Coupon Re-Engineering Status

October 14, 2004

Joint Industry Coupon Committee

THE CASE FOR RE-ENGINEERING THE COUPON BAR CODE

The current UCC coupon system dates back to 1985. Along the way, there have been significant changes in the system itself, such as the addition of the Coupon Extended Code in 1997. In addition, up to 500 new manufacturers (all potential coupon issuers) are added to the system monthly. On the retail side, the use of scanning has increased and matured in the convenience store, chain drug, mass merchandising, specialty store and department store industries, as well as the grocery industry.

Food, drug, general merchandise, and specialty retailers process almost 4 billion paper coupons annually,[1] handled by hundreds of thousands of cashier-attended and self-checkout lanes. With over 200 billion in coupons distributed in the US annually, coupon processing is a big business. The use of paper coupons is growing globally.

Significantly, along with this expansion, there have been many changes in business needs, driven by technology such as Smart Cards and the Internet, and the UCC system of standards itself.

The key stimulus for re-engineering is the upcoming 2005 Sunrise program, when the UCC will begin issuing variable-length UCC Company Prefixes and retailers will be expected to accept imported products identified with EAN.UCC Company Prefixes. Both changes could lead to an increasing number of coupon misredemptions if the full Company Prefix is not processed. This will impact retailers, manufacturers, and coupon processing agents.

"RSS?"

We must consider and act on coupon re-engineering solutions *now*, in order to minimize predicted conflicts at POS. The purpose of this white paper is to bring Reduced Space Symbology (RSS) into the forefront of the discussion and planning for the future. ***RSS is the best option available to the industry to meet these goals.***

RSS has been designed for new applications or applications where limited space is a challenge, and will be applicable to produce and fresh meat. RSS is currently implemented in pharmaceutical and medical/surgical products.

RSS is recognized and used globally. Upgrading systems to read RSS barcodes will better position retailers, manufacturers and all stakeholders for the future.

"Why now?"

The #1 reason it's **not** optional: the impending crisis that will occur when manufacturer codes will start to conflict. Accuracy of redemption to the correct manufacturer will decrease over time unless the industry takes action now.

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[1] (http://www.uc-council.org/ean_ucc_system/stnds_and_tech/coupons.html)

All stakeholders will be in the same boat. POS systems will be changed to recognize new barcodes and coupon issuers will be using new barcodes. Retailers will have to key enter coupon values and revert to a manual process if they are not prepared in time.

1200-1500 new companies per month join UCC. Of these, 500 are associated with grocery/drug/consumer products and are potential couponers – within 2 years, we will see more EAN prefixes in the U.S. which will need to be processed at POS.

"Why 2008?" "How do we get there?"

Official adoption of RSS by the UCC Board is expected to be January 2008. By then, the industry will have a sufficient population of scanners to support applications and installations of RSS. In order to fully prepare, a revised schedule has been suggested:

June 2005 -- Standards completed for new coupon system
(The original target date was 2004 – this is a revised timeline.)

October 2004 -- February 2005	Standards Planning
February 2005 -- May 2005	Public Review / Final Comments on Standards
June 2005	Release of Standards

To participate in standards planning, offer comments through CouponQuestions@uc-council.org**.**

Critical Dates for RSS (Revised)	**Description (Excerpts from Draft Re-Engineering Proposal version 6.0, available from UCC – www.uc-council.org)**
02/05 to 06/05	Step 0: Finalization of work plan. New coupon standards in place.
Prior to 01/07	Step 4: Software implementation so RSS Expanded can completely replace UCC/EAN-128 on coupons
After 10/08	Step 8: POS can stop reading and processing EAN/UPC labels on coupons

A key requirement of the migration plan is that there are no points in time where a group of participants must all change simultaneously. Each change must be allowed to occur over a period of time. To enable this orderly migration, a multi-phased implementation is proposed. All impacted trading partners must develop the specified capability and bring it online within the "start after" and "complete before" date ranges specified for each step. Steps are outlined in the Coupon Re-Engineering Draft Proposal, available at uc-council.org.

Much of the barcode software now contains RSS because of application work in other areas like healthcare, meat and produce. Reference algorithms are available now for printing and scanning.

A "Coupon Wizard" is being planned by the JICC as a user-friendly tool to aid in creating accurate RSS Coupon Symbols.

"Do we have to start now?"

Yes! It will take over 2 years to be fully running with RSS. Start planning now!

