



Supply Chain
Analysis



OSA UK: Retailer - Supplier Team Work, Results & Learning

James Tupper, ECR Learning & Change Manager, IGD

**10.10 – 10.35, 24th September 2008, ECR Italy OSA DAY,
IBM Forum Milano – Circonvallazione Idroscalo - Segrate**



On-Shelf Availability Credentials



- Supply Chain Analysis Hot Topic
 - Supplier Service Levels
- Established Research
 - Annual Retail Logistics Survey
- ECR Availability Workgroups
 - Superstore and Convenience Surveys
- IGD Collaborative Programmes
 - In UK, Ireland and Sweden

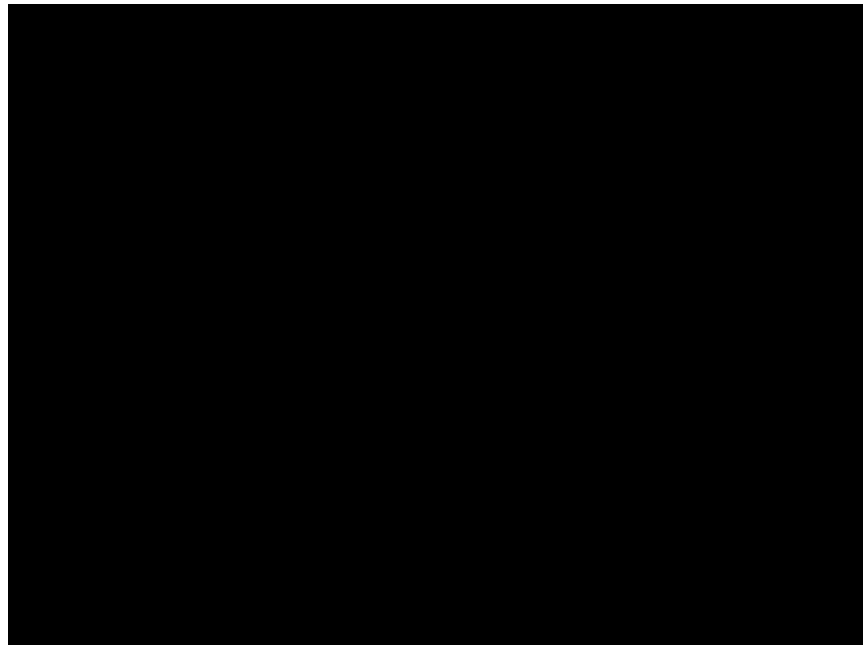


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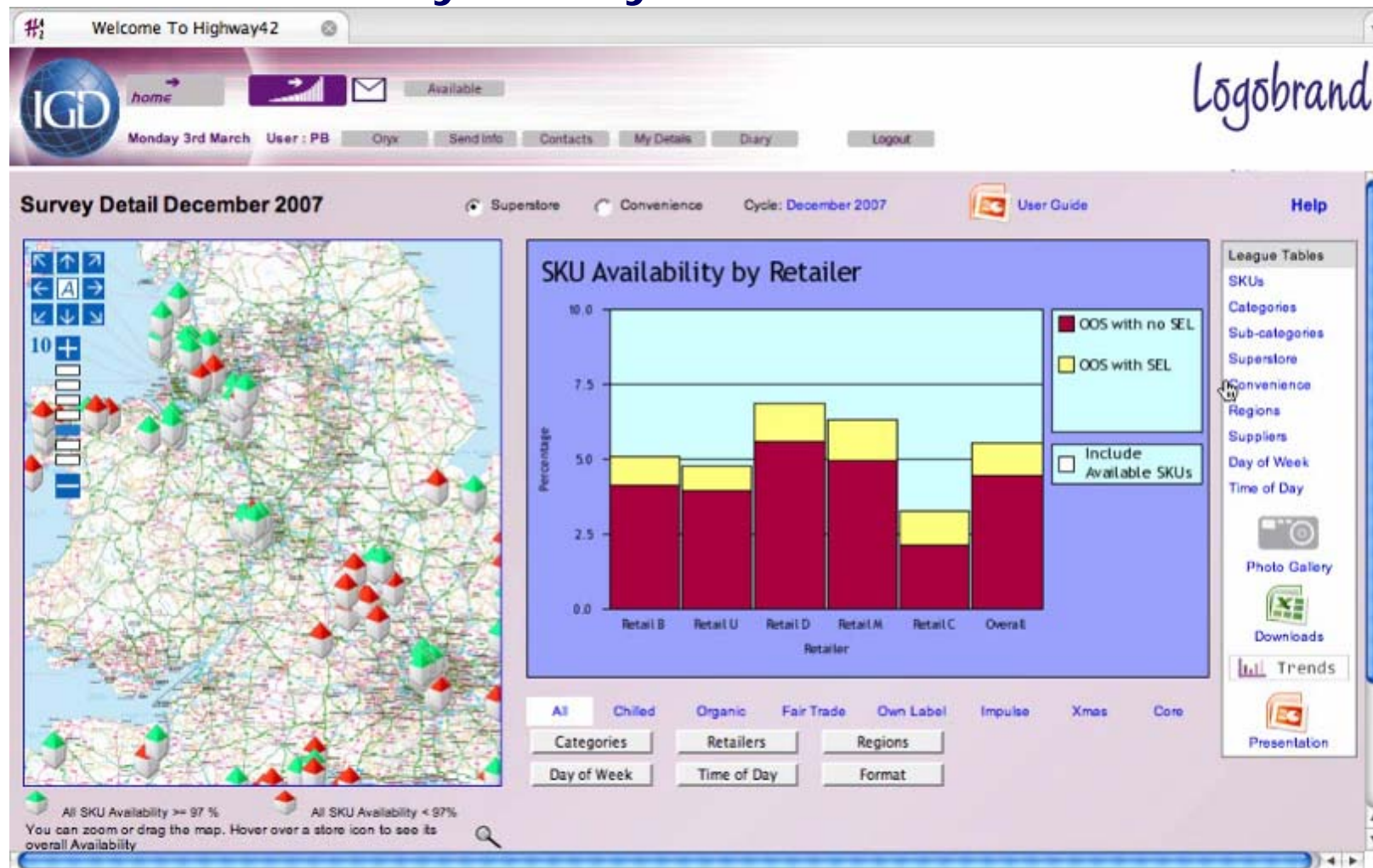


