

# DATA SYNCHRONIZATION IN THE SMB MARKET

## Unexpected benefits with big plans for the future

So much has been written about data synchronization, but most of the attention and case studies have focused on large Tier 1 companies. Executives from these larger companies have been actively touting the benefits of synchronizing with their retail trading partners, and many studies were conducted to prove the value. Most of that activity was spurred by high profile retailer mandates, which were soon to be eclipsed by even higher profile and more expensive retailer RFID mandates. The majority of Tier 1 companies currently have data synchronization solutions in place and are actively syncing product data with retail customers. However, not much attention has been paid to the vast number of smaller suppliers who are just now being pressured to synchronize with many of those same retailers. This month, CGT teams up with ISYNC to take a look at data synchronization activities with these small to mid-size (SMB) suppliers.

### Activity Levels

To conduct this research, we only surveyed companies under \$1 billion — in fact, half of our respondents were from companies under \$500 million, and the results show a different story for these SMB companies. First of all, there is indeed synchroniza-

tion activity. Figure 1 shows that 75 percent of these companies are involved in some type of synchronization activity, with 42 percent actively synchronizing with three or more retail trading partners. Only 20 percent reported no activity, which we would expect to see drop over the next year or two.

When asked why they began their synchronization activities, the majority (62 percent) of those surveyed claimed the key business driver was a customer requirement, which was not surprising. However, a small number of companies, just 10 percent, attributed their initiatives to internal business benefits, while 22 percent cited both customer requirement and internal value as their key drivers. Therefore, 32 percent of companies realize that internal benefits are important and valuable, a much higher percentage than in the larger Tier 1 companies who have historically cited only customer requirements as the impetus for data synchronization.

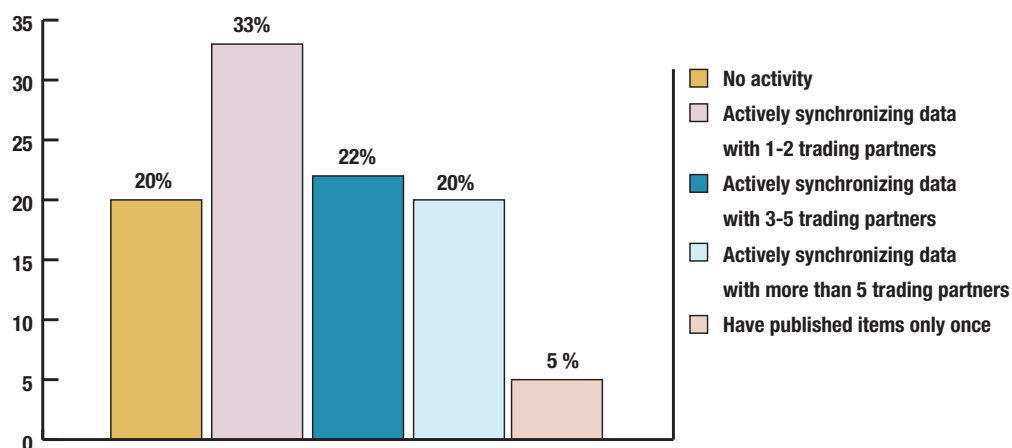
### Technology Challenges

One challenge for the SMB companies, however, is how to approach the technology used for synchronization activities. Most smaller companies are not in need of a Product Information Management (PIM) application to become the central repository of product data, since most of them are able to pull most of the necessary attributes from a single ERP application.

But most of them are using a completely or somewhat manual process to synchronize — with most of them using a mix of processes — 45 percent are using a completely manual process, while 39 percent are using a file import method via spreadsheets, which is also very labor intensive. Only 37 percent have an automated machine-to-machine connection, which is probably not used for all retail trading partners (respondents were allowed to select all methods currently in use; therefore, percentages total more than 100). Of the 73 percent of those surveyed who are currently using ISYNC as their data pool (the most popular choice), more than one-third (36 percent) of them are manually entering data into the online ISYNC tool.

Once more retailers start requiring synchronized product data, and once price and promotion attributes are part of standard synchronization processes, those companies

**FIGURE 1**  
What is your company's current data synchronization activity?



**FIGURE 2**  
Which business function is realizing the most value from your data synchronization efforts?

FUNCTION	1-Highest priority	2	3	4	5	6-Lowest priority	Total
Transportation & logistics	15%	3%	38%	9%	26%	9%	100%
Sales force productivity	19%	16%	10%	26%	26%	3%	100%
Order management	22%	38%	16%	22%	2%	0%	100%
Invoice accuracy	16%	27%	27%	20%	7%	3%	100%
Internal system alignment (master data management)	33%	25%	11%	17%	8%	6%	100%
Other	18%	6%	12%	6%	6%	52%	100%

using manual processes will find it very difficult to keep up and even harder to realize the true benefits of data synchronization.

### Unexpected Benefits

To understand what those benefits are, specifically for SMB companies, we asked our respondents about their experiences. Figure 2 explores the business process that is realizing the most value from data synchronization efforts, and we asked companies to rank their responses by priority. Internal system alignment was the function that realized the most value from synchronization efforts, which for many companies is an unexpected benefit when they first begin.

More typical internal benefits are order management improvement, which was second in priority, followed by invoice accuracy and sales force productivity. In fact, many of the early high profile studies focused on order management and invoice accuracy benefits to deliver ROI. For smaller companies, however, the benefits realized from aligning internal applications, akin to an ad-hoc master data management strategy, often improve overall system capabilities because of the attention to data accuracy and how data interacts with disparate applications.

