



# BE FIRST TO NEW

WHY ITEM SETUP MATTERS

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## EXECUTIVE SUMMARY

A major inefficiency sitting at the top of every retailer's supply chain is costing both retailers and their suppliers untold millions annually in lost revenue, profit and unnecessary cost. *Item setup*, the process of listing a new item so that it is available for sale, is fundamental to maintaining an accurate item record, essential to the operation of the entire supply chain.

Today, item setup is antiquated, expensive, and lengthy, yet many retailers seem to have turned a blind eye to the associated implications. This white paper will reveal the typical item setup situation in most U.S. and global retailers today, as well as explain why retailers can no longer afford to accept the status quo. It will also present an alternative; a leading-edge technology that will help retailers and their supply partners future proof their business, and offer significant annual returns in the process.

## A FORGOTTEN FUNDAMENTAL

For any item to be sold at retail, whether in store or digitally, the first step that must occur is to *list*, or *onboard* it. Item setup entails the transfer of information describing the product from supplier to retailer, as well as the inclusion of all data related to how an item is to be treated throughout the supply chain within a given retailer.

*Item setup is the inception of the entire supply chain, a process that impacts every aspect downstream, including, and perhaps most importantly, the customer experience.*



Item setup is thus the inception of the entire supply chain, a process that impacts every aspect downstream, including, and perhaps most importantly, the customer experience. If the efficiency of onboarding determines how quickly a consumer can buy a new product, then there is inarguably a direct link between the speed of onboarding and a retailer's margins. Yet, as fundamental as this activity is, in 2023, it is taking retailers an *average of two to four weeks to onboard a single new item*. This is tantamount to two to four weeks of lost sales of new goods, goods that generate the highest margins in a retailer's assortment, almost irrespective of category.

How can this be?

While fundamental, the process of item setup is anything but basic. It is a complex endeavor that requires hundreds of pieces of information, or *item attributes*, moving from the supplier and other content stores, into several divisions of a given retailer, with multiple human touchpoints and back and forth communication. Only then, can an item record be accurately captured and sent to a retailer's back-end system. Item setup at retail today is beyond antiquated; it can best be described as byzantine, as it is highly manual, labor intensive, and error prone. It is also extremely costly, in terms of human effort expended, supply chain bottlenecks or outright derailments due to inaccurate or missing data, and of course, the aforementioned lost market opportunities.

Yet, many retailers are either blithely unaware of the process inefficiencies related to item data lurking within their operations, or, they simply accept the status quo. After all, items are eventually listed, and new products are ultimately available for

purchase. Nonetheless, the math associated with this problem is staggering. Take the grocery industry, for example. If new item contribution to top line revenue for a large national grocer is between 6-8% (source: AC Nielsen), and it takes weeks for new products to be saleable, then tens of millions of dollars in gross profit are being left on the table. And what about apparel retailers, where seasonal merchandising requires relisting approximately 80% of items several times per year?

While blindness to process inefficiency may not have been fatal to retailers as yet, the proverbial tsunami is coming, due to a number of market trends. First, new products are being introduced to market at a faster rate than ever. Second, consumer demand for product transparency has forced suppliers and retailers to account for types of information that never needed to be captured before. Third, government regulations are becoming more stringent, adding ever more data elements that must be included in the item record. Now, consider the proliferation of endless aisle marketplaces offering tens of millions of items for purchase... one is left to wonder, how will retailers keep up with the billions of item attributes involved?

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## ITEM SETUP: A PRIMER

To better grasp the gravity of the problem, let us first review the three main components of the item setup process.

### 1

#### Item Ingestion

Once the retailer's buyer or merchant has identified the item they wish to sell, and a commercial agreement is in place, the retailer must *ingest* the item, meaning, they must obtain supplier or 3rd party data that describes the item, commonly called container-type information or product standards. Such item data includes barcode information, GTIN, UPC, manufacturer name, brand name, item dimensions, ingredients, nutritional information, product life, best before date, unit of measure, inner

case, image media, among other descriptive attributes. Let us refer to this type of data as the “*what*” of the item record.

## 2

### Item enrichment

The “*what*” then needs to be augmented, or *enriched*, with specific data that is unique to each individual retailer’s operations and supply chain. For example: category codes and description, associate merchant codes and description, supplier shipping details, storage requirements (e.g., temperature), customs information, pricing, costing, tax, distribution centres or stores, material handling (e.g., tie, tier), minimum order quantity, deals, environmental requirements, language, and the list goes on... For our purposes, let us refer to item enrichment data as the “*who, when, where, and how*” of the item record. For an item to be successfully onboarded, the “*what*” needs to be captured accurately from the supplier or content store and associated, inside the retailer’s ecosystem, with the correct “*who, when, where, and how*” information.

