

# On shelf availability – the reality.

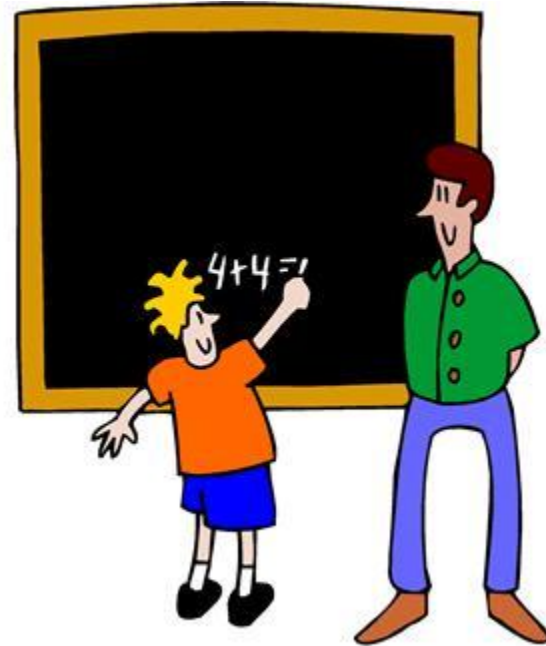
CILT Supply Chain Network

26th November 2012

# General format



Less of this



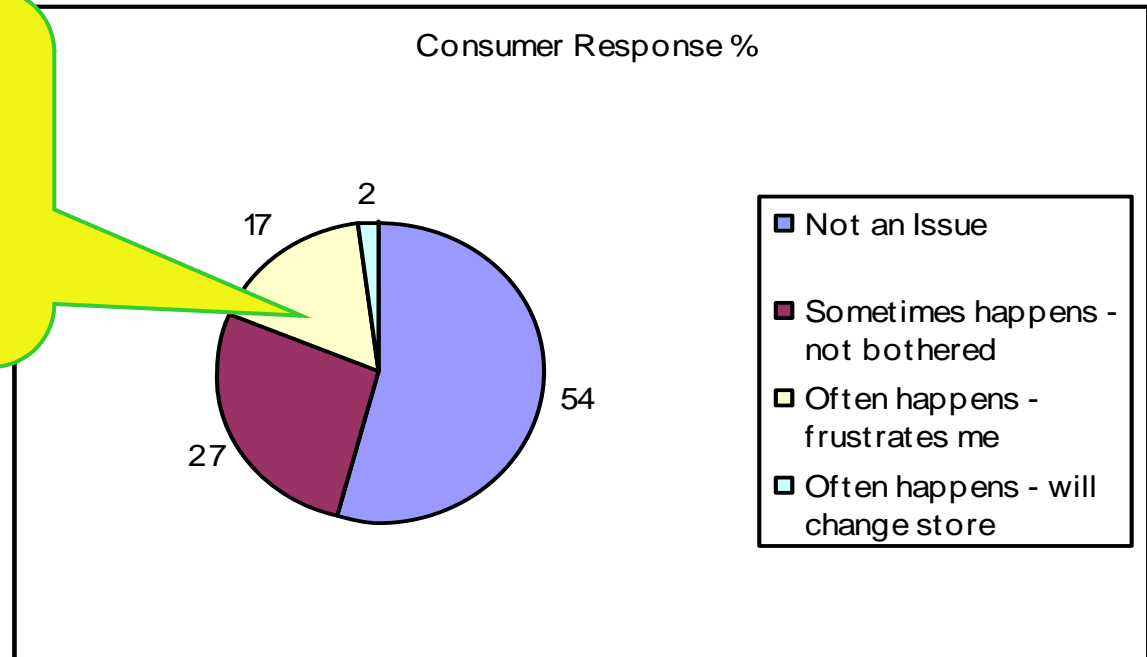
More of this

# Agenda

- Availability from the consumers perspective
- Root causes
- Improvement opportunities

