as irrational. Food, however, is a highly sensitive area with specific fears. It is the most intimate form of consumption because it goes inside the body. Like the so-called primitive peoples studied by anthropologists, we all function at some level using “magical thinking”. This implies two laws: that of contagion (meaning “Once in contact, always in contact”) and that of similarity (meaning “Image equals object”). In food, these two laws translate into the notion, “You are what you eat”.

The consumer’s dilemma today is “what/who am I?” if I have no idea what I’m eating. The supply chain has lengthened considerably over the last 50 years and consumers now have no intimate knowledge of food. Processed foods are thus perceived as UFOs (“Unidentified Food Objects”). Answers to this dilemma are provided by traceability, labelling and brands on the one hand and diets and food fads on the other. The food supplier’s particular dilemma is that traceability is necessary but not sufficient. Trust in food is not a dominant feature of omnivorous species, so companies will have to live with this.

THE SITUATION IN EUROPE

Regulation of Traceability - The Status of the Situation in Europe

Antoine de Brosses, Senior Counsel, Cabinet Simmons & Simmons, France

The difficulty of the subject, Antoine de Brosses explained, is that laws are framed in general provisions that are not easy to relate to specific company problems. Traceability is defined broadly as associating an information flow with the physical movement of goods. This gives rise to two types of traceability: “logistical traceability”, which follows only the physical movement of a product; and “qualitative traceability”, which associates additional information such as ingredients.

The regulatory framework in Europe is provided by Directive 2001/95/EC on General Product Safety and Regulation 178/02/EC on Food Safety, which enters into force on 1st January 2005. In the US, the key legislation is the US Bioterrorism Act and the country of origin labelling (COOL) regulation, which currently applies to seafood. Because these general texts only give part of the answer, the EU has established three working groups on traceability.



Both the EU and US legislation requires 'one step up, one step down' external traceability for food. The European rules do not specify what type of traceability system a company should use and also give countries the choice of enacting more specific national requirements. Most countries have not done so, although Belgium has issued regulations, France is planning to, while Germany, the Netherlands and the UK have produced guidelines through government agencies.

Identification of batch numbers is not an obligation under EU legislation but this is important for companies in allowing recalls, establishing responsible parties and limiting liability.

Private label is a key area in terms of retailer liability: while in practice retailers only check periodically after agreeing on product characteristics with the supplier, they have civil liability under EU law as the product manufacturer, and also criminal liability under national law. Qualitative traceability is an effective means for retailers to remove this discrepancy between their current day-to-day supervision and legal responsibility. Summing up, Antoine de Brosses argued that traceability should not rely only on a logistical approach. The choice of systems should be based on risk and cost/benefit analysis with respect to legislation, product safety and liability.

CURRENT BEST PRACTICE CASE STUDIES IN TRACEABILITY

Experience of ICA in Traceability

Magnus Stadig, Quality Manager, ICA, Sweden

ICA sees two driving forces behind traceability: binding legal requirements, such as Regulation 178/2002 on food safety and Directive 95/2001 on product safety; and commercial factors such as protecting brands, improving confidence in the food business and achieving a better effect through withdrawals. The retailer established a project with the aim of having systems in place for traceability and precise withdrawals, to which suppliers should conform by 1st January 2005. Importantly, the project was treated as a strategic one with management direction and with participation from the IT, logistics, buying and quality departments.

ICA established two cases for using the traceability systems to withdraw products: when there is a serious risk for the consumer (which means a wide withdrawal from all stores); and when there is a lesser risk (which leads to a designated withdrawal of a certain batch). Magnus Stadig identified the main components of the projects as follows:

System for traceability within Logistical Units. This is based on the ECR 'bluebook', EAN/UCC standards and labelling requirements agreed by the retail industry in Sweden. It requires an advanced IT system for logistics, paperless order-picking and scanning of EAN labels.



Update and communicate demands for suppliers.

Suppliers determine their internal traceability systems but ICA recommends that a product batch should not correspond to more than one production day. The retailer requires that private label suppliers be certified according to a GFSI standard (e.g. BRC or EFSIS). In terms of labelling, all suppliers must use EAN article numbers for traded units and EAN 128 labels for pallets.

System to perform tracking and tracing within logistical units and to stores, and improved alarm-systems to stores. ICA introduced a new system, F-SAFE, in September that makes it possible to block the cash registers in stores for a particular article number. The company is planning to proceed with selective alerts from 1st January.

Direct store deliveries. ICA needs to work on this area as withdrawals are not possible at the moment, since suppliers keep records of batches.

The North American View on Traceability

Gerry Greenleaf, Vice President Distribution, Hannaford Bros. Co., USA

Gerry Greenleaf compared the traceability requirements contained in the country of origin labelling (COOL) rule with those in the Bioterrorism Act. COOL was motivated by politics and has been opposed by retailer association FMI. Initial supporters of COOL in fact came to ask for a delay when they saw that the volume of provisions might lead retailers to source only from one country or a few big manufacturers.

Having won a two-year postponement (except for seafood), FMI is continuing to work on voluntary guidelines. In the meantime, retailers need to prepare for possible implementation by: working with their suppliers (asking them to label products with their country of origin, modifying contracts and auditing information); and developing implementation strategies (identify which commodities are covered, target internal systems for tracking and conduct audits).

The Bioterrorism Act, in contrast, is a comprehensive law in response to 9/11 that has been supported by the industry. It brings four food-related requirements: registration of every distribution facility in the US (implemented), prior notice for imported foods (implemented), recordkeeping (final rules still to be determined) and administrative detention of suspect food (implemented).



In addition to supporting industry efforts, Hannaford has been working on its own systems. Activities include the development of specifications for lot management and recordkeeping, and a traceability pilot with two manufacturer associations. The retailer has also established what retail practices are required for traceability: these include robust recall processes and automated recordkeeping for retailers, supported by automated shipment notification (ASN) and RFID. Summing up, Gerry Greenleaf argued that traceability will be a consumer expectation, not a governmental mandate. In food, consumers are not willing to take a lot of risk, so retailers and suppliers need to collaborate.

Traceability at TraceOne

Jérôme Malavoy, CEO, TraceOne, France

Jérôme Malavoy described the requirements for traceability in private label products. Under European food law, the retailer bears the same responsibility as the producer for a private label line. He must therefore have access to data that shows product compliance and safety, allows traceability of raw material and finished goods, and enables the notification of the authorities, media and consumers. In general, retailers' shareholders and management face liability in relation to three areas:

Huge data volume: retailers manage 500-1700 industrial sites, 3000-7000 products and 2-10 million production runs.

Strategic issues: consumers think that global traceability is already operational from field to fork, while legal events show that retailers are often losing trials.

Corporate governance: new regulations impose transparency and risk assessment is now being indicated in annual reports.



Trace One's online solution works in two stages: the retailer and supplier initially validate product specifications and then the supplier enters data for each batch as it is supplied. The system depends on two principles: dynamic data management, meaning that both the retailer and supplier can access the system 24 hours a day and can operate it manually or through EDI; and secondly, being a trusted third party and using the ASP model. Trace One is trusted since it operates in several sectors, such as banking and smart cards, and can rely on the secure ASP protocol. In retailing, it now has three active clients in France – Auchan, Carrefour and Casino – and is working with 500 out of a total of 800 private label suppliers used by these retailers. Jérôme Malavoy summarised some of the benefits as legal protection and control over a huge production base for retailers, and for suppliers, faster time to market and a unique document for customer data.

