



Odette Outlook – Autumn 2009

Latest News on Odette International

LATEST NEWS FROM ODETTE INTERNATIONAL

Welcome to the Autumn 2009 edition of Odette Outlook, which gives an overview of just a few of the things happening in the world of supply chain collaboration. The on-line services that were announced in our previous newsletter are now fully operational and can be accessed from our homepage, www.odette.org where you will find full details of each one.

Our new Business Entity Coding service, OSCAR, is featured in this edition. Also featured this month is a new Odette best practice recommendation for e-Invoicing in the automotive supply chain which has been produced in response to changes in EU and national legislation, plus the latest update to the influential Global MMOG/Logistics Evaluation, which now has more functionality and a host of improvements which make it even more indispensable for companies seeking to improve their supply chain operations. We are also announcing the launch of two new automotive supply chain best practice recommendations based on EDI messaging and we bring you the results of an interview with PSA concerning their implementation plans for OFTP2.

Our Logistics Committee is busy working on its programme of projects for 2010 and our Technology Committee has just completed a very interesting survey of EDI and Portal usage amongst European OEMs and suppliers. This will be reported in full by the end of the year but, in this edition, you can get a brief look at the preliminary results.

As you know, we postponed our planned Odette25 event from November 2009 to June 2010. It was a hard decision to make and one that we have never had to face before, but everyone we spoke to agreed that it made sense in these difficult times. You'll find more information on Odette25 in this newsletter.

I know how tough it has been for everybody this year but there are some positive signs emerging in the market and we hope that 2010 will be a better one for us all.

With best wishes,

John Canvin
Managing Director

ODETTE25 LOOKING FORWARD TO THE FUTURE SHAPE OF THE AUTOMOTIVE INDUSTRY

Originally planned for November, Odette's annual gathering was postponed due to the difficult situation our industry has been facing. It will now take place on **14/15 June 2010 in Munich**.



Each year, the Odette International Conference and Exhibition for Supply Chain Management, IT and Telecommunications brings together decision makers and experts from all over the world, providing a unique opportunity for participants to get an update on the development and implementation of innovative supply chain solutions as well as a broader overview of trends in the global automotive sector.

Labelled as Odette25, the 2010 event is also intended as a celebration of 25 years of Odette service to the automotive industry.

New initiatives are required to help you position your own company and your supply chain for the recovery and the challenges posed by the future shape of the Automotive Industry will be a feature of Odette25.

Topics strategic to the industry will be presented by:

Patrick Blain, Executive Secretary, French Strategic Automotive Exchange Platform
Philippe Jean, Head of Unit, Automotive Industry, European Commission
Johann Schuberthan, Head of Logistics Planning & Transport Logistics – BMW
John Sobeck, VP and Corporate Head of Logistics – ZF
Erik Uyttendaele, VP Material Planning & Logistics - Volvo Car

Operational topics under consideration include:

- Reducing instability and managing risk in the Supply Chain
- Cash flow release and inventory reduction
- Cutting costs with green logistics
- The impact of the zero emission car on your supply chain
- New logistics standards and their impact on the total supply chain
- Bringing eInvoicing to the global supply chain
- Streamlining the whole business process from Design to Delivery
- 'Back to basics' logistics with low cost countries
- Supporting future growth with new sourcing strategies
- Optimising production through capacity and flexibility management

- Implementing the digital supply chain
- Sustainable end of life vehicle recycling
- The move to new secure, low cost telecommunications

with more to come...

At Odette25, we will be looking forward to a brighter future for the industry. We are also looking forward to meeting you and thanking you for your contribution to the success of Odette over the past 25 years. Together we have achieved the Silver and now we are looking forward to going for Gold!

See you all in Munich next year!

NEW AUTOMATED RESPONSE TO DESPATCH ADVICE

Odette has just released a best practice recommendation which defines a standardised way of acknowledging the receipt of despatch advice messages and the communication of any errors. These errors can be technical (syntax) or business process related (data errors, mismatch of delivery dates and/or quantities etc.). The recommendation focuses on the automotive supply chain and was necessary to meet the increasing requirements for accuracy and speed of information flows and overall cost reductions.

