

# Being Famous for On Shelf Availability

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CILT – Supply Chain Networking

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# A brief introduction

**Unilever** is an FMCG company present in 150 countries. People are using our products 150 million times a day at key moments of their day. Unilever helps people meet everyday needs for nutrition, hygiene and personal care – bringing Vitality to people's lives.

- With annual sales of nearly €2.4 billion, the UK is the second largest country in Unilever after US.
- Unilever products are in the kitchens, fridges, freezers and bathrooms of 9 out of every 10 UK homes.
- We manufacture more of the Top 100 brands than any other single manufacturer.



Our consumer Careline is the only careline to employ both a nutritionist and a dermatologist - we can give the best expert advice to consumers and ensure that our advisors have specialist training on these important areas.

# What will we cover

- What it means to be famous
- The changing retail world and OSA
- Impact of OSA on retailer and manufacturer
- The 7 levers of OSA
- Role of communication in fame
- Small things we can all do
- The implications for suppliers
- Q & A



# I want to be famous....

- This is a story about fame – and to be famous you need to be talked about
- On Shelf Availability is famous
- A lot of people talk about OSA

Here's why...



# Our Customers' market is changing

**Customers are facing changes in their market with discounters growing their share of food retail in Europe**

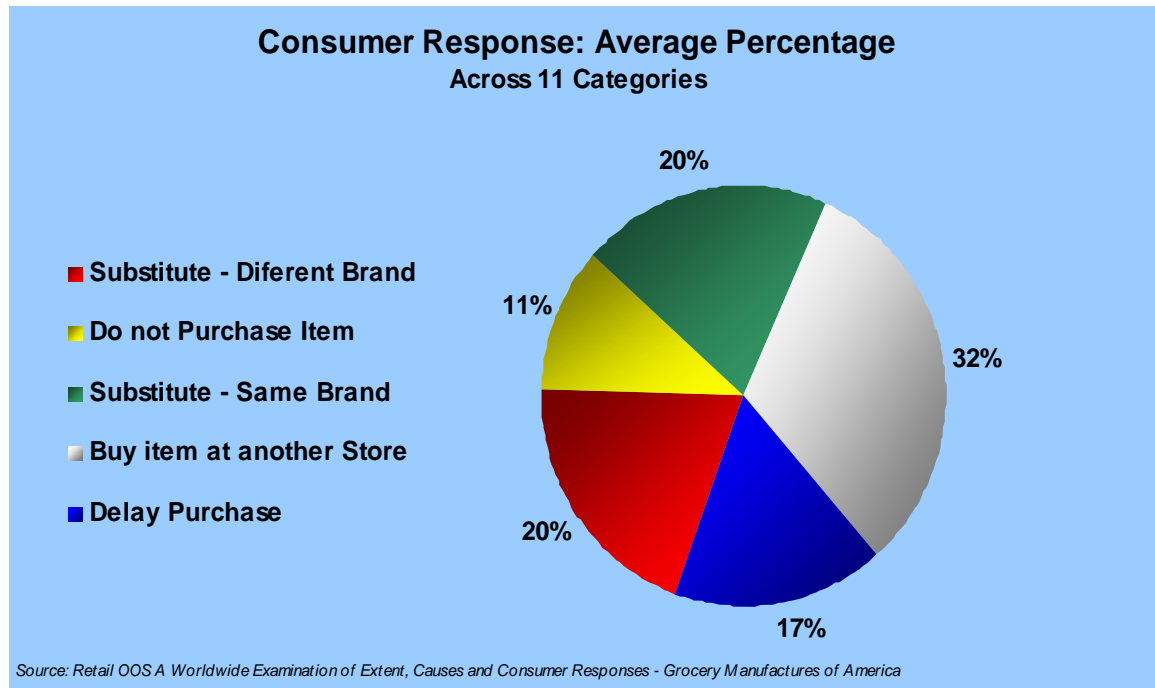
**The big retailers respond by looking for ways to differentiate ... by introducing new channels and formats, for instance**