To delve further into potential areas of benefit, we asked survey participants to react to statements about potential business improvements and tell us whether they agreed or disagreed. Very few strongly disagreed with any of the statements, leading us to conclude that there is, in fact, a direct connection between data synchronization activities and specific business improvements.

Overall, improved employee efficiency has improved, enabling sales, accounting and shipping to spend more time on value-add activities because of improved data accuracy and retailer synchronization. Most respondents strongly agreed or agreed that their internal data alignment has created “one version of the truth,” which is related to the master data management benefit above. Shipments are more efficient, which in turn leads to higher customer satisfaction at a lower cost to the supplier. The third and fourth most agreed upon statements are related to order management and invoice accuracy, with retailers ordering the correct product codes, thereby leading to reduced invoice discrepancies. These benefits will only increase over the coming years, as data synchronization continues to expand and more retailers require more data from their smaller suppliers.

### What's Next?

When asked about their synchronization plans for 2007 (Figure 3), most companies are planning on moving ahead. While the number of customers is not expected to increase, unless there are additional unforeseen retailer mandates, the number of items being synchronized is expected to increase. A full 56 percent of those surveyed plan to have more than 50 percent of the products in their catalog synchronized, with 29 percent planning to sync a full 100 percent of their product catalog.

One area, however, where SMB companies differ greatly from their larger counterparts is in their plans for price and promotion synchronization. While most Tier 1 companies are anxiously awaiting price and promotion synchronization and the huge expected benefits associated with these attributes, most smaller CG companies have no plans to focus on price attributes. This then, is an area of opportunity for the SMB market to reap additional benefits from their data synchronization initiatives. One potential reason for this hesitancy is most likely the technology, or lack thereof, being used by smaller companies. In order to sync the larger volume of pricing data, SMB suppliers will need to take a good look at their current investments and move towards more automated processes to replace their manual methodology.

Yet before they make these investments, they will need to be convinced of the

CASE STUDY

## Mt. Olive Pickle Company

Following a data synchronization mandate letter received in 2000 from a large retailer, the Mt. Olive Pickle Company seriously evaluated the requirements and processes involved in adopting data synchronization. Realizing that this initiative would play an important role in maintaining the company's competitive edge, Mt. Olive decided to join the UCCnet Data Pool (now known as 1SYNC) and began implementing data synchronization.

Initially, Mt. Olive went with Product Information Management (PIM) software — a hosted solution with catalog and data synchronization capabilities. Unfortunately, this approach didn't interface with the company's Business Planning and Control System Enterprise Resource Planning (BPCS ERP) system, leading to data incompatibility issues.

“Getting information out of one system and into the other became a real chore,” says Donnie Howard, eCommerce specialist, Mt. Olive. The company soon discovered it needed a better long-term solution that would work behind and outside the firewall, driven by the company's vision to synchronize price and promotion data in the future.

Focusing on realizing real benefits from their data synchronization investment, Mt. Olive replaced its original PIM provider with nuBridges' PIM synchronization solution that interfaces with its ERP system, fitting the company's long-range strategy. This system switch, from evaluation to installation, was accomplished in less than 90 days.

The software upgrade brought to light serious pre-existing problems with both data accuracy and data centralization. Carton measurements weren't accurate, and jar specifications weren't carried in the ERP system as case information. Moreover, information was being maintained by different departments in separate offline spreadsheets. Previous entries of inaccurate data into customers' systems caused invoicing errors, and with no centralized data repository time was being wasted trying to track down owners of information that needed to be exchanged with customers.

These realizations helped Mt. Olive focus on cleaning its data and streamlining its business processes. Cases, pallets and consumer units were re-measured and re-weighed, and ERP became the central data repository for all product information. These improvements resulted in an overall data synchronization implementation that provided superior data management capabilities and allowed the elimination of inefficiencies in Mt. Olive's back-end systems and processes, such as the maintenance of spreadsheets and small files.

Mt. Olive is now looking at synchronizing price and promotion data as it faces deductions on invoices because of inaccurate prices. The company expects to realize an even greater return on investment from price synchronization.



potential benefits and involved processes. That data will hopefully be available soon, as the GDSN price pilot will start in January 2007 and run for the first quarter. The industry has been waiting a long time for the pricing standard, which is now available and facilitates the synchronization of simple transactional pricing, bracket pricing, allowances and charges and promotions. Once the technology has been piloted, more SMB suppliers will hopefully add pricing to their current item synchronization initiatives. **CG**

FIGURE 3

### Which of the following do you plan to synchronize in 2007 (customer, product catalog, pricing)?

2007 PLANS TO SYNCHRONIZE	No plans	1 to 2 customers	3 to 5 customers	more than 5 customers	Total	
Customers — By percentage of responses	32%	22%	22%	24%	100%	
2007 PLANS TO SYNCHRONIZE	No plans	25% of the products in our catalog	50% of the products in our catalog	75% of the products in our catalog	100% of the products in our catalog	Total
Product Catalog — By percentage of responses	33%	11%	16%	11%	29%	100%
2007 PLANS TO SYNCHRONIZE	No plans	Pricing information with customers	Total			
Pricing — By percentage of responses	68%	32%	100%			