The Coca-Cola Case Study in Traceability

Alain Crottaz, Supply Chain Business Process Leader, Coca-Cola HBC, Greece

Following its experience of a product withdrawal in Belgium in 1999 that cost millions of dollars and led to worldwide media coverage, what does Coca-Cola make of traceability? Alain Crottaz stressed three initial considerations: Coca-Cola is doing traceability much more out of responsibility towards customers than for legal requirements; traceability is an ethical but also a profitable way of doing business; the incident management process must be in place but doesn't have to be expensive or require the latest technology.



A traceability solution should balance speed, accuracy and cost. A study carried out by Coca-Cola HBC in Italy found that a selective recall led to a 40% saving compared to a total recall. CCHBC's solution is based on a serial shipping container code (SSCC) that is unique to each pallet and which uses the EAN barcode system. Once an EAN 128 label is put on a pallet at production point it is entered into the system and then tracked by scanning as it moves from

the warehouse. This represents a cost-effective solution for the company since it allows simple pallet-stacking without heavy investment in warehouse management systems. It is also a fast solution that allows the authorities to be contacted immediately and affected customers within one day.

DEBATE SESSION - WHY YOU SHOULD CARE ABOUT TRACEABILITY

Speakers from the Traceability Session

Leon van der Vyver, European Traceability Project Manager, Dole Europe SAS, Germany

Dieter Dornauer, Director of Logistics, SPAR, Austria

Pierre Georget, CEO, Gencod-EAN, France

Asked if retailers take traceability more seriously for private label than for manufacturer brands, **Dieter Dornauer** argued that there were two questions: logistical traceability for pallets and cases, in which all products are treated the same; and quality traceability, in which retailers are more careful about their own products, like manufacturers. However, he stressed that despite the development of the EAN 128 label for tracking 15 years ago, Spar found recently that only 53% of pallets had the label.

Gerry Greenleaf said that if there is the information, a selective recall is right, but if not you take everything off the shelf. Retailers are responsible for private label so they have the information to make a selective recall more easily, he noted. **Alain Crottaz** pointed to a cost issue for retailers, who tend to opt for simplicity by taking everything off the shelf. There needs to be agreement, he argued, that if the supplier provides the necessary information, then the retailer is committed to recall selectively. **Jonathan Pearce** summed up the issue as ongoing work.

In response to the cynic's view that manufacturers only react to the threat of being punished, **Leon van der Vyver** said that Dole's traceability projects date back to the 1990s, ahead of legal requirements.

Alain Crottaz said that Coca-Cola had of course learned from the Belgian recall but legal requirements were not as big as customers'.

Asked by **Jonathan Pearce** to choose one subject as the biggest driver of tangible improvement in traceability, **Alain Crottaz** cited retailer-supplier collaboration; **Dieter Dornauer** reiterated the missing 50%

EAN 128 labels; **Pierre Georget** chose SMEs; **Gerry Greenleaf** mentioned process; and **Leon van der Vyver** cited standards.

Asked what needs to be done to make traceability more 'sexy', **Claude Fischler** argued that there is information – such as product origin and production methods – that is not relevant to logistics but which is useful for communication and marketing. On the issue of using traceability for marketing, **Leon van der Vyver** said that companies should be open about practices but not use them for selling. Marketing is to differentiate the brand, **Gerry Greenleaf** argued, so talking about traceability suggests other retailers aren't, which is bad for confidence.





Dieter Dornauer noted that Spar had decided to communicate about its relationship with farmers but not on traceability: if it did, the consumers' question would be, what did you do before? **Pierre Georget** stressed however that traceability could be sexy given the prospect of a network of information in the future, as opposed to technical specifications today.



Friday 8th October 2004

THE RETAIL EXPERIENCE IN RFID

Introduction by Session Chairman – The Retail Experience in RFID

Michel Eeckhout, Senior Vice President & CIO, Delhaize Group, Belgium, & Chairman, CIES International Committee on Information Technology

Michel Eeckhout outlined Delhaize's work on RFID in order to illustrate key areas of opportunity. Leaders from the group's different divisions came together to map where RFID could support the business in the short, medium and long term. The first step in the short term is asset tracking, which means putting tags on cases received at the warehouse. An example of a medium-term opportunity is traceability, which will be driven by regulations. More long-term, there is the prospect of improving the total customer store experience by tagging items. Delhaize has just started a first pilot of RFID tags on cases in order to test asset tracking. This will be followed by a second pilot in March or April next year.



CURRENT BEST PRACTICE CASE STUDIES IN RFID

EPC & RFID in the Retail Supply Chain – A North American Example from Pharmacy Retailer CVS

Jack DeAlmo, Vice President Logistics and Replenishment, CVS, USA
Lyle Ginsburg, Partner, Accenture, USA



After modelling costs and benefits of RFID for different product categories, Accenture concluded that there are big differences in potential ROI, **Lyle Ginsburg** explained. The company decided to look at pharmaceuticals as a category with high potential ROI. Like other consumer goods sectors, pharmaceuticals has big issues in out-of-stocks and recalls (as shown by the recent worldwide withdrawal of Vioxx). The industry also faces a specific problem in counterfeiting.

The Food and Drug Administration (FDA) in the US has published a timeline for RFID and EPC adoption in collaboration with pharmaceutical industry associations. 2007 is the key deadline for the industry since RFID should then be adopted by all manufacturers for pallets and cases.

Accenture has participated in a group of supply chain partners to establish what are the big issues and the common benefits. In other words, the aim is to not to test technology but to see how technology can solve business issues.

Jack DeAlmo stressed the distinctive perspective of CVS as a drugstore retailer. The company generates 70% of its business from pharmacies, which are very different from the front of the store. Pharmacies notably have specific cost, regulatory and customer pressures. He summarised findings from CVS' first pilot using 9.15MHz RFID tags:

Pharmacies use a lot of 'pieces', which have different handling conditions to cases.
You have got to be able to read tags while products are moving.
Reading through cardboard in plastic totes has not been a problem.
Pilots help you envision other areas of opportunity and spread education within the company.
Information sharing across partners was an unforeseen benefit.
Pilot demonstrated that supply chain partners with differing objectives can work together.

CVS decided it would go item-level with RFID from day one of its roll-out. Again, as a pharmacy retailer it deals with individual pieces, unlike supermarkets. So the retailer had to see if RFID worked in the store if the technology was to work at all. The store is the most complex point in its supply chain, with 140,000 employees providing individual prescriptions for customers. But it also offers the biggest growth opportunity: it's a sales game, not a costs game, he insisted.



CVS has prepared an item-level pilot and is currently awaiting FDA approval to be able to proceed.

Jack DeAlmo concluded with a few lessons learned from the tests:

Involve regulatory agencies early and seek cross-agency support.
Initiatives require a highly placed leader to drive success: you're not going to make a lot of money early on, so you've got to make a business case.
Address early technology choices such as tag/reader frequencies: in the US there will be two frequencies (9.15 and 13.56MHz)
Importance of extensive testing of technology solution: there is not a 100% read rate at the moment.

Q&A

Regarding CVS's item-level trial, **Jack DeAlmo** said that all items in the pharmacy would be tagged once the FDA gives its approval. The company chose 13.56MHz as the frequency based on lab tests that gave virtually 100% reading rates. In terms of costs and ROI, store-level applications were a lot less expensive than thought. The sales gain in pharmacies would pay for the technology, although this is a different story in the rest of the store.

