Global Data Synchronization Supplier Interview Results
Executive Overview

April, 2007

BIECC, NBWA & 1SYNC
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Table of Contents

Table of Charts

Project Overview

In August of 2006, the National Beer Wholesalers Association (NBWA) with the assistance of the Beer Industry Electronic Commerce Coalition (BIECC) contracted 1SYNC, the leading implementer of supply chain data synchronization, to conduct a Beer Industry Readiness Assessment in regards to GDS. The objective of this engagement was to support the proactive planning of GDS solutions by evaluating beer suppliers, importers, distributors, and retailers regarding logistics, item and price/promotion data collection, invoicing, and other relevant business processes, and to provide a prescriptive implementation roadmap that may be used for a Beer Industry GDS pilot.

An important step in this process was to assess the level of understanding of GDS by suppliers, distributors, and retailers in the beer industry. In addition to an electronic technology capabilities survey given to all NBWA members, it was determined that additional information would be acquired through one-on-one interviews with over twenty small, medium, and large suppliers, importers, distributors, and retailers. Those retailers participating in the assessment have active GDS programs underway with other product categories. These interviews were utilized to gather the current state of business processes and practices, and to solicit feedback on recommending future improvements to bring qualitative and quantitative benefits to those in every tier of the supply chain. Post interview, all references to the participant's name and organization were removed from the shared project documents.

This document will explain the participants' responses in four key areas.

1. The importance of item information being introduced correctly and then being maintained efficiently
2. The business process benefits that expect to be recognized from utilizing GDS
3. The infrastructure challenges to be faced while implementing GDS
4. Recommendations for moving forward with GDS

By reviewing these four key areas, we will be able to judge the industry's readiness to moving forward with GDS.

Importance of Proper Item Introduction and Maintenance

Brewers and importers must provide a large amount of information regarding their products not only to distributors and retailers but also to the end consumer. They invest a substantial amount of time and money to ensure their brand is positively reflected to the targeted consumer in order to maximize sales and profits. Additionally, the brewer must develop shipping and other logistical information about their offerings to ensure they move smoothly through the three tier supply chain. With the large number of distributors and retailers that play a part in representing the brewer's offerings, it is important that they provide them with timely and accurate item information in order to satisfy the end consumer.

Commonly Asked Questions

To illustrate the importance of item and price/promotion information to the brewers we can evaluate the commonly asked questions of their trading partners. When brewers considered what the most frequently asked questions by their trading partners, they responded that the most common questions were in regard to the availability of date/lead time, pricing and margins were the top responses. (See **Chart 1** below.)

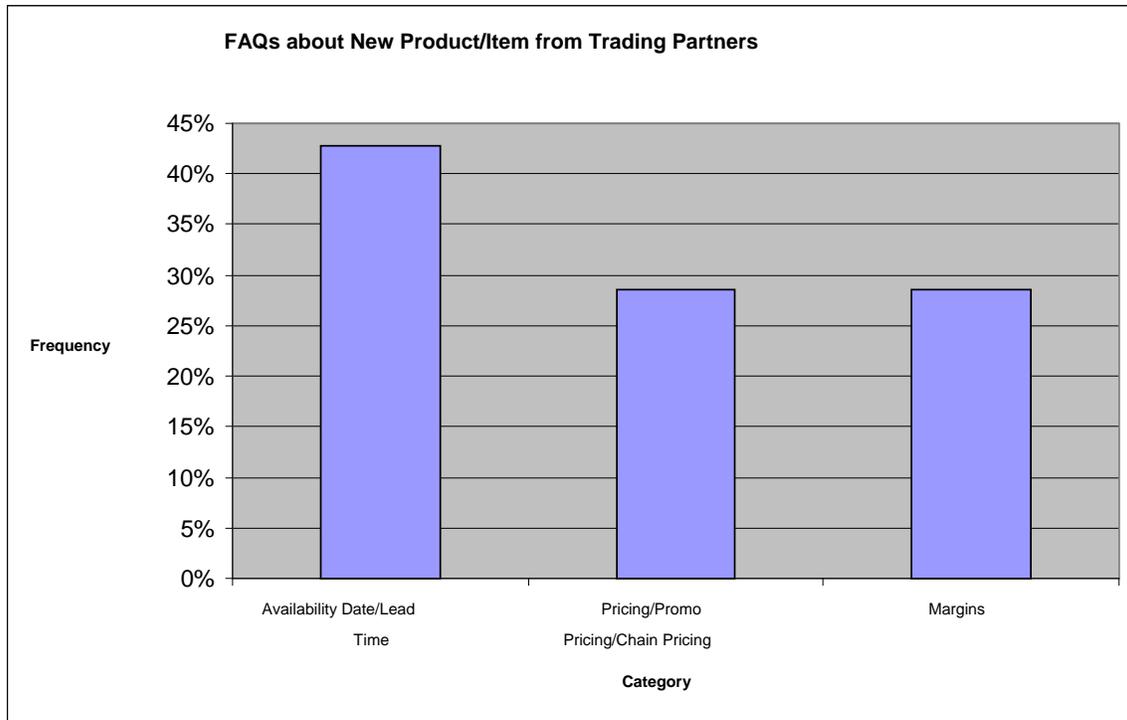Trading Partner Frequently Asked Questions