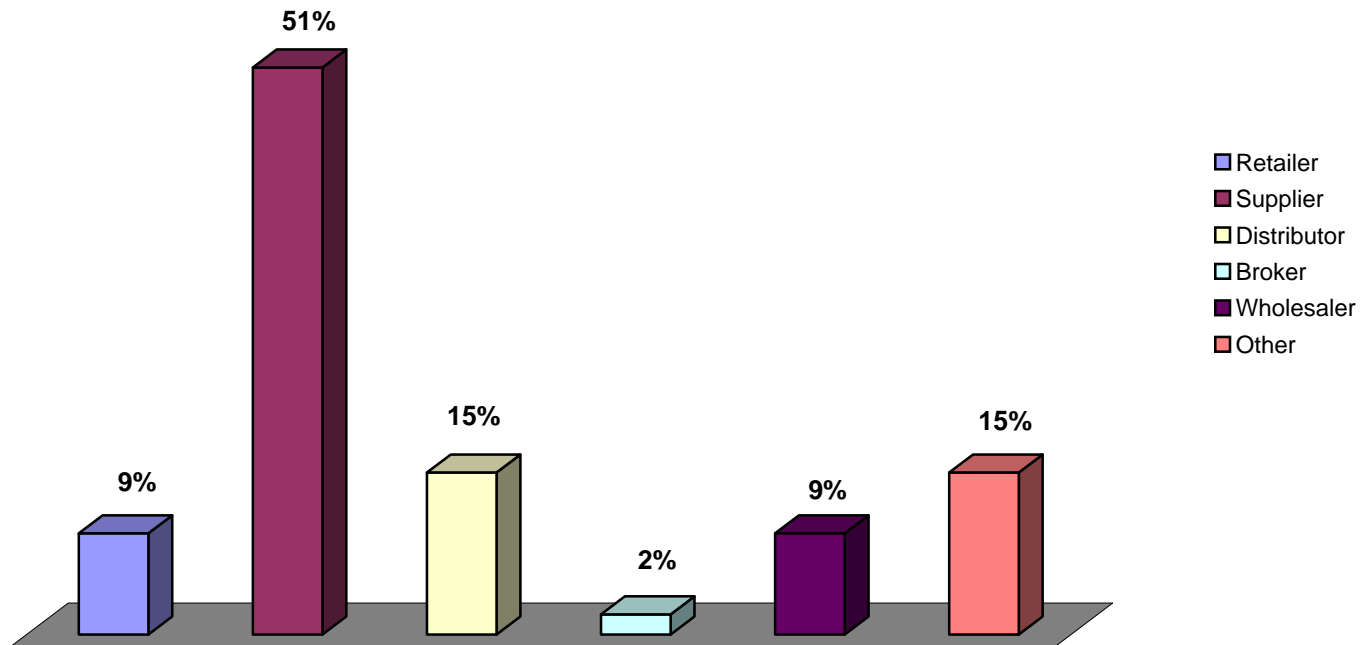
***Consumer Goods Technology  
Data Synchronization Survey***

**December 2006**



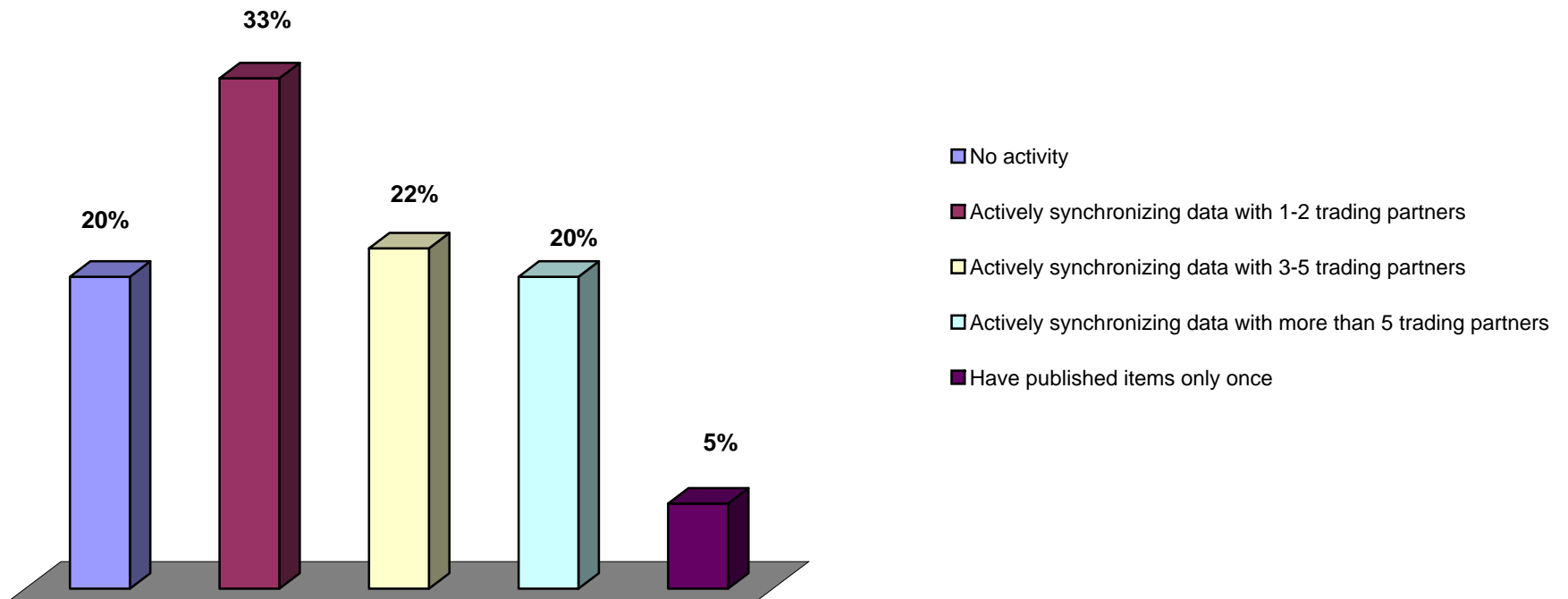
1. Please indicate your company's core business:

Core Business	%
Retailer	9%
Supplier	51%
Distributor	15%
Broker	2%
Wholesaler	9%
Other	15%



