



RSS Coupons: What Manufacturers Should Be Doing to Get Ready

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With the final guideline draft for a new Reduced Space Symbol (RSS) coupon code expected to be ratified and published by January 2007, the reality of major industry impact is beginning to be realized. With a phased adoption plan that begins 2007 and is completed in 2010, the time has come to begin preparations. This paper identifies specific steps manufacturers should begin taking today, and how Pinpoint Data, LLC intends to provide the expertise and tools its clients need to ensure the successful implementation of this major overhaul of the coupon barcode.

Background

Since 2002, the JICC (Joint Industry Coupon Council) and the GS1 US (formerly UCC) have been working on a joint program to update the coupon system. The original goal was to address the significant expansion of the coupon industry and changes in business needs since the current system was implemented in 1985. With the advent of the 2005 Sunrise program, however, when the GS1 began issuing variable-length Company Prefixes, the coupon re-engineering initiative became more essential as the existing standards would no longer accommodate the current dataset.

Using a set of business requirements compiled from a 2002 industry survey, the JICC, working with a group of manufacturers, retailers, processors and third-party suppliers including Pinpoint Data, has developed a standard that exploits the benefits of RSS to provide a comprehensive solution for the coupon industry (<http://barcodes.gs1us.org/Solutions/Coupons/tabid/96/Default.aspx>). This specification has been debated, revised, disputed, and presented many times, and now appears to have the participant consensus necessary for ratification. Pinpoint Data has been actively involved in the design and testing of this specification, and has frequently presented and published information on the topic. To this point, the general response of our customers has been “wait and see”, but we believe the time has come for all industry players to become actively involved in preparing for this major change.

What Manufacturers Should be Doing to Be Ready

For many manufacturers, the coupon development process has been a very stable one, guided by long-standing procedures and policies. With virtually no industry changes in nearly a decade, internal systems are well integrated and capable of producing and accounting for coupon promotions from initial design to financial processing. Third party suppliers and agents know their functions and are able to operate with minimized staff demands. But as RSS becomes a reality, taking a proactive approach to analyzing and preparing for the changes across the entire coupon development process is essential for all industry partners. **The industry implementation timeline defines the onset of the manufacturer’s participation at its first barcode creation, eighteen months from ratification.**



Given the far-reaching impact of the initiative, however, the prudent manufacturer will begin work at day one.

● ***Couponing Procedures and Policies***

Because of the stability of the current coupon standard, many corporate couponing practices were established years ago, and are simply perpetuated without review by staff or management. Procedures, approval processes, third party interfacing, and coupon data distribution methods all need to be reviewed to incorporate the changes coming with the new RSS standard. Its expanded capabilities, like expiration periods and multiple product line promotions, will need effective management, approval and audit practices throughout the coupon cycle. Larger organizations should review inter- and intra-division communication and guidelines. All manufacturers should take advantage of this opportunity to streamline outdated operations and explore new offerings from their suppliers. **All corporate procedures for the production and management of coupon promotions should be reviewed and updated to ensure applicability with the new barcode and implementation process.**

● ***Process Definition and Leadership***

The relative simplicity of the current UPC-A standard's implementation has accommodated high turnover within couponing staffs. Coupon management is rarely a primary job responsibility. Many manufacturers do not document their standard use of the UPC-A coding as it is reasonably straightforward. Conversely, RSS coding is notably more complex and open to interpretation. **Manufacturers should document internal usage guidelines to encourage consistency and reduce error, and identify a "Point Person" who will coordinate and oversee the company-wide implementation of RSS. The early part of the industry timeline, which does not call for manufacturer participation, should be spent developing a comprehensive implementation plan that clearly identifies participants, responsibilities and deliverables.**

● ***Budgetary Considerations & Staff Resources***

The stability of the current coupon promotion process, streamlined operations and multiple consolidations have permitted many manufacturers to reduce the size and budgets of their coupon departments. RSS preparation and ongoing usage cost considerations may include supplier increases, staff education, internal systems changes, and RSS implementation management. **Companies should plan to review current staffing and budgeting in light of the more complex RSS requirements as well as upcoming training and implementation costs. Manufacturers should budget for one-time readiness cost implications that could be expected in 2007.**

