

BIECC, NBWA & 1SYNC
eCommerce Capabilities Questionnaire Results
Executive Overview



NBWA e-Commerce Capabilities Questionnaire
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April, 2007

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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.

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Industry Education Gap

The need for industry education regarding GDS was clear when the results for the questionnaire were analyzed. Although 62 out of 109 (56.8%) of the survey respondents felt that they understand GDS (see Chart 1 below), when high level explanations were provided in a separate survey question, few respondents correctly answered the question. In fact, out of all survey respondents, only 16 out of 109 (14.6%) have a “mostly accurate or better” understanding of what GDS is at a very high level (see Chart 2 below). This knowledge gap is not unusual for an industry that is just starting to understand the need for GDS. There is also a large knowledge gap in the Beer Industry with respect to the capabilities of GDS. Being able to educate the beer distributors on the business processes that GDS addresses (as well as those processes it does not address), will be important for industry adoption.

Familiarity with Data Synchronization

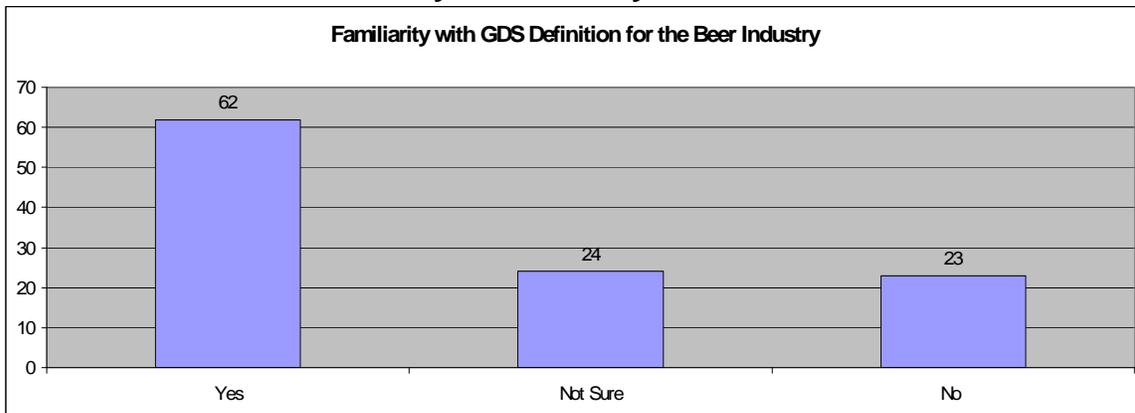


Chart 1

Data Synchronization Definition Analysis

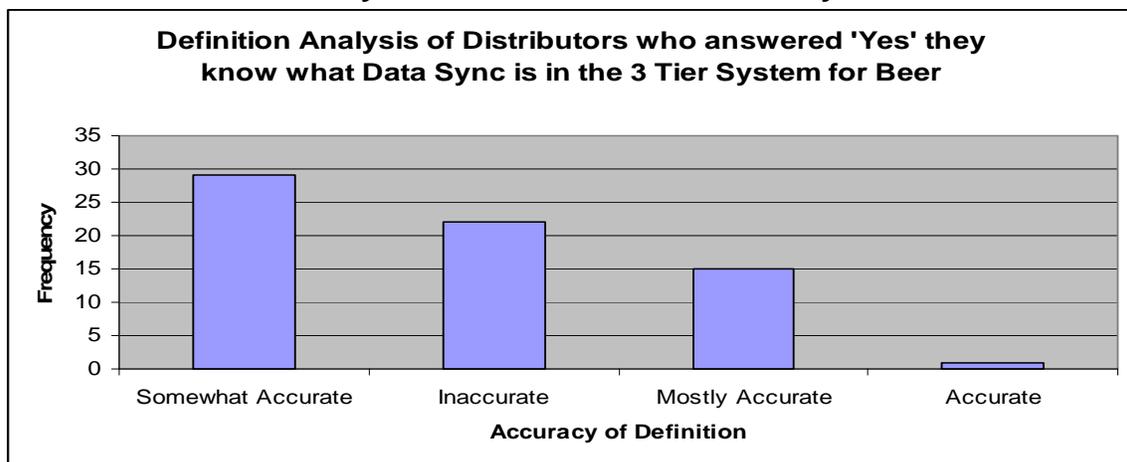


Chart 2

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Mergers and Acquisitions is the top priority among distributors, as illustrated in the chart below (Chart 3). While data synchronization was not mentioned as one of the top three strategic business processes, a well implemented item and price/promotion data synchronization program will simplify the consolidation of business operations when two or more distributors or product offerings are combined. This is due to the common business procedures and terminology used in the company’s item repository. Additionally, human resources can be better leveraged as new product lines are established by the distributor.

