Kraft Foods CEE: Talking about GDS

ECR BALTICS: Master Data Management

Riga, LATVIA
April 26th, 2012

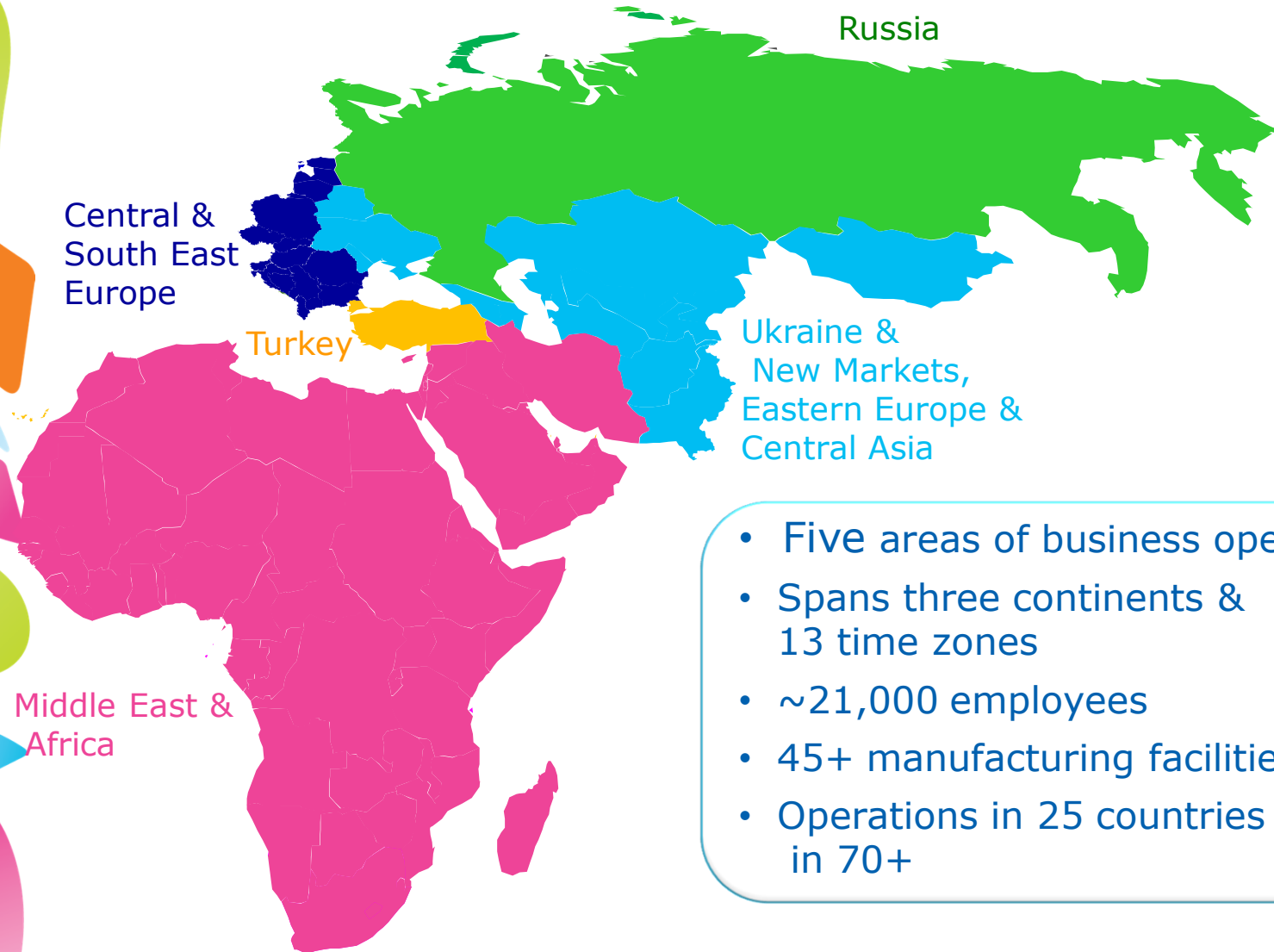Birgit PATTERER
Customer Supply Chain
Development CEE/MEA

Overview

- Kraft Foods and its brands

- Why do we synchronize data?