Lyle Ginsburg explained that the "Jumpstart" RFID pilot in the US pharmaceuticals industry was open to anyone; first results are to be published in October 2004. On read rates, he insisted that no one can say that there is 100% today for RFID. However, you learn as you go along by seeing what the packaging issues are. In terms of ROI, you can dramatise the benefits for the pharmaceutical industry in areas like counterfeiting and recalls, but even at a daily operational level you can still get payback within a couple of years, he argued.

The Marks & Spencer RFID Pilot Study One Year Later

Ian Mumby, Head of Supply Chain, Logistics & IT – Food, Marks & Spencer, United Kingdom

As a retailer selling exclusively own-brand products, Marks & Spencer operates a 'closed-loop' supply chain. This has allowed it to move faster on RFID than other companies. After running tag trials in 2002 and RFID intake trials at one depot in 2003, it is this year rolling out RFID for intake across its depots. Like Jack DeAlmo, Ian Mumby stressed that the real benefit is in sales, supported by stock-file accuracy in stores.

In its depot intake trials, Marks & Spencer has used the 13.56MHz frequency to read tags placed on trays. The retailer found the tags to be resistant and cost-effective (since they are reusable), although limited in distance-reading because of regulations. Ian Mumby summarised some of the key lessons learned from the warehouse tests:



Technology: choose the right partners, as there is a limited choice, and the right RFID tag, as you have got to have consistency.

Rollout of tray-end labels: you don't have to rewrite systems since they are reading the same data from a different source (i.e. tags instead of barcodes). However, you should have the back-up of barcodes.

Suppliers: you have to go through myths about RFID to get suppliers excited and to ensure they understand the process change required. Marks & Spencer supplier World Wide Fruit, for example, increased its delivery accuracy from 95% to 99.8% and got payback within six months. The important message for suppliers is to refine internal processes.

Depots: there is a real efficiency benefit, helped by evolution in reader technology; mobile readers for example cost half as much as fixed readers.

The next phases for Marks & Spencer are store dispatch trials in the first quarter of 2005 and store-enabled RFID for food in 2006. The dispatch trials will produce big benefits in accuracy, since it will allow the comparison of dispatch and real orders (with pickers informed of errors if necessary). The store of the future with intelligent shelves and automated stock count and rotation is still years away. However, you don't need to get to this point to justify RFID, Ian Mumby insisted. He concluded with three points:

The example of World Wide Fruit shows that there doesn't have to be a dictatorial approach from retailers – it can be win-win.

The technology is there, so it's about process design and getting people to do something different.

The supplier compliance level needed for RFID is a lot lower than thought: RFID allows the time to correct inaccurate pallets, so compliance doesn't have to be 98%.

Q&A

Concerning the life-cycle of tags, Ian Mumby noted that Marks & Spencer had 10 year old tags that were still working. There would be tags that need replacing but trays are more likely to be replaced first. He explained that Marks & Spencer was rolling out RFID by supplier, not product group, although the focus was on chilled foods (70% of its goods). The biggest problem, he underlined, is getting suppliers to be consistent in writing data.

The Tesco Experience in RFID

Colin Cobain, IT Director, Tesco, United Kingdom

Colin Cobain described Tesco's experience in testing radio barcodes (i.e. passive RFID tags containing a product number only). The starting point for the retailer is, how can we solve a problem?, rather than, here's a technology, how can we use it? You then have to gain an understanding of the technology: running a trial is the best way to understand the potential, which is different for every company. You also have to be clear about what the technology can and can't do, and what the real costs are.



Tesco has conducted a series of tests: a security trial with Gillette that linked tags to the security system; an in-store replenishment trial for DVDs; a trial involving trays of high-value products to reduce shrink; and several other small tests with suppliers. The DVD trial, launched at two stores in September 2003, used readers and tags to locate items in the DVD department. Data emitted by tags is linked to a system that tells staff which DVDS are misplaced and which need to be replenished. This required a change in store process but has produced an unexpected benefit in allowing staff to answer quickly customer requests. The trial involving high-value products, meanwhile, achieved a 100% read-rate for trays passing through a dock door and also meant that there was no change in process for warehouse staff.

Colin Cobain pointed out the following technology learnings from Tesco's trials:

Item level: this can be 100% reliable and can be linked in real-time to enterprise/security systems. It is critical to establish the right tag design and placement, only use data that is needed, and establish the appropriate frequency. Tesco has gone for the UHF standard (as opposed to HF).

Case level: 100% read accuracy through dock doors is only possible for certain products like paper goods (though 100% is possible on conveyors). One tag design does not fit all products, while new European regulations are inadequate for warehouse conditions (Tesco is using old standards).

Other learnings: low densities of re-usable assets (e.g. plastic and metal) can be read through dock doors. Current readers need much work to reduce their total cost and there are no companies that have all the answers. For example, how to get readers to self-calibrate?

Tesco sees the benefits of radio barcodes in reduced labour costs, higher on-shelf availability, lower shrink and customer service – which is the big 'win'. As a next stage, the retailer is going to roll out its "Secure Supply Chain" infrastructure to stores from the fourth quarter and continue trials with suppliers and technology partners on RFID solutions. Colin Cobain stressed that Tesco has never issued a mandate to suppliers and was fully committed to EPCGlobal standards. There is a huge amount to learn, he concluded, but if you focus on what you know will work, you will not be disappointed.

Q&A

Regarding European regulations, Colin Cobain explained that the old standards could be used with EPC; Tesco will continue using the old rules and then upgrade to the new ones when these fit warehouse requirements. On reader interference at dock doors, he reiterated the importance of calibration. Specifically, readers need to be powerful enough to read but not so powerful that they pick up interference.

Tracking the Beer Crate - Results from the Rewe's RFID Pilot Study with the Brewery Gaffel

Jörg Sandlöhken, Manager of Strategic Organisation and Projects, Rewe, Germany

Jörg Sandlöhken explained Rewe's pilot of RFID tags for beer crates in partnership with the Gaffel brewery. The basic aims of the project include testing RFID implementation with an SME and analysing the possible use of the technology for other product categories. Following laboratory tests, Rewe chose 13.56MHz as the frequency since it allows self-adhesive smart labels, although it does bring interference problems with metal. At the brewery, 15,000 crates were given tags containing circular, lot-number, sell-by date and process-bit.



The challenge for Rewe was to make RFID tracking work in stores where, in addition to deliveries and customers purchases, there were also empties returned by customers for recycling.

Ideally, all stores would have separate entrances and exits for shopping and deliveries/returns, and would also have identical checkouts. In reality, each store is different and so RFID had to be adjusted to the specific environment. For example, for stores using the same entrance for customers and stock-receiving, Rewe built an RFID-shelf for inventory. At the checkout, interference from moving metal baskets and trolleys led to reading rates of under 20%. Other learnings were that bulk logging is possible with moving pallets but the reading range is not wide enough (1.5 metres when 2 metres is needed). Differentiation between reader fields (i.e. receive-gate and empties return) was also difficult.

Looking ahead, Jörg Sandlöhken predicted that most of these problems could be resolved, helped by further development of technology and standards. Rewe's inventory shelf has been improved and can now read cases continuously via six antennae. The retailer's main expectation of RFID is that produced data will correspond to the flow of goods, so that staff only intervene where there is an event-controlled alert.

