

Make your supply chain more efficient by using GS1 Global Standards

Findings of the 2011 Consumer Goods Forum Compliance Survey



Executive Summary

Changing global market conditions and customer needs have made collaborative working a necessity. The adoption of standards and guidelines is critical for companies seeking to improve collaboration and coordination. Many recent documents from multiple organizations have highlighted the importance of collaborative working. For example:

- New rules for a new decade – a smarter supply chain, published by IBM¹
- 2020 Future Value Chain Agenda, published by The Consumer Goods Forum – TCGF²
- A case study of L'Oréal³

Additionally, you can find the analysis of the Global Scorecard 2011 survey with the latest insights into the consumer product industry in the present executive brief.

This executive brief outlines several benefits of standards implementation, including:

- Improvements to the business measures by using standards can be observed throughout the entire supply chain, such as reduced distribution costs, lower out-of-stock rates and better inventory cover.
- The panel sample (companies having participated in the 2006 and 2010/11 surveys) shows an increase of implementation levels and improved business measures over the four-year span.
- Additional efficiencies are evident in the supply chains of companies with higher implementation levels.

The analysis has identified several drivers of the standards. As retailers and wholesalers have more business partners to collaborate with, rendering standards is extremely essential for them. In addition, for fast-moving consumer goods companies,

logistics are time critical and standards help to shorten and improve the lead time. Furthermore, The Consumer Goods Forum members tend to be better informed, and therefore have a greater understanding of the value of global standards, collaboration and integration with their trading partners.

The brief also addresses benefits of the Global Scorecard Tool for the consumer goods industry, such as:

- The data contained in the Global Scorecard can help you as an individual company, collaborate with your trading partners or even your entire industry to better understand implementation costs and benefits and to make better choices.
- Procter and Gamble (P&G) uses the Global Scorecard Tool on a regular basis for defining its business strategy and to set priorities accordingly
- L'Oréal recently implemented electronic data interchange (EDI) for most of their products and the company discovered that it helped to reduce their out of stock rates in storage areas and shops

We can achieve collectively what none of us can achieve alone.

- **Collaborate more closely with your business partners to help improve your supply chain.**
 - **Utilize standards that can lead to a more efficient way of working together.**
 - **Unveil better visibility internally as well as with your business partners by synchronizing data.**
 - **Benchmark your company versus your peers or business partners in the Global Scorecard Tool to determine and develop the right strategies for your company.**
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The industry challenges

The continued volatility and uncertainty of today's economic environment and the complexities of an increasingly global supply chain are demanding enhanced supply chain visibility and more widespread adoption of standards and guidelines to help improve collaboration and coordination. Changing global market conditions (such as commodity price swings) and customer needs (for example, increasing numbers of new product introductions) require optimal supply chain configurations to synchronize supply and demand. But a lack of visibility into the innumerable information sources hinders supply chain response to these unpredictable swings. Outperformers in this environment tend to be those that adopt new guidelines to help enhance visibility, reduce volatility and create value and use GS1 standards—the most widely-used supply-chain standards system in the world—as a common language.⁴ By adopting GS1 standards, companies can enhance their ability to collaborate with supply chain partners.

The “New rules for a new decade” publication, which is part of the IBM Smarter Commerce Initiative, illustrates how to optimize your supply chain performance. Overcoming the obstacles of supply chain complexity and uncertainty requires that companies adhere to three new rules:

- Know the customer as well as yourself. Reduce volatility with anticipated demand.
- See what others do not. Create visibility with collaborative insights.
- Exploit global efficiencies. Enhance value with dynamic optimization.

See what others do not – unveiled visibility with collaborative insight

These rules are based on the findings of an IBM research survey of 664 supply chain executives. Among those supply chain executives who participated in the survey, there was a selective group of visionaries who outperformed the others. As a result, IBM researched what they were doing differently in order to stay at the cutting edge.

Industry executives are at different points in the process of building smarter collaborative visibility capabilities. Operators are still struggling with transactional level exchanges and breaking down the silos among supply chain functions within the enterprise. For example, when sharing information with their supply chain partners, they rely on EDI and are working through standardization and data management approaches in order to comprehend the information.

These visionary leaders stand apart from their peers in their effective collaboration with network partners leveraging business intelligence to make faster collective decisions.

We can achieve collectively what none of us can achieve alone.

At the same time, in their 2020 Future Value Chain Agenda publication, The Consumer Goods Forum determined not only that things need to be done differently, but that they also need to be done collaboratively. Working together, we can achieve collectively what none of us can achieve alone.



