

Moving Standards Forward

The tools are there, but is the industry?

The development and adoption of business transaction standards are about best practice business processes. The implementation of standards, on the other hand, is boring and confusing. That's been part of the problem in getting standards off the ground in industrial channels, where there is a high degree of fragmentation. A summit meeting on standards this week was a significant effort to move some of the many disparate pieces into place. The time may be right for the talk to walk.

By Thomas P. Gale

Animal metaphors sometimes come in handy when it's hard to define what you're talking about – elephants in the room, 800-pound gorillas, that sort of thing. That was the case in a unique day-long meeting when 30 people from different associations, technology providers and industry standards organizations met to discuss the state of standards for business transactions in industrial distribution channels. More importantly, they were there to get past the acronyms to find common ground and develop a game plan to move ahead in an area that has proven frustrating and frozen in most distribution sectors.

The venue was a standards summit meeting of the Distribution Solutions Council, an industry roundtable formed in 2001 dedicated to promoting distribution centric software and providing a forum to discuss industry related topics (www.dscouncil.com). The ten DSC members include virtually all the technology providers with products focused on wholesale distribution. Also at the meeting were representatives of the Power Transmission Distributors Association, the Industrial Supply Association, American Supply Association and National Association of Electrical Distributors. These groups have independently driven the development and adoption of standards for their membership.

Representatives from GS1 (formally the Uniform Code Council) gave participants the benefit of their experience in developing standards across more than two dozen industries internationally. Closer to home, Mike Rioux, president of the Industry Data Exchange Association, offered his insight into years of concentrated effort to create and expand the adoption of standards between manufacturers of electrical products and their distributors. IDEA is a co-venture of the National Association of Electrical

Distributors and the National Electrical Manufacturers Association.

Core Issues

The summit, facilitated by St. Louis-based Brown Smith Wallace Consulting, crystallized some of the key challenges to date, as well as remaining barriers. This is an issue of keeping the industrial distribution channel competitive with sourcing alternatives globally, observed Kathy Newton of Purdue University as she set the tone of discussion.

Several questions surfaced in the group discussion:

- What standards currently exist in industrial channels and how do they compare? There were estimates that there may be perhaps 80-percent overlap in the different product, price and other standards in use today across several associations.
- Who is the target audience for industry standards? Is it a major company, such as The Home Depot or a group of large companies operating in wholesale distribution, which have the clout to drive adoption of transaction standards with their manufacturers? Does it make sense to simply adopt standards set by these large players, if they have already developed them? Or are standards really more critical for smaller companies who can gain significant cost savings by using them?
- What projects can this group pursue to drive standards development and adoption? What in fact are the specific standards to promote across the assorted vertical industries within industrial channels?

The conversation went well beyond clichés to explore key barriers that exist to establishing business transaction standards that all agreed can reduce cost to all stakeholders in distribution channels. Key takeaway: The wholesale distribution industry is poised, due to competitive changes, to be more receptive to adopting industry standards than in the past. There was consensus that the payback of standards adoption is real: Distributors can achieve better communication and visibility, and ultimately greater channel efficiency. In fact, there's a considerable amount of untapped opportunity today to use the existing

continued on next page

standards and e-commerce tools built in existing distribution software systems.

But we're not quite there yet. Because industrial distribution channels remain so fragmented, there are not a few large industry players driving the adoption of standards, as there are in consumer-products industries. An example is the development of standards for radio frequency identification (RFID), with Wal-Mart and the Department of Defense driving those efforts. So in industrial channels, the collaboration of associations, large manufacturers and distributors, technology providers and even the trade press will be needed to gain agreement and adoption.

A wide range of technical standards was discussed: EDI, product identification, product descriptor database (PDD), advanced shipping notice (ASN), as well as the product and price information format jointly developed by PTDA and the Bearing Specialists Association, and now adopted by some other associations. Excruciating detail was kept to a minimum, as most in the room were more focused on the historical, political, educational and practical barriers and how to get beyond them. Repeatedly, several people stressed that there has to be clear returns on investment and a strong business case for standards adoption. Otherwise, barriers won't be overcome.

The quest for standards has taken many forms over the past two decades in distribution channels. Many ended up tilting at windmills instead of getting the job done. There have been numerous association attempts to create tools to help distributor members move dead and slow-moving stock, including electronic bulletin boards, Web sites and even hard-copy listings. Arguably, most success in this area was limited until the development over the past few years of Trading Partner Connect, a proprietary system developed by Prophet 21, now Activant.

Next Steps

There is probably a need to harmonize standards

that are already in place, most in the room agreed. And there is some work ahead to move standards adoption forward. But more research is needed before the group was willing to launch a specific project. Steve Epner, the primary facilitator from BSW Consulting, consolidated the day's discussion into more concrete action items:

- **Educate.** Best practices make distributors more profitable; standards make best practices possible and easier. There are critical roles ahead for associations, technology providers and the trade press to help educate and inform those in the channel of the real cost savings and competitive advantages that standards adoption creates.
- **Build a case.** While there is some data and case studies on the benefits of standards, there is a need to create a better argument to present to the industry for standards adoption.
- **Gather data & evaluate standards.** BSW Consulting will do some of the necessary data collection and analysis to provide the DSC with more information so it can decide how to proceed.
- **Establish next steps.** A project to harmonize e-commerce standards in industrial distribution channels may emerge as a specific project from this initial meeting.

Many at the meeting were skeptical of results for adoption of standards in the near-term, based on the industry's history. But there was still enthusiasm for trying to push for progress. There was universal commitment by DSC members, as well as other participants, to devote resources to standards adoption and create a more focused plan based on a review of what's in place today. While a clear vision didn't leap out, clearly some old dragons and other large beasts of burden were maimed, if not slain. In the realm of standards, that's real progress.

Do you know someone who could gain from an MDM subscription?

MDM offers insight, analysis and careful reporting of industry events and trends. Since 1967, MDM has been regarded as the industry insider's best source for current information. And now www.mdm.com offers more than four years of valuable research archives and distribution management articles available only to subscribers. Contact us and we'll be happy to pass a review copy on to an associate or channel partner.

4 WAYS TO ORDER

Online: www.mdm.com

Phone: 888-742-5060

Fax: (303) 443-5059

Mail: 2737 Mapleton St. #201
Boulder, CO 80304