The Wal-Mart Experience in RFID

Tony Puckett, Vice President, Information Systems, Wal-Mart, USA



Despite wildly exaggerated media coverage, Wal-Mart is at the moment only testing RFID on cases and pallets with eight suppliers covering 21 items, Tony Puckett pointed out. The company was an early adopter of RFID principles. It does not see the technology as a silver bullet but rather the next stage in improving the supply chain.

Initial concerns were that tags are too expensive, vendors not focused, technology not available enough and consumers not accepting RFID because of privacy issues. But the potential benefits are wide-ranging in terms of lower costs and improved in-stock in stores, more efficient planning, recalls and inventory for suppliers, and faster and better quality processes in distribution centres.

The focus of Wal-Mart's RFID timetable is January 2005, when 100 suppliers, plus another 37 volunteers, will start using tags on pallets and cases. Tony Puckett stressed that Wal-Mart didn't say all cases and pallets would be tagged from January or that it would be live with all stores and DCs. It is currently live in one regional DC and seven stores in Dallas and plans to extend this from January to cover six DCs and 250 stores in June and 12 DCs and 600 stores next October. The price of tags is expected to fall to 5 cents by 2006, which will enable Wal-Mart to roll out RFID across its business.

To meet its timetable, Wal-Mart is collaborating with suppliers (for example through the Supplier Seminar for top 100 suppliers in June 2004) and working with technology providers to produce user-driven solutions. The group is also educating its customers and staff using leaflets, flags and posters that explain the benefits of RFID. In conclusion, Tony Puckett urged delegates to not to wait to know everything: start with simple ideas like replacing barcode scans, then work up to the full EPC architecture, he advised.

Q&A

Asked what percentage of supplier volume would be covered by RFID from January, **Tony Puckett** said that Wal-Mart was working with vendors to get 100% of items tagged, but the number would vary according to supplier readiness. On privacy, he underlined that RFID cannot do tracking in the home today but the concern is there so you've got to explain. In terms of systems, he explained that Wal-Mart has a very centralised, in-house IT model. It thus has the systems in place, so it is a case of making minor modifications to get visibility to more points. The volume of data is increasing, he noted, but Wal-Mart has large databases and the cost of hardware is continually falling.

ANALYSIS OF THE RETAILER RFID CASE STUDIES

Analysis of the Retailer RFID Case Studies and the Next Steps

Pascal Petit, Principal, Kurt Salmon Associates, France

A learning world

70% of the top 20 retailers are already RFID pilots at the pallet or case level. A key learning from this test phase is that no out-of-the-box solution exists: all situations are different and implementation is difficult, requiring a range of different partners. Expectations must thus be managed carefully as a peak of hype is followed by a trough of disillusionment. However, what is certain is that RFID is a reality with tangible benefits in productivity and out-of-stocks. The technology is mature and cost-effective at pallet/case level and standardisation is on the way.



How to manage uncertainty

However, a number of questions remain on issues such as cost of tags, read accuracy, supplier benefits and consumer reaction. Retailers adopt one of three attitudes in response to this uncertain outlook: “first movers” have tested various applications and want to be the first to earn business benefits; “rapid followers” have conducted targeted pilots in order to build knowledge while minimising investments; “wait-and-see advocates” are still sceptical and do not see RFID as a short-term priority. For suppliers, the business case will vary according to company and product category. Grocery, for example, has low potential while apparel has a very good case. In most cases, however, not complying with a retailer’s mandate is not a viable option.

Watch list for the coming two years

There are a number of questions for the next two years, such as will tag production capacity be able to answer demand?, and will EPC standards be accepted worldwide? The do’s and don’ts for this period include starting small but quickly, managing expectations through a real business case, and selecting the right opportunities to make money.

KEYNOTE ADDRESS – A VISION OF RFID FOR THE FUTURE

A Vision of RFID for the Future

Zygmunt Mierdorf, Member of the Management Board, METRO Group, Germany

Key challenges for retailers in the future will include a merciless selection process, dramatically increasing complexity and the growing price consciousness of consumers. Metro has based its future strategy on the following vision: “to be the leader in customer-service with the world’s most successful virtual networked organisations.” The company has already achieved greater networking with suppliers through supply chain initiatives, including ECR, EDI, category management and now Metro Link, a system that provides suppliers with sales figures. As part of its company vision, Metro has also piloted a number of technologies through its Future Store Initiative in Germany.

For RFID, the group has a vision of using the technology along the entire process chain – from the manufacturer, to the store shelf, to the consumer. It sees a wide range of benefits at each stage. In the store, RFID can support intelligent information systems that tell consumers about products and their origins, or allow them to locate clothing sizes without pulling items out of a pile.

Metro’s roll-out of RFID will start in November 2004 with around 20 suppliers and selected warehouses, stores and banners. The focus is incoming/outgoing goods, inventory replenishment and automatic reconciliation.



The company is to place tags on pallets and boxes, but not individual items. It sees a number of challenges in RFID, such as acceptance of new technology, a lack of technical know-how and availability of European solutions. Looking ahead, Metro’s RFID mission statement says that the retailer will implement RFID in stages along the entire process chain over the next five years. When implementing RFID, Metro will use EPCGlobal standards and support their further development.

THE CHERRY ON THE CAKE

Karaoke Capitalism

Kjell Nordström, Professor at the Institute of International Business, Stockholm School of Economics, Sweden



Kjell Nordström pointed out two phenomena as a backdrop to his analysis. Firstly, just as temperature is the most important thing in nature, the level of information changes everything in business and society. The Soviet Union doesn't exist anymore because it couldn't control information; conversely, Easyjet and Dell exist because of the information flow. Secondly, we live in an "age of cheap" in which 70% of most industries is 'cheap'. The world's biggest newspaper is free daily Metro, with a daily circulation of 16.6 million. Against this background, Kjell Nordström discussed three major trends and their relation to business today.

"Bowling alone"

This is the title of a book by Harvard professor Robert Putnam, who argues that the US is becoming a society of singles marked by divorce and a lack of political affiliation. But Europe is *the* place where we do "bowling alone". In Stockholm, single people account for 66% of households and food retailer ICA has now opened a format called "ICA Single Market". This phenomenon can be found in other European cities and at different rates all around the world.

Globalisation

People think of globalisation in terms of global brands or, in Europe, of EU expansion and countries coming together. But this is exactly wrong: globalisation will make the world more fragmented and more different than ever. The example of Silicon Valley – where 76% of inhabitants are not born or raised in the US – shows how globalisation allows everyone to find their spot. In the future, Europe will be made up of 1,100-1,400 small regions, not 25 similar countries.

A US-centred world

There is a lot of talk about China, Russia and India but the US will continue to dominate all industries. It will grow twice as fast as Europe and deliver innovations for the foreseeable future. Why? The US mops up all the good people from all around the world. This is because the US is not a nation-state like other countries: it allows people to become a full member of society very quickly (in two to four years), compared to generations in some countries.

