



Information-Driven Compliance and Collaboration

Building a Sustainable Technology
Platform That Addresses Current and
Future Business Challenges

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In their efforts to address the changing dynamics of the consumer goods (CG) industry, as well as to comply with mandates from the government and their customers, many forward thinking CG executives are taking the opportunity to develop a technology architecture that provides their companies with a single view of their customers and all relevant product data.

Achieving this single view is made more difficult by the fact that in today's global economy, CG companies find that information is fragmented across multiple systems and countries. Executives who have already experienced the pains of addressing some of these individual issues have realized that long-term success requires a sustainable technology architecture that can serve as a platform to meet the challenges of the coming five to ten years.

Emerging industry issues, like RFID and the changing metrics around trade promotion and supply chain management, have supported the need for an information architecture that provides a single, unified data model that stores information and provides an integrated reporting infrastructure that delivers the information integrity needed to address compliance and governance requirements.

At the same time, the most successful CG companies are realizing that the ability to manage information to efficiently find and introduce profitable new products; establish adaptive, collaborative supply chains; optimize manufacturing; deliver differentiated customer service; improve global trade management; and provide financial accountability, will be the key to sustaining competitive advantage in the future.

INTEGRATED TECHNOLOGY ARCHITECTURE RELIEVES BUSINESS PAIN POINTS		
BUSINESS PAIN POINT	ROOT CAUSES	RECOMMENDED REMEDIES
Regulatory Compliance	Federal financial regulations (Sarbanes-Oxley Act of 2002, etc.); lack of enterprise-wide access and transparency; lack of cross-regulatory alignment.	Automated documentation, monitoring and management of processes; integration of business systems; standardization of compliant business practices for financial transparency
RFID	Key retailer mandates; poor ROI; data overload; poor scalability of basic "slap and ship" solutions	Scalable database w/ built-in data warehousing and messaging capability; integration with business activity monitoring; model-based, event-driven business processes
Trade Promotion Management	Lack of collaborative trade settlement and cost allocation; lack of collaboration with partners	Integration of promotion management with demand planning; shared product and pricing information
Demand-Driven Supply Chain	Product lifecycle management separate from corporate processes; key retailer mandates	Integrated real-time view of material and products; collaboration between retailer and manufacturer
Food Safety	Title 21, code of federal regulations, part 11; compliant accessibility and reportability	Integration of traceability, electronic recordkeeping and electronic signatures

As Ken Vollmer, Forrester Research Principal Analyst, notes: “A complete technology platform that includes the business applications, an application platform (containing robust integration capability) and integrated database technology will be one of the most efficient alternatives for organizations that want to acquire the ability to create composite applications.” (From the Forrester Research *Quick Take*: “Latest Release of Oracle Application Server Provides Robust Integration Capability.”) The platform Vollmer describes is one that provides an enabling foundation for companies to meet the challenges of the new world of compliance and customer collaboration.

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- Ken Vollmer, Principal Analyst, Forrester Research

► REGULATORY COMPLIANCE

Regulatory compliance affects all CG companies, regardless of size or market. Although the Sarbanes-Oxley Act has received more than the lion's share of publicity, there are seemingly endless compliance requirements that must be met, such as the USA PATRIOT Act, which will impact virtually every company doing business within the United States.

This vast expanse of regulations is why John Hagerty, Vice President of Research at AMR Research, and Fenella Scott, Senior Research Analyst at AMR Research, writes: “Between 2005 and 2009, companies will spend more than \$80 billion on compliance-related work. Companies **must include business and process improvement** while meeting legal and regulatory mandates for any hope of a return on investment.” (Emphasis added.)

Section 404 of the Sarbanes-Oxley Act of 2002, which requires companies to perform a self-assessing risk audit, went into effect on November 15, 2004, sending tremors throughout the financial and business worlds. Even companies not currently required by law to comply with SOX, as Sarbanes-Oxley has come to be known, are well-advised to implement practices that will ensure compliance in the event the threshold is reached. Myriad tools have flooded the market, promising to ensure compliance.