Top 3 Strategic Business Projects and Associated Frequency Sorted by Combined Total

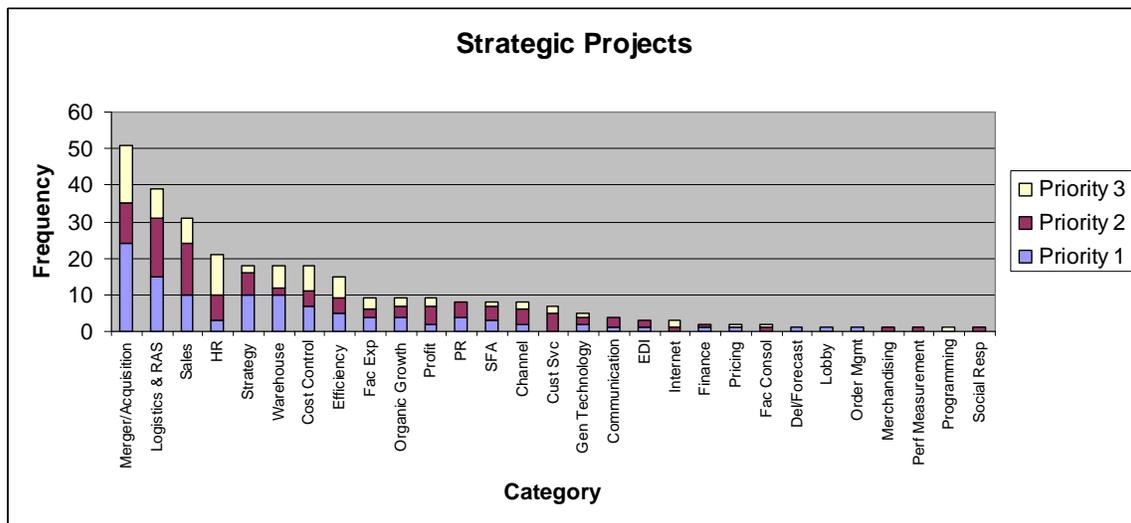


Chart 3

Strategic business projects involving logistics automation, warehouse automation, and controlling costs were all top priorities. Many times new business and software solutions fail to achieve their expected results due to the lack of quality data that is required for implementation. The survey illustrates the need for educational material, including reports, seminars, and web casts that emphasize the importance of accurate item and price/promotion information. This education will allow the distributors to maximize their returns when implementing strategic projects.

Less than a third of the respondents see GDS as a priority project in the near future. Out of the total 109 survey respondents, only 32% are actually sure that they are planning a data sync project in the near future. It is important for Distributors to realize that their business operations will function more efficiently and with fewer problems if their item and price/promotion information is captured correctly.

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The top three strategic IT projects – logistics automation, sales force automation and EDI / EFT [this need to be spelled out] – all require accurate data to yield a return to the distributor (see Chart 4 below). Each project would normally include a phase where data availability and quality would be evaluated and corrected, thereby forcing the distributor to pay multiple times for poor data quality. Once again, the risk of realizing a successful implementation would be reduced if a GDS program were to be implemented in conjunction with the other strategic IT projects.