ECR UK Availability Surveys

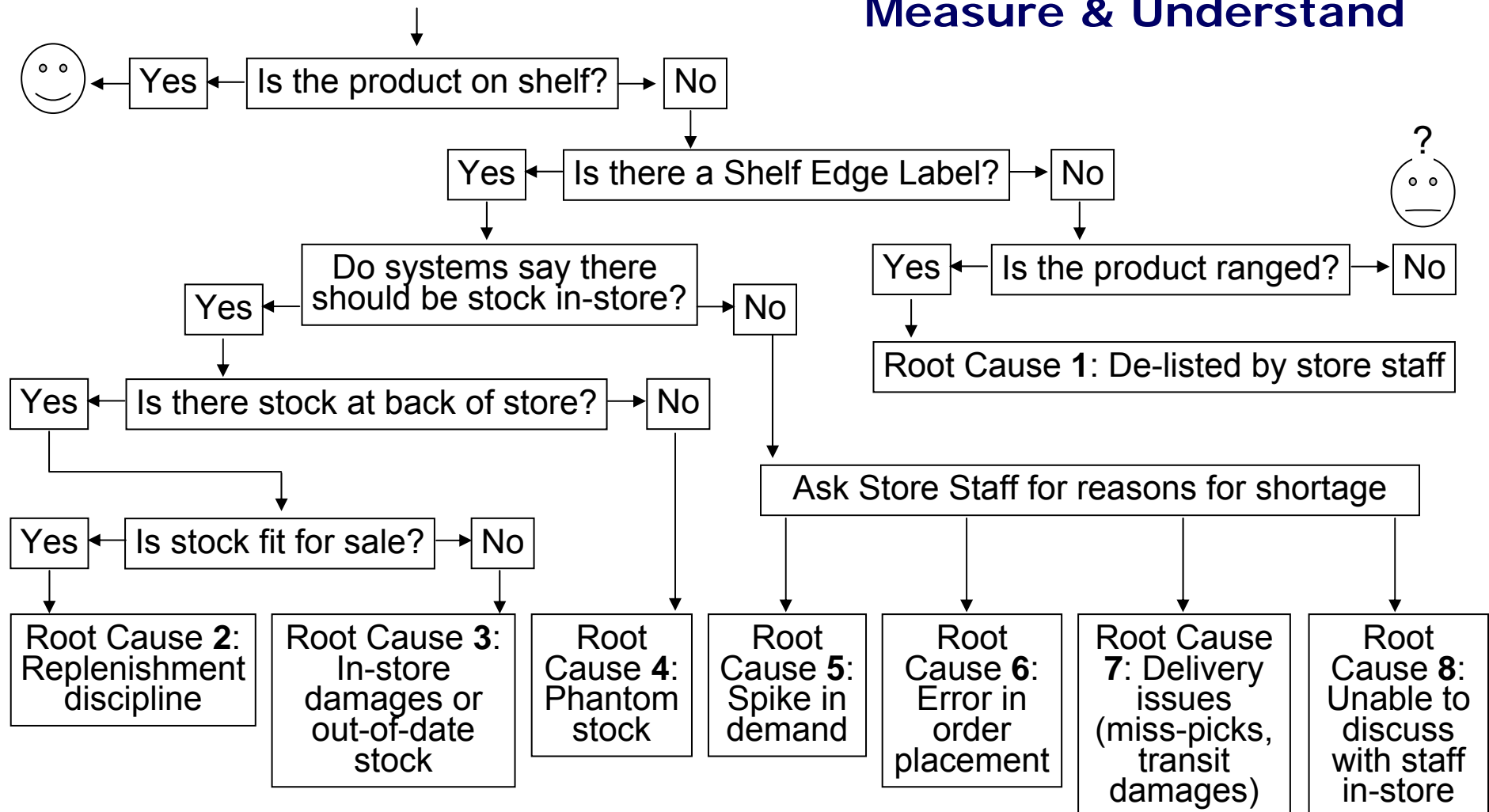
- Physical audit every two months
 - Is it on sale?
 - If not, is there a Self Edge Label (SEL)?
- Convenience
 - 50 Stock Keeping Units (SKUs)
 - 100 stores including Tesco Express, Sainsbury's Local, Coop, Somerfield, Mace, Premier
- Superstore
 - 200 SKUs across 11 categories
 - 200 stores across Asda, Tesco, Sainsbury's, Morrisons, Waitrose, Somerfield, Coop
- Results published within a fortnight
 - Drill-downs according to company access rights



