Auto-ID Across the Value Chain:

From Dramatic potential to greater Efficiency & Profit

Lyle Ginsburg, Partner
Accenture

Value Chain Overview - Summary

- The Accenture report was developed:

  - For high level business executives, not necessarily familiar with Auto-ID technology or the Center

  - Through interviews with sponsors and stakeholders, current and prior Accenture client work, and secondary research

- The first Accenture paper provides:

  - An introduction to Auto-ID

  - An overview of benefit opportunities in the consumer packaged goods value chain (with other industry examples)

  - Defines the critical issues in deployment and alternate governance models for deployment

  - Provides a road map for how to get started

Summary of Findings

- Industry leading companies will gain measurable business advantage in every stage of the value chain, *greater than the bar code*

- Companies will initially develop focused applications that offer proprietary benefits and are easier to justify internally

- The most significant supply-chain benefits will be enabled by shared implementations across organizational boundaries

- A number of viable business models will exist, depending on expected levels of proprietary versus shared benefits

- Companies will need to migrate to shared governance models to realize full benefits

- Begin by Value Targeting and Pilots

Accenture has classified benefits by value chain category, executive priorities, and tag and reader requirements

(Table Excerpt)

Table 2: Auto-ID Value Chain Opportunities

KEY
1. Priorities
M – Manufacturers
L – Logistics Providers
R – Retailers

2. Reader Requirement
F – Few (e.g., at doors)
S – Some (e.g., at workstations)
M – Many (e.g., on shelves)

3. Tags
A) Level
P – Pallet
C – Case
I – Item
B) Marginal Benefit
L – Low
M – Medium
H – High

PRIORITIES M L R	FUNCTION/ ACTIVITY	POTENTIAL BENEFITS	READER REQUIREMENTS	TAGS P C I
	CROSS-SUPPLY CHAIN			
M R	DEMAND PLANNING	– Reduced or eliminated out-of-stocks – Decreased order lead time – Automated planning tied to consumer purchases – Increased inventory turns – Decreased safety stock	F, S, M	H M
	ITEM/BATCH/ LOT TRACKING	– Reduced sale of counterfeit products – Increased compliance w/distribution contracts – Increased product quality	F, S, M	H
M R	SECURITY	– Decreased unauthorized access to facilities – Decreased chances for product tampering		
	MANUFACTURING			
	PROCUREMENT & MATERIALS STORAGE	– Reduced order lead time – Increased raw material availability – Higher capacity utilization	S, M	M M
	PRODUCTION	– Higher capacity utilization – Reduced order cycle time – Increased quality	S	L H

Companies have already deployed or are implementing auto-id systems for a number of applications

- Yard Management

- Manufacturing Process/ Quality Control

- Safety, Security, Distribution Control and Theft Prevention

- In-Stock

- Value added Information Services, Upsale, Experience

- ...

AUTO-ID CENTER

- We expect consortia and third party solutions to emerge to support deployment of cross industry solutions

TYPE OF BENEFIT	BENEFITS/DEPLOYMENT COSTS (FOR INDIVIDUAL FIRMS)	
PROPRIETARY	(Unattractive)	Private Systems
COMMON	3rd Party Services	Consortia Services
	LOW	HIGH

- Performance/Price improvements in tags and readers are critical but only part of the solution
- To enable widespread deployment, the business community needs economic, reliable and scalable alternatives for
  - Data Management – capturing and storing data from auto-ids and associated data, ownership
  - Applications – Converting data to actionable business information
  - Legacy System Integration Software and Services – Integrating with current applications

WHERE TO BEGIN

- Start by value targeting. From Table 2 identify the categories of benefits most relevant

- Estimate the likely cost and benefits of deployment which are unique to each firm

- Undertake select pilots to test assumptions about technology and expected benefits

- Scale where appropriate