- Our GDS activities

- Master data errors generate costs

- Benefits and potential savings for

    - suppliers
    - retailers

- Our GDS project experience: Key findings & learnings

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Kraft Foods CEE / MEA today:
A large & diverse region

Russia

Central &
South East
Europe

Turkey

Ukraine &
New Markets,
Eastern Europe &
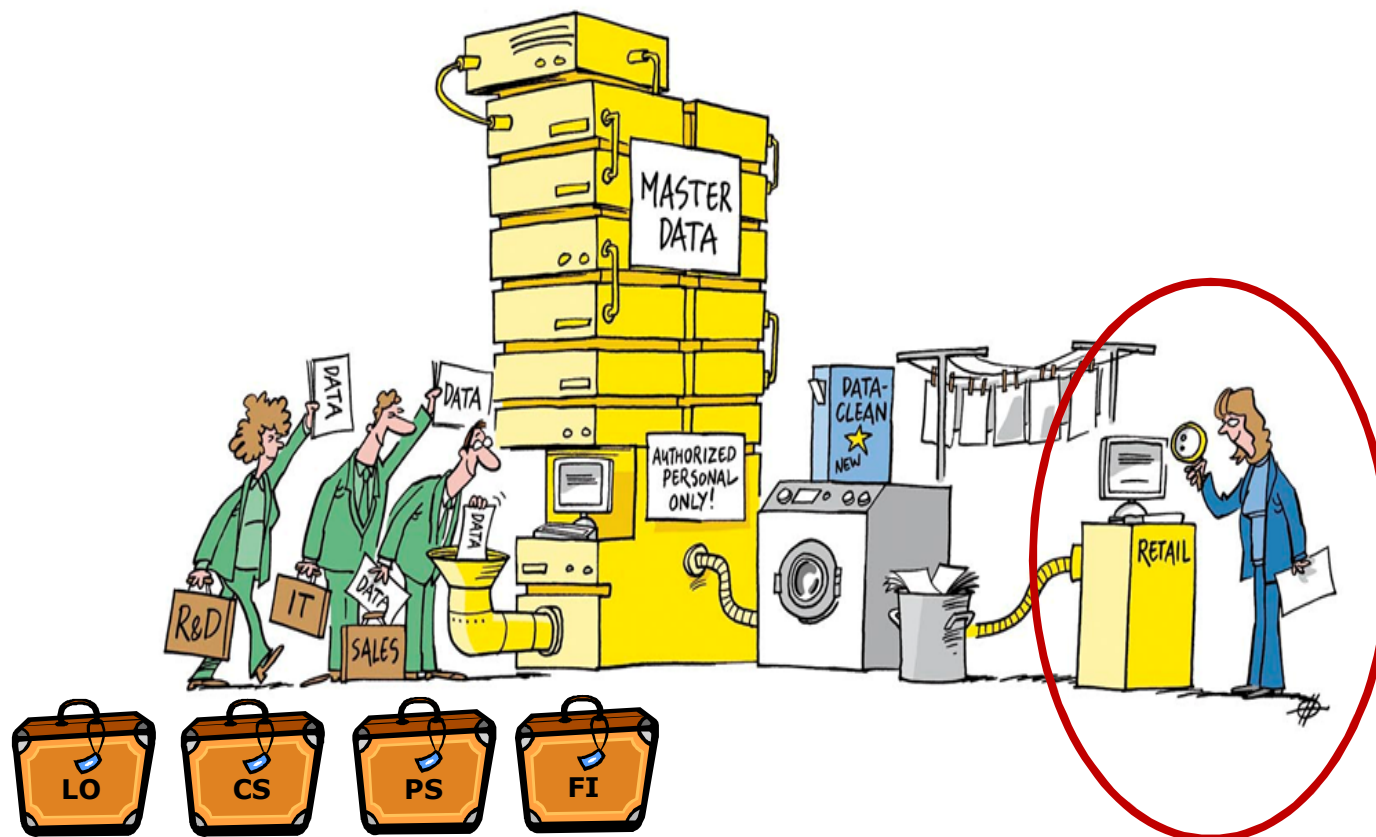Central Asia