## 3

### Item syndication

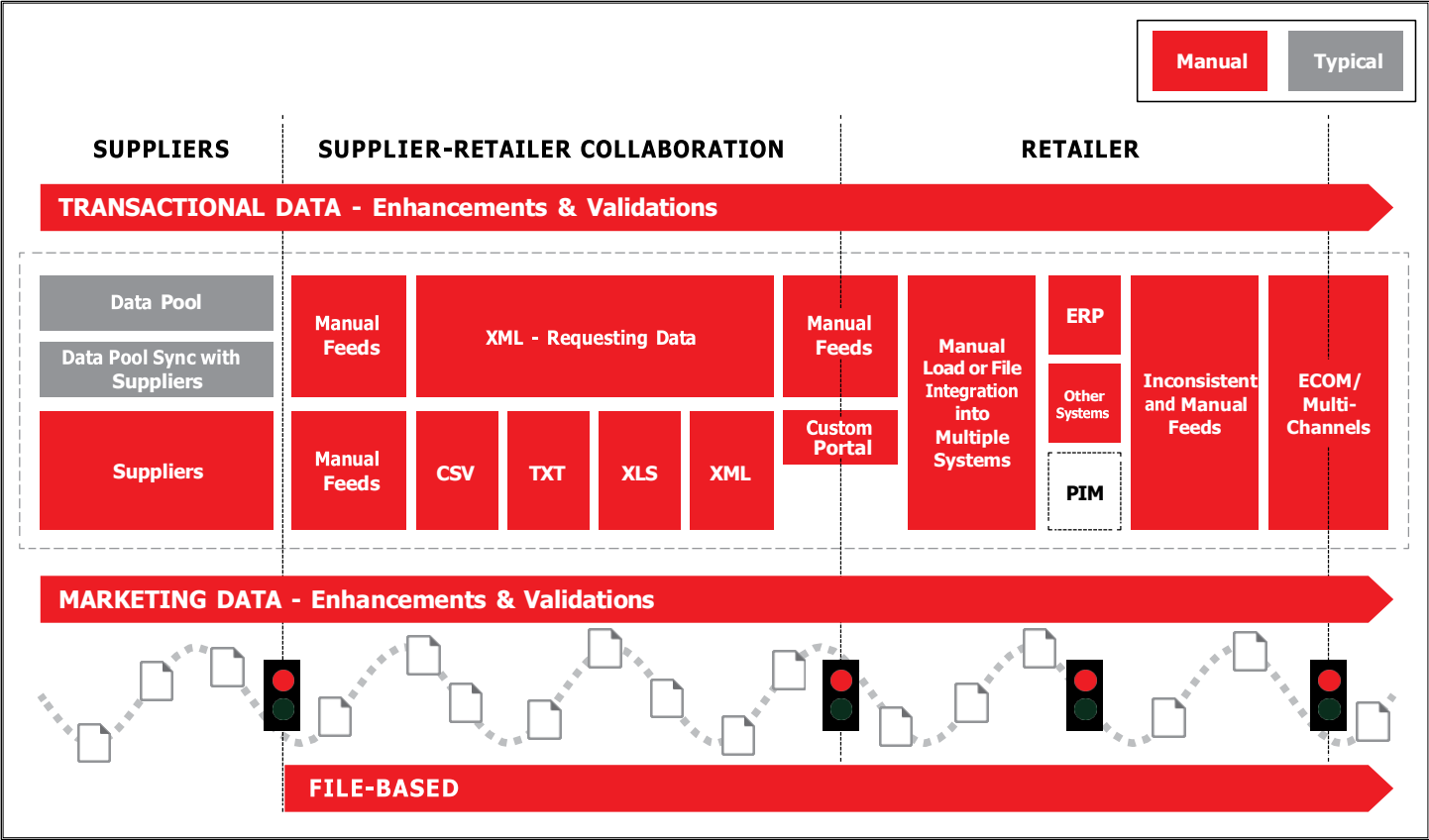
Finally, the enriched item information needs to be recorded in the retailer’s back-end systems, as it becomes the item record, inside the item master file, often considered to be lifeblood of the retailer’s business. Having an accurate master data file is essential, because this file is fundamental to supply chain processes (e.g., procurement, warehouse planning, inventory...) as well as other key business functions. Moreover, the success of the most advanced technologies retailers are investing in to gain competitive advantage, such as personalization tools, are entirely dependent upon accurate item data.

