Traceability and Bar Coding

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Thank you very much for giving me the opportunity to speak to you today.

I feel somewhat a fish out of water – as we say in English – because I am neither a scientist; nor am I a professional wine person in the normal sense of the word. That said, I am very glad to be here

Before I began working for my present company- a UK trade association - I had spent most of my working life in management consultancy, and in tropical agriculture for a major international business. I know quite a lot about planting oil palm and cocoa, and learned quite early on - from an American colleague – that most things we do in business – as opposed to science - are pretty straightforward: otherwise,…presumably, most of us wouldn't be doing them ! In my experience, it is generally human intervention in one form or another which tends to mess things up ! So here I am, a pretty straightforward British pragmatist, putting his cards firmly - face up - on the table.

Enough of that:…What I have been asked to talk about is 'traceability and bar coding' against the general backdrop of 'Global Evolution of wine-making practices'.

So here goes...

In 1999 a French colleague rang me up to suggest that we should work together to develop a code of practice on traceability. His suggestion was timely and fitted in perfectly with what was going through my head at the time, …namely that the BSE crisis and other food safety scandals – then not long past - seemed to be leading to EU legislation of some kind. We both realised that this could turn out to be on the one hand a bureaucratic horror story, or on the other hand something more benign and conducive to the real world of

business; …so we decided there and then to develop a Code of Practice for the trade and to see how things would turn out. After all, to do something was better than doing nothing,… so to take this idea forward, we formed a joint working party consisting of wide trade representation from businesses in the supply chain,… and a few months later, our group gave birth to 'A voluntary Code of Practice for Traceability in the Wine Sector'.

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Then in July 2001, the code was adopted by the European Federation of Wine and Spirit Importers and Distributors (EFWSID) – consisting of 10 countries – and at the same time, we presented the Code to the EU Commission in Brussels and to colleagues in the International Federation of Wine and Spirits – FIVS.

Slide 3: Some of the participants in the working party.

Slide 4: Some of the things we talked about.

We acknowledge that the Code is not perfect but it did set out in simple terms what a reasonably well run company should be doing if it wanted to implement a traceability system, in-house: in drafting it, we took into account what was going on at the time in other countries – particularly in Australia, Chile, France, the UK and in the USA. Criticisms have been made – quite rightly – about the suggested sampling regime, but this will be put right when the Code is eventually revised…

For those who may be interested,…in practice, and despite the Code, companies are continuing to operate their own sampling regimes to suit their own set of circumstances, knowing that if something does go wrong, and there is a product recall,… a producer should be in a position to identify the problem without too much difficulty: this pragmatic approach seems to be acceptable to the major retailers and is entirely in keeping with the spirit of a voluntary code of practice

Combating deliberate fraud is another matter:…we also had that in mind when we drafted the document.

My understanding is that the Code is now quite widely used in the trade, and that it helped inform decisions made by the UK government and by other EU member states when they were developing the General Food Law Regulation on traceability (No 178/2002) which came into effect on 1 January 2005.

Well,…to move on, one thing lead to another: shortly after the European Federation had adopted its Voluntary Code of Practice, an intervention was made about it at a meeting of CIES – the international retail organisation – in 2002 during a presentation by EAN.UCC (…the barcoding organisation) on the general subject of traceability. Shortly after that, the founding fathers of the Voluntary Code – the French and UK trade associations (AFED and the WSA) opened a dialogue with EAN.UCC to see if they could work together to link barcodes to the trade's Voluntary Code. At the time, it seemed the obvious way forward.

EAN.UCC operates the EAN-128 barcode which is much more sophisticated than the more commonly used EAN-13 barcode (98% global uptake);… and it can include information which is of use to producers, warehousekeepers and others wishing to keep track of products as they move through the supply chain. For example, the EAN-128 barcode can contain information on:… the place of origin of a product; a trade item such as a bottle or a case; or it can include information on a pallet or a container. In other words, the information put on an EAN-128 barcode can be put there at the behest of the supplier, of a retailer, …or at the behest of both.

It was obvious to both parties - trade and EAN - from the outset that if it were possible to link the EAN.128 barcode to the Voluntary Code which the trade had already developed, then there was considerable scope for efficiencies at various stages in the supply chain

First: early discussions identified a number of trade drivers:

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There were four:

- It was clear that trade would like to achieve better forecasting and inventory management standards to facilitate movement and security.