# Is this an issue to consumers?

**19% of consumers are frustrated and may go to another store**



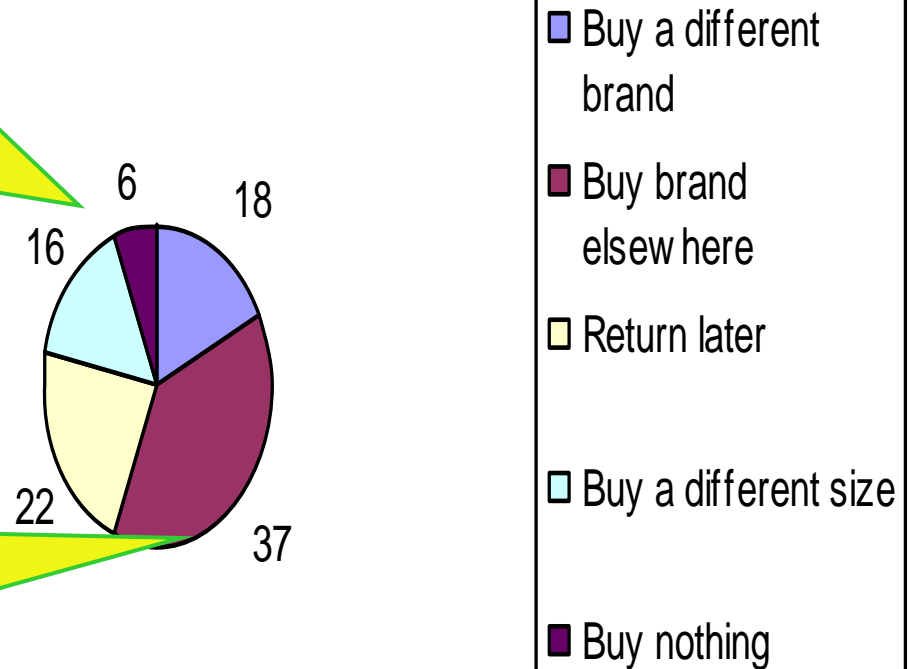
Source IGD / UEP

# How do consumers react?

24% would either buy a different brand or buy nothing (*loss to the manufacturer*)

37% would buy elsewhere (*loss to the retailer*)

Consumer response to OOS



Source IGD / UEP

# Christmas 2010

- 23.6m lost sales.
- 13% of shoppers abandoned plans to buy what they wanted.
- 26% of shoppers unable to get what they wanted from the preferred store.



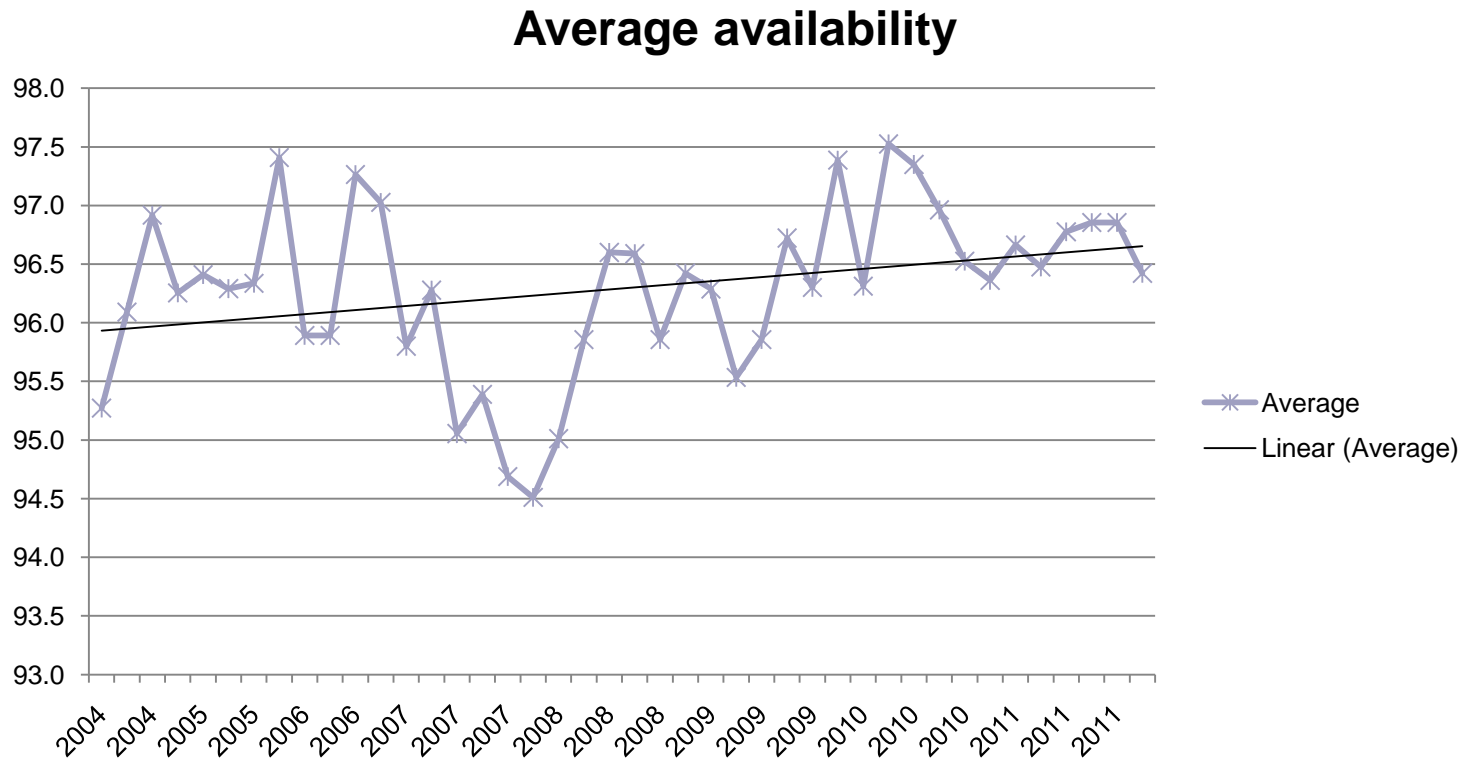
Source: Aldata 2011  
Based on 1000 respondents

