



Don't wait to be great – Collaborate!™

## In this issue

- LCBO's CPFR® Dramatically Improves Both Sales & Turns
- Dramatic Results Achieved in Eastern Europe
- Nominations Open For 2007 VICS Collaborative Commerce Achievement Awards
- Hardlines Data Sync Guidelines Under Development
- Trading Partner Alignment & Compliance (TPAC) Survey Inputs Requested
- Book Bar Codes Go 100% EAN-13 on Jan. 1
- Input Needed for Transportation EDI Benefit Calculator
- Consumer Electronics Vertical Group Formed
- RFID at Store Level Expands in Fashion
- Joe's Corner – On Playing with Snowballs...

This issue sponsored by:

Learn how POS data can  
optimize your supply chain >>



**Manhattan**  
Associates.

### VICS

Princeton Pike Corporate Center  
202-1009 Lenox Dr.  
Lawrenceville, NJ 08648  
Phone: 609-620-4590  
Fax: 609-620-1201  
E-mail: [Info@vics.org](mailto:Info@vics.org)

Websites:  
[www.vics.org](http://www.vics.org)  
[www.cpfr.org](http://www.cpfr.org)

Joe Andraski  
President & CEO, VICS  
[jandraski@vics.org](mailto:jandraski@vics.org)

Laura Golding  
Executive Director, VICS  
[lgolding@vics.org](mailto:lgolding@vics.org)

Mark Frantz, Editor  
[frantz@comcast.net](mailto:frantz@comcast.net)

## VICS Meetings & Events

**Registration is Now Open  
for U Connect 07!**

**VICS joins with U Connect – See you in  
Orlando!**

VICS has joined with U Connect to deliver a comprehensive conference that covers both business processes and standards – all at one event.

THE VICS CPFR® Workshop will be held on June 4th, followed by three days of sessions that combine knowledge, new ideas, and networking to help attendees address and solve today's most critical supply chain challenges. Among the topics to be covered at U Connect will be bar codes, e-commerce, data synchronization, Electronic Product Code™/Radio Frequency Identification (EPC/RFID), business process automation, and collaborative commerce.

Since our last newsletter, **J. Alexander M. Douglas, Jr. ("Sandy")**, President and Chief Operating Officer of **Coca-Cola**, North America Group and **Craig Herkert**, Executive Vice President, President and Chief Executive Officer, The Americas, **Wal-Mart** International Division have been added to the Conference Kick Off General Session line-up. They join **Randy Mott**, Executive Vice President & Chief Information Officer of **Hewlett-Packard**.

In addition, at the U Connect 101 General Session, **Donald J. Bowersox, Ph.D.**, renowned for his insights and expertise in the area of supply chain management, will be laying the foundation for tracks covering bar codes, e-commerce, EPC/RFID, business process automation, and the VICS CPFR® Workshop.

Find out more and register now at [www.uconnectevent.org](http://www.uconnectevent.org). Join us June 4-7, 2007 at the Gaylord Palms Resort & Convention Center in Orlando, Florida!

**Jan 14-17, 2007**

**NRF Annual Conference**  
(VICS Booth #1030)  
Jacob Javits Conference Center  
Manhattan, NY

**Jan 16, 2007**

**VICS/AAFA Apparel RFID/EPC  
Committee Meeting**  
Co-hosted by the National Retail  
Federation NRF Retail's Big Show 2007  
Jacob Javits Center New York, NY  
Sponsored by Paxar Corp.  
[VICS Member On-line Registration](#)  
[AAFA Member On-line Registration](#)

**Jan 22-24, 2007**

**CPFR® Certification Course**  
Royal Plaza 1905 Hotel Plaza Blvd.  
Lake Buena Vista, FL 32830  
[www.royalplaza.com](http://www.royalplaza.com)

