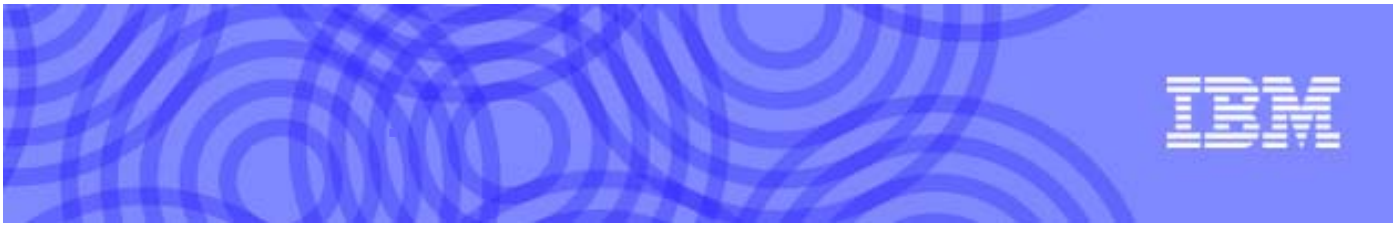


Report on GCI Compliance Survey 2008

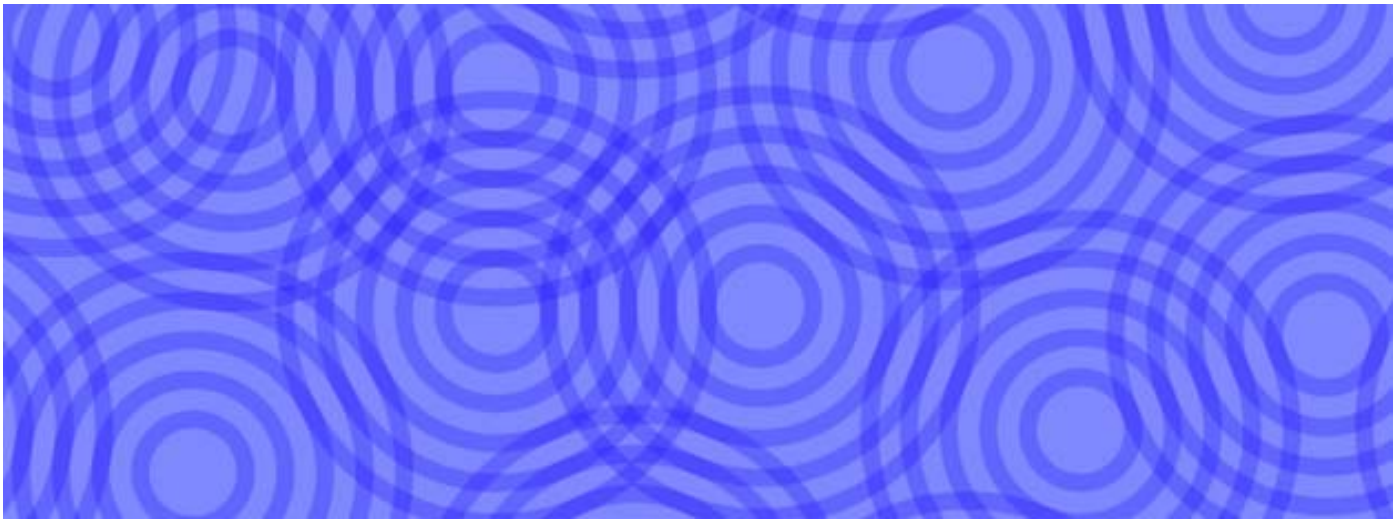


Table of Contents

1 Overview, Approach & Scope

1.1 Overview

The GCI Compliance Survey was coordinated by ECRA, AFGC, NZFGC, GS1 Australia and GS1 NZ in 2008. This survey builds upon the previous work done in ANZ with ECRA Tracking Studies in 1998, 1999, 2002 and 2006.

The following interim report summarises the results from this survey and recommends initial next steps to drive tangible results from this initiative.

1.2 Approach

AFGC and GS1 gathered GCI enabler data using the ECR Global Scorecard “minimum requirements”. This report summarises the findings from initial analysis of this data. It is recommended that further analysis is undertaken to maximise the effectiveness of this study. Hence, this report is intended as interim analysis for internal purposes only.

1.3 Scope

The GCI Compliance Survey in 2008 covers KPIs and ECR Enablers only.

Data was collected from 23 participants across Australia and New Zealand. Four participants represented the retail sector, with the remaining 18 participants from manufacturing. A broad range of product categories were represented in the respondent group.

Global benchmark data referenced is sourced from 2007 and 2008 GCI scorecards for both the US and European market.

1.4 Overview of participants

Twenty-three companies participated in the 2008 GCI survey, representing a cross section of the industry.

1.4.1 Participants by category

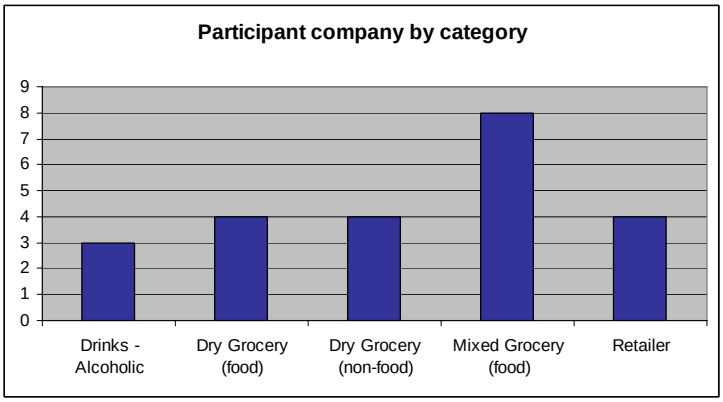


Figure 1.1 Participant companies by category

1.4.2 Participants by annual turnover

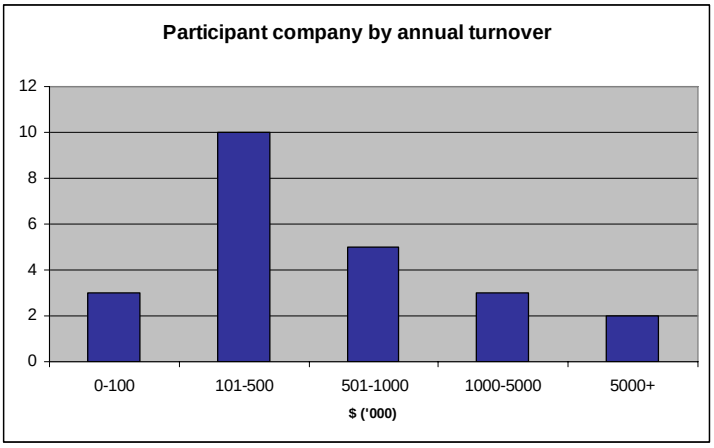


Figure 1.2 Participant companies by annual turnover

2 KPIs

2.1 Overview

The impact of ECR on business performance can be tracked using a set of Key Performance Indicators (KPIs).

