



# Track & Trace of Consumer Goods in Russia: comprehensive advisory support



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KPMG in Russia and the CIS

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# Consumer Goods serialization in Russia: Law-making stages and key events



During 2020-2021, significant part of consumer goods circulating in Russia (clothes, other textile, footwear, perfume, mineral and packaged water, beer, dairy products), as well as their stocks located in Russia to date, will be subject to mandatory labeling (serialization), and their flow in the market will be subject to monitoring via the statutory information system (GIS MT).

Combatting counterfeit and bootleg goods is announced as the main goal of the track & trace implementation.

GIS MT is supposed to allow FMCG producers and other market players track the route of the products up to the end-customer.



# 2017



## Key principles outline

Assessment of labeling technologies, involving a wide range of participants

# 2019



## Development and testing

**26.04.2019**

Update of GIS MT functionality, roles of the T&T Operator and Participants  
*Government Resolution # 515*

**08.05.2019**

Fee for T&T crypto-code generation approved (50 kopecks per code)  
*Government Resolution # 577*

**22.06.2019**

T&T experiment for **Textile** launched (27.06.2019-30.11.2019)  
*Government Resolution # 790*

**26.06.2019**

T&T experiment for **Perfume** launched (01.07.2019-30.11.2019)  
*Government Resolution # 814*

**29.06.2019**

T&T experiment for **Dairy products** launched (15.07.2019-31.12.2020)  
*Government Resolution # 836*

**05.07.2019**

Rules for **Footwear** labeling  
*Government Resolution # 860*

**28.10.2019**

Methodical Recommendations for **Textile** T&T Experiment approved

**31.10.2019**

Methodical Recommendations for **Perfume** T&T Experiment approved

**14.11.2019**

Methodical Recommendations for **Dairy Products** T&T Experiment approved

**31.12.2019**

Rules for Photo Goods, **Textile and Perfume** T&T  
*Government Resolutions ## 1953, 1956, 1957 assessment)*

**31.12.2019**

Rules for granting access to data contained in GIS MT  
*Government Resolution # 1955*

# 2018



## Technical preparation

**28.04.2018**

Approval of T&T functional model  
*Government Resolution # 791-p*

**28.04.2018**

List of products to be labelled is approved  
*Government Resolution # 792-p*

**30.05.2018**

T&T experiment for **Footwear** launched (01.06.2018-30.06.2019)  
*Government Resolution # 620*

**03.09.2018**

Methodical Recommendations for **Footwear** T&T Experiment approved by the Ministry for Industry & Trade

**25.12.2018**

Final concept and principles of T&T with crypto-protection  
*Federal Law # 488*

# 2020



## Transition Period and Launch

**01.07.2020**

Mandatory labeling of **Footwear** and reporting to GIS MT

**01.10.2020**

Mandatory labeling of **Perfume** and reporting to GIS MT

**01.10.2020**

Mandatory labeling of **Photo Goods** and reporting to GIS MT

**01.04.2020**

T&T experiment for **Mineral and packaged water, beer** launch and Methodical Recommendations development

**31.12.2020**

Ending of experiment on labeling of **Dairy products** reporting to GIS MT reporting to GIS MT

# 2021



## Transition Period and Launch

**01.01.2021**

Mandatory labeling of **Textile** and reporting to GIS MT

**20.01.2021**

Mandatory labeling of certain types of **Dairy products** (with a shelf-life of 28 days or more) and reporting to GIS MT

**01.03.2021**

Ending of experiment on labeling of **Mineral and packaged water, beer**

# Key risks and uncertainty areas

## Risks



## Risk management options

● GIS MT development is still in progress

● Rules are more complicated as compared to EU Track & Trace: 20+ reporting events, additional cryptocoding

● Variety of labeling scenarios dependent on supply chain structure, goods outfit/packaging, goods returns, need for product set disassembling, re-labeling, etc.