● ***Suppliers***

As with any major industry change, manufacturers will depend on third party suppliers for support and readiness. While some will simply expect their suppliers to be prepared, the judicious approach will require greater assurances. The new RSS barcode is far more complex than the current barcode, both in content and format, and there will surely be some suppliers that will not be ready or will be unable to handle these complexities. **Manufacturers should begin the process**

now of opening communication channels with their suppliers to understand suppliers' plans for readiness and competency and when possible, obtain commitments to RSS compliance.

● **Retailer Partners**

A manufacturer has many trading partners, and with each comes special promotion activities and agreements. With the longest adoption cycle (three years) and a much more substantial systems impact from RSS implementation, RSS-readiness will vary greatly across retailers during the interim period. It is imperative that manufacturers take responsibility to ensure that shared promotions meet their partners' current barcode and decoding capabilities. Some retailers who previously did not validate to the family code level intend to start with the RSS, and manufacturers will have to supply that data. Manufacturers using trade management applications or who may exchange data with retail partners should ensure compatibility across the implementation process. **Manufacturers must work with their trading partners to understand their plans to implement RSS and what is expected of the manufacturer to match retailers' capabilities and meet data requirements.**

● **Redemption Agent Relationships**

A critical partner in a manufacturer's coupon program is their redemption agent. They play an essential role in successful promotion design, implementation and processing, and this responsibility will only grow with the upcoming RSS implementation. In fact, redemption agents and clearinghouses are on the front line, required to upgrade their systems in the first phase to handle the new barcodes. We believe the major redemption agents and clearinghouses are taking this obligation very seriously and will be excellent partners and resources for manufacturers during this time. **Talk to your redemption agent representatives now about what they are doing to prepare for RSS scanning and data retention as well as how they plan to provide you with support and assistance.**

● **Coupon-Related Information Systems**

Manufacturers do not typically manage coupon promotions in a vacuum. Offer-related data flows throughout numerous internal systems, from sales forecasting and product movement to budgeting and general ledger management, from redemption tracking and payment processing to trade management or trade credit, and from creative design and printing management to marketing analysis and measurement. These planning tools and reporting systems contain many data elements whose format, content and/or usage are redefined by RSS, including offer codes, family codes and of course, the barcode itself. In addition, RSS capabilities may well exceed today's processing and data models, such as cross-brand budget allocation management, order-level purchase requirements and percent-off retail savings. **With software design and development lead times often measured in months or years, it is critical to begin the process of system analysis to assess the impact and plan to upgrade or enhance internal systems now.**

● **Offer Development**

Offers are often developed to conform to the constraints of the current UPC-A standard. Offers are changed to force-fit to the barcode or abandoned altogether, to the detriment of the promotions effort. The new RSS standard opens a myriad of opportunity to brand managers, albeit one that should be regarded with caution. For instance, the benefits of new cross-brand capabilities should

be weighed against the complexities of budget allocation and redemption management issues, or even simply the larger barcode. **Manufacturers should begin evaluating current offers, existing problems or limitations, and explore potential uses within the new specifications, while ensuring brand managers understand and comply with “good practices” limitations.**

● **Data Accuracy**

Coupon barcode accuracy is going to become a far greater challenge than it is today. Despite only a handful of data elements encoded and processed in today’s UPC-A, there is still a notable percentage of inaccurate or invalid barcodes produced each week as a result of incorrect company, family code, product, offer or value code data. The RSS coupon code’s complexity only increases the effect of these errors. **Access to current internal product databases and other related data sources needed for accurate coding should be planned now.**