So, what do you want to achieve in 2020? Are you focused on making your business more sustainable, optimizing a new shared supply chain or engaging with technology-enabled customers? Do you expect to achieve all of this alone, or will you look for collaboration with your business partners?

Benchmark your company versus your peers regarding the adoption of supply chain technology by using the Global Scorecard Tool

What are you doing versus what other consumer product companies in a comparable situation are doing? The Global Scorecard is a benchmarking and planning tool that allows you to track and follow improvements regarding the status of the work in progress. The report-building tool allows you to run various benchmark reports by selecting criteria such as revenue groups, regions, industries and so forth.

Designed 10 years ago, the Global Scorecard is a Capability Assessment Tool that is designed to provide a detailed understanding of your Efficient Consumer Response (ECR) capabilities each year while also highlighting specific improvement opportunities for your company. This enables you to compare your company with peers in your industry. In addition, the Global Scorecard tool helps to drive profitable growth, deliver targeted promotions and synchronize inventory and brand experience.

The scorecard tool uses a common language and measurement system to enable companies internally, trading partners collaboratively and the industry collectively. It also helps your company to understand how well you are doing relative to the capabilities that have been built and the benefits you expect those capabilities to deliver.

Key messages of the annual Global Scorecard Survey

Data from the individual companies is collected and analyzed annually, and the results are then published in the Global Scorecard executive brief. For this year's 2011 survey, the data collected for the period ranges from May 1, 2010, to June 30, 2011; therefore it mainly reflects the 2010 data. In this year's survey, approximately 10,000 companies from 62 countries worldwide shared their insights and utilization of standards as well as their business measures. The details of the sample are:

- 9,099 key performance indicator (KPI) scorecards
- 8,790 companies
- 62 countries worldwide
- Leading edge companies: 23 out of 2011 Fortune 500 companies⁵
- Total revenue: US\$2.25 trillion
- 290 The Consumer Goods Forum members

The number of submitted key performance indicators scorecards is increasing every year and represents an enormous value from industries and business types.



Figure 1. The number of KPI scorecards submitted



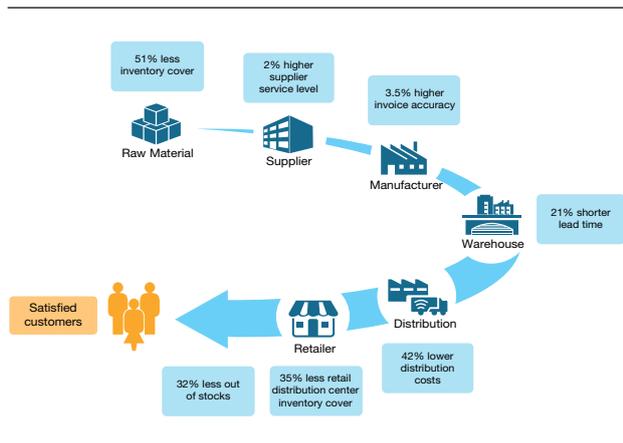


Figure 2. Efficiencies throughout the whole supply

The total industry value represented in this survey is US\$2.25 trillion and includes 23 out of 2011 Fortune 500 companies.

In 2010-2011, we examined several thousand key performance indicator scorecards submitted by consumer product companies and observed several positive relationships between the adoption of the GS1 standards and technology and business results. Companies utilizing standards show several enhanced efficiencies in their business measures, such as in inventory cover, invoice accuracy, distribution costs, etc.

Looking at different implementation levels of Serial Shipping Container Code (SSCC), we can actually see that those companies that have implemented SSCC on a higher level show a much better raw material inventory cover. Companies using EDI receiving advice on a higher level show also a lower out-of-stock rate.