# It is a complex issue..

- Substitution (varies by category)
  - Brand
  - Size
- Delayed purchase
- Not fussed
- Promotions (advanced purchase !)

Probably costing £2bn to £3bn pa

# Some more data.....



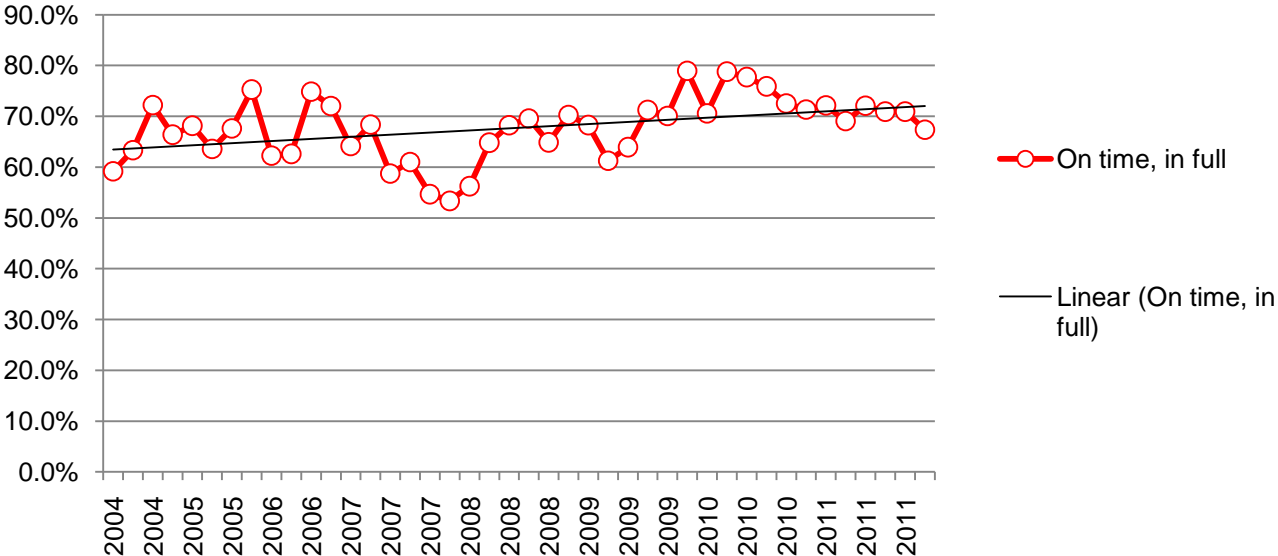


# Not bad considering ....

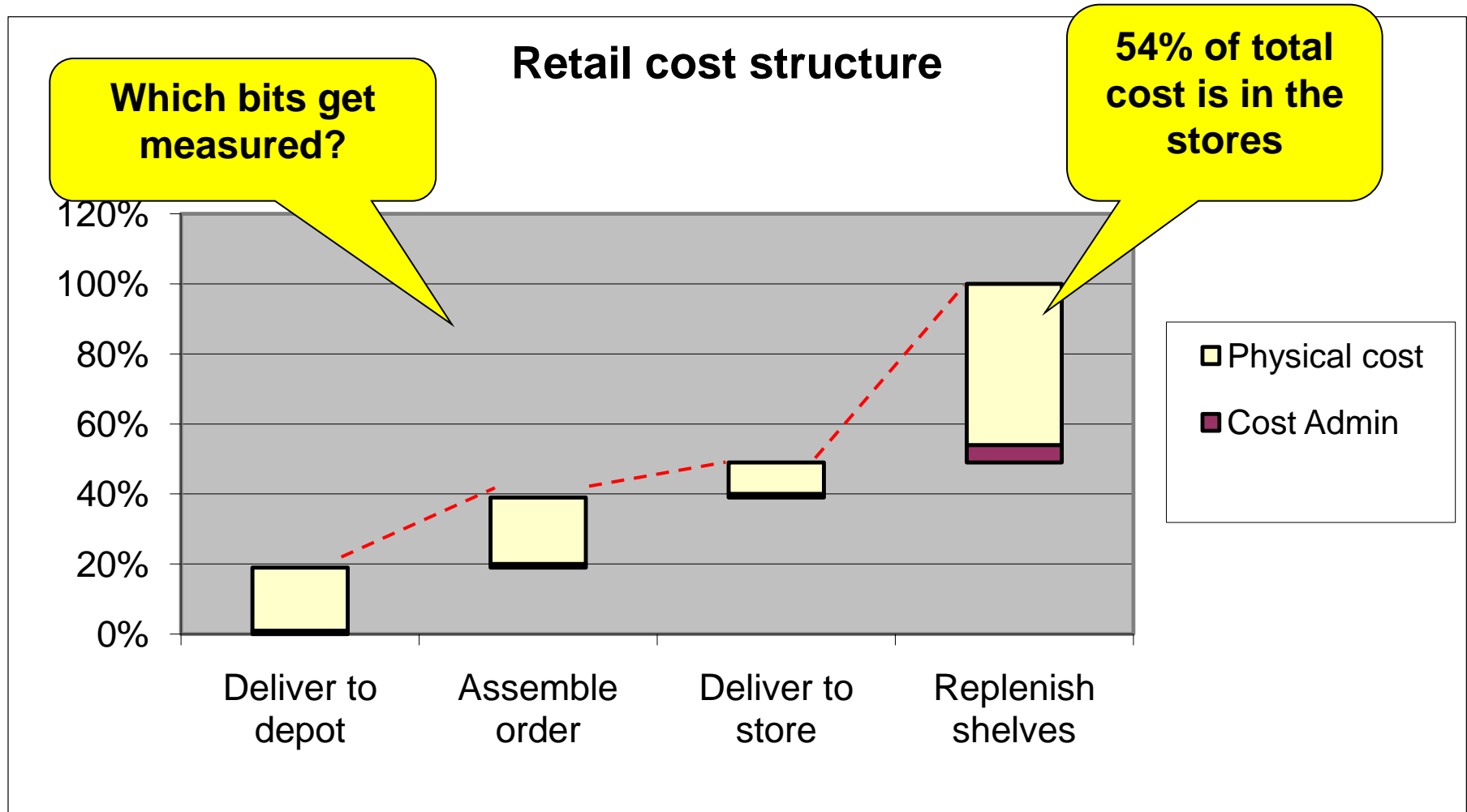
- Globalisation and longer supply chains
- Rise in consumer power (80% of buying decisions over £30 are researched on line)
- Deflation
- Shorter seasons
- Shorter product lifecycles
- Promotional activity
- More fragmented supply chains (new formats and e-commerce channels)

# Another way of looking at that data ....

### On time, in full



# The stores are the most expensive part of the supply chain



And finally....

“ECR Europe identifies that 88% of out-of-stocks occur within the last 50 yards.”

