IDENTIFICATION • AUTOMATION • INFORMATION • COMMUNICATION • INTEGRATION

Issue No. 14 • October 2005

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Sweet success with pick & scan – Page 4

Counting on Integrity

Page 3

Bar code quality in hardware

Pages 6, 7

Walker Datavision Alliance Partner Bar coding on drugs a "no brainer" Page 7

Page 10





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Counting on Integrity (excuse the pun)

As a standards agency GS1 New Zealand knows that you, our members, count on us to have a high degree of integrity in our actions.

You entrust us with privileged knowledge of your trading activities, turnover data, pre-release products (when they come in for verification) and even commercially sensitive pricing (when we help with EANnet data loads). You also rely on us to set consensus-based standards that balance the interests of retailers and suppliers, of multinationals and New Zealand-owned companies, and of large corporates and small or medium-sized enterprises.

Most of all, you rely on us to vigorously protect and advance New Zealand interests in a global system of identification. This system helps ensure that your product can reach its intended market without mis-identification and at lowest possible cost.

At GS1 New Zealand we, in turn, rely on you for something very fundamental.

A decision taken long ago in New Zealand led to GS1 New Zealand allocating prefix numbers only (internationally, individual numbers are sometimes allocated by GS1 entities). We rely on individual member licensees to wisely allocate among their products the numbers within the number range that has been allocated to them. The integrity of the global system relies on the uniqueness of identifiers and the ability that these identifiers provide for products to be fully traced back to their manufacturers. That can only happen if the GS1 record of issued numbers accurately reflects the identity of the product manufacturer or brand owner. Chaos could reign otherwise - wrong products could be ordered, wrong product could be sold at the wrong price etc, etc.

SCAN magazine is produced quarterly for the benefit of GS1 New Zealand members. It has a circulation of approximately 5,700 readers throughout the country as well as 101 GS1 member organisations worldwide.

SCAN reaches decision-makers in a wide range of industry sectors including grocery, FMCG, healthcare, logistics, manufacturing, retailing, wholesaling and transport. Our readership includes chief executives, sales and marketing managers, account managers, brand and product managers, IT personnel, operations managers, production managers, logistics and supply chain personnel, bar coding staff and packaging coordinators.

For this reason we are very disappointed – indeed, angry - if ever we find someone selling GS1 numbers. We have become aware of one supplier to New Zealand industry who, we understand, has been passing itself off as an "agent" of GS1 New Zealand and has even fooled a prominent retailer into directing suppliers to it for receipt of one-off bar code numbers.

Quite apart from the contractual breach that trading in GS1 numbers represents, this sort of behaviour strikes at the very core of the reason for the system's existence. It seriously undermines the benefits of the GS1 number system to all legitimate licensees and it also undermines the substantial investment made in the system on their behalf.

The potential cost to you if unauthorised trading in GS1 New Zealand numbers is allowed to continue unchecked may prove to be significant. If the integrity of the GS1 New Zealand numbering system becomes open to question overseas, buyers of New Zealand products may start to question the credibility of all legitimate exporters and the true origin of their products. The costs of overcoming those credibility concerns could be high - costs that will come back to you.

I am confident that members recognise that integrity is a hallmark of their dealings with GS1 New Zealand. Please help ensure the integrity of the GS1 System. Report any instances you come across of so-called "agents" offering to provide one-off GS1 numbers. Such behaviour is damaging to all of us.

Dr Peter Stevens CHIEF EXECUTIVE

For editorial or advertising enquiries:

Please contact Amy Markham on 04 494 1062 or amy.markham@gs1nz.org. Advertising rates are on our website at www.gs1nz.org/advertising.

For copies of SCAN:

If you are a member and would like more copies of SCAN, or if you are not a member and would like to subscribe, please contact Jessica Coulson on 04 494 1050 or jessica.coulson@gs1nz.org.

"We have seen a dramatic reduction in the time required to pick product and pack consignments in our distribution operation."