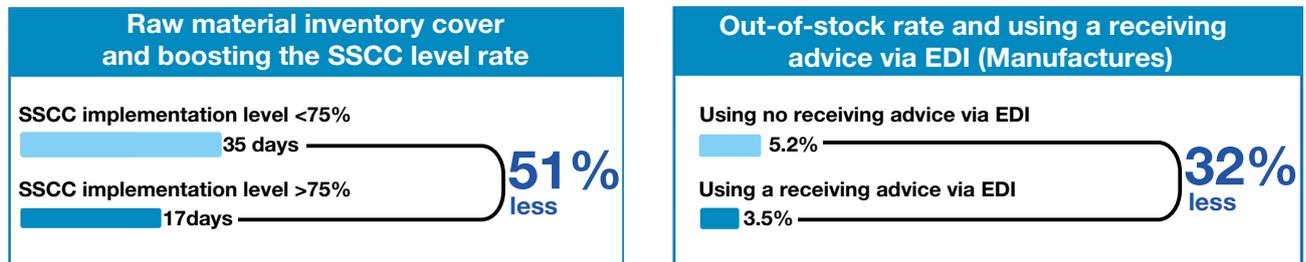


Figure 3. Boosting the implementation levels and usage of standards

Relevance for the industry

L'Oréal case study: How the industry realizes benefits

L'Oréal France, a global cosmetic company, already works with EDI for most of its global brands in 130 countries. L'Oréal benefited from reduced out-of-stock rates in storage areas and shops, improved anticipation of merchandise flow (production, logistics) and optimized truck loads.



With use of EDI 'order-to-cash' messages in mind, L'Oréal started the exchange of product master data synchronized via the Global Data Synchronization Network (GDSN). The synchronized database management system enables a standardized and security-rich process for data distribution, which aims at 'data alignment'. This process has increased the capacity of commercial units to distribute more reliable, quality product information and has considerably accelerated the information flow, allowing L'Oréal in France to react faster.

Today at L'Oréal

Presently, EDI exchanges are deployed for:

- 87 percent of sales from orders placed electronically with EDI
- 78 percent of sales are accompanied by electronic dispatch advices
- 47 percent of sales are accompanied by electronic invoices

Procter & Gamble case study: How to use the Global Scorecard Tool

Benchmarking encourages a company to become open to new methods, ideas, processes and practices to help improve effectiveness, efficiency and performance.

Procter & Gamble is using the benchmarking data of the Global Scorecard Tool to help define their supply chain strategy and what supply chain technology they should focus on. The information derived from the benchmarking results can be leveraged to help build up the right strategy. Procter & Gamble interprets its results by following logic, as benchmarking can help companies understand the cost and complexity of implementation:



- If your capability is low, but the market capability is high, the cost and complexity of implementations are low because there are established users in the market and best practices in place.
- If your capability is low, and the market is also low, then the implementation cost and complexity tend to be high (as can be observed in Figure 4).

KPI regional bench marketing results for your company

	Units	# Records	Sample total revenue US\$m	Sample Weighted Avg	My Weighted Avg
Business Measures					
Annual growth rate	%	204	252980	5.4	7.9
Supplier Service Level / Unit fill rate to customer distribution centre	%	190	263143	95.1	97.5
Store service level / Unit fill rate	%	80	129424	96.0	98.1
On-time delivery	%	232	274084	91.9	92.8
Manufacturer/Supplier's finished goods inventory cover	days	181	262620	20.5	34.9
Retail distribution centre inventory cover	days	97	153450	14.2	21.4
Retail store inventory cover	days	83	153823	14.7	24.1
On-Shelf/Point-of-sale out-of-stocks	%	100	199521	5.1	4.3
Lead Time	hours	243	276275	85.5	87.5
Distribution costs (% of sales value)	%	210	220568	7.7	5.9
Invoice accuracy	%	154	151337	94.0	94.5
Implementation Measures					
% of consumer units allocated Global Trade Item Number (GTIN)	%	1,713	629408	97.4	100.0
% of cases/cartons/innners allocated a Global Trade Item Number (GTIN)	%	1,794	629729	76.4	100.0
% of pallets/unit loads labeled with Serial Shipping Container Code (SSCC)	%	1,859	654475	42.2	73.0
% of shipping or receiving locations that have been allocated a Global Location Number (GLN)	%	1,830	642151	42.8	80.2
% of orders transacted via EDI	%	1,828	644860	96.0	79.6
% of invoices transacted via EDI	%	1,839	632739	45.7	44.9
% of shipments for which a despatch advice was transmitted via EDI	%	1,810	590390	20.7	31.7
% of shipments for which a despatch advice was transmitted via EDI	%	1,823	584982	6.5	14.4
% of sales with synchronized master data between trading partners via the GS1 global data synchronization network (GDSN)	%	1,778	598681	15.8	25.3
% of sales with master data loaded into a GS1-certified data pool	%	1,632	600879	41.4	71.3
% of GTINs that are catalogued consistently with a GS1 Global Product Classification brick code (not using 9999 designation)	%	989	570433	41.6	85.0

My inventory levels are way out of line with the market averages

If I choose to drive EDI for orders, I know there are a lot of other practitioners

On the other hand, no one is driving EDI for invoicing, my investment costs will be high

Figure 4. Benchmarking overview for an individual company (figures are illustrative examples)

Development of standards over time

We have analyzed those companies who participated in the 2006 and 2010-2011 surveys and have observed improvement for almost all standards, as shown in Figure 5.

