



Efficient Consumer Response Australasia
Winning in January
2013 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 - 2013 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 2014 and act as a catalyst for further discussion with your trading partners.

January 2013

Trading conditions through the Christmas and January period continued to be influenced by significant promotional activity in the supermarket channel. A focus on deep promotions, coupled with ongoing efforts to reduce inventory continue to provide challenges to suppliers and retailers alike. Achieving high service levels and on-shelf availability for shoppers, requires increased internal and external collaboration, flexibility and agility. A focus on an agreed 'one number' forecast remains the target.

External factors impacting the summer period included decisions by the Reserve Bank of Australia to reduce interest rates in both October and December to 3.0 percent. Inflation was considered to be consistent with the medium-term target, with underlying measures at around 2½ per cent and headline rate at around 3.0 per cent.

The weather again provided several challenges to the efficient movement of goods as well as to forecasting requirements on key lines. During January the capital cities took turns to swelter under extreme heat - in some cases at record levels, impacting product volume mixes, as can be seen in the category chart for Water in this report. This was accompanied by major bushfires impacting delivery to affected stores.

Towards the end of January the east coast experienced cyclonic storms and torrential rain, leading to severe flooding and cuts to major road arteries impacting inbound and outbound delivery to many stores.

The service level to stores results can be seen in charts which follow. With five year's data now available, some clear patterns are evident for certain categories as the charts in the *Category Results* section of this report show. This provides a catalyst for trading partners to tailor strategies in these categories in advance of next summer.

In summary, 2012-13 saw a mixed bag in OBSL performance, and whilst some categories have improved performance greatly over past years, there continues to be an opportunity 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 continues to view *Winning in January* as an ongoing opportunity for collaboration to the benefits of suppliers, retailers and shoppers.

Winning in January 2013 Review

Results -January 2013

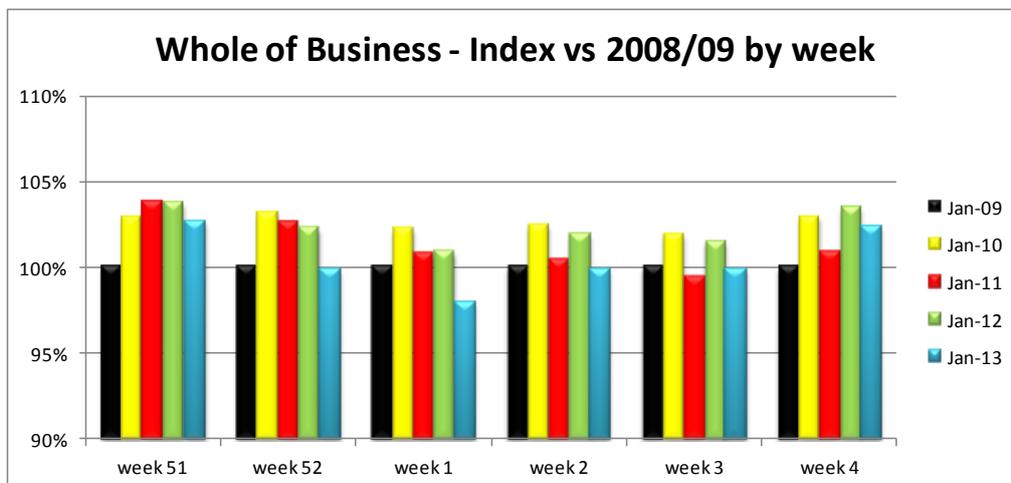
ECRA has again this year undertaken a data based approach to reviewing service performance levels from retailer distribution centres to stores for the period over Christmas and New Year and the month of January 2013.

The data capture was undertaken with the collaborative support of retailers Coles Group, and Woolworths Limited. For the first time, Metcash Trading did not participate in 2013, being replaced by Progressive (NZ), meaning that rather than a direct comparison of specific results versus previous years, an indexed (versus January 2009) suite of data has been used in this report to protect data confidentiality.