RJ'S LICORICE LTD FACTORY MANAGER SEAN WILDE



RJ's Licorice Ltd makes its world-class confectionery to a winning formula. And the company has gone for the same with the new logistics system at its Levin plant.

Product handling efficiency has soared and distribution errors plummeted since the system was introduced in March. RJ's Licorice has replaced manual, paper-based processes with state-of-the-art scanning and automated documentation for sales order fulfilment, and for the tracking and tracing of consignments. It is indeed a winning logistics formula – one based on the smart use of GS1 System bar coding.

"We have seen a dramatic reduction in the time required to pick product and pack consignments in our distribution operation," says Factory Manager Sean Wilde. "And we now have hardly any errors because of checking functions built into the system."

Mr Wilde says the system will support continued high sales growth and, with more development, enable RJ's Licorice to strengthen its production management. "The old processes could not have kept pace with growth in our orders. We are now shipping from Levin up to 40 pellets of product each day."

Founded 10 years ago by the Halliwell family, RJ's Licorice is the only New Zealand-owned and operated maker of this specialist confectionery. The core ingredient is licorice paste imported from the Middle East where it is extracted from the roots of a herb known as the blue flowering snow pea. The company puts an emphasis on the high quality of its black and red licorice products, cooked to a formula that is not only winning but also a family secret!

RJ's Licorice produces almost half of all licorice sales in New Zealand, its extensive range offered throughout most food retailing chains. In addition, the company produces in increasing volumes for the most discerning of sweet-toothed consumers in Britain, United States and Australia. Exports have risen sharply to now represent around 25% of total turnover. RJ's Licorice uses Palmerston North as a distribution hub for up to 180 tonnes of product sent to domestic and international markets each month.

Mr Wilde says the company has moved to a Microsoft Navision package for all its IT, with full integration of a pick and scan system for product handling. Staff can move about the

warehouse with radio frequency scanners that receive and display details of each order entered in the system. The scanners are then used to read bar coding on cartons picked to fill each order – if the wrong product is picked, the scanner signals a mismatch with the order

The system automatically generates delivery notes that record order details and match the information held in an EAN-128 standard bar code on each carton in the consignment."We can track and trace any batch of product from the plant to the individual store in which it will be offered to consumers," says Mr Wilde. "In a recent exercise, it took just 12 minutes for us to turn up exactly that information from a batch chosen at random."

RJ's Licorice prints its own bar codes for product cartons using HEXCOM Ticket 2000 Release D on a Toshiba Tec SX4 printer. Bar codes are pre-printed on the confectionary packaging, sourced from local printers.

With the new logistics system in place, RJ's Licorice is far from done with innovation. Mr Wilde says next steps include the move to electronic consignment notes that will be exchanged with the company's freight supplier. "We can move to a paperless system very easily from this point," says Mr Wilde.

He is also keen to introduce picking and scanning of raw ingredients as they enter the plant and are used in its cooking processes. The system can readily be expanded to include production inputs as well as outputs. "At that point, I will be able to sit in the office and at any given time, see what ingredients we hold and how they are being used, as well as monitoring our finished stock position," says Mr Wilde. "Obviously there are major advantages for ordering inputs, planning production and managing working capital."

Mr Wilde says the transition to a fully integrated pick and scan system for product handling has been relatively straight forward, with staff adapting well to the change. "We had a good IT supplier and RJ's Licorice has never been scared of innovation," he says. "We've now got a logistical system that can really help drive our growth."



Study hammers home quality

A major GS1 New Zealand study in the hardware sector has underscored the importance of correctly printed bar codes on retail products.

Of more than 3100 items randomly selected in three large hardware stores, 6.8% could not be properly scanned at the



point of sale because of bar code quality problems. The most common problem was bar codes printed with insufficient light margins, or clear spaces, around the bars.

GS1 New Zealand Chief Executive Peter Stevens says the study results send a critical message to the hardware sector and, indeed, all other areas of retailing. "When bar codes are not scannable and accurate product information not readily available, retailers cease being efficient and the door is open to all manner of problems from the mis-ordering of new stock to incorrect pricing," says Dr Stevens.

