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EDI: ACCURATE DATA TRANSLATES INTO SIGNIFICANT COST SAVINGS

Any trading partners who still need to be convinced of the benefits of exchanging data electronically need only look at the results of a recent foodservice pilot study conducted by manufacturer Lipton Monarch and distributor SERCA Foodservice Inc. to determine the savings that could be realized.

Overall, Lipton Monarch experienced a 34-per-cent cost savings to serve SERCA across five functional business areas including purchase orders, managing inquiries, billing/reconciling, collecting, managing deductions and general administration. In the handling of purchase orders, the savings were as high as 75 per cent, a result of implementing the 850 (Purchase Order) standard and increases in error-free purchase orders due to data synchronization.

It was a similar story for SERCA. Before the distributor implemented EDI, 43 per cent of its invoices contained an error. In the period following the deployment of EDI transaction sets, this figure fell to seven per cent. And this was achieved by doing the 850 implementation with only one vendor - the potential for improvement is much greater. Data alignment or data synchronization establishes a common language for exchanging data without re-keying, re-entry, or re-inventing data sets for each and every customer.

SERCA has now aligned its data with the 832 (Price/Sales Catalogue) standard as well, required for ECCnet, the industry's electronic catalogue (see next article). "Since we've been doing the 832 with Lipton Monarch, we have zero pricing errors," says Xenia Schoenrock, national e-business manager for SERCA. "Our estimated savings, conservatively speaking, is around \$1 million. If we did the 832 with all our vendors, probably we would be looking at more like \$1-1/2 to \$2 million. The savings are tremendous by the data synchronization between the vendor and the wholesaler, for both parties."

Brian Taylor, information services manager for Lipton Monarch, agrees. "Our error rate has dropped significantly by going through this process," he confirms.

"Once both trading partners' databases are set up with synchronized data and systems, the positive

results are tremendous," says Bryan McKenna, director of business development, logistics, for Bristol-Myers Squibb Canada. "You eliminate the significant cost of manual intervention after the transaction for things that are mismatched."

"It's a classic case of the old adage: 'if you plan properly, you'll save yourself in the long run'," he adds. "You avoid the resulting domino effect that negates any efficiencies that would have been realized by both trading partners if the data match was established at the outset."

After all, electronic commerce is only as good as the quality of the data being transmitted. "When you start to move to an electronic commerce environment, if you're moving that information fast, you're just compounding the problem faster if the data is not accurate," says Nigel Wood, director, industry relations, for the Electronic Commerce Council of Canada. "Most organizations indicate that they have anywhere from a 40- to 50-per-cent error rate in invoices alone. So let's get the data correct before we start moving it electronically," he urges. "We know that the vehicle to support all of this is ECCnet."

SHOPPERS DRUG MART AND P&G READY TO GO LIVE WITH ECCnet

Shoppers Drug Mart and Procter & Gamble are the first to get ready to start using ECCnet, the on-line database being launched by the Electronic Commerce Council of Canada (ECCC).

"ECCnet is moving forward at a very nice pace," says Art Smith, president and CEO of ECCC. Once the inaugural participants are up and running, he adds, "we'll be starting to get more of the manufacturers and distributors [on board]. The productivity improvements on both sides are phenomenal. Early benchmarking shows you can reduce the number of "touches" - that is manual interventions to correct data input forms - by more than 75%."

Procter & Gamble Inc., for one, is chomping at the bit to get started. "We've got the data in the system now,"

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says Heather Smeall, customer service/logistics associate director for Canada. "Now the piece that has yet to happen is to get all of the retailers using the information and to encourage a lot more vendors like ourselves to put their data up there so it starts to get critical-mass usage."

CACDS and CWDA members have formally endorsed ECCnet as the preferred industry catalogue option. Mike Corey, of Shoppers Drug Mart, urges all retailers and suppliers to take advantage of the catalogue as soon as possible, noting that they will reap considerable cost savings by being able to utilize accurate product data, quickly and easily. "Retailers, whether large or small, can benefit from the synchronized exchange of product information," he says. "Smaller retailers can access the data as a Web page, while larger ones may import the data and disseminate it electronically through their system, right out to their shelf tags."

On the manufacturer side, Smeall predicts a 10-per cent productivity improvement by P&G's sales and customer service staff, simply by eliminating filling out forms for customers. In a similar project in the U.S., she says, P&G achieved a 75-per-cent decrease in related deductions, thanks to better data integrity. "We're counting on it to eliminate a lot of the errors in the system that result in invoice deductions at the back end," she adds.

"ECCnet Get Ready" forms are now available at the revamped Web site www.eccnet.org or contact Robyn Brooking at (416) 510-8039 ext. 2240.

14-DIGIT BARCODES ADD UP TO GLOBAL OPPORTUNITIES

Just when the UPC (Universal Product Code) had become about as familiar to trading partners as an old pair of shoes, it's destined to be replaced by the GTIN, which stands for Global Trade Item Number.

It seems we've outgrown those shoes and need a larger pair.

As Nigel Wood, director, industry relations, for the Electronic Commerce Council of Canada explains, the 12-digit UPC is traditionally used in barcoding in North America, while the 13-digit EAN, the global counterpart of UPC, is generally used in Europe. The problem, says Wood, "is that North American organizations can't, for the most part, accommodate a 13-position number in their databases, because when they designed them, they did so with the UPC in mind. So now, if you have an organization in Europe shipping your

product to North America with a 13-position EAN number on it, the database can't accommodate it in North America." That's why the Uniform Code Council, Inc. (UCC) is trying to align all the standards internationally.

But there is a broader vision for the future. The UCC is "strongly recommending" that suppliers, as well as retailers and others who receive UPC-labelled product, invest in applications that will accommodate the 14-digit UCC/EAN-14, a larger pool of numbers encompassing both the UPC-12 and EAN-13 numbers, as well as a more versatile numbering structure allowing additional information.

But don't panic - you don't have to throw out those size-12 shoes just yet. The UCC suggests that organizations expand their databases to accommodate a maximum of 14 digits by January, 2005.

GOING THROUGH A MERGER OR ACQUISITION?

If your company is merging with or acquiring another company, you must decide if the new entity is going to use one of the two former companies' barcodes and notify the ECCC of this decision.

E-COMMERCE FOR NARCOTICS

To address the special security concerns posed by e-commerce for narcotics and controlled substances, industry representatives have presented a set of recommendations to the Therapeutic Products Program (TPP) of the Health Products and Food Branch of the Government. The next meeting will be held this month, with the intent to have a working group established to influence change in the existing guidelines, says Nigel Wood, director, industry relations, at the Electronic Commerce Council of Canada. "The existing guidelines don't really reflect the reality of the supply chain today," he explains. "They only address it from a pharmacist's perspective, but you have to look at it also from a manufacturer's and a distributor's perspective - issues like distributor transfers, resales, and destruction of product."

RETURNED GOODS/UNSALEABLES

The Returned Goods/Unsaleables committee continues to fulfill its mandate "to develop and recommend a solution to more efficiently manage the returned goods process at all levels of the supply chain."

Co-chairs Alison Anisef of Medis and Judy Porter of Warner Lambert are now organizing committee meetings with smaller work teams focusing on various topics related to this project. To date, the committee has coined a definition of unsaleables, as well as examined the current environment and industry best practices. "We have also evaluated and documented several options [for handling unsaleables], including third-party processing, flat fee, and store-level processing," note Anisef and Porter. Recommendations will be presented at the next ECRx Stakeholder meeting.

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