To facilitate performance comparisons retailers have tracked outbound service levels (OBSL) from their distribution centres to their stores for 2008/09, 2009/10, 2010/11, 2011/12 and 2012/13. 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 week 4 to Australia Day week.
- Vertical axis = indexed combined retailer OBSL's for each year indexed vs. January 2009 (i.e. the Black bar - set at 100) when the program commenced.

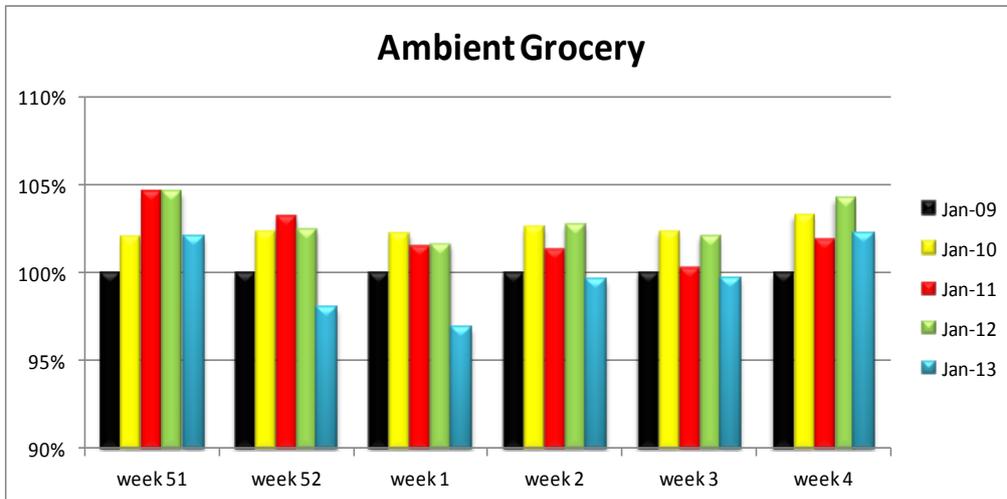


Key Results

- Performance down versus 2012.
- Christmas to New Year remains a significant opportunity to be addressed.

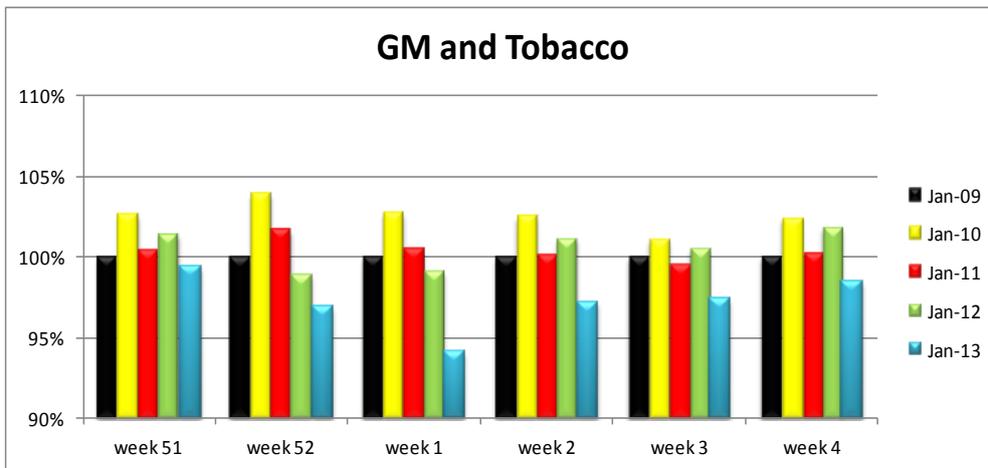
*chart shows consolidated Ambient Grocery, GM & Tobacco and Perishables results

