



Efficient Consumer Response Australasia

Winning in January 2012 Review



one voice - adding value

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Acknowledgements

The Secretariat would like to thank ECRA Board members for continuing to drive focus, deliver best practice and support the *Winning in January* initiative.



Introduction

Product availability in January has been a challenge for the fast moving consumer goods industry for years for both retailers and suppliers. For many, January service levels have suffered in comparison to Christmas, and as a result have seen poor product availability; lost sales; stock outs on shelf and a less than satisfactory offering for the consumer.

In early 2009, the Board of Efficient Consumer Response Australasia (ECRA) identified improving January service levels between suppliers and retailers and between retailers and their stores as a major opportunity for the industry players to collaborate under the banner of *Winning in January*.

The following ECRA report is the culmination of the industry focus for 2009, 2010, 2011 and 2012 providing a fact based set of key industry results, findings and next steps.

ECRA remains committed to working with industry to further improve On Shelf Availability (OSA) and as such we anticipate further reports to be generated in subsequent years. This year's report should be used to inform your business, prepare for 2013 and act as a catalyst for further discussion with your trading partners.

January 2012

Following some poor service and availability results in January 2011, albeit with significant impacts from the floods in virtually all states of Australia, retailers and their suppliers undertook planning initiatives in the lead-up to summer 2011-12, looking to return to the positive business results which flowed from the first season of *Winning in January* back in 2009-10.

Trading conditions through the Christmas and January period continued to be driven by significant promotional activity in the supermarket channel. As detailed in the ECRA program *Winning with Promotions* in 2010, this promotion driven environment provides its own set of challenges in regards to achieving high service levels and on-shelf availability to shoppers. A general reduction in inventory levels over recent years, both at retailers and their suppliers, calls for greater agility in the supply chain with collaboration being critical to success.

The weather was less of an operational issue than the previous year, though it varied considerably throughout the period making its impact on volumes tricky to manage. The southern and western areas of Australia started with a mild summer before becoming increasingly hot throughout January, whilst the north and east saw fine weather initially before deteriorating into cool and wet conditions, with some areas returning to floods.

The service level to stores results can be seen in charts which follow. Summer 2011-12 saw performance return to levels similar to 2009-10, with many categories experiencing very strong service levels and others still experiencing some issues. With four years worth of data now available, some clear patterns are emerging for certain categories as the charts in Appendix 2 of this report show. This should provide a great catalyst for trading partners to rethink strategy in these categories in advance of next summer.

In summary, 2011-12 saw improved performance, however there is still a major opportunity going forward to close the residual gap that exists between service levels in the Christmas and January period versus those experienced at other times of the year. As such ECRA views *Winning in January* as an ongoing opportunity for collaboration to the benefits of suppliers, retailers and shoppers.

Winning in January 2012 Review

Results -January 2012

ECRA has again this year undertaken a data based approach to reviewing service performance levels from retailer distribution centres to stores for the period over Christmas and New Year and the month of January 2012.

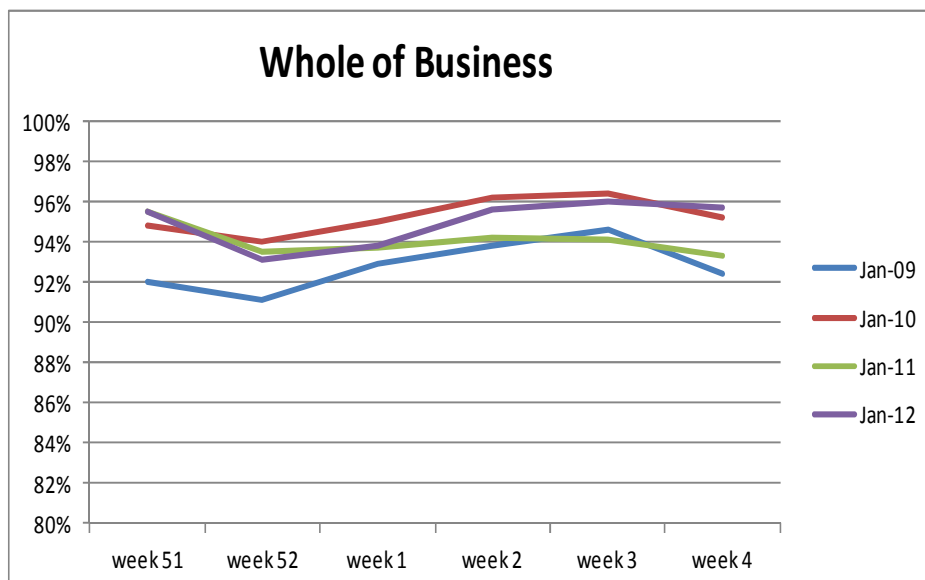
The data capture was undertaken with the collaborative support of retailers; Coles Group, Metcash Trading and Woolworths Limited.

The retailers have tracked outbound service levels (OSL) from their distribution centres to their stores for 2008/09, 2009/10, 2010/11 and 2011/12 to facilitate performance comparisons. This data was provided for both high level business splits shown below (Ambient Grocery, General Merchandise, and Perishables) as well as for several specific categories which were of particular interest through the summer period (see appendix 2).

Whilst results varied by retailer and by category, the consolidated data provides insight into the top-line results and industry trends.