Top 3 Information Technology Projects and Associated Frequency Sorted in Priority Order

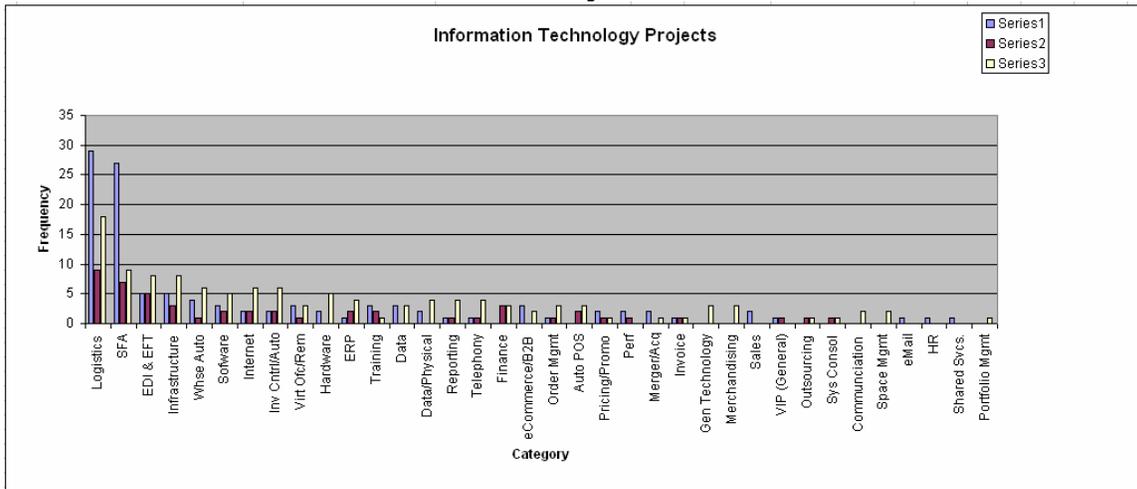


Chart 4

According to the survey, the business issues and areas that would be positively impacted by the implementation of GDS are clearly led by the following:

1. *Error Reduction*
2. *Speeding Up Business Processes*
3. *Improving Business Processes.*

A detailed breakdown of the responses is illustrated in Chart 5 on the next page.

There are a number of comments from the respondents “overestimating” the types of services GDS would provide. While GDS can provide a foundation for reducing operational errors and streamlining business processes, it is important to identify the specific processes that will change as a result of each GDS implementation. This will allow the Distributor’s project team to create and meet the expectations of Senior Management.

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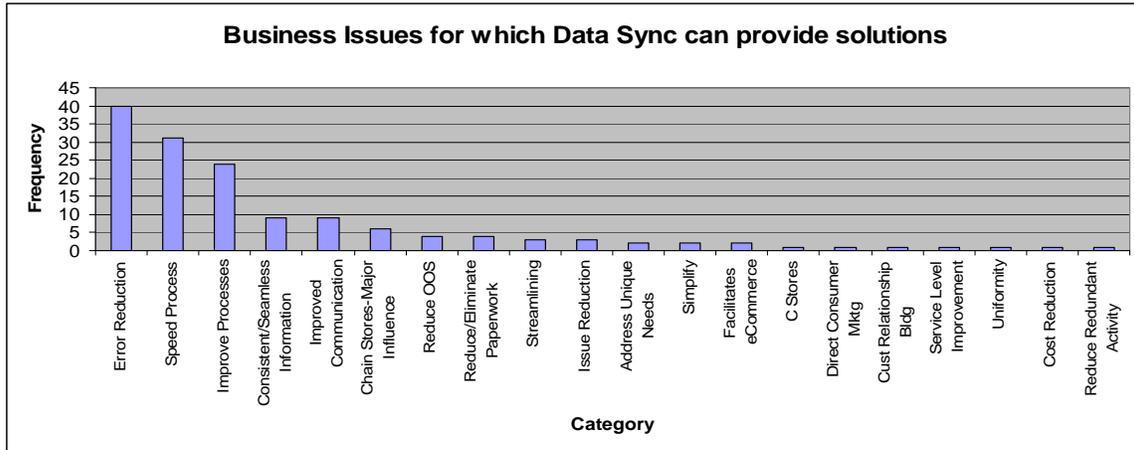


Chart 5

One of the main results of the study is that business benefits provided by data synchronization were challenged by a small number of respondents. In summary, six respondents didn't know any benefits, one stated that it is a "waste of resources when not widely utilized," and yet another thought it was "time consuming for the supplier and took away valuable selling time." One respondent believes it'll be done "at the wholesalers' expense." These types of responses were expected, given that every new business idea or method has its doubters. However, with the proper education and a bit of cautious optimism, GDS will provide a solid foundation to increase customer satisfaction while improving internal operating efficiency.