This analysis implies that companies did see advantages when utilizing the standards, and that they therefore invested in the expansion of standards.

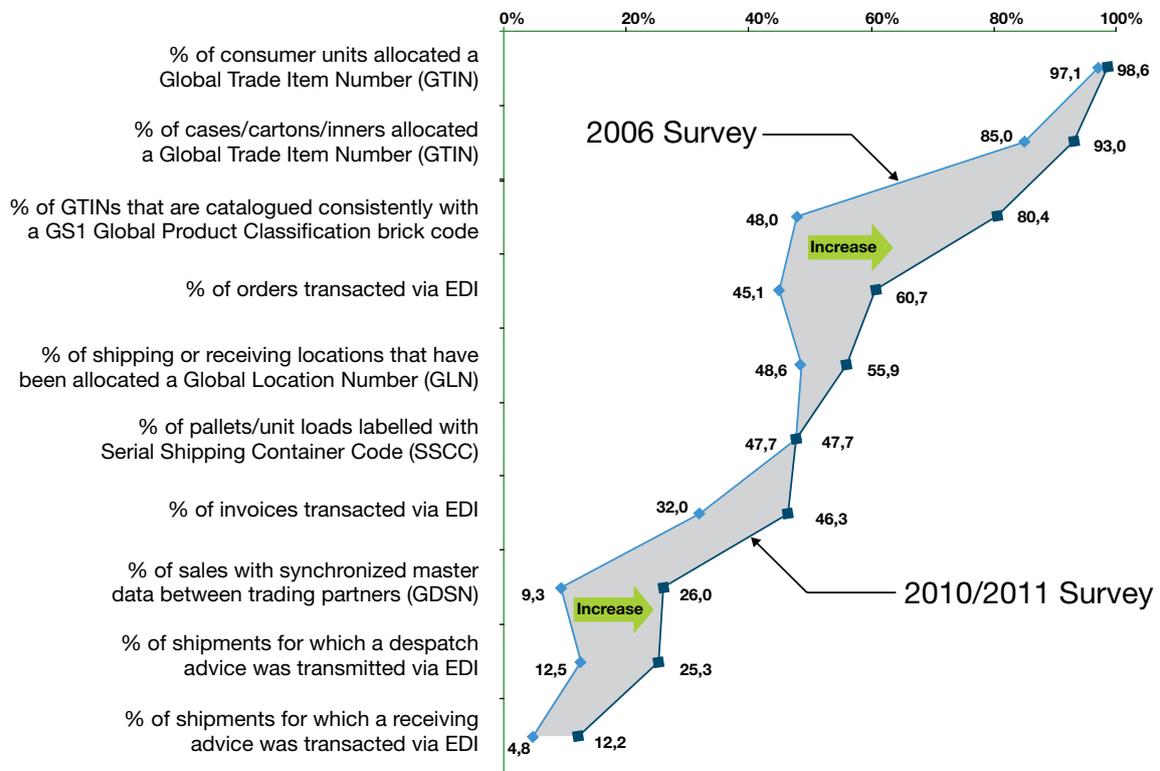


Figure 5. Results for standards for 2006 and 2010/2011



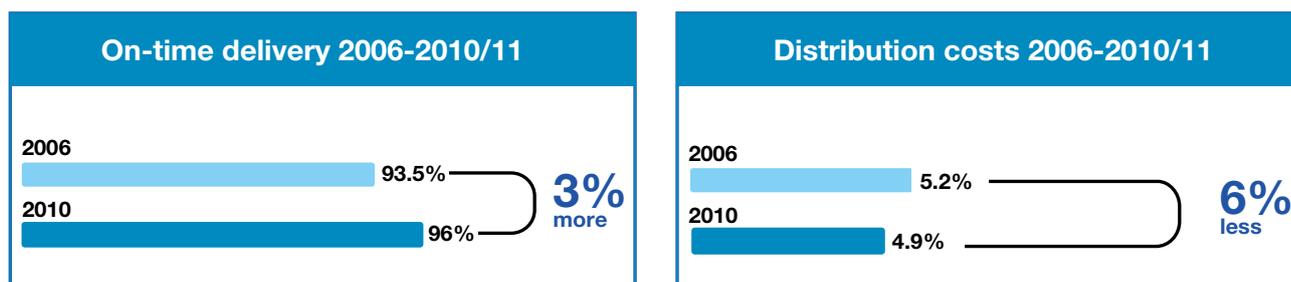


Figure 6. Improved business measures during 2006 and 2010/11

In the same time span, the business measures for the panel companies have improved as well. For example, the on-time

delivery and distribution costs show better values in 2010-2011 than in 2006 for the panel sample.

