

INTERNAL DATA ALIGNMENT: LEARNING FROM BEST PRACTICES

How to Improve Your Current Business and Prepare
for Global Data Synchronisation

CONTENTS

Introduction: The Critical Role of Internal Data Alignment in the Supply Chain	4
Executive Summary	5
General Background and Scope of Internal Data Alignment Activities	8
Companies Provide Dedicated Focus on Data Alignment	8
Internal and External Triggers Drive Data Alignment Projects	9
Funding Comes From Corporate and Operating Companies	12
High-Level Sponsorship Is Critical	12
Making the Business Case for Data Alignment	13
Synergy Among Operating Companies Is the Preferred Approach	15
Accuracy Objectives Defined	16
“Getting Data Clean” and “Keeping Data Clean”	17
Initial Data Cleansing: “Get Your Data Clean”	18
Activities: Mapping, Checking and Aligning	18
Dedicated Resources Help Avoid Bottlenecks	19
Involved Departments: Ownership From the Business Side	20
Data Cleansing Takes Time	21
Structural Internal Data Alignment: “Keep Your Data Clean”	22
Activities and Timing: Data Alignment Is a Work in Progress	22
Impact on Processes Will Occur Across the Entire Business	23
Impact on the Organisation: Centralisation Is Key	25
Impact on Trading Partner Collaboration	27
Impact on IT Platform	28
Architecture	28
Product Information Management (PIM)	29
Workflow	30
Corporate vs. Operating Company Solutions	31
Impact on Data Standards	32
Best Practices in Action: Internal Data Alignment Case Studies	33
Manufacturer Case Example: SCA Hygiene	33
Retailer Case Example: Delhaize	34
Conclusion: How to Make Internal Data Alignment a Reality	35

INTRODUCTION

The Critical Role of Internal Data Alignment in the Supply Chain

Accurate and consistent item data is the cornerstone for an efficient, collaborative supply chain. It affects every aspect of the business (including sales, buying/merchandising, supply chain and finance). If the data quality is poor, initiatives like Global Data Synchronisation (GDS) and Electronic Product Code/Radio Frequency Identification (EPC/RFID) will not fully deliver the promised benefits. Many retailers and manufacturers today are faced with major issues regarding their internal data integrity. Apart from the fact that this creates business inefficiencies, the big danger is that all these collaborative initiatives will only lead to an acceleration of the problems resulting from poor data quality.

The good news is that many retailers and manufacturers are addressing this issue. The learnings from these companies will be valuable for other retailers and manufacturers that are struggling with this issue or have yet to address it.

Capgemini has studied and analysed a number of best practices in the area of data alignment. On the following pages, we present the findings of this work and provide practical takeaways for retailers and manufacturers.

About the Data Alignment Research

To examine the state of data alignment in the retail and consumer products industry and identify best practices, the Global Commerce Initiative (GCI) and Capgemini surveyed a worldwide audience of retailers and manufacturers. The survey contained 30 questions inquiring about the strategies, practices and learnings of these companies regarding Internal Data Alignment.

The questionnaire resulted in strong response, both qualitative as well as quantitative. All of the participating companies are dealing with Internal Data Alignment activities. In a number of cases Capgemini conducted subsequent interviews.

In total 39 companies provided feedback: 17 retailers and 22 manufacturers. These companies represent a balance of geographical coverage:

- 34% of responding companies (primarily manufacturers) have a truly global spread
- 40% of companies have their origin and predominant base in Europe
- 20% of companies have their origin and predominant base in North America
- 3% of companies are based in Asia Pacific
- 3% of companies are based in South America

Responses were received from both corporate headquarters as well as local operating companies.

Retailers that provided input included (amongst others) Ajinomoto, Big Food Group, Carrefour, Coop Italia, CVS, Delhaize/Food Lion, The Home Depot, Hudson's Bay, METRO Group, Royal Ahold, Tesco and Wegmans.

Participating manufacturers included (amongst others) Allied Domecq, Georgia-Pacific, Gillette, Groupe Danone, Heineken, Heinz, Johnson & Johnson, Kraft Foods, Masterfoods, Nestlé, Procter & Gamble, Reckitt Benckiser, Sara Lee, SCA Hygiene and Unilever.

All responses were analysed anonymously.

This Internal Data Alignment study is a follow-up to "The Case for Global Standards: Creating the Business Case for Global Data Synchronisation in Your Company" (October 2002) and "The Implementation Roadmap for Retailers and Manufacturers" (May 2003), which were developed and published by the Global Commerce Initiative and Capgemini. The business case report provides the background and business rationale for adopting global standards and Global Data Synchronisation and addresses the implications of implementation. The roadmap provides an implementation framework of activities, milestones and critical success factors. Internal Data Alignment is an important enabler in this roadmap. This current report provides a more detailed focus on this subject. The business case and data alignment reports are available online at www.capgemini.com/GCICase and www.gci-net.org.