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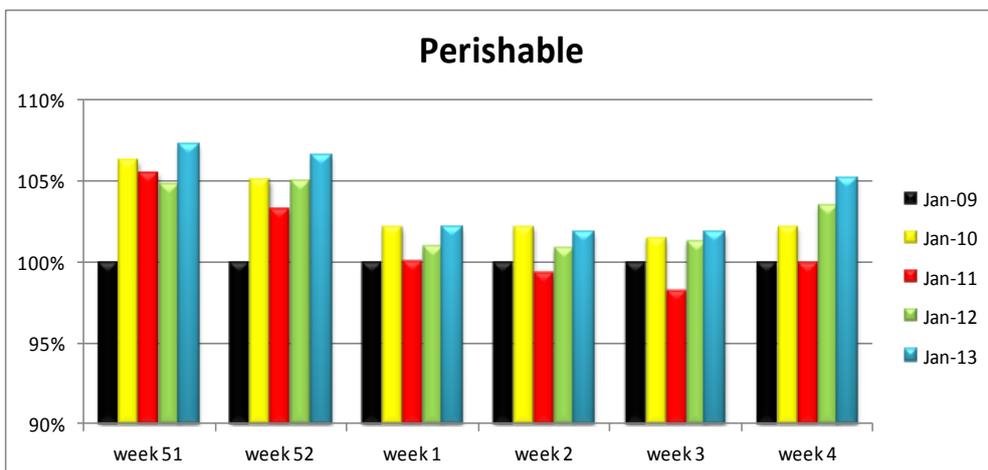
Key Results

- Performance down versus 2012.
- Christmas to New Year remains a significant opportunity to be addressed.



Key Results

- Poorest to date - Note that was off high base.
- Performance (OBSL) is now comparable with ambient grocery.



Key Results

- Best year to date.
- Has moved from lowest to highest OBSL over past 4 yrs compared to ambient and GM/tobacco.

Case Study: Unilever and Woolworths - Ice Cream

Christmas, New Year and January - a challenging time in the Ice Cream category:

Unilever's main challenges to achieving sustained high service levels during this period centred on two main areas: A. Events Planning with service impacts seen from trying to execute specific events during peak season for Ice Cream (eg pack changes, system changes, key personnel changes); and, B. Sub-optimal levels of collaborative planning with Woolworths both in pre-season planning as well as operational planning during season.

Additionally there appeared to be opportunities for the commercial teams to work in closer partnership with the supply chain teams of both businesses (who had been collaborating strongly for several years) to help ensure any functional misalignment was avoided.

The catalysts for change:

Key factors that drove a focused attention on Winning in January for Unilever's Ice Cream business included the damage that service level issues were doing to its relationship with such an important customer as Woolworths, the sales opportunities missed due to gaps in on shelf availability while running key promotional activities, and the downstream supply chain inefficiencies and costs created by planning issues during the summer season

New ways of working - changes implemented:

- 1. Pre-Season Joint Business Planning – Unilever and Woolworths agreed to meet prior to the season to ensure that the summer plan was aligned both commercially and across supply chain capabilities.*
- 2. Enhanced Communication Strategy – open and transparent communication was shared between businesses throughout the season, highlighting capabilities and flexibilities to the plan. Constraints were also shared in advance of any known operational issues occurring. This allowed for any significant service impacts to be avoided in most cases. The frequency of communication and face to face meetings was also increased during the Christmas and January period.*

Truly Winning in January:

The difference in outbound service levels between 2012/13 summer and the previous year represented Unilever's greatest ever improvement in the Ice Cream category. The key actions noted above lead to a sustained above target outbound service through the Christmas and January period. This represented a step change improvement versus previous years and has established a framework which Unilever and Woolworths can continue to use, confident in its ability to deliver the results both companies aspire to.