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Organizational Guidance

When asked “What business areas rely upon the accuracy of your master item file to perform their job roles?” the results clearly showed that the respondents understand the importance of master item information to sales, with many respondents also understanding the importance to the entire organization (see Chart 6 below). Furthermore, if you combine the survey results for Warehousing and Inventory with those for Logistics and Operations, this would exceed even Sales in importance. However, it is obvious that many respondents do not yet realize the importance of Item Master Data to Purchasing, Pricing, Invoicing, and to their retailers and suppliers. It is equally important that all departments within a distributor operate from the same master item information to satisfy the end consumer and maximize operating profits.

Business Areas Reliant on Accurate Item Master Data

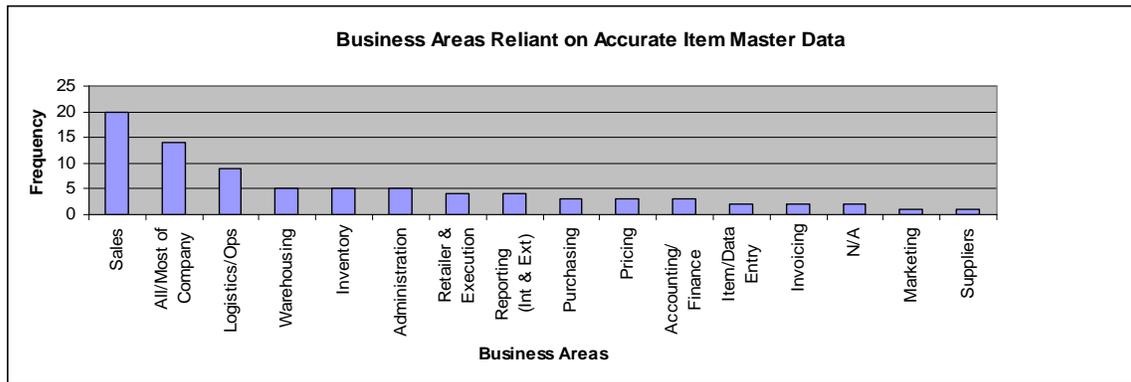


Chart 6

The survey results show there is neither an obvious nor a standard role or responsibility consistent throughout distributor organizations for item setup and maintenance. Without standard roles and responsibilities, one can assume that the processes vary in most organizations, and have room for improvement in accuracy and efficiency. The responsibility skews mainly to the “Manager” role and level; however, the departments, functions, and titles vary widely, from Office and IT Manager, to Purchasing, Inventory, Senior Executive, and Sales (see Chart 7 below).

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Organizational Responsibility for Item Setup and Maintenance

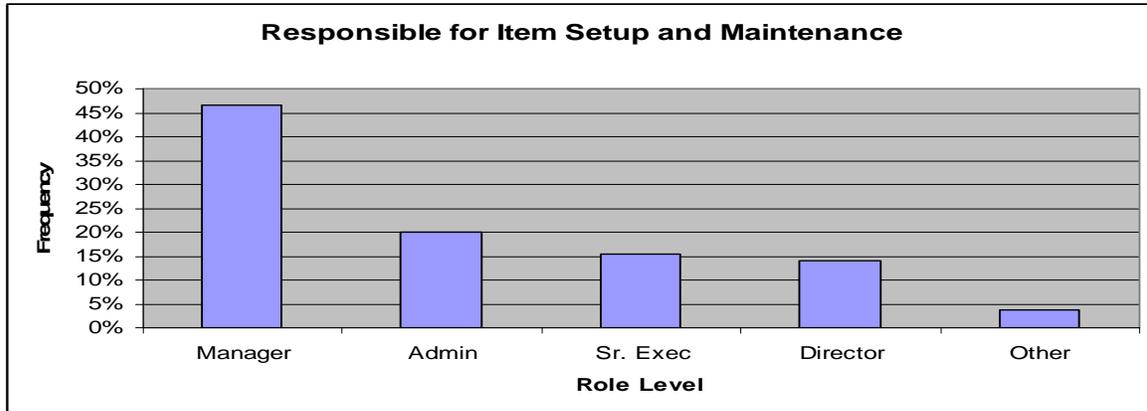


Chart 7

Note: The titles of personnel responsible range from Administrative Assistant to General Manager, and every level in between. Rather than list all the titles individually in this chart, they have been grouped into general areas.