Two - Phased Migration

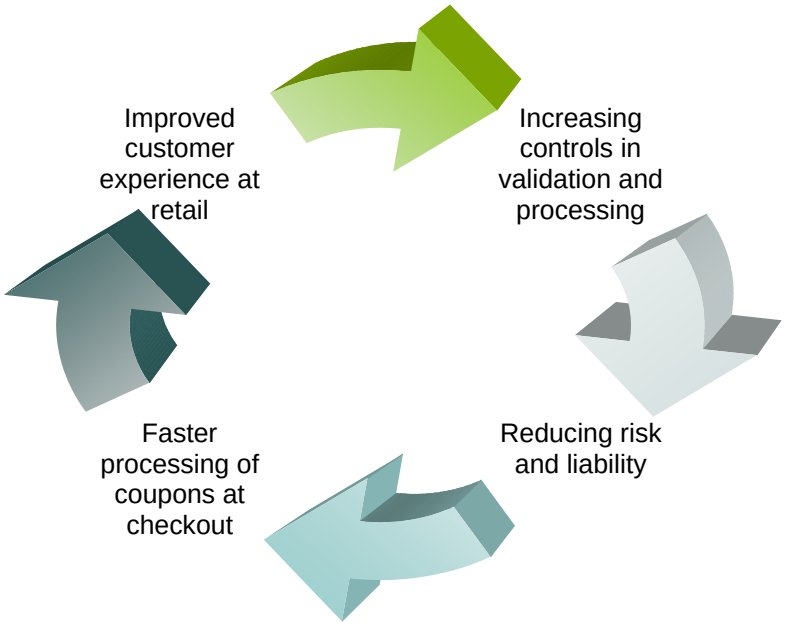
CURRENT
UPC-A & UCC/EAN-128

INTERIM
UPC-A & RSS Expanded

FINAL
RSS Expanded Only

"Can we talk nuts and bolts?"

The RSS expanded bar code will allow more information to be encoded and scanned at POS. Subsequently, there will be an increase in validation and processing controls and a reduction of risk and liability. The benefits of less cashier intervention and faster processing of coupons at checkout will result in an improved experience for both the retailer and consumer.



Validation Controls

-- Meets variable-length company Prefix (MINs) requirements
-- Up to 3 different MIN and Family Codes validated at POS
-- Expiration date validated through the scanning process
-- Multiplied coupon value logic benefits for more exacting purchase requirements
-- Precise database lookup when used to correct printing errors due to the use of Offer Code

Hardware and software are the two major areas that must be addressed by the industry.

Hardware:

Retailers and clearinghouses will need to ensure that their POS scanners (flatbeds, handheld/presentation) are enabled to recognize and process RSS.

Most flatbed scanners secured since 2002 are capable of reading/decoding RSS bar codes. Most scanners secured in 1998 can be upgraded.

Handheld/Presentation scanners acquired in 2000 or later are RSS capable and those acquired in 1998 can be upgraded.

For scanners acquired before 1998, scanner vendors should be consulted for specifics.

Software:

POS software will need to be enabled to receive, validate and process the coupon. Software to produce and quality scan the RSS barcode will need to be replaced by manufacturers, retailers, and vendors.

"Why are my company's coupons sometimes confused with another company's coupons? Will RSS help fix this?"

The UCC currently provides variable-length MIN codes (i.e. 8 digits) as opposed to the previous US standard (6 digits). New companies applying for ID numbers will receive these variable-length MIN codes. The current coupon code uses only 5 of what could be up to 11 digits on the MIN code – therefore, some companies potentially **share** the same 5 digits.

Although the UCC is working to discover potential collisions, a manual process would be the only way to confirm MIN code for accurate processing. So, there are duplicate partial MIN codes in the scanning environment. As a result, coupons will be billed to the wrong manufacturer, resulting in overpayments or charge backs and deductions. To ensure accurate processing and unique identification, use of the full MIN is required.

RSS will allow the expansion of the Manufacturer ID code up to 11 digits and be able to correct the current issue of duplicate MIN scans, allowing for future additions of new companies into the coupon promotion world.

"We're celebrating our company's 68th anniversary next year and want to run a '68 cents off' promotion. We're told there's no code for that except for checker intervention. Why? Will RSS help?"

We are currently limited to 99 codes. Many multiple purchase requirements cannot be validated and coupon programs are sometimes over-funded as a result.

RSS will enable us to access unlimited value codes. Offers will be able to be value coded to the exact amount and purchase requirements stated. You can run a 68 cents off promotion without checker intervention at the register and without overpaying for each coupon redeemed.

"Why are coupons causing so much delay at checkout? Will RSS help streamline the process?"