The five major New Zealand hardware chains (Placemakers, Bunnings/Benchmark, Mitre 10, Carters and ITM) asked GS1 New Zealand to undertake the study after preliminary analysis in 2004 indicated the sector might have significant problems with bar code quality. Products selected at random were scanned at point of sale in the usual manner, under the watchful eye of GS1 New Zealand observers who then checked for any discrepancy between the shelf or ticket label and information subsequently recorded at the till.

The scanning performance of each product was graded "scan", "difficult" or "no scan". Any product that did not scan properly was subject to standard bar code analysis to identify the exact reason. The 6.8% rate of failure to scan was significantly higher than levels indicated in similar studies in other retail sectors.

Of the more than 3100 products in the study, 4.1% would not scan at all while a further 2.7% were in the "difficult" category. The pattern was consistent across all three stores. Of products that would not scan, 24% had bar codes with insufficient light margins while a further 21% had bar codes that were not printed to the specified height.

The five hardware chains have agreed on a collective action plan for education and targeted supplier interaction, with the aim of improving scan rates and bar code penetration. The five intend to start introducing new bar code verification processes from next February, similar to practices established in the grocery sector.

Stephen Pye, Placemakers' Group Marketing and Merchandising Manager, says: "Point of sale scanning is not a nice to have... it is a must have. Scan failure hurts the retailer, the customer and the supplier. It is great to see all five major retailers working together to solve this."

Bar Codes for Auckland - 12 October 2005 Hardware

An essential toolkit for understanding, using, designing and printing bar codes in the hardware sector.

Bar code quality is a problem in the hardware sector, evident through scanning difficulties and business inefficiencies (see left). GS1 New Zealand will deliver this seminar for anyone who is responsible for the smooth handling of hardware products along supply chains and into the market without unnecessary cost or delay.

This seminar will enable you to:

- learn how to create, allocate and manage bar code numbers
- understand relevant technical standards type, size, location etc
- receive expert comment on samples of your current bar codes
- save your business time and money by getting your bar codes right first time
- protect against possible retailer rejection of your products
- learn about relevant new technologies
- improve your supply chain and inventory control within your organisation by using bar codes properly

SEMINAR DETAILS

This seminar will be held at two locations in Auckland on Wednesday 12 October 2005:

Epsom – Alexandra Park Gate B, Greenlane Road West, Epsom 9:00am – 11:00am

North Shore – Fairway Lodge Argus Place, Takapuna 1:30pm – 3:30pm

The seminar fee is \$59 per person (incl GST).

Refreshments will be available on arrival.

Download registration details from: http://www. gs1nz.org/supplychain/documents/Barcodesfor HardwareSeminars.htm/

FOR MORE INFORMATION

For further information please contact Jessica Coulson, GS1 New Zealand, tel (04) 494 1050 or jessica.coulson@gs1nz.org

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SEMINAR

Walker Datavision now Alliance Partner

Walker Datavision, a leading provider of data acquisition and identification technologies for use in supply chain management, has become a Premium Alliance Partner of GS1 New Zealand.

GS1 New Zealand has developed the Alliance Partner Group to give leading companies the opportunity to work collaboratively with GS1 New Zealand in driving the use of global identification systems and standards, and thereby improving the management of supply and demand chains in New Zealand.

Walker Datavision, established over 20 years ago, is a leading supply chain integrator. It has over 60 consultants, technical engineers and support staff servicing some of New Zealand's largest companies.

Walker Datavision is an ideal Premium Partner because it is a highly innovative company that specialises in delivering robust solutions to industry based on international standards.

Walker Datavision Managing Director Brian Lang says GS1 New Zealand is a good fit with his company – a leading supply chain integrator and the leading data standards agency. (See feature on Walker Datavision in the forthcoming December issue of Scan).



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Foodstuffs headed for rapid EANnet rollout

The past 12 months has seen much progress with EANnet in New Zealand. So far, 42 companies have registered with GS1 New Zealand to use EANnet and two of these are now EANnet Live[™] with their Australian retailer-customers.

