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Supply Chain Management From orchard

> New Zealand's largest exporter of apples and pears traces produce back to its source. Find out how.

Automating receipt of goods We look at what's happening in Brazil with receipt automation.

EAN Consulting -tendering for IT projects Glenn Powell of EAN New Zealand provides some advice on tendering.



Margaret Fitzgerald CHIEF EXECUTIVE

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FROM THE Chief Executive's

Recently EAN International celebrated its 25th anniversary. It was a mere quarter of a century ago when manufacture's and retailers from 12 European countries came together to pioneer what has effectively become a new global language for business. Today these practices fuel close to 1,000,000 member companies in more than 100 countries.

Our International Chief Executive Brian Smith, who began his career with EAN New Zealand, has been with the organisation for a good number of those 25 years. When reflecting on the previous years he had this to say: "We have been fortunate in that our business is inextricably linked to both one of the oldest activities on the planet, the supply chain and one of the newer, the computer industry".

This statement very neatly helps define the reason the objectives or goals of the organisation have not changed radically during that time. EAN as an organisation continues to focus on activities within the supply chain. The massive changes in the computer industry have ensured there is a continual need for new standard developments such as RFID protocols, XML messages and Reduced Space Symbology bar codes.

EAN New Zealand is committed to ensuring our members are kept up to date and are at the leading edge of all the developments occurring, many of which you can read about in the following pages of your SCAN magazine.

I would like to make mention of and congratulate the 74 companies that have signed up for the accreditation programme. This does involve some hard work and yet we know from the feedback these companies have provided that they have found it an instructive and worthwhile process, providing both financial and training returns on the investment.

I would also like to direct your attention to the articles on verification. We are now back on track with our 48-hour turnaround and many of your comments and suggestions have been taken on board to improve our processes here in EAN New Zealand and provide our members with the best possible service.

I trust you find this issue of SCAN informative and enjoyable to read.

FEATURE ARTICLES:

Tendering for IT projects on page 4 Glenn Powell from EAN New Zealand tells you how EAN Consulting can help businesses define and tender for IT upgrades.
Automating receipt of goods on page 5 A number of organisations are making exciting progress on automated receipt of goods. This article explores what is happening.
EAN 128 – from the orchard to the supermarket on page 6 New Zealand's largest exporter of apples and pears is a New Zealand leader in tracing fresh produce back to its source.

REGULAR COLUMNS

EAN Accreditation on page 8 – SCAN clarifies EAN accreditation and talks about how one manufacturer is benefiting from it.

E-Commerce on page 10 – An update on EANnet.

Verification News on page 11 – Simplifying verification requirements.

Health Sector on page 12 - SCAN investigates the use of EAN systems in the health sector around the world.

Bar Code Basics on page 14 – A caution for exporters to North America.

EAN New Zealand is part of a global network of numbering organisations operating in 128 countries that services close to one million member companies in the retail and manufacturing sectors using the EAN-UCC system. EAN numbers represented as bar codes enable capture and communication of vital supply chain management information.

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For information on advertising in this magazine contact Andrea Fleming on 64 (4) 801 2892 or email andrea.fleming@ean.co.nz

25 years on the EAN story

1977 to 2002: 25 Years of EAN How the humble bar code has become the backbone of e-commerce

A quarter of a century ago, manufacturers and retailers from 12 European countries came together to try to change the face of retailing.

Their initial focus was developing a universal bar code system to simplify and speed up the processing of goods, but their actual achievements go well beyond that.

From those early origins, EAN International and its member organisations have pioneered a new global language for business. As well as finding new applications for bar codes and "smart" bar codes (radio frequency identification tags, for example), giant strides have been made in developing and standardising business communication.

Electronic commerce is rapidly changing the way we do business, and EAN International has been at the forefront of standardising business communication through two methods:

• **EDI:** This EAN standard enables data transfer from one computer application to another by electronic means and without human intervention. As just one example, EANcom (a subset of EDI-FACT, the internationally known United Nations system) has recently been chosen by the Swedish public sector as the basis for its e-commerce project.

XML (extensible mark up language): EAN and the UCC have produced the world's first full and open global standards for XML to enable users to conduct Internet-based e-commerce. It can also seamlessly communicate with EDI.

To celebrate 25 years of EAN, we look at the early development of bar codes and some of the highlights through the years.

Did you know?

- EAN-UCC standards are the world's leading system for efficient global commerce, with more than five billion scanning transactions a day serving more than 23 major industry sectors.
- Scanners can record data five to seven times faster than a skilled typist. While manual entry methods average one mistake for every 300 keystrokes, misread bar symbols occur somewhere between one time in a million transactions and one in four trillion.
- The first practical applications of radio frequency identification (RFID) date back to World War II. The British military needed to distinguish between its own and enemy aircraft its IFF (Identity: Friend or Foe) system placed a transponder on "friendlies".
- The first commercial use of RFID was livestock tagging in the 1970s.



MILESTONES

1952

A patent was granted for the "bull's eye symbol" (a series of concentric circles) to a Philadelphia man, Norman Woodland, who had been working on a system to automatically read product information at the checkout. Norman created a linear bar code by experimenting with Morse code: "I just extended the dots and dashes downwards and made narrow lines and wide lines out of them".

1950s

Railroad companies began the first industrial trials of a bar code tracking method, imprinting codes on the sides of cars to track their whereabouts.

1969

General Motors' Pontiac plant, in Michigan, installed the first true bar code system.

1969

An industry-wide bar code system was developed by the US grocery industry and the Universal Product Code (UPC) symbol was created.

1974

Manufacturers and distributors from 12 European countries got together to look at developing a standard numbering system. While UPC concentrated on retail point of sale, the European group turned this into an international concept by focusing on the supply chain.

1977

The EAN association was formed as a not-for-profit, international association based in Brussels. Membership was quickly extended to organisations from other continents.

Late 1990s

Electronic data interchange (EDI) and Extensible mark up language (XML) were developed by EAN International to assist global e-commerce.

EAN International and North America's Uniform Code Council spearheaded the development of global standards for RFID to facilitate global trade by tracking moving goods around the world.

2001

Reduced Space Symbology (RSS), a form of bar coding used where there are space constraints (e.g. on single doses of medicine or on fresh fruit and vegetables), gets its first commercial use.