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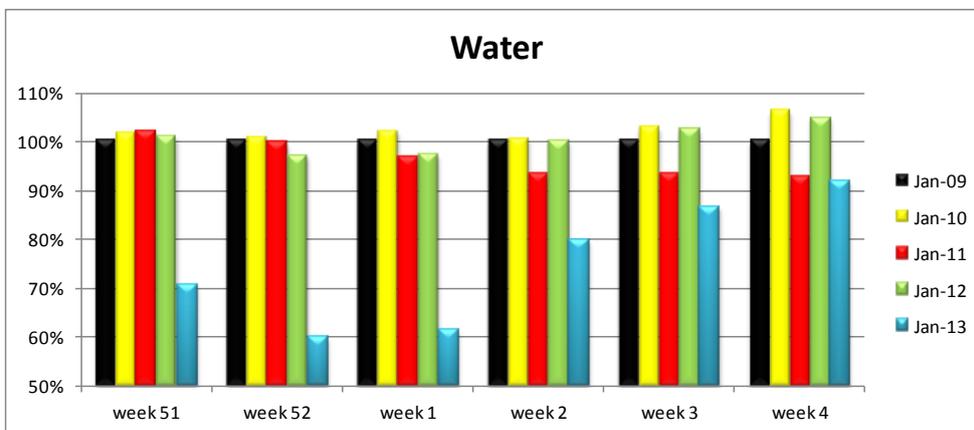
Category Results - January 2013

Coles and Woolworths/Progressive provided data depicting their OBSL for several key seasonal categories from DCs to stores for the last two weeks of 2012 (weeks 51 and 52) plus the four weeks of January 2013 (weeks 1 to 4). Data was also provided in 2009 - 2012.

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 and has indexed each year against 2009 results (pre Winning in January) to protect individual retailer confidentiality as displayed in the charts below.

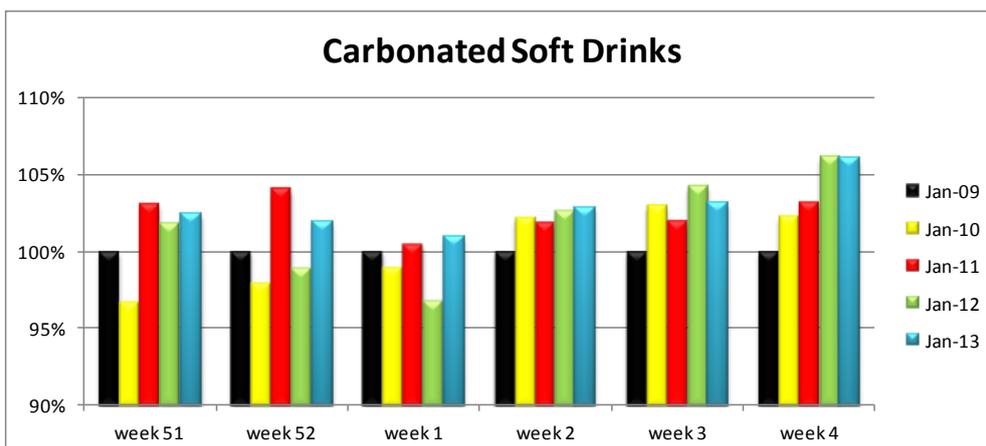
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Insight

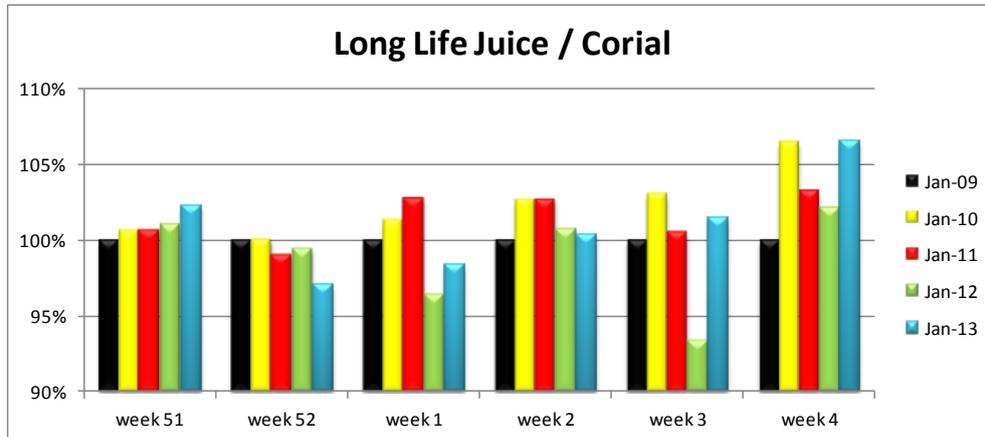
- Extreme heat conditions impacted heavily versus previous wet summers.



