



Transport & Logistics Industry Case Study



Australian freight companies and their customers stand to make a quantum leap in administration and time savings with e-messaging based on the GS1 standards, a pilot has shown.

Health & Hygiene products manufacturer Kimberly-Clark Australia and Toll Logistics, worked together towards replacing the flood of everyday paperwork with electronic messaging. The results have been impressive: reconciliation errors were reduced, and those which remained were able to be resolved in just two days versus the prior ten, while the time spent creating consignments and managing accounts receivables was slashed from four hours to twenty minutes.

The pilot was part of a wider industry project managed by GS1 Australia called 'Demonstrating The Benefits Of Adopting Global GS1 Standards By Logistics Service Providers In The Retail Grocery And General Merchandise Supply Chain'. This project was supported by a \$121,000 Information Technology Online (ITOL) grant from the Department of Communications, Information Technology and the Arts.

Toll operates onsite at Kimberly-Clark's South Australian facility, creating loads, dispatching vehicles and delivering stock directly

to Kimberly-Clark customers. As an experienced GS1 System user, Kimberly-Clark has well-developed order generation and e-messaging capabilities that connect it with many customers. Unfortunately, e-messaging had not been utilised by its carriers, according to Kimberly-Clark e-Business Supply Chain Manager Mario Carniato.

"For years I've been telling our carriers that they should receive our messages electronically (rather than by fax), in order to reduce their administrative burden. **The way they create their Consignment notes for our work, and validate our RCTI invoices and remittances is VERY labour intensive. It's a 'no-brainer' business decision – everyone wins.**"

"We've been automatically generating forms for about seven years but because carriers don't have the systems in place to accept the data, we output them as faxes that have to be handled manually at their end."



At the same time, Toll Logistics has equally powerful systems in place but, says Toll Contract Logistics Business Solutions Manager Nick Dabner, the diverse requirements of hundreds of Toll customers make integration a challenge.

"Many customers have the right foundations for e-messaging," Nick said, "but use proprietary systems and each time we put together an interface, it's a completely different one that needs to be specially built. The implementation process can be long and complex."

Brought together by GS1 Australia under the umbrella of the industry project, both companies saw an opportunity to bridge the gap using the GS1 System of Global Supply Chain Standards of item ID & e-Messaging.

"In standardising through the GS1 System, we can ask carriers to use our bar codes and e-messages without fear, knowing that they can use them with other customers as well," Mario said.

The same principles applied to Toll's negotiations with trading partners, according to Nick. "We can be confident going to our customers and saying that the money they're investing, which could be \$20,000 to \$100,000, is worthwhile because they can use the global GS1 System to communicate with anyone internationally".

For Kimberly-Clark, the adoption of GS1 System was relatively simple. But for Toll Logistics, some programming and messaging work was required. To ensure timeframes were met and to gain a swift appraisal of the likely benefits, the pair agreed to implement a two-phase proof of concept pilot.

Under phase one, Kimberly-Clark generates a special advance ship notice (ASN) suitable for carriers ('carrier ASN') that contains all the data needed by the carrier to create and cost the consignment, including the route, vehicle type, number of drops, pallet footprints, etc. A GS1 number is used as the ASN reference number and output as a bar code on printed shipment manifests.

The pilot saw the XML based ASN emailed to Toll Logistics, although in full implementation, Nick says a more secure and manageable communication protocol will take its place. In phase two, the driver ensures that each customer signs against the bar code to provide proof of delivery. At the end of each day, the Toll driver presents the completed shipment manifests to Kimberly-Clark, which then scans the signed-off bar codes, matching each drop-off to the details already on file. Automatically, the Kimberly-Clark system generates a recipient created tax invoice (RCTI) that, once validated by Toll, becomes the basis for payment by electronic funds transfer, confirmed with an electronic remittance advice.

In effect, the process is driven entirely by the client and simply verified along the way by the carrier. The first benefit of this unconventional approach, say Kimberly-Clark and Toll, is that the information is of much higher quality.

"Kimberly-Clark's data is clean," Nick said. "It comes straight from their production and distribution centres. Using e-messaging doesn't rely on the typing accuracy of our administration team or the careful filing of paperwork – that's the old way of doing things and it's prone to data loss, which equals revenue loss and errors."

Mario aptly explains the second benefit, efficiency.

"The traditional model is that at the end of the week, we have clerks in every site ticking off carrier invoices with 500 items line by line," he said. "That means checking information which originated with us in the first place and which we gave to the carrier, that they're repeating back to us in their invoice, which is a waste of time and effort."

From a big picture perspective, Toll sees a competitive advantage in transparency.

"If we have information before we provide the service, we can add value by planning so we have the right resources in the right place at the right time," Nick said. "Punching in data after the fact is reactive and adds little value. To remain competitive, it is essential that Toll adds value to customers supply chains."

The pilot's success has spurred both Kimberly-Clark and Toll to progress towards full implementation. Already, Kimberly-Clark has polled its top ten carriers to learn more about their information flows and will soon hold meetings to discuss the benefits of e-messaging.

Toll plans to begin work on full implementation by mid-2006. For Nick, the pilot was an invaluable aid in mapping the processes before investing in large scale modifications to Toll's central information systems.

"Toll recognises e-business is simply a required part of doing business," he said. "You can't compete by adding layer upon layer of administration costs. Toll needs to be nimble and take an active role in leading the logistics industry to adopt GS1 System."

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