In some organizations, more than one person is involved in the setup and maintenance of product information into their computer systems, while other organizations have one person that is responsible for the entire process. An obvious benefit of implementing a GDS project would be standardizing the functionality and process behind maintenance of product information. An important side benefit when implementing a GDS project is that the appropriate level of resource is involved with their specific responsibility. For example, administrative roles could be at an “item reviewer” level only, allowing management roles to focus on “item approval” and trading partner compliance. Other industries that have implemented GDS programs have established departments responsible for maintaining the integrity of the product information entering their computer systems. The departments are normally part of a line business organization such as logistics or distribution. A standard organization model with clear roles and responsibilities could be put forward as a model for the industry to follow.

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High Level Implementation Planning

Of the 57% who answered “Yes” to the question asking if they are familiar with the term GDS as it relates to the Beer Industry and the three-tier system, more than half (53%) have no resources allocated toward a data synchronization project in the near future. When combined with the respondents who are not sure or not familiar with the term GDS, there is a large percentage of distributors who still need to plan their GDS strategy. Once the importance of GDS is realized through focused education, a high level implementation plan would greatly benefit these distributors.

For the respondents who have allocated resources to a GDS project, the answers to the question “Where is your company in the planning and execution process of your data synchronization program?” allow us to see the phases the distributors have either completed and/or are currently engaged in (see Chart 8 below). The survey results indicate that 7% of those who have allocated human or financial resources to a data synchronization project have no plan to date for either item or price/promotion, and only slightly over 8% have reached the implementation phase of either a GDS pilot or full implementation. With the relatively small number of distributors who have implemented their GDS project, developing a beer distributor specific, high level implementation plan/checklist would provide a blueprint for success and help reduce the learning curve during the initial project development. Additionally, a common implementation plan would allow the beer industry to measure their progress as GDS projects evolve.

Current Phase of Distributors Data Synchronization Project

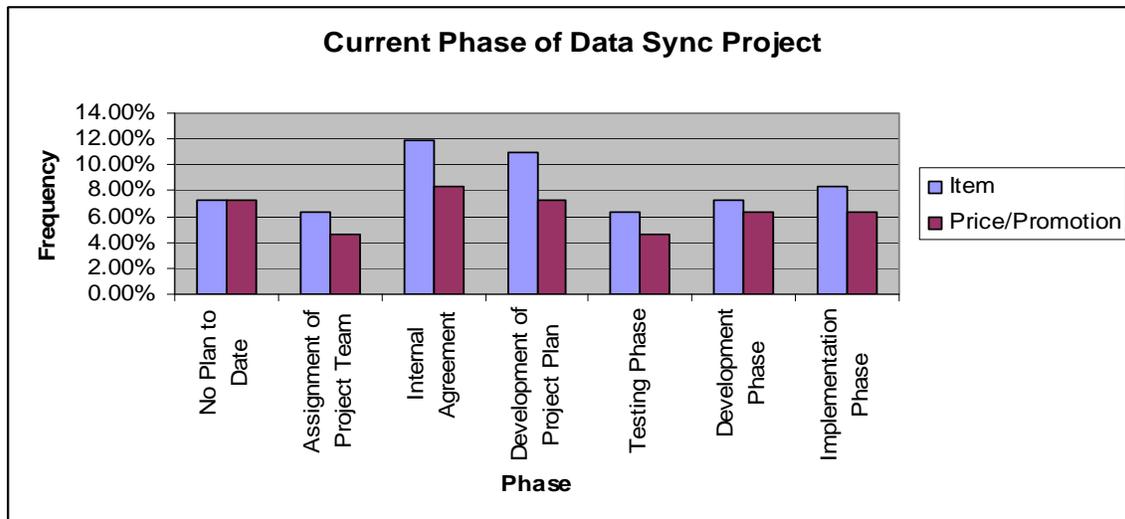


Chart 8

Note: The percentage of respondents is out of the total number of distributors who participated in the survey. The survey question allowed the respondents to check each phase that applied to their project.

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For the respondents who have committed resources to a GDS project, 74% have delegated business resources and 62% have delegated IT resources. Having more business vs. IT resources applied to the project usually indicates business processes and requirements are still being developed. This fact reinforces the need for developing a common, high level implementation plan for the distributors to follow.