ECR UK Availability Survey

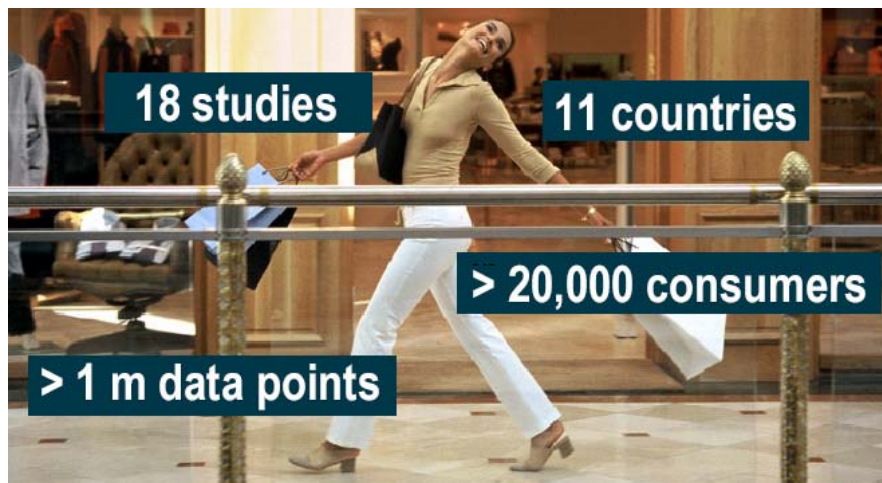


Measure & Understand



Source: ECR UK Availability Survey, Convenience with Root Cause Analysis, 2006

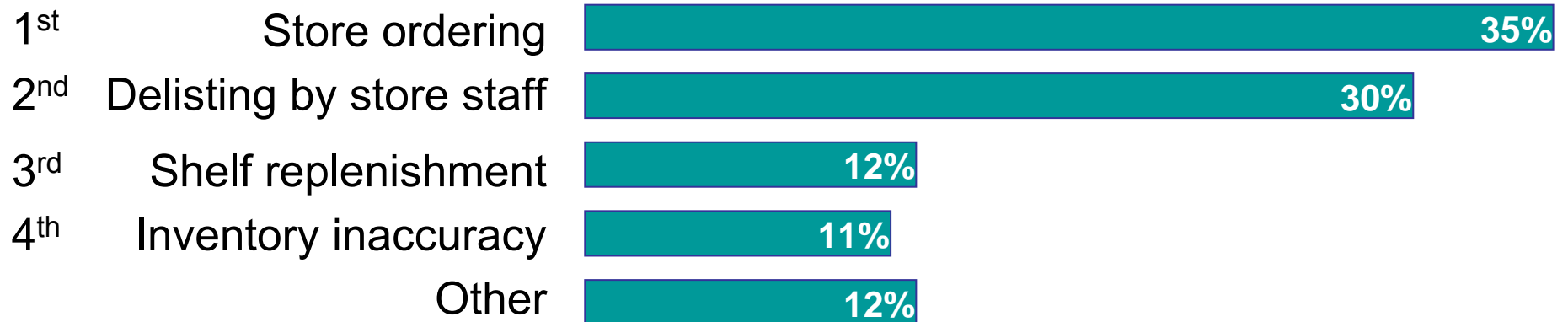
ECR Europe OSA Initiative



Source: ECR Europe blue book *Optimal Shelf Availability - Increasing shopper satisfaction at the moment of truth*