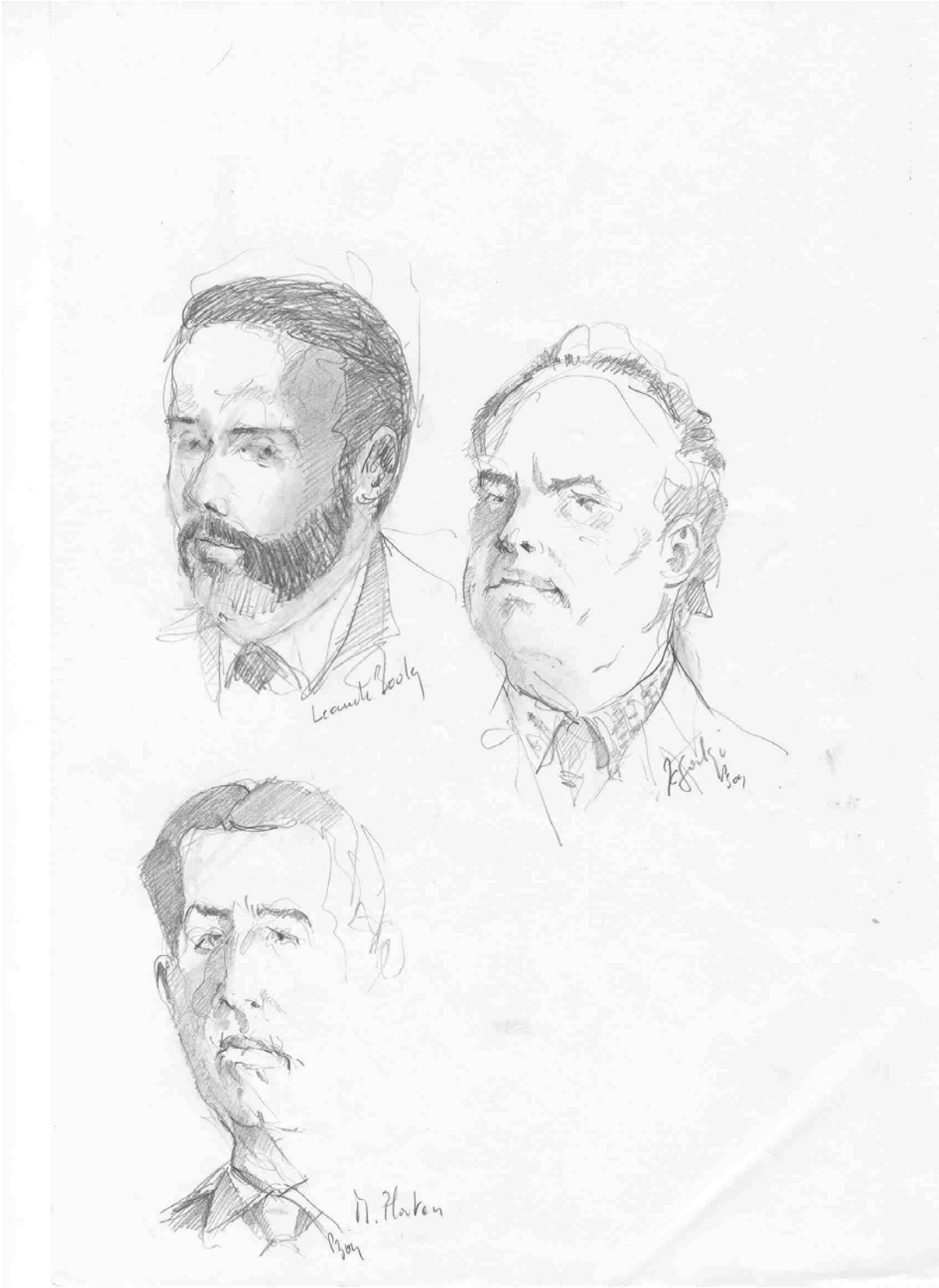
"Handicap theory"

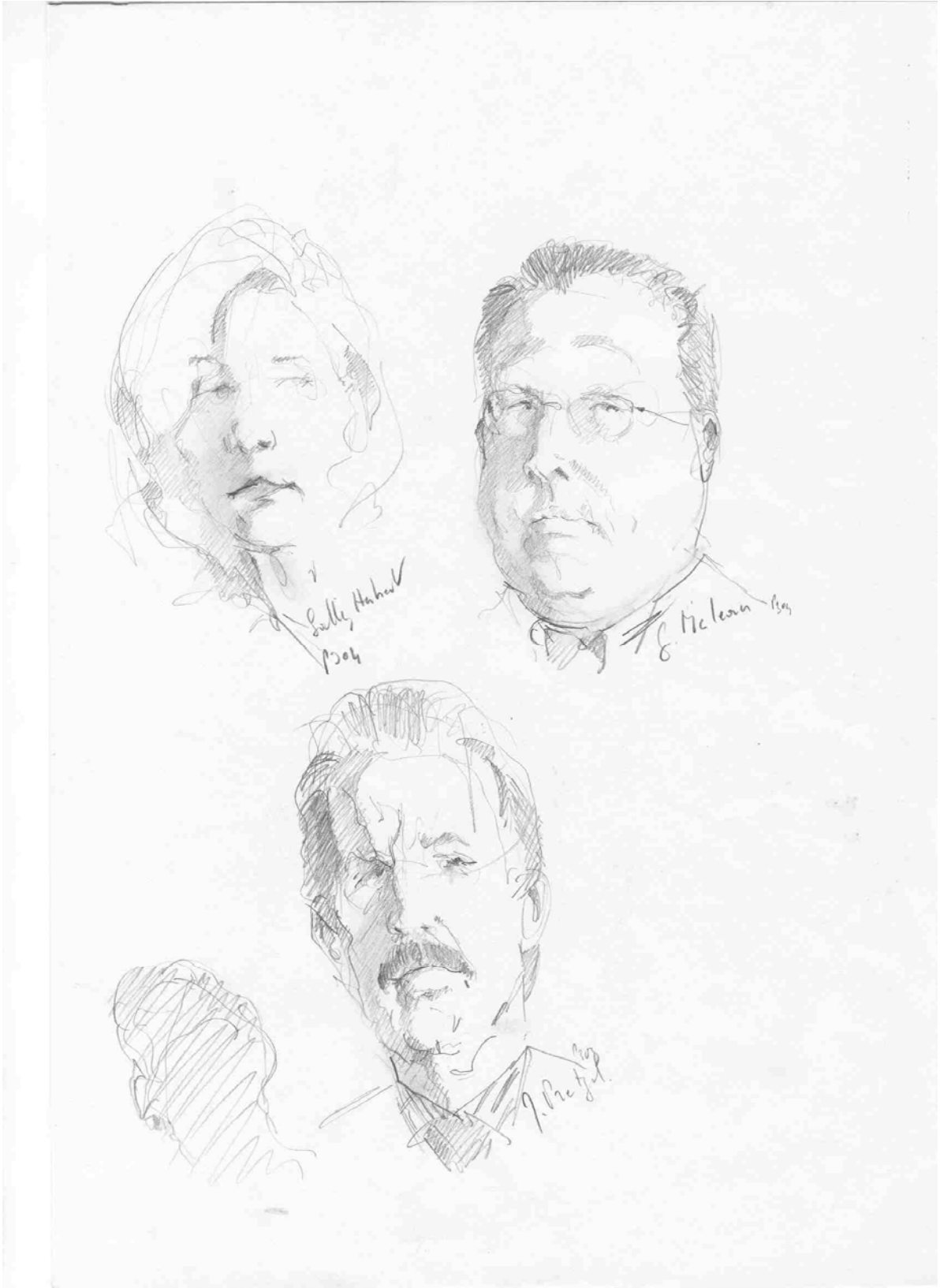
In business, the level of information has risen to the point where it is easy to copy. This is what "karaoke capitalism" means: there is no originality. Business concepts like "best practices" and "benchmarking" institutionalise this copying. The bad news is that consumers have lots of choice and are free to go elsewhere. How can companies survive? The "handicap theory" explains the survival of male peacocks, which seem to contradict Darwin's theory of the survival of the fittest. The male peacock attracts females who assume that he must have good genes to be able to survive with his apparent handicaps. When the going gets tough in business, you can either be brutally fit (like Wal-Mart or Ryanair), or be sexy (like BMW) and invest in handicaps. It is matter of how you apply technology.