For any retailer, the ability to onboard a new item quickly and correctly should be tablestakes. Unfortunately, however, speed and accuracy are not at all characteristic of the process at retailers today. Even the largest on the planet haven’t gotten it right.

# CURRENT STATE: THE CHAOS BENEATH THE SURFACE

The following section will detail the item setup process unfolding now in large U.S. and global retailers.

Let us begin with a diagram depicting the worst-case scenario; entirely manual operations:



**Figure 1: Worst-case - Manual feeds and processes supporting item setup**  
While the supplier's data is captured in a data pool, the ingestion process is managed through manual files (Excel) sent back and forth between supplier and retailer; enrichment is manual and then requires an upload, or some level of integration, to an ERP. The approval process is also manually executed (i.e., multiple handoffs from supplier to category, to logistics, to pricing, etc. ...).



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Shockingly, a large number of retailers still receive supplier data through spreadsheets (most commonly), or smartsheets (spreadsheets with embedded business rules). Others rely on home-grown IT portals (requiring manual data entry), or third party content stores (offering only approximately 60% of item data required, at best, with questionable accuracy). Evidently, the “*what*” is not so easily or correctly captured. At some retailers, suppliers are instructed to send these spreadsheets to a generic email address administered by the retailer’s category team, who will then manage them on shared drives. Worth mentioning here is that suppliers have to define each of their items to every single retailer they wish to sell into. They must learn the nuances of each desired retailer’s item setup process to ensure they make it on the shelf. The inefficiencies and headaches experienced on the supply partner side are significant enough to be addressed in another white paper, and thus will not be elaborated upon here.

In some retail organizations, the item setup process may begin with category, who create an empty shell of the item record and send a spreadsheet to the supplier to fill out their portion. Which is the lesser of two evils? In both scenarios, there are teams of people required to support the process, manual data entry, and category is usually busy fielding calls from frustrated suppliers.

Once the “*what*” aspect of item data is collected, the internal data enrichment process begins, and the “*who, when, where, and how*” starts with the retailer’s category manager assigning the item to the appropriate category based on the retailer’s business (*characterizing* the item). The retailer’s category team must then validate the information collected in the spreadsheets to ensure the data has been captured correctly. This is either done manually, or via a set of business rules embedded in the file. Therein lies the rub; this is the first time this external data is validated internally by the retailer. The team is verifying the minutiae; for example, are product dimensions entered in the correct order? Is it length by width by height, or width by height by length? The file is then emailed back to the supplier with instructions to fix it. Given the volume of attributes to verify, suffice it to say, this back and forth communication takes an average of two weeks. And what if the category person responsible for data validation is out of the office? After supplier data is validated, category enters additional fields. Then, the file is relayed to the merchant or associate merchant who will include additional fields of relevance to their group.



Next, there is usually a team of data stewards (often from merchandising operations) who take the spreadsheets and send them to various other internal stakeholders to augment the data (i.e., supply chain, legal, quality assurance, finance, translation...). Once again, there are multiple handoffs, teams of people engaged, errors made, and delays due to the number of human touchpoints required, both within various areas of the business, and IT. The process of data enrichment is complete when the retailer-specific data associated with an item has been fully validated; it usually takes an additional two weeks to finalize this.

You may recall, the last step in the item setup process is retailer syndication to back-end systems. Data stewards must batch upload new items into systems like SAP, ORMS or a PIM solution. Often, these new items are rejected because mandatory fields required by the back-end systems are missing. Double-keying, in this context, is a common occurrence, and can delay the creation of an accurate item record even further.

Now, a sobering fact: this entire process must be repeated for the most minor item change, such as new verbiage on a soup label. The process also begins again when thousands of items need to be moved from one distribution center to another. Worth noting is that a large retailer will seek to input hundreds of item changes per day. The potential for error is massive. The costs are excessive. Too much time is wasted.

The inefficient process described above is clearly out of step with how retailers need to function in today's ultra-competitive context, yet it characterizes many retailers' item setup methods today.