As Foodstuffs works through its major EANnet implementation project, many suppliers have done more than sit back and wait. For one thing, over 500 people from about 350 companies have so far done EANnet training with GS1 New Zealand.

Following the completion of an EANnet pilot scheme, Foodstuffs will undertake a phased roll out to other suppliers. Those who have yet to plan their own EANnet projects are advised to contact GS1 New Zealand immediately – surely no supplier wants to be left behind!

We are frequently asked for an update on how Foodstuffs is going. We are delighted to report that the project team – Ana Connor and David Pawson (Foodstuffs South Island), Jagdip Parag and Nigel Brown (Foodstuffs Wellington), and Peter McCormack (Foodstuffs Auckland) have been dedicated to the project – and good progress has been made.

Foodstuffs has decided to use EANnet for data synchronisation of product information, and one of the results of this will be the removal of the Universal Buying Form (UBF).

Foodstuffs will receive data from EANnet and synchronise this with the Foodstuffs Exchange[™]. Internal requirements and processes for this have been defined and development for this is well underway. Many suppliers have been awaiting the target data as a key milestone in the Foodstuffs project and this was signed off by the Steering Committee on 2 September. The relevant Technical Document 1b can be downloaded from http://www.gs1nz.org/EANnet/doc.aspx.

The next task for the three Foodstuffs companies is for each to make the back office changes it will need in order to



handle the data. While Foodstuffs has been preparing its side of EANnet implementation, the pilot suppliers have been working on their own systems and data cleansing.

Attendees of the GS1 New Zealand conference earlier this year heard Griffins Foods' ECR Manager, Jane Turner, describe the progress made by that company and the challenges it has faced. Griffins is now in a position to load data into EANnet for use by Foodstuffs. Other pilot suppliers Unilever, Colgate Palmolive and Preston Group (Mills Reef Wines) have also been working on their own projects to prepare data for Foodstuffs.

In the coming months Foodstuffs will work with these pilot suppliers to review the data loaded into EANnet and ensure alignment with its own data. After this, the parties can go live with data synchronisation. It is then anticipated that New Zealand will see its first rapid rollout of EANnet, similar to what Coles and Metcash in Australia have driven over the past 12 months.



What is data synchronisation?

"The timely, accurate and automatic updating of correct product information within and between enterprises to ensure a perfect consistent match of data between the originator and all other users of the data.

Source: ECR Australasia, Data Integrity and Synchronisation Report, 2004



Frequently asked questions

ANSWERED BY OWEN DANCE, GS1 NEW ZEALAND

Question: My US agent tells me I need "UPC's" on the products I send. Scanning in the American market now encompasses all the usual retail bar codes, does it not?

You are right, except in situations where retailers have not yet enabled their scanning systems for EAN-13 and EAN-8. Americans have been using the term "UPC" for retail bar codes since scanning began there in 1974 so it is going to take time for them to update their vocabulary. Ask your agent to clarify whether "UPC" is literally what he or she means, or whether any of the GS1 retail bar codes is acceptable. Do not be surprised if you have to explain the difference and if they have to check with their retail outlets. The so-called "Sunrise 2005" requirement for scanning capabilities at point of sale to include EAN-13 and EAN-8 took effect only last January. If you really do need UPC symbols still and do not have the necessary prefix, contact GS1 New Zealand.

Question: Why are you so fussy about terminology? Does it really matter if we say "bar code" when we mean "number"?

In fact, not everyone knows the difference between bar code and number. GS1 New Zealand regularly sees errors such as correct numbers encoded in non-GS1 bar code symbols that retail scanners cannot read, or various products within a range that all have the same bar code symbol on them – and therefore the same number being read when any of them are scanned – but different numbers printed beneath the bar code. When people talk vaguely about "bar codes" without making it clear whether they mean the number or the bar code symbol, there are bound to be misunderstandings. Products can easily end up in the market with incorrect numbers, bar codes that cannot be scanned, or both. (See also "Good bar code, bad numbers" on page 13.)