Tendering for IT projects

What to ask for and how to compare by Glenn Powell, EAN New Zealand

Being the supply chain management consultant for EAN New Zealand puts me in a great position to work and talk with many of our members about business and supply chain issues, in particular when purchasing ERP systems, integration software, scanning technology and manufacturing automation.

Too often I've heard comments like:

"The quotes we have received are poles apart. How do I compare all his stuff?"

``The suppliers all talk jargon that we don't understand.''

<code>``Isn't</code> there someone who will help us, not just sell to us?"

``What do I really need? What is available?'' $% \mathcal{T}_{\mathcal{T}}^{(n)}$

I hope this article will help minimise common problems with one-off purchases of IT systems.

In many cases, it will be cheaper and more effective to obtain independent, nonbiased advice from an independent body such as EAN Consulting to work through the issues and process.

A typical example

You are a small to medium-sized New Zealand manufacturer who needs to upgrade IT infrastructure (both hardware and software). Where do you start? What do you do? How should you do it?

STEP 1 — Define your business objectives. The most important aspect of this or any project is to understand clearly why you are doing it, and to develop an excellent understanding of all current and future requirements.

Is there a compelling need or event that needs to be addressed? For example:

- e-commerce requests by trading partners
- the need to adopt EAN bar code standards for inventory controls
- cost reduction expectations for inventory variance reduction
- improved sales order processing
- improved manufacturing controls.

STEP 2 — Define the scope of each key task/objective, including the real requirements of each task, and what must be "specifically included" and "specifically excluded".

This is the most common reason for a project failing, and is where an independent advisor can be of greatest help.

Define the requirements and boundaries for each unique issue. For example:

- "online ordering is a requirement, but visibility of stock online is excluded"
- "must use EAN bar-code standards for inventory controls"
- "global e-commerce standards must be implemented (e.g. EANcom)"
- how much and what historical data is to be carried forward.

STEP 3 — Explore the market, getting a good sense of the products, services and suppliers in the market. An independent advisor can be invaluable here. Talk to your business partners or trading partners.

STEP 4 — Develop a requirements specification.

The data from steps 1-3 will allow you to develop a clear and concise requirements specification that you will submit to all potential vendors to ensure that all the tenderers supply information that enables you to "compare apples with apples".

A good tool is the development of a "Vendor Costing Template" that you ask all suppliers to complete and return with their response.

Your advisor will help you develop a template that requires vendors to respond in the same format to:

- a list of all your business requirements
- details of each requirement
- quantities required (users, PCs, outlet ports, software, etc.)
- data back-up requirements.

STEP 5 — Select the potential suppliers . The most common approach is to brief each potential vendor individually and invite them to prepare a proposal, or you can set up a meeting with all the suppliers at the same time. This ensures that all parties are given exactly the same brief and appreciate that there is competition. Outside of that process, all suppliers are welcome to ask questions and to advise and quote on alternatives that can be analysed separately.

STEP 6 — Analyse the proposals. This process must be done with care, as many suppliers will say "yes" to every requirement! Your independent advisor can help you look for signs of which vendor:

- best understands your business
- has best addressed all requirements
- has provided honest and thoughtful responses

• has good references and a proven track record.

STEP 7 — Short list.

After the selection of the potential suppliers it is critical that you have a full demonstration of each supplier's capabilities.

At this stage, watch out for things like suppliers casually saying:

- "Oh, we would need to customise that a little." This usually means, "We can't do that, but if you sign an blank cheque we'll think of something"
- "Of course our software supports bar coding." The supplier must demonstrate how this is done – and that they meet EAN standards.

STEP 8 — Selection of supplier. Once the previous seven steps are completed, your independent advisor will help you find the best answer, based on the combination of the data you have gathered plus your managerial "gut feel" about who you think you can best work with.

Summary

All – and I mean all – projects finish differently from how they were intended at the start. Nonetheless, you can keep your project on track if you remember the following key points:

- Understand exactly what you need.
- Specify to your suppliers exactly what you need.
- Do not let your suppliers quote on what they think you need.
- Get independent advice. EAN Consulting is one choice. We are non- partisan and we are here to help.

FOR MORE INFORMATION ...

EAN Consultancy, contact Glenn Powell 021 711 070 or glenn.powell@ean.co.nz

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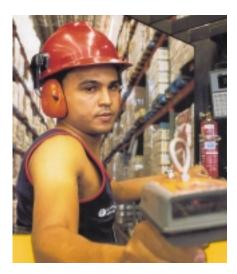
Automating receipt of goods

A number of New Zealand firms are making exciting progress on automated receipt of goods — a prime example being Foodstuffs (South Island) Ltd's Christchurch distribution centre for chilled and frozen goods, which runs its highly automated systems based on EAN 128 bar codes (see SCAN magazine, December 2001). In some countries the automated receipt of goods is even more widespread, with a range of industries getting involved. This article looks at what's happening in Brazil (with our thanks to EAN Brazil's magazine for this information).

Greater efficiency, cost saving, better quality information ... the list of benefits goes on for a number of Brazilian companies that have boosted their investment in automated goods receipt.

EAN Brazil's Business Solutions Manager Roberto Matsubayashi says that manufacturers as well as retailers, wholesalers, carriers and distributors are all recognising that the shift away from physical handling and keying in of data in the process stage has innumerable advantages.

"It all leads to cost reduction in the whole operation and, therefore, a real benefit to the market," Roberto says. "And that's not to mention the speed and efficiency of the whole process, which also brings a large benefit to the consumer."



Helping the supermarkets

Grupo Sonae is a case in point. It operates a chain of 180 supermarkets supplied by six distribution centres. The largest supermarket accepts around 5,000 receipts per day.

The group's Technology Director says that using bar codes and remitting information via radio-frequency tags ensure efficiency, speed and reliability that couldn't be attained with manual systems.

"With the structure we have today, it would be impossible to operate efficiently without integrated automation."

Integration between manufacturers and suppliers

Souza Cruz, a large cigarette manufacturer, has also got stuck-in to automate its receipt and storage areas, implementing new systems in the middle of last year. Now, when raw materials come into the factory, the system defines a specific location for each raw material group and optimises its storage.