● GIS MT failures and disruptions while big data processing; lack of information on the data protection level and tools within GIS MT

● Existing IT solutions (especially international ones) are not customized to the Russian T&T requirements

● Ongoing direct interaction with CRPT on requirements to data flows and IT systems integration, resolving outstanding issues, testing, etc.

● Elaborated planning and execution of data exchange processes redesign and IT systems integration, including external ones

● Proactive analysis of possible scenarios, applicable requirements and “cost-benefit” ratio of different options

● Developing back-up solutions for data transfer to corporate repository

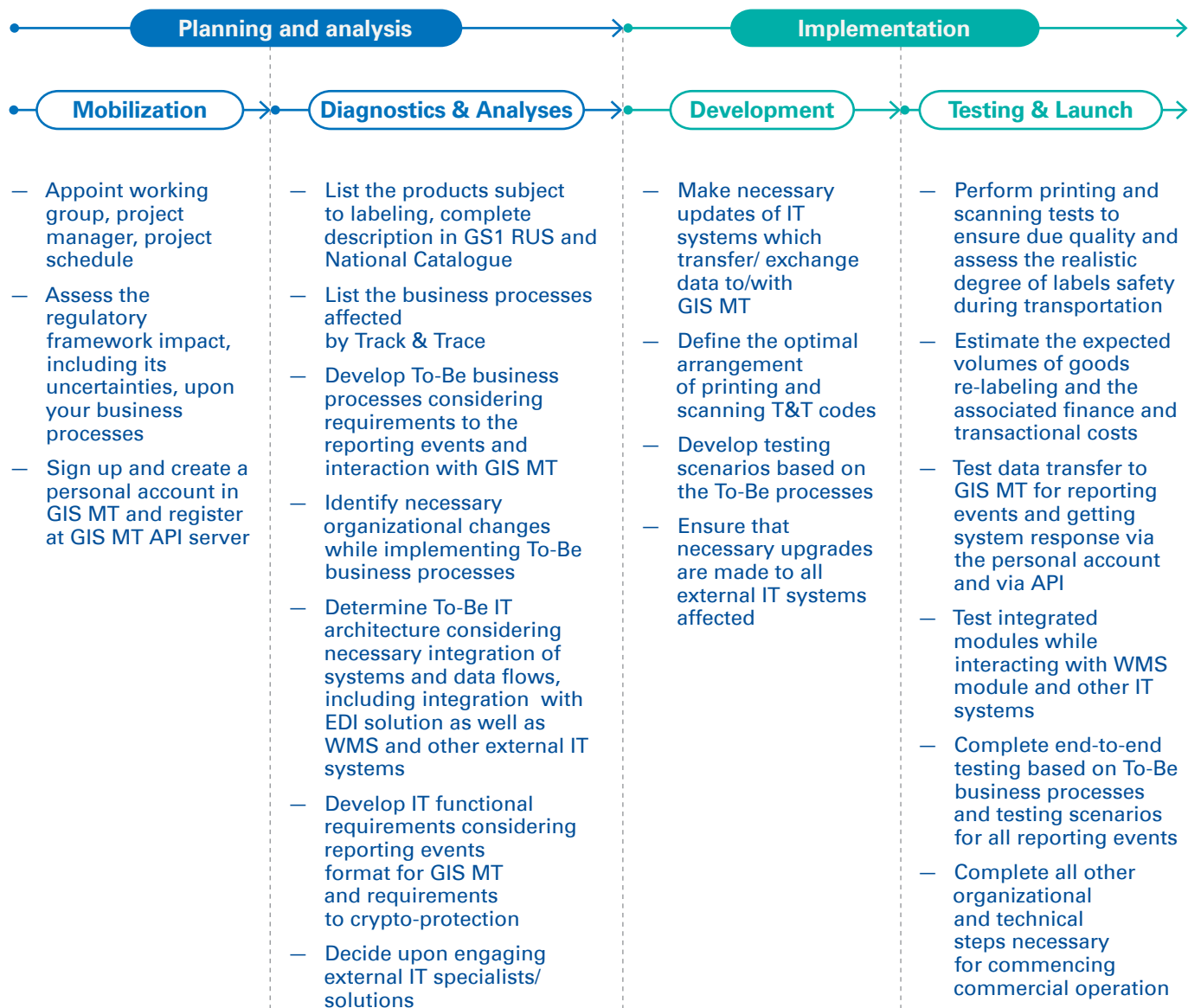
● Upfront assessment of IT solutions capacity/functionality and cost-benefit analysis of the improvements required