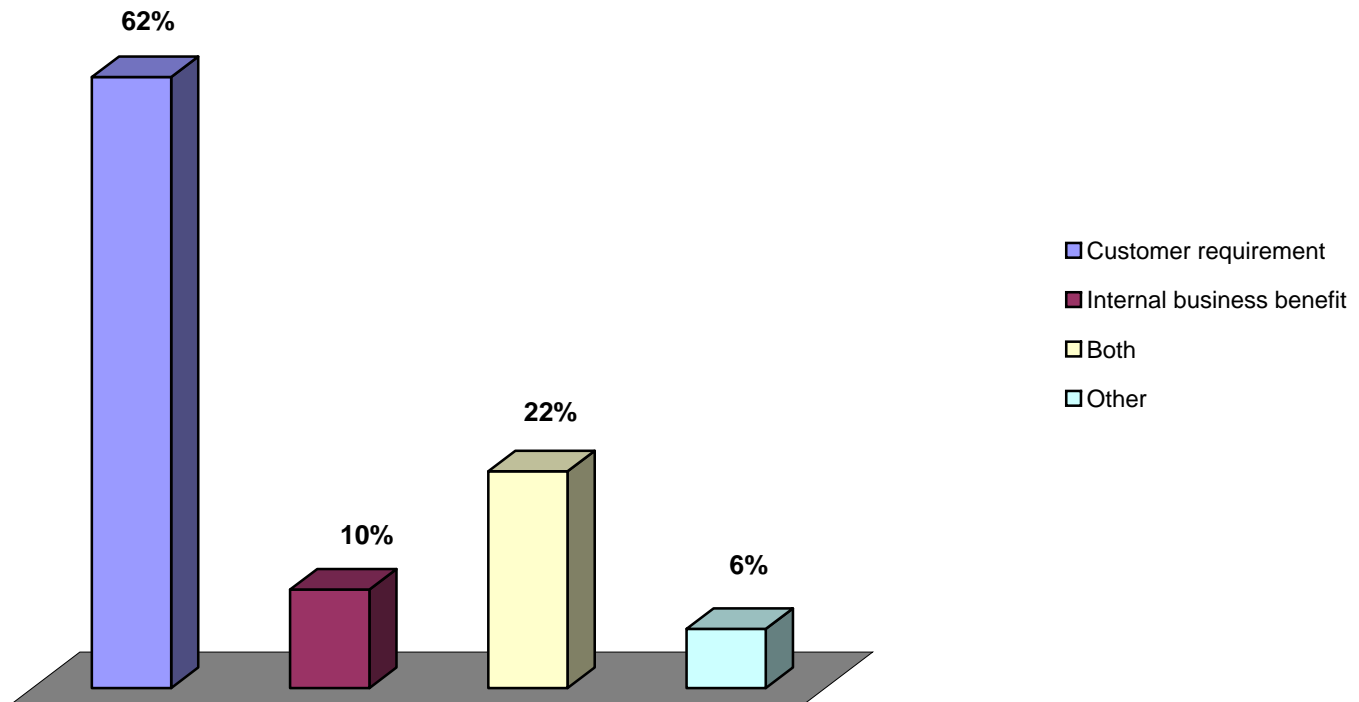
## 2. What is your company's current data synchronization activity?

Current Activity?	%
No activity	20%
Actively synchronizing data with 1-2 trading partners	33%
Actively synchronizing data with 3-5 trading partners	22%
Actively synchronizing data with more than 5 trading partners	20%
Have published items only once	5%



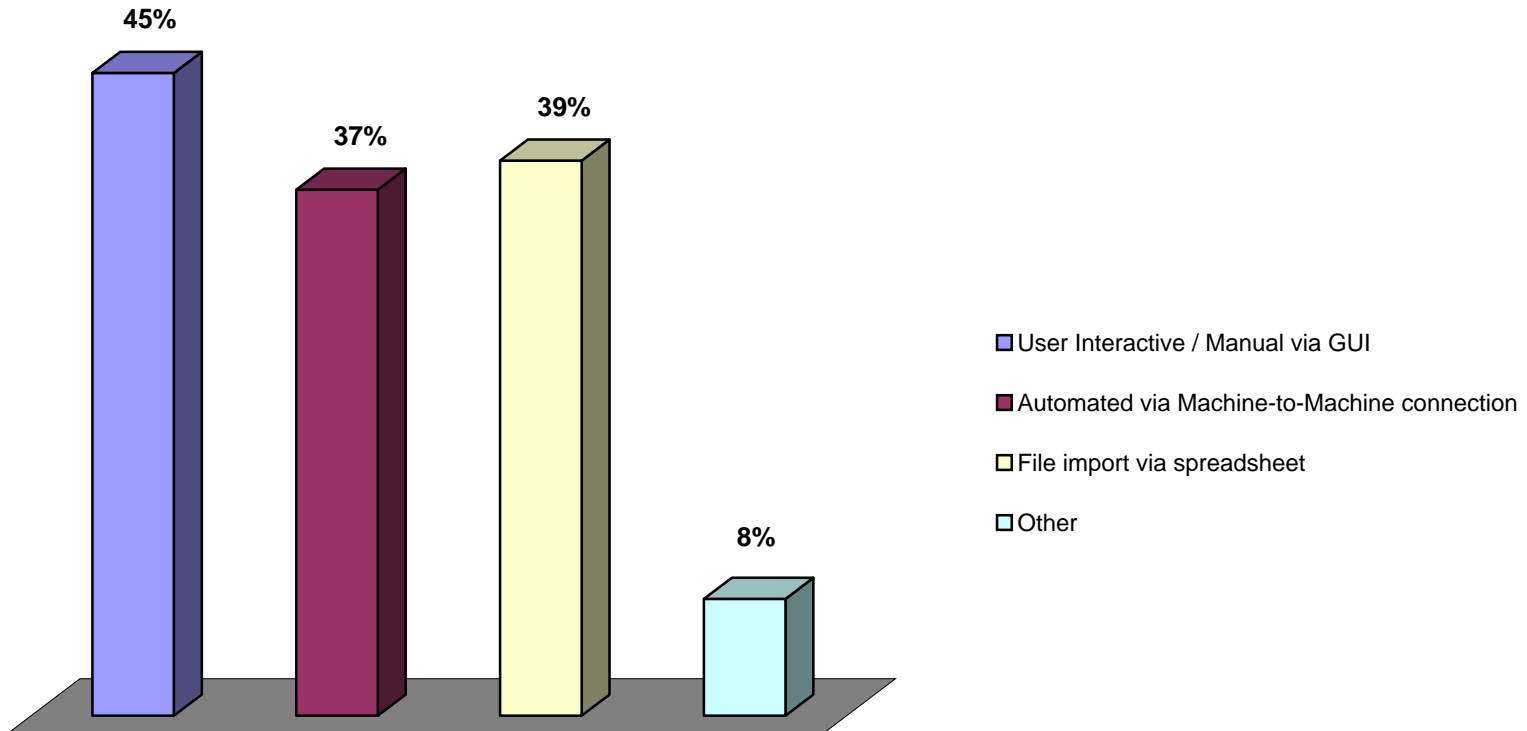
### 3. What was the key business driver to begin your data synchronization activity?