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**The introduction of the PIM: A marginal improvement**

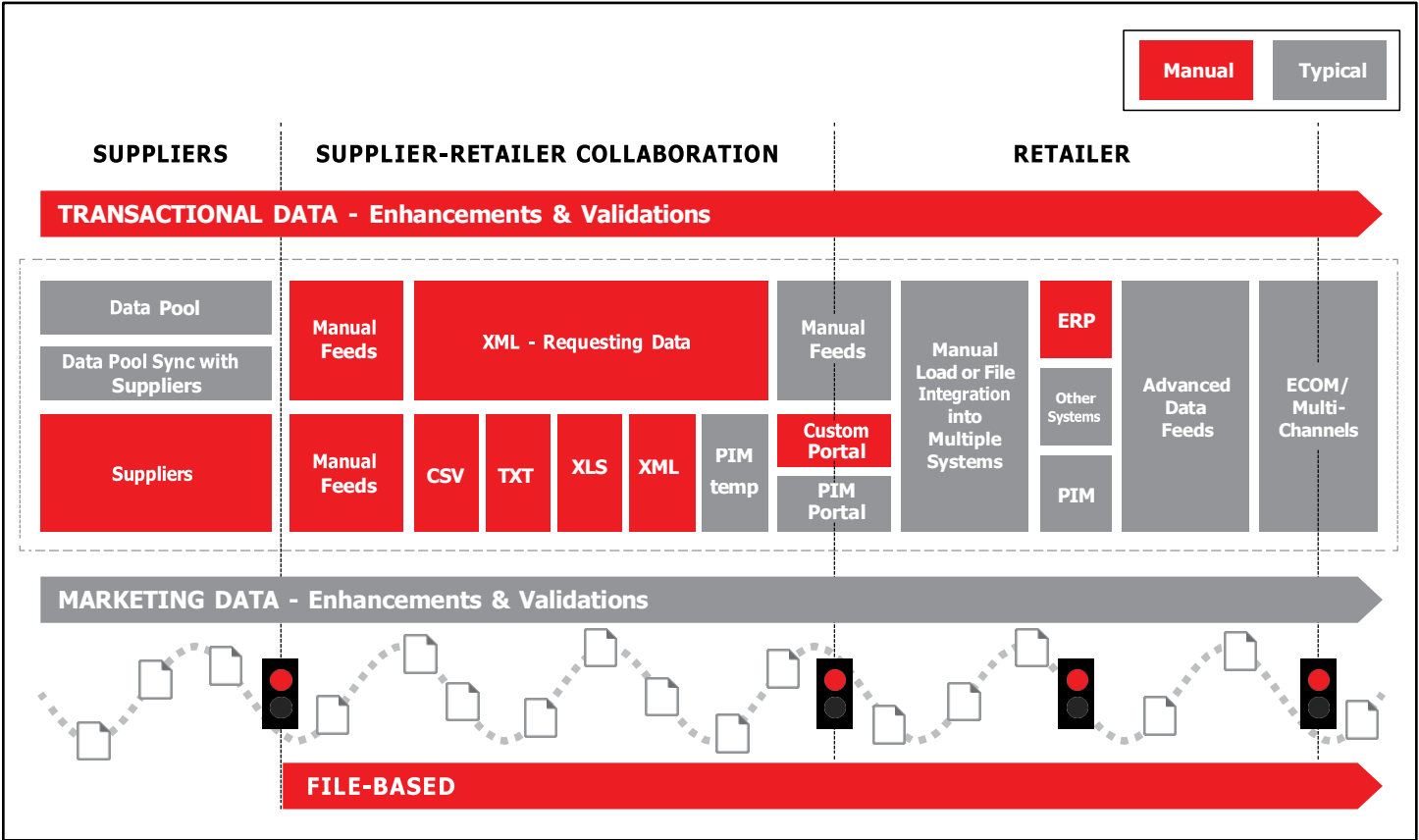
Those who have recognized the problem have attempted to improve the situation through the capabilities of their PIM (Product Information Management solution), which can assist to an extent with internal enrichment. This is at best a band-aid solution. PIMs can help retailers avoid the worst-case scenario (i.e., entirely manual operations); however, a PIM is not designed to solve the operational aspects of the



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item setup problem, as illustrated below (see Figure 2). Rather, it is meant to be a repository of item data serving multiple areas within a retailer, especially marketing. The PIM houses a 'gold copy' of item data, and as such, needs to be continuously updated and maintained by the retailer.



**Figure 2: Typical - With the help of a PIM**

The introduction of a PIM brings some level of automation to the retailer's back end; however, ingestion and enrichment remain manual (i.e., Excel-based). Workflows assist with approvals, but the entire item setup process remains lengthy and cumbersome.