Insight

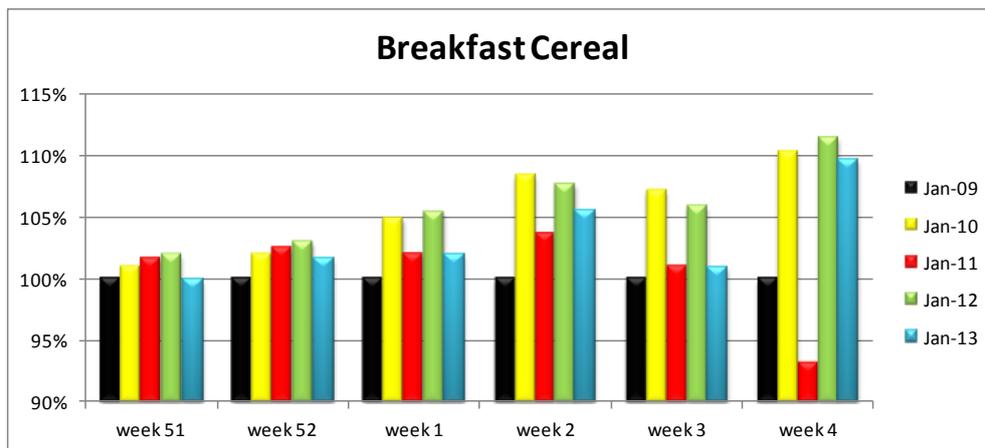
- Strong improvement in the Christmas and New Year period.

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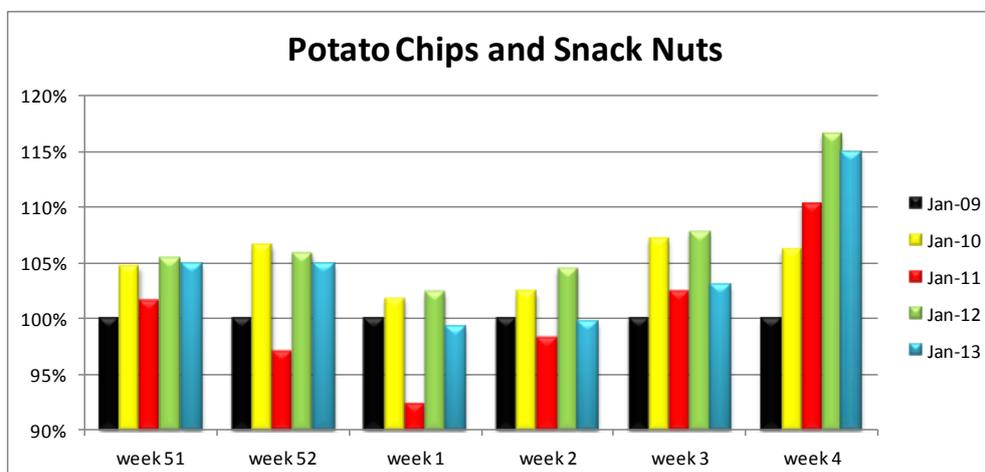
Insight

- Still sees erratic performance across weeks.