	Manufacturers			Retailers & Wholesalers		
	2008	2009	2010	2008	2009	2010
IM01 % of consumer units allocated a GTIN	96.8	92.0	89.9	97.3	96.6	96.9
IM02 % of cases/cartons/inners allocated a GTIN	87.6	86.6	73.4	82.6	87.0	90.3
IM04 % of pallets/unit loads labeled with SSCC	49.4	67.2	57.1	49.4	71.6	66.6
IM05 % of shipping or receiving locations that have been allocated a GLN	41.2	51.1	55.3	74.5	87.5	78.4
IM06 % of orders transacted via EDI	51.7	47.0	51.5	70.4	75.8	81.3
IM07 % of invoices transacted via EDI	47.7	45.6	40.5	67.1	78.6	79.9
IM08 % of shipments for which a dispatch advice was transmitted via EDI	27.6	35.5	30.1	22.4	58.7	59.4
IM09 % of shipments for which a receiving advice was transacted via EDI	12.0	16.0	22.3	13.9	58.4	62.4
IM10 % of sales with synchronized master data between trading partners via the GS1 Global Data Synchronization Network	19.0	24.4	22.2	17.0	42.4	15.1
IM11 % of sales with master data loaded into a GS1-certified data pool%	41.6	**	73.6			
IM12 % of active SKUs where the master data has been synchronized using the GS1 Global Data Synchronization Network				7.0	26.5	15.4
IM13 % of GTINs that are catalogued consistently with a GS1 Global Product Classification brick code	47.2	71.0	69.7			

Figure 7. CP manufacturers, retailers and wholesalers and their implementation level of standards over the last three years worldwide

Companies focusing on the global standards

Furthermore, we examined which companies drive the implementation of the standards.

1. Retailers and wholesalers

In general, consumer product retailers and wholesalers display implementation rates that, on average, are higher than those of their manufacturer counterparts (worldwide). By interacting with more parties, retailers and wholesalers are more likely to adopt standards, thus making an efficient supply chain even more important.

2. The Consumer Goods Forum (TCGF) members

TCGF manufacturers are ahead of the nonTCGF members in implementing standards. This is because the members are increasingly aware of the importance and benefits of the measures. In addition, the companies involved are often very large. In most cases, they have to interact with many business partners and clients and need to implement standards in order to communicate more efficiently

3. Fast-moving consumer goods companies

The fast-moving consumer goods (FMCG) industry takes the lead in implementing measures. An efficient supply chain is essential for the FMCG industry, as they rely on time and money. The print and digital industry has also, at the same time, many standards at an average implementation level of 75 percent since journals must be delivered on time (weighted averages).

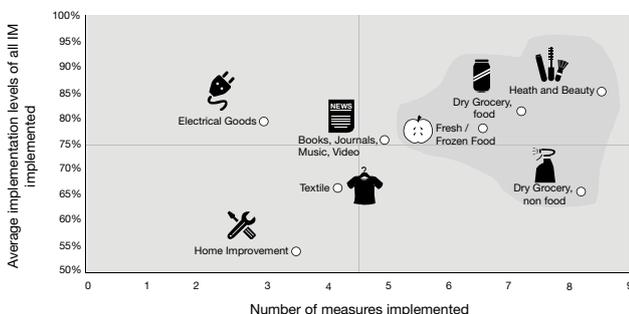


Figure 8. Average implementation levels and numbers of measures implemented by product category

How companies implement standards

In general, companies tend to implement the standards they use at a high level, even higher than we observed in the 2009 survey.

Figure 9 demonstrates another view of how companies implement levels by representing four different groups. The top-right quadrant represents organizations with 6 to 10 different standards implemented with an average implementation level of 51 percent and above. Those companies, called industry leaders, as they drive the utilization of standards, reported better business results in comparison to their peers, who had fewer standards adopted and lower average implementation levels.