The legend for the charts is as follows:

- Horizontal axis = week of year. Week 51 aligns to Christmas week, 52 to New Year week and 4 to Australia Day week.
- Vertical axis = percentage of cases ordered by stores which the retailers were able to supply for the week in question.



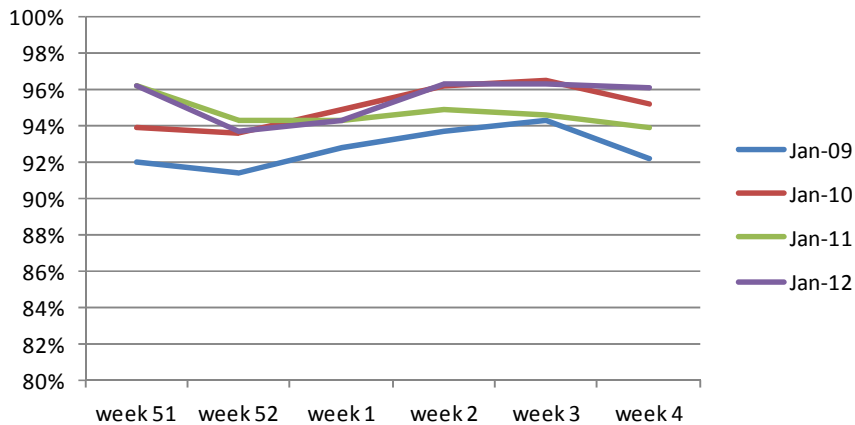
*chart shows consolidated Ambient Grocery, GM & Tobacco and Perishables results

Key Results

- Strong performance compared to previous year, back to 2010 levels
- Christmas to New Year remains an opportunity
- Still a gap versus balance of year, but closed significantly on historical (2009) levels

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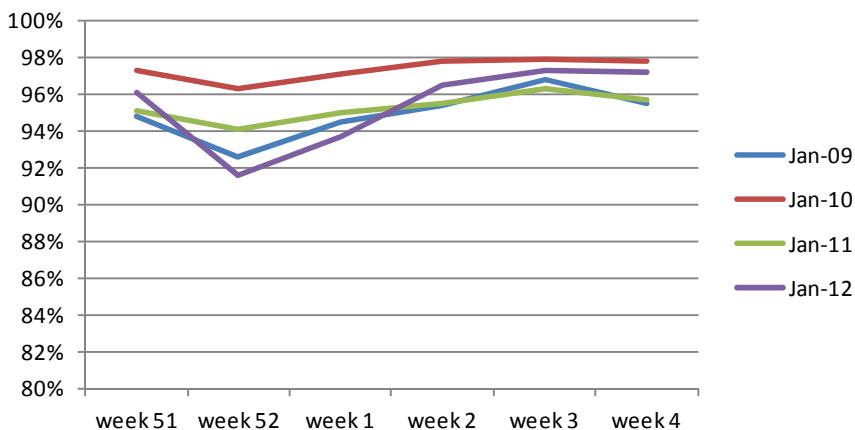
Ambient Grocery



Key Results

- High performance compared with previous year and historical results
- Week 52 should be a focus area of opportunity

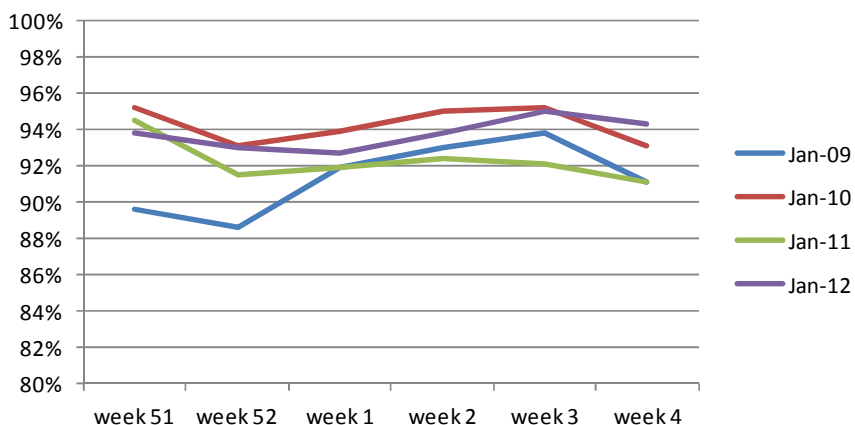
General Merchandise & Tobacco



Key Results

- A poor week 52 followed by a strong recovery
- Unable to match 2010 benchmark
- Week 52 needs scrutiny

Perishables



Key Results

- Significant gains over previous year, albeit not up to 2010 benchmark
- Service levels still lower overall

Feature: On-Shelf Availability – Global Information

On-shelf availability (OSA) has been on the ECR agenda locally and globally for many years. A wealth of knowledge, best practice guides, methodologies and tools aimed at assisting companies to implement OSA programmes are available.

The average out-of-stock rates across the industry have not improved over the last decade. The 2008 global study by Gruen and Corsten shows that the current average out of stock rate is still 8.3%, with notable exceptions in markets where local ECRs or companies have taken the lead in making a difference.

The ECR Australasia Secretariat has put together the following resource document to assist you, your business and your trading partners in examining out of stocks, seeking to understand the causes and establishing best practice solutions based on global practices.