Question: Why do I almost always get different results on consecutive verification tests of the same bar code? Can I rely on the results?

Verifiers report very accurately. However, each result is based on 10 scans of the sample being tested and you will never get precisely the same 10 "slices" of bar code on consecutive scans. Some variation in the results is inevitable although they should consistently show that the same bar code either passes or fails the test. If you get results that hover around the pass/fail threshold it means that your bar code is of very marginal quality and needs improvement.

Question: I had a novel idea for a bar code and produced a small test run on which the bar codes passed verification. Then I did a production run and the bar codes failed. What went wrong?

Every print run produces a whole new bar code because it will involve at least some things being different from the previous run. Even if the same equipment and materials are used, there will be minute differences in machine settings, perhaps in the batch or mix of inks, the paper or other substrate, or just the ambient humidity or temperature. Verification also tests the reflective properties of the paper and ink and even subtle changes in these can affect the results. There is always the possibility of changes between test samples and production runs so when testing samples, you always need to look for a clear pass. Marginal passes mean that going ahead with a full run could be a risk.

FOR MORE INFORMATION

For further information contact Owen Dance on 04 494 1064 or owen.dance@gs1nz.org



Bar coding on drugs – **a "no brainer"** but still no action

I recently attended a two-day conference in Auckland where a key focus was put on health information standards. Some critical questions were being raised: Why are standards so important in this area, what is happening here and internationally, and what are New Zealand health sector leaders doing to achieve world best practises here.

The conference programme included an open discussion led by a panel of five District Health Board CIO's, with other delegates asking questions from the floor. It was a great opportunity, not to be missed and my question was: "If we all agree that global standards are a good thing, why is it that in order to get a can of baked beans or frozen peas on the supermarket shelves in New Zealand, these products must have a bar code printed on the label, yet for drugs and medicines (things that can potentially kill people) there's no requirement at all? In the United States it is the law to have bar codes printed on prescription drugs and over-the-counter (OTC) drugs and the UK is heading this way as well. Why is this?"

Interestingly, in response to my question there was general agreement from the panel that printing bar codes on packets of drugs and medicines is a "no-brainer" if we want to raise health information standards. In that case, should we not get to work here in New Zealand?

At an international level, there is a definite trend for health administration agencies to either mandate the use of bar codes on prescription and OTC drugs, or to issue strong signals that this is the way the industry is moving. The US Food and Drug Administration mandated bar codes in 2004 while Brazil (which, to some, is a third world economy) mandated bar codes on prescription drugs in 1998! Last year, Britain's National Health Service gave a clear signal that bar codes will likely become compulsory throughout England in the near future.

BY GARY HARTLEY

The fundamental reasons behind what is a global drive towards bar coding in this area are clear. Numerous studies around the world have proven conclusively that bar coding on prescription and OTC drugs;

- prevents medical errors, improves patient safety and saves lives;
- improves product authentication and helps combat counterfeiting;
- enhances the ability to track and trace drugs; and
- increases total supply chain efficiency by stripping out cost and waste.

These benefits align exactly with why many people in the New Zealand health sector regard putting bar codes on drugs as a "no-brainer". Yet nothing is happening here. Often, implementation costs, tight budgets and higher priorities are cited as barriers to adoption of scanning technology in this area and undoubtedly there is some justification for these views.

To many observers, the sector appears to be in a "chicken and egg" situation, where those who wish to derive the safety and efficiency benefits of bar code scanning cannot because too little product used in the health sector is scannable. Conversely, manufacturers do not provide scannable products because this is not a mandatory requirement and few in the sector are scanning even when bar codes are provided. Until recently, there was no data in New Zealand on the penetration of bar codes on health supplies.

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FOR MORE INFORMATION For further information please contact Gary Hartley, GS1 New Zealand, tel (04) 494 1050 or gary.hartley@gs1nz.org

GS1 New Zealand research

To provide valuable baseline data for the New Zealand health sector, GS1 New Zealand has conducted an audit on the number and types of bar codes already in use on products in the sectors supply chain. The audit was done over two days on the inventory of Health Support Limited (HSL). GS1 staff with the assistance of Walker Datavision (see page 7) examined a random sample of over 800 products (both pharmaceutical and medical devices) at all levels of packaging to determine bar code penetration.