**Jan 30-31, 2007**

**CPFR® Knowledge Network &  
Committee Meeting**  
Hosted by West Marine  
500 Westridge Drive Watsonville, CA  
95076

**Feb 6-7, 2007**

**VICS Board Meeting & Dinner**  
Hosted by Kurt Salmon Associates  
1355 Peachtree Street Suite 900  
Atlanta, GA 30309

**Feb 13, 2007**

**Floor-Ready Merchandise Committee  
Meeting**  
Hosted by: Liz Claiborne Inc.  
2 Claiborne Ave.  
North Bergen, NJ 07047

**Feb 20-21, 2007**

**Logistics Committee Meeting**  
Location: TBA

**Feb 26-28, 2007**

**CPFR® Certification Course**  
Hosted by Agentrics  
625 North Washington Street Suite 400  
Alexandria, VA 22314

**Mar 6, 2007**

**TPAC Seminar**  
Location: TBA

**Mar 26-28, 2007**

**CPFR® Certification Course**  
Hosted by GS1 Canada  
800-1500 Don Mills Road  
Toronto, Ontario, Canada M3B 3L1

**Apr 10-12, 2007**

**CPFR® Certification Course**  
Chicago, IL

**Apr 17-18, 2007**

**CPFR® Knowledge Network & Committee  
Meeting**  
Hosted by: Best Buy Company  
7601 Penn Ave. SO  
Richfield, MN 55423

**May 1, 2007**

**Floor-Ready Merchandise Committee Meeting**  
Location: TBA

**May 8-9, 2007**

**Logistics Committee Meeting**  
Location: TBA

*To register online,  
go to [www.vics.org](http://www.vics.org).*



## LCBO's CPFR® Dramatically Improves Both Sales & Turns



### Discover the World

As part of its new retail strategy in 1998, the Liquor Control Board of Ontario (LCBO) targeted a more friendly shopping experience with store renovations, more variety, more globally sourced products and better in-stocks. The goal was an 18% increase in sales; however, the actual achievement was a 38% increase totaling an incremental C\$775 million.

That dramatic growth strained LCBO's supply chain. On-time deliveries, out-of-stocks and inventory turns were below expectations. "So LCBO researched best practices for an innovative solution," said Lisa MacGregor, Director, Supply Chain for LCBO, "and selected the VICS collaborative approach. It was standardized, process-oriented, scaleable and repeatable."

LCBO joined VICS because "It is helpful to be part of an organization that shares best practices," according to McGregor.

In 2003, LCBO piloted CPFR with six suppliers. By 2006, CPFR had expanded to 23 suppliers, accounting for 34% of revenues.

"Forecast accuracy measured by weighted MAPE (mean absolute percent error) has steadily moved ahead to over 87%," said MacGregor. "With the supply chain improvements resulting from collaboration, warehouse inventory turns for CPFR products doubled from 8.5 turns to over 17.

LCBO, a C\$3.5-billion Canadian wine and spirits retailer, celebrated its

CPFR success in its 2005 annual report's Letter from the Chief Operating Officer. Wrote President and COO Bob Peter: "CPFR has helped ensure a continuous stream of products to meet the LCBO's requirements. Improving forecast accuracy also helps reduce stock-outs, improve customer satisfaction, and increase sales and profits for the LCBO and its suppliers. Its success shows what we and our industry partners can achieve when we work towards the same goal: having the right product in the right place for our customers.

***"Forecast accuracy steadily improved to over 85%.... Turns doubled from 8½ to over 17."***

LCBO's collaborative processes and technology have become part of daily operations. LCBO shares data and plans, including an 18-month promotion plan with themes, dates and promotional details. The LCBO holds consensus meetings with suppliers, carefully collaborates on and tracks the assumptions on which the forecasts are created. The consensus forecast generates a 52-week order forecast for suppliers to plan production schedules. This is valuable; it enables operational efficiencies by aligning production capacity, lowering inventory levels across the entire supply chain and delivering improvements in order fill rates and on time delivery.

Even after achieving such substantial performance improvements, LCBO continues to work hard on collaborative planning, forecasting and replenishment. According to MacGregor, LCBO is "focusing on continuous improvement and expanding collaboration with suppliers."