- Emerging issues included – and still include - the [1]Efficient Consumer Response Initiative (ECR); [2]Security Tagging; the Global Commerce Initiative (GCI); the Global Product Classification Scheme; Europe's Excise Movement and Control System (EMCS); computerisation of global Customs (G7); Pre-notification in compliance with the US Bioterrorism Act and so on…

  These initiatives had emerged piecemeal over a relatively short period of time,… and hardly surprising, it was not clearly understood by many in the trade how these all fitted together as part of the bigger picture

- Increasing demands were being put on manufacturers and traders in the beer, wines and spirits sectors to supply specific information to retailers to meet their various demands to satisfy specific markets, i.e. nutrition standards, organic foods, product suitable for vegans etc.

- Competing Data Pools (i.e. UDEX, Transcora, UCC Net etc.) were being set up in different parts of the world to enable manufacturers and traders to present their goods, …business-to-business & business-to-consumer. This trend was leading towards a 'dysfunctional family' of

[1] *ECR* has prepared a 'Blue Book' on product shrinkage as a collaborative approach to reducing stock loss in the supply chain backed by a number of major retailers and manufacturers, logistics providers and academics. ECR will shortly publish a further Blue Book on the use of traceability in the supply chain to meet consumer safety expectations.

[2] *Security Tagging:* Radio Frequency Identification (RFID) tags will be used increasingly on beer kegs, pallets, containers etc. to facilitate control, movement and anti-fraud activity. Walmart has insisted on RFID tags on pallets from January 2005

national and regional data pools some of which (but not all) had to be compatible with the Global Commerce Initiative (GCI) to comply with retailer demand: also, there was a perceived trend towards different groups of retailers in different parts of the world demanding information in different formats for their own specific purposes. Unless this trend was addressed, it was likely to be a substantial hidden cost for suppliers because they could be asked to provide large amounts of data in different formats by their various customers, namely the retailers.

(Note: A survey carried out in 2002 showed that Nestlé was entering data in 25 different data pools worldwide…Surely trade can do better than that !)

Second: The second point that occurred to EAN, AFED and to the WSA was that EAN.UCC Standards were already available:

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- As I mentioned earlier, EAN.UCC was a global standard setting body which facilitated the international movement of goods using the EAN-128 barcode.

- There were also a growing number of user-driven standards: many of these were already based on a Global Location Number (GLN), and on a Global Registry: They were supported by the Global Commerce Initiative (GCI)…which was supported by EAN. If linked together, it was clear that these would make data pools inter-operable worldwide, … and would greatly facilitate trade.

Third: EAN, AFED and the WSA also identified a number of benefits for the trade:

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We felt that the following benefits were likely to accrue to the sector if the use of EAN.UCC standards became more widespread:

- By operating to agreed global standards (such as data standards, clearances, auto ID and bar codes), companies would be able to communicate with one another more easily - business-to-business - and by increasing the accuracy of the data transferred, it would be possible to squeeze inefficiencies out of the supply chain.

- We all felt that a global registry of data pools could be supported by EAN International ensuring a unique global tool for guaranteeing a unique number.

- And we also recognised that failure by the sector as a whole to adapt and to make use of global standards would lead to loss of competitive advantage by some players, and to gains by others.

Earlier, I mentioned the intervention at the CIES conference in 2002: at the time, only a handful of people in the trade had any real inkling of how these initiatives might link together,… or indeed of the very real risk that large amounts of money might be spent by companies unwittingly on inappropriate technology unless there was some attempt to work towards coordinated objectives,…and making use of global standards, where appropriate. However, it was clearly understood by some in the trade that where possible, business should work with government to identify synergies and to make use of whatever systems – embryonic or otherwise – were being developed by officials at a global level to facilitate trade or to combat fraud or threats to national security.

So, ..against this background, in 2003, EAN.UCC co-established a wine traceability working group with the WSA and AFED (its French counterpart) to

create Voluntary Application Guidelines to link the trade's Voluntary Code of Practice in the Wine Sector to the EAN-128 barcoding system. Time-wise, this fitted perfectly with the impending EU legislation on traceability which was then due to come into effect in January 2005.