Middle East &
Africa

- Five areas of business operations
- Spans three continents &
  13 time zones
- ~21,000 employees
- 45+ manufacturing facilities
- Operations in 25 countries & sales
  in 70+

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Our global & local brands span across six categories

Gum | **Candy**

Biscuits | **Chocolates**

Coffee | **Refr. Bvgs**

Note: Not including brands in Cheese, Salty Snacks, Grocery

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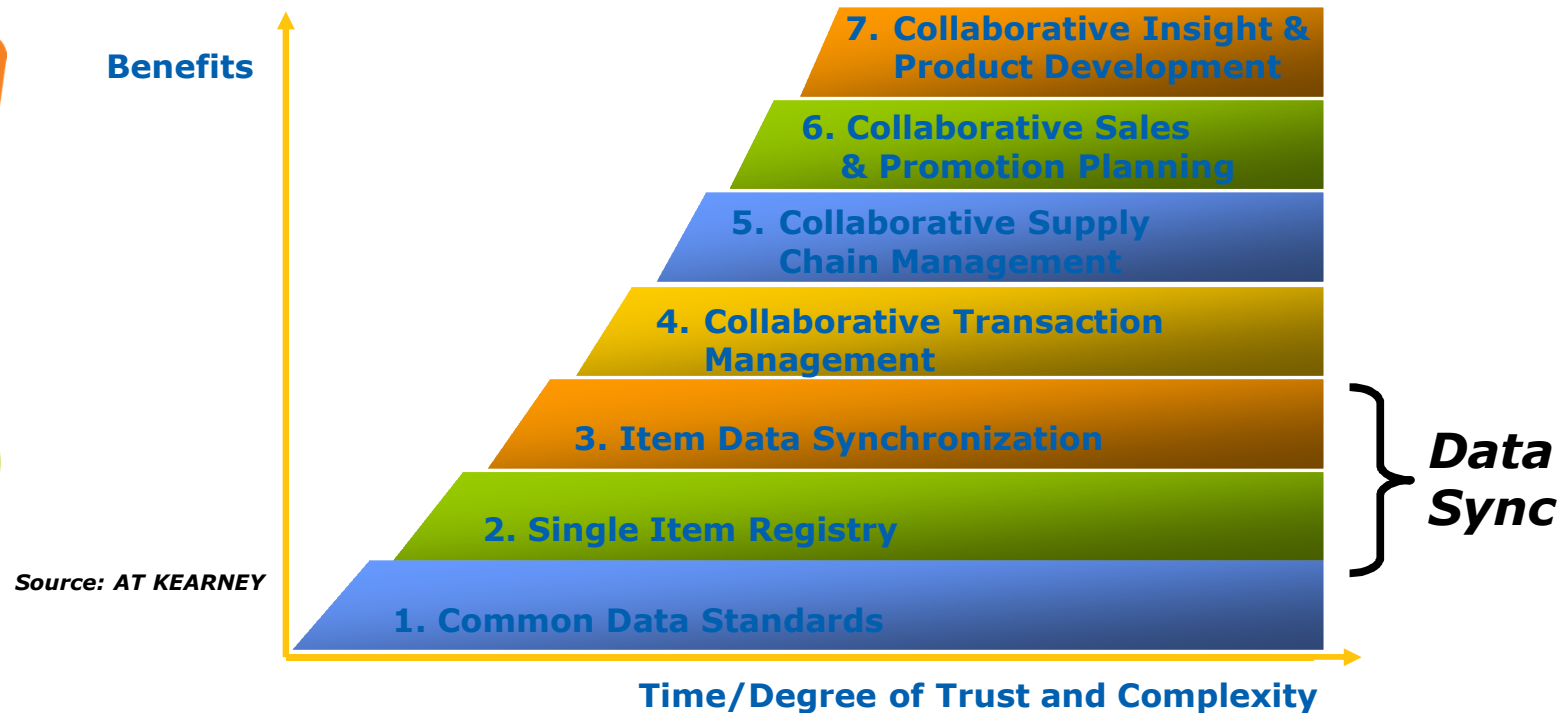# 4.400 SKU's in Kraft Foods CEE