Insight

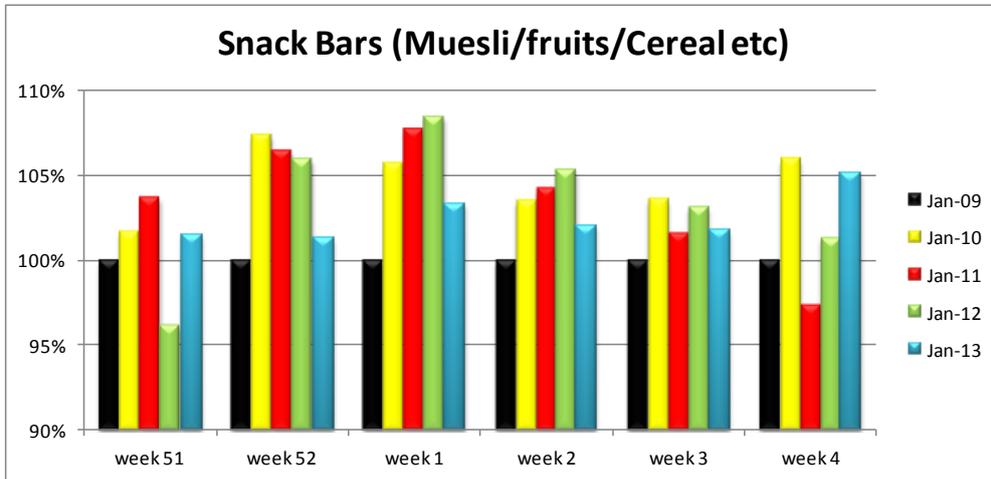
- Slightly down versus 2012 but well ahead of pre *Winning in January* levels.



Insight

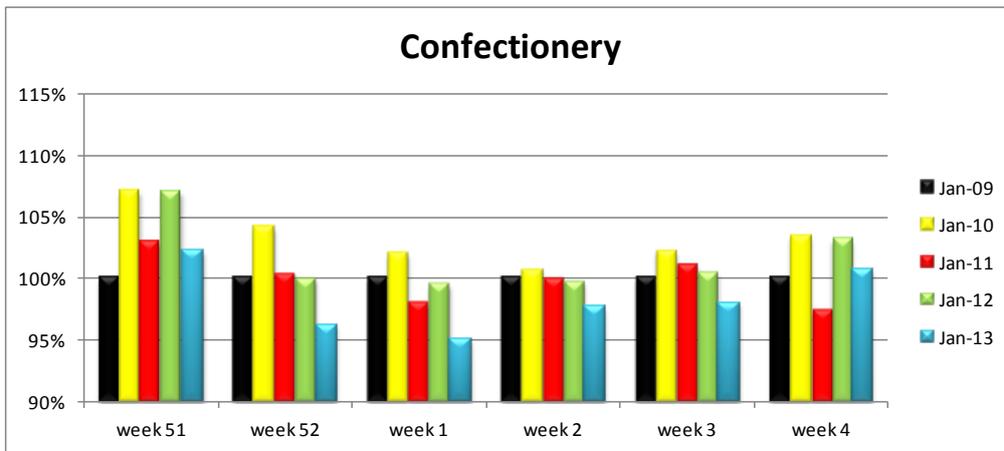
- Slightly down versus 2012 - New Year week remains an opportunity.

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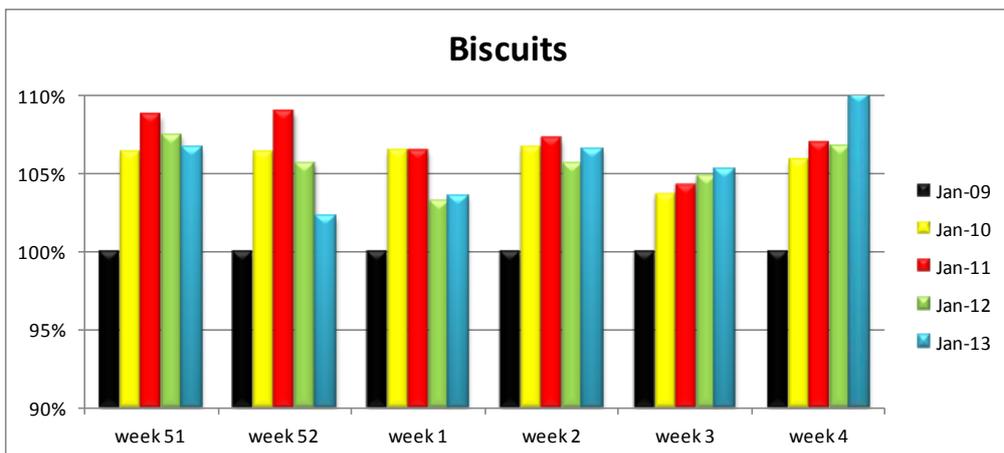
Insight

- Down versus 2012, however week 4 (back to school) appears to have been addressed.