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Electronic Communication Process and Format

74% of the respondents handle the majority of their IT solutions in-house (see Chart 9 below). Of the 26% who outsource, all utilize small-medium local/regional firms to handle their IT. This could create a challenge in that the support firms utilized would also need to be educated on GDS, and made an integral part of the GDS project. The detailed survey results seem to indicate that the support teams (in-house or otherwise) were generally fairly small and operations-focused, which could pose a challenge for the implementation of a GDS project.

In-House IT Staff versus Outsourced IT Staff

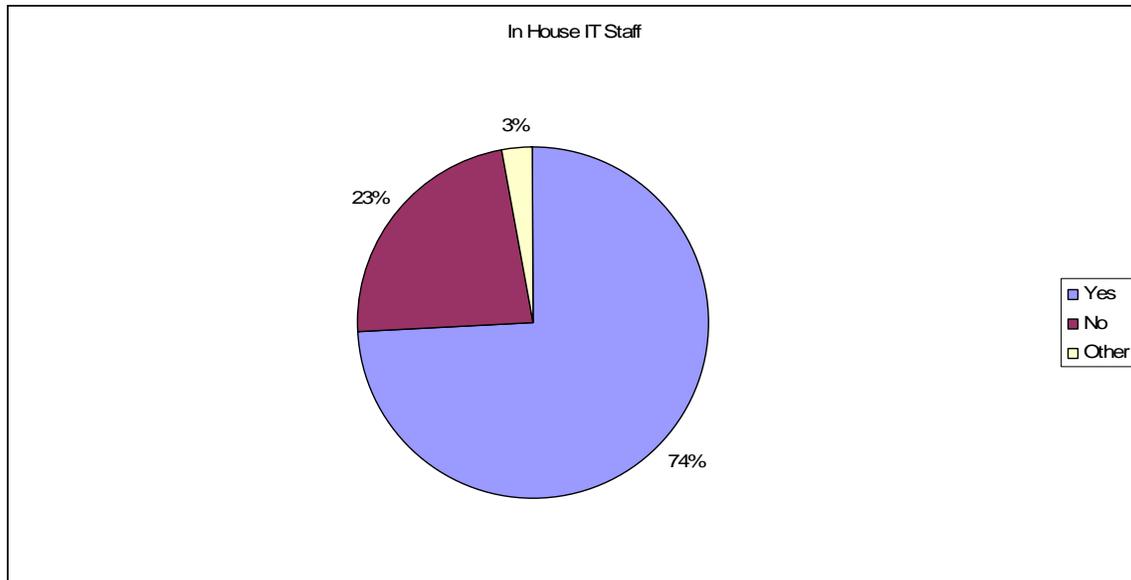


Chart 9

The survey also illustrates that distributors utilize multiple methods to receive and manage their product information (see Chart 10 below). The traditional methods of information receipt include face-to-face, fax, and phone, all of which require human interaction at several levels, and thus more points of potential failure in data entry. Also, please remember that the most common method, email, also contains a variety of additional methods within itself, again leading to possible failures or complications. These methods include text within the email, or MS Word, Excel, Access, and/or text files as attachments, to name just a few.

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Product Information Receipt Method

