

## 2008 IFDA Sales & Marketing Conference

Data Synchronization Lessens Supply Chain Pain

Quality Data and Data Standards will Enhance Marketing Effectiveness to Operators

FORT MYERS, FL – Data synchronization – the holy grail of the foodservice industry – has been discussed and revered by supply chain partners for more than a decade as the single greatest contributor to reducing costs and boosting efficiency and effectiveness from manufacturer to distributor to operator.

Supply chain partners came together to advocate data synchronization. From left are: Bill Sewell, Ben E. Keith; David Jordan, Campbell Soup Co.; Steve Potter, IFDA, Dough Smith, IFMA; and Caroline Perkins, moderator.

The 2008 IFDA Sales & Marketing Conference here two weeks ago became the successor to a number of other IFDA, EFR and even ID Update conclaves that attempted to bring manufacturers and distributors closer in sharing data and insights about commerce in the foodservice marketplace. With the benefit of 10 years of technological innovations, manufacturers and distributors now exchanged views on terms like GTIN – Global Trade Identification Number – and GLN – Global Location Number – as they advocated that their trading partners get on the bandwagon of creating a single product code that would be used simultaneously in all business venues and cities.

The presentation also highlighted the need for a single comprehensive repository of product information that would function as a handy marketing tool for DSRs as they call on their operator-customers.

As moderator Caroline Perkins, principal with The Foodservice Content Co. and former editor in chief and publisher of ID, noted, the representatives of the industry groups, Steve Potter, senior vice president, industry relations, IFDA, and Dough Smith, vice president, marketing, IFMA, presented the view from 30,000-ft. for reaching consensus on what should be done to streamline data and information exchange among foodservice trading partners.

With panelists and attendees making numerous references to the EFR (Efficient Foodservice Response) initiative, which was expected to take unnecessary costs out of the system, Potter's clarification at the end of the session was helpful in explaining its demise and the need for moving to another level in the quest for data synchronization. His words tied together many of the opinions and hopes expressed by his co-panelists.

According to Potter, EFR was not effective because it was not properly driven. He said industry segments and companies nitpicked the project's intended benefits thus derailing its wide-ranging evolution.

"EFR was company driven but for this initiative to succeed, it must be industry driven," Potter said.

The presence of IFDA and IFMA representatives on this panel was vivid proof that the industry and its member-organizations are indeed committed to working toward a common goal.

"EFR was company driven but for this initiative to succeed, it must be industry driven." – Steve Potter/IFMA's Smith placed a great deal of hope in the ultimate success of GTIN as the industry's standard across all products in the supply chain. He said this single 14-digit number would eliminate confusing and costly internal numbers that have been strangling the system. The current bureaucratic need to create and track multiple reference numbers is wasteful and "more painful than we know it," Smith said.

The foodservice supply chain has \$14 billion of inefficiencies in it, Smith said, and the benefits of creating a realistic, synchronized system range from \$800,000 to \$1.2 million for every \$1 billion in EBIT sales.

He pointed out that the 14-digit number that is assigned by the brand owner is part of a successful process that has been duplicated in other industries. Furthermore, the implementation of a single reference number will greatly enhance traceability in an industry that has been plagued by recalls and food safety calamities, he added.

"The first step to traceability is GTIN. If we do not implement this as an industry in the way we want to do it, it will be done for us," Smith warned, saying that the FDA and USDA will surely get involved if the foodservice industry continues to procrastinate. "I recommend that we do this voluntarily and move this forward."

Smith also cautioned that adopting GTIN will not be an easy changeover since it will impact the way companies conduct their businesses. Because communication on the basis of the 14-digit number will be required, people and processes will have to change, he said.

"There will be pain but there will be a huge win at the end," Smith insisted.

The next step in the process is adopting the GLN – the 13-digit fixed identifier for operators. The current practice whereby manufacturers and distributors use their own numbers for operators disrupts the system, creating havoc with shipments, contract management, rebates and group purchasing organizations, Smith said.

Stating that a single GLN would have unforeseen benefits in businesses such as healthcare, Smith said the Global Location Number registry would be a single particular number per location, including multiple operator-locations within that domain.

Smith said success of the GTIN/GLN project requires everyone's participation and manufacturers especially need distributors' help to get this off the ground.