ECR Europe

On-Shelf Availability Reloaded 2011

OSA remains one of the main non-innovation-led growth engines for the industry. Experience by leading companies has indicated that each time we improve OSA by 3%; we can deliver at a minimum an additional 1% growth.

OSA Reloaded is a diagnostic self-assessment tool that reviews the key barriers that exist in addressing OSA. By using this tool and the associated case studies, steps can be taken in your own company to overcome the last remaining barriers to maximising OSA and thereby improving customer satisfaction.

Access the report: http://www.ecr-all.org/content/ecropedia_element.php?ID=13873

White paper - *Approaches to Measuring On-shelf Availability at the Point of Sale* - 2006

There are a number of reasons why on-shelf availability is not, or rarely, measured. Taking measurements is seen as complicated, expensive, and many companies shy away from ongoing out-of-stock (OOS) monitoring because they simply assume that they lack the detailed data to do so.

This white paper outlines a uniform measurement methodology that uses POS data. Based on an out-of-stock index, the methodology permits more accurate comparison of the OOS rate by different categories and sales channels. The method can be leveraged to initiate a continual improvement process that will ultimately increase on-shelf availability, improve the revenues of both manufacturers and retailers, and make customers happier.

Access the report: http://ecr-all.org/content/ecropedia_element.php?ID=12181

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Optimal Shelf Availability (OSA) - *Increasing Shopper Satisfaction at the Moment of Truth* - 2003

The ECR guidebook on optimal shelf availability shows retailers and manufacturers the importance of improving product availability and provided an approach to making significant improvements.

A study of seven European countries showed that product on-shelf availability is between just 90 and 93 percent. At the same time, consumer surveys have shown that consumers consider product availability to be a very important factor. Poor availability affects both retailers and manufacturers and can potentially lead to considerable financial losses.

The report describes how a holistic approach can improve on-shelf availability by as much as 50 percent. The approach consists of seven improvement levers to address the specific root causes identified. The report discussed that for any approach to be successful, regular measurement and issue awareness on the part of store management is essential.

Access the report: http://ecr-all.org/ecropedia/Supply%20Chain/OSA?PAGEN_1=6#nav_start

ECR Asia Pacific

On-Shelf Availability Alignment Project 2011

ECR Asia Pacific's OSA working group conducted an online survey between July and September 2011 aimed at gaining insights and measuring current attitudes towards OSA across the region.

The report highlights the growing importance of OSA which is being driven by an increase in competition for sales and demands for service levels. Over 80% of survey respondents believe there is a need for industry initiatives to drive OSA, including standard definitions and measures; sharing best practice process and outcomes; and greater collaboration between suppliers and retailers.

Access the report: <http://www.ecraustralasia.org.au/storage/on-shelf-availability/ECR%20OSA%20Survey%20Results%202011.pdf>

ECR United Kingdom

Availability 2007 (and subsequent years)

The 2007 report details research carried out by the ECR UK Availability Workgroup during 2007 and builds on many of the projects which have been completed since 2005.

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Driving improved on-shelf availability is a key goal for retailers, not only in the UK, but also globally, however results from ECR UK's On-Shelf Availability Survey reveal that improvements are hard to achieve, with availability of 95.9% being achieved on average over 2007.

This Availability report demonstrated the need for an availability benchmarking survey in the UK, resulting in an updated product list, the frequency of surveys being increased and the associated reporting tools being enhanced significantly.

Access the report: http://ecr-all.org/ecropedia/Supply%20Chain/OSA?PAGEN_1=5#nav_start

Subsequent Availability UK reports, tracking industry performance across 200 products and 160 stores, are available at:

Access the report: <http://www.igd.com/index.asp?id=1&fid=5&sid=43&tid=57>

Promotional On-Shelf Availability – Insights and Best Practice.

ECR United Kingdom has developed an online resource with the assistance Cranfield University. Working with representatives from the UK's leading retailers and manufacturers, the aim of the Cranfield research was to produce a resource that:

- Identifies the weak points across the supply chain that impacted the availability of promoted products in store.
- Highlights best practice processes and activities to enable improved promotional availability.

Access the report: <http://www.igd.com/index.asp?id=1&fid=5&sid=43&tid=57&foid=54#contents>

ECR Australasia

On-Shelf Availability Reports

Access reports by clicking highlighted links, or at <http://www.ecraustralasia.org.au/on-shelf-availability/>

In 2001 ECRA developed ***A Guide to Efficient Replenishment and Reducing Stock Outs.*** The objective of the guide was to provide a useful reference point for companies to improve replenishment and product availability.

In 2008 the ECRA Board commissioned a survey of industry aimed at reporting on the current status of On-Shelf Availability (OSA) levels and the adoption of the 2001 report recommendations. The report that followed was entitled ***The OSA Challenge.***

The OSA Challenge Report report acted as a catalyst to further work completed in 2009 providing companies with a framework, both for their organisation and with trading partners, to address out of stocks (OOS), by following ***The On-Shelf Availability Roadmap.***

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During 2009 the focus was narrowed to a specifically Australian issue of product availability during the month of January, with a series of publications being released to support industry efforts under the banner ***Winning in January***.