When a defective Despatch Advice message (DESADV) is received, the sender must be notified of the error(s). There are many different methods used today between trading partners to communicate the error notification. Many of the most common methods (fax, mail, telephone, portal alerts) can lead to problems such as:

- Information not reaching the correct partner/responsible person.
- Lack of visibility when several different parties are involved in the process (VAN/Interconnect/operating department/external service provider/Third-party delivery).
- Odette members, therefore, decided to launch a project to develop a more reliable and standardised method of error notification.

The main objectives of the project were to:

- Standardise the responses to the Despatch Advice.
- Reduce the effort required by using standardised EDI messages.

- Produce a highly automated error handling process which increases the transparency of the logistics process.
- Increase process stability in the whole supply chain.

In a despatch advice message, the supplier transmits information on shipped parts or assemblies and associated packages, together with quantities, label numbers, serial numbers, departure time and estimated arrival time.

The message is critical for the goods receiving process, updating warehouse figures and detecting bottleneck situations. Whenever the despatch advice cannot be processed automatically, a manual intervention is necessary to avoid an expensive disruption to production. Although the message has a key role for the control of logistics processes, the handling of errors is often rather poor.

Various types of error can lead to a situation where a despatch advice cannot be processed by the receiver's system. In the worst case, due to syntax errors, the message cannot be processed at all. Other errors can be related to erroneous data (wrong identifier etc.) and finally there might be discrepancies between the transmitted figures and the actual received (or usable) quantities.

In many cases, the sender of the message (usually the supplier) incurs a financial penalty for each error caused by an erroneous message, to compensate for the additional effort and disruption at the customer end. Both sides have a genuine interest to avoid these situations and to implement actions that lead to an improvement in the quality of the transmitted data. A standardised notification of errors that can be processed automatically will undoubtedly help to achieve this improvement.

For the notification of detected errors and/or discrepancies, specific message implementation guidelines were developed by the project team to facilitate the use of UN/EDIFACT message types CONTRL, APERAK and RECADV. For the RECADV, a profile of the Joint Automotive Industry Forum (JAIF) Global Receiving Advice recommendation has been used.

In summary, the main drivers for the Despatch Advice Response recommendation were a higher process transparency, an increase in inventory accuracy, a reduction in time spent on exception handling and a reduction in the financial penalties which are a cause of resentment between suppliers and customers (often due to lack of information regarding the type of error involved).

We are convinced that this new recommendation will lead to a better relationship and closer integration of business partners in the supply chain and to an increase in process stability. It can also be used by software and service providers to enhance the functionality of their solutions.

E-INVOICING BEST PRACTICE GUIDELINES ON THE WAY

Invoicing matters are always urgent and critical for any enterprise. In the European legal environment, invoices are subject to strong regulatory requirements as far as their content and the media used for transmission are concerned.

EU directive 2001/115/EC and the more recent directive 2006/112/EC describe the processes and technical means to be used for paperless electronic invoicing (eInvoicing) to ensure integrity and authenticity of the invoicing documents. This has had a profound effect on our industry, but Odette has been developing guidelines to help companies find their way through the maze.

The invoicing process in general has a big impact on the financial status of a company. The first and obvious one is the fact that only correct invoices are likely to be paid. Any error will delay the standard payment process and weaken the financial situation of the invoice issuer.

VAT matters are another big topic. Provided correct invoicing documents are used, the amount of VAT to be paid to tax authorities can be reduced by deducting VAT paid on incoming invoices. However, if a tax audit later finds out that the tax authority requirements on an invoice document are not fulfilled completely, the deducted amount may again become due!

It is the goal of most industry sectors to replace paper invoices by electronic invoices to save time and money. When it comes to the method of invoice exchange, a number of European countries have different requirements, which go beyond the common Directives and which we find are not harmonised.

The simplest method of exchange is an electronic message (e.g. a UN/EDIFACT INVOIC message) exchanged in a given contractual framework between business partners; but other countries set higher requirements including the necessity to use advanced digital signatures based on a qualified digital certificate issued by an accredited certification authority to sign the invoices – even EDI invoices.

This is to prove the authenticity of the sender and to ensure that no changes have been made to the document since it was sent. Subsequently, various steps to validate the signature and to archive the validation and processing steps are required.

Although the EU directive considers either EDI or digital signature on electronic documents (or other means) as sufficient to ensure integrity and authenticity of an e-invoice, some countries have gone for a 'belt and braces' approach, i.e. they require EDI and digital signature or EDI and a paper summary sheet.