Key Business Driver?	%
Customer requirement	62%
Internal business benefit	10%
Both	22%
Other	6%



**4. What technology / method is your company using to synchronize data with your trading partners? (check all that apply)**

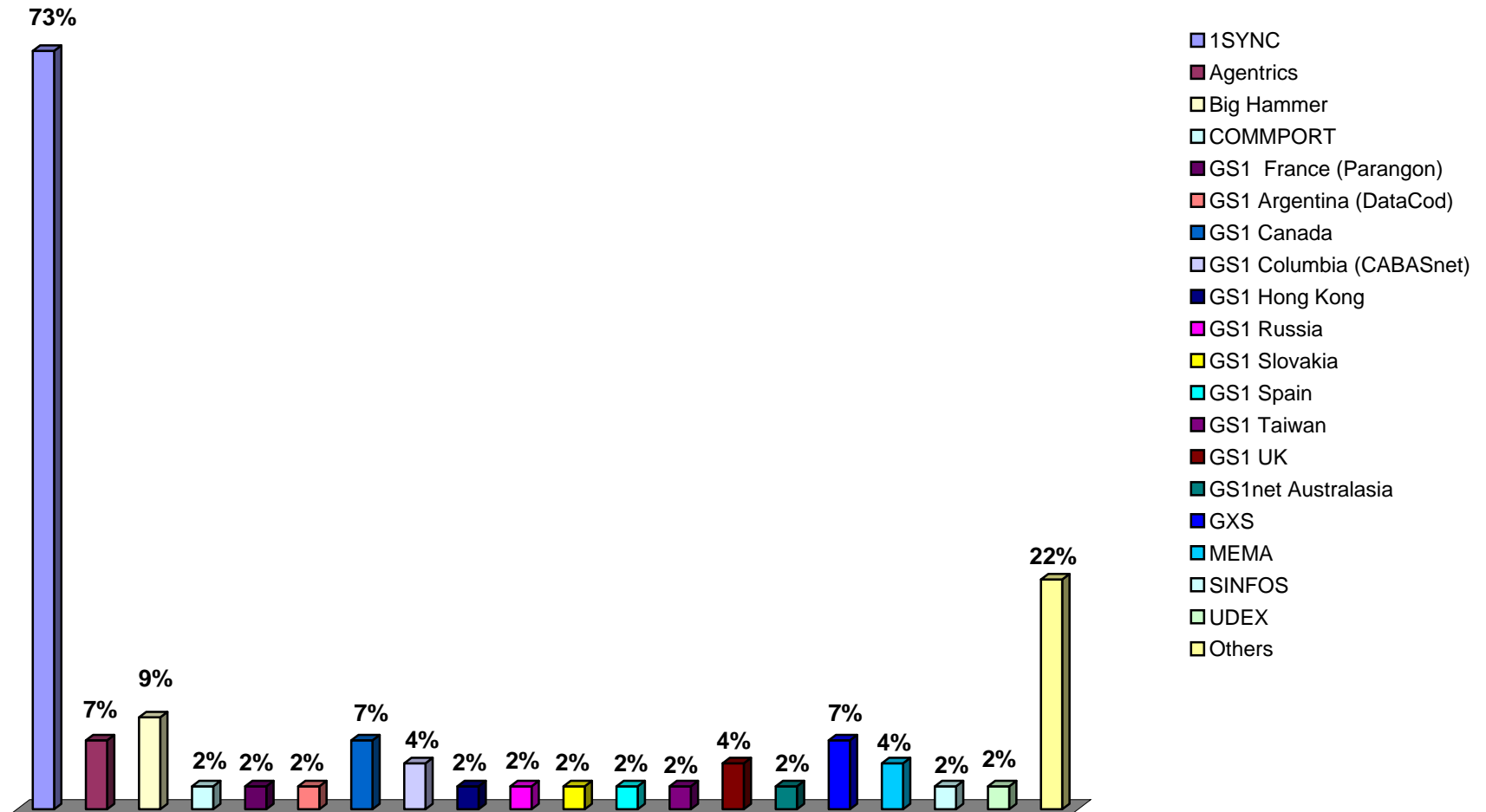
Method to Synchronize Data	%
User Interactive / Manual via GUI	45%
Automated via Machine-to-Machine connection	37%
File import via spreadsheet	39%
Other	8%