In 2010 attention was turned to the availability of products on promotion, tagged ***Winning with Promotions***, this project examined the impacts on the value chain of promoted products with the industry working collaboratively to find ways to maximise responsiveness and flexibility across the value chain.

The February 2011 release of the ***Winning in January 2011 Review*** was the culmination of the industry focus for 2009, 2010 and 2011 providing a fact based set of key industry results, findings and next steps.

Winning in January 2012 Review

Next Steps

Retailers and manufacturers will continue to pursue improved availability, both within their own organisations and with each other. The following are several areas to consider during the review process and in preparation for the future.

Next steps for your business - Retail and Supply



- **Review**
 - industry data against specific company information
 - with key trading partners, upstream and downstream
- **Identify**
 - internal weaknesses
 - root causes
 - trading partner issues
- **Plan**
 - Use the 7 steps in planning
 - Recognise the power of early engagement
 - Collaborate before, during and after

If industry partners are to be truly responsive to shoppers' demands they need to work together to promote high service levels whilst delivering improved efficiencies.

Improvement in supply does translate to improved in-stock position in retail stores and ultimately retailers and suppliers are all working towards the goals of - **right stock, right place, right time.**

ECRA will again actively pursue industry level improvements, and intends to formally report January 2013 results as part of this continuum of effort.

Appendix 1

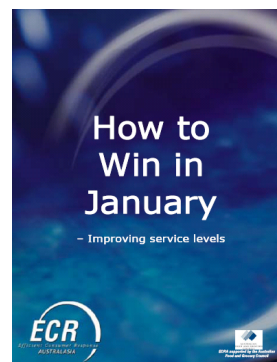
Winning in January Tools

Throughout 2009 and 2010 ECRA worked with representatives from leading retailers, wholesalers, manufacturers and suppliers to create a range of user friendly tools to assist companies deliver improved service levels specific to January. Indeed the key learnings from this initiative can be equally applied to the other eleven months of the year.

Key challenges, issues and opportunities were identified in *How to Win in January*.

Within this report, seven key areas provide a broad framework on which to focus activities both within an organisation and between trading partners.

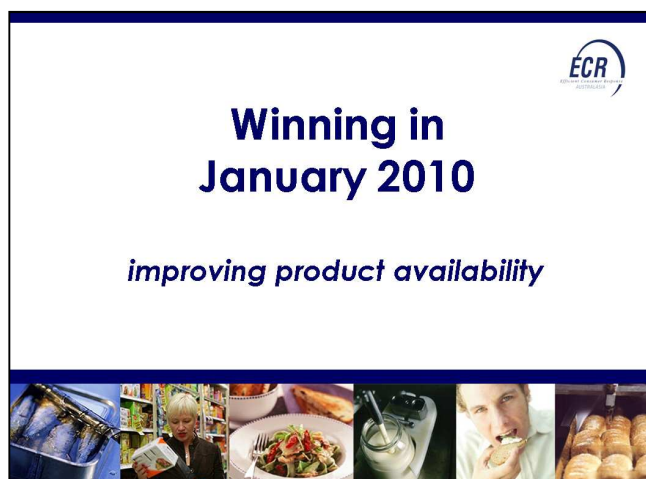
These focus areas are explored in detail in the report which is available at www.ecraustralasia.org.au



To further support improvements, in 2009 the industry developed a toolkit to provide guidance for improvements.

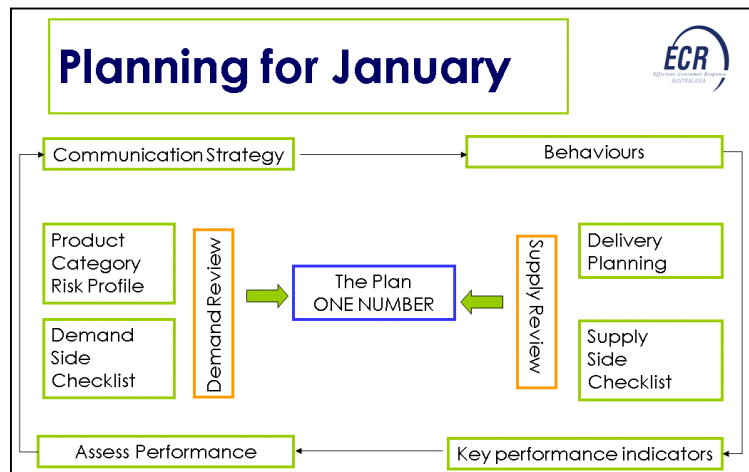
The toolkit is an adjunct, not an alternative, to detailed internal and trading partner planning.

The toolkit, *Winning in January 2010*, still very relevant in 2012, can be downloaded from www.ecraustralasia.org.au



Winning in January 2012 Review

The toolkit includes a roadmap, checklists, scheduling documents, contacts lists and a series of templates for capturing and tracking key business metrics and information.