For retailers to win now and futureproof their business, they must grow their assortment, enhance product attribution, and scale exponentially without encumbrance. Speed and accuracy of data exchange is essential.

There is a better way.

## WELCOME TO THE FUTURE



*Imagine technology that can ingest item data from a multitude of sources, intelligent enough to know which source has the most complete, current set of item attributes available.*

With the right solution, item setup becomes what it ought to be—virtually automatic; something that operates perfectly in the background, that retailers no longer need to resource so heavily. A modern item setup solution runs seamlessly, allowing retailers to focus on gaining competitive advantage, perhaps by reinvesting some of the additional profit they will realize from having recouped weeks of lost sales? Suppliers likewise rejoice, as they no longer experience item setup as a ‘black hole’, but a transparent process that unfolds efficiently and rapidly; within days, instead of weeks or months.

As we have seen, item setup is a complex process that cannot be adequately addressed in a piecemeal fashion. The right technology solves the setup problem from end to end—from the supplier, straight through to the retailer’s back-end systems, creating an accurate item record the first time, every time. The right technology lets retailers be first to new.

### Item ingestion



Imagine technology that can ingest item data from a multitude of sources, intelligent enough to know which source has the most complete, current set of item attributes available. One that can accurately retrieve and validate the “what”, flagging any mismatches, including corresponding images, in real time? Contaminated data is returned to the source, protecting the retailer’s internal systems and maintaining the integrity of the item file. Suppliers marvel at the speed, accuracy and simplification of the setup process. They no longer need to revise multiple iterations of spreadsheets. *Real-time validation at point of entry is the future.*

## Item enrichment

The right technology will marry the “*what*” with the “*who, when, where, and how*” automatically inside the retailer’s ecosystem. Category determination occurs instantly based on an image or core attribute description. Thereafter, all other necessary attributes are automatically collected from the retailer’s internal systems based on the retailer’s item data taxonomy. A robust business rules engine continuously validates data as it flows through the solution. Tasks are completed in parallel as opposed to serially. *Automated enrichment is the future.*

Given the volume of item changes a retailer needs to input on a daily basis, the right technology has pre-built functions to manage hundreds of changes en masse with ease.

## Item syndication

Gone are the days of time consuming and error prone integration or EDI transfers of item data. Instead, APIs connect machine to machine. Cloud-based micro-services and API architecture applications allow seamless connectivity to the retailer’s back-end systems. Once all item attributes are in place, this information is sent in real time to the retailer’s item master file—wherever it resides (e.g., ERP, PIM, Mainframe). The retailer’s existing systems remain the system of record. Moreover, because the item data remains accurate and complete, there are no interruptions or rejections. *Real-time master file syndication is the future.*

## Item changes

Given the volume of item changes a retailer needs to input on a daily basis, the right technology has pre-built functions to manage hundreds of changes en masse with ease. Necessary modifications no longer disrupt the supply chain; rather, they are seamlessly executed in real time, and the item master is automatically updated. *Worry-free item changes are the future.*

Enter Simplista, (see Figure 3 below) a next generation cloud platform that enables real-time collaboration between supplier and retailer, making item setup fast, efficient, and accurate. Ingestion. Enrichment. Syndication. Right the first time.