The relationship between business objectives and the GCI KPIs can be summarised as:

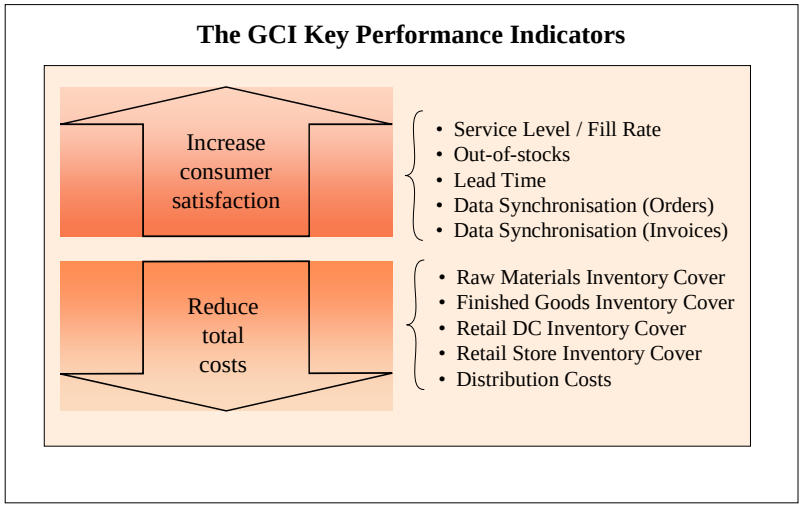


Figure 2.1 The GCI KPIs

2.2 Increase Customer Satisfaction

2.2.1 Service Level / Fill Rate

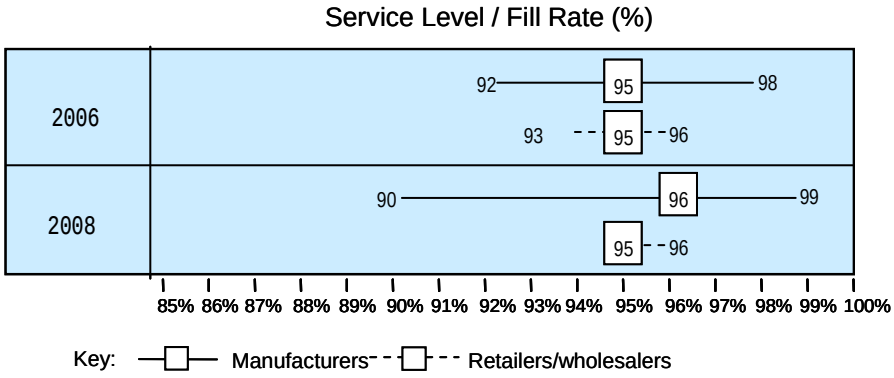


Figure 2.2 Service Level %

- Results for service level are in line with 2006 survey results.
- Australasia is performing higher than the global average for the KPI (93%).

2.2.2 Out of Stocks

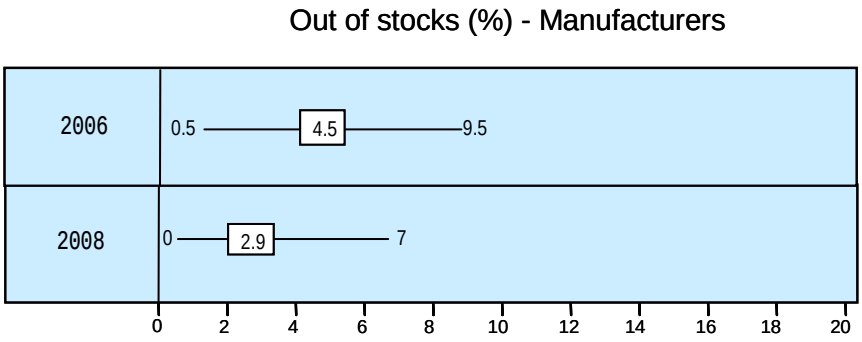


Figure 2.3 Out of Stocks (%)

- As per 2006 survey, insufficient data exists for retailers.
- From a manufacturer's perspective, there is a marked improvement in this measure since the 2006 survey. The results are also strong against global benchmarks, where the average is 4.2%

2.2.3 Lead Time

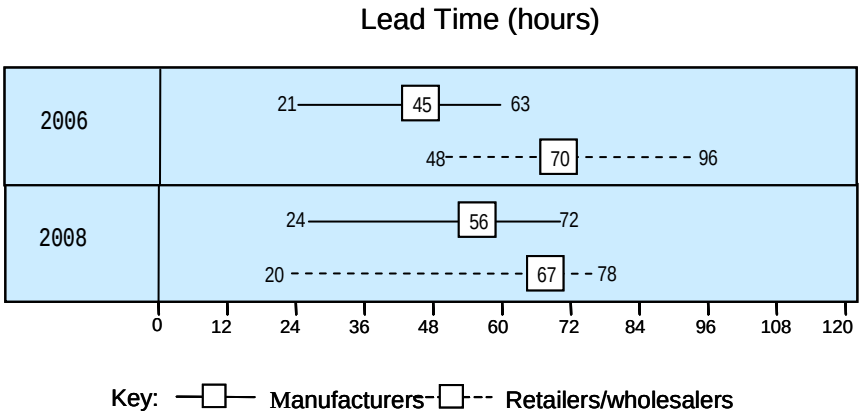
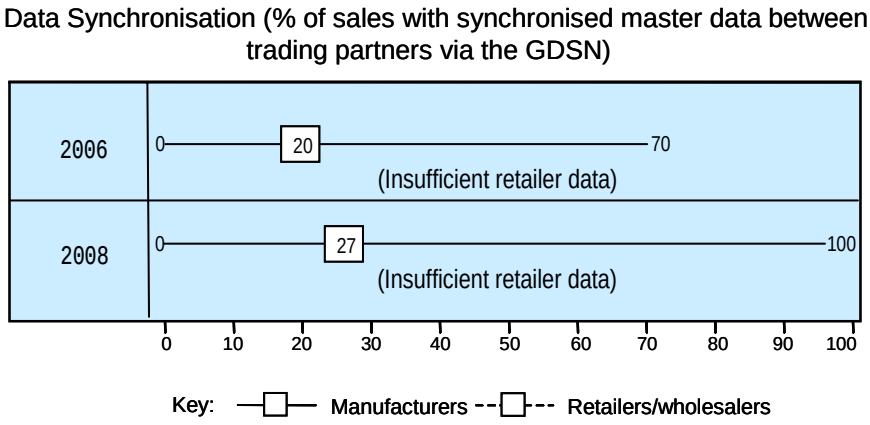


Figure 2.4 Lead time (hours)

- The average lead time has not changed significantly since the 2006 survey
- When compared to the global average, Australasia is performing comparatively, with the global average at 62 hours.

2.2.4 Data Synchronisation



- Average manufacturer data synchronisation has increased significantly since 2006
- The gap between leaders and laggards could not be greater, with some yet to commence and others completed.