Winning in January 2012 Review

Appendix 2

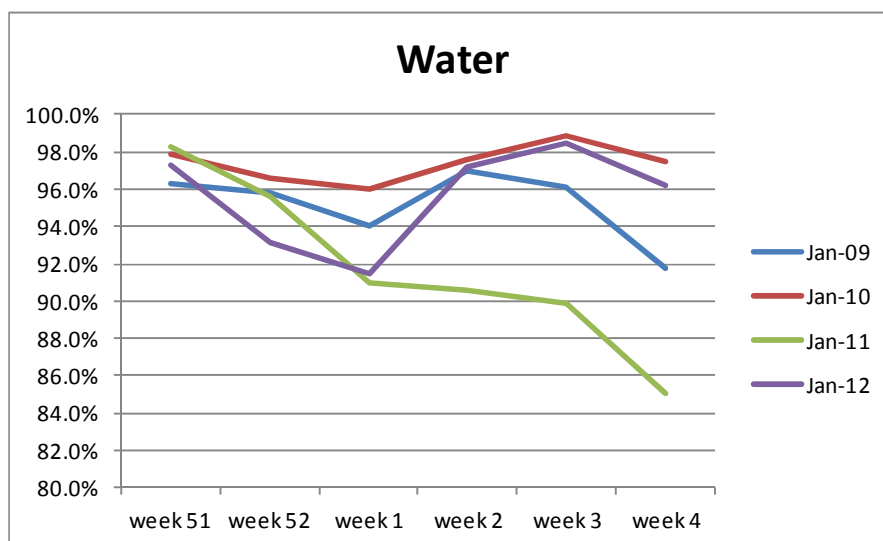
Retailer Service Results for January 2012 – Category Level

Coles, Woolworths and Metcash provided data depicting their OBSL for several key seasonal categories from DCs to stores for the last two weeks of 2011 (weeks 51 and 52) plus the four weeks of January 2012 (weeks 1 to 4). This data was also provided in 2011, 2010 and 2009.

The information was provided to ECRA in weekly buckets identifying the number of cases (i.e. order multiples of product) delivered to stores nationally against the number of cases requested. ECRA consolidated the data to protect individual retailer confidentiality as displayed in the charts below.

The legend for the charts is as follows:

- Horizontal axis = week of year. Week 51 aligns to Christmas week, 52 to New Year week and week 4 to Australia Day week.
- Vertical axis = percentage of cases ordered by stores which the retailers were able to supply for the week in question.
- Purple Line = January 2012, Green Line = January 2011, Red line = January 2010, Blue line = January 2009

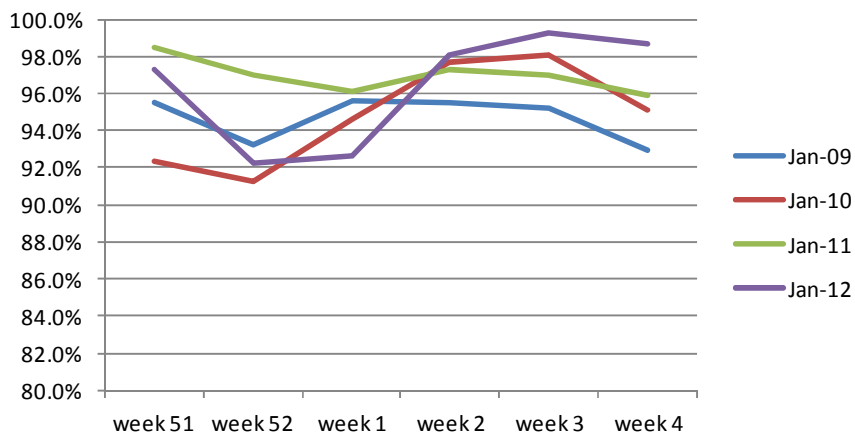


Insight

- Week 1 is an issue every year - need to develop specific week 1 plans

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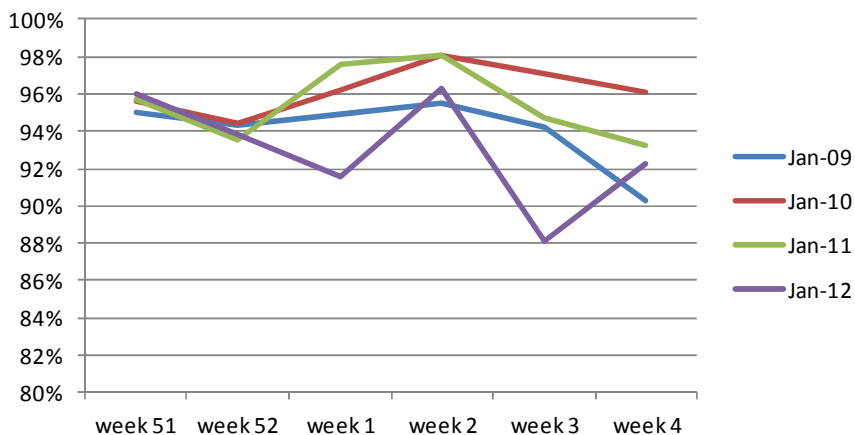
Carbonated Soft Drinks