Companies and their financial departments are usually well aware of the domestic requirements but, with increasing international co-operation and European cross-border transactions, there is a growing need to obtain and maintain a comprehensive view of the special requirements in other European countries.

Germany has recently changed its laws to allow eInvoicing via EDI without the additional requirement of a digital signature or, alternatively, the paper summary sheet.

Since the sending of paper summary sheets was the predominant way of complying with legal requirements, you can imagine the savings this will bring in printing and storage costs alone. Furthermore, it now opens the door to the use of the Odette Global INVOIC message in a much

broader context in Germany and brings Germany into line with other countries such as France, Sweden and UK who have accepted it for several years.

The great thing is that the Odette Global INVOIC is ready for use now and meets all the latest fiscal requirements.

Odette has had European and globally harmonized recommendations on electronic invoicing available for several years. Since the legislation has changed, and also technical methods and services have been evolving, an update to the existing recommendations was needed and therefore an Odette project was initiated to do just that.

A team of experts from BMW, Ford, PSA, SEAT, Skoda, Volvo, Bosch, Hella, Johnson Controls, Axway and the Odette National Organisations have worked closely with the European CEN E-Invoicing Group to ensure all needs are considered on a cross-industry basis.

The guidelines document that the project group are just completing focuses on eInvoicing via EDI, namely EDIFACT, which is the main method for information exchange and automated processing in the automotive supply chain. The challenge is not only to replace paper documents by electronic ones, but to ensure and enable automatic processing.

The project team has been analysing the various options for eInvoicing and have been describing the best practice solutions that meet the latest legal requirements and which fit into the existing infrastructure.

The resulting document will be an essential guide for anyone involved in financial transactions within the automotive industry. It will be available from the Publications area of the Odette website during December.

VERSION 3 OF THE GLOBAL MATERIALS MANAGEMENT OPERATIONS GUIDELINE/LOGISTICS EVALUATION

The Global Materials Management Operations Guideline/Logistics Evaluation (MMOG/LE), jointly developed by the North American Automotive Industry Action Group (AIAG) and ODETTE International, is a standardised self-assessment and continuous improvement tool specifically designed to provide automotive suppliers with a means to measure and streamline their material planning and logistics (MP&L) processes. The tool is used globally and is presently available in 13 languages.

Since starting the update from Version 2 in May 2008 over 130 change requests (CRs) have been received from OEMs and suppliers in the USA, Europe and Asia. The CRs have been classified, prioritised and addressed by an international team of experts through several face-to-face meetings and more than 40 web meetings and conference calls.

The resulting Version 3 of the MMOG/LE incorporates more explanation, new features and improved functionality and is due to be presented at the October Logistics Committee meeting in Paris for final approval and subsequent release on 3 November 2009. The key changes include:

- improved wording and explanation to assist clarity of understanding and use of the tool by Tier 2+ suppliers
- increased compatibility with ISO/TS16949 and “lean practices”
- enhanced Gap Analysis to better support the development and management of improvement action plans, including: filtering options, data validation routines and colour-coding to highlight processes requiring specific attention
- introduction of visual management reports including Radar Charts, and a Progression Chart that provides a graphical representation of the scoring progress based on the action plan target dates entered in the Gap Analysis
- introduction of a Frequently Asked Questions (FAQ) website and Further Information contact details to advise users where to obtain advice, training and translated copies of MMOG/LE
- technical enhancements to assist document navigation and to make the tool more user-friendly, including: hyperlinks, toggle keys and filtering options.

Jeff Turner, the European project leader from SMMT Industry Forum, says: “The MMOG/LE is already a well-established assessment tool that is used world-wide. The AIAG/Odette project team has worked really hard to ensure that the improvements incorporated in Version 3 reflect the increased expectations of MP&L within the automotive industry and reinforce MMOG/LE’s status as the No. 1 assessment tool. The draft document has been rigorously tested by several experienced users and the team has received strong endorsements for Version 3. We encourage all organisations to adopt this version as soon as they are able to do so”.

Translation work has already started in readiness for the launch and we are delighted that IVECO, one of our new members from Italy, will be creating the first Italian language version.

There has been a great deal of interest in this new version, especially from German vehicle manufacturers and suppliers, who will join the ever growing list of companies that are promoting and using the tool, either internally, or with their suppliers.