**Combined, the shopper has more choice of where to shop and the range of products to buy**



# Our Customers' market is changing

**But with less time to hunt for what they want, shoppers are less forgiving about Out Of Stocks (OOS)**

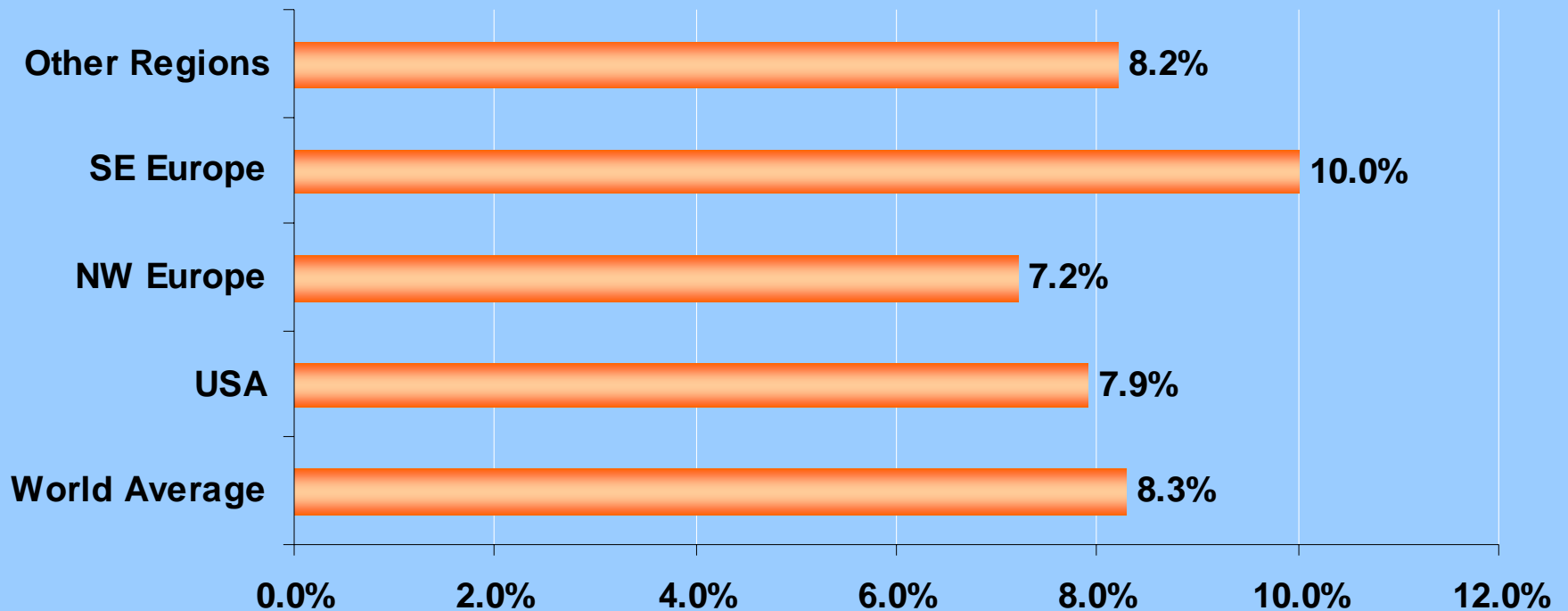


# The changing world...

- Efficiency drives in the retail sector have historically focussed on solutions in the supply chain **up to** delivery to the retailer.
- Consolidation in the industry and stronger competition has meant that retailers must compete ever more effectively in the marketplace.
- As the retail market has changed, the potential **financial benefit** of solving OSA issues have become larger and more visible
- So there is greater demand from retailers for a solution to On Shelf Availability (OSA) issues - and a **willingness to participate** with manufacturers in trialling solutions.