Souza Cruz finds that the advantages from automating goods receipt haven't stopped there. It's also reaping the rewards of better organisation and availability of warehoused materials, as well as more efficient moving of raw materials.

Meanwhile, shoe factory Azaleia has brought in the EAN-UCC system of codification "in order to have an universal language and remain in tune with globalisation". The company, which is hooked up with around 1,200 suppliers, says the most important change was in the quality of information. "All products received are identified according to rules established by the companies. We don't need to key in the information any more."

Data reliability tops for wholesaler

For wholesaler Makro, time-saving is an obvious benefit of automating goods receipt — but data reliability is even more important.

With 36 stores in 19 states, Makro receives around 60,000 invoices a month. It carries out all deliveries directly to stores rather than using distribution centres.

"Automation enables us to fully trust the information on the products at the very moment of receiving such information," says Makro's Computer Systems Director.

EAN Consultancy Services can assist with feasibility studies, business cases, tendering processes and the implementation of automatic goods receipt.

FOR MORE INFORMATION...

... on using the EAN·UCC system for automating the supply chain, contact Glenn Powell of EAN New Zealand on 021 711 070 or glenn.powell@ean.co.nz



FAQ:

I have a promotional item on the market. Do I need to allocate a new bar code?

Answer:

If you are promoting a trade item and your promotion affects its size and/or weight, then you'll need to allocate a separate, unique Global Trade Item Number (GTIN) to the product. For example:

- the product you're promoting has a free gift attached (such as a chocolate bar over-wrapped on a magazine, or a sample of conditioner stuck to a bottle of shampoo)
- you're offering a larger amount for the same price, such as "20% more for free". This applies where the price reduction is explicitly stated on the packaging.

You don't need a new GTIN for other promotions like money-off coupons, free gifts inside, "send for" offers and competition offers.

A separate GTIN must be allocated for the trade item if it must be distinguished for effective ordering, handling and tracking (e.g. promotions restricted to geographical areas or that are date specific or have different languages on the package).

By the way, when a product is obsolete or has been discontinued, its GTIN can be reallocated three years after the original product was last supplied (although, of course, you should wait longer for items such as steel – for example, with a longer shelf life). That also applies to GTINs allocated for promotional items.



EAN 128 - From the orchard to the supermarket: ENZA traceability case study

New Zealand's largest exporter of apples and pears is a New Zealand leader in the ability to trace fresh produce back to its source.

Consumer demand and the promise of international regulations were key drivers behind ENZAFRUIT's early adoption of the EAN-UCC bar coding system for traceability purposes.

ENZA's fruit can be tracked from the orchard in New Zealand to the supermarket in any one of its many export destinations.

Every carton and pallet that leaves an ENZA packhouse carries an EAN 128 bar code as its shipping label. This means that ENZA complies with the traceability requirements recently adopted by the United Nations, European Union and other authorities – not to mention the demands of actual customers for full traceability of product.

According to ENZAFRUIT spokesperson Kylie Hawker, ENZA moved to export all of its fruit in a palletised form in 1996 and, from inception, pallets were identified by an EAN bar code. The use of EAN bar codes on individual cartons started in 1997.

"Pallet bar codes are an essential part of our logistics management," Kylie Hawker says.

"The bar codes are used to identify individual pallets every time they move through the logistics chain."

ENZA exported some 12 million cartons of fruit last year, and enjoyed a

turnover of around \$600 million.

Kylie Hawker says customer demand for traceability is growing fast.

"Several of our customers in the UK, for example, insist on verified information about the origin of the fruit, packhouse and logistical information."

Kylie Hawker explains that pallet cards are supplied by ENZAFRUIT, and contain a unique pre-printed EAN bar code. Bar codes for carton end panels are printed and applied by the packhouse during the packing process.

"These two forms of bar coding allow traceability to be maintained for all ENZAFRUIT product at a pallet level as well as an individual carton level.

"Packers apply a bar code to every carton as soon as it is packed," Kylie Hawker says. "This identifies key information about the fruit in that carton including the country in which it was grown, the exporter, the variety, size and pack type, the packer and a unique product line number that uniquely identifies the line of fruit.

"From this information, the packer can identify the time and date the fruit was packed, as well as the name of the grower. Having this information bar coded on each carton ensures that it travels with the carton from the packer to the final point of sale." Kylie Hawker says each pallet bar code means that every time a pallet is moved during the logistics process it can be scanned.

"All information about fruit on the pallet can be verified at each scan. As well as tracking each pallet, it ensures that the right pallet is delivered to the right market."

Meanwhile, another New Zealand produce exporter, ZESPRI, is trialling the use of EAN 128 bar codes, with the aim of creating an industry standard for the bar coding of kiwifruit packs that can be implemented in 2003. (See SCAN, April 2002.)

- The ZESPRI project's vision is to: • meet global track-and-trace
- requirements through a universally readable bar code
- refine ZESPRI's track-and-trace system to a world-class standard at individual pack level
- add value to inventory management for ZESPRI, suppliers and offshore.

FOR MORE INFORMATION...

...on using the EAN system for traceability in your supply chain, contact Glenn Powell at EAN New Zealand on 021 711 070 or glenn.powell@ean.co.nz

What is EAN 128?

The EAN-UCC 128 bar code allows users to encode a wealth of extra information about a product in addition to its identification number.

EAN 128 uses Application Identifiers — prefixes that pre-define the type of information included in a particular bar code. Examples are batch number, sell-by date, serial number, measurements and quantities.

The benefits include efficient supply chain management from raw material supplier to final consumer, improved traceability and better inventory control.

DIARY NOTE

EAN will run a half-day seminar on **"Improving** Efficiencies on the Supply Chain with EAN 128" on 27, 28 and 29 November in the three main centres, which will include traceability as a topic. For more information contact Anna Jones on (64) 4 801 0833 or email anna.jones@ean.co.nz or visit www.ean.co.nz

What is traceability?

"Can you prove that this apple is really GE-free?"

"How do I know this beef didn't come from a mad cow?" To answer questions like those, New Zealand exporters need "traceability".

Consumer concern has grown to the point now where food safety - or the lack of it - has the potential to act as a significant barrier to global trade.

Traceability of products is based on the ability to identify products uniquely at any one point in the supply chain.