4.400 SKU's in Kraft Foods CEE
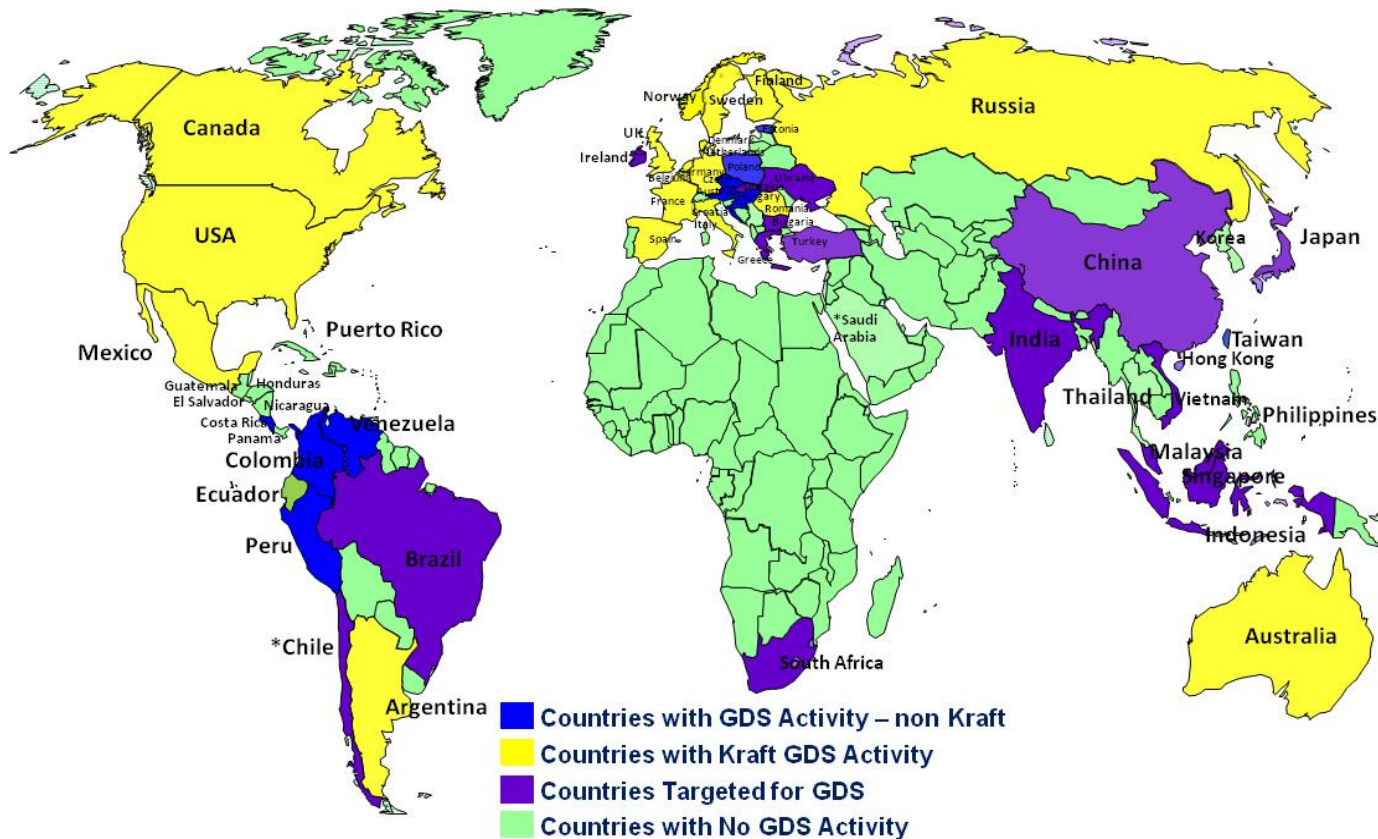
Why does Kraft Foods synchronize data?

- To improve administrative and logistic processes in order to increase service levels.

- To improve customer collaboration and increase customer / consumer satisfaction.

Benefits

7. Collaborative Insight & Product Development

6. Collaborative Sales & Promotion Planning

5. Collaborative Supply Chain Management

4. Collaborative Transaction Management

3. Item Data Synchronization

2. Single Item Registry

1. Common Data Standards

Source: AT KEARNEY

} **Data Sync**

Time/Degree of Trust and Complexity

Data synchronization is the basis for collaboration.