# OSA is a Global Opportunity

## Worldwide Out-of-Stock



Source: Retail OOS A Worldwide Examination of Extent, Causes and Consumer Responses - Grocery Manufacturers of



# OSA is a Global Opportunity

- **Who bears the direct loss**

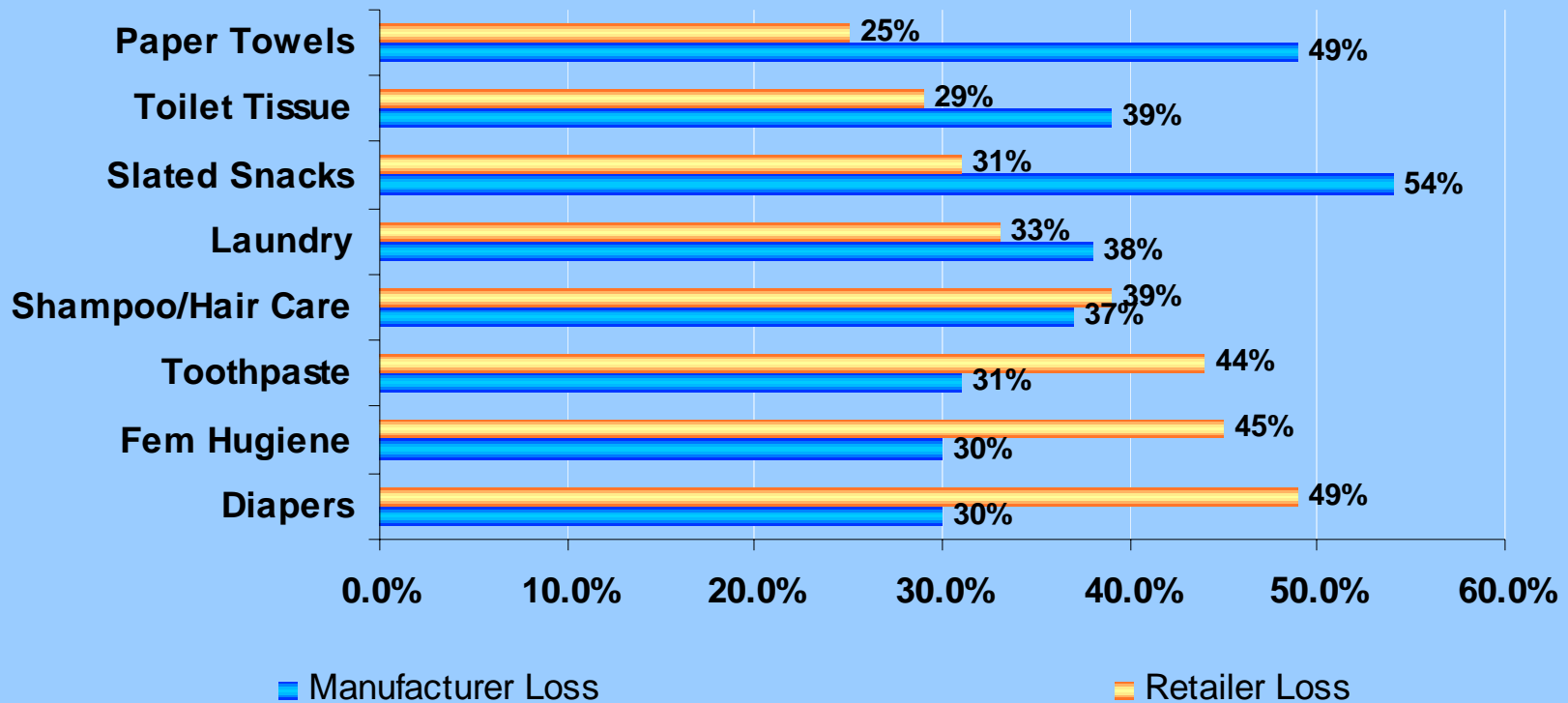
- » Studies show that consumers faced with an Out-of-Stock have one of more than 15 kinds of reaction. In the picture below we will find the 5 most common and how those can affect Retailers and Manufacturer

## Who Bears the Direct Loss

Consumer Response	Retailer	Manufacturer
1. Buy at another store	Yes, most problematic of all five options to the retailer.	No
2. Delay purchase	No, but negatively affects cash flow and inventory turns	No, but negatively affects cash flow and exaggerates demand fluctuation
3. Substitute – Same Brand	No, but there is partial loss when consumer substitution is smaller or cheaper	No, but is partial loss when consumer substitution is smaller or cheaper.
4. Substitute – Different Brand	No, but is partial loss when consumer substitution is smaller or cheaper	Yes, most problematic off all five options to the manufactures
5. Do not purchase the item	Yes	Yes