Insight

- A huge opportunity if week 52 can be raised to level of weeks 2-4

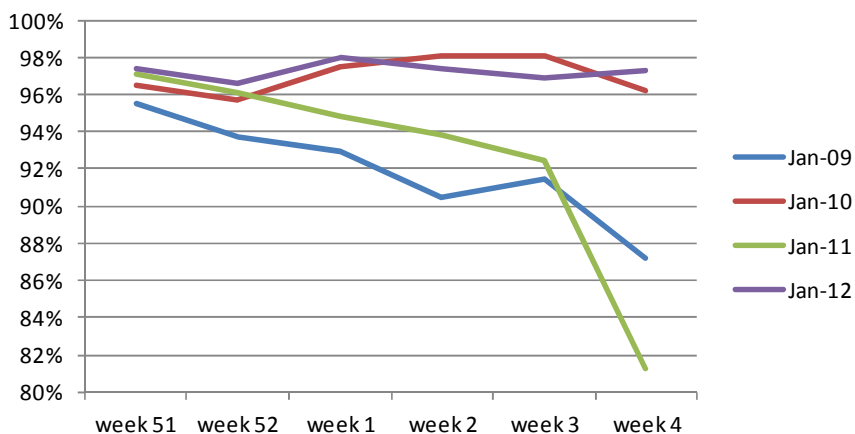
Long Life Juice / Cordials



Insight

- First need to better understand what is driving the erratic performance week by week each year

Breakfast Cereal

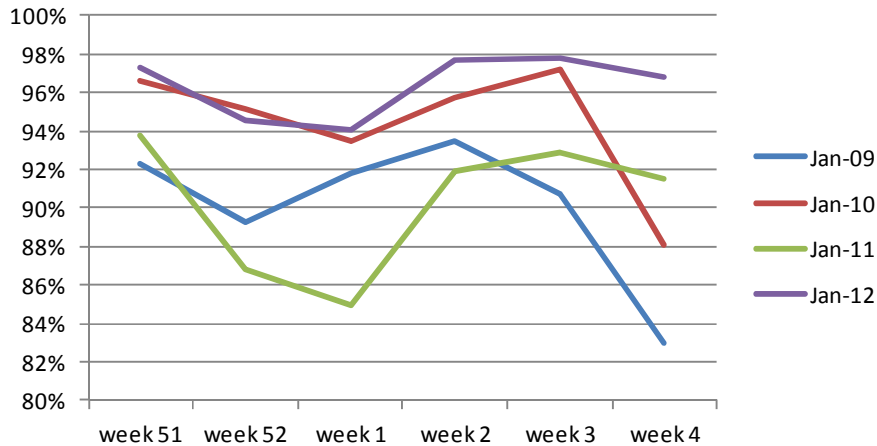


Insight

- Excellent performance this year. Opportunity to reapply learnings

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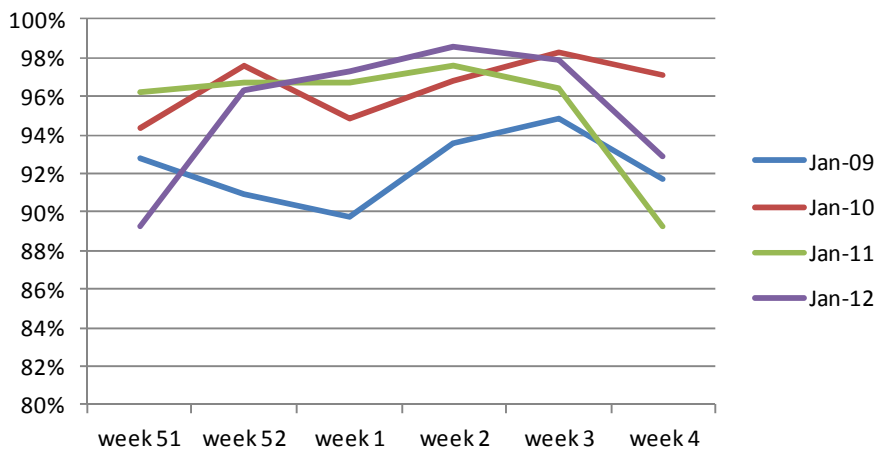
Potato Chips & Snack Nuts



Insight

- Excellent performance this year
- Focusing on week 1 performance can drive service even higher

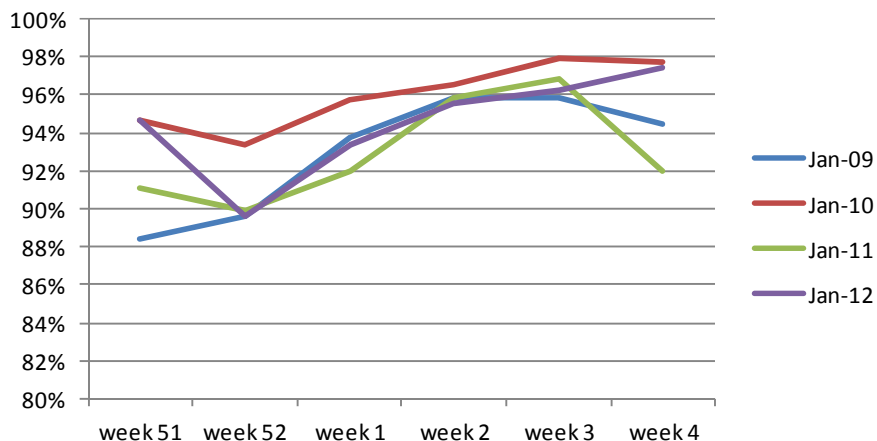
Snack Bars (Muesli/Fruit etc)



Insight

- Drop in week 4 every year = back to school shopping
- Benefit from developing specific strategy for week 4 in this category