The traceability issue emerged over 30 years ago in the quality management of aerospace industry assembly lines, with one of the first published articles on the topic coming from a senior NASA quality-control specialist. In 1987, the traceability concept was incorporated into the ISO quality systems, and remains in ISO 9001/2000.

Traceability consists of a set of practices that can be adopted by any sector of the economy to make available all essential information about its products: from the raw materials used and their transport to the time the products are sold or arrive for purchase by the end consumer.

Ideal traceability is achieved when each product (including its materials) brings with it, by means of codes, information about its origin, handling, the employees or machines that made contact with it, and how it was transported and stored by the retailer.

EAN International has been developing the EAN-UCC system to fulfil traceability needs since the construction of the UCC/EAN 128 bar code standard in February 1989. Today, the EAN-UCC system applications allow full traceability through the entire supply chain.

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Walker Datavision delivers and integrates world class frontline information solutions.

Our Products and Services include:

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- Batch and Radio Frequency Data Acquisition
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- Online Label Print Application

One of Walker Datavision's strengths is our ability to design and implement solutions based on the products provided by strategic suppliers: Zebra, Datamax, Symbol, Intermec, FoxIV

Contact us on 0800 522 357

Europe adopts EAN standards for traceability

The United Nations Economic Commission for Europe has endorsed the EAN·UCC system for bar coding, electronic trading, traceability and electronic certification of beef, fruit and vegetables that are traded internationally.

The EAN-UCC system is also a key tool for meeting the European Commission regulation that requires compulsory labelling of beef and beef products throughout the supply chain.

The regulation has been in effect since January 2001 in order to regain consumer confidence in beef products following the "mad cow disease" scare. It aims to ensure that there is a traceable link between meat products and the individual animal or group of animals concerned.

According to Rosemary Durcan, Executive-Food Traceability, EAN Ireland, the EU labelling regulation goes one step further than many countries' existing systems.

"The Irish bovine animal identification and tracing system, for example, includes ear tagging, cattle passports, farm records and a computerised cattle movement monitoring system (CCMS)," Rosemary Durcan says.

"However, the new EU regulation also requires all fresh, chilled and frozen beef cuts and minced beef products to carry compulsory labelling. This information allows the consumer to make an informed choice when purchasing beef products."

The EAN-UCC system uses the EAN 128 bar code technology to encode information about the beef products at each stage in the supply chain. The combination of bar code labels and scanners allows real-time data capture, resulting in increased efficiency and reduced costs within the beef supply chain.

The system will also allow prompt action to remove products from sale should the need arise, Rosemary Durcan says.

"This enables market players to protect their brand and company reputations, guarantee product assurance, maintain consumer confidence and develop markets."

The global EAN·UCC standard has already been adopted successfully by the meat trade in Germany and Australia. France, Sweden, the Netherlands and Brazil are currently adopting the standard.

EAN-based standards are also coming to the fore in health systems around the world. "Traceability in my sector today is carried out through electronic dockets with bar codes, using EAN standards," says Flavio Murachovsky, leader of the health informatics section of a large hospital in Brazil.

In the US, safety concerns have led to traceability systems being designed for the aircraft and automotive industries.

More information, including case studies, on using the EAN-UCC system in the beef and produce supply chain is available on the EAN International website (www.ean-int.org).





Manufacturer gains from accreditation

"GOOD BAR CODES GUARANTEED", says Greg Shipton from Goodman Fielder

Wholemeat

Goodman Fielder New Zealand Ltd is one of the largest New Zealand firms so far to undertake the EAN accreditation programme, and is now well down the path to achieving accreditation.

Goodman Fielder owns some of New Zealand's best-known brands: Bluebird, Ernest Adams, Irvines, Uncle Tobys, Fleming's, Diamond, Edmonds, Quality Bakers, Champion Flour Mills and MeadowLea Foods.

The driving forces behind Goodman Fielder's decision to become accredited were the mandatory verification requirement of the major retailers, plus the ANZFA-imposed labelling changes, according to Packaging Development Manager Greg Shipton.

"The ANZFA rules alone mean that more than 1,000 lines have had to be redesigned," Greg says. "The cost of verifying all of the affected packaging through EAN would be well up into five figures."

Instead, accreditation will enable Goodman Fielder to verify its own bar

codes – saving on the cost of verification reports, and also preventing mistakes and costly re-work of design and packaging.

"Better control of quality is a key benefit. The accreditation process has enabled



us to drive our quality systems right back up the supply chain that delivers our packaging," Greg says.

"For example, when we held our accreditation training day, we invited our pre-press supplier and several designers to come along.

"We're now seeing it as a real advantage to deal with accredited suppliers. Most of our suppliers have been very positive about becoming accredited.

"When a supplier embraces EAN accreditation, we take that as an indicator of its proactiveness and desire to be a world-class operator."

Accreditation has also focused Goodman Fielder on the quality of its in-house printing.

 $``It's \ a \ lot \ of \ work,'' \ Greg \ says. ``We \ could \ have \ decided \ it's \ all \ too \ hard \ and \ resisted.$

icsDura-label

"However, Goodman Fielder is a leading food manufacturer and marketer, and we want to make our

contribution to the operational effectiveness of the supply chain. Quite apart from financial savings to us, the EAN accreditation process was arguably justifiable

from that perspective alone".

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FOR MORE INFORMATION ...

...on becoming EAN accredited please contact Vicki Palmer-Neals on 04 801 2897

RFID makes waves in New Zealand

EAN New Zealand has succeeded in ensuring a favourable regulatory environment for GTAG[™] in New Zealand, opening the way for field trials in this country.

GTAG[™] is the proposed open, global EAN-based standard for radio frequency identification (RFID) technology.

Following an application by EAN New Zealand, the Ministry of Economic Development has clarified the right to use RFID devices in the frequency and power range required for GTAG[™] standards.

"This opens the way for New Zealand firms to conduct trials of GTAG™ systems," says Raman Chhima of EAN New Zealand's customer services. Raman is the secretary of the international GTAG $^{\rm TM}$ project that is creating EAN-compatible open, global standards for RFID.

"The proactive stance of EAN New Zealand resulted directly in confirmation that GTAG™ trials can proceed," Raman says. "Our efforts ensured that the right bandwidth and power levels are available in this country."