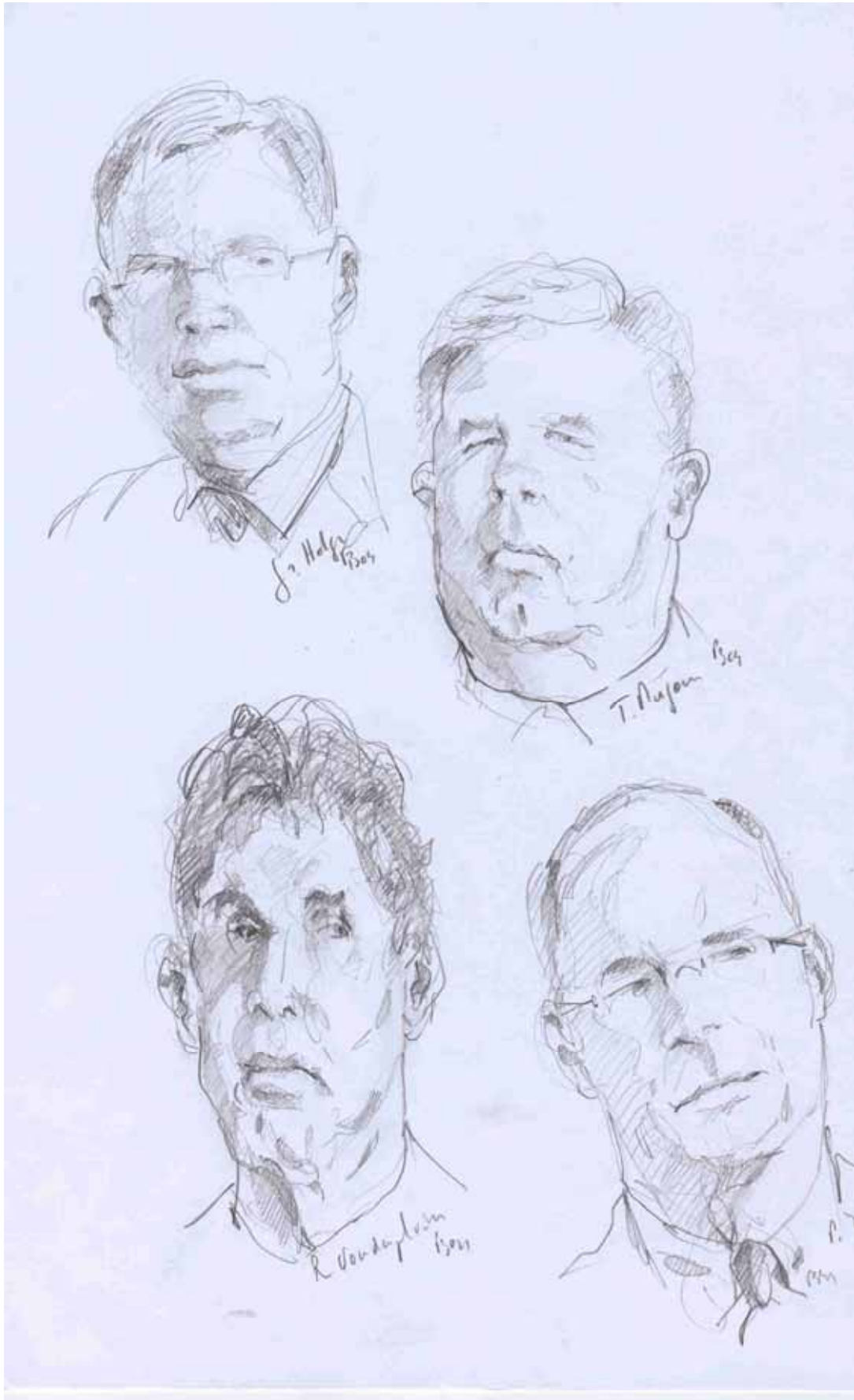


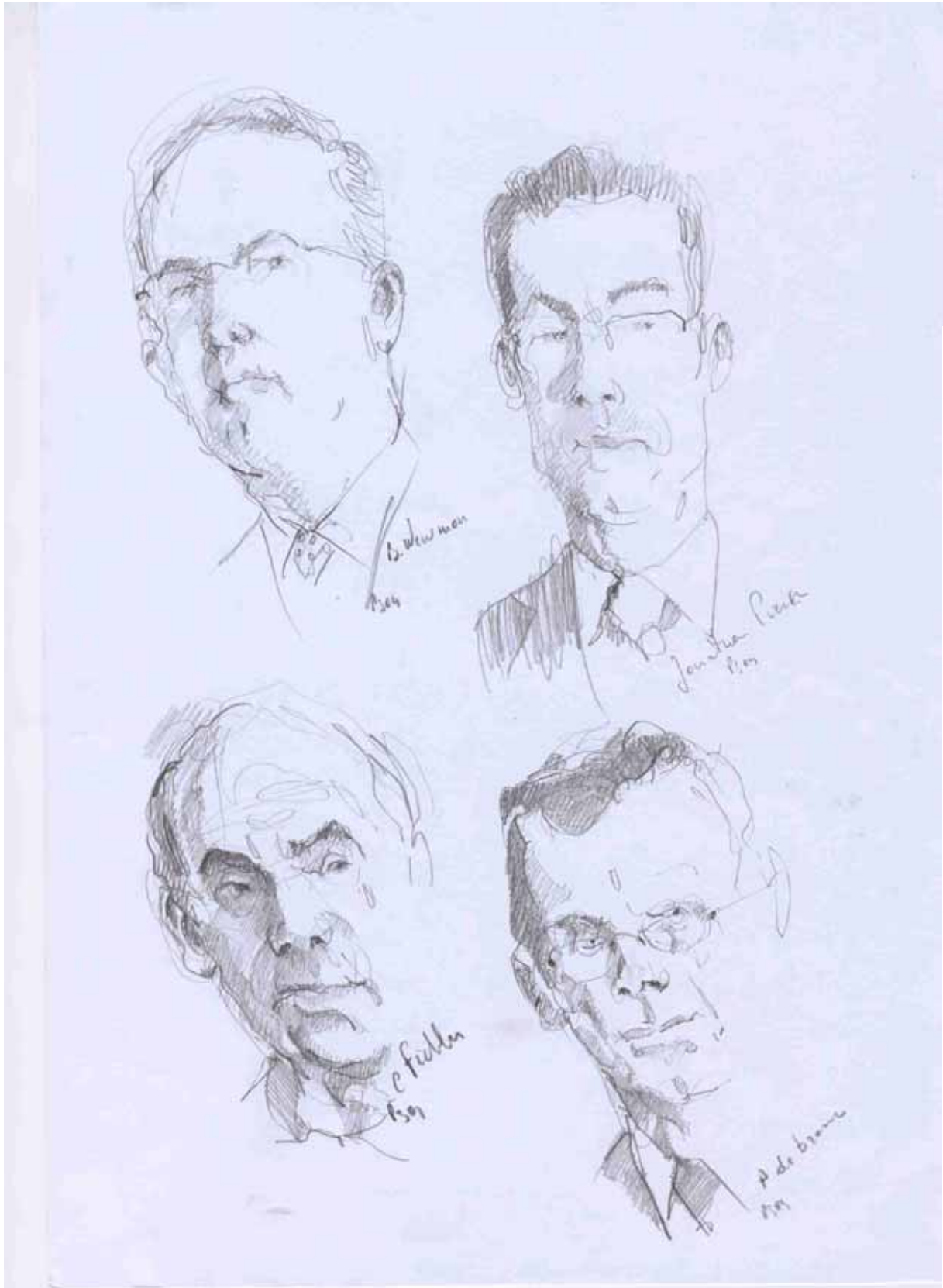
This summary has been written by Gustavo Trompiz, Editor,
CIES - The Food Business Forum