Confectionery

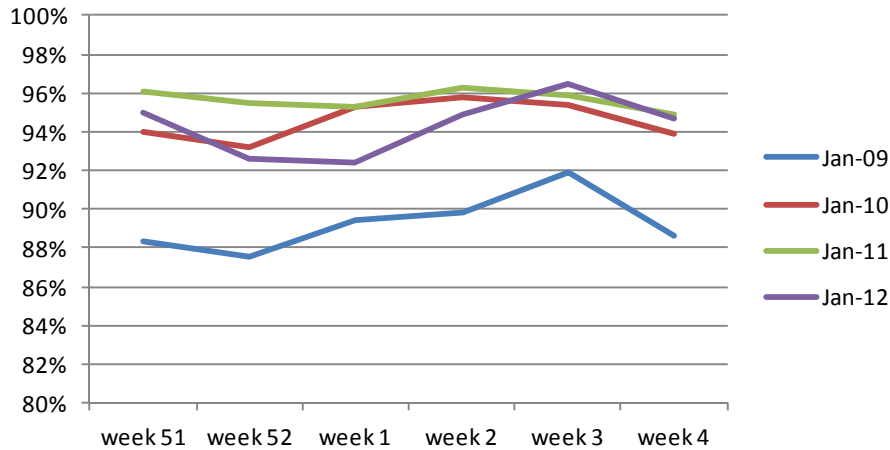


Insight

- Poor results week 52 each year but able to recover quickly - should more stock weight be applied in week 51-52?

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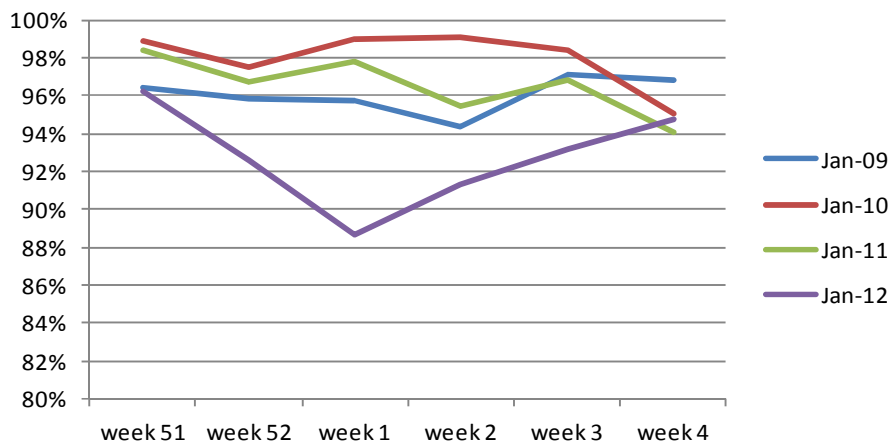
Biscuits



Insight

- Significant improvement over historical (2009)

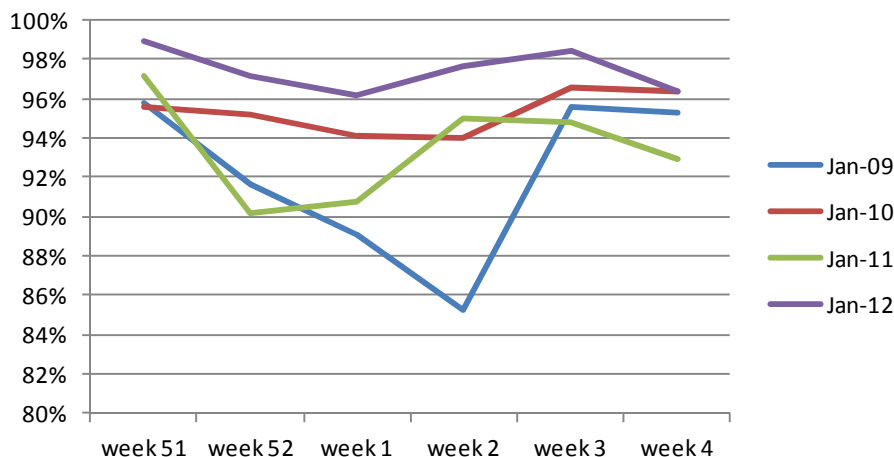
Facial Tissues



Insight

- Poor performance this summer – an anomaly?