Of the audit sample: 44% of the items examined were classified as "hospital channel"; 56% were classified as "community pharmacy channel"; and 34% were classified as "medical/surgical channel".



Key findings for unit dose items were that:

- 46% of unit dose packaging was identified with machine-readable bar codes, mostly the GS1 system; and
- 19% of medical/surgical devices were bar coded.



Key findings for packaging items were:

- The majority of items had bar codes printed on them (typically referred to as "retail packs"); and
- 88% of the bar codes identified were GS1 System bar codes.



International Comparisons

GS1 New Zealand wanted to know how New Zealand compared with the findings of similar audits in other countries?



Figure 5 Bar coding on medical and surgical products (international data from 2003)



(international data from 2003)

Data for making direct international comparisons are difficult to obtain. In the last few years, many countries have markedly increased the incidence of bar coding on pharmaceuticals and medical devices. In the UK, bar code penetration on pharmaceuticals is currently 92%. Many other countries mandate GS1 System identifiers on pharmaceuticals, including Norway, Sweden, Estonia, Thailand and India. New Zealand appears definitely behind on pharmaceuticals.

Machine-readable product identification has been identified by overseas regulators, clinicians and other industry participants as the key enabler for improving patient safety, saving lives, improving the operational efficiency of the health supply chain and lowering costs throughout the health sector. Internationally, the healthcare industry is converging around a global solution to enhance automatic product identification for the benefit of patients worldwide. Shouldn't New Zealand "get on the bus"?

Certificate Course Graduates

The Certificate in Automatic Data Capture course continues to attract high quality students from companies with a healthy regard for bar code quality. Since the last issue of SCAN the following people have successfully completed the course –

- Nicola Deacon of Ansur Ltd
- Anne Harpur of Murdoch Manufacturing
- Simon Harris of Foodstuffs (Auckland)
- Chris Prangnell, Alice Fitzgerald and Jonny Wild of GS1 New Zealand
- Halina Rehu of Goodman Fielder NZ Ltd
- Kirsten Streetley of Wyatt and Wilson Print

GS1 New Zealand wishes to apologise to Leanne Taurere and her employer Allied Domecq for mis-spelling both names in the July issue of SCAN when reporting Leanne's graduation.

The e-learn component of the course is being adopted by a growing number of GS1 organisations worldwide, including most recently GS1 Australia, as part of the induction of new technical staff members. GS1 New Zealand enjoys the distinction of being one of only a handful of GS1 member organisations to have incorporated the course into a qualification offered to non-GS1 employees, and one of the first to have done so.



R MORE INFORMATION

To register for the GS1 New Zealand's Certificate in Automatic Data Capture course, contact Owen Dance on 04 494 1064 or owen.dance@gs1nz.org



Staff **Profile**

Amy Markham

Amy Markham recently joined GS1 New Zealand as Office Administrator. Amy has previously been the office manager for a bench top manufacturing firm and had experience working in the hospitality sector. She has also been in the Royal New Zealand Air Force where she underwent training as an avionics technician. Information technology and flying are two areas of strong interest. Amy recently moved to Wellington from New Plymouth, where she was attending the Western Institute of Technology Taranaki and studying for a business diploma. She is quickly finding her feet at GS1 New Zealand and enjoying the diversity of her role. She has taken over from Andrea Fleming who was farewelled recently after four years service to the organisation.



Good bar code, bad numbers

BY OWEN DANCE

Verifiers can prove that you have a good bar code – but that is not necessarily the same as a correct bar code.

In recent months GS1 New Zealand has seen two members embarrassed after getting into dispute with trading partners who claimed that numbers on products supplied to them were wrong. In both cases, the suppliers concerned had verified their bar codes and had obtained passing grades. On this basis, the members insisted that it was their trading partners who were wrong and dispute ensued between them.

