



GLOBAL DATA SYNCHRONIZATION NETWORK (GDSN) – REVISED ROADMAP (V. 4)

November 17, 2004

BACKGROUND

Data Synchronization is happening all over the world. Today, most implementations are local or regional, do not support interoperability across data pools, and thus require global suppliers to pay multiple fees for local and global connections. Recent GCI figures among leading companies show that 16% of GTIN's are currently synchronized. The objective, going forward, is to grow to 30% by the end of 2006 by developing a network of data pools that interoperate by use of a single, global registry and standards-based communication.

However, there are two serious issues that need to be addressed today:

1. GDSN stakeholders are confused. GDSN is operational and there are more than 100K GTIN's in the Global Registry (GR). However, different stakeholders have challenged the GDSN operation and financial model accepted in February '04.
2. There is very serious fragmentation of the user community behind two different data synchronization architectures. One model requires that items are registered in the GR (by suppliers) and matched to subscriptions (by retailers) prior to the synchronization of data through standards based communication between data pools. The other model synchronizes data within the same data pool and through data pool to data pool proprietary connections. In some cases, users may choose to use both of these models to connect to their trading partners. If we don't find a single, global model, the two models will diverge overtime resulting in serious complexities and extra costs for the future of E-Collaboration, including the interconnection with EPC.

OBJECTIVE OF THIS DOCUMENT

Get GS1 GDSN, Inc., BoD (previously the GDSN Oversight Committee) to agree to a single/integrated/global-GDSN-architecture operation, governance, and financial model before mid-November 2004.

PRINCIPLES

1. We must have a single, global data synchronization network, architecture.

2. We must transition from today's situation to a simple GDSN Model architecture that ensures the integrity of the GDSN.
3. We must simplify the GDSN on-boarding message immediately.
4. The GDSN/GR operation and financial model must be clearly defined and drive broad/fast adoption.
5. The GS1 GDSN, Inc., BoD must be the global governance body for data synchronization.
6. The GS1 GDSN, Inc., BoD needs to create subcommittees to increase its efficiency.

VISION

All GDSN Data Pool users synchronize data using the GDSN Model (the Global Registry and standards based connections). Selecting a particular data pool is a decision of each user.

TRANSITION

1. GDSN DP users are encouraged to follow the GDSN Model, but they can synchronize data through their GDSN DP for internal traffic (users in the same DP).
2. GDSN DP's are encouraged to follow the GDSN Model, but they can use direct DP-to-DP connections, for external traffic.
3. Users can participate in the GDSN only through certified GDSN Data Pools. Users can also become certified Data Pools.
4. Retailers are encouraged to both adopt the GDSN Model and to send communications to their suppliers to join a GDSN DP of the supplier's choice.

FINANCIAL MODEL

GDSN Data Pools will compete on data synchronization Service and Price to attract users. The GS1 GDSN, Inc., BoD will not recommend or dictate data pool fees for trading partners. The cost of GR, Certification, and Global Product Classification (GPC) will not be a source of competitive advantage for DP's.

Some points about the proposed financial model:

1. The proposed financial model will apply from now until the end of the first year of operation (2005). Given the uncertainty of GDSN usage and incomes generated in the first year, the GS1 GDSN, Inc., BoD may have to revise the financial model in the Fall '05.
2. The proposed financial fee model maintains some principles of the current GDSN roadmap to avoid a lengthy rediscussion with all the stakeholders.
3. The GDSN/GR service follows a cost recovery principle, in addition to creating an annual reserve not to exceed 20% of the annual income.

This is the financial model in 2005:

Who approves the GDSN financial model?

The GS1 GDSN, Inc., BoD.

What is the cost of the GDSN service?

\$4.0 M in 2005. It includes the GR (\$2.75 M), GPC (\$0.5 M) and DP's certification costs (\$0.75 M).

Who are the distribution agents?

The distribution agents are the GDSN certified DP's.

Who pays?

Users who want to use the GDSN Model for data synchronization.

How is the fee structured?

The GR fee is based on parent company annual sales/turnover. The brackets are the same as those defined in the February '04 GR Roadmap (from \$100 to \$100K per the attached fee schedule – Exhibit A) with local (country where the parent company is located) corrections based on the National Income Per Capita Index vs. the US Per Capita Index (See the attached February '04 GR Roadmap – Exhibits B & C).

