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# Electronic data: The New communications system

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# ELECTRONIC DATA

## the new communications system

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**B**eginning in December, 1981, the Uniform Communication System—a direct computer-to-computer innovation—is going to eliminate the traditional paper chase of manual procedures. But more significantly, it is going to reduce clerical and pricing errors, speed order processing and filling, and, when fully operational, save the industry an estimated \$300 million a year.

"The present system, cumbersome and inefficient in many ways, can be streamlined with electronic communication," Arthur Woelfle, president of Kraft, Inc. has stated. He is co-chairman of the UCS Joint Industry Committee with Leonard Lieberman,

senior vice president of Supermarkets General Corporation. "As an example," says Woelfle, "purchase orders, invoices, and other transactions between grocery manufacturers, brokers, and distributors will now be transmitted by computer rather than by mail, personal delivery, or phone."

The entire process, as Woelfle notes, will be reduced to a conversation between two computers. One computer places an order; the other processes it. This eliminates the time consuming and often inaccurate procedures in between.

"The new system also provides better management information," he adds, "and it will lead us to produc-

## UNIFORM COMPUTER MESSAGE STANDARDS

tivity gains in many other areas."

The Joint Industry Committee, sponsored by six industry trade associations, hired Touche Ross to direct and manage the project. Work is now completed on phase one, constructing a uniform computer message content for participating companies. Developing standardized messages is one of the most important elements of the system; without a uniform language, implementation would be complex. Such message standards as well as communication standards were established this spring.

Phase two of the program will be a voluntary commitment by various companies to test the system, refine message standards, and determine whether the system is usable by the entire industry. Companies can and have participated on four levels, depending on resources and manpower available. These levels are: the pilot committee, planning and development, validation of costs and benefits, and personnel training. Heaviest responsibility will fall on the 10 to 12 pilot companies which will participate at all levels.

At first, only three or four companies will be involved—in order to minimize problems that may arise in a new system. The pilot network will then expand to 12 companies in the second half of 1981. Participants selected will represent a cross-section of the industry based on type, size, geographic location, computer equipment available, and distribution methods. One major hurdle will be the development of computer programs to convert UCS messages into formats that will work with each company's existing ordering and accounting systems.

Phase three will bring voluntary industrywide implementation, beginning in early 1982. During this phase, Touche Ross will develop cost-benefit

and implementation guides so that individual companies can determine the impact of UCS.

Companies tied to the UCS network will benefit in a number of ways; and, as the system is refined, the benefits will increase. The system is designed to achieve the following:

- Reduce the amount of manual clerical work involved in transmitting purchase orders and sales invoices, improving productivity by as much as \$76 million annually.

- Eliminate the cost and inconvenience of errors in translating and transcribing, for an estimated \$8 million savings.

- Result in fewer invoice adjustments. Savings: \$56 million.

- Reduce required inventory levels and the risk of stockouts, to improve productivity by about \$105 million.

- Enable companies to improve internal systems, saving \$63 million.

- Enhance the effectiveness of sales calls, improving the bottom line by \$32 million.

Potential savings for an individual manufacturing company could go as high as \$825,000 a year, if the company has a direct sales force and annual sales of \$300 million. A manufacturing company with annual

### The Joint Industry Committee

The six industry associations are:

- The Cooperative Food Distributors of America (CFDA)
- The Food Marketing Institute (FMI)
- The Grocery Manufacturers of America (GMA)
- The National-American Wholesale Grocers' Association (NAWGA)
- The National Association of Retail Grocers of the United States (NARGUS)
- The National Food Brokers Association

sales of \$50 million, and which uses a broker, can save as much as \$122,000; and a distributor with yearly sales of \$300 million can save up to \$543,000. Savings for a broker with annual sales of \$50 million can reach \$81,000.

UCS is not a theory. It is already at work to a limited degree in the pharmaceutical and general merchandising industries. Many companies have also been using computers to transmit messages between locations. Companies in the food industry, for example, have used computers internally to transmit orders from the store to the warehouse. However, there has rarely been a computer link between retailing and manufacturing companies before.

Under the UCS concept, purchase orders and invoices are transmitted electronically between grocery manufacturers, food brokers, and distributors. This eliminates the need for their manual production, review, and handling. Instead, one company's computer calls another company's computer and electronically places a purchase order or an invoice in a telecommunications "mailbox." Periodically, this mailbox is checked and the message, whether it is a purchase order or an invoice, is read by the addressee. The new procedure will improve productivity considerably by reducing the number of manual clerical tasks.

It is also important to know what the system will not do, according to Arthur Woelfle.

UCS will not affect relationships and personal contacts between manufacturers, brokers, distributors, and retailers. It will not affect payment patterns or terms of payment. And it will not require companies to revamp their data processing systems in order to accommodate UCS.

It will be, however, one of the first industrywide systems of its kind. ▽