New Zealand's radio-frequency regulations accommodate passive UHF RFID systems in the band 864-868.1MHz, with a maximum power level of 4W eirp.

The trial should be based on $GTAG^{TM}$, the international standard for RFID, which has been developed by EAN International and the Uniform Code Council (UCC). The GTAG[™] specifications are designed to maximise flexibility to meet individual needs in the supply chain, while ensuring that tags applied at source by the manufacturer are readable by any company in any country, in any industry sector and by any application.

GTAG[™] ensures consistency with existing item numbering schemes by using the standardised EAN·UCC system.

FOR MORE INFORMATION...

EAN members interested in setting up an RFID trial are requested to contact Raman Chhima (64) 4 801 0833 or raman.chhima@ean.co.nz).

Accredited manufacturers can recover their investment in accreditation almost immediately

Obtaining EAN accreditation through the EANacert programme is worth its weight in dollars and sense (pun intended).

Accreditation costs \$3,200 initially plus the cost of a verifier, which can be from \$3,500. Annual licensing is then \$650 per year.

"But the payoff can be very high and very quick," says Owen Dance, EAN New Zealand's Accreditation Co-ordinator.

"For a start, the accreditation fee includes as many staff as the firm wishes to send to our full-day training course – from operations staff to buyers and sellers.

"That course is more comprehensive than our basic seminars, and is tailored to each company's specific needs.

"One company paid for the whole accreditation process through training alone," Owen says.

"But the real savings for manufacturers come simply from getting bar codes right before producing packages and labels. Accredited manufacturers save costs on re-design, new film plates, printing new labels, making new packages, re-labelling and repackaging," Owen says.

"Then, of course, there are the savings from ensuring products can go straight to market without delays due to correcting bar code errors."

The direct financial advantages build up steadily once accreditation is achieved. **As only accredited manufacturers are licensed to issue EAN verification reports, they can save on the costs of verification reports** – and the doubled costs of repeating the tests after any failures — since they can produce verification reports for their own products without having to go through EAN. Accredited suppliers cannot issue EAN verification reports, but can minimise the risks and costs of producing bad quality bar codes.

"Allowing for a member's 10 free verifications per year, any manufacturer with 18 items per year - each with a product, inner and outer - sent to EAN for verification would recover their annual licensing fee," Owen points out.

Even small firms – for which the time and expense may initially seem a hurdle - are finding accreditation to be a major "point of difference".

Currently 15 companies have achieved accreditation by EAN New Zealand: Adhesif Print EAP Filmpack (Auckland)

Amcor Cartons Australasia (Auckland, Lower Hutt & Christchurch) Carter Holt Harvey Packaging Case Central (Levin) Carter Holt Harvey Paper Bag Coca-Cola Amatil Sealed Air New Zealand Ltd (Porirua) Hally Labels Ltd Auckland Hally Labels Ltd Christchurch Huhtumaki Packaging (Henderson) Huhtumaki Packaging (New Lynn) Jenkins Labels Leading Label Company Ltd Montana Wines **PSM Healthcare** Visy Board NZ and another 59 are undertaking the

accreditation process.



Good bar codes by design

Disagreements over just who is responsible for the quality of bar codes are by no means confined to New Zealand. Tendenze, the magazine of the Italian EAN organisation Indicod, reported just such a debate last year.

The consensus in Italy seems to be that the manufacturer has ultimate responsibility.

But New Zealand's manufacturers, designers and printers seem to be displaying more teamwork than some of their Italian counterparts. Many New Zealand designers and printers are taking a hands-on approach to bar code quality, and thereby adding value to their manufacturing clients.

"Designers do play an important role because we're in charge of the packaging, the placement and colour used with the bar codes. But we are also reliant on the printer doing his job well," explains Peter Miller, co-founder of well known Auckland graphic design company Designmill.

He says designing bar codes on new packaging materials such as plastic laminates, foil packaging and vacuum pack pouches (for fresh soups and pasta sauces) is particularly tricky.

"Each process gives a different reproduction quality of the bar code. Therefore the size of the bar code that the printer can print to EAN-approved standards is critical, and the designer must find out this information from the printer direct. The designer must also obviously position the bar code correctly within exact tolerances, such as light margins and correct colours.

"The printer must also reproduce the bar code so it meets EAN approval standards, and this includes critical exposures at the film and plate stages.

"The client should check every stage — even obtaining checks from EAN."

Tony Cheetham, owner of Bar Code Technology and Beyond Imaging in Auckland, says a big problem is that there are lots of Mac operators using off-the-shelf software to punch out new bar codes for manufacturers. These operators are not specialists, and wouldn't know a good bar code from a rotten one. "It's just a bunch of vertical lines to them."

Also, the fact that manufacturers have in the past not been demanding about bar code quality means there are still lots of faulty bar codes out there.

Now, however, with the supermarket chains demanding EAN verification reports, the manufacturers are having to sit up and take notice.

<code>``Momentum</code> (on the issue of standards) is building," Tony says.

We spoke to one New Zealand printer who sees bar codes as everybody's issue: "Everyone has to be talking the same language, and working to the same rules. That means everyone has a responsibility to do their part well."

According to Fiona Arthur, Product Manager Nutrition Solutions for Heinz Wattie Australasia Ltd, the manufacturer has the responsibility of ensuring the bar code is right – but manufacturers rely on suppliers understanding EAN rules.

"At the end of the day, it's the person who owns the brand who has to take responsibility for getting the bar code right," says Fiona.

"They are the ones who must ensure that all their suppliers - from the designer to the pre-press house to the printer - work with extreme accuracy so the bar code is perfect."

Heinz Wattie is currently working toward gaining EAN accreditation, and Fiona says it will then look for suppliers that are EAN accredited as well.

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IS YOUR BAR CODE SUPPLIER A SPECIALIST OR A PART TIMER ?



DON'T TAKE ANY CHANCES!

Even codes that scan may now be rejected on specification technicalities - does your supplier know what the EAN specifications are and will they cover the cost of reprint because of rejection? Barcode Technologies are specialists in pre-print creation and testing of bar codes issuing verification reports with all bar codes supplied



Make sure your codes are tested to meet all EAN·UCC standards, BEFORE THEY HIT THE PRESS. Ph: 09 626 2329 or 09 378 6490 Fax 09 378 6491

E-COMMERCE

EANnet

The use of electronic catalogues based on the EAN-UCC system is growing around the world.