Chart 1

Note: A complete list of the frequently asked questions can be found in the Supplier Interview Summary.

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One of the major reasons distributors are asking for item availability, pricing and margin information is to confirm the most recent status of the products coming into their warehouses. To better understand how this information flows from the brewer through the supply chain, we will review their current item introduction and maintenance business processes.

Item Introduction and Maintenance

Our analysis of brewer and importer item introduction and maintenance shows there are similar business processes to introduce new items to their partners but varying methods used when communicating this information to trading partners. New items are generally researched and tested with the consumer while sales forecasts, production and logistical models are evaluated. Once the item is deemed ready for introduction by senior management, initial item and price/promotion information is shared with distributors in order to secure space for the new product. The brewers and importers then provide additional marketing information to the distributors and retailers to setup the items in their back end systems. Importers are unique as they must collect the item information from their supplier and then pass it on to distributors and retailers.

As the product begins to generate sales, the brewer and, or importer adjust the terms of their agreements (price/promotion) with distributors to meet prevailing market conditions. Additionally, the brewer or importer may then also introduce and suggest additional product Stock Keeping Units (SKU) to increase sales of their beverage.

Item Introduction and Maintenance Challenges

The top four challenges facing brewers and importers when introducing a new item were manual process/additional setup required, information in-house (at distributor or retailer) but not available for use, inadequate lead time providing information to distributors and inadequate supply of product for distributors. (See **Chart 2** below.)
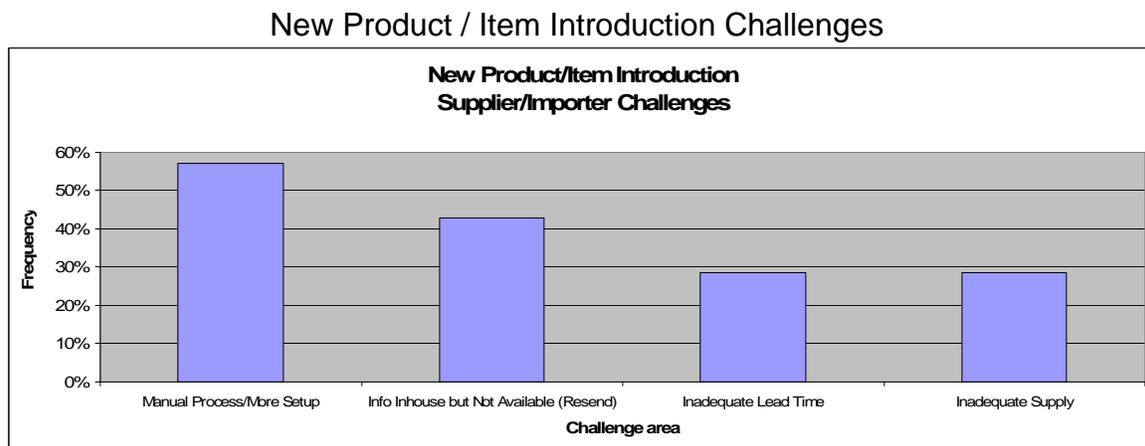
New Product / Item Introduction Challenges

New Product/Item Introduction Supplier/Importer Challenges

Chart 2

Note: A complete list of challenges can be found in the Supplier Interview Summary.