Top Root Causes of Out-Of-Stocks

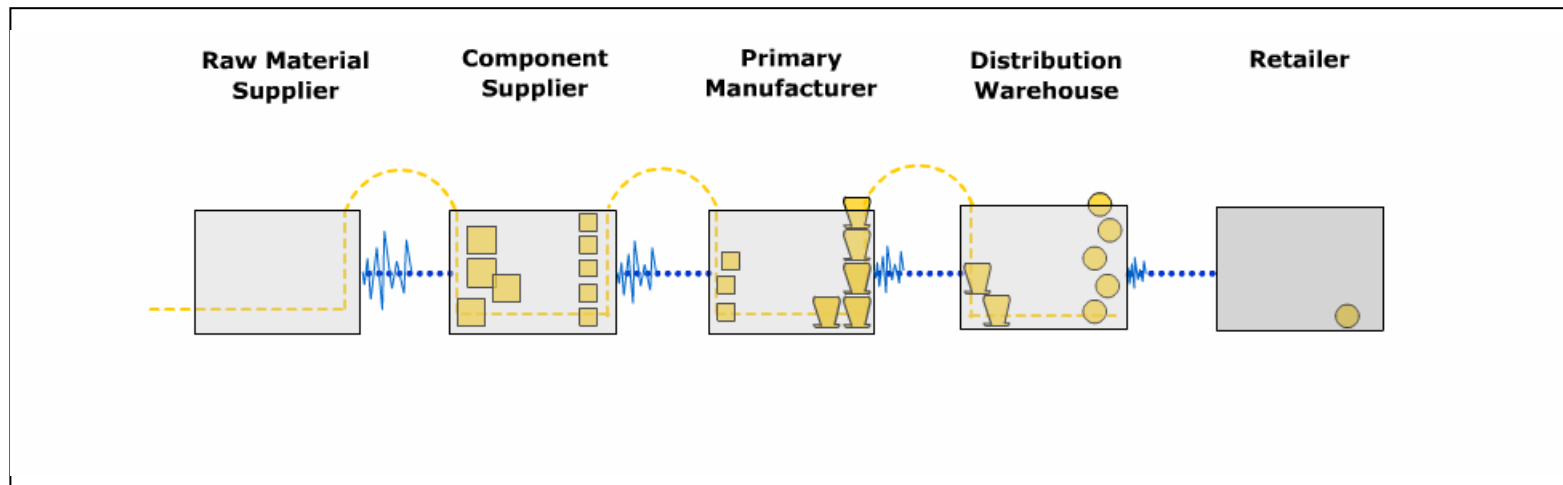


Store ordering	Self replenishment	Inventory inaccuracy
<ul style="list-style-type: none"> Last order generation too late Incorrect order placement Inaccurate forecast Incorrect process of order generation 	<ul style="list-style-type: none"> No time for staff to refill shelves Poor back store operations Lack of shelf edge label No Out-Of-Stock checks 	<ul style="list-style-type: none"> Inaccurate book stock Damages Stolen goods



Shorts drive big disturbances up- and down-stream

- Off sales
- Increased sales on similar products
- Bigger orders
- Substitutions
- Forecast errors





Possible to improve performance levels by

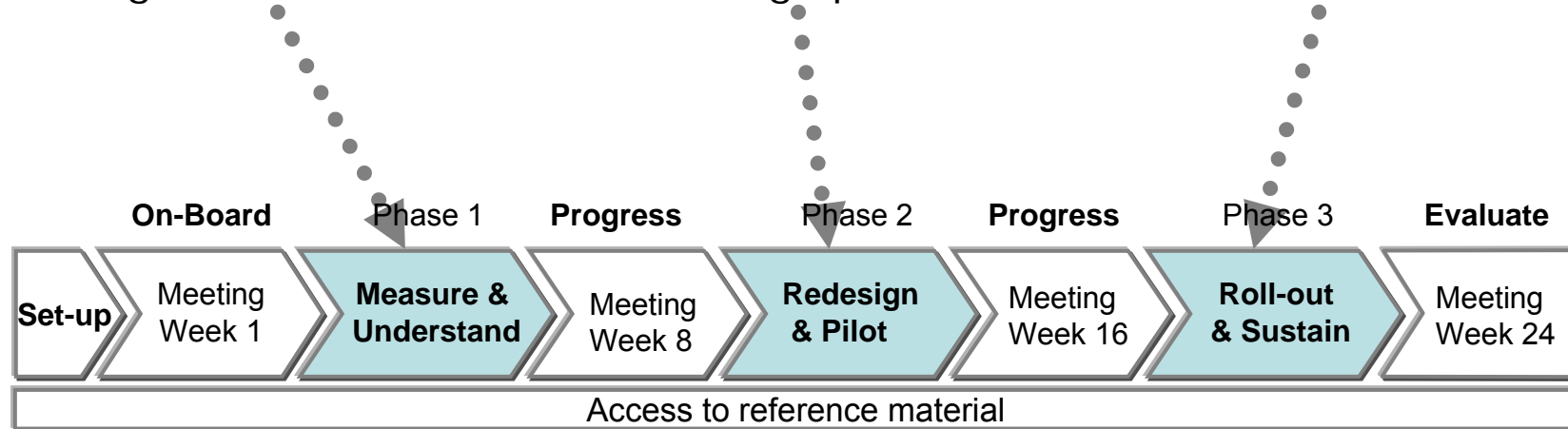
- Working together with colleagues and trading partners
- Building and asserting understanding
- Challenge the status quo
- Cut through confusion
- Making small changes in – the timing of – behaviour