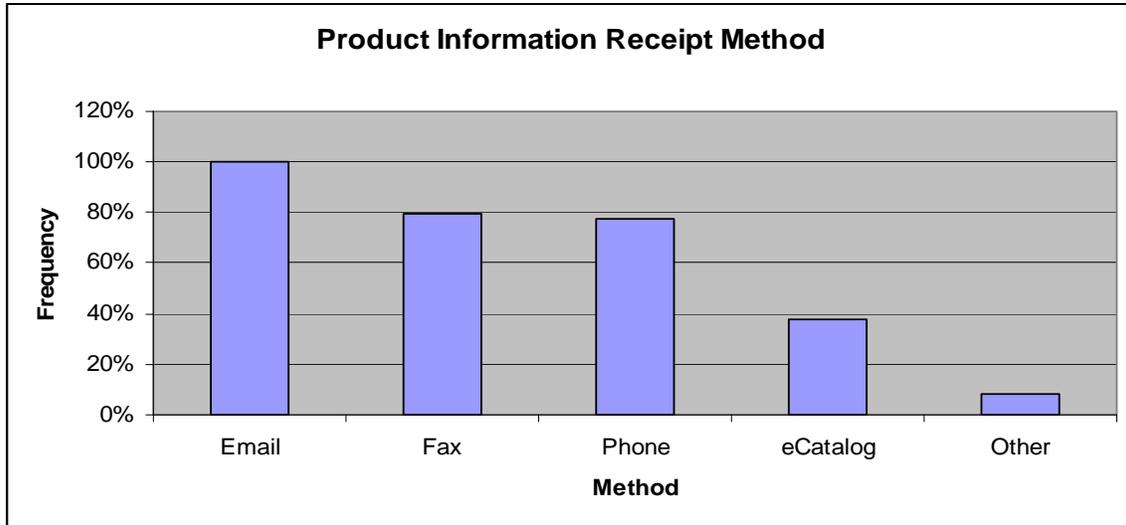


Chart 10

With respect to current eCommerce with trading partners, the format for exchanging product information is widely varied, with email and trading partner extranets emerging as the top responses (see Chart 11 below). According to the survey results, Global Data Synchronization Network (GDSN) messages were not utilized at all. For price/promotion information exchange with suppliers, the email and trading partner extranet formats again came in as the top two responses, respectively (see Chart 11 below). Once again, no respondents reported the use of GDSN messages.

Data Formats for Exchanging Item Information with Trading Partners

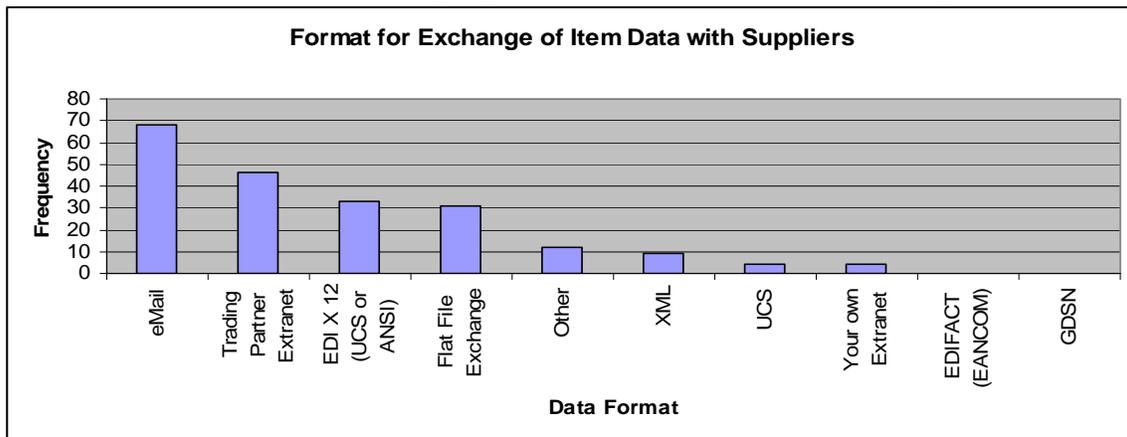


Chart 11

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Data Formats for Exchanging Price/Promotion Information with Trading Partners