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Global GDS activity in > 30 countries.
Kraft uses GDS in 20 countries.

Legend:
- ■ Countries with GDS Activity – non Kraft
- ■ Countries with Kraft GDS Activity
- ■ Countries Targeted for GDS
- ■ Countries with No GDS Activity

Consumer Goods Forum Compliance Survey 2011:

2006: 9% of sales with synchronized master data.
2011: 26% of sales with synchronized master data.

Source: TCGF / IBM, Jan 2012

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Incorrect master data generate additional costs

An AT Kearney study revealed the following industry costs in connection with incorrect item master data:

- Correcting catalog errors costs $60-$80 per error.
- 30% of item data in retail catalogs is incorrect.
- Each item requires appr. 30 minutes of manual cleansing per year.
- Every invoice error costs $40-$400 to reconcile.
- 60% of all invoices have errors, and 43% of all invoices result in deductions.
- The average product roll-out takes six weeks.
- Percent of sales lost due to inaccurate data is 3.5%.
- The net result is $40B lost in supply chain inefficiencies each year.

Source: Action Plan to Accelerate Trading Partner Electronic Collaboration. Research and case analysis by AT Kearney

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GDS: Business benefits for the Retailer

Benefit	Saving
Automated data maintenance eliminates manual data cleansing.	30' per item.
Improved productivity re. item maintenance & publication.	Time savings and reduced complexity with all master data process steps
Elimination of refusals and returns.	Improved OSA = +3.5% sales.
Reduction of credit notes.	$100 per credit note reconciliation.
Improved speed-to-market / speed-to-shelf.	Improved OSA = +3.5% sales.
Improved planogram management.	Better shelf utilization.

GDS saves money …   … and time.

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GDS: Business benefits for the Supplier

Benefit	Saving
Reduced manual intervention in orders.	1 hour order handling per day and up to +3% CFR improvement.
Elimination of refusals and returns *(up to 20%)*, reduction of credit notes *(up to 7%)*.	$150 per credit note (handling, issuing and reconciliation).
Improved Invoice Accuracy.	Cash-flow improvement.
Consistent & correct catalog data.	Elimination of listing penalties.
Faster item introductions and new product launches *(up to 20%)*.	+3.5% sales growth.
Improved productivity re. item maintenance & publication.	Time savings and reduced complexity with all master data process steps.

GDS saves money …   →   ←   … and time.

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Potential savings after GDS implementation

An AT Kearney Industry Case Study documented the savings achieved after a GDS implementation as follows:

Benefit Areas	Retailers	Suppliers
Inventory Reduction	⬇ .5% to 1.0%	⬇ .5% to 1.0%
Out of Stocks	⬇ 2% to 4%	⬇ 2% to 4%
Order Reconciliation	⬇ 10% to 20%	⬇ 10% to 20%
Logistics Costs	⬇ 1% or more	⬇ 1% or more
Receiving Times	⬇ +1.000 hours	⬇ +1.000 hours
Speed to Market	⬆ 2 weeks faster	⬆ 2 weeks faster

Source: Action Plan to Accelerate Trading Partner Electronic Collaboration.
Research and case analysis by AT Kearney.

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Our key findings and learnings (1)

Essentials:

– Full commitment and alignment both externally (with trading partner) and internally (with other implicated departments).

– Support and involvement from the management team.

– Set up a cross-functional team with high professional knowledge (specialists from IS, MD, M&A, PCM, PS, LO, FI) and appoint a project lead.

– Make an internal plan, decide responsibilities, set milestones and success KPIs and stick to them.

– **Make sure that your master data is complete, consistent and accurate. Implement a data quality management program.**

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Our key findings and learnings (2)

Highlights:

- MD needs to know in detail the product portfolio, have excellent technical & time management skills, be a good project leader.

- Significant volume of tasks should be performed by PCM team - their commitment is important.

- Special care should be taken while uploading production data base with cleaned information.

- Considering that most of the time usually is allocated for master data cleansing, **realistic assessment of MD status** is of great importance and sets the actions and timelines for the internal plan.
  [Country examples: x months temp to support MD.]

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THANK YOU!

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