Collaborate and

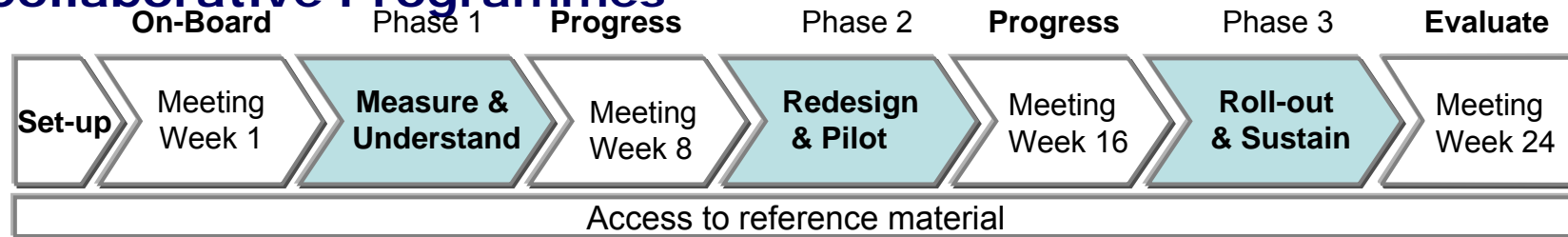
- ensure actions are based on evidence; not myth & legend or gut-feel alone
- win short-term gains and to motivate others to join in the change process
- deliver results and apply learnings to other areas of the business



IGD Programme



Collaborative Programmes



Hard business benefits

- ✓ Improve shopper service levels, lose less and sell more
- ✓ Save on crisis-driven time and technology solutions
- ✓ Use simple tools created and proven by retailers with suppliers

You will

- ✓ Strengthen cross-functional and trading partner relationships
- ✓ Capture and share learnings
- ✓ Experience success and develop the habit of making it happen



What Sponsors and Participants Say

"Working with suppliers in a way that we have not been able to achieve before"

"I see all the people taking part have grown in themselves and their knowledge and understanding is significantly better as a result of the programme"

"No one is dominating: IGD is facilitating a 'neutral ground'"

"IGD's facilitation fee is dwarfed by the benefits gained from the programme"

"This is amazing. We have been trying to collaborate on this for years. Fantastic progress has now been made in just two months"

"It hadn't been on the radar screen. Now we have made 110% progress and we have lots of momentum"



Extra, quicker, easier and more sustainable and scalable results achieved by retailer-supplier cross-functional teams working and learning together

	From	To
	Nov 2003	Sept 2004
	Sept 2004	April 2005
	Feb 2005	July 2005
	Sept 2005	May 2006
	July 2006	Jan 2007
		
	Nov 2006	Sept 2007
	June 2007	March 2008
	Jan 2008	June 2008



No rocket science



Without the programme

- Events loaded late with little time for planning
- No time for suppliers to manage stock build
- Latest forecast information not always shared with suppliers
- Incorrect uplift % used
- No first day sales information used
- High inventory needed at start of event
- No contingency plans for higher than expected demand
- No review process
- No history
- Potential availability issues
- No store confidence
- Peak & trough demand pattern

With the programme

- New joint seasonal events management routines
- Improved agenda for seasonal events management meeting
- New routine for buyers to load event and accurate uplift %
- Use of first day sales predictor
- New volume tracking and review tool





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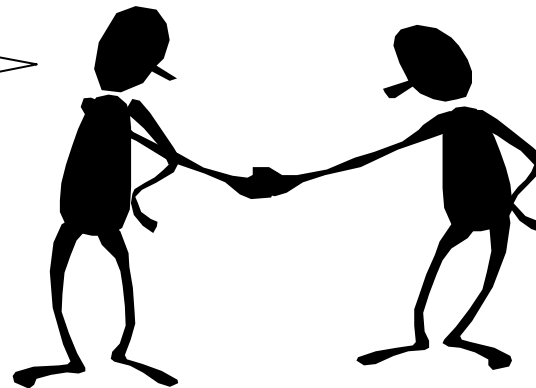


How we developed together

Somerfield

Coca-Cola Enterprises Ltd

Building
relationships
and making
new contacts



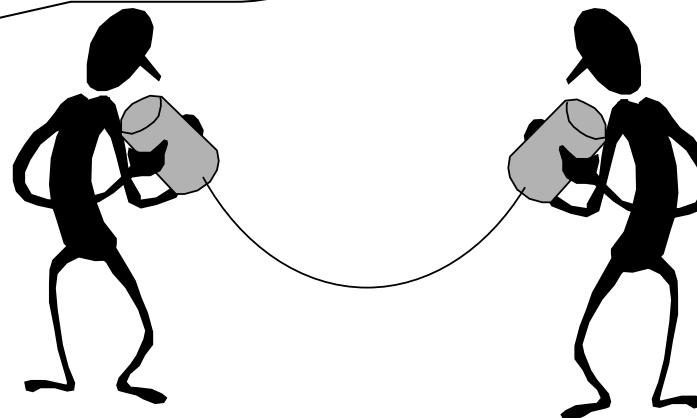
Solving
problems
together



Working as one
strong team



Improving
communication
and developing
understanding



Net Profit to Somerfield
in year to May 2006
£350K



Cut through

"On first cut we found it hard to find any issues - Availability looked good"