Components in RSS attempt to reduce checker handling. Variable-length MINs, reduced need for family bypass codes, and values presented in amounts rather than value codes are all addressed in the required implementation. Additional purchase criteria, expiration dates, and other qualifiers are available in optional fields to improve accuracy in processing and reduce cashier intervention.

Retailers who are able to exercise both the required fields and the optional fields as provided by the issuers for validation and processing should experience fewer charge backs, less cashier intervention, and an improved experience for customers.

"Won't more codes take up more space on the coupon?"

The smaller RSS bar code frees up more space to communicate an offer effectively to the consumer. For companies planning to use RSS for an expiration date but *not currently using*

EAN-128 with an expiration date, the interim stage will require slightly more real estate on the coupon. For others, even in the interim, no additional space is required on the coupon.

"Does RSS help us move toward electronic coupon clearing?"

The full validation scanning also positions retailers for electronic coupon clearing. Electronic clearing has the potential to provide coupon data for payment in an efficient, cost-reduced manner. The many benefits of electronic clearing include increased validation and fraud controls. Having scanning equipment and information updated with RSS technology will make a transition to electronic clearing more efficient.

"What do we all have to gain?"

In the Short Term:

- Validation of specific offer, purchase requirements and expiration dates
- Better control of manufacturer and store coupons
- Reduced need for bypass codes
- Improved scan rates
- Reduced cashier intervention
- Reduced handling of coupons
- Fewer printing errors
- Accurate manufacturer and retailer ID system
- Better auditing
- Less fraud
- Consistent with other industry initiatives (perishables, etc.)

Over Time:

- Database validation (Internet or internal verification of purchase requirements)
- Quicker reimbursements – road paved for electronic clearing, single-count processing, EDI & Quick Pay
- Globally accepted technology
- Streamlined process

"Is there a coupon connection between RSS and data synchronization efforts?"

There is no interdependency on these types of elements except for the support of family code requirements through the use of data synchronization enabled in the Global Data Synchronization Network (GDSN). More accurate management of family codes is dependent on wider use of GDSN.

"Won't this compete with all the technology initiatives out there?"

Cost/ROI is a critical factor for all parties involved. RSS works in tandem with other industry initiatives. RSS is currently applicable to produce and fresh meat. RSS is implemented on pharmaceutical and medical/surgical products. Other RSS business applications, including greeting cards and serialized product sales of prepaid cards (gift, long distance, Internet, music, etc.) are receiving industry consideration.

"What next? What should we do?"

Third parties need to talk to their scanner suppliers. Business rules and logic need to be set up to process interim codes.

Manufacturers need to update the scanning process and ensure vendors are using new software/symbology. In the interim, scanners play a dual role, with one scanner for both codes.

As mentioned above, there are two major areas that need to be addressed by all parties: hardware and software. Even though scanners may be RSS capable, **activation** of the symbology may be required at each and every retail lane. This is generally accomplished by a sequence of bar codes provided by the scanner manufacturer that turns on the RSS decoding logic within the hardware.

Retailers who capture, track, and analyze coupon data in POS transactions in downstream applications will need to alter their filtering criteria to include the application identifier assigned by EAN.UCC to be used with RSS in place of the number system 5 and EAN 99 capture. These applications can include Cashier Productivity and Shrink Analysis tools, Labor Management applications, and merchandising analysis of coupon redemption.

Those retailers using EAN 99 coupons from in-aisle dispensers and promotion firms such as Catalina will need to address the required bar code changes with these providers. Migration plans will need to be established to align the hardware and software readiness of the retailer with the bar code generation capability of these coupons.

The business processes supporting the coupon environment should be reviewed for any changes. If a retailer is not currently validating to the family code level, they may want to consider doing so and will need to make the necessary changes in the POS software as well as within their supporting merchandising support systems. Cashier operation guides and training programs should be reviewed and changed to reflect any changes in business processes the retailer determines to implement due to the introduction of the enhanced capability. Customer service guidelines may need to be revised to address increased coupon rejects at checkout due to the enhanced validation capabilities.

For retailers with a large number of checkout lanes, an early step in this process is a readiness assessment of the scanner installed base since there are lengthy lead times associated in visiting thousands of lanes. This activity will form the starting point for a multi-year plan to be ready for 2008 with hardware, software, and business processes.

Retailers who are prepared for RSS at POS for coupons and product will be well positioned to gain advantages from other RSS applications with the appropriate software capability. The Perishable RSS application can be implemented assuming wide spread industry adoption. Also serialized products like prepaid cards (gift, long distance, Internet, music, etc.) can be encoded and processed with RSS bar codes to enable an industry standard method of scanning and activating in one operation. Given the RSS capability to encode additional data within an omni-directional bar code, the magazine/periodical and greeting card suppliers are expected to also adopt this standard enabling improved trading and supply chain management capabilities.