An electronic catalogue provides a single, standardised source of accurate information for trading partners. The catalogue provides accurate and secure access to commercially sensitive information such as pricing, promotion, trading terms and the locations of products and services - online, instantly, and from one source.

Sellers (such as grocery manufacturers) can reach all their customers by publishing their product information once on the catalogue - and updating it in real time as required. Buyers (such as retailers) get all the product data they need from the catalogue, rather than having to contact suppliers individually.

The local EAN electronic catalogue, the Australia-based EANnet, has been tipped to save around \$50 million a year in Australia and \$10 million in New Zealand (see SCAN, issue 2, December 2001) by eliminating purchase order and invoice errors and by acting as the central e-catalogue for other e-commerce applications, benefiting suppliers, retailers and wholesalers.

Meanwhile, in Europe a group of French manufacturers and retailers has teamed up with the help of Gencod EAN France to link a number of catalogues under the "EANnet.fr" network. The network will give subscribers access to a number of electronic catalogues simply by joining one catalogue.

Based on global EAN·UCC standards, the potential savings from data synchronisation through EANnet.fr are expected to be in the order of 1.75 billion Euros, or about NZ\$3.5 billion.

With manufacturers and retailers of consumer goods increasingly involved in electronic data exchange – in Europe at least 80% of in-store goods are currently replenished through electronic orders – and the number of product references more than doubling over the past decade, it's small wonder that a globally compatible system such as EANnet.fr is finding favour.

EAN Venezuela has recently got in on the act, launching its data synchronisation service, SINCRONET, in June.

Work is also going ahead to expand the coverage of CABASnet LATINO, the electronic catalogue used by a number of Latin American countries including Costa Rica, Guatemala, Panama, Honduras, Nicaragua, El Salvador and Colombia. By the end of this year, CABASnet LATINO is expected to have more than 500,000 recorded items coming from more than 5,000 suppliers.

DIARY NOTE

EAN NZ will be running a seminar on EANnet on 5 September with key guest speakers from the Australian FMCG manufacturing and retailing sectors. For more information, contact Anna Jones on (64) 4 801 0833 or anna.jones@ean.co.nz or visit www.ean.co.nz

VERIFICATION NEWS

Bar code verification requirements simplified

The regime that requires mandatory EAN verification of new products before they are accepted by New Zealand's major grocery retailers has been streamlined by changes recently introduced after discussions between the major retailers and EAN New Zealand.

Mandatory EAN verification has been required by New Zealand's major retailers since April this year, just as it has in Australia for over 10 years. The requirement means that the retailers are accepting new products, repackaged products and promotional products only after their bar codes have been EAN verified.

The three major New Zealand retailers have agreed to a number of changes in order to simplify the reporting process for manufacturers, says EAN New Zealand's Chief Executive, Margaret Fitzgerald.



"First, if packaging is changing to meet the new ANZFA labelling requirements, then the retailers expect EAN verification only where ANZFA-related changes affect the size, height or location of the bar code symbol," she says.

This is a change from the retailers' original position that bar codes required testing whenever anything at all was changed on the label.

"Second, retailers are easing the paperwork. Where a product has passed its verification test, the supplier can quote the number of the relevant EAN verification report on the Universal Buying Form instead of supplying the full report. Accredited manufacturers quote their EAN accreditation number," she says.

"Third, where a product has not passed verification, suppliers may submit the full report. This is so the buyer can consider listing the product conditionally, depending on the nature and extent of non-conformance."

For example, retailers may provide a grace period for compliance. Manufacturers need to liaise directly with the retailer concerned. Decisions are entirely at the discretion of the buyers in each case.

EAN verification covers both physical aspects of the bar code and its correct application, as well as scanability and compliance with ISO/IEC standard 15416 and the EAN International General Specifications. All of these are important to ensuring that a bar code will scan "first time, every time" in all scanning environments and conditions.

Research and EAN's experience consistently demonstrate that faulty bar codes are much more common than generally realised (see sidebar).

Faulty bar codes cause delays and errors at check outs and distribution centres and can compromise data integrity, leading to deficiencies in inventory management and other replenishment systems throughout the supply chain.

For more information about EAN verification, visit the EAN New Zealand website (www.ean.co.nz).

Errors verify value of testing

The mandatory verification regime for bar codes is correcting hundreds of errors that would otherwise have caused delays and costs throughout the grocery industry.

The statistics tell the story. Since mandatory EAN verification was announced by the major retailers in February, EAN New Zealand has tested about 7,200 items for verification purposes. Of these:

- 6% failed to scan at all. Another 5% were using wrong numbers. This 11% of products are very problematic because of the problems they create at checkout, distribution centres and throughout the supply chain
- a further 10% of bar codes were difficult to scan owing to poor print contrast, poor print quality or inadequate light margins.
- an additional 25% of bar codes were potentially difficult to scan owing to truncation (shortening of the bar codes). These bar codes may scan with a hand-held scanner, but will cause problems for the omni-directional scanners common in supermarkets.

Overall 35% of products are failing on one or more dimension, which means that of the 7,200 products tested, 2,520 could have caused problems at some point in the supply chain.

EAN's testing of bar codes and the use of accredited suppliers allows manufacturers to avoid the unwanted costs of re-labelling products, smooth the use of bar codes in their internal systems, as well as create goodwill with their retailer customers.

Important things to remember about verification

- Items must be sent to EAN NZ, Level 2, 181 Vivian Street, Wellington.
- If you are sending us an enquiry via email you must provide the bar code number.
- All artwork sent for verification must have its scale provided with the design.
- All goods are donated to charities wherever possible, or disposed of. A few samples may be kept for members' education. Charity recipients are extremely appreciative of the goods received from EAN (refer to Letters to the Editor on page 15). However, if you must receive your product back, you will need to advise in writing, sending us a label with your return address and a prepaid courier ticket. Goods are kept for up to five working days after the issue of the verification report and then returned.
- If you choose to pick up your goods personally from EAN you must do it within five working days of issue of the verification report, otherwise they will be disposed of.

Health sector update

EAN systems have many applications within the health sector: tracking of patients, medical devices and lab samples, pharmaceutical ordering and hospital waste management being just a few examples. We round up some recent global developments.