"If it were not for having to report to others on the initiative we might have walked away after the 1st audits"

"Challenging information and digging deeper leads to real insight"



Measurements in Phase 1		OSA	
1 st	Internal audits 3 times a day in 4 stores over 2 weeks	98%	
2 nd	Lost sales analysis of EPOS data by SKU by day over 2 weeks	Take Home	94%
		Multipacks	94%
		Impulse	80%
		New Items	71%
3 rd	Independent audit in 13 stores and top 20 Impulse SKU's	77%	

"Within the time frame of the programme designs had to be based on assets availability from the total industry rather than waiting until 2006 for optimum [Coca-Cola] solutions tailored to Superquinn"

"Regular reporting back to other teams, IGD facilitators and sponsor directors on progress, measures and results maintained the ambitious pace"

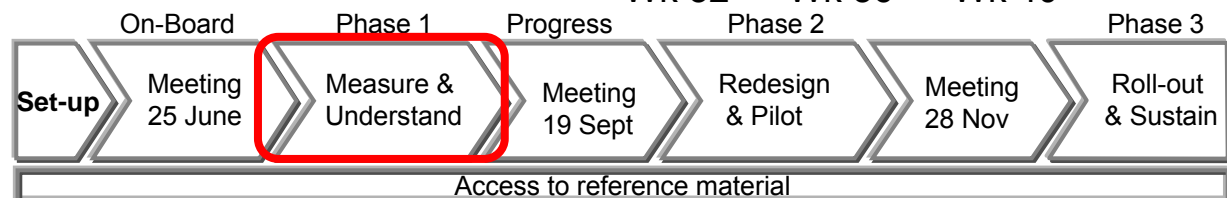
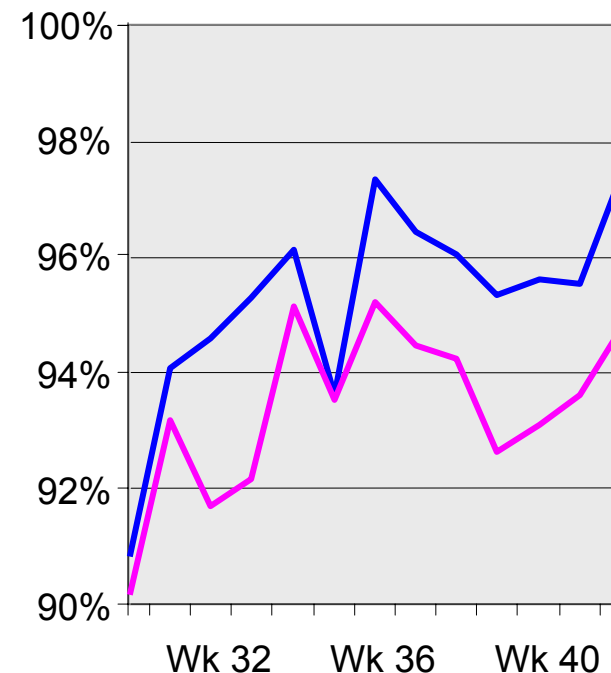
"As a result of this ECR Initiative, the category is growing 30% in Superquinn. This is 50% faster than Impulse across Supermarkets"

Trading partners helping each other *get real* (2006/7)

— In-Store Availability (retailer order system) — On-Shelf Availability (supplier physical count)

Measure & Understand

- Forecasts often too high / too low
 - Stock-on-hand often too much / too little
- Before promotion*
- Forecasts often blanket across a range
 - Limited use of historical or lost sales data
 - Unplanned adjustment for end ranking
- During promotion*
- Lack of formal communication with store ordering or supplier re forecast volumes
 - Intervention rare
- After promotion*
- infrequent reviews

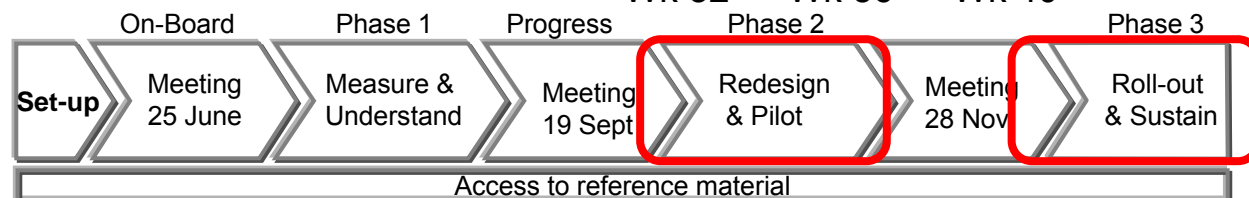
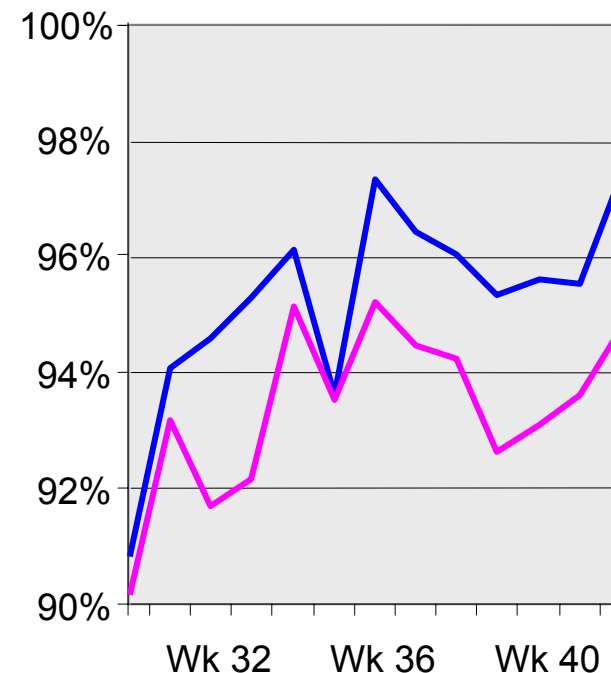