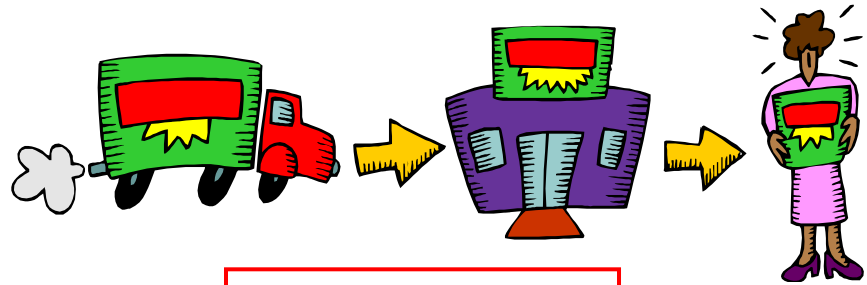
# Root causes

- We focused on the stores
  - Most expensive
  - Most errors

# Lessons learned from site visits



People



Process



Technology

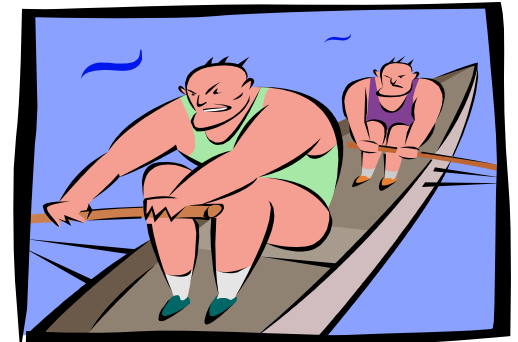
# Meet Kevin and Sharon (and friends)



# Lessons learned

- Engaging people at the 'coal face' is key. There must be a culture of excellence:
  - Continuous improvement / Kaizan
  - Visual management and KPIs
  - SOPs
  - Training
- Be prepared to work collaboratively with trading partners and within own organisation. E.g. packaging. This often raises cultural issues,
- Organisational structures must support the key processes (not management silos)
- Planning and forecasting always crosses organisational boundaries.

Little evidence in stores



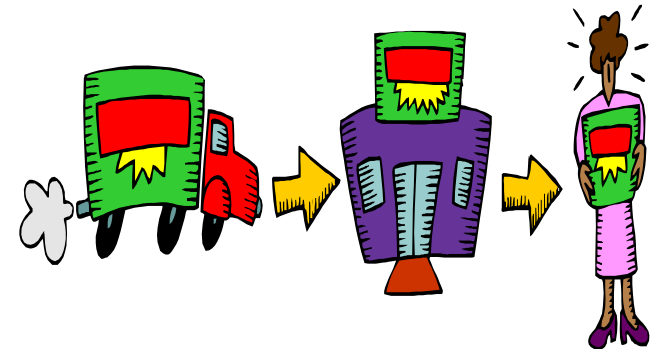
People

Does the replenishment process stop at the back door?



# Lessons learned

- Process need to cross organisational boundaries. e.g.
  - Forecasting processes, where each level / Silo in the organisation 'adds their bit'.
  - Promotions, where communications between different parts of the business(s) break down.
  - Range planning, where commercial objectives may not match supply chain reality
  - Supply processes that optimise one part of the supply chain at the expense of another. (e.g. lowest distribution cost creates inventory in stores)
  - No standard, repeatable processes.



Process

Does the replenishment process stop at the back door?

# Lessons learned

- Technology was a critical 'enabler' to managing the supply chain and was perceived as a barrier to improvement in complex supply chains. However:
- Solutions to many of the availability issues were seen as being related to people rather than technology.
- Technology on its own will not solve the availability issue.
- Technology support for promotions process is limited.
- Technology developments need to be accompanied by process changes (e.g. promotions management, data sharing, replenishment)



Technology

# Improvement opportunities (in stores)

## Store

- Develop front line staff
  - Training
  - Career development.
  - Communications
  - Release their creativity
- Develop store management
  - Training / tools
  - Briefing / communications
  - Performance measurement
  - Physical layout and control
  - Release their creativity

## Tools

- SOPs
- Competency matrices
- Visual management
- Communications cells
- Problem solving / 3Cs
- Performance boards
- Work place organisation
- Work place audits
- Safety cross

## So is it worth the effort?

	<u>Base</u>	<u>Achieved</u>
• Availability	95.8%	97%
• Stock accuracy	58%	80%
• Stock value	£750k	-10%
• Replen productivity	60-110	+30%
• Overs / Total articles	20%	10%
• Dwell time	1-7 days	24 hrs

# You may be interested in some papers ....

## What's happened to on-shelf availability?



Over the past six years, retail organisations have attempted to drive up on-shelf availability in their stores. Have they achieved the results they were looking for? Or are they missing a golden opportunity? By Martin Green

In December 2004, Unipart Expert Practices produced an article on shelf availability on the shelf - the last great challenge to CPC. This looked into the on-shelf availability of regularly consumed products and highlighted the great inefficiencies in the final step of the supply chain. It was clearly evident that on-shelf availability could be greatly enhanced by improving operations in the back of store. Focusing on the logistics of the last 50 metres

had the potential to significantly increase on-shelf availability which would in turn postively influence the consumer's shopping experience and, importantly, drive up sales.