**5. Which Data Pool service is your company currently using?** (Please check all that apply)

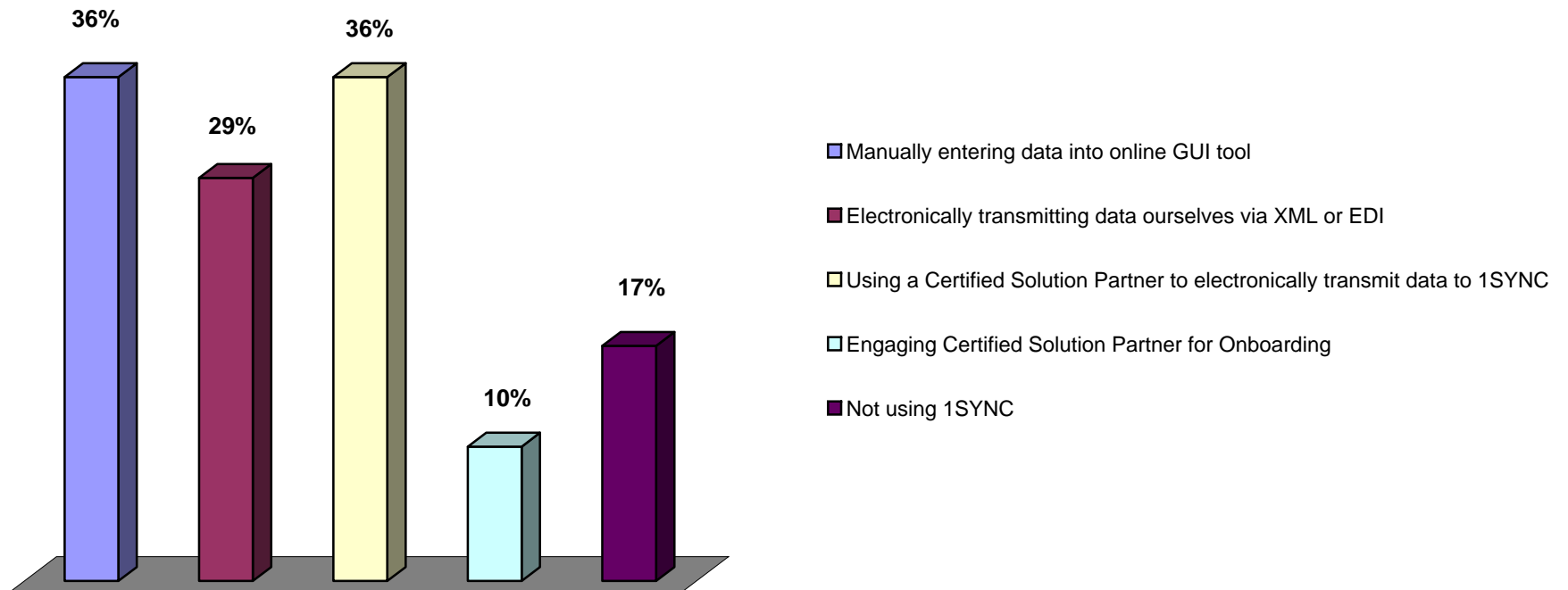
<b>Data Pool Service</b>	<b>%</b>
1SYNC	73%
Agentrics	7%
Big Hammer	9%
COMMPORT	2%
GS1 France (Parangon)	2%
GS1 Argentina (DataCod)	2%
GS1 Canada	7%
GS1 Columbia (CABASnet)	4%
GS1 Hong Kong	2%
GS1 Russia	2%
GS1 Slovakia	2%
GS1 Spain	2%
GS1 Taiwan	2%
GS1 UK	4%
GS1net Australasia	2%
GXS	7%
MEMA	4%
SINFOS	2%
UDEX	2%
Others	22%

5. CHART - Which Data Pool service is your company currently using?



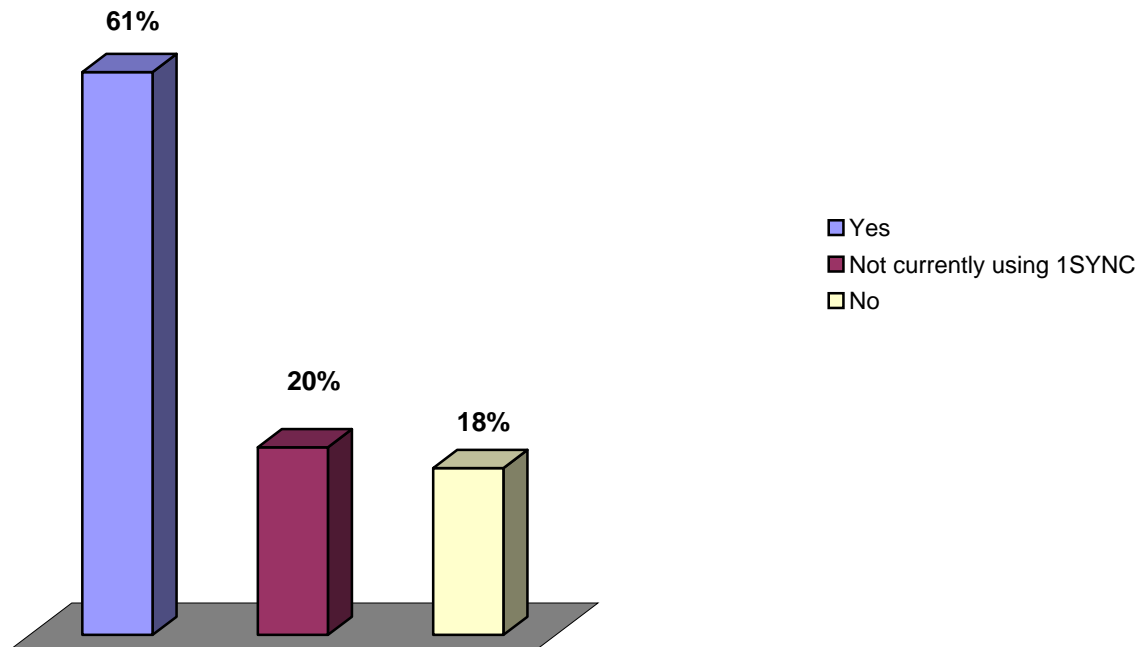
**6. If you are currently using 1SYNC (UCCnet/Transora) for your data synchronization activities, how are you using the technology?** (check all that apply)