EXECUTIVE SUMMARY

Accuracy and consistency of product data are lacking at both retailers and manufacturers. In fact, our research found that more than half of the items in company systems contain incorrect data (for example, wrong values and duplicate or obsolete entries). Internal Data Alignment is about improving this situation, by having the product data across the various business systems consistent, complete, accurate and available in a timely manner.

Three main factors have caused the current situation:

- **People:** Ownership of data is unclear; business employees often do not take responsibility for it; and the people who do care about data quality don't get rewarded for it.
- **Processes:** Managing accurate and consistent product information has cross-functional impact (e.g., involving supply chain, buying/merchandising, sales/marketing), but there are no true cross-functional processes defined for this. Product information is mostly managed by means of fragmented processes.
- **Technology:** Product information currently resides in various systems in different formats with different rules and standards, used by different parts of the organisation.

This situation has a significant business impact on retailers and manufacturers. For example, it has caused a number of inefficiencies, like duplicative and manual re-entry of data. Considerable effort is needed to manually "clean" and align the data from various sources. This also causes incorrect orders and invoices (and the subsequent corrective actions) and long lead times for data recording. At the end, it has a negative impact on consumer satisfaction as well, due to problems such as out-of-stocks that directly stem from inaccurate data.

In addition, this prevents adequate collaboration between retailers and manufacturers. Without Internal Data Alignment, for example, Global Data Synchronisation (GDS) will definitely not improve business performance and will, in fact, magnify the negative impact of poor quality data. What's more, collaborative initiatives such as those included in Efficient Consumer Response (ECR) and Collaborative Planning, Forecasting and Replenishment (CPFR) will not be economically deployable on a wide scale without the consistently accurate and available information that will result from an Internal Data Alignment program. Finally, the use of new enabling technology such as EPC-enabled RFID tags, which will provide previously unimagined visibility across the supply chain, simply will not bring their promised benefits unless they are built on a foundation of quality information.

This is not just a manufacturer issue. Retailers and manufacturers alike are impacted by this industry problem. This is not just a manufacturer issue. Retailers depend on the accuracy of the data that is provided by their manufacturers. But in turn, these manufacturers depend on the retailer's ability to embed this data consistently in their systems.

A fair number of retailers and manufacturers have identified the need to address their Internal Data Alignment. Most of these companies are still working on this. Their experiences provided some interesting takeaways for companies that are about to embark on this journey.

An important finding was that nearly all companies have been able to achieve executive commitment and proactive involvement from the business side of their operations. This is definitely not something only for IT and data management; business departments such as supply chain, buying/merchandising and sales/marketing need to take ownership of this issue.

Most companies defined a dedicated project for Internal Data Alignment as opposed to embedding this in another project like ERP implementation. The message is clear: Have a dedicated project focus and make dedicated business resources available.

The research also examined the triggers that have led retailers and manufacturers to assign dedicated projects. Although a combination of internal and external factors play a role in these decisions, it is clear that external business needs, such as GDS, are a crucial driver for internal alignment activities.

A Two-Step Approach to Data Alignment

Internal Data Alignment is a two-step process. First, it is about “getting data clean,” as an initial, one-time activity to clean up the current inaccuracies. Secondly, it is about “keeping data clean” – ensuring that the root causes of data inaccuracies are addressed in a permanent manner. It is clear that the only way forward is to conduct both steps.

The retailers and manufacturers working on Internal Data Alignment strongly believe that this will bring them tangible benefits. It is recommended that companies build a business case before starting, and define and track concrete KPIs (key performance indicators).

Getting data clean is about mapping, checking and aligning data, which is a manual, labour-intensive effort. This will take most companies between six and 12 months to accomplish.

Keeping data clean is about aligning processes, organisation, standards, IT solutions and trading partner collaboration. This will take most companies at least two years to develop, implement and, most importantly, institutionalise these changes.

It is important to acknowledge that Internal Data Alignment will impact nearly all business processes and the entire organisation. Adequate product information management processes, with clear roles and responsibilities, need to be defined. This issue is largely about people and their behaviour. Responsibility and ownership among business employees is critical. Performance measurements and reward structures need to be taken into account as well.

Centralisation of data management activities is inevitable. Although basic responsibility for data quality lies with the business side, centralised coordination, guidance and support are essential to guarantee, control and maintain a consistent set of accurate data. The level of centralisation may be different per situation (for example, in some cases on a country level, and in other cases on a regional or even global level).

Technology Plays a Key Role

Of course, technology is a major enabler for Internal Data Alignment. Nearly all companies participating in the study indicated that data alignment will have a major impact on their current IT landscape. The most important technology aspects are about Product Information Management (PIM) solutions as a “single source of truth” and workflow to support the item management processes.

A majority of companies have seen the need to implement a separate PIM solution. These solutions act as a “spider in the web,” containing the accurate and consistent set of master data, to be fed and used by the various functional business applications. This central catalogue also acts as a gateway for external data synchronisation (GDS). These solutions are tightly coupled with workflow support that seamlessly connects all functional business owners, guiding them in their data responsibilities.