Now six years on, we have returned to this key aspect of retail logistics to review progress. Is the Holy Grail of 100% on-shelf availability ever attained, or at least, moved within reach? Our conclusion is that while much has changed, a great deal remains the same. Retail organisations are still missing the greatest and most obvious opportunities - improving operations within the store.

So, what progress has been made since 2004?

Efficient Consumer Response UK (ECR UK), sponsored by the Institute of Grocery Distribution (IGD), established a regular quarterly survey of availability in 2004 covering 200 products in 350 stores for all the major multiples. The valuable resource provides six years of data from which it is possible to gain a insight into the performance of on-shelf availability in the grocery sector. Figure 1 shows the headline availability statistics over this period.

In many respects, interpreting the data depends entirely on your point of view. An optimist would conclude that there is no real evidence (since 2009) of an overall improvement. A pessimist may well draw the conclusion that, in spite of many initiatives, the improvement has been negligible.



## Planning in a volatile environment

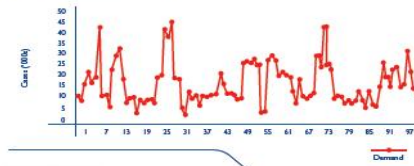


As Product Life Cycle shortens and consumers become more aware of the latest deal, demand patterns are becoming increasingly volatile and difficult to forecast. Many businesses react to this with a culture of 'fire fighting'. Martin Green believes there is a better way.

In a survey entitled 'The race for supply chain advantage six practices that drive supply chain performance', McKinsey reported that increasing volatility of demand together with increased customer expectations and more complex routes to market, were the major challenges for the next five years. As a result, planning and forecasting activities are widely

reported as being within the top five issues affecting companies when surveying business leaders. Even though considerable effort is put into forecasting demand, at best, it is often an educated guess and the reality generally turns out to be different. Highly volatile demand patterns from the customer base is generally blamed - usually the major retailers or 1st and 2nd tier manufacturers - and the suggestion is that much of this volatility is beyond our control. A typical demand pattern for a single SKU is shown in figure 1.

Figure 1: A typical demand pattern



## Getting back to basics



The next 12 to 18 months is looking to be another interesting period for supply chain managers. To respond to these challenges we have drawn on our extensive client network and scoured the recent literature to identify key business trends for 2012 and seven practical things to do during the next 12 to 18 months to improve your supply chain performance.

### Key trends and challenges

1. Uncertainty is the watch word for the next few months. While the euro zone debt crisis appears to be past the worst, there is still uncertainty and the economic recovery especially in Europe remains fragile. This has the potential for unpredictable impacts on currency rates and economic activity. The 'Arab Spring' may yet create greater instability in the Middle East with consequences for oil prices and international trade.
2. In spite of the above some sectors, especially manufacturing, are already experiencing significant growth and this brings its own challenges in terms of shortages of critical resources (especially skilled labour, raw materials and working capital).
3. The impact of social media will continue to grow, space with systems such as Twitter and Facebook having a greater impact on consumer behaviour around the world.
4. Complexity in supply chains will increase with the number of channels and routes to market increasing, product ranges expanding and product lifecycles shortening.
5. Consumers will continue to become better informed as their 'visibility' of product cost and availability increases through the use of social and mobile media. This will make it increasingly difficult to forecast demand and place an emphasis on 'agility'.
6. In consumer markets, tough economic conditions will drive more promotional activity with consequent volatility and pressure on margins. The role of supply chain managers will be central to maintaining customer service and containing costs.
7. The green agenda is still with us, albeit less prominent than a couple of years ago. Consumers are still concerned about issues such as packaging (reduce, reuse, recycle), carbon miles and the provenance of products.

What's happened to on-shelf availability?