2.3 Reduce Total Costs

2.3.1 Inventory Cover

2.3.1.1 Retail Store Inventory Cover

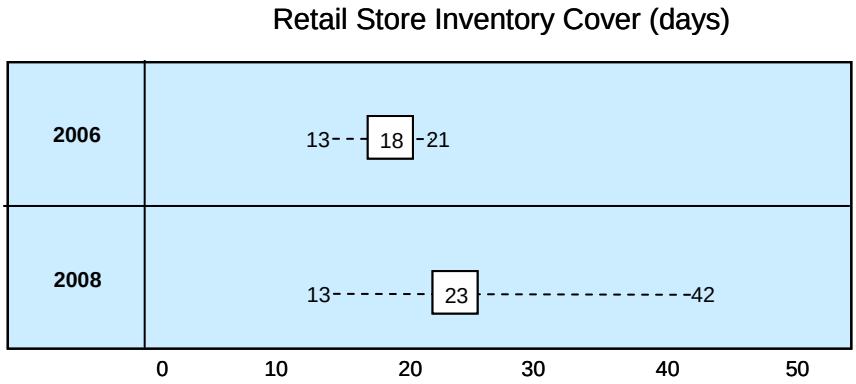


Figure 2.6 Retail Store Inventory Cover (days)

2.3.1.2 Retail DC Inventory Cover

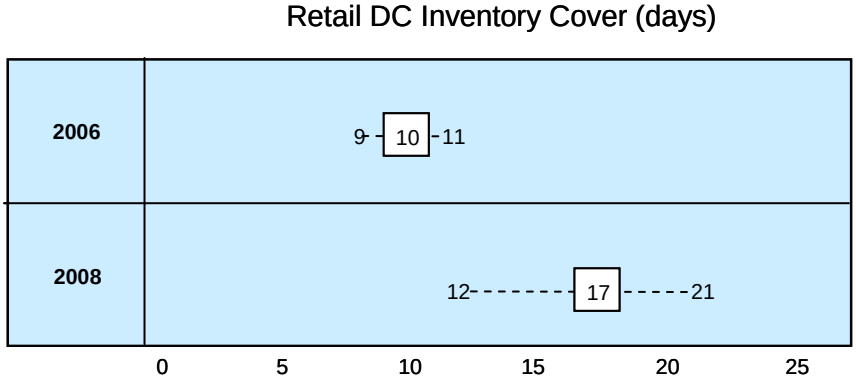


Figure 2.7 Retail DC Inventory Cover (days)

- Average inventory cover in retail DCs has almost doubled since 2006 survey. The increase in private label products may be one reason for this
- Average in-store inventory is also up 28% vs 2006
- In both case the gap between leaders and laggards is opening up.

2.3.1.3 Manufacturer Finished Goods Inventory Cover

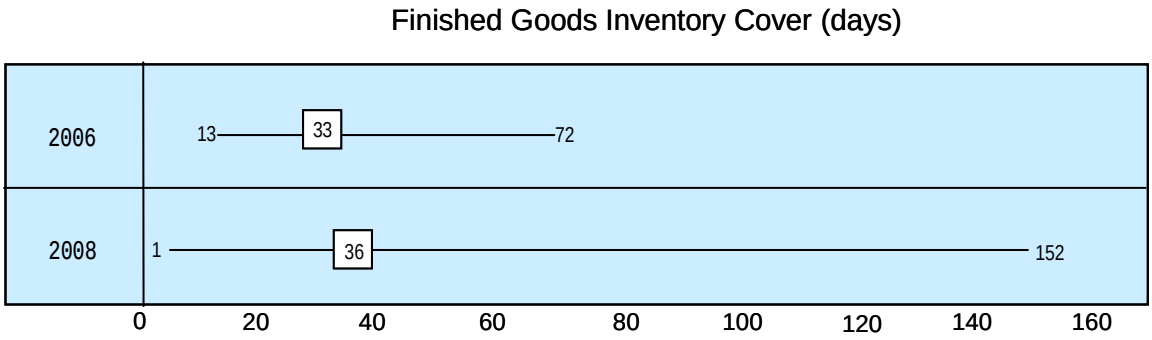


Figure 2.8 Manufacturer Finished Goods Inventory Cover (days)

- The width of range in 2008 is representative of range of product categories represented - short shelf-life suppliers are holding very little stock and ambient long-life suppliers are holding much higher stock levels, as shown in the summary by category below:

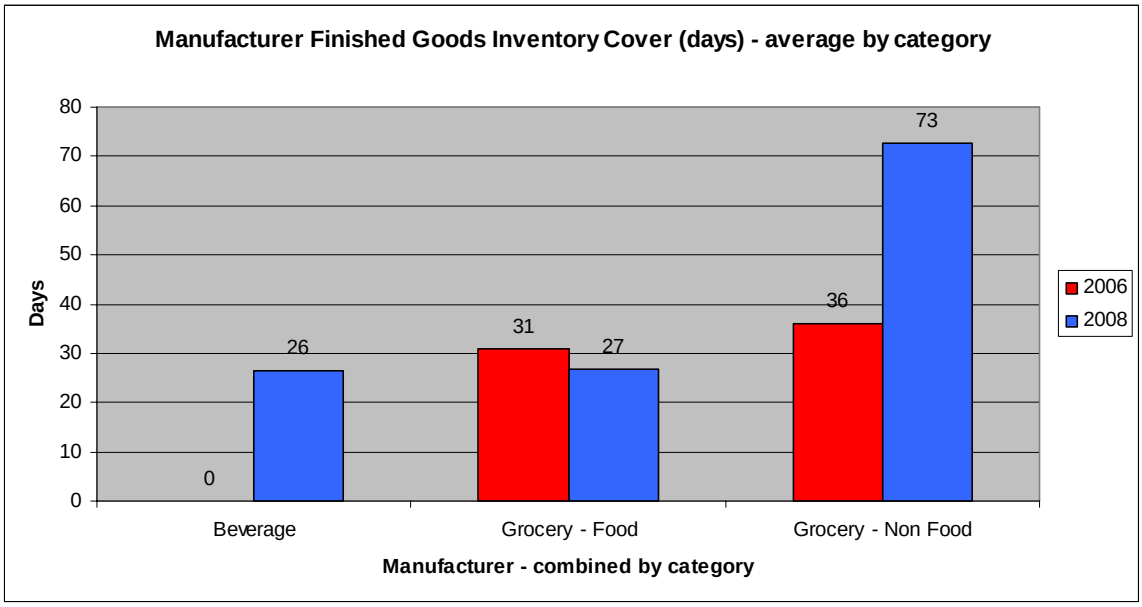


Figure 2.8a Manufacturer Finished Goods Inventory Cover (days) – average by category

- Note that no data specific to beverages is available for 2006
- This result is comparable with GCI global benchmarking data, which shows a range of 0 – 365 days, with an average of 34 days cover

2.3.1.4 Manufacturer Raw Materials Inventory Cover

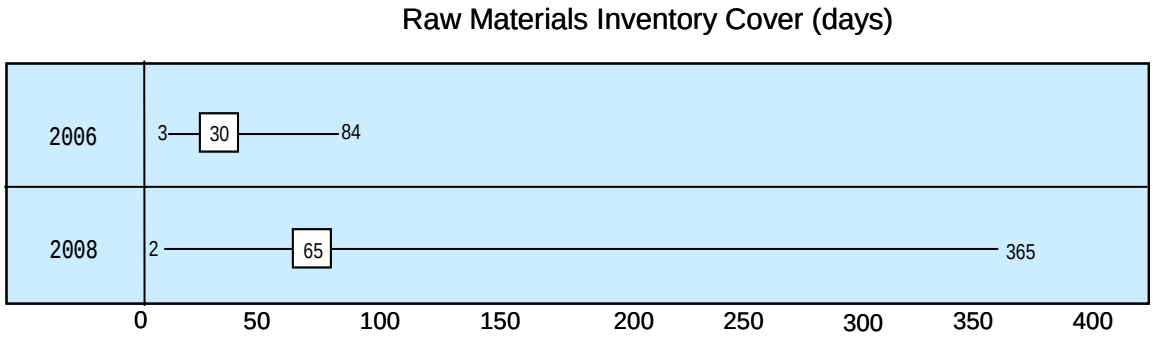


Figure 2.9 Manufacturer Raw Materials Inventory Cover (days)