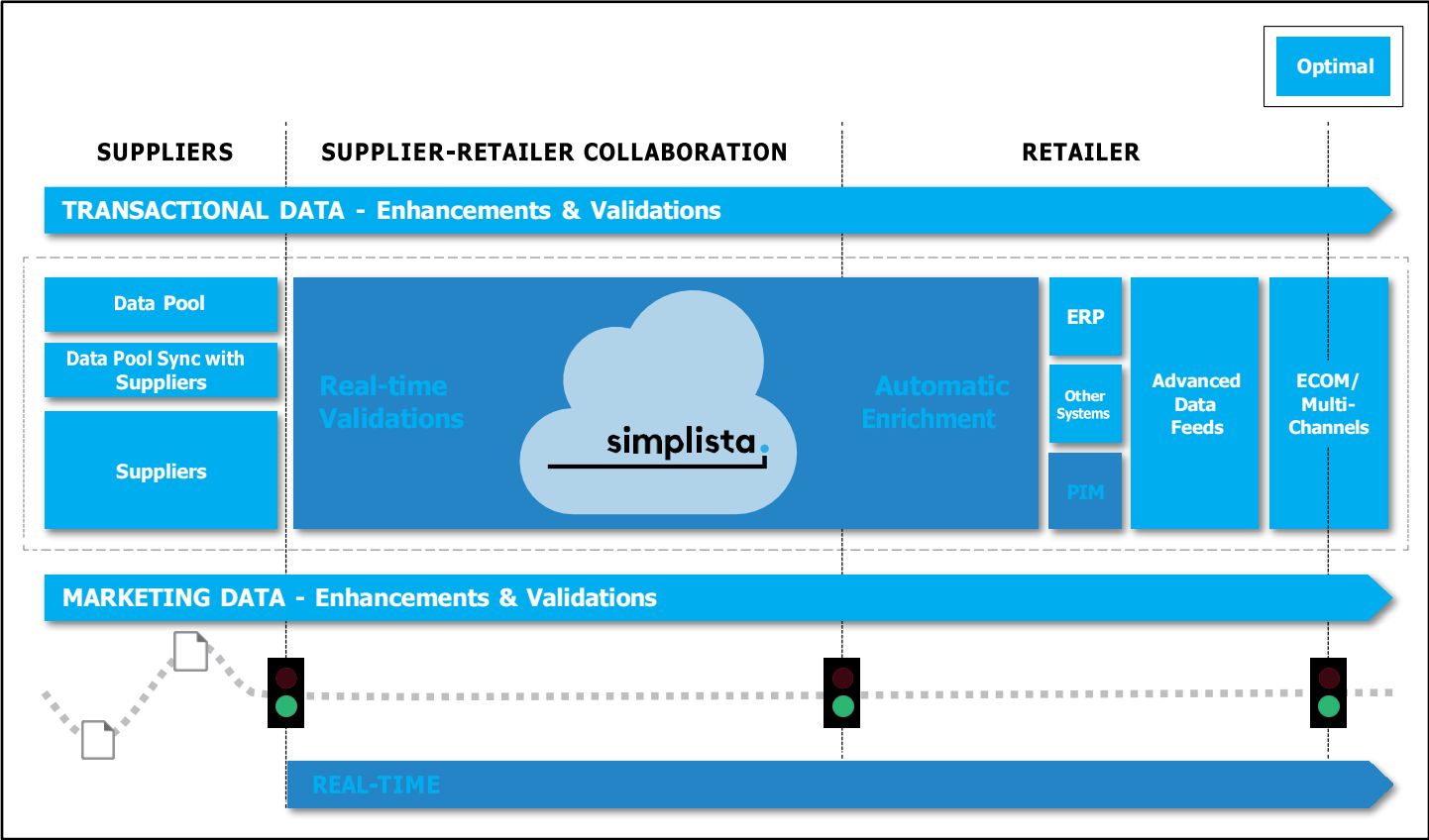


Figure 3: Optimal - Seamless, simplified item setup as a service in the cloud

**CONCLUSION:  
THE BUSINESS CASE FOR CHANGE**

There are three core benefits that provide the business case for change in the item setup space:

- 1 Grow units and traffic through speed to market
- 2 Remove costs from the business
- 3 Improve data accuracy to optimize downstream supply chain

The business case for change involves simple math:

$$\textit{Time to onboard} = \textit{lost revenue} + \textit{excess cost}$$

There are also significant costs to maintain the status quo. To assess these costs, it is worth asking the following questions:

- How much time does it take to get a new item ready for sale in our systems?
- What is the missed revenue opportunity?
- How many people in our organization are involved in item setup?
- What is our error rate, and what other supply chain processes are impacted?

Retailers must awaken to the notion that change is necessary, given that accurate and timely data is foundational to their omnichannel success. With the accelerated rate of new item introductions, and the number of associated item attributes growing exponentially, onboarding is a process that can only be managed through automation. And change is easier than you might expect. The right technology is designed for ease of use and transition, to minimize retailer and supplier pain—not exacerbate it. The entire process is managed in the cloud by the experts, so retailers can focus on what they do best, devising new ways to delight their customers.

While retailers are increasingly shifting their focus to technologies that have a more obvious impact on the customer experience, it is imperative that they appreciate how 'first mile' efficiencies and improvement of item data accuracy will lay the foundation for the success of their 'last mile' efforts. An accurate item file drives every aspect of the supply chain, and is integral to all advanced technologies related to consumer behavior. Without it, operations are inherently unstable. Being brilliant at the basics provides significant annual returns, in addition to paving the way for retailers' success in a multitude of customer facing endeavors.

*The future is here. To learn more, please contact [info@simplista.com](mailto:info@simplista.com).*

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