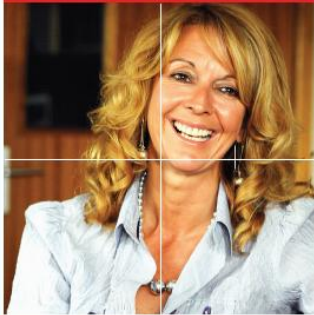
Planning in a volatile environment

Getting back to basics

# Or some interviews...

## Building a 'diamond class' business Julie White Interview

Martin Green, Senior Supply Chain Practitioner at Unipart Expert Practices talks with Julie White – managing director of D-Drill Group



**Vitalise Business Woman of the Year 2011:** Julie White, acquired her father's multi-million pound diamond drilling company, D-Drill Group, just as the recession hit. Martin Green finds out how she weathered the storm and reshaped the company for competitive advantage by investing in people, skills and product innovation.

**Question:**  
When you acquired the business from your father in 2008 the world was about to enter an economic storm and, of course, the UK construction industry was badly hit. How did you manage to get through those difficult early days?  
I bought D-Drill in April 2008 and never saw the recession coming at all – at that point it was still booming and was a good margin business. However within three months 20 per cent of our turnover disappeared when house building dropped off and then another three months later – that's six months from taking over the company – another 20 per cent went, so turnover went down 40 per cent in total. I had just had my glass of champagne to celebrate buying the company and then all hell broke loose!  
It was really tough. I knew that my father, who had been a diamond driller and in the industry all his life, would have been able to put his finger in the air and know exactly what the construction industry would do. But I also knew I wasn't him and I knew I couldn't run the company the way he was as there were few, if any, modern processes or procedures in the company. We hardly had any computers! We had a batch computing system that was

Building a diamond class business  
Julie White

## An interview with Prof. Richard Wilding

Martin Green, Senior Supply Chain Practitioner at Unipart Expert Practices talks with Richard



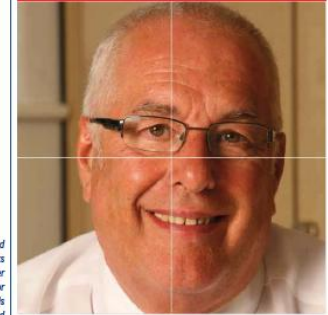
Richard Wilding is Professor of Supply Chain Strategy at the Centre for Logistics and Supply Chain Management, Cranfield University. He has an impressive CV and was winner of the "Individual Contribution Award" at the 2010 European Supply Chain Excellence Awards. Here Martin Green talks with one of the UK's leading supply chain academics on the challenges that lie ahead.

**Question:**  
We have been through a decade of significant change. The Internet has come of age, we've played with technologies like RFID, there's been a recession and there's been a strong move towards global supply chains. What do you think will be the major factors affecting supply chains in the next decade?  
We also need to consider shortages in the resource of appropriately skilled people and even space is a restricted resource in many places.  
What is interesting is to look back to the last time the world was under the sort of pressure – between 1970 – 74, Japan which had none of its own resources, had to import the majority of its raw materials. It caused people to innovate. People say that it was about 1973 that the whole has philosophy kicked-off in earnest and that it was driven by the shortages of resources which were occurring. What we have now, which was not

An interview with  
Prof. Richard Wilding

## Bridging the skills gap An interview with Dr Mick Jackson

Martin Green, Senior Supply Chain Practitioner at Unipart Expert Practices talks with Dr. Mick Jackson, CEO of Skills for Logistics



As an experienced and well practiced logistics workforce moves closer to retirement, the sector faces a looming skills gap that must be filled if UK companies are to remain competitive. Dr Mick Jackson, Chief Executive Officer of Skills for Logistics – the Sector Skills Council for logistics – talks to Martin Green of UEP on initiatives that are to be the catalyst for the active engagement of both employers and local communities.

**Question:**  
What do you see as the major challenges facing the supply chain sector over the next five years? In particular, is there a skills gap relating to commercial vehicle drivers?  
Dr Mick Jackson has, there is an impending driver shortage. In fact, we have just published a report 'A looming driver shortage? The evidence behind the concern, which shows that there are substantially more vacancies than candidates seeking in LGV profession. But what is worrying is that 16 per cent of LGV drivers are aged 60 or above and those retiring over the next five years is expected to leave a replacement demand for 48000.  
Although it's not based on any facts, there is a strong belief in the industry that come 2014 a lot of the older drivers will choose to hang up their keys, rather than put themselves through the periodic training element of Driver CPC which demands that each driver undergoes five days of training by 2014. That is purely anecdotal, but the industry has got to be ready.

Bridging the skills gap  
Dr Mike Jackson

If you would like to discuss any of the issues raised in this paper, please contact me through any of the following....

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