During our interviews we were surprised to learn that brewers and importers would often have to resend product information to their trading partners. One of participant shared a common conversation point with a partner, who would regularly complain that "We already sent it to someone there (distributor) but are surprised that we keep getting called back for the same information."

Other challenges facing brewers and importers related to having "the right information, in a timely manner, in the right places." If the dissemination of item information can be achieved, it will reduce the challenges of dealing with new item/product introductions.

Another area mentioned by almost every supplier who was interviewed related to the need to maintain "multiple systems for large retailers" as well as "unique information required by each retailer." It is obvious that this is one of the biggest challenges related to the time to market for new products. It appears that each large retailer (chain/national) has a unique system or site where the supplier or importer is required to enter all the product information. Each system is proprietary and each requires different information. Suppliers feel they would benefit from a standardization of the type of information required by each retailer, as well as a standard method of sending information to retailers.

Item Introduction and Maintenance Recommendations

Referring to **Chart 2** above, a properly implemented data synchronization project would positively address the major challenges identified thereby benefiting the brewers and importers in their ongoing operations. For example, GDS provides a standardized and automated way for suppliers and importers to send information to their trading partners.

Additionally, brewers and importers were asked to share their recommendations to improve item introduction and maintenance challenges. Their responses are contained in **Chart 3** below.

New Product Item Introduction Recommendations

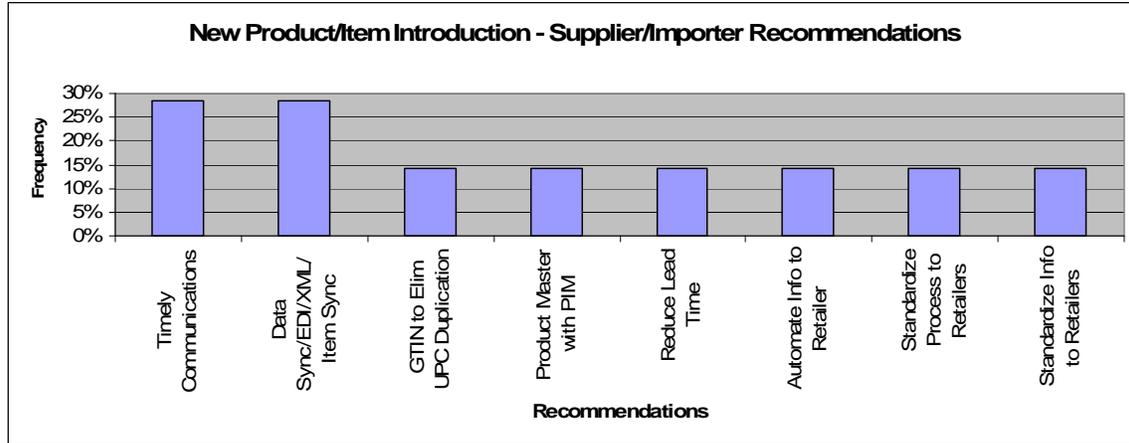**New Product/Item Introduction - Supplier/Importer Recommendations**

Chart 3

Referring to **Chart 3**, the top recommendations for improvement in this area include 'GDS or related standardized, automated technology' as the way to improve the new item process. The only suggestion that was recommended more was 'timely communication between trading partners', which GDS would also positively address. The remaining responses can also all be addressed through the implementation of GDS.

Therefore it appears that almost every recommendation made supports the business case for GDS in the Beer Industry. The suppliers appear to understand that they need to get involved not only to satisfy retailer mandates, but also to improve their own processes. This information also further supports the business case for the distributor tier in that the supplier, as well as the retailers, will need the distributors to be involved in GDS to support them in the near future.

Business Process Benefits from GDS

During our interviews with brewers and importers we were able to explore several business processes that require quality item information. We reviewed the brewer's and importer's processes, challenges and recommendations in the areas of item shipments, item invoicing, item visibility and item out-of-stocks to see if GDS would provide improvement to these key operational processes. While there are many different ways to address these opportunities, a foundation of high quality item information reduces the amount of time chasing errors and allows trading partners more time to spend on business collaboration tasks such as sales and production forecasting and business development.