# OSA is a Global Opportunity

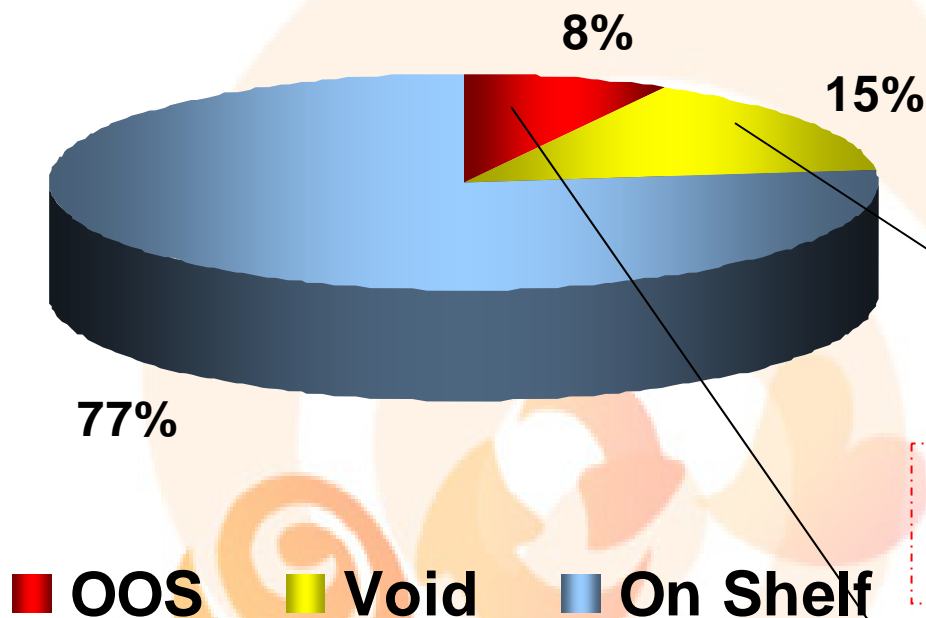
## Retailer vs. Manufacturer Loss by Category



Source: Retail OOSA Worldwide Examination of Extent, Causes and Consumer Responses - Grocery Manufacturers of America

# OSA Business Case

## OSA - Unilever Expectation



*We don't know the size of the opportunity in many countries*

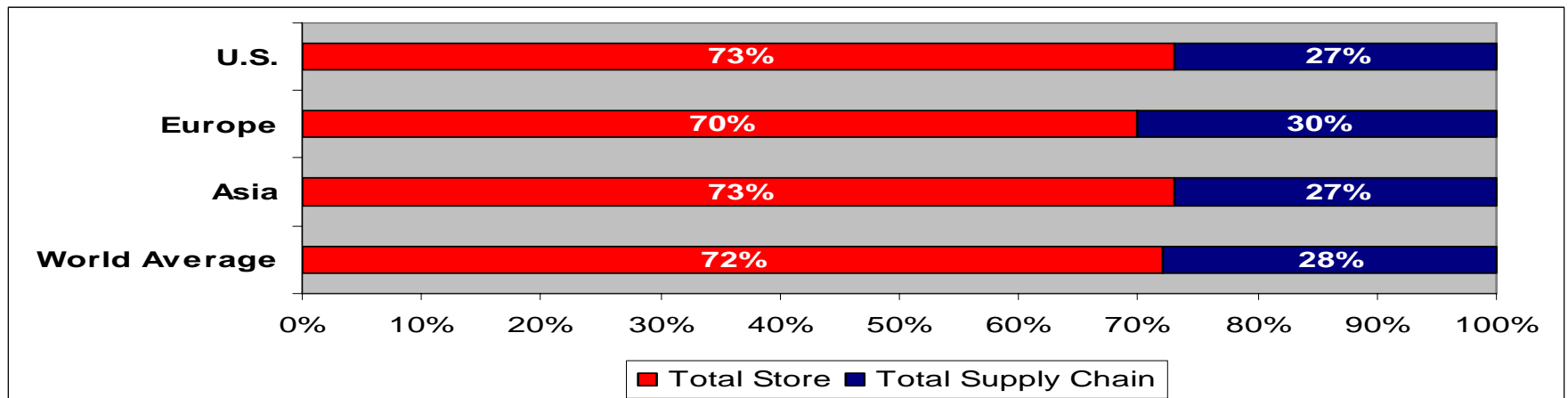
*Only OOS was considered*

- OOS** : 0 unit on Shelf
- Void** : Agreed with the retailers the product should be available in that format store, however there isn't shelf space available
- On Shelf** : 1 unit or more available on shelf