The list today includes the following:

Vehicle Manufacturers	Suppliers
Chrysler	Beru
Ford	Brose
General Motors	Continental Automotive
Iveco	Delphi
PSA	JCC (China)
Renault	Johnson Controls
Volvo Cars	Pierburg
Volvo Truck	Robert Bosch
	SNOP (France)
	Valeo

In total, over 15,000 evaluations have been carried out around the world to date and this number will certainly continue to grow with the launch of Version 3.

PSA PEUGEOT CITROËN OFF TO A GOOD START WITH OFTP2, THE NEW ODETTE COMMUNICATION PROTOCOL

Over the past two years OFTP2, the new file transfer protocol developed under the auspices of the Odette Technology Committee, has reached maturity and is swiftly being incorporated into all types of data exchange solutions. Customers using these solutions can now communicate, via the internet, in a completely secure way, throughout the world.



GALIA, the Odette National Organisation in France, has taken a look at the implementation of this new protocol with the leader of the OFTP2 deployment project at PSA.

GALIA: Xavier Leclercq, you are the new project leader in charge of the implementation of OFTP2 at PSA PEUGEOT CITROËN. Introduce yourself briefly to the GALIA readers.

X.Leclercq: After studying for my diploma as an IT Engineer, a rich experience in various economic sectors, I have worked for PSA for more than 8 years. Within the framework of the extended enterprise I lead several missions. One of these is specifically related to supporting the deployment of the solution of data exchange over the internet using the OFTP2 protocol.

The OFTP2 protocol allows the transfer of data over the public internet in complete security thanks to the technology of encryption and the use of certificates.

GALIA: What is your view, up to now, of the implementation of OFTP2 at PSA PEUGEOT CITROEN?

X.Leclercq: For PSA PEUGEOT CITROEN, the implementation of OFTP2 has a double objective.

- Firstly, anticipate the announced withdrawal of the ISDN service, whilst conserving the advantages of a professional and robust solution ensuring an optimal quality of service.
- Secondly, facilitate our exchanges in an international context by using the internet.

PSA PEUGEOT CITROEN has therefore deployed the necessary internal infrastructure to support an internet solution using OFTP2. This solution responds to the demanding criteria of robustness and security which are necessary in a context as sensitive as the exchange of technical data.

As PSA PEUGEOT CITROEN runs its own PKI (Public Key Infrastructure), we can ensure the generation, renewal and revocation of certificates.

Now, PSA PEUGEOT CITROEN proposes to its suppliers that they should migrate from ISDN – OFTP to INTERNET - OFTP2 (Mailing and publication on our **B2B portal**).

A first status report at mid 2009:

Eleven suppliers have migrated and are today declared to be using OFTP2 technology

- Geographical split: 1 in Brazil, 10 in France
- Number of transfers from ISDN to OFTP2 over Internet: 9
- Number of transfers from EDTI WEB to OFTP2 over Internet: 2

In line with our expectations, the suppliers who have migrated were previously using ISDN and/or Internet outside Europe. However, we have not reached our initial objectives: we had forecast a massive movement of 250 to 300 suppliers from now to the end of 2009.

We attribute this lack of enthusiasm to:

- The economic crisis: minimal outlay of CASH.
- Suppliers waiting for a new technology rather than a solution which is onerous albeit proved.
- A migration process which is voluntary.

What is the divergence observed? Several suppliers have turned to our EDTI WEB solution available via our B2B portal. This solution has been designed to respond to temporary need to exchange small volumes of data. EDTI WEB does not include restart, security or encryption functionality.

In comparison with this approach, PSA PEUGEOT CITROEN's action plan is based on communication. We will shortly be organising a round table with all of our internal interested parties. The objectives will be to promote OFTP2, to limit the use of EDTI WEB, to formalise a calendar of disengagement from ISDN during 2010 - 2011. We will ensure an individualised approach towards each supplier in order to direct them towards the most appropriate tool for their needs.

(extract from the Galia newsletter)

SURVEY ON "THE USE OF PORTALS AND EDI IN THE AUTOMOTIVE SUPPLY CHAIN"

Odette has conducted a survey of its members concerning the use and level of satisfaction with both classical EDI and the portal based data access solutions which have appeared more recently.

This action has been prompted by a podium discussion at the recent Odette Conference which indicated that there could be room for improvement in these areas.