- Average inventory levels of raw materials have more than doubled since 2006
- As shown, the key category driving the increase in this result is beverages:

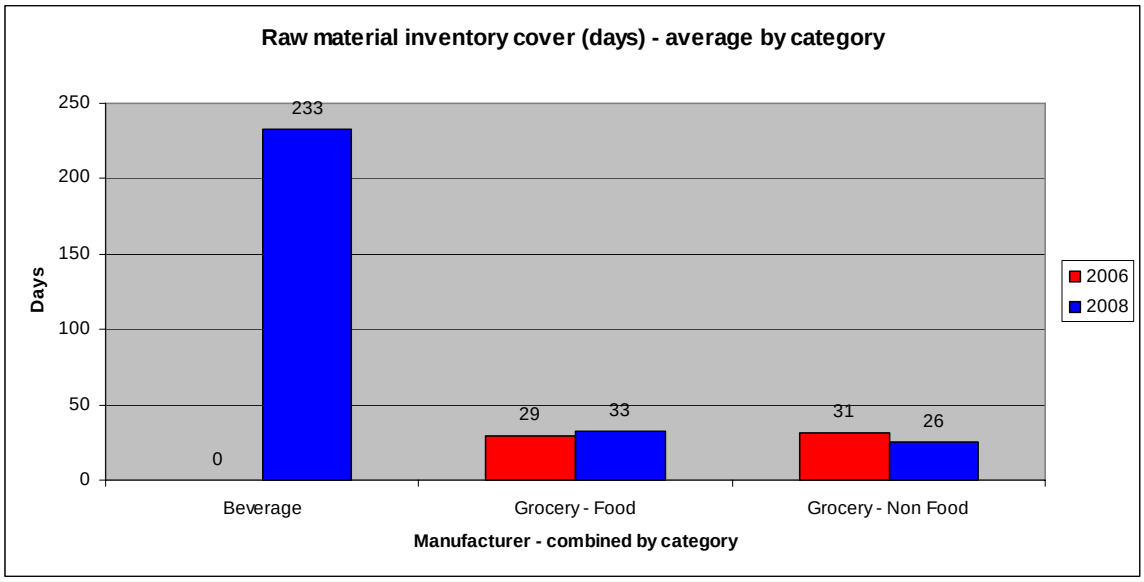


Figure 2.9a Manufacturer Raw Materials Inventory Cover (days) – average by category

- Note that specific beverage data is not available for 2006
- The GCI global benchmarking data for raw materials shows a range of 0 – 365 days, with an average of 19 days cover.

2.3.2 Distribution Costs

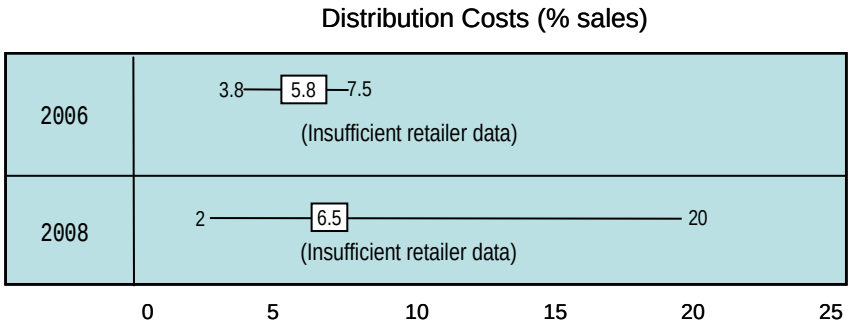


Figure 2.10 Distribution Costs (% sales)

- The maximum result recorded in the 2008 survey is significantly higher than other results and could be considered an outlier. This result has skewed the average result for 2008 up to 6.5%
- The global benchmark for distribution costs is 5.5%, which is in line with the majority of 2008 respondents

2.4 Summary of KPIs vs Global Benchmarks

The table below shows the results:

KPI	ANZ Mfrs (avg)	ANZ Retailers (avg)	Global Benchmark (avg)	KPI Comparison
Service level/fill rate	96%	95%	93%	●
Out-of-stocks	2.9%	N/A	4.2%	●
Lead time (hours)	56	67	62	◆
Store inv. cover (days)	N/A	23	23	◆
DC inv. cover (days)	N/A	17	15	◆
Finished goods inv. cover (days)	36	N/A	34	◆
Raw material inv. cover (days)	65	N/A	19	■
Distribution costs (% of sales)	6.5%	N/A	5.5%	■