Receipt of Shipments

Brewers and Importers do not appear to have common processes shipping and receiving products. Some have very manual and simplistic processes while

others have invested in complex technological systems. Some of the major challenges offered by the respondents include inefficient truck loads, slow unloading, item spoilage, manual processes and slow check in. Additionally, item information errors at delivery cause shipments to be rejected or refused by distributors or retailers.

Radio Frequency Identification (RFID), which is built on the foundation that GDS provides, is one of the most frequently mentioned solutions to the product receipt/delivery issues question. A number of suppliers surveyed are looking for a solution to manage freight, improve logistics, and unload trucks faster. The majority of the remaining potential solutions include 'standardizing, efficiency improvement, better inventory visibility, process automation, and increased EDI with Pricing.'

Improving the loading of trucks, increasing visibility into when the deliveries will take place and having correct item information at the distribution center so products will not be refused are all benefits of GDS. Inaccurate inventory and forecasting are also mentioned, as well as incorrect pricing, which would benefit by price synchronization.

Invoice Accuracy

With the implementation of EDI invoicing and electronic funds transfer, the invoicing and payment process seems to be transforming from a manual, labor intensive process to a more efficient electronic process. However, there are still challenges to brewers and importers in their invoicing and payment processes. The major challenges brewers and importers face when handling invoices are the manual review processes and the timely updates of pricing information. Additionally, errors often occur when there are miss-shipments and the invoices are not adjusted accordingly.

Recommendations include providing an electronic file to distributors containing Electronic Funds Transfer (EFT) invoicing details and the timely communication of pricing and invoicing information to and from distributors. GDS would assist in ensuring the correct price has been received by the distributor and is available for use when creating a purchase order.

Product Visibility

There is not a common process for product visibility among the brewers and importers interviewed. The biggest challenge facing the brewers and importers is item movement information supplied by distributors is in multiple formats and is not timely. There are normally errors in the Uniform Product Code (UPC) item information that needs to be researched before reliable business decisions can be made to fine tune inventory positions. The brewers and importers use syndicated data for product visibility at the retail point of sale (POS). This information is not timely enough for decisions to be made regarding inventory

adjustments to avoid out-of-stocks and allow product to flow optimally through the three tier system.

Recommendations for increasing product visibility include having the retailer provide POS information directly to the brewers and importers allowing them to build more accurate sales and production forecasts. Having up to date inventory information from the distributors would allow a much clearer position of where products are within the three tier system.

GDS can contribute to product visibility by clearing up the challenge with duplicate UPC item information and allow for clean information to be used when reporting inventory positions and tracking item movement through the POS.

Out-of-Stocks

There are two philosophies that brewers and importers have to the topic of retail Out-Of-Stocks (OOS). Some brewers and importers had a "hands on" approach in helping their distributors manage OOS while others thought it was the job of the distributors to work the issue with the retailers. Regardless of the approach, they agree the main challenge to having a low OOS is a combination of inaccurate forecasting and the late placement of purchase orders.

Having a three-tier collaborative planning, forecasting and replenishment (CPFR) model that the industry can leverage coupled with an online - seamless ordering process were recommendations put forth from a majority of the brewers and importers. This would allow them to be more involved with the weekly issues that effect item movement and therefore item sales and production forecasts. CPFR has been used successfully in other grocery segments and can be adjusted to work in a three tier distribution model. More information regarding CPFR can be found at www.cpfr.org.

GDS ensures that the proper UPC numbers are correctly stored in each tier of the tree tier distribution model thereby increasing inventory reporting efficiency.

Infrastructure Challenges to Data Quality & Synchronization

Four areas were explored from an infrastructure perspective as we analyzed the answers to our interview questions. Each area provided a key part in understanding the infrastructure challenges to data quality and synchronization.

Our interviews revealed that there are no consistent business processes for communicating item and price/promotion information from the brewers and importers to the other tiers of the supply chain. Many of the processes are manual and result in excessive time being spent in the setup and maintenance of product information. Additionally, due to the manual process information is not being received and updated in a timely manner causing delays in the use of the

correct product information on invoices and logistical documents. The result of using poor product information is an increase of miss-shipments resulting in invoicing discrepancies.