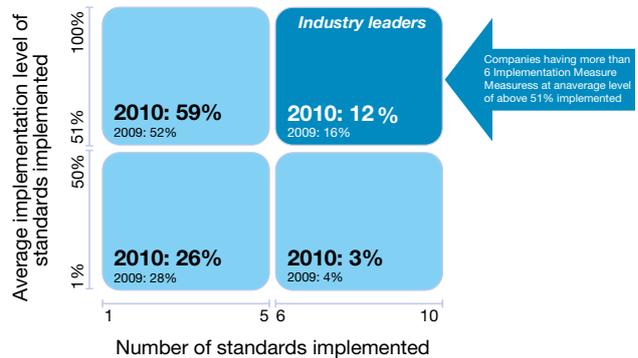


Figure 9. Implementation levels and number of standards implemented

Compared to the global results (total sample), the industry leaders show higher results and better business measures than the global average. When comparing the industry leaders versus the total sample, we see that the industry leaders, for example, profit from a reduced order-to-delivery cycle time.



Summary

We have observed a positive upward trend in almost all of the standards surveyed (as depicted in Figure 7). While it would appear that some of the implementation measures have declined from 2008 to 2010, keep in mind that 2010-2011 represents a significantly increased sample base, including many small and medium enterprises that have more recently begun adopting the GS1 standards. This expanded sample set of smaller companies skews overall results downward.

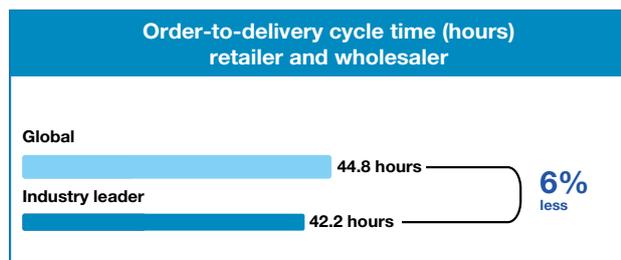


Figure 10. Order-to-delivery-cycle time for global and industry leaders

Companies are continuously improving their standard implementation levels, indicating that they can see the benefits. These findings can be supported by the fact that a “panel sub-sample” (companies who have participated in 2006 and 2011 surveys) showed a reasonable increase trend over the past several years.

The global scorecard allows your company to measure its current performance and capabilities using a global set of standards so that it can compare itself to other groups within the same geography, distribution channel or product category.

Companies that have implemented standards have exhibited higher performance results compared to those that have not done so. Boosting implementation levels on a greater scale has demonstrated greater results than lower-level implementations. Continuing to implement standards can result in ongoing improvement.

For more information

For additional insights about the global scorecard, visit globalscorecard.net where you can view case studies, conference presentations and reports and detailed results of the CGF 2011 Compliance Survey:

globalscorecard.net/live/download/ecr_related.asp

For further information please contact Rüdiger Hagedorn from The Consumer Goods Forum (r.hagedorn@theconsumergoodsforum.com) or David McCarty from IBM (mccartyd@us.ibm.com).

IBM welcomes the opportunity to discuss your specific standards implementation needs. Leveraging extensive experience in the consumer goods industry, IBM Global Business Services provides consulting services to the Consumer Goods Forum on the subject of developing and using capability scorecards. Please contact your IBM marketing representative, or visit the following website:

ibm.com/services/us/gbs/consulting

About the Consumer Goods Forum

The Consumer Goods Forum is a global, parity-based industry network, driven by its members. It brings together the CEOs and senior management of over 650 retailers, manufacturers, service providers and other stakeholders across 70 countries and reflects the diversity of the industry in geography, size, product category and format. Forum member companies have combined sales of EUR 2.1 trillion.

The Forum was created in June 2009 by the merger of CIES - The Food Business Forum, the Global Commerce Initiative (GCI) and the Global CEO Forum. The Consumer Goods Forum is governed by its Board of Directors, which includes 50 manufacturer and retailer CEOs and chairmen.

The Forum provides a unique global platform for knowledge exchange and initiatives around five strategic priorities—emerging trends, sustainability, safety and health, operational excellence and Knowledge Sharing and people development—that are central to the advancement of today's consumer goods industry.



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¹ <http://www.ibm.com/services/us/gbs/thoughtleadership/ibv-new-rules-new-decade.html>

² <http://www.theconsumergoodsforum.com/pfiles/programmes/futurevaluechain/2020-Future-Value-Chain-Report.pdf>

³ Information provided by L'Oréal France.

⁴ http://www.gs1.org/docs/patient_safety/GS1_Standards_in_Healthcare.pdf

⁵ http://money.cnn.com/magazines/fortune/fortune500/2011/full_list/



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