Insight

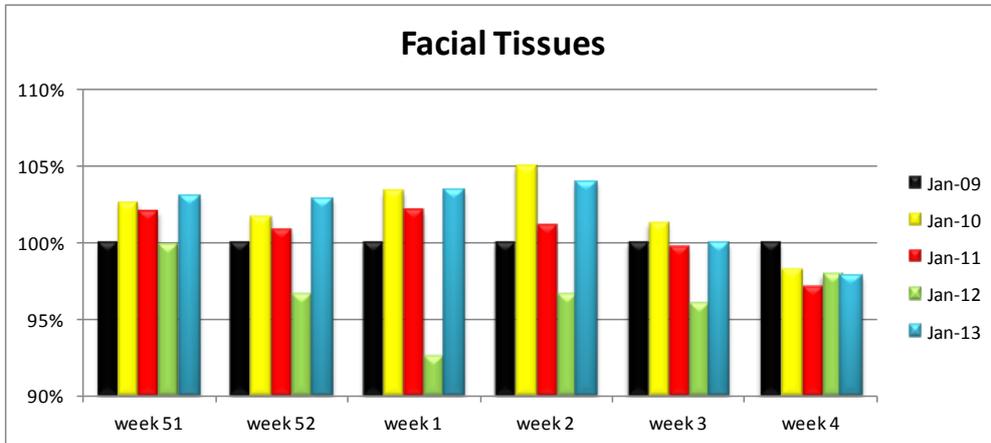
- Some poorer results across all weeks compared to previous OBSL.



Insight

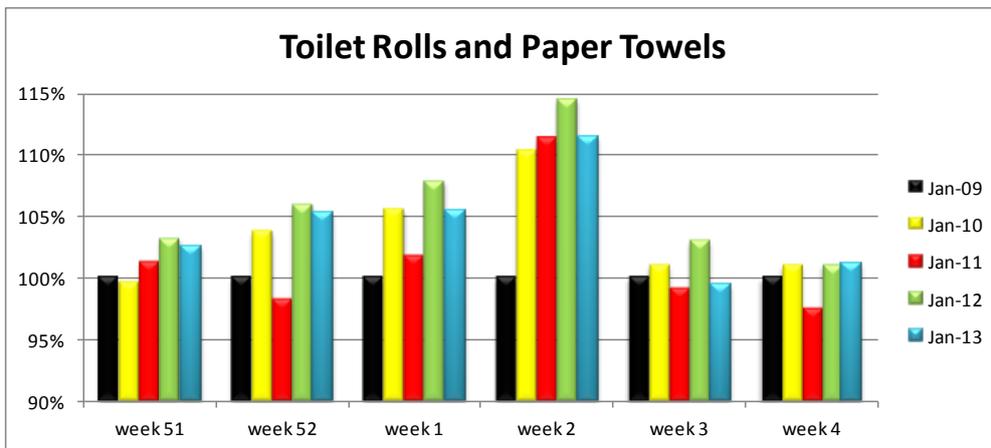
- Continues in step change improvement versus pre *Winning in January*.