Organizational Focus to Item Information

As previously mentioned, many of the business processes, used by suppliers to support item and price/promotion information used by the brewers and importers are manual processes. Participants indicated in many cases that there were too many people involved in managing item information. This several step process often led to a disconnect in the updating of master item information, changes had the potential to be made in one department without understanding the effect it would have on other operations in other departments or without notifying other departments of the need to make the changes to the item information.

Participants also mentioned the lack of industry standards, common business processes, and systems being used within the beer industry supply chain would provide challenges when implementing GDS. Without clear examples of how the three-tier model should function in a GDS environment, each brewer is addressing their business needs as completely as possible.

When asked how these challenges should be addressed, the brewers and importers suggested the development of a complete product master file that would be managed by product information management (PIM) software. This would allow them to consolidate the various manual processes being used today in maintaining item and price/promotion information as well as to reduce the number of people needed to maintain item information. Increasing the amount of time and resources participating in the industry standards development was also suggested as a way to move GDS forward.

Multiple Copies of Product Information

The brewers and importers are challenged by the amount of redundant product information in their current information systems. In some cases they do not have a single view of a product master file but rather separate product files with information that is relevant to departmental needs. (e.g. Marketing, Sales, Distribution, and, Accounting) This information will often find its way to the other tiers in the supply chain via emails, faxes and phone calls.

Suggestions put forward by the brewers and importers included the development of a single product master file and a corporate vision for item data management. The single product master file would be managed by PIM software ensuring that the users of the product master file have the correct product information to use in the creation of their business documents. (i.e. sales sheets, advertisements, and invoices)

New Suppliers, Mergers and Acquisitions

The challenges faced by brewers and importers when adding new product lines to their operations revolve around the lack of information provided by the previous supplier or brand owner. They also are challenged when authorized distributors are different across brand families or packaging types. Mergers and acquisitions are normally negotiated confidentially so very little notice is normally given to incorporate business operations.

Suggestions for improvement include the development of a common three tier repository for item and pricing information leveraging GDS, EDI and eXtensible Markup Language (XML) to keep it current. Also, when new distributors are added by a supplier they should be provided with full product education and information.

Brewer and Importer Current Perceptions

There is an overall perception by the brewers and importers that the benefits for GDS flow mainly to chain retailers or high traffic users. They perceive that GDS requires a large investment in both dollars and resources for a relatively low initial return. Some are concerned in the timing of their investment in GDS when the retailers and distributors are not ready to receive the information. Other brewers and importers see that eventually, their product shipments will be refused at the receiving door if they do not participate in GDS.

The brewers and importers offer that increased training and education on the importance of GDS to the Beer Industry is a way to help change current perceptions and move implementations forward. They feel that implementation and network costs should be based on transactional usage versus sales volume to make the cost model more palatable for brewers and importers. Also, the industry should explore receiving federal approval for GDS systems – specifically around pricing transactions.

GDS Realities

Investments in people, processes, and technology will be required by all members of the beer industry supply chain in order to correctly implement GDS. The GDS model has matured over the last five years with many retailers adopting it as the standard way to clearly communicate item and price/promotion information. As the model has matured, growing competition among GDS solution and Data Pool providers as well as clearer standards around price/promotion transactions have addressed many of the cost concerns raised by the brewers and importers.

A successful implementation of GDS will benefit the brewers and importers by improving data integrity of their most important business transactions thus reducing overall operating costs. Whether it involves improvement in order accuracy and product shipments by having the correct weights and measures

synchronized in the supply chain, increasing the visibility of the correct products moving through the supply chain or reducing the OOS experienced by the customer at the point of sale brewers and importers directly will benefit from the implementation of GDS.

Brewers and importers will also benefit through increased efficiency in their core operational infrastructure by having clear responsibilities for developing and communicating product and price/promotion information to their trading partners and eliminating the multiple copies of product information found in their information systems. This increased efficiency will allow them to better handle the new acquisition of product brands and general mergers and acquisitions which are common in the beer industry.