Trading partners helping each other get real (2006/7)

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Redesign & Pilot and Roll-out & Sustain

- use a jointly developed Position Sheet to track sales, stocks & SL by line by week
- regular communicate to compare actual vs. forecast and agree corrective action
- use first and fifth day sales results and a simple promotional forecasting tool
- build up database that captures promotional history including
 - accurate base sales
 - impact of competing offers
 - implementation in store
 - level of support received



Measure & Understand

- EPOS analysis of 88 SKUs over 6 months identified a Core Range of 32
- An independent agency did On-Shelf Availability audit over a 6 week period
- Results

– Average OSA	88%
– Core range OSA	78%
- Key reasons for off sales

– spike in demand	84%
– de-listed by store staff	8.5%
– replenishment discipline	7.5%



Redesign & Pilot

- New Planogram implemented and monitored by Eurospar & Allied Foods
- Self audits were carried out once a day in each of four pilot stores
- Results

– Average OSA	92%
– Core range OSA	100%
- Key reasons for off sales

– delivery issues	55%
– error in order placement	39%
– unable to talk to staff	4%
– spike in demand	2%

Roll Out & Sustain – Store Buy-in

- The new frozen pizza planogram was extended to remaining 37 Eurospars
- Category management insert in wholesaler's Eurospar Success Magazines
- Eurospar Xtranet site was used to communicate to retailers
- Pilot Store Testimonials were used to help get retailer "Buy-In" to the whole process
- Both wholesaler and supplier resources were used to audit Eurospars





Promotions Management

ASDA
part of the WAL-MART family



Johnson & Johnson MARS uk

What changed in Store?

- Set up day now Tuesday
- Visible segregation of promo stock
- Set-up process 'checklist' in every WAGJLL booklet
- Crucial data fields correctly maintained



What changed in Stock Flow?

- Fixed delivery days
- Changes to the initial allocation rules
- Promotional stock 'protected'

Average first day in-stock improved from 98.3% to 99.2%



What changed in Asda House?

- Decision criteria
- Use data to inform decision
- 12 week critical path
- Clarified Accountability