Eventually it was established that the bar codes had, indeed, passed verification but the members had not taken the extra step of checking the verification read-out to ensure the numbers in the bar codes were those that should have been there. They had read only the word "pass" and the grade – and actually, all they had done was prove that they had made a good job of making a mistake!



To make matters worse, one of the trading partners had used incorrect terminology in making its claim, adding to the confusion and delaying resolution on the underlying issue. In this case, the trading partner had notified the member that "the bar code is wrong" and the member had disputed that fact. Of course, the member was right – the bar code was a very good one, having been graded "A" on the verification test. It was the number that was wrong but thanks to the poor choice of words in the first communication, the actual facts of the situation took another day or more to emerge.

The moral? Verifiers can only tell you whether you have a good bar code. You must make additional observations to ensure that it is also a correct bar code.

Exporting Quality to Asia-Pacific

GS1 technical consultant Raman Chhima is increasingly recognised as an authority on issues of bar code print quality in the Asia Pacific region. Raman was called on to give a seminar in Singapore during July to help promote bar code testing based on ISO standards and the GS1 General Specifications.



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The seminar, hosted by GS1 Singapore was attended by 17 delegates from seven regional GS1 organisations. The importance of the event was endorsed by GS1 and GS1 Australia, who sent material for discussion and presentation.

The invitation and funding for Raman's presentation is very positive recognition of his knowledge and experience, and of initiatives taken within New Zealand's grocery sector. This country and Australia are recognised throughout the GS1 international network for their expertise in applying the GS1 General Specifications in a range of "real world" situations.

The specifications now include use of ISO testing equipment and testing methodology, and their promotion by regional GS1 organisations should lead to improvements in the print quality of bar codes on products that are subsequently imported into New Zealand.

Many New Zealand importers, brand owners and retailers are concerned at the poor quality of bar codes on products manufactured overseas. Some GS1 New Zealand members have clearly documented bar code quality requirements into their supply contracts but others struggle with "over labelling" or the need to repackage once products arrive here.

FOR MORE INFORMATION

If you are interested in documenting bar code quality requirements into supplier agreements, Raman Chhima will be able to assist. Contact him on, tel 04 494 1065 or raman.chhima@gs1nz.org



INFORMATION, STANDARDS, CHALLENGES

John Albertson

Retailers Association Chief Executive

Information is increasingly the key to success for retailers in the modern economy. And to make use of vast amounts of information, retailers must have the right standards and technology. That is exactly what the GSI System provides.

The rising importance of information reflects a fundamental shift in economic power between retailers and consumers over the past 15 years. Today, consumer choice is clearly the dominant factor in the consumer-retailer relationship – choice of products, product quality, brands, prices, shop types, payment method and so on. Back in the 1970s and 80s, power was more in the hands of retailers as they took advantage of deregulation and of new concepts like the shopping mall. Further back in time, it was product manufacturers who held the power by virtue of industry regulation, import controls and product scarcity.

> The same shift of power along the supply chain has occurred in modern economies worldwide since the 1950s, accompanied by sustained growth in the size of retail markets. In New Zealand, annual retail turnover has now reached \$55 billion – a figure 50% higher than the value of the country's exports. We have around 49,000 shops in total, 165 national chains and 300,000-plus people employed in the retail sector. Retailing is absolutely central to the New Zealand economy – and to everyone's lives!

The growth of retailing and the power held by consumers puts individual retailers under enormous competitive pressure. They know customer loyalty must be constantly earned – if shop A does not have what a customer wants, shop B will and the customer will not come back. Retailers SCAN reports on two keynote presentations to the GS1 New Zealand conference in May.

must constantly listen to customers and match offering with demand, even anticipated demand.

Information has become a critical currency – information on customer demographics, purchasing patterns and future preferences, current and new products, and competitors' behaviour. Only with such information can retailers really understand their customers and the market. In the UK, for instance, food chain Sainsburys collected and analysed data on what customers in its loyalty programme were buying over a 13-month period, down to each stock item purchased.