Longer term, this solution offers the capability for database validation of coupons that may enable utilization of Internet coupons in a secure and accurate manner. With additional capabilities and

cooperation among the trading partners, retailers would be positioned to implement electronic clearing, single-count processing and quicker reimbursements.

All parties are encouraged to work with trading partners to determine the appropriate course of action and establish a system of reasonable target dates depending on business needs.

"How do I get involved in coupon re-engineering?"

All parties involved should **review and comment** on the standards and timeline development. The latest re-engineering draft is available at www.uc-council.org, by searching for "coupons."

If you have comments or questions you can contact UCC at CouponQuestions@uc-council.org and provide us with your company and contact information.

"Where can we find more information?"

Uniform Code Council www.uc-council.org

The Uniform Code Council (UCC) is a not-for-profit standards and global commerce organization, overseeing the development of barcode standards and responsible for the assignment of UCC Company Prefixes, referred to in the coupon industry as Manufacturer ID Numbers (MINs). The MIN is then used in all UPC marked products. More than 250,000 U.S.-based member companies rely on the standards and services of the Uniform Code Council for the effective management and control of their supply chains.

The UCC also facilitates the efforts of the Global Symbology Committee (GSC), which coordinates the engineering and technical development that will support approved standards.

Food Marketing Institute www.fmi.org

The Food Marketing Institute (FMI) conducts programs in research, education, industry relations and public affairs on behalf of its 1,500 member companies — food retailers and wholesalers — in the United States and around the world.

FMI members and staff participate in the Joint Industry Coupon Committee and the Coupon Re-engineering efforts of the committee.

Grocery Manufacturers of America www.gmabrands.com

GMA is the world's largest association of food, beverage and consumer product companies. The organization applies legal, scientific and political expertise from its member companies to vital food, nutrition and public policy issues affecting the industry. The association also leads efforts to increase productivity, efficiency and growth in the food, beverage and consumer products industry.

GMA members and staff participate in the Joint Industry Coupon Committee and the Coupon Re-engineering efforts of the committee.

Association of Coupon Professionals www.couponpros.org

ACP is an industry trade organization for marketing professionals who work or have interests in the consumer promotion business. ACP goals include providing a forum for the education and

resolution of common industry concerns in the development, distribution and redemption of coupons.

ACP's Sunrise Task Force examines re-engineering efforts and brings perspectives and insights from the redemption and processor community to manufacturers and retailers.

Frequently Asked Questions

1. Is there readiness on the technical support and scanning end?

Migration plans are being developed but need support of additional parties. Much of the barcode software now contains RSS because of application work in other areas like healthcare, meat and produce. Reference algorithms are available now for hardware and software.

2. Is there any software available that generates a barcode directly from the UCC?

A "Coupon Wizard" is planned by the JICC. Even small manufacturers with minimal coupon experience will have access to these online tutorials once developed. There is also some third-party software currently available for RSS, including barcode software packages. Reference model software is available free of charge from the UCC.

3. What is the speed when scanning RSS as compared to UPC?

RSS scans at least as fast as a standard UPC and faster than reading two individual barcodes like the current UCC/EAN 128.

4. Will it be harder for my packaging printer to produce these symbols?
RSS is no harder to print than UPC.

5. How will cashiers handle unreadable barcodes, **as there will be no human-readable component (except MIN and Offer)**?

Trading partners will have to develop an industry standard during the finalization of the work plan/ specifications phase to ensure accurate processing. This will be an item for the early stages of the proposed timeline so standards can be determined at the outset.

6. Will mergers/acquisitions, random weight products, and retailer in-ad scenarios be addressed using the new coding?

Yes, they will all be addressed.

7. Why should I be involved?

The #1 reason …it's **not** optional: the impending crisis that will occur when manufacturer codes will start to conflict...accuracy of redemption to the correct manufacturer decreases over time unless the industry takes action now.

8. How will retailers without upgraded POS systems handle RSS coupons?

In the interim phase, when both barcodes appear on the coupon, coupons will scan as normal. Ultimately, in the full implementation, retailers without the capability to scan and process the RSS barcodes will have to revert back to manual validation. They would need to rely on their cashiers to validate the coupon purchase requirements and key enter the coupon value.

9. Will the POS vendors continue to leave in the code to handle UPC-A and EAN99 codes in their software?

We envision POS systems will continue to read coupon UPC-A for a period of time as old coupons remain in circulation. New capability will be added along side existing.