Compliance, however, is not a one-time event that can be achieved by a single installation. Compliance is an ongoing process that must take into account not only a company's current state but also its projected growth and expansion, as well as regulations that currently apply and regulations that may be triggered by that planned growth and expansion. Truly achieving compliance, whether with SOX, with USA PATRIOT, or with any of the vast number of regulations that companies may encounter, requires a comprehensive approach.

Such an approach will involve developing the ability to assess risk posed to the enterprise, as this will enhance the ability to develop and implement remediation strategies. The comprehensive approach will also provide a clear view of compliance objectives, both now and in the future, so that these objectives can be properly planned for, with the costs and efforts involved neither over- nor underestimated.

Properly planned and executed, such an approach will engender progress toward the goal of total company improvement rather than simple case-by-case compliance.

If an enterprise is willing to devote prodigious resources, both in terms of capital and IT time and activity, that enterprise might be able to cobble together enough best of breed applications to approximate a comprehensive approach to compliance.

However, it seems the surest and clearest path to compliance lies in having a “single version of the truth” available to all concerned in the enterprise. A splintered company using multiple systems can become compliant, but it’s a difficult challenge. An integrated, enterprise-wide platform that serves all divisions can provide a “single set of books” to be used throughout the organization to dramatically ease the task of SOX compliance, as well as compliance with other, less onerous governmental accounting regulations.

▶ **RADIO FREQUENCY IDENTIFICATION (RFID)**

RFID is no longer a matter of “if” or “when,” but of “right now.” It is expected to evolve in the coming years as a vicious cycle develops, driven first by mega-retailers requiring suppliers to provide RFID tagging, then by suppliers demanding that next-tier retailers become RFID compliant, followed by those retailers making similar demands of other suppliers, and so on. However, RFID for RFID’s sake is a recipe for high initial investment with few long-term benefits.

A sustainable technology architecture provides a platform to achieve long-term benefits. Information — even the explosion of data that will result from an RFID implementation — can be captured, managed, analyzed, accessed, alerted, and responded to seamlessly. With the right platform, information can be shared across the enterprise, providing not just RFID compliance, but strategic business advantage.

Achieving this strategic advantage is not easy. A successful RFID deployment must overcome the obstacles presented by the need to support the multiple data sources while maintaining a technology

BusinessBrief: 7-Eleven



Each of the approximately 5800 7-Eleven stores throughout the U.S. and Canada offers a selection of up to 2500 products and services, and combined, the stores serve more than 6,000,000 customers daily. Worldwide, the company operates, franchises, or licenses more than 24,000 stores. That scope and variety have made the Dallas-based company very interested in RFID.

More specifically, 7-Eleven is interested in seizing the opportunity to gain a competitive advantage through an integrated RFID application, specifically found in Oracle E-Business Suite.

“We are keenly interested in the new RFID capabilities (of Oracle E-Business Suite),” says Keith Morrow, CIO and VP IS, “and (the) ability to leverage the database for effective management of new order information that will flow from the supply chain. 7-Eleven looks forward to the day when we can have RFID tracking by item, which is how we manage our inventory - item by item, store by store.”

stack that is as lean as possible; the ability to handle a mountain of data without being overwhelmed; and, most critically, the ability to sift through that flood of data to find the precise information necessary for optimal execution and decision making. At that point, RFID becomes more than a way to comply with retailer or supplier demands, but another step on the path to total business improvement.

Fully integrated RFID solutions, such as those offered by Oracle E-Business Suite, deliver out-of-the-box RFID capabilities, from basic “slap and ship” that enables any company, regardless of current application footprint, to achieve mandate compliance, to fully automated shipping and receiving through RFID-triggered transactions. In addition, such integrated solutions are fully scalable, easily transitioning from basic to more advanced support.

Still, many CG companies are opting for a “slap and ship” RFID implementation strategy rather than fully integrating RFID into their IT toolkits and enterprise business processes. RFID continues to be perceived by too many CG executives as a question of one-time compliance, a sort of end in itself. This presents a significant competitive opportunity for forward-thinking executives and companies who opt instead for fully integrated RFID implementations.