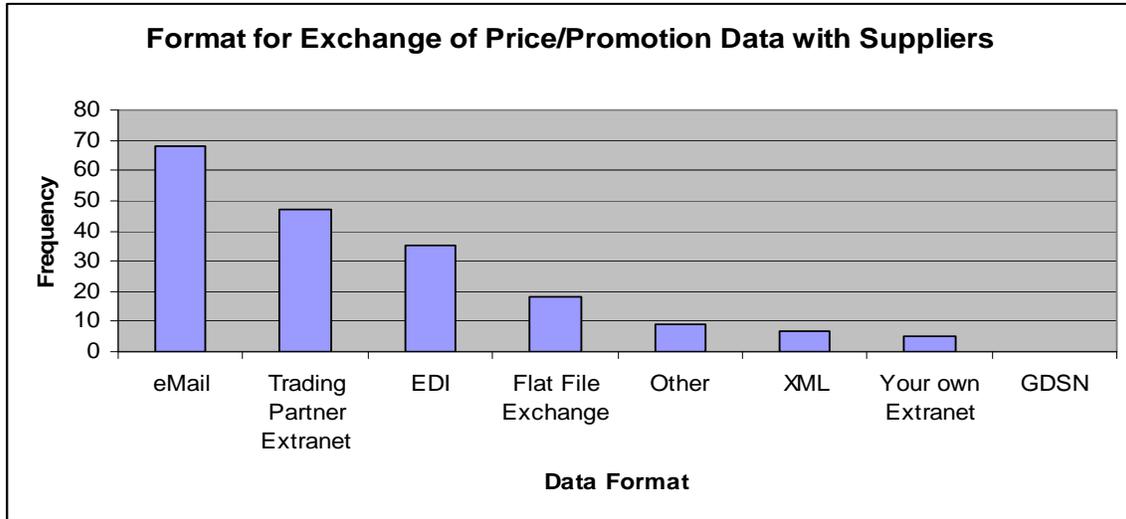


Chart 12

The survey also shows that a growing number of distributors are using general electronic document exchange with their customers (see Chart 13 below). 80 respondents use Electronic Funds Transfer for payment of their invoices, and over 50 are invoicing their customers for the product they deliver. There are a significant number of Purchase Orders being transmitted along with Advanced Shipping Notification documents. With respect to information systems used to process electronic documents from trading partners, Fin Tech came out on top, with proprietary supplier systems, VIP, and trading partner extranets following closely.

Electronic Documents Used by Distributors

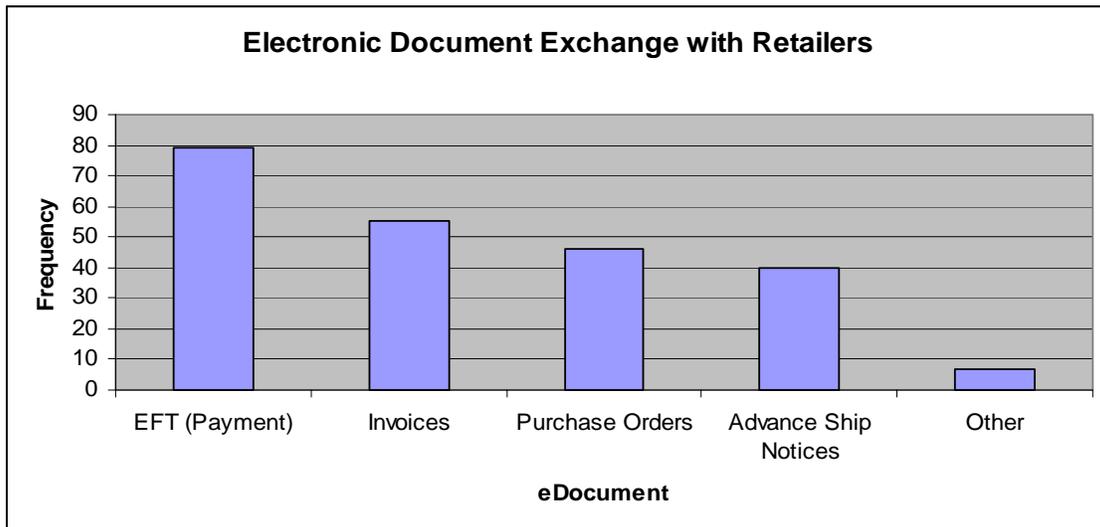


Chart 13

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Summary

The results of the survey clearly indicate the need for further distributor education on the importance of high quality item and price/promotion information. The survey also illustrates a knowledge gap of best practices for acquiring and maintaining key business information that is fundamental for accurate purchase orders and invoices. Accurate item and price/promotion information serves as the foundation for smooth operations in all line business functions and therefore can positively increase operating margins when correctly maintained. The educational opportunities currently facing beer distributors have been overcome in several other industries by focusing on business process changes that simplify the flow of item and price/promotion information.

Many companies in other industries have now established dedicated product information departments that 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 item and price/promotion information. Beer distributors can follow lessons learned from other industries and tailor them to their specific operational needs.

Finally, the beer industry should move forward by developing and utilizing a shared, high level approach toward implementing GDS. This plan should be reviewed with major retailers, suppliers, and solution providers to increase awareness of the industry's commitment to improving the flow of key item and price/promotion information. It will also form a foundation 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 sizes 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.