EAN the pharmacy standard in Australia

The Medicine Coding Council of Australia has endorsed the EAN system – and other industry players are pressuring the Government to adopt EAN standards officially for the identification of drugs.

Australia's Pharmacy Guild, Medical Association and Medical Software Industry Association have issued a joint statement, which says: "One of the essential elements of a safer, more efficient system is a national agreement on a coding system to identify each drug uniquely. The three organisations call on the Federal Government to resolve this matter with the utmost urgency."

EAN codes are already used on about 90% of pharmacy products in Australia, and the issue has come to a head because of an attempt by the US-based Health Industry Business Coding Council to enter the market.

The Director of Economics for the Pharmacy Guild of Australia, Vasken Demirian, has called for the Australian Government to expedite its decision "to get all pharmacy products uniquely identified using the EAN system. To have another player coming in is totally distracting us from our goal".

Retail publication extols health benefits of RSS

An editorial in the magazine Retail Systems Alert has trumpeted the healthsector benefits of Reduced Space Symbology (RSS), pointing out its costsaving benefits for retailers and other advantages such as easy encoding of crucial dosage, property and expiration data on items such as pharmaceutical goods.

The American publication points to proposed federal legislation requiring bar coded labels on all hospital-administered prescriptions, noting that this would generate additional demand from both suppliers and retailers. The magazine says that RSS bar codes, which are smaller than standard size, are ideal for such things as single-dose medicines and other small or oddly shaped healthcare supplies.

In response to the editorial, UCC Director John Rowe said numerous healthcare pilots had proven RSS's ability to increase identification accuracy and decrease supply chain costs. "We are strongly recommending that companies developing systems internally or planning to make a hardware or software purchase should include RSS compliance as part of the requirements."

Brazilian hospital focuses on automated goods receipt

A logistical headache is starting to ease at the Hospital das Clinicas de Ribeirao Preto (HRCP), thanks to an ongoing programme of automating goods receipt.

The Brazilian hospital, which belongs to the University of Sao Paulo's Medical School, started the process three years ago following a surge in the number of items it needed to handle. HRCP has a register of some 10,000 product lines, and around 1.5 million units are received each month.

HRCP has developed an automation process "to ensure flexibility, quality of the products and operation, traceability, integration of in-house systems and cost reduction". The hospital is finding that the process also contributes to much better management of its human resources.

At present, almost 3,000 of the items it handles are identified with EAN 8 and EAN 13 codes. The hospital's current target is to receive all products with the UCC/EAN 128 code in order to streamline the automation process, and it's working with suppliers to achieve that goal.

The French forge ahead

"The current situation in healthcare institutions is such that flow management resources (products and information) are of the essence," notes Gencod – EAN France, the French EAN member organisation.

In response to this need, EAN France has just published a set of standards for bar codes and EDI, for logistics and traceability in healthcare institutions.

The standards are designed to help French health institutions ensure both the quality and safety of healthcare and in their "hotel"-style services such as meals, cleaning and laundry.

The standards will help hospitals and other health institutions overcome common issues such as:

- lack of data on consumption in order to forecast, control stock and optimise storage space
- stocks of products past their use-by date
- errors in dispensing to patients
- nurses spending too much time on administrative tasks
- difficulties in locating and linking patient files.

Late last year, the directors of the Private and Public Hospital Associations in France recommended the adoption of the EAN·UCC system in the country's health system.

Thanks to sponsors

EAN New Zealand would like to extend its sincere thanks to sponsors of the EAN seminars: RBS Limited Intermec Walker Datavision and Kiwi Label for sponsoring the size gauge template.

SEMINARS timetable

SEPTEMBER	
5	EANnet – Auckland
NOVEMBER	
20, 21 and 22	Automatic Product Identification – An Introduction to the EAN-UCC System Compliance Requirements for Designing and Printing Packaging and Labels (Christchurch, Wellington and Auckland)
27, 28 and 29	Improving Efficiencies on the Supply Chain with EAN 128 (Auckland, Wellington and Christchurch)
Seminar dates may char	nge or seminars may be cancelled.

FOR SPONSORSHIP INFORMATION...

If you would like to sponsor an EAN seminar contact Andrea Fleming on (64) 4 801 0833. For further details about EAN seminars visit www.ean.co.nz

DataCol Solutions Ltd - the bar code people

DataCol Solutions was formed in 1996 to provide custom software solutions to companies needing to print variable data work. Over the years it obtained New Zealand distributorships for a series of hardware from the 400mm wide Tally continuous laser printer and Datamax thermal printers to Hand Held Products (HHP) range of scanners, verifiers and portable data terminals. By having the distributorships, it has total control over the supply and support of the product, and can achieve the high standards of service and support that it set as a primary goal. Over time it has also developed several unique communications products, which it will soon be launching under its own brand name. The company prides itself on having a "Total Solution" for most bar code based systems.

DataCol Solutions now has two programmers, a Datamax trained service technician, and the support of a very innovative technical team. It also supports a reseller/integrator network covering most of New Zealand.

Its most exciting product is HHP's Dolphin range of portable data terminals product-range, which use the HHP developed Linear Imager scan engine. This scanner is a digital camera, which allows the Dolphin to read almost every 1D and most 2D bar codes and to capture high-quality digital pictures, all with the same imager engine. "With several systems installed and many more in development, Dolphin terminals will soon be a common sight in many areas of New Zealand industry," says company Director Andrew Craig.

DataCol Solutions's website <u>www.datacol.co.nz</u> provides both general bar code information and specific information on its products.

NEED TO CHECK YOUR STOCK?

Have a look at the HHP Dolphin 7300 Linear Imager system

- 32 Mb RAM32 Mb Flash
- IP 64 protection rating
- 3 keyboard layouts & Touch screen option
- Windows CE 3.0



Welcome to our newest members, who joined EAN New Zealand between 18 March 2002 and 12 July 2002.

2000 New Zealand Ltd

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When bar codes go bad

Here's the latest in our series on common bar code errors. These actual examples - with the identities of the firms and products concealed – are provided in order to assist members with avoiding similar mistakes.