Figure 2.11 Comparison of KPI results – Australasia versus global benchmarks

● Result higher than global benchmark

◆ Result on par with global benchmark

■ Result lower than global benchmark

3 Enablers

3.1 Overview

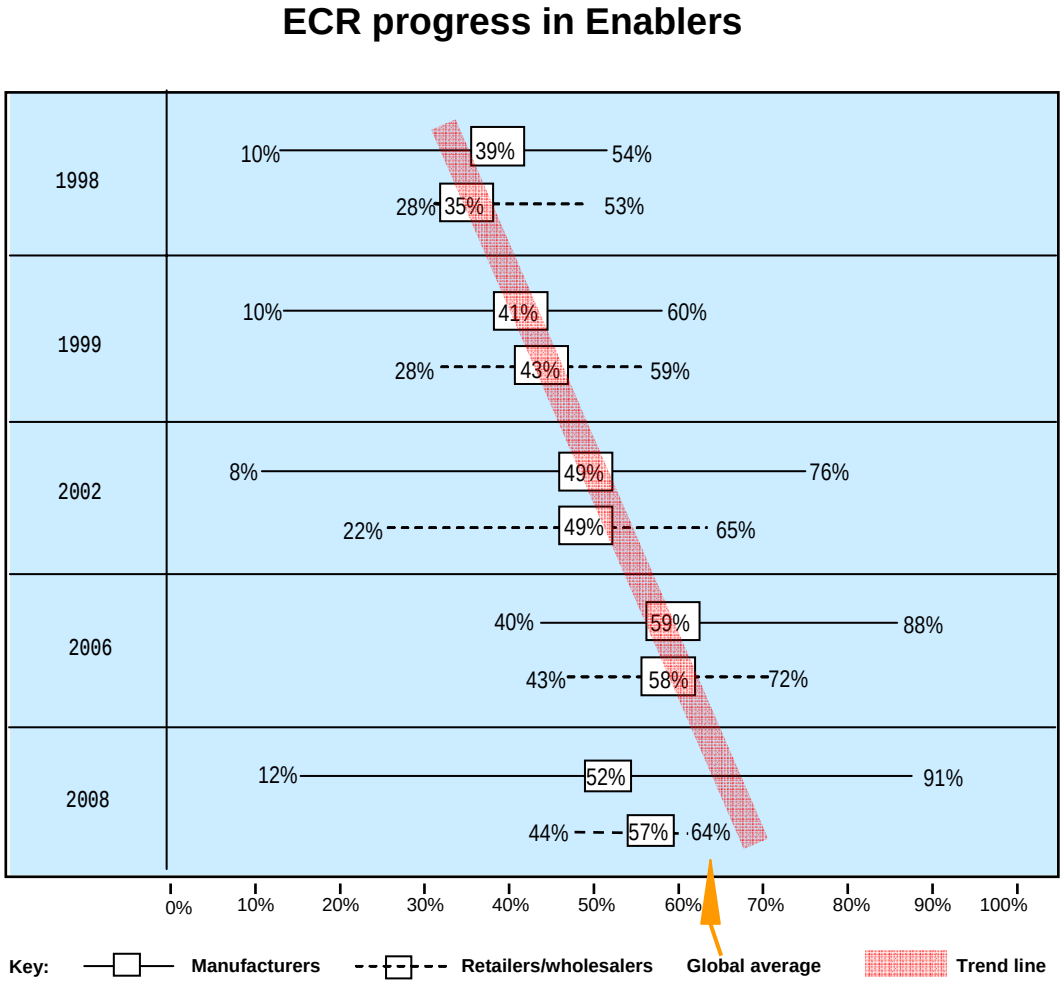


Figure 3.1 ECR progress in Enablers

- Leaders in manufacturing have improved slightly on 2006 results, but the range of results has widened significantly across manufacturing participants
- Results across retailers are fairly static, with a decline in leading results (now back at 2002 level)
- Global benchmark average is 64%, slightly higher than Australasian results.

3.2 Common Identification Standards

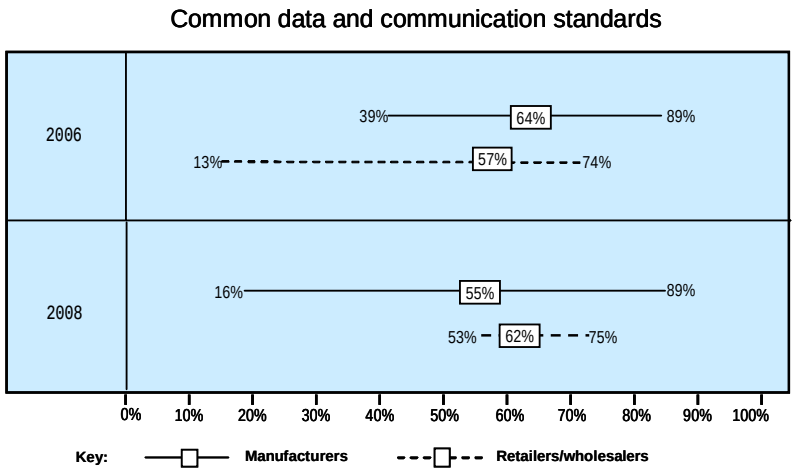


Figure 3.2 Common Identification Standards

Common Identification Standards covers:

- E1.1 GTIN at Consumer Unit Level
- E1.2 GTIN at Trade (Case, Carton) Unit Level
- E1.3 Serial Shipment Container Code (SSCC)
- E1.4 Global Location Number (GLN)
- E1.5 Electronic Product Code
- E1.6 Product Classification Standards

As shown, the range of results has widened in 2008 for manufacturers.

3.2.1 GTIN at Consumer Unit Level

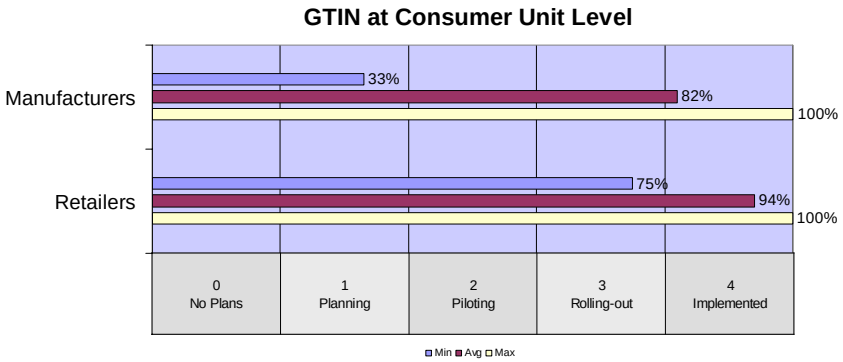


Figure 3.3 GTIN at Consumer Unit Level

- Results have stayed fairly constant on this sub-concept. As the survey group has changed since the 2006 report, the results for manufacturers have declined slightly, with several players still in the early stages of implementing this sub-concept.

3.2.2 GTIN at Trade Unit Level

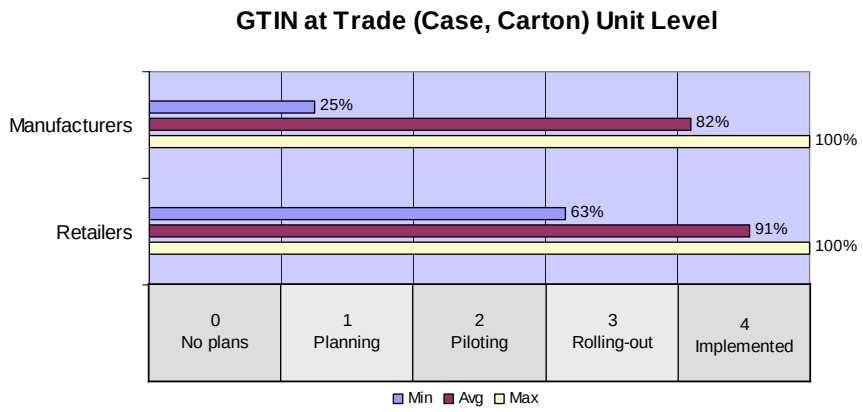


Figure 3.4 GTIN at Trade Unit Level

- Again, results have remained constant on this sub-concept, with results for manufacturers slightly lower than the 2006 results.
- Retailers in Australasia are now tracking slightly ahead of the GCI global benchmark (82%) on this concept.

3.2.3 Serial Shipping Container Code (SSCC)

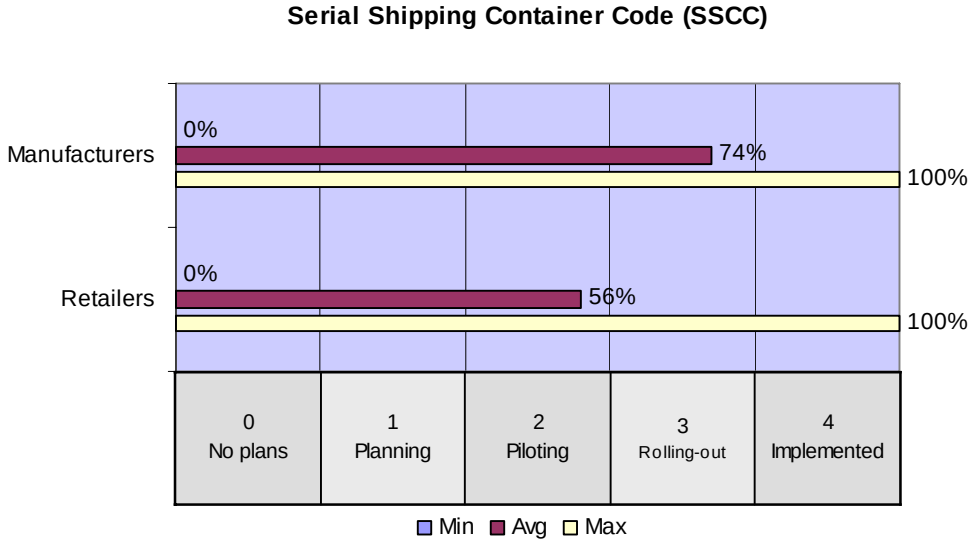


Figure 3.5 Serial Shipping Code

- Manufacturers are ahead of retailers on average here, and the leaders on both sides are some way ahead, having fully implemented this sub-concept.