## Dramatic Results Achieved in Eastern Europe

When the USSR broke up, many thought it would be not just years, but more than a generation before businesses in the weak economies of the former Soviet block would catch up, especially in retail.

Such judgments were premature.

Estonia-headquartered The Baltika Group is a growing fashion retailer with stores in six countries across the Baltic States and Eastern Europe. It has undergone a four-year turnaround from a fashion manufacturer with some retail to a leading vertically integrated specialty retailer. With US\$52 million (44 million Euros) in sales in 2005, the 100-store chain has been growing sales at double digit rates since instituting its turnaround. While the gross revenues might not seem particularly impressive by US standards, remember that Estonia has 1.3 million people—a little smaller than Phoenix, AZ.

Moreover, as every executive knows, sales alone are not a valid measure of a company. By FY 2005, the Baltika Group's net profit had increased 4.6 times—triple-digit growth—and the company's market price soared 7.8 times. Its market cap increased by more than 7X. It is achieving a 56% gross margin and a 40% return on equity. Turns have accelerated from 4.3 to 5.3.

What Western company would not like to boast those results?

At the heart of the turnaround are collaboration with suppliers and development/refurbishment of its three top brands. Baltika controls all stages of the fashion supply chain process: product design, global sourcing, domestic manufacturing, distribution and store operations. After retaining Retail Planning Associates (Columbus, OH), Baltika refurbished its key brands and added lower price point brands. It also reworked its merchandising processes. As in the West, Baltika is experienced burgeoning growth in the

## Dramatic Results Achieved in Eastern Europe (continued)

number of fashion seasons. "In 2000, we had 4 seasons—2 for men's tailored," said Mart Aab, Baltika's Director of Supply Chain. "Now our newest brands are seeing more like 10 seasons. Stores get a new face about once per month."

### Collaboration is Key

When it transformed from mostly manufacturing to mostly retail, Baltika needed more suppliers. It started sourcing in China and Turkey. The company started collaborating with suppliers, agreeing on capacity, materials, styles, and colors. With centralized ordering and international collaboration, costs and lead times have improved. Added Aab: "We can commit to orders much later now."

Baltika uses its own local factories for high-quality tailored goods and for quickly replenishing top selling items. It also built a new distribution center with an updated warehouse management system in Estonia. All goods pass through the DC and then to stores. "We will investigate direct store delivery when our volume gets bigger," said Aab.

"In exporting to Russia, expanding logistics is our biggest problem," commented Aab. "There are not enough trucks capable of shipping hanging goods there. We are learning how to be much better in non-EU markets."

Perhaps there is a lesson from Estonia for Western companies.



## Nominations Open For 2007 VICS Collaborative Commerce Achievement Awards

The Voluntary Interindustry Commerce Solutions Association is pleased to announce that nominations for the 2007 VICS Collaborative Commerce Achievement Awards are now being accepted. The Awards, which cover several categories, are presented by

the VICS Board of Directors each year as part of the VICS Conference, to be held June 4–7, 2007 in Orlando at the Gaylord Palms Hotel in conjunction with the GS1 US U Connect Conference.

The 2007 VICS Collaborative Commerce Achievement Awards will honor outstanding examples of strategic thinking and leadership, as well as the implementation of GS1 US and VICS collaborative guidelines and standards, which have resulted in more effective supply chain partnerships. The awards will be presented as part of the association's 20<sup>th</sup> Anniversary Dinner held on June 4, 2007. The Awards recognize efforts and company-wide dedication to customer satisfaction that have made continuous improvements to the supply chain.