Slide 8: Members of the joint EAN.UCC – trade working group:

In January this year – after a lot of work and plenty of enthusiasm - EAN.UCC (which has now been renamed GS1), and the WSA and AFED published jointly the 'Wine Supply Chain Traceability [3]EAN.UCC Standards Application Guideline….I'm sorry, it's a bit of a mouthful but it does describe what the document actually is !

Although work on the guideline has been done primarily with the involvement of wine industry companies supplying the EU, the focus of the group was on building a traceability model that has global applicability. You might be interested to note that the joint working group comprised representatives of international wine trading companies from France, Germany, South Africa, UK, and the USA… Industry peers from Argentina, Australia, Chile, New Zealand, Spain and other wine regions reviewed the document,… so its potential application was truly global.

But where – you might say - is all this leading ? …And how does the Application Guideline link in with the bigger picture ?

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The founding fathers of the European Federation's Voluntary Code on Traceability – the WSA and AFED - and their member companies – decided that it would be no bad thing if the trade took a supply chain perspective to get to grips with the implications of the emerging technologies and systems (GCI, Data Pools etc) which I mentioned earlier: …It was felt that greater

[3] The Wine Supply Chain Traceability Guideline is available from www.gs1.org .

understanding of what was happening in this area would probably lead to better decision making by senior executives. …Also, where it made economic sense to cooperate, it might be appropriate to work with government – principally Customs - in a spirit of partnership.

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With this in mind,… to take things forward,.. and following on from the group which established the guideline described earlier, … the WSA and AFED have set up a User Group with the dual objective – firstly – of educating traders in the emerging technologies and processes, and – secondly - of working together with EAN.UCC and others on projects aimed at adopting global standards in this complex, evolving area.

This User Group held its second meeting on 23 February of this year: it was attended by 30 delegates from major companies in the beer, wine and spirits sectors, logistics providers, freight forwarders, trade associations,… and by EAN.UCC and by Customs.

Just a quick word before I finish to explain in a bit more detail why Customs attended:

Given that the trade and EAN.UCC had already cooperated successfully to develop the Wine Supply Chain Traceability Guideline - which I mentioned earlier - it seemed logical for the trade to cooperate with the World Customs Organisation (WCO) on the extended use of its Unique Consignment Reference Number (UCR) which it had already developed in cooperation with EAN.

Let me give you a bit more detail about the UCR:

The WCO's UCR is aimed at providing an origin-to-destination reference key for all international consignments. It is the key to linking information flows among the various parties in the global supply chain for Customs purposes.

According to the WCO, it is designed to promote safe and secure international borders by providing enhanced access to information when goods are released by Customs. Also, the WCO claims that the UCR will help the various Customs administrations along the supply chain to cooperate….And if taken up globally, it will offer authorised traders end-to-end procedures and pretty straightforward integrated treatment of the total transaction.

In other words, if the trade and the WCO – and by inference, national Customs administrations – can agree to allow the EAN -128 bar code - to be the vehicle for transmitting the unique UCR number down the supply chain and to allow key information to be made available to Customs authorities when practicable, everyone should benefit: trade will be facilitated,… and it will be easier to catch villains.

I hope I haven't gone on too long and that I have focussed too much on barcoding at the expense of other technologies and processes; …but I do hope that I have given you an indication of what is literally just over the horizon for many companies,… and possibly for the Customs authorities too. At present, globally there is a 98% uptake on the EAN-13 barcode,…the one you see on most fcmg products in retail outlets:…in the not too distant future – when sufficient critical mass has built up in the supply chain - there will be the same degree of uptake on the EAN-128 barcode and on the Radio Frequency Identification (RFID) system with which the EAN-128 barcode is compatible.

If you are interested in [4]finding out more about this fascinating area of change in business processes, there will be a seminar in London on Monday 16 May 2005 immediately before the London International Wine and Spirit Trade Fair. Details of this will be made available to the trade in the next month or so.

Thank you very much for listening.

[4] This will be organised jointly the UK trade journal – Packaging News - and by the WSA: further information will available from david@wsa.org.uk.

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Wine and Spirit Association.

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