How Are You Using 1Sync	%
Manually entering data into online GUI tool	36%
Electronically transmitting data ourselves via XML or EDI	29%
Using a Certified Solution Partner to electronically transmit data to 1SYNC	36%
Engaging Certified Solution Partner for Onboarding	10%
Not using 1SYNC	17%



7. If you are currently using 1SYNC (UCCnet/Transora), would you recommend 1SYNC to your business colleagues?

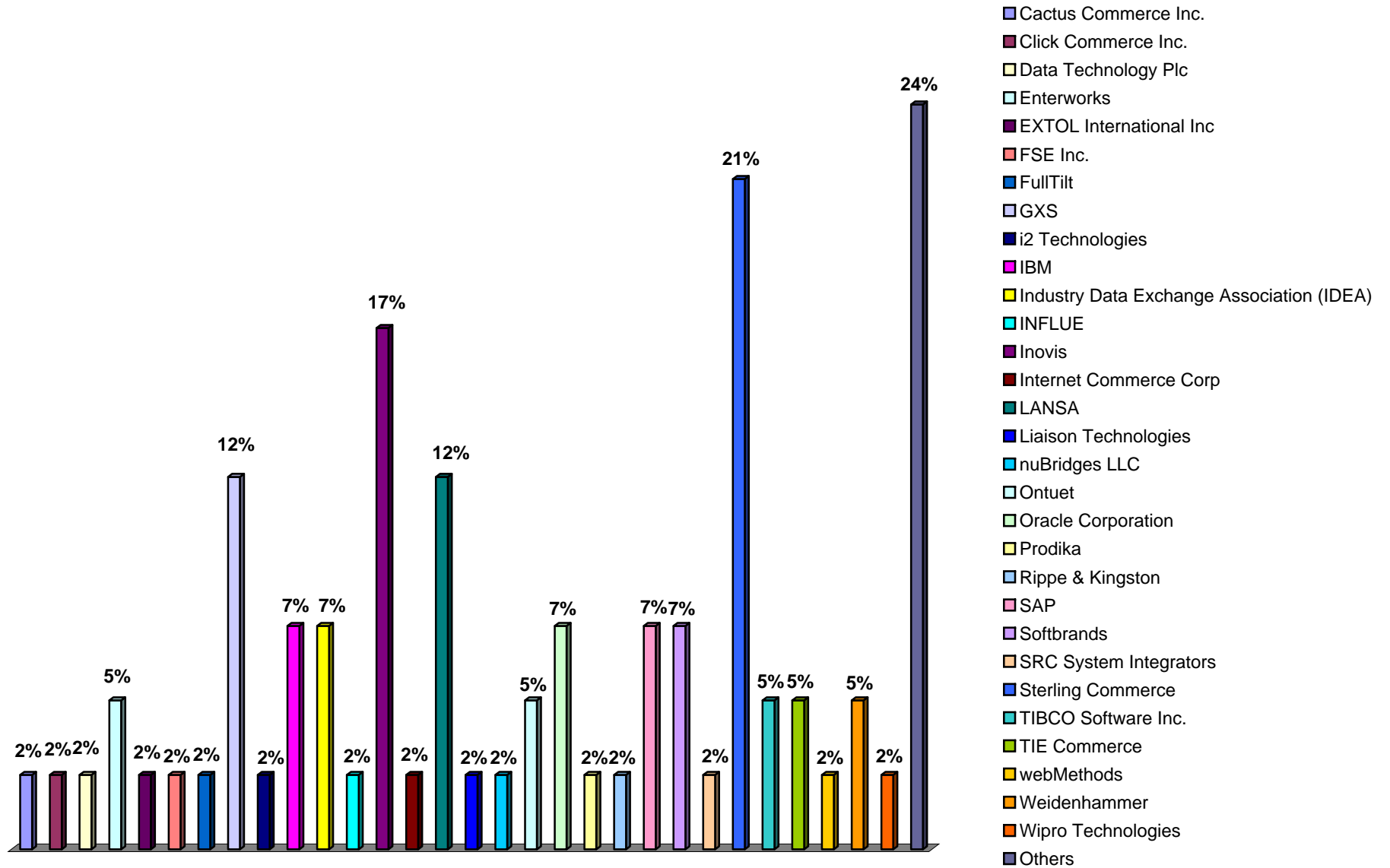
Recommend 1Sync?	%
Yes	61%
Not currently using 1SYNC	20%
No	18%