Toilet Rolls & Paper Towels

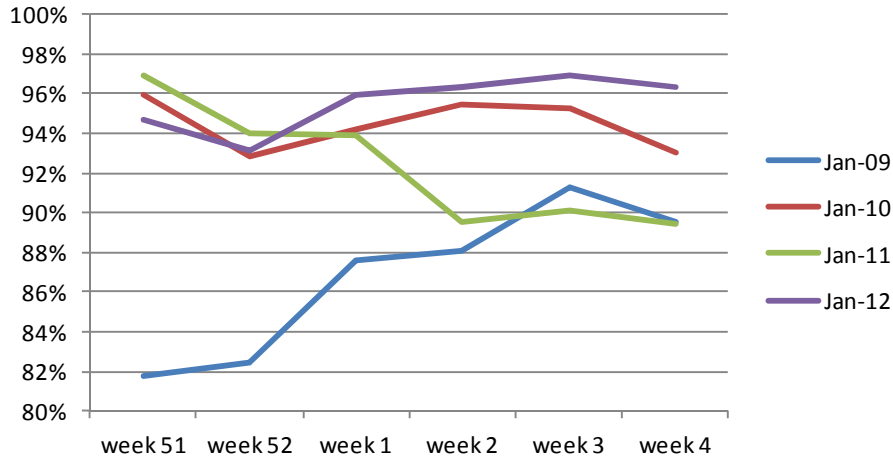


Insight

- Exceptional performance this summer
- Opportunity to reapply learnings

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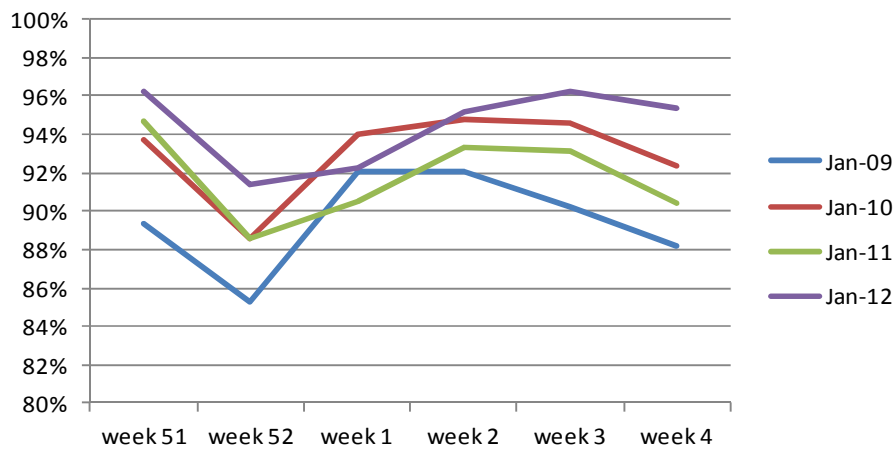
Yoghurt / Cream/ Dairy Snacks



Insight

- Exceptional performance this summer
- Opportunity to reapply learnings

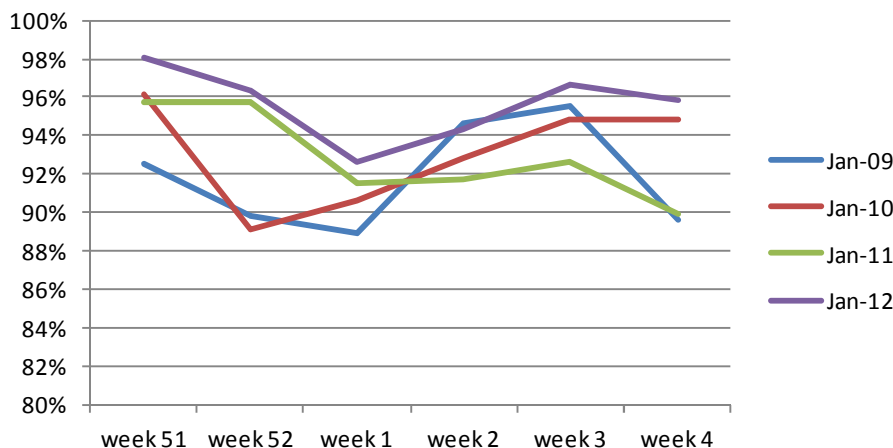
Cheese



Insight

- Strong performance this summer
- Fixing week 52 would appear to reap large reward - an area worthy of focus next summer

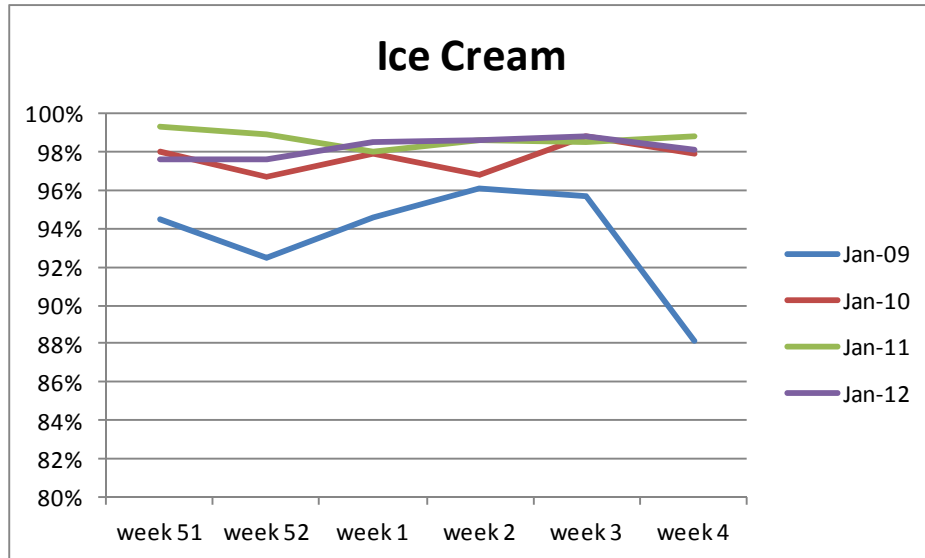
Chilled Juice



Insight

- Strong performance this summer
- Appears that week 1 is the challenging week - an opportunity

Winning in January 2012 Review



Insight

- Outstanding performance this summer
- Services performance has greatly over past 3 years