## Areas for in-depth analysis and risk assessment:

- Organizing (re)labeling processes, ensuring the retaining of identification labels throughout the supply chain
- Changes to business processes and data exchange processes within the company and with external parties
- Impact of T&T requirements upon logistics and organizational processes as well as the efficiency of retail sales
- Realistic degree of unification of processes and methodological approaches for different product categories within one enterprise
- IT systems changes, including EDI implementation / reconfiguring

# Implementing Track & Trace: what you have to do?



**Project execution control throughout all stages; coordinating and managing the working group; monitoring timing, deadlines and dependencies**



**Monitoring updates and changes of regulatory framework; setting up the decision-making process in the situation of regulatory uncertainties; “what-if” scenarios analyses**

# A complex Track & Trace project: KPMG services



## Project management

### Planning

- Analyzing project status, project plan and interim results, providing recommendations on improvements
- Improving the existing schedule and roadmap of T&T implementation project; functional planning
- Help with selecting the automated T&T IT solution (for own or external IT systems) and EDI solution

### Ongoing execution

- Coordinating global and local project teams' activities
- SPOC function for all the project participants
- Cross-functional work and communication management
- Support during interaction with external project participants (3PL provider, customs broker, suppliers, distributors, points-of-sale, etc.)

### Control and reporting

- Progress monitoring and control
- Regular reporting, proactive identification of risks and challenges; risk management solutions
- Regular communications and presenting the status/results to the project management/ steering committee



## Business processes

- To-Be business processes catalogue considering T&T requirements, reporting events and interaction with GIS MT
- To-Be business process maps considering requirements for inputs/outputs, stages, responsibilities allocation, paper and e-documents workflow
- List of necessary organizational changes resulting from the business processes changes



## Developing requirements to IT systems (SMA L3, L4):

- Recommendations on To-Be IT architecture and IT systems integration
- Developing functional requirements to IT systems transferring/exchanging data to/with GIS MT
- Developing controls to be implemented into IT systems



## Laws and Regulations

- Consulting and developing technical position on ambiguous matters and matters not addressed by law, including other affected regulatory areas (statutory and tax accounting, transfer pricing, customs and legal issues), including via cooperation with CRPT
- "What-if" analyses focused on regulatory and fiscal risks
- Operational and legal support while interacting with 3PL providers and other data exchange participants
- Developing controls and processes to ensure transparency and compliance with the regulatory requirements



## Results *(depending on the scale of KPMG involvement selected by you):*

- Effective and flexible project management; coordinated efforts of all local and global participants; meeting deadlines and quality demanded
- Integrated IT systems and smoothly functioning data exchange with GIS MT
- Harmonized approaches to interaction with the project's external participants
- Technical position on complicated/unclear regulatory matters and understanding of existing risk scenarios

# Why KPMG?

## Experience with serialization and labeling projects

Complex projects on serialization/labeling realized for local businesses and multinationals in Russia; availability of solutions tested in practice and action

## Management and IT consultancy capabilities

Many years of experience in business processes modeling, IT systems requirements development, their configuration and integration

## Industry-specific experience

Long-term experience in advising consumer products and retail companies on a diverse range of business issues

## Availability of profound international track & trace expertise

KPMG runs an international center-of-excellence for Track & Trace

## Multi-profile expertise

Availability of specialty teams and experts within KPMG who could be immediately onboarded to the project as necessary (to address customs, legal, compliance, cyber-security and other matters)

## Involvement in law-making activities

Active participation in working groups and events and direct interaction with the Ministry for Industry and Trade, CRPT, business associations, experts and etc.



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