**8. Which solution partners are you using for your data synchronization initiative?** (check all that apply)

<b>Partner</b>	<b>%</b>
Cactus Commerce Inc.	2%
Click Commerce Inc.	2%
Data Technology Plc	2%
Enterworks	5%
EXTOL International Inc	2%
FSE Inc.	2%
FullTilt	2%
GXS	12%
i2 Technologies	2%
IBM	7%
Industry Data Exchange Association (IDEA)	7%
INFLUE	2%
Inovis	17%
Internet Commerce Corp	2%
LANSА	12%
Liaison Technologies	2%
nuBridges LLC	2%
Ontuet	5%
Oracle Corporation	7%
Prodika	2%
Rippe & Kingston	2%
SAP	7%
Softbrands	7%
SRC System Integrators	2%
Sterling Commerce	21%
TIBCO Software Inc.	5%
TIE Commerce	5%
webMethods	2%
Weidenhammer	5%
Wipro Technologies	2%
Others	24%

8. CHART - Which solution partners are you using for your data synchronization initiative?



**9. Which business function is your company realizing the most value from your data synchronization efforts?**

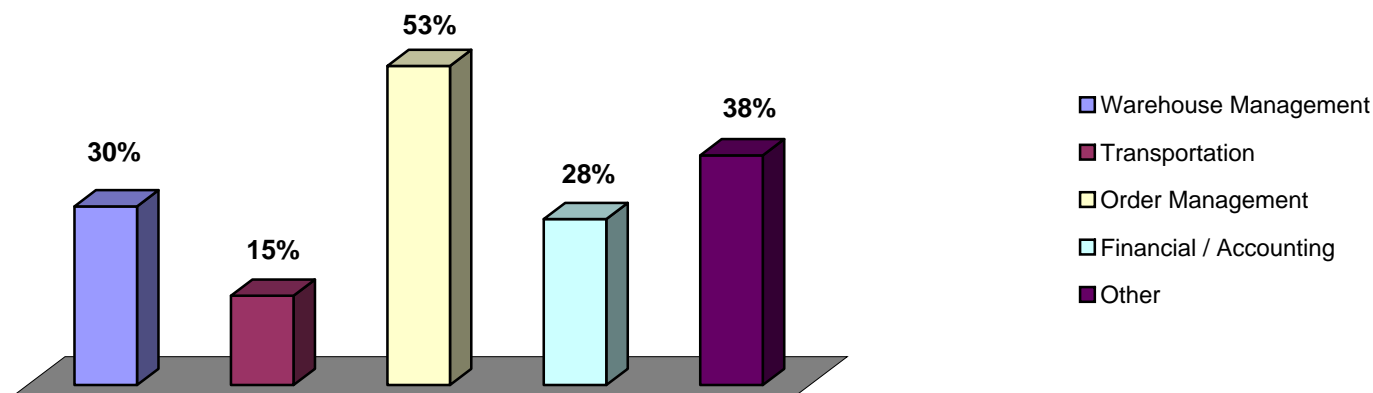
**By Percentage of Responses**

Function	1-Highest priority	2	3	4	5	6-Lowest priority	Total
Transportation & Logistics	15%	3%	38%	9%	26%	9%	100%
Sales force productivity	19%	16%	10%	26%	26%	3%	100%
Order Management	22%	38%	16%	22%	3%	0%	100%
Invoice accuracy	17%	27%	27%	20%	7%	3%	100%
Internal system alignment (master data management)	33%	25%	11%	17%	8%	6%	100%
Other	18%	6%	12%	6%	6%	53%	100%

**10. From the following functional areas, which systems are providing data to complete your data synchronization initiative?**

(check all that apply)

Areas	%
Warehouse Management	30%
Transportation	15%
Order Management	53%
Financial / Accounting	28%
Other	38%

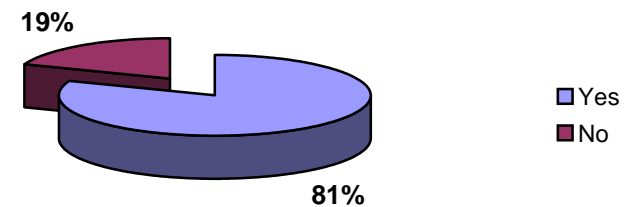


**11-16. Please indicate how the statement applies to your company based on implementing data synchronization**

Statement - BY PERCENTAGE OF RESPONSES	1-Strongly agree	2-Agree	3-Disagree	4-Strongly disagree	Not applicable	Total
11. Shipments are now more efficient due to the correct product / to having pallet dimensions (height weight etc) to build loads	14%	39%	12%	10%	24%	100%
12. Our sales team is spending less time with completing and updating the item set up form (new maintenance) and more time on promotion programs with our retailer customer.	6%	38%	29%	13%	15%	100%
13. Our retailer customers are ordering products based on the correct UPC code and ITF-14.	13%	47%	9%	15%	17%	100%
14. The number of invoice discrepancies has reduced thereby enabling the accounting team to spend fewer hours reconciling invoices.	9%	36%	26%	13%	17%	100%
15. Our item data is now aligned internally among the various departments so there is 'one version of the truth' for each item.	20%	41%	13%	11%	15%	100%
16. We were able to identify where in the business process the data associated for an item begins to have multiple versions of data for that item.	7%	40%	16%	13%	24%	100%

**17. Would you recommend data synchronization to your business colleagues?**

Recommend?	%
Yes	81%
No	19%



18. Which of the following do you plan to synchronize in 2007?

2007 Plans to Synchronize	No plans	1 to 2 customers	3 to 5 customers	more than 5 customers	Total
Customers - BY PERCENTAGE OF RESPONSES	31%	22%	22%	24%	100%

2007 Plans to Synchronize	No plans	25% of the products in our catalog	50% of the products in our catalog	75% of the products in our catalog	100% of the products in our catalog	Total
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