Recommendations

The interview approach used for this study allowed us to identify key challenges and pain points of the brewers and importers in several operational areas. These areas were selected for their reliance on quality product information and thereby possibly benefiting from the implementation of GDS. Additionally, the interviewees were asked for recommendations on how to address the key operational challenges. A summary of their recommendations have been grouped into three areas.

Industry Education and Standards

The brewers and importers clearly see the need for further education on the importance of high quality product and price/promotion information within the beer industry. Clear understanding of GDS benefits for brewers and importers will help improve their handling of product information within their companies and with their trading partners. Common standards for creating and maintaining product information within the beer industry will ensure that there is a solid foundation to build and share value added business transactions, as reflected in **Chart 4** below.

The Foundation for More Accurate Business Processes

Accurate Forecasts

Accurate Inventory

Accurate Invoices

Accurate Purchase Orders

Accurate Item Price/Promotion Information
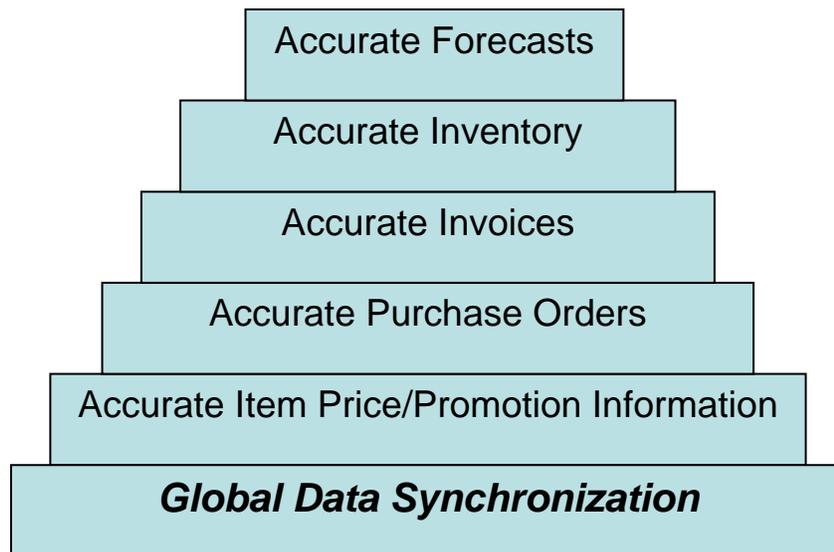
Global Data Synchronization

Chart 4

The educational opportunities currently facing the beer industry have been overcome in several other industries by focusing on business process changes that simplify the flow of product and price/promotion information.

Organizational Changes

Brewers and importers commented that too many people are involved with the development and maintenance of item information and in some cases there were multiple item repositories and data bases supporting their current business processes. Implementing a single item master file supported by product information management (PIM) software is the primary recommendation offered to automate item maintenance.

Many companies in other industries have now established dedicated product information departments which focus on trading partner information exchange. These departments have clear roles and responsibilities controlling the flow of information into and out of the companies to ensure they are meeting their trading partners' needs. The departments are also responsible for understanding the current and emerging industry standards that govern the movement of product and price/promotion information. Brewers and importers can follow lessons learned from other industries and tailor them to their specific operational needs.

Data Synchronization Pilot with Key Industry Participants

The beer industry would benefit by moving forward in the development of a shared, high level approach toward implementing GDS. This plan should be developed in conjunction with major retailers, distributors, brewers, importers, and solution providers to increase awareness of the industry's commitment to improve the flow of key item and price/promotion information.

By working together, the beer industry can ensure they are realizing the largest benefit possible in the short term while building a solid foundation to enable new and existing value added electronic transactions. Creating a high level implementation approach will also provide a benchmark for monitoring the progress of key pilot projects - sharing successes and setbacks - as the beer industry embarks on its efforts to implement GDS.

To summarize, the first step would be to educate the industry on the current standards put in place and to develop any additional standards that may be needed. The second step would be to institute the organizational changes within your company in order to make GDS a success as well as a priority. The final step would be to implement a pilot with all levels of the supply chain and companies of all sized to prove that GDS will work for the industry overall. In closing, this study has shown that the critical business issues that are causing an ineffective and inefficient supply chain in the beer industry today can be solved through the use of the GDS. Through the three recommendations above, the industry can successfully implement GDS and begin to recognize the benefits.