

Is Digital DNA a silver bullet for UK Grocery?

FOR IMMEDIATE RELEASE

08 AUGUST 2017 - GS1 UK's recent announcement of the Digital DNA commitment should herald a major breakthrough in the UK grocery supply chain. The 12 signatories represent some of the largest names in UK grocery, and the primary goal - that of establishing a consistent approach to exchanging product information between trading partners - is necessary, valuable and long overdue.

From a parochial perspective, my team and I at Atheon Analytics welcome the Digital DNA programme with open arms; as we develop SKUtrak® as the UK's leading grocery flow-of-goods tracker for FMCG suppliers we know that rich, robust, consistent product information will enable the next generation of SKU-level analytics across the grocery retail supply chain.

So is Digital DNA a silver bullet for grocery supply chain efficiency?

The real test of this announcement comes in the strength of commitment and implementation from the signatories; previous attempts have been dogged by issues which are still present - I see 3 primary risks to address:

1. The latest attempt

This is not the first time that UK grocery retail has attempted to unify around a common-sense solution to an accepted and well-defined problem. Many-to-many supply chain problems generate cost and waste for all; the exchange of robust and rich product information is no exception, and industry-wide solutions have been attempted for at least the past 20 years... remember e-centre (1998), the worldwide retail exchange (2000), UDEX (2003)? Even the Global Data Synchronisation Network ("GDSN") - the technological backbone of the Digital DNA programme - has been around since 2004. The UK lags most other developed markets here; GDSN is well-established in the US, mainland Europe (in particular Germany), Australia, South Africa and further afield. Indeed, the US and German data pools have been interacting for the past five years.

2. The missing signatories

The GS1 UK Retail Grocery Advisory Board was announced last year and includes all four major UK supermarkets, but conspicuous by their absence on the Digital DNA charter are Asda and Morrisons. This absence is not alarming if their intention is to join once the initial pilot programme demonstrates value (the 12 signatories are described as the 'Early Movers Group'). If, however, their absence signals a more fundamental schism in belief and approach, then Digital DNA is launching on a shaky footing and is compromised by politics...

3. The politics of UK grocery retail

The UK grocery market is still dominated by the "Big 4" supermarkets - although their combined market share now hovers just below 70% (down from 72.5% two years ago) - and this means that market-wide initiatives *need* to include at least three if not all four; witness the 5+ years it took to align on 'traffic light labelling'.

This is very different from both highly consolidated markets (e.g. the effective duopolies in Finland, Australia etc.) and highly fragmented markets (e.g. the US, where Walmart alone is often enough to garner commitment to an industry programme). Four, it seems, is the magic number when it comes to UK grocery retail - although the continuing rise of the discounters (and Co-op, for that matter) may yet change this power base.

Reasons for hope

There are, however, compelling drivers for the Digital DNA programme to succeed where previous attempts have failed. Firstly, all UK supermarkets have at least one eye on the rise of Amazon in the US grocery market (and further afield) - its aggressively data-driven business model includes highly automated product data exchange with suppliers. Secondly, by following other successful GDSN implementations (US, Germany etc.) the risk of failure is now much lower than at any time in the past 20 years. Thirdly, the technology involved is far more affordable, usable and effective for suppliers of all sizes; broad adoption across an entire supply chain is entirely feasible and should be expected.

Good luck to all involved; I look forward to tracking the progress of Digital DNA as the programme evolves.

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