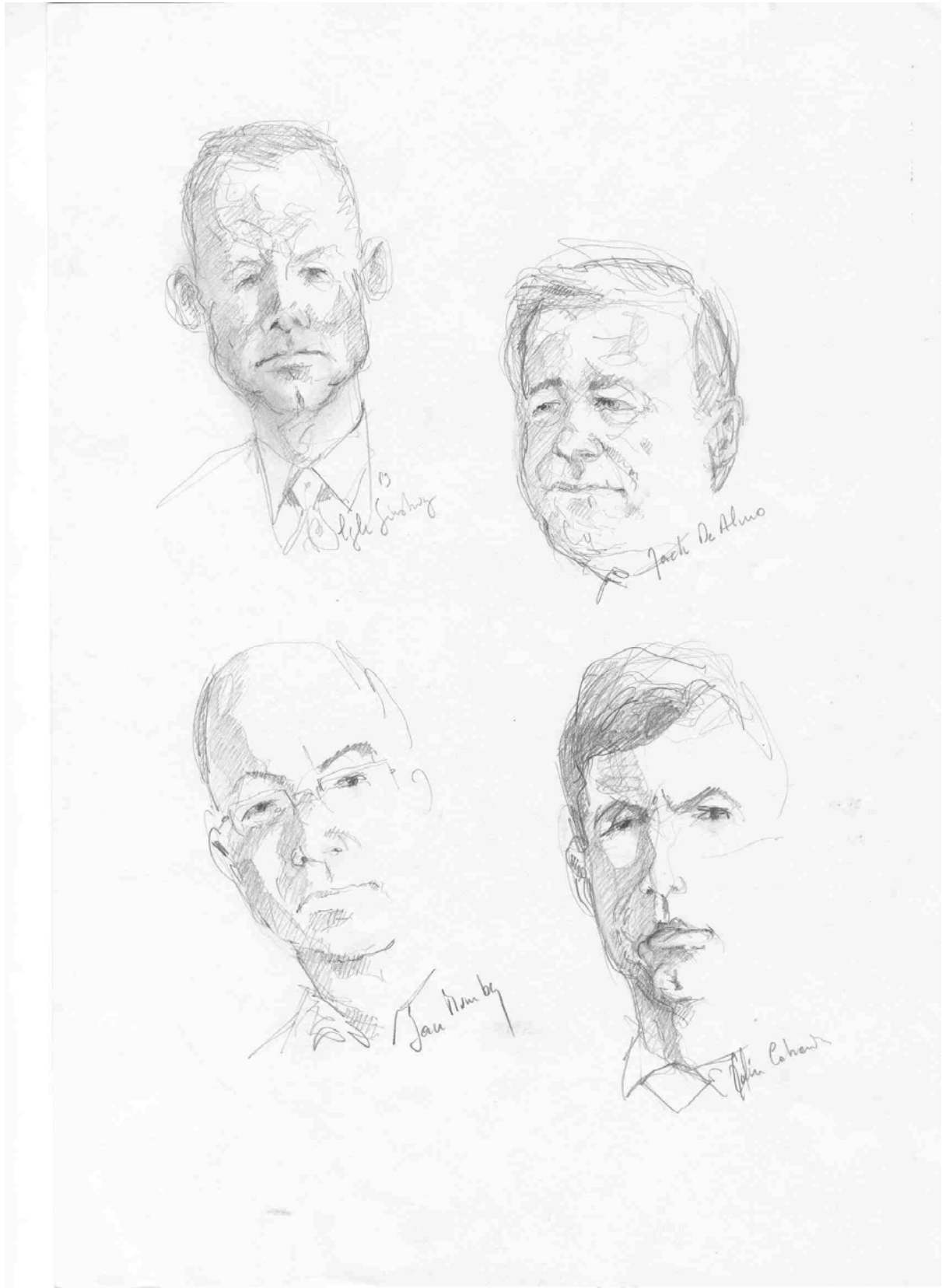
ART GALLERY OF CIES SPEAKERS

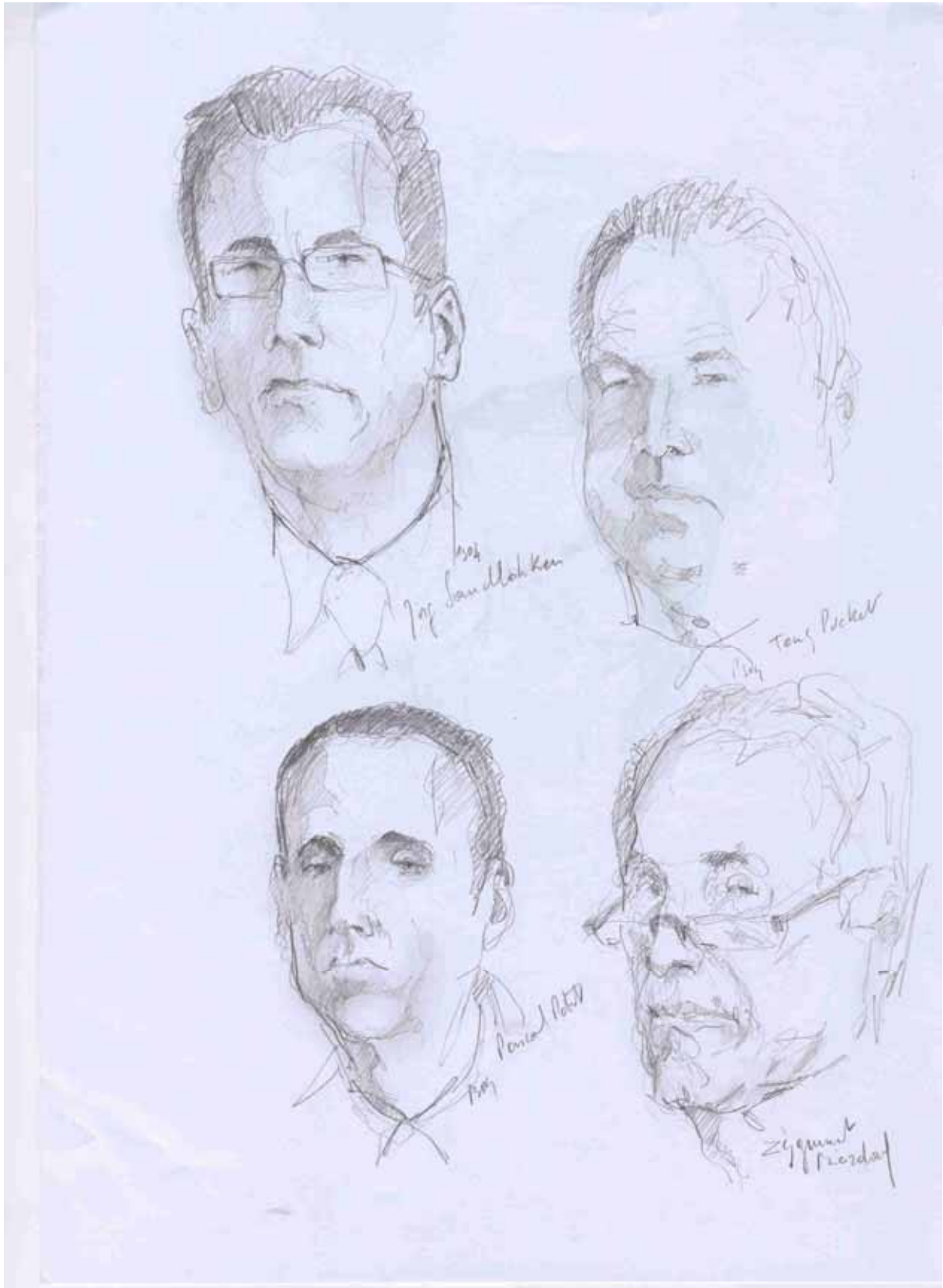














CIES would like to thank Mr. Pierre Battard for his sketches of Speakers made during the Conference.



TOP OF MIND VOTING RESULTS

To round off the conference, delegates gave their views on Global Data Synchronisation, Traceability, RFID and other key supply chains issues using an electronic voting system. The questions & results were as follows:

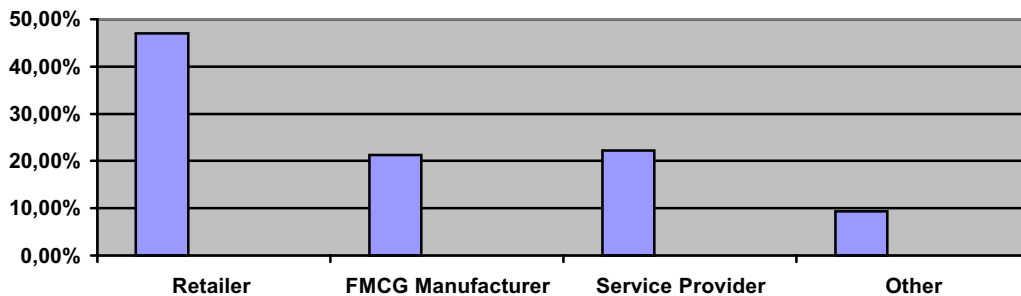
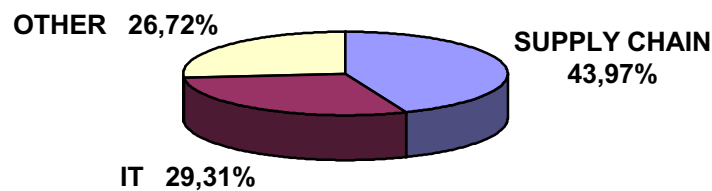
IT TOPICS

- 1st. Improving visibility of the supply chain
- 2nd. IT Solutions for supplier/retailer collaboration
- 3rd. In-Store processes

SUPPLY CHAIN TOPICS

- 1st. Simplicity in the Supply Chain
- 2nd. Making Global Synchronisation real
- 3rd. RFID Update

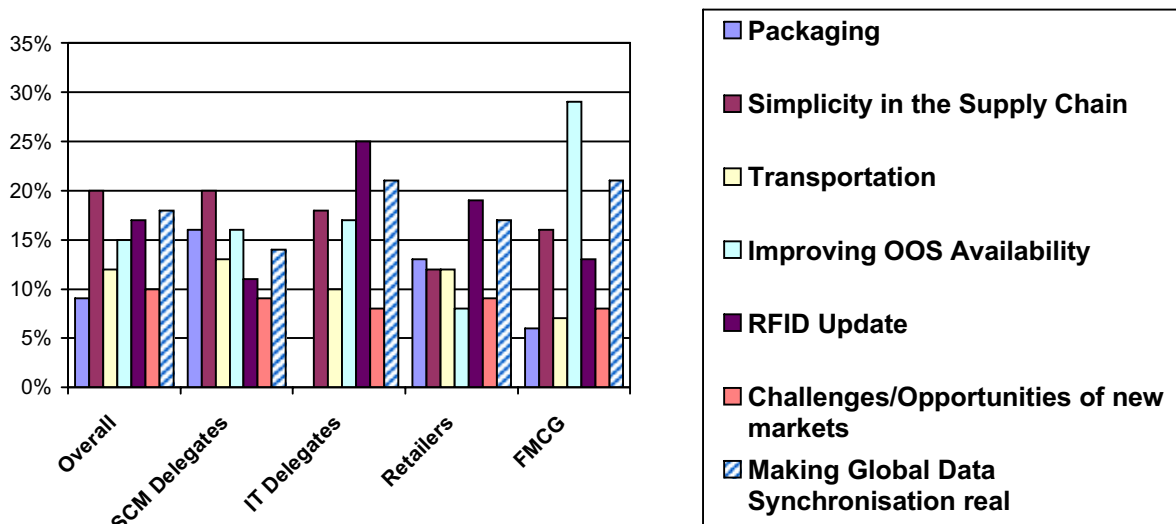
2) BREAKDOWN OF VOTING PARTICIPANTS BY FUNCTION AND SECTOR



4) IT - TOP OF MIND RANKING



5) SUPPLY CHAIN - TOP OF MIND RANKING



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i2 for Retail



SNAPSHOTS OF THE CONFERENCE



DINNER AT THE JACQUEMART-ANDRÉ MUSEUM



QUOTES FROM DELEGATES

- ✚ "Interesting thematics, well presented with a real vision of what is happening"
