P&G and Gillette Co-Founded the Auto-ID Center in 1999

The Auto-ID Center, founded at the Massachusetts Institute of Technology, led the development of a unique product-identifying application using Radio Frequency Identification (RFID)…The Electronic Product Code (EPC)
In 2005, P&G and Gillette Merged to Create One Company

The two company’s EPC Teams have now combined

- Shared learning from the two businesses have enabled the new Company to develop a unified approach to EPC deployment

- Our commitment to and vision for the EPC remains unchanged
Transforming The Supply Network

The Electronic Product Code (EPC) enables processes that will allow goods to move efficiently and transparently through the supply network resulting in:

• Better customer service
• Less loss
• Fewer inaccuracies
• Greater product availability for consumers
The Pilots...to “Test & Learn”
Gillette and P&G Have Been Actively Engaged in Pilots

In-house and retail pilots are critical to establishing the business case

- Test and prove the technology
- Develop a scaleable solution
- Validate the business case
- Drive deployment to deliver business benefits NOW
Collaboration Gains Comprise Over 90% of Total Benefits for Retailers and Suppliers
Gillette Also Conducted Pilots to Demonstrate Promotional and New Item Benefits

• Pilots began in January 2005, with a strategic retail partner
• Pilots were designed to prove benefits of promotional and new item introduction compliance
Venus Disposables Promotion Pilot

EPC-enabled displays were shipped to stores supported by in-store advertising

Late execution resulted in 19% less sell through

The EPC reads allowed alerts to be issued to store associates so displays could be ‘fast tracked’ to sales floor

- Idle inventory eliminated
- In-stock at all times
- Incremental sales recorded
Braun CruZer Pilot

EPC-enabled CruZer displays were shipped to stores for Father’s Day promotion

The EPC data showed that stores that had CruZer on display for the full promotional period generated 61% greater sales
Oral-B Pulsar Launch

Off-shelf displays were critical to generating shopper interest and sales

EPC reads enabled accurate tracking of when displays moved to sales floor

- 9 stores: 0-5 days
- 7 stores: 11-15 days
- 3 stores: 16-20+ days
Oral-B Pulsar Launch

The opportunity to increase daily sales is significant

Daily Sales (19 stores)

Lost Sales (19 stores)

$ Value

Before Display   After Display

Units   Dollars
2005 Holiday Display Pilot

EPC-enabled Duracell, Braun, TAG and Mach3 Power promotional displays

500 stores tracked displays for compliance

- 100% of Mach3 Power stores compliant within 14 days (vs. over 20 days dwell time)
- EPC-enabled TAG generated 91% POS sell-through versus 71% chain-wide average
- EPC-enabled Braun pallets achieved 30% higher compliance to sales floor than rest of chain
The Rationale For the Display Compliance Business Case

- High value of display versus small tag cost
- 15-40% of stores are not compliant
- 20% sales lift by being in-stock/on time
- Display tagging is easier, read rates and tag survival rates are high
The Key Benefits Of Display Compliance

- Increased incremental sales
- Greater shopper satisfaction
- Better marketing investment
- Decreased labor costs
The EPC Advantaged Strategy
The EPC Advantaged Strategy

An evolving execution plan based on our experience, knowledge and value focus

• Our pilots, shared learning and value focus confirm for us that EPC can help retailers and manufacturers work together to better meet shoppers’ needs

• Our Advantaged Strategy is designed to deliver business benefits to both P&G and our retail partners now

• It reflects both our needs and the needs of our customers
EPC Advantaged Strategy

Tiering of products (and scenarios) based on a value proposition and product characteristics

“Advantaged”
Higher value products with stronger business cases for EPC. Includes, display modules supporting time sensitive merchandise.

“Testable”
Products chosen to support continued testing that can enable the proving of additional value propositions through work process change

“Challenged”
No clear value yet, based on specific product or handling obstacles
## EPC Advantaged Strategy

Tiering allows for specific approaches focused on value creation to enable increasing (tagged) volume

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<th>Approach</th>
<th>Product Examples</th>
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<td><strong>Advantaged</strong></td>
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**Delivers benefits NOW**: higher sales, productivity, reduced out of stocks based on key retail process changes already identified.

**Drives new learning** and tests with some scale. Identifies the next round of Advantaged products and scenarios.

**Drives continued research** at the manufacturer.
Guiding Principles for Our Future Work

• Continue to play a lead role in understanding how EPC technology creates value for stakeholders

• Collaborate with trading partners to identify, quantify and secure EPC enabled benefits through process optimization

• Continue to review internal processes. Our current efficiencies make internal benefits at the pallet and case level ‘incremental’ rather than breakthrough.

• Drive reductions in tag costs & other EPC infrastructure

• Support the advance of EPC performance, development and standards through EPCglobal

• Improve read rates and overcome barriers to scaleable implementation

• Use the “EPC Advantaged” Strategy to secure ongoing benefits
How **You** Can Help Us Now

• The 1-cent (or less) tag
• Increased tag quality, robustness & longevity
• A solution to incorporating the tag into corrugate materials
• Tag deactivation solutions
• System solutions built into EPC appliances
• Spontaneous real-time information exchanges & distributed EPC information management (eg; discovery)
• A robust study on EPC enabled retail availability improvements
• Consumer education & informed public comment on the use of the EPC