50% reduction of initial allocations for large Stores

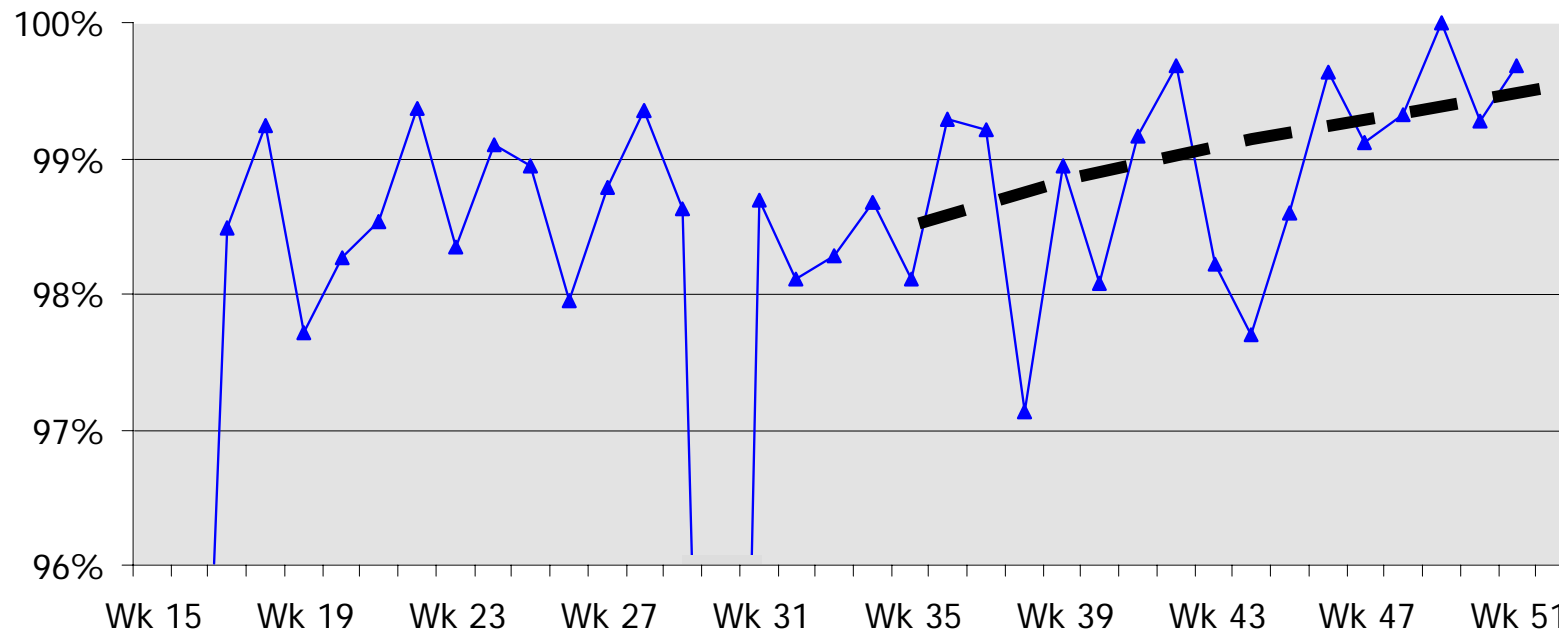




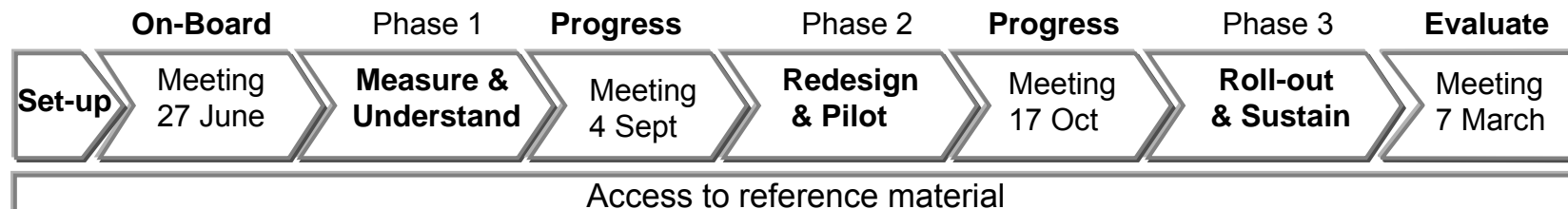
Trading partners helping each other *get real* (2007/8)



—▲ Inbound Service Level from Chilled Supplier



- SL ↑ 1+% points
- OSA ↑ 3% points
- Waste ↓ 90%
- Dispatch £ ↓ 70%

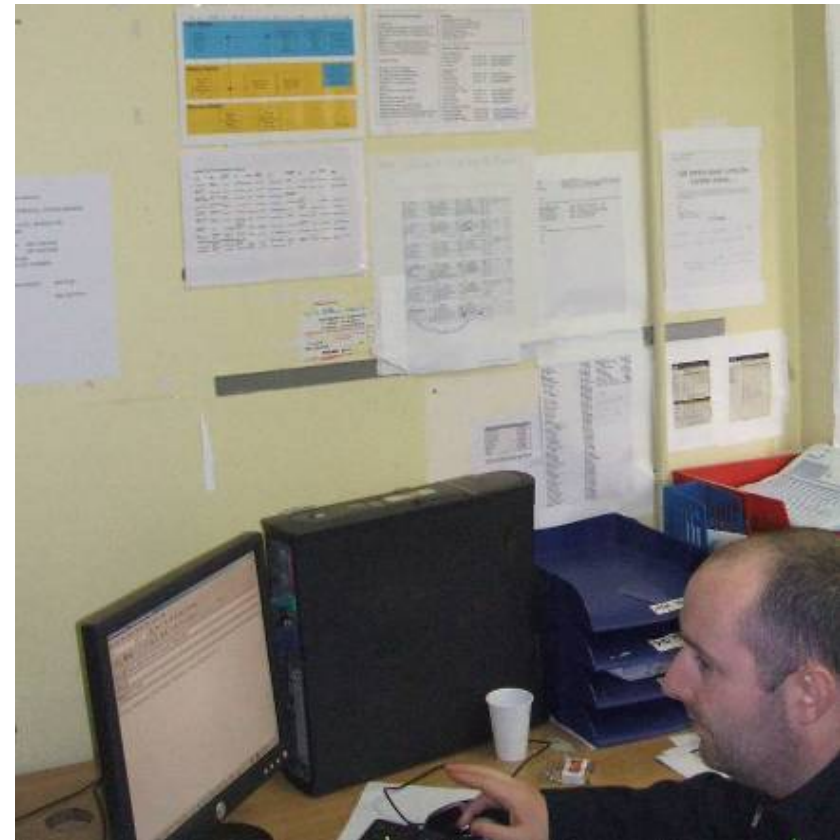




The trading partners have

1. harmonised process design
2. installed the improved processes across functions

- Get things right first time
- Reduce fire fighting
- Reduce escalation
- Reduce issue resolution costs





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