# Critical factors in OSA

- Availability along the SC
- Category characteristics
- Promotions
- Store formats
- Days of the week
- Inventory levels
- Distribution method
- Replenishment process
- Order process

## Aggregate store OOS responsibility



# Examining OSA

## ER 7 Levers

## Considerations

Measurement	Absolute prerequisite
	Helps understand root causes
Management Attention	Second prerequisite
	Useful for goal setting/reward

Replenishment	Store labour scheduling
	Stockroom organisation
	Delivery frequencies
Instore execution	Planogram implemented properly
	Planogram practicality
	Display solutions
Inventory Accuracy	Damages
	Stolen goods
Promotion Management	Planning process clarity
	Reacting to actual sales
Ordering systems	Sales based ordering
	Seasonal profiles



# To be famous, communication is key

- Solutions to OSA cannot be successful when done in **isolation**
- Holistic approach must be taken within company structures i.e. solution is not just responsibility of SC
- Co-operation must exist in many areas, for example:
  - » OSA measurement programs
  - » Promotional process alignment
  - » Staff training and development
- This approach extends to the relationship with customers as well i.e. communication should not simply be at the order and delivery stage



# Simple things we can all do...

- Measure and fully investigate the **root causes** of an OOS
- Discuss operations with suppliers/customers - not simply up to delivery but **onto the retailers' floor** and beyond as well
- Set up a **structured communication policy** with customers/suppliers and ensure OSA is always on the agenda

**Take the time to care**



# Collaboration with retailer

OSA problems cannot be solved by sitting in an office in London

Solutions can vary from the wording on a case, to improved forecasting practises

Understand & appreciate the problems encountered on a shop-floor level

**Is the entire process in sync, both physically and virtually, between supplier and customer?**





# Shelf Ready Packaging

“the cost (that Unilever has spent on setting up SRP) had been largely offset through internal efficiencies in manufacturing and supply chain”  
– Food Manufacture, Elaine Watson, May 2006, p. 21

Throughout 2005 and 2006, Unilever, working with retailers across western Europe, developed and implemented a harmonised outer case for margarine spreads. The priority drivers for the SRP initiative focussed on **reduced complexity, improved availability, and ease of replenishment.**

The resultant solution delivered cost savings through a harmonised outer case design for factories in western Europe, and whilst no significant impact on sales uplift was realised, OSA improved by 1.3% in the UK, enabled by one-touch replenishment of product in-store.

**Before – Standard**



**After – Easy ID, Open, Shop & Shelf**



# So what does this mean for suppliers?

- As the speed of change increases, response is no longer enough
- Anticipation is essential for business competitiveness
- To be famous you must be talked about – and that comes from delivering what you promise
- Then everyone talks about you!!



# Where will our Supply have to change ?

- Customer service and OSA are **value adding** elements of the supply chain and can become a real source of competitive advantage
- For Unilever, being famous for OSA means also becoming the **thought leader** in service and the **supplier of choice**, not only because of the power of our brands, but because of excellence in service
- Companies who have a reputation for excellent customers service have a strong **internal service mindset**



# Summary

- Every business is impacted by OSA, but the the most effective solution design will be specific to each.
- To understand the way a business is impacted, measurement and management focus are necessary
- The root causes of OSA are controlled by both retailer and supplier – and not always exclusively by one or the other!
- Solutions must be rooted in the philosophy of co-operation and communication
- These do not always require large injections of cash but need **trust**, **dedication** and **rigour**



# Questions

**Thanks for listening**

**Please ask any questions**