Carton caution

A bar code on a carton recently received by EAN New Zealand's verification service demonstrated a number of lessons on how not to do things:

- The symbol was near the top of the carton, so a scanner that is in a fixed position would not read the bar code. The rule is that the lower edge of the bars should be located 32mm from the base, and no part of the bar code (including light margins and bearer bars) should be closer than 19mm from both vertical edges. (It is also recommended that a minimum of two bar codes on adjacent sides be placed on items to be scanned in a general distribution environment a short side and the long side to the right.)
- The height of the bars was reduced, and therefore some scanners might miss the bars (even if the bar code had been placed 32mm from the base of the carton).
- The bar code was printed at a low magnification, which is not suitable for a general distribution environment, where the scanners may be a distance away from the bar code and passing the scanner at speed.
- The ink scuffed from the label with relative ease, which would also make the scanning more difficult.

- The symbology used to encode the number was Code 39. This bar code type is not recognised by many of the scanning systems in common use, and therefore this bar code is not suitable for use in an open environment. They should have used one of the EAN bar codes, such as the ITF 14, EAN 13 or EAN 128.
- The human readable numbers were so small they were barely legible.



Finally, in the unlikely event that this bar code could be read by a scanner (or more likely, when the operator used binoculars to see the number to enter it manually), the number would have been rejected by the system, as the check digit was incorrect!

Importing problems

A New Zealand importer has incurred the expense of re-labelling all of its cartons after some basic mistakes with bar codes.

The importer's goal was simple: to create a unique number for a trade unit.

To create a 14-digit number to identify a trade unit, a number (known as the logistical variant) between 1 and 8 (inclusive) is usually added at the start of the EAN 13 number from the retail unit. The check digit is then recalculated.

But this importer removed the twodigit prefix before inserting the logistical variant number and hence created a 12digit number. The result was a 12-digit UPC-A bar code (commonly used in North America).

The Uniform Code Council allocates the numbers for this type of bar code, and therefore this importer had produced a bar code that had a) not been allocated to it and b) could create a clash in the marketplace and chaos in inventory systems.

The company has now been required to change all these bar codes. This highlights the advantages of ensuring that the relevant staff have the know-how to allocate numbers and produce quality bar codes.



BAR CODE BASICS

A caution for exporters to North America

If you're exporting to the US and Canada, take care: a small number of companies there still aren't UCC·EAN compliant.

What's the problem?

Product numbering and bar coding in the US and Canada are administered by our counterparts, the Uniform Code Council (UCC). Its numbering system is called Universal Product Code (UPC).

While the EAN and UPC systems are generally compatible, in practice that sometimes doesn't yet work out. For example, the UPC-A bar codes used in retail in North America have 12 digits, whereas the EAN 13 bar codes allocated by other countries have 13 digits. Some companies in North America have older systems built for the 12-digit codes and cannot cope with the extra digit of the EAN 13.

However, all scanners and software bought in the last five years should be EAN-UCC compliant, and therefore be able to handle both numbering systems. Any business successfully scanning EAN 13 bar codes can also scan the 12-digit UPC-A bar codes.

What's happening about it?

EAN and UCC officials have got together and set a deadline of 1 January 2005 for all UCC members/retailers to have systems that accept both numbers.

What should you do in the meantime?

Before exporting to the US and Canada, we suggest that you check with your trading partner that their system is EAN·UCC compliant so you can be sure they're able to scan the EAN 13 symbol.

Don't just ask them what bar code they require. That often gets the answer "UPC bar code" – and you still won't know whether they require EAN 13 or UPC symbols.

UPC bar codes can be obtained via EAN New Zealand on a cost recovery basis.

FOR MORE INFORMATION...

... on how to obtain UPC bar codes contact EAN NZ on (64) 4 801 0833.



STAFF UPDATE

Vicki Palmer-Neels has recently joined EAN to extend our services for members in various areas, including bar code verification, member accreditation and EAN seminars.

"Vicki brings knowledge and skills to EAN New Zealand that readily complement the skills we already have among our team," says Chief Executive Margaret Fitzgerald.

Vicki graduated with a civil engineering degree from Auckland



University in 1993. She joined Mobil, where she held a variety of project management and supply-chain positions, including optimising inventory production, storage and transportation.

Vicki went on to become the New Zealand logistics specialist on Mobil's SAP implementation team, with handson project involvement including system building, training and troubleshooting SAP inventory issues.

Anna Jones has also recently joined EAN New Zealand and is replacing Andrea Fleming in the role of Membership Services. She is the first point of contact for members and her key responsibilities involve reception and administration work, processing new members, seminar enrolments and products coming for verification amongst other duties.

Anna is currently completing a Certificate in Business and Administration.





Andrea Fleming has been promoted from her role as Membership Services and is now working in the areas of Marketing and Administration. Andrea's responsibilities include providing marketing and communication assistance, accounts payable and receivable, managing the membership database and general administration.



Thank you EAN New Zealand

We are overwhelmed by your generosity! Such a wonderful amount of canned food for our Food Bank. My personal thanks to you for your kind continued support to the City Mission. We are most grateful to you all and our Food Bank is now looking quite healthy. But do keep up the good work!

Unfortunately, the demand for our services continues to grow, but with your help, we can continue to meet that need. Our teams of workers are fully stretched, but your ongoing support means that we CAN make a difference.

Please convey my thanks to all concerned.

Yours sincerely Fr Des Britten Wellington City Missioner Wellington City Mission

Dear EAN New Zealand

I am just writing a quick thank you to you for all your kind donations over the past few weeks and to let you know what the children have made or done with all the things.

We've made trains with the small cardboard boxes for all our animals and toys. We've made drums with the tins. The children have made houses with the large cardboard boxes and the egg boxes and meat trays have been a valued addition to the collage and box construction activities.

We really appreciate all the donations and should you get any more items you know where they will be made full use of.

Many thanks Joana Centre Manager Carrigane Childcare Centre

KEY EAN NEW ZEALAND INDICATORS

18 MARCH 2002 TO 12 JULY 2002		
INDICATOR	STATISTICS	
Number of new members processed	145	
Hits on EAN website	258,570	
Verification reports issued	5,477	
Number of public seminars run	11	
Total number of attendees at seminars	Auckland 172	
	Wellington 51	
	Christchurch 35	
Overall level of satisfaction seminars	96% "satisfied" to "very satisfied"	

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