But, of course, vast amounts of information can only be of use when collected and organised in a highly-structured way. Data must be accurate and available to meaningful analysis – and ultimately, it has value only as the basis for informed decision making. Information standards and technology are critical for linking data to good decisions on market positioning and customer service.

Other types of information are critical as well, especially information on supply chains from the manufacturer to the customer. Today, it is almost inconceivable to think of complex supply changes working without bar coding on products and scanning at the right locations – in other words, the use of common standards-based languages and technology. Increasingly, retailers see the value to them of efficient, lower cost supply chains – an area of focus that can improve stock turn, cut stock wastage and take pressure off retail margins.

Bar coding is very much the cornerstone of information gathering and sharing in the retail sector for all these purposes – and the GS1 System is the leader in bar coding, especially with tracking and traceability. The GS1 System also provides a foundation for retailers' expanding use of automatic ordering, messaging and other value-adding functions. We live in an increasingly global economy, with wide diversity of product sources and customers who are everywhere – and that is all the more reason for standards and technology that are equally global and able to be used by suppliers and customers everywhere. Grocery suppliers are responding to major challenges posed by consolidation and change in the food retailing sector. Their margins are under pressure but amidst the developments in retail, they can also see positive opportunities.

Suppliers are looking for more, mutually-beneficial collaboration with retailers and others, and they are linking their efforts in product innovation more closely to market and category requirements. They are also striving to make their response times consistently faster and to take more cost out of supply chains.

New Zealand food retailing is following the same trends evident in Australia, Europe and the UK. Internationally, the sector is seeing greater differentiation in retail formats, with "hard discounters" like the German-based Aldi group having emerged at one end of the spectrum, and greater differentiation within product and brand categories. There is a particularly strong trend towards private label brands. One study in 2003 showed double-digit annual sales growth in such brands in almost half of the 36 markets that were studied. Everywhere, competition among retailers is becoming more intense and margins are coming under more pressure.

This country is somewhat behind others in several of the key trends. We have yet to see hard discounting establish here, although it has arrived in Australia. We, as yet, lack the clear differentiation in formats evident elsewhere, and over-ranging and over-promotion are still significant features of the local grocery retailing scene. Private labels are still a sleeping force although one starting to awaken. Relationship style remains a source of competitive advantage for retailers, although this too is changing.

The growth of the single trans-Tasman market will help push New Zealand in the same direction as Europe, as will consolidation among food retailing groups. With the move from three groups to two in recent times, we are seeing much greater standardisation and transparency in supplier terms of trade and, with this, a renewed focus on cost reduction throughout supply chains.

Consolidation has opened the way for retailing to be based on greater insight into consumer wants and needs, and

14

Tony Nowell

Chairman of the New Zealand Food & Grocery Council, and Managing Director of Griffin's Foods

on stronger category management. The accuracy and timeliness of information flows will become increasingly important. Over time, we will see divergence in retailing formats and more meaningful differentiation in products and brands - and at the same time, less promotional complexity.

New Zealand suppliers, meanwhile, continue to contend with the constraints of a relatively small market and what is, in manufacturing terms, a "low run" production economy. Grocery items are generally produced in expensive short runs, with frequent changeovers adding cost and complexity. These factors inhibit new product development and new investment in plant. Re-capitalisation can be very hard to justify in this market. Moreover, production planning is complicated by the spiking nature of local demand and suppliers are confronted with unsustainably high television advertising rates when it comes to product promotion.

These are all underlying pressures as suppliers respond to consolidation and change in the retailing sector. More than ever, the focus is on cost competitiveness in the sourcing of inputs, locally and internationally, and on creating supply chain functions that recognise the balance of costs between all parties involved. Suppliers are ready to embrace opportunities for collaboration and even integration with retailers. The shift towards "net net terms" in trading relationships is an example: suppliers and retailers agree to terms over a longer period, based on mutual recognition of market trends and planned promotions.

Overall, suppliers are evolving policies and practices that reflect the new realities of the FMCG* world and the need for rapid responsiveness in every element of the supply chain.

* Fast moving consumer goods



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