### 2007 VICS Collaborative Commerce Achievement Awards categories are:

- **Most Innovative on Retail Side** This award is presented to a retail company that has developed and/or implemented innovative internal systems and practices proven to improve supply chain efficiency.
- **Most Innovative on Supply Side** This award is presented to a manufacturer or wholesale distributor that supports the retail industry with products, equipment or supplies that have been used to develop and/or implement innovative systems and practices proven to improve supply chain efficiency.
- **Most Innovative VICS CPFR<sup>®</sup> Implementation** This award is presented to two companies, a retailer and supplier that have worked collaboratively to create true end-to-end supply chain integration and cooperation utilizing VICS CPFR.
- **Supply Chain Excellence** This award is presented to a company that has achieved excellence integrating supply chain practices (Planning, Forecasting, Order Management, Transportation, Inventory Control, Distribution, Stocking, etc.) resulting in improved customer services, reduced cost and faster speed to market.
- **Most Innovative Third-Party Technology Provider** This award is presented to a systems provider that has developed and/or implemented innovative systems and practices proven to be cost-effective and resulting in supply chain improvements.
- **Most Innovative Third-Party Service Provider** This award is presented to a transportation, warehousing or distribution operations provider that has developed and/or implemented innovative systems and practices proven to be cost-effective and resulting in supply chain improvements.



[^Top](#)



## **Nominations Open For 2007 VICS Collaborative Commerce Achievement Awards (continued)**

"We are pleased to add two new categories this year and are looking forward to a great batch of nominations from the VICS family of companies," said Joe Andraski, President and CEO of VICS.

The VICS Board of Directors will also be announcing the 2007 winner of the prestigious Roger Milliken Career Achievement Award, which is presented to an individual who has been dedicated and committed to the VICS mission, goals and objectives. This individual will be recognized as a leader who has vision and who has demonstrated leadership in the retail industry.

Only VICS members may be nominated. To find out about becoming a VICS member, please visit [www.vics.org](http://www.vics.org). All nominations must include a business challenge, business answer, technological innovation, measurable percentage-based ROI, time frame, level of difficulty and benefits.

The deadline for submitting nominations is February 28, 2007. Entries must include ALL information requested. Other details and the entry form are available at [http://www.vics.org/meetings\\_events/VICS2007conf/](http://www.vics.org/meetings_events/VICS2007conf/).

Awards finalists for each category will be notified prior to the VICS 2007 Conference. The winners of the 10th annual VICS Collaborative Commerce Achievement Awards will be announced at the achievement awards ceremony at the awards dinner, which is sponsored by Oracle Corporation.

## **Hardlines Data Sync Guidelines Under Development**



VICS and the American Hardware Manufacturers Association (AHMA), with the support of GDSN, Inc., have started to normalize marketing and other extended attributes within the various product categories of hardlines.

Apparently, the Workgroup already has critical mass. Participants exceed 70 companies, including Ace Hardware, Best Buy, JC Penney, Lowe's, Home Depot and Wal-Mart as well as 3M, Georgia Pacific, Hines Horticulture, Hunter Fan, Weyerhaeuser and

Whirlpool. Moreover, with core item attribute and product image attribute guidelines already developed and submitted to the GSMP, the AHMA & VICS have a proven track record in helping members implement Global Data Synchronization.

Current Workgroup members have identified business needs for guidelines on marketing and new product attributes not addressed in previous workgroups. The guidelines will streamline the labor-intensive collection processes for marketing and other selling attributes, resulting in reduced data sync costs to meet the needs of multiple retailers.

This ongoing initiative about marketing attributes will influence how products will be presented and sold to consumers, thus impacting sales performance. Members wishing to have input on them are encouraged to get involved right away. Access <http://www.vics.org/committees/hardlines> for more information.

## **Trading Partner Alignment & Compliance (TPAC) Survey Inputs Requested**

A vast amount of inefficiencies remain in the retail supply chain. So VICS is conducting a survey of best practices in the retail supply chain to help all members eliminate related waste in the supply chain and streamline the flow of goods to consumers.

For example, about 40% of invoice deductions are related to EDI and logistics failures, wasting a significant amount of dollars and administrative support. This is an indication of the inefficiencies that remain in the retail supply chain. There are many other sources of wasted time and cost. However, some companies have reduced or eliminated much of these inefficiencies related to compliance and alignment. Therefore there must be many opportunities for improvement.