3.2.4 Global Location Number (GLN)

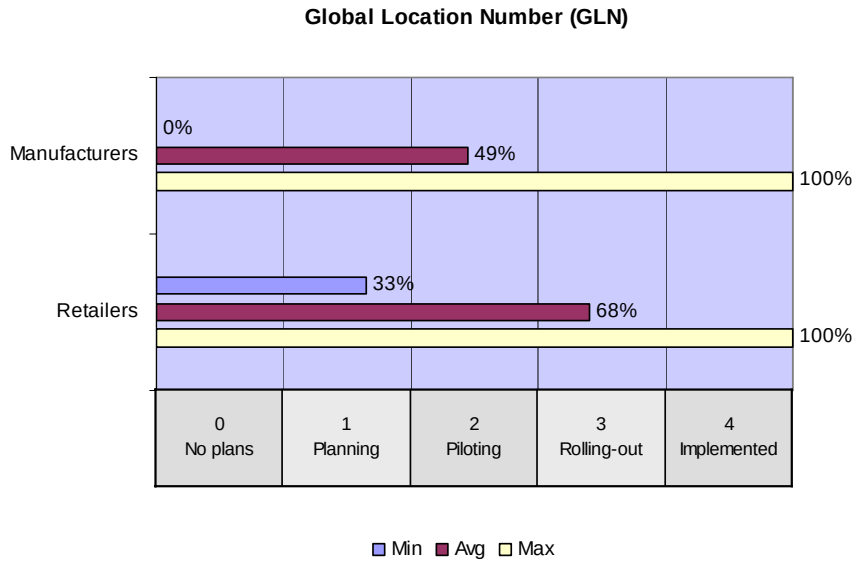


Figure 3.6 Global Location Number

- Retailers are still leading the way on this sub-concept, but those surveyed in 2008 are not performing as well as the 2006 participants
- Several manufacturers are still a long way behind (several scoring zero). In fact, manufacturers in Australasia are behind global benchmark results, which are tracking on average at 65%.

3.2.5 Electronic Product Code

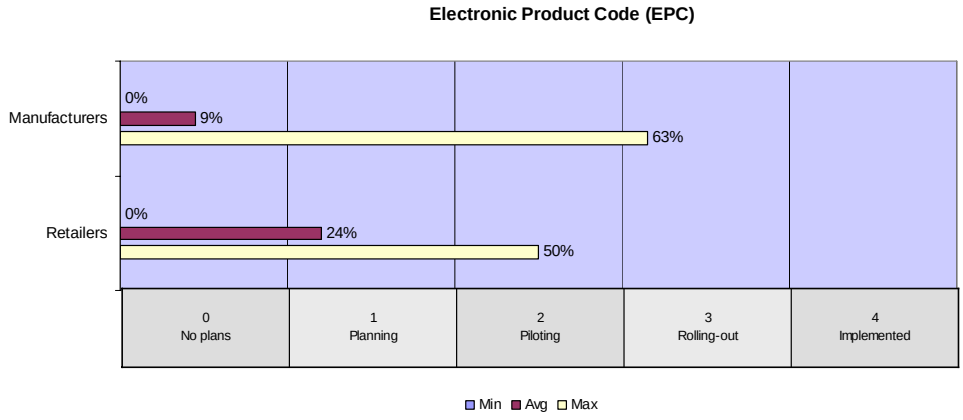


Figure 3.7 Electronic Product Code

- There has been some progress in this area, with leading manufacturers progressing to roll out phase. The average for both manufacturers and retailers is still low, with most either in early planning or 'watch and wait' stages
- Australasia is well behind the global benchmark with this concept. The GCI global average is tracking at 42%, with some participants fully implementing this concept.

3.2.6 Product Classification Standards

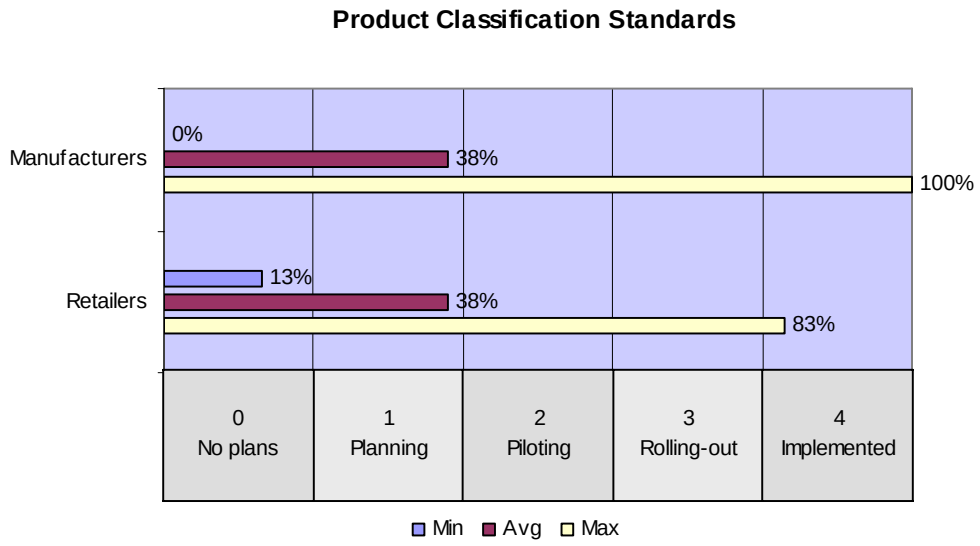


Figure 3.8 Product Classification Standards

- Manufacturers still lead the way in this area, with leaders fully implementing this sub-concept
- Lead retailers have progressed in this area, with one progressing to implementation
- However, the average for both manufacturers and retailers is still low and several participants are still yet to start planning in this area. This is in line with the GCI global results, which shows an average of 42%.

3.3 Use of Electronic Message Standards

3.3.1 Electronic Messages for Supply

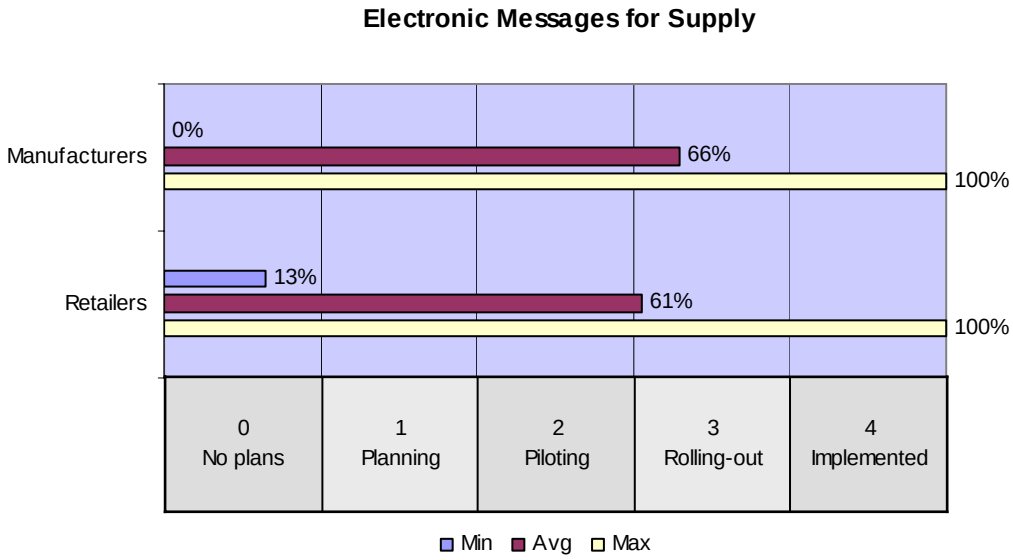


Figure 3.9 Electronic Messages for Supply

- Leaders in both manufacturing and retail have progressed to implementation of this sub-concept. For most of the industry, roll-out is underway, but there are still laggards yet to commence planning
- When compared to GCI global benchmarks, Australasia is lagging on this concept, with the average across other markets at 80%.