In order to encourage participation, the GDSN/GR fee for 2004 and 2005, will be 50% of the published rate (See Exhibit A for the published rate as of 17 Nov 04). Trading partners need to subscribe to the GR prior to 1 July 2005 to take advantage of this discount. An example of the 50% fee calculation is shown in Exhibit D.

What is the payment process?

GDSN users will sign a single contract with their GDSN DP and will pay the GDSN/GR fee to the DP. The DP will transfer the full GDSN/GR fee to the GS1

Head Office organization before the user joins the network. No contract is required between the users and the GR or the GS1 Head Office organization.

Can the GDSN DP's charge their users a commission for the GR service?

No.

What if the financial model generates more than 20% excess reserves?

Users will be credited for the excess during the following year in the form of reduced GDSN/GR fees.

What if the financial model generates losses in 2005?

The GS1 GDSN, Inc., BoD will add the losses to the 2006 budget and GDSN/GR fees will increase in 2006.

DATA POOL CERTIFICATION

Data Pools need to go through an interoperability certification process to join the GDSN. Data Pool Certification is obtained by passing a GDSN interoperability test, demonstrating interoperability with the GR and all other GDSN data pools. In marketing communications, data pools will not state or imply that they are "active" GDSN certified Data Pools, unless they are actively synchronizing data using the GDS network. Data Pools may state that they have passed a GDSN Data Pool Interoperability test, but must make it clear that they are not an active GDSN Certified Data Pool if they are not synchronizing data using the GDS network. Data Pools that miscommunicate messages regarding GDSN Data Pool certification will be subject to having their certificate withdrawn at their expense. The GDSN, Inc., BoD will oversee the data pool certification processes. The entity (data pool) that gets GDSN Certification is the "node on the network", not the provider of the software.

Note: The Data Pools participating in the October GDSN Interoperability Certification test will receive full refunds of their certification fees, if they are active GDSN participants, as soon as the GR Inc. generates enough income for the refunds.

GDSN GOVERNANCE

The GDSN Oversight Committee will transition to a GS1 GDSN, Inc., BoD.

These are the principles and structure of the BoD:

1. GS1 GDSN, Inc., BoD is an END USER Board made up of Suppliers, Retailers and GS1 CEO's (in representation of the SME's).

2. The GS1 GDSN, Inc., BoD will form the following three Committees (consisting of selected GS1, GDSN, Inc., BoD members) and an Advisory Council (consisting of a GS1, GDSN, Inc. BoD chairman and selected GDSN Data Pool members):
 - Finance Committee – the finance committee’s mission is to support the GDSN/GR General Manager to develop a 3-year (minimum) financial plan for the GDSN/GR that covers on-going operational cost, as well as funding for future enhancements to the GDSN Model.
 - Communications Committee – the communications committee’s mission is to assist the GDSN/GR marketing & communications group to develop and deliver a clear and concise message on the GS1 Global Registry and the GDSN. Their messages will be focused on eliminating confusion in the marketplace and bringing fact based communications to the industry.
 - Certification Committee – the certification committee’s mission is to support the GDSN/GR organization to improve upon the current data pool certification processes, and work to drive down the annual cost for conducting data pool GDSN interoperability certification events.
 - Data Pool Advisory Council – the data pool advisory council’s mission, in cooperation with the GSMP GDSN Task Group and Align BRG, is to provide input and feedback to the GS1 GDSN, Inc., BoD. This group will be made up of representatives from the GDSN Certified and GDSN Interoperability Certified Data Pools.
3. The GS1 GDSN, Inc., BoD will meet at least six (6) times per year. Three of these meetings will be physical meetings and three of these meetings will be teleconference meetings.
4. The Advisory Council and all of the subcommittees will work outside of the scheduled BoD physical meetings and teleconference meetings and will bring their work back to the BoD for review and approval.

NEXT STEPS

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| 1. Approval by GS1 GDSN, Inc., BoD | November 2004 (completed) |
| 2. Approval by GS1 Board | December 2004 (completed) |
| 3. Approval by GS1 Extraordinary General Assembly | February 2005 |

If the GS1 GDSN, Inc., BoD and the GS1 Board agree with this proposal, M. Lopera recommends implementing it and accepting the risk of not waiting for approval from the GS1 General Assembly (M. Lopera assumes he will receive support from the GS1 Advisory Council - Top GS1 organizations CEO's).