As it has for the past two decades, VICS will create interindustry solutions that save time and cost for retailers and consumer goods companies. By participating in this survey, you will help reduce costs and delays for your company and your suppliers for the benefit of all.

Please access the survey at <http://www.vics.org/committees/frm>.

## **Book Bar Codes Go 100% EAN-13 on Jan. 1**

Retailers need to be aware that as of January 1, 2007, books will become the first product category to use EAN-13 bar codes for product identification at point of sale. As of the New Year, many publishers will no longer put the traditional U.P.C. bar codes on books; they will use only the ISBN (International Standard Book Number) in an EAN-13 bar code. This will enable the elimination of the costly practice of dual bar coding books.

## NEWS - Book Bar Codes Go 100% EAN-13 on Jan. 1 (continued)

The EAN-13 bar codes require changes in POS systems and databases. As stated in the 2005 Sunrise recommendations, retailers who have made the appropriate changes to their systems will not be impacted. Those retailers who have chosen not to meet the requirements of the 2005 Sunrise Initiative will experience point of sale scanning issues in books. Other products will move to EAN-13 in the future.

For more information on this change, consult the Book Industry Study Group website at [www.bisg.org/isbn-13](http://www.bisg.org/isbn-13) or contact Al Garton at GS1 US [agarton@gs1us.org](mailto:agarton@gs1us.org).

## Input Needed for Transportation EDI Benefit Calculator

Since winning the adoption of technologies such as EDI for transportation is very difficult without a realistic estimate of the return a company can expect, VICS is creating a new, objective EDI Transportation Benefits Calculator. It will assist shippers (such as manufacturers), carriers and receivers (such as retailers) to quantify the attainable financial benefits.

To make the benefits calculated both objective and credible, VICS needs companies to answer a survey about their EDI experience. The aggregated results of the survey will become the credible basis for the benefits calculator. Please take a few moments to have the right individual in your company fill out the survey by no later than January 1, 2007. It can be downloaded at: <http://www.vics.org/committees/logistics>.

Without staff identifying and quantifying what management can expect as a return, management will be reluctant to invest. Moreover, the need to estimate the return that management can expect to receive from EDI is particularly true in the area of transportation, where there are three parties (shipper, carrier, receiver) instead of two.

Developed by Arena CG under the leadership of Sue Donarski and the VICS Collaborative Transportation Subcommittee, this EDI Transportation Benefits Calculator will allow a shipper, carrier or receiver to input their own financials and assumptions to determine the potential return in three areas: cash flow, inventory reductions and operating expense reduction.

VICS assures that any information you supply will be kept strictly confidential, and only aggregated averages and ranges will become available to users of the EDI Benefits Calculator.

Once constructed, the model parameters will be validated with some of the survey participants. Expect to see a model released to VICS members sometime in the spring.

## Consumer Electronics Vertical Group Formed

VICS has formed a consumer electronics vertical group. At its November meeting, the group decided to focus on data synchronization and common metrics as the two areas meriting immediate efforts. VICS organized the electronics group in a manner very similar to the hardlines group. Led by Todd Schilling from Best Buy, the group will have monthly conference calls and will meet in conjunction with the VICS CPFR® Committee. If you are interested in joining this new vertical, please contact [Lgolding@vics.org](mailto:Lgolding@vics.org).

## RFID at Store Level Expands in Fashion

UK retailer Marks & Spencer plans to extend its item-level RFID tagging deployment from 42 to 120 stores next spring. The company has been gradually expanding RFID use in its distribution centers and in stores since 2003.

The company initially deployed a successful RFID system used to track returnable frozen food transport trays for its grocery operation. However, the current expansion focuses on fashion goods and improving processes for staying in stock, especially with products that have complex sizes (e.g., collar-sleeve sizes, shoe size-width).

Marks & Spencer currently uses mobile readers on the shop floor and fixed-position readers at its loading bays and distribution centers to scan garment RFID tags. The mobile scanners are used to take daily inventories and trigger replenishment orders. So far, the company has successfully improved stock accuracy and size availability.