Distributed with the help of our National Organisations we are pleased to have received more than 600 answers: 60% from suppliers, 21% from vehicle manufacturers and 5% from LSPs (14% other).

Almost two thirds of the respondents are directly responsible for EDI and/or IT applications, which indicates that the survey has been answered by highly competent and knowledgeable people whose views reflect the current situation in a comprehensive way. We would like to thank all participants for their valuable input.

A team of industry experts is now analysing the results and we expect to publish the complete figures of the survey and our analysis later in November. The results of the survey will have an impact on the planning of future Odette projects since, in the end, our common goal is to improve business processes in the automotive supply chain. We will update you soon, watch this space!

BRIDGING THE TRANSPORT INFORMATION GAP WITH THE NEW READY FOR SHIPMENT ADVICE

In the automotive supply chain, approximately 75% of the value of the final product (the vehicle) is generated/produced by the suppliers. A deep sharing of work and sophisticated delivery processes are in use. Therefore, a closer integration of all involved business partners is desirable for the benefit of the vehicle manufacturers, the suppliers and the logistics service providers.

For a smooth and effective automotive supply chain operation it is essential that goods/parts arrive on time or even just in time at their destination.

However, in the current day to day business there is a gap in information flow between supplier and customer, supplier and transport service provider and transport service provider and customer. Although all three are involved in exactly the same business process different methods of information exchange (electronic messages, emails, fax, and phone) are used and a consistent monitoring of the operation is very difficult or even impossible. In addition there is insufficient ability to establish early warning systems for disturbances or to assign recovery responsibilities.

The new Ready for Shipment Advice Recommendation describes the main typical business process(es) and their business (information) requirements. It comes with an EDI message implementation guideline, so that standard EDIFACT messages can be used as a harmonised method of data exchange. This enables automated information sharing and application integration.

The implementation of the recommendation helps to provide increased control over the supply chain transport process, to have better and more reliable information for performance evaluation and to avoid disturbances in production caused by delayed transport of materials.

A HOLISTICS APPROACH TO ENTITY IDENTIFICATION FOR THE AUTOMOTIVE INDUSTRY

Odette has responded to growing Automotive Industry needs for unique business entity identification by launching OSCAR – Odette System for Coding And Registration which offers a comprehensive coding scheme backed by a web-based application.

The system offers 2 key services:

- Issuance of codes for the purpose of business entity identification
- Information service allowing access to detailed and up to date data on the organisation of registered entities.

The situation today

Business entity identification is currently a very confused and heterogeneous situation within the Industry, with companies identifying their entities using a mixture of their own organisation codes and codes provided by external organisations such as Dun & Bradstreet or GS1/ePC.

Companies have to maintain a large number of codes of varying formats and lengths. Even if these codes can be understood in individual trading relationships, they cannot be understood by other parties in the Supply Chain, such as logistics service providers, customs officials, network providers etc.

A unique coding system covering all business processes is required to support more stringent traceability requirements and simplify the heavy management process caused by the use of disparate and non harmonised schemes.

A comprehensive coding system

OSCAR is based on the exhaustive identification of business and legal entities which meets the needs of complex multinational organisations. It includes a family tree functionality which provides a comprehensive overview of a company structure.



OSCAR covers the total business environment: a business entity can be:

- a legal entity;
- a business unit;
- a logistics location;
- business function or department within a company;
- a computer network address;
- etc ...

OSCAR allows the identifications of entities in all physical and information exchanges enabling the use of the same coding system in many different environments:

- AutoID;
- EDI messaging;
- File Transfer;
- B2B Portal access;
- etc...

OSCAR also maintains Business Entity Datasets that can be interrogated by partners in the Automotive Supply Chain.

OSCAR can be implemented step by step to satisfy emerging needs and can co-exist alongside current coding schemes.

Run by the industry for the industry

OSCAR is tailor-made for the Automotive Industry and is flexible enough to meet specific Automotive Industry requirements.

The coding system has been developed by the Industry and is managed by Odette International which is recognised as a code issuing agency by the most relevant and influential ISO Standards. Odette International runs a validation process of code requests via its National Organisations thus delivering a highly secure service.

A centralised service, easily accessible worldwide

The OSCAR coding system is supported by an easy to use web-based, centralised repository service. There is no need for multinational companies to apply to various regionalised agencies as is currently the case with other global coding system providers. The data registration process is user-driven, rendering code maintenance fast, efficient and affordable.