"If we do not implement this as an industry in the way we want to do it, it will be done for us." – Doug SmithPotter noted that the since uncontrollable challenges facing the foodservice industry are scary enough, distributors should rid their systems of inefficiencies and bottlenecks, and search for opportunities to do their jobs better so costs are removed from the process. He urged distributors to eliminate "silos" from their organizations, improve accuracy and do their jobs correctly the first time.

With more distributorships turning to technology to help them do a better job, the information that they're inputting into the system has to be accurate and complete, he said. In a high capital, high demand and low margin business, in which distributors have to do more with less, success and profitability are predicated on doing the job better, Potter maintained.

Reminding the audience that in its penny business inefficiency and inaccuracy costs dollars, Potter said distributors have to sell \$50 of product to get \$1 to the bottom line. In order to correct a single error, which may cost \$60-275, the distributor has to sell between \$3,000 and \$13,750 just to recover, he added.

Potter said the only way the industry is going to reach higher levels of efficiency and effectiveness is if everyone works together and "the supply chain is so interlinked that one link can't do it by itself."

"Manufacturers, distributors and operators have to understand what each other's problems are and they have to work for the common good. The industry has talked about this for years but we haven't gotten anywhere. We can't afford to do that anymore," Potter said, noting the two industry group's involvement in hunting for a solution.

He said IFDA has assumed devising the quality data and data standards portion of the task while IFMA will work on developing GTINs and GLNs.

"Our goal is to create GS1 (the global organization dedicated to the design and implementation of global standards and solutions to improve the efficiency and visibility of supply and demand chains globally and everywhere) compliant standards that encompass as much data as possible in one format to allow trading partners and third party providers to pick the elements and attributes that they need," Potter said.

"We have mountains of information that we're ready to share." – David JordanTurning to the view from the ground, David Jordan, director of corporate accounts, Campbell Soup Co., said the task of creating quality data and data standards can be improved by manufacturers that have treasuries full of useful information that should be pushed to their distributor-partners rather than being kept under wraps in the national accounts or marketing departments.

"We need to do a better with information about operator insights and we encourage our distributors to ask us for this type of information," Jordan said.

He advised distributors that are entering new market segments to reach out to their manufacturer-partners and ask for statistical information that they use to make their decisions. Specifically, ask the vendor's healthcare or dietary specialist for insights and help with that segment.

"We have mountains of information that we're ready to share," he said.

On the practical side, manufacturers and distributors can collaborate to improve ordering efficiencies, reduce the lead time for orders from five to four days, backhauling allowances, and SKU rationalization, he said.

"There are a lot of SKUs out there that aren't providing any value and are clogging up the supply chain. Manufacturers and distributors need to do a better job of removing them and becoming more productive," Jordan said.

In his view, category management is the epitome of data synchronization between partners.

"If we truly can get to a point where we share data, resources and information, we can bring the industry to a point where it has never been before," he said.

“Independent operators face many challenges in keeping their doors open. Distributors and manufacturers need to come to their aid now.” – Bill Sewell  
Bill Sewell, corporate director of marketing, Ben E. Keith Foods, said if distributorships abandoned the current convoluted method of keeping track of products in their warehouses and used GTIN, they would benefit from the simplification.

“We would have one product and one number that we’re managing through our system,” Sewell said.

Strengthening calls for numerical identifiers with his own plea for a single, comprehensive library of product information, Sewell said that would be a marketing and sales boon to DSRs.

Sewell said he favors the IFDA-AFS Profile system that was created about a decade ago, which today consists of 900 unique manufacturers, 53,000 items and 12,000 images.

“However, a lot of the information is not good data. Manufacturers may have posted the information in 1998 and have never looked at it again. Or they don’t post all the data, just what has been approved by their lawyers,” Sewell said. “We deserve to have a product catalogue that our end users and our sales people can use literally as a point of sale tool on each individual item.”

Declaring that he will be writing the standards for products in this archive, Sewell said he would challenge all manufacturers that have incomplete or outdated information on the website to renew it.

“We need this information and we owe it to all of us to have it. Please provide this kind of data for all the people that are asking for it,” Sewell urged manufacturers. “Independent operators face many challenges in keeping their doors open. They must have the ability to access product and nutritional information that is complete and in compliance with increasing regulations. Distributors and manufacturers need to come to their aid now.”

See the Friday, July 18, edition of ID Report for the initial article on this important annual conference.

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