This window of opportunity should be seized. As Kara Romanow, AMR Research Analyst, writes in the 2004 Tech Trends Report (“The Demand Imperative”), presented by *Consumer Goods Technology* and AMR Research: “Those companies that understand the potential of the technology and architect their enterprise to leverage the supply chain data that will become available, will distance themselves from their competitors. But the time to invest is now, especially in the infrastructure work that is internal and will not be impacted by future technology improvements or tag price reductions.”

► **TRADE PROMOTION MANAGEMENT**

According to the 2004 Tech Trends Report (“The Demand Imperative”), presented by *Consumer Goods Technology* and AMR Research, 27 percent of survey respondents are currently using trade promotion management (TPM) applications, but the majority is focusing on transactions instead of measuring and improving trade promotion effectiveness and compliance.

In that report, Laura Preslan, AMR Research Analyst, writes: “To truly achieve promotion effectiveness and optimization, CG companies must string products together from multiple vendors...This means there is an excellent opportunity for CG leaders to beat the competition by developing the technology architecture and improving business processes to capture more value from promotions.”

By combining budgeting, planning, spending, tracking, and promotion management with integration into demand planning, TPM applications can provide collaborative trade settlement and cost allocation. Integrated TPM applications further expand the collaborative relationship with partners through shared forecasting, price optimization through tiered discounts, and enhanced processing of rebates and charge-backs.

TPM applications may often be thought of as the exclusive domain of top-tier CG companies, because the majority of CG companies using these applications exceed \$1 billion in revenue. However, midmarket companies can also achieve significant positive results from effective, integrated TPM solutions. In addition, midmarket CG companies may be able to secure significant

competitive advantage, because only a minority of these companies currently use such solutions.

► THE DEMAND-DRIVEN SUPPLY CHAIN

Nowhere in the enterprise is the value of integration more evident than the supply chain. The right platform will provide a company with the tools and ability to shift to a demand-driven supply network, which is defined by AMR Research as “a system of technologies and processes that sense and respond to real-time demand signals across the supply network of customers, suppliers and employees.” (From the 2004 Tech Trends Report, “Shifting to a Demand-Driven Agenda,” by Roddy Martin, AMR Research Analyst.)

An integrated, enterprise-wide information architecture that tightly links ERP, supply chain management, and customer/consumer relationship applications, produces a single version of the truth that is immediately available and actionable. In addition, it is the optimum platform upon which to build collaborative systems that connect suppliers to retailers and help close the loop in an efficient, demand-driven supply chain.

Moving to such a platform would seem logical, but many CG companies find it difficult because it actually requires a completely different mindset than traditional supply chain management. Instead of focusing entirely on the demand signal and POS data, write Kevin O’Marah and Lora Cecere, Analysts, AMR Research in the 2004 Tech Trends Report (“The Demand Imperative”), presented by *Consumer Goods Technology* and AMR Research, “Equal effort needs to be organized around the ability of operations to use a better demand signal and to better integrate product innovation efforts **so that product lifecycle management moves into mainstream corporate processes.**” (Emphasis added.)

By moving to a scalable, sustainable information architecture, CG companies will find it easier to integrate product lifecycle management with mainstream business processes; integration is built into the platform and the associated applications — including the entire supply chain. As a result, compliance with trade partner mandates, such as the RFID mandates from key retailers including Wal-Mart, Target, and Home Depot, is more easily achieved.

BusinessBrief: Master Lock



As the world’s largest padlock manufacturer, with annual sales of approximately 50 million locks, Master Lock Company realized it was shackled to a burning platform, one loaded with legacy systems and small databases, that was hindering the company’s ability to fend off challenges from global competitors.

At the same time, Master Lock Co. needed to position itself for compliance and collaboration with key partners around the world. The company moved to modernize by deploying Oracle E-Business Suite 11i.

