

DATA SYNCHRONIZATION

Enlisting Data Synchron

Army & Air Force Exchange Service uses technology to return **more services** to soldiers

BY M.V. GREENE

A retailer wants to relocate a pallet of ice cream that has to be stored in the warehouse at the proper temperature. The automated supply chain, however, is fooled into believing the ice cream is laundry detergent and moves it through the warehouse without regard to the special handling. The result is melted ice cream, discarded inventory and wasted money.

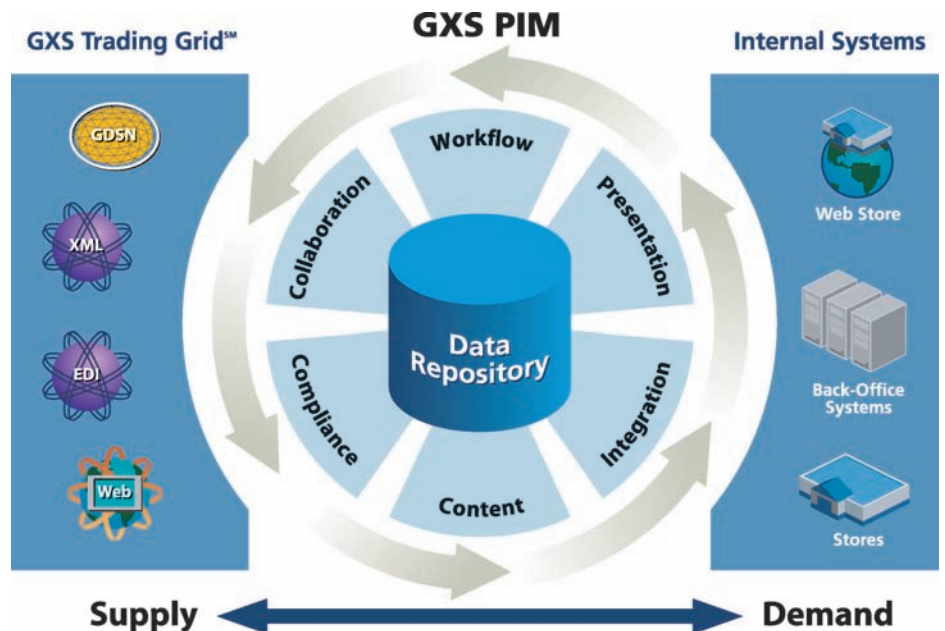
Ridding the supply chain of corrupted inventory is tied to the process of data synchronization, where the objective is to clean up and manage foundational item information. The Dallas-headquartered Army & Air Force Exchange Service (AAFES), which has provided merchandise and support services for active and retired soldiers, airmen and their families for more than 109 years, is remaking its supply chain to prevent such mistakes.

AAFES operates a full-fledged retail enterprise with more than 3,150 facilities worldwide. As an “exchange” retailer, AAFES sells about everything under the sun — military clothing, home decor, travel services, groceries, gasoline and consumer electronics and entertainment. In addition to its retail outlets, the exchange also sells merchandise online — growing its Internet business by 10 percent in 2004. The exchange’s vendor roster totals about 1,350, with an additional 340 available for special orders.

While its mission is honorable, big competitors have no qualms about attempting to siphon off a sizable portion of its 11.5 million authorized customers. Like any retailer in an increasingly competitive environment, AAFES is under mounting pressure to solve sup-

ply chain inefficiencies, and EDI manager Connie Vandervort says corrupt item data through the supply chain is a vexing issue.

AAFES 2004	
Revenue	\$8.3 billion
Earnings	\$344 million



get goods and services into the hands of customers more quickly. Entering data manually into AAFES' legacy computer systems — a nightmare for a retailer that carries hundreds of thousands of individual products and service items — is no longer an acceptable way to operate the back-end office systems.

"Any time someone manually keys in information there are going to be errors," Vandervort says. "These errors cause problems down the road. There are problems in the purchase orders going out to suppliers, problems in accounting offices with the invoices being incorrect and there are problems with transportation when the weights and cubes are incorrect. AAFES is solving a lot of problems by cleansing the data and obtaining a new merchandising system."



FAST AND EFFICIENT

Purchase orders are created in one day and transmitted overnight

Dirty data

When dirty data enters the system at the purchase-order level it leads to a chain of events that can be costly and burdensome, Vandervort says. If, however, the initial purchase order process is done effectively, "it resolves the problems all the way through the system."

The purchase order is the most important step in the merchandising process. AAFES has to have the right data to create the purchase order. If the purchase order is right, "then it should flow through the invoice and the transportation systems seamlessly," Vandervort says.

In electronic merchandising processes, purchase orders are created in one day, transmitted overnight, and in some cases the suppliers ship the next day. When AAFES is dealing with electronic data interchange, "there is

not a lot of time to spot errors on purchase orders," she says. "Most of the time, AAFES does not have time to react to an error in the purchase order."

To start the process of cleansing its data, AAFES has collaborated with Global eXchange Services, a Gaithersburg, Md., company that provides business-to-business integration, synchronization and collaboration solutions. AAFES implemented a GXS solution called Product Information Manager (PIM) Retailer Edition that created a single source of its product data and automated the process of synchronizing new product, promotion and price information across its facilities.

The PIM Retailer Edition is a centralized repository that ensures that price, promotion and product information are consistent

across multiple channels. The hosted solution is one peg in AAFES' plan to move to scan-based trading and RFID, which the U.S. Department of Defense requires of all military vendors.

Vandervort says AAFES' PIM is being implemented in phases, beginning with data cleansing and leading to RFID.

Alex Schumacher, GXS director of retail and consumer product marketing, says data synchronization technologies will ease some of the competitive retail pressures AAFES faces.

"It's not so much that they're located in geographically remote areas: They've got stores in locations where there is a Wal-Mart three miles away," he says. "In order for them to remain relevant to their customers, they need to be exceedingly efficient from a supply chain perspective. They need to be able to ensure they're in stock on the product the customer wants."

Remaining competitive

"For them to be competitive," Schumacher continues, "they have to have low-cost operations."

For AAFES, remaining competitive means it is able to return more to its stakeholders — the families of the soldiers and airmen it serves. The exchange had total 2004 revenue of \$8.3 billion. Approximately two-thirds of its \$344 million in earnings was invested as dividends into military morale, welfare and recreation programs that enhance the quality of life at military installations. Another \$97 million was invested into more than 260 new retail, food and service facilities, and \$71 million went to major renovations at more than 340 facilities.

Jack Leavitt, whose branch of AAFES systems support maintains the exchange's legacy computing systems, says savings through the new technologies will help the non-appropriated instrumentality of the government meet its mission.

"AAFES knows that it has to compete with other retailers. If the organization can operate more efficiently, the cost savings can be passed on to the customers," Leavitt says. "If profits are earned because costs are down, that situation will benefit all associated with AAFES."

The transportation function is where immediate returns will be realized as the GXS PIM solution and a new vendor-friendly merchandising system from Retek are fully implemented.

Entering wrong weights and cubes when using the purchase-ordering system to route merchandise means the wrong trucks could be sent. Trucks would arrive to pick up small volumes because the weights and cubes were incorrectly indicated in the system. By failing to optimize the load, AAFES pays higher rates for less service.

Manpower savings will occur as manual inputting is eliminated, Vandervort says. "If the data is incorrect on invoices, we have to research that and resolve it with the vendor."

All of these systems are data-driven, Schumacher says. "It's when the data becomes corrupted that they don't work as efficiently as they should, and these organizations have to apply people where they didn't really plan to, which drives their expenses up." **STORES**

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