On Shelf Availability (OSA)

Winning Together

Colin Peacock
Colin Peacock
Three Simple Messages

1. Good OSA Matters Now More Than Ever

2. Manage OSA as a Quality Problem

3. Five “Do’s” for OSA
What is OSA? Empty Shelf

8.3%

Corsten & Gruen 2003
OSA Through Shoppers Eye
# OSA Through Shoppers Eye

<table>
<thead>
<tr>
<th></th>
<th>RETAILER 1 (Grocer)</th>
<th>RETAILER 2 (Mass/Hyper)</th>
<th>RETAILER 3 (Drug)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Traditional Measure</td>
<td>Crowd Sourcing</td>
<td>Traditional Measure</td>
</tr>
<tr>
<td>Total In-Stock</td>
<td>96.6%</td>
<td>92.7%</td>
<td>97.2%</td>
</tr>
<tr>
<td>Laundry Brand A</td>
<td>97.0%</td>
<td>93.4%</td>
<td>97.2%</td>
</tr>
<tr>
<td>Laundry Brand B</td>
<td>96.5%</td>
<td>92.1%</td>
<td>97.2%</td>
</tr>
<tr>
<td>Laundry Brand C</td>
<td>97.3%</td>
<td>81.2%</td>
<td>98.1%</td>
</tr>
<tr>
<td>Diapers Brand A</td>
<td><strong>94.8%</strong></td>
<td><strong>93.5%</strong></td>
<td><strong>95.9%</strong></td>
</tr>
<tr>
<td>Hair Care Brand A</td>
<td>97.4%</td>
<td>93.7%</td>
<td>97.9%</td>
</tr>
</tbody>
</table>
Promotions Out Of Stock 2-3X Average
OSA = Did You Get Everything You Wanted?

One third of shoppers did not get everything they came in for...
OSA = Could Not Reach!
OSA = Damaged and Lonely
OSA = Close to Sell By Date
OSA = Locked Up!

But watered 😊
Omni-Channel Revolution
Dilemma: Is The Item Really There?
Inventory Accuracy: Only 62% of Records Perfect

Source: Professor Bill Hardgrave, Auburn University: Data Based on Multiple Studies of Inventory Accuracy Related to RFID Projects: RILA 2016
Inventory Accuracy: Only 35% of Records Perfect!

Source: Professor Nicole de Horatius, Inventory Accuracy, an Empirical Analysis, 2008
Feels like this...
Blamestorming

- HIS FAULT
- HER FAULT
- THEIR FAULT
- NOT ME
Blame The Store! – 70-75% of Reasons

Findings: Causes

OOS Causes Worldwide Averages

- Total upstream causes 29%
- Store Ordering and Forecasting 47%
- In the store, not on the shelf 26%

Retail store ordering and forecasting causes (about 1/2 of OOS)
Retail store shelving and replenishment practices where the product is at the store but not on the shelf (about 1/4 of OOS)
Combined upstream causes (about 1/4 of OOS).

70-75 percent of out-of-stocks are a direct result of retail store practices

© 2002 Gruen, Corsten & Bharadwaj
OSA = Symptom of Bigger Problem
True Causes of OSA

- Corporate Strategy
- Category Management
- Store Execution
- Supply Chain Design
Importance of Store Associate Engagement

Out of Stocks are twice as high in the quartile of stores with the lowest employee engagement.
Steal From Toyota
Cost of Quality

- Cost of Poor Quality
  - Internal Failure Costs
  - External Failure Costs

- Cost of Good Quality
  - Appraisal Costs
  - Prevention Costs
Fiat Chrysler recalls 1.1M SUVs, cars worldwide for safety issue

Anita Balakrishnan
Friday, 22 Apr 2016 | 3:16 PM ET

Fiat Chrysler is recalling 1.1 million vehicles worldwide because they might roll away after drivers exit, the company said Friday.
Cost of Quality

More Waste = Better OSA
## Total Cost of Quality

### Locked

<table>
<thead>
<tr>
<th>SALES</th>
<th>1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHRINK</td>
<td>2</td>
</tr>
<tr>
<td>PROFIT</td>
<td></td>
</tr>
</tbody>
</table>

### Open Sales

<table>
<thead>
<tr>
<th>SALES</th>
<th>1870</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHRINK</td>
<td>38</td>
</tr>
<tr>
<td>PROFIT</td>
<td>INDEX 183</td>
</tr>
</tbody>
</table>
Total Cost of Quality

Source: Professor Zeynep Ton, Good Jobs Strategy – RILA 2013
Good Retail Jobs
Circle of Doom

Vicious cycle of retailing

- Labor budgets
- Sales & profits
- Low quality or quantity of people
- Poor operational execution

Source: Professor Zeynep Ton, Good Jobs Strategy – RILA 2013
Circle of Virtuous Growth

Virtuous cycle?

- Labor budgets
- Sales & profits
- Good operational execution
- Good quality and quantity of employees

Source: Professor Zeynep Ton, Good Jobs Strategy – RILA 2013
Chief Quality Officer
Yes, Fine But What Can I Do Now!
1: Do Share Data with Vendors

“The Industry must more readily and freely share information, embracing the concept that the best way to manage increasing complexity is through transparency”

Jose Luis Duran, Chairman of the Management Board, Carrefour Group and A.G Lafley, CEO, The Procter & Gamble Company
Data Sharing Use Cases

Better OSA

Joint Forecast

Phantom Inventory

Promotion Execution

Range Change
2: Do Let the OSA Data Drive Action
2: Do Let the OSA Data Drive Action

<table>
<thead>
<tr>
<th>Department</th>
<th>Stock Record in Singles</th>
<th>Last Day Off Sale</th>
<th># Days Off Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Produce</td>
<td>77748034</td>
<td>18</td>
<td>Mon</td>
</tr>
<tr>
<td>Produce</td>
<td>64509576</td>
<td>2</td>
<td>Sat</td>
</tr>
<tr>
<td>Grocery</td>
<td>72619829</td>
<td>26</td>
<td>Tue</td>
</tr>
<tr>
<td>Grocery</td>
<td>63918466</td>
<td>38</td>
<td>Sat</td>
</tr>
<tr>
<td>Grocery</td>
<td>58504600</td>
<td>48</td>
<td>Sat</td>
</tr>
<tr>
<td>Grocery</td>
<td>78699885</td>
<td>16</td>
<td>Tue</td>
</tr>
<tr>
<td>Grocery</td>
<td>76730097</td>
<td>25</td>
<td>Wed</td>
</tr>
<tr>
<td>Wines &amp; Spirits</td>
<td>61026021</td>
<td>63</td>
<td>Tue</td>
</tr>
</tbody>
</table>
3: Do Go Out, Listen and Take Action
3: Do Go Out, Listen and Take Action
3: Do Go Out, Listen and Take Action
3: Do Go Out, Listen and Take Action
4: Get Stock Out of the Back Room
4: Get Stock Out of the Back Room
4: Get Stock Out of the Back Room
5: Speak “Inventory Accuracy”
5: Speak “Inventory Accuracy”
Three Simple Messages

✓ Good OSA Matters Now More Than Ever

✓ Manage OSA as a Quality Problem

✓ Five “Do’s” for OSA
Grazie

Colin Peacock

colinmpeacock@ecr-shrink-group.com