Starting this year, the company began source tagging—M&S suppliers have started integrating the tags into existing bar code labels before shipping to M&S.

It appears that the VICS Apparel/Footwear RFID/EPC Committee was right in its discussions about fashion being a leader in item-level RFID at retail.



## On Playing with Snowballs...

Twenty years ago, each non-grocery retailer had a different requirement for bar codes. Each retailer of any type had different requirements for shipping, communications, invoicing, etc. Many had their own hangers; most had their own price tags, their own packing requirements, their own forms to fill. It was costly, labor-, delay- and an error-intensive mess.

[^Top](#)



## Joe's Corner - On Playing with Snowballs (continued)

Top retailers, manufacturers and suppliers realized that they could take billions of dollars of waste out of the supply chain by creating voluntary industry standards (i.e., guidelines). So the most senior executives at many of the largest retail and consumer goods corporations formed VICS.

Those founders recognized that competitive advantage lies in product, promotion, price, customer experience, and internal execution—not in the external supply chain. All participating companies save far more by collaborating on interindustry best practices than by seeking secretly lower supply chain costs. They keep ahead in supply chain by executing better and participating in the development of new guidelines so they are prepared for new advances.

Twenty years ago, founding members took aim at product marking bar codes and computer-to-computer EDI communication first. They heaved a well-made VICS snowball that hit wasteful inventory management, checkout and DC processes square. They pitched another that froze out costly error-prone computer communication between buyers and sellers.

They then whacked receiving and DC processing with a hard VICS snowball called shipping container marking bar codes. Next, VICS iced more waste with floor-ready merchandise and VICS guidelines for hangers. Then came CPFR<sup>®</sup>, which was a big snowball that covered a lot of ground.

Each of those VICS snowballs hit its target. Each has kept on going over the years—saving money, reducing waste and delay, eliminating duplication and errors. The initial VICS snowballs have kept rolling and growing. Over the intervening years, members using VICS voluntary guidelines have saved literally billions—billions with a B—of dollars. That is a lot of successful savings.

### More Snowballs being Made

Billions of dollars in savings for VICS members may seem like plenty, enough for some to wonder what, if anything, is left to do. Those who wonder about that should consider the infamous quote of Patent Commissioner Charles H. Duell. In 1899, Duell argued for dissolution of the US Patent Office because: "Everything that can be invented has been invented."

VICS members have an inventive capacity and abilities to manage change that are as big and diverse as the variety of snow flakes drifting down this winter. Who else could save millions with voluntary guidelines on the little sizing rings placed on the necks of store hangers?

VICS members are great at inventing new solutions to fundamental problems. We have a great stockpile of new snowballs being made by members. Their "flakey" ideas will each undoubtedly deliver millions more in industry benefits. Tomorrow's VICS snowballs include:

- Redefining global and domestic logistics processes and the messaging that makes those processes work.
- Taking out millions of dollars of waste in polybags
- Identifying and remedying industry-specific problems in RFID, data synchronization, and metrics
- Eliminating paper bills of lading
- Filling in the gaps in supply chain information and visibility
- Improving new product development collaboratively
- Improving new product introduction with execution monitoring
- Eliminating compliance costs for routing guides
- Synchronizing marketing and related data in hardlines
- Measuring performance and syncing data in consumer electronics

VICS was founded on the principles of collaboration in a safe, neutral, non-competitive environment to achieve far larger supply chain savings than any company could accomplish alone. We have held to those principles, and now VICS is on the verge of another multi-billion-dollar series of savings for our members.

As Senator Everet Dirksen once said, "a billion here, a billion there, pretty soon you're talking real money." VICS members might rejoinder: "a snowball here, a snowball there, pretty soon you're talking an avalanche!"

The VICS avalanche is actually a growing bunch of individual snowballs that each keep on snowballing in value delivered. I'm not snowing you.

It will be a very happy new year to see you at a VICS whiteboard, taking aim at the next billion in cold cash benefits.

*Joe "Frosty" Andraski*