● **Family Code Design**

The limitations of the current barcode standards often lead manufacturers to design Family Code structures for “most common” offers or to avoid conflicts (e.g., by size, brand or packs). Because the RSS standard transcends many of those limitations, manufacturers may find their current Family Code designs are not optimized for RSS specifications, and may preclude them from exploiting the full benefits of RSS coding when the interim period ends. In addition, mergers, brand sell-offs, and product line expansions retrofitted onto a structure often leave it ineffective or even unusable. **Manufacturers should view RSS as the ideal opportunity to evaluate long-term couponing campaign goals, review Family Code structures with respect to current products, fresh objectives and RSS interpretation, and plan changes that will return maximum benefit with RSS-only coding.**

● **Family Code Communication**

The “Achilles’ heel” of the coupon process, the family code will see an increased importance in the new RSS barcode, which allows for up to three different family code validations per offer. This piece of data, which defines the offer purchase requirements in the UPC-A, is used primarily for coupon validation and is notoriously poorly maintained and communicated. The resulting problems will only be increased as more retailers adopt family code-level validation as part of RSS implementation. **Accurate family code assignments and proper dissemination will become an even greater issue as RSS is implemented and all industry participants need to evaluate their procedures and systems for communicating and using this data today.**

● **Quality Control & Auditing**

The complexity of the RSS coupon code, a trade-off for its powerful flexibility, will make accurate coding even more demanding, from code interpretation to related datasets to the actual barcode symbol. A handful of manufacturers have implemented extensive quality control and auditing systems to provide promotion accuracy and minimize “hard-to-handle” coupon fines for today’s UPC-A barcodes. Most, however, have not, and experience what can be substantial losses from fines and unintended redemptions. RSS will increase the need for effective deduction management to allow problems to be addressed quickly. The best practices include a centralized control function and appropriate checks and balances with separation of duties. **Manufacturers should begin to**

review or develop comprehensive quality and auditing procedures for RSS coupons, including barcode data verification and error tracking.

● **Training and Industry Participation**

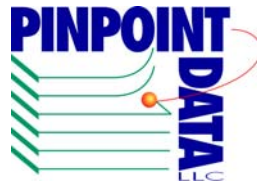
There are many resources and events available for coupon professionals to educate themselves on couponing, but from our perspective participation has been on the decline during the past few years. There are coupon education courses being run several times a year and re-engineering has been on the agenda on many industry events. While many companies have reduced budgets for these types of activities, we believe it is essential that this trend be reversed during the next several years. **Participation in industry events and getting staff training on couponing issues will be critical for successful implementation of RSS.**

What Pinpoint Data is Doing to Be Ready

Pinpoint Data's suite of products was designed specifically for the coupon industry to address long-standing data communication and quality control issues, helping manufacturers institute good practices standards and reduce fines and related costs for UPC-A/EAN-128 barcodes. The introduction of RSS magnifies these issues and the value that Pinpoint Data's products present: **CouponChek™**, **ProductChek™**, the industry's only online barcode content validation tools, have saved manufacturers thousands of dollars in fines and unintended redemptions. The **Barcode Wizard™** builds these same protections into an online wizard tool that instantly creates validated barcodes. To complete the circle, our **Family Code Manager™** and **Product Data Dispatcher™** products uniquely solve the pervasive problems of family code maintenance and distribution.

The implementation of the RSS coupon barcode will have a monumental impact on Pinpoint Data's suite of products, and has essentially required a complete re-engineering of our two major services, CouponChek™ and Barcode Wizard™. As these products create and validate coupon barcodes, they are being fully overhauled to accommodate both the final and interim phases of the implementation. Our patent-pending CouponChek™ process performs more than thirty data content validations on the existing UPC-A/EAN-128 barcode structures; for RSS, the number has grown to two hundred. In addition to these modifications, the Barcode Wizard™ is also being remodeled with an RSS-specific user interface focused on simplifying the complexities inherent to the new coding.

Pinpoint Data made the decision early on to begin this massive re-work of our services, because we knew our customers would be depending on us to be ready. That development began more than three years ago and only awaits the final approval of specifications for completion. **Pinpoint Data is committed and fully expects to have the first commercially available Barcode Wizard and barcode validation services available to the industry for the new RSS interim and final barcodes, and will be prepared to provide the dedicated, expert advice and assistance our customers have come to expect.**



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