The results were dramatic. The deployment eliminated 80 interfaces and 95 databases, cut customer order time by two weeks, slashed work-in-progress by 70%, and dropped IT maintenance costs a full 40%. As Richard Kolaczewski, Master Lock Co. VP Finance & Information Services, explains, “Oracle solutions provide a flexible, scalable system that enables us to implement common best practices across the enterprise.”

Master Lock Co. also gained the ability to launch an e-commerce site, using the integrated Oracle iStore. This gave Master Lock’s more than 10,000 retailers across the United States the option to place orders online, speeding fulfillment (custom order fills now take three to four days instead of three weeks), and dramatically improve communication and collaboration by taking advantage of iStore’s flexibility to directly address customer needs. Master Lock expects greater benefits to accrue as the company continues to leverage the Oracle information architecture.

BusinessBrief: Thermos



Thermos L.L.C. is one of the best-known names in the CG world. Since developing the world's first "vacuum flask" in 1904, the Rolling Meadows, Illinois-based company has grown to become a global manufacturer of a wide variety of insulated products. However, the company found itself operating on a "burning platform," a patchwork of customized applications fraught with inefficient and outdated processes that was rapidly nearing the end of its lifecycle.

Thermos chose to move to Oracle's hosted E-Business Suite On Demand to maximize cost efficiencies as well as the company's future migration path. The move to the Oracle platform, including the outsourcing of system administration, allowed Thermos to focus on core business practices, particularly supply chain improvement, a critical need as a result of RFID mandates issued by some of Thermos' largest retail partners.

The results were spectacular. According to a study by the consulting firm Shack & Tulloch Inc., Thermos' investment generated \$6.2M in benefits and an ROI of 222 percent over the life of the project. "With Oracle," says Alex Huang, COO, Thermos, "we've moved from a very complex and costly IT infrastructure to an integrated platform running on a single instance. The Oracle solution integrates our information and gives us future upside potential."

► MANAGING FOOD SAFETY

The safety of the food supply has never been under more critical observation. With its aggressive enforcement of Title 21, Code of Federal Regulations, Part 11, the FDA is focusing on four key issues: responsiveness, auditability, accountability, and traceability. Part 11 allows for electronic recordkeeping, but requires those records be secured from tampering and connect to an electronic signature and time stamp system to create legally binding signatures.

As with SOX Section 404 in the financial realm, a company can most easily achieve compliance with 21 CFR Part 11 by adopting an integrated platform that provides uniform, secure applications to all divisions that fall under FDA observation.

Many CG companies to whom 21 CFR Part 11 applies, however, have been slow to achieve compliance because of the difficulties inherent in attempting to custom-build a compliant system. Compliance requires that in the case of an electronic signature, to focus on one aspect, the company must ensure that the signature correspond to a single person, possess a validated time stamp, and affiliate with a specific data record, secure from tampering.

Security must still allow reporting, however, so a compliant system must require a standard query and reporting capability to access and view the history of critical records. An integrated system will provide this reporting ability. An example of this is the Oracle E-Business Suite, which stores signed records in XML format, which provides advanced search capabilities, portability, conformity with FDA, standards and the ability to reconstruct the record in the future.

Growth is a goal of any CG company, but growth can lead to compliance issues. However, a scalable platform will accommodate growth through its ability to tie any associated application into the secure framework.

► CLOSING THE LOOP

It's clear that for CG companies and executives today, "compliance" isn't a matter of meeting a single goal, such as meeting the demands of Sarbanes-Oxley section 404 or 21 CFR Part 11, but meeting multiple challenges, from financial regulations to FDA regulations, as well as key retailer requirements.

Moving to an integrated, sustainable technology architecture, such as that provided by Oracle, positions CG companies of all sizes to meet the demands of compliance and corporate governance initiatives. It also provides the enterprise deep visibility into the systems and applications required to collaborate with key trading partners for mutual success in the marketplace. ■



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Find out how to meet your compliance challenges and more through in-depth white papers and articles covering RFID, food safety, and deduction management. Also, get real customer stories — for instance, learn how Master Lock reduced work in progress (WIP) by 70% and saved 40% on IT maintenance costs.

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