3.3.2 Electronic Messages for Planning, Forecasting and Replenishment

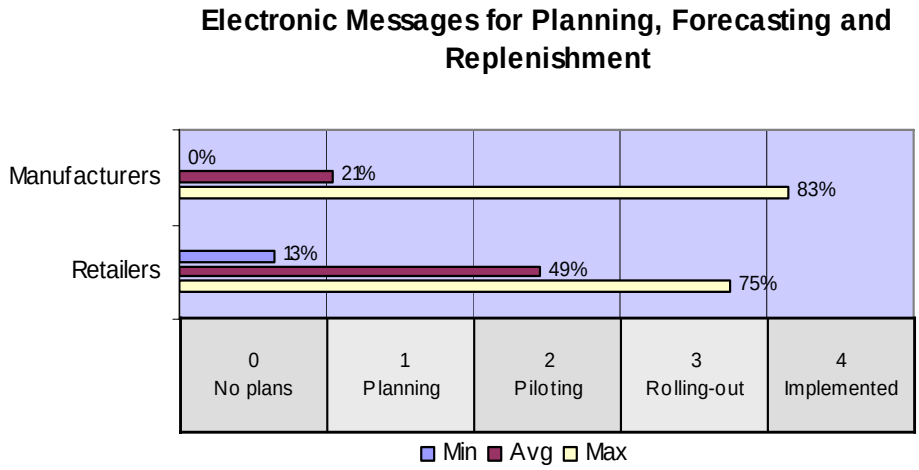


Figure 3.10 Electronic Messages for Planning, Forecasting and Replenishment

- Retailers on average are out-performing the manufacturer respondents in this sub-concept, now at the piloting stage
- Manufacturing results have declined since the 2006 survey, with the average not even in planning phase. Leaders of this group still lead the industry however, with one respondent approaching implementation
- Once again, Australasia is behind global benchmarks, with the average across other markets at 62.5%.

3.3.3 Electronic Messages for Master Data

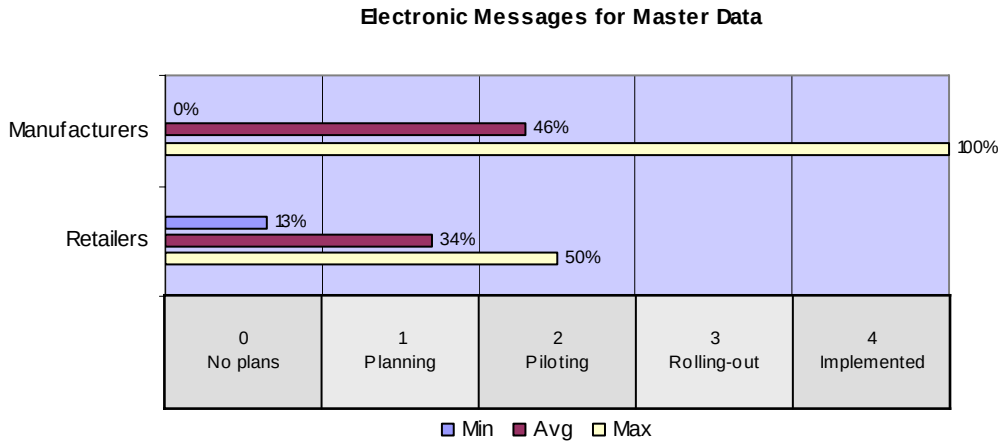


Figure 3.11 Electronic Messages for Master Data

- Manufacturers are still ahead in this sub-concept, with full implementation completed by the leaders
- There is a large spread of results across the industry with some laggards not yet at the planning stage and no retailers progressing beyond piloting in the respondent group
- Globally, other markets are averaging 57% for this concept, with some industry leaders already completing implementation.

3.4 Global Data Synchronisation

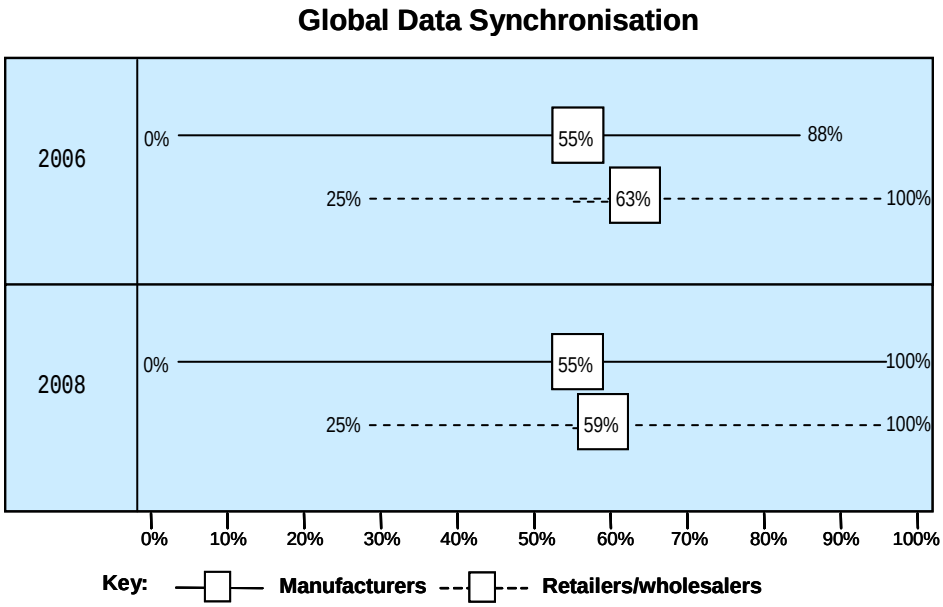


Figure 3.12 Global Data Synchronisation

- Several leaders have now implemented this sub-concept, which is a marked improvement on the 2006 survey results. A wide range remains across the industry, suggesting that the industry take-up of Global Data Synchronisation (GDS) continues to be fragmented. This appears to be consistent globally, with similar results seen in the GCI global benchmark data.