- ✚ "Again, very good level of participants. Quality of attendees = networking value is high"
- ✚ "Excellent conference, forum & speakers"
- ✚ "Good mix of retailers/suppliers presentations"
- ✚ "Excellent Conference on all levels"
- ✚ "Congratulations to the organisation for the excellent choice of speakers"
- ✚ "Interesting topics, good speakers, good atmosphere!"
- ✚ "2 valuable days! Right choice of topics & speakers"
- ✚ "Great conference! Looking forward to attending next year"

CIES - The Food Business Forum

UPCOMING EVENTS - 2004/2005



JOIN US IN...

2004

CIES Marketing Forum 2004
29th November - 1st December - London, UK

2005

4th International Food Safety Conference
3rd - 4th February - Rome, Italy

CIES Future Leaders Programme: Breakthrough 2005
14-15-16 March, South Africa (*by invitation only*)

CIES IT Conference 2005
23 & 24 May - Berlin, Germany

The World Food Business Summit 2005
22nd - 24th June - Budapest, Hungary

Global CEO Forum 2005
June - London, UK

CIES Supply Chain Conference 2005
6 & 7 October - Barcelona, Spain

Future Leaders Annual Congress 2005
23 - 25 October - Barcelona, Spain

CIES Marketing Forum 2005
15 & 16 November - Paris, France

More information on the website: CIES - The Food Business Forum

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