4 Initial Conclusions and Next Steps

4.1 Conclusions

The GCI Compliance Survey shows that industry adoption of ECR enablers has not improved significantly in Australasia since the 2006 survey. Our key findings are that:

- Leading manufacturers and retailers are now fully implemented in most enabler concepts
- Electronic message standards appears to be the key area where significant scope for improvement still exists; see table below

Concept	ANZ Manufacturers (avg)	ANZ Retailers/ Wholesalers (avg)	Global (avg)
Electronic Messages for Supply	66%	61%	80%
Electronic Messages for Planning, Forecasting and Replenishment	21%	48%	62.5%
Electronic Messages for Master Data	46%	34%	57%

- The gap between the leading and the lagging organisations has widened, with several respondents indicating that they were not underway with the majority of enabler concepts.
- Overall, implementation of enablers is slightly behind in Australasia when compared to other markets; Australasian manufacturers on 52% and retailers/ wholesalers on 57% both lag the global average of 64%

ANZ performance, as shown through KPIs (Section 2.4), lags the global average in raw materials inventory and distribution costs. Further focus on ECR may yield significant benefits.

Note that respondent group has changed and may include some smaller players that are unlikely to lead the way in the implementation of ECR concepts. However, several large manufacturers and retailers are represented in the respondent group, suggesting that there is a long way to go to drive widespread implementation of these concepts.

4.2 Next steps

We suggest that the industry needs to agree a roadmap to complete ECR enablers implementation to target levels within an agreed timeframe.

Understanding the benefits is likely to be one element of the roadmap. This may include:

- Local and global case studies to bring to life to benefits of implementing ECR concepts for both manufacturers and retailers
- Benchmarking of key industry performance indicators to understand current industry maturity and target best practice performance

- Simplification of GDSN/ GS1net data input can reduce costs of using ECR enablers/ standards. GS1 is already looking at measures to reduce data input by 40-60% in the next 3-6 months

Working with leading retailers is likely to be another key element of the roadmap. Even if retailers are unable to adopt standards immediately, commitment to a timetable can give a consistent message to the industry.

The industry should also review other AFGC and GS1 initiatives (eg introduction of Demand Management Committee by AFGC). Are these initiatives aligned with the GCI/ ECR roadmap?

Enablers are critical to the success of ECR. Without enablers, the benefits from ECR will not be achieved. This survey and the actions arising from it will be presented at the ECRA Conference in October 2009. We suggest that this is the opportunity for confirmation of industry commitment to an ECR enabler roadmap.

5 Appendix A – Data Anomalies

Several data anomalies were detected during analysis. These anomalies and resulting assumptions are listed below:

- 'Zero' responses relating to assignment of GTIN at both consumer and trade unit level were removed. It is assumed that these responses are invalid and they conflicted with data captured relating to the % of consumer units and cartons where a GTIN was assigned.
- 'Zero' responses relating to assignment of GLNs and SSCCs were validated against other data and it is therefore assumed that these are valid responses. These 'zeros' are therefore included in the data set.
- Data relating to KPIs IM10 and IM11 contains errors and has been filtered. These KPIs relate to the loading of master data into a GS1 certified data pool (IM11) and the synchronisation of master data between trading partners via GS1 GDSN (IM10)
  - As only one large retailer in Australasia uses GDSN, it has been assumed that the maximum value valid for synchronisation of master data via this network (ie IM10) is 50%. Any IM10 values greater than 50% have been ignored
  - It is also assumed that the percentage of sales of master data loaded into a certified data pool (ie IM11) must be greater than the percentage of sales relating to the synchronisation of master data via the GDSN (IM10). Where IM11 is not greater than IM10, the data (ie IM10 and IM11) is assumed to be erroneous and has been ignored.

6 Appendix B – About the participants

6.1 List of participants

Australasian Manufacturers

Cerebos Australia

Colgate Palmolive

Constellation NZ Ltd

De Bortoli Wines

Goodman Fielder Home Ingredients

Heinz Watties Limited

Johnson and Johnson

Kimberley-Clark Australia

Kraft Foods

Lion Nathan Australia

Nestle Australia

Nestle NZ Ltd

Pace Farm

Procter and Gamble

Sara Lee

Sealord NZ

Simplot Australia

Sugar Australia

Australasian Retailers and Wholesalers

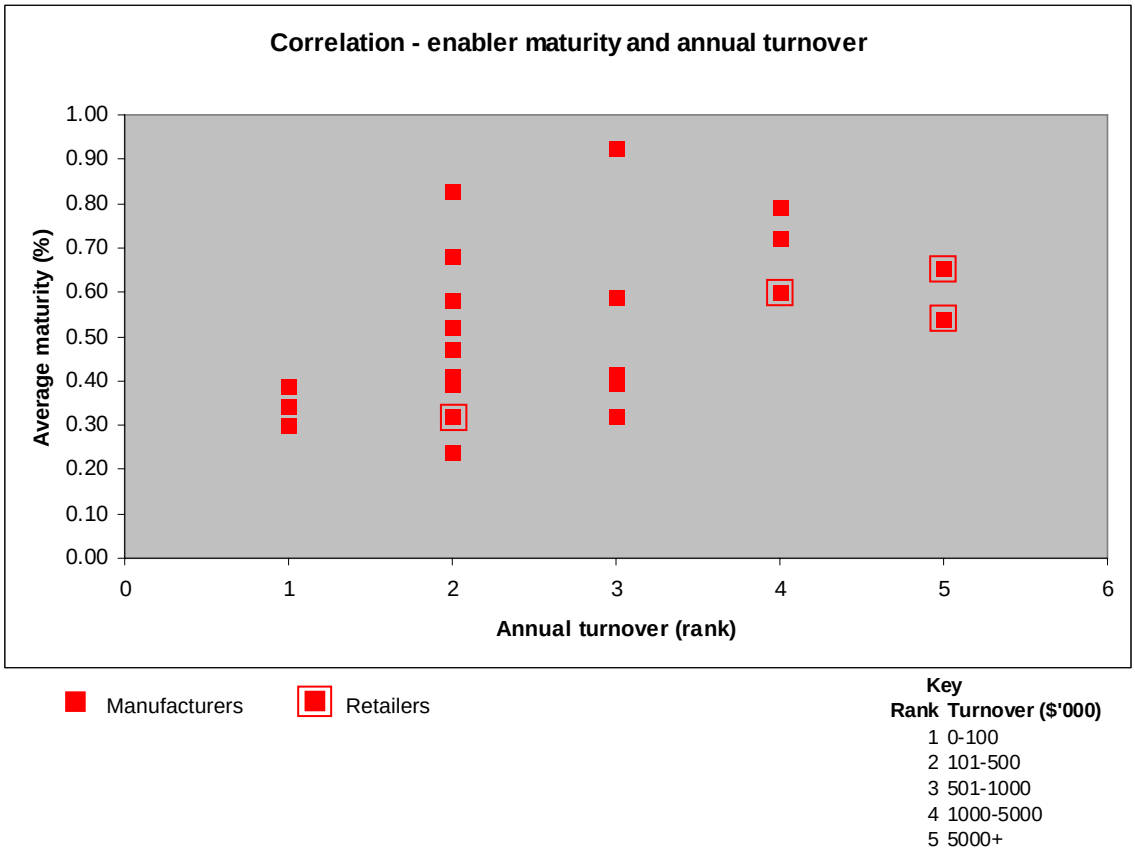
Metcash Trading Ltd

Woolworths Ltd

Casama Group

Foodstuffs South Island Ltd

6.2 Performance of participants



There does not appear to be a strong correlation between Enabler maturity and company size for manufacturers, although there may be some correlation for retailers.