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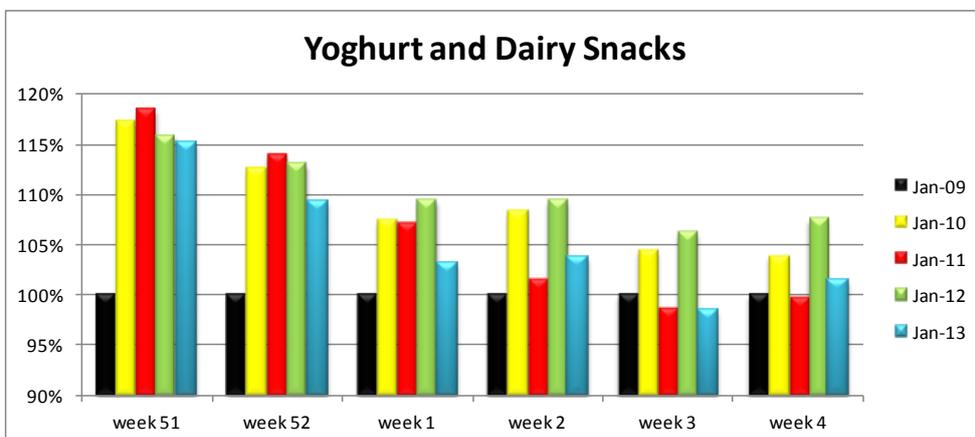
Insight

- Great rebound from 2012 - strongest year to date.



Insight

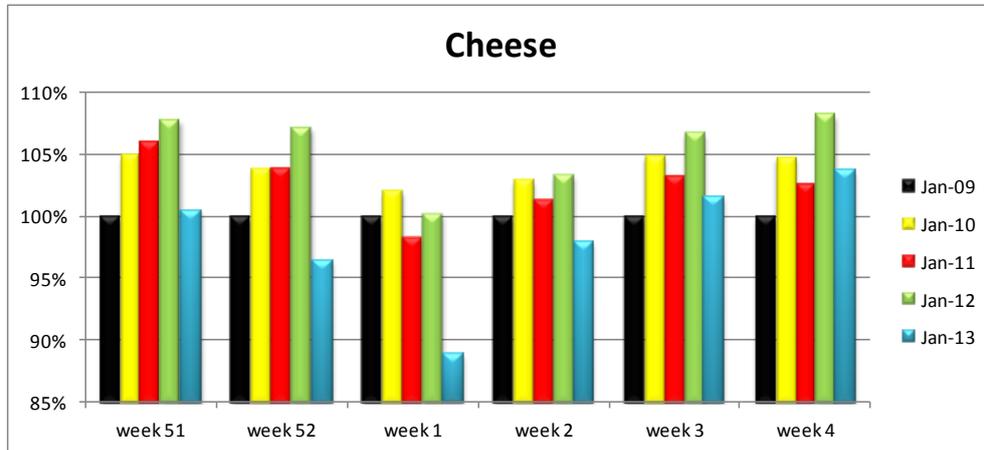
- Continues in strong overall improvement versus pre *Winning in January*.



Insight

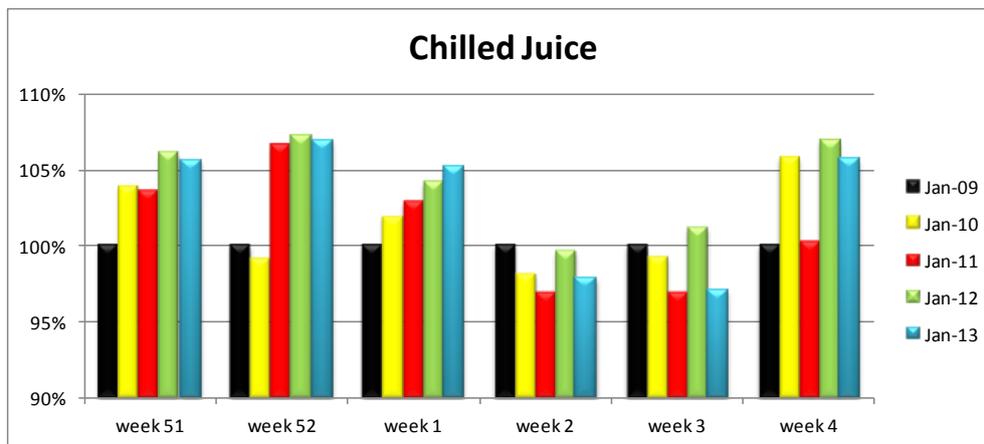
- OBSL down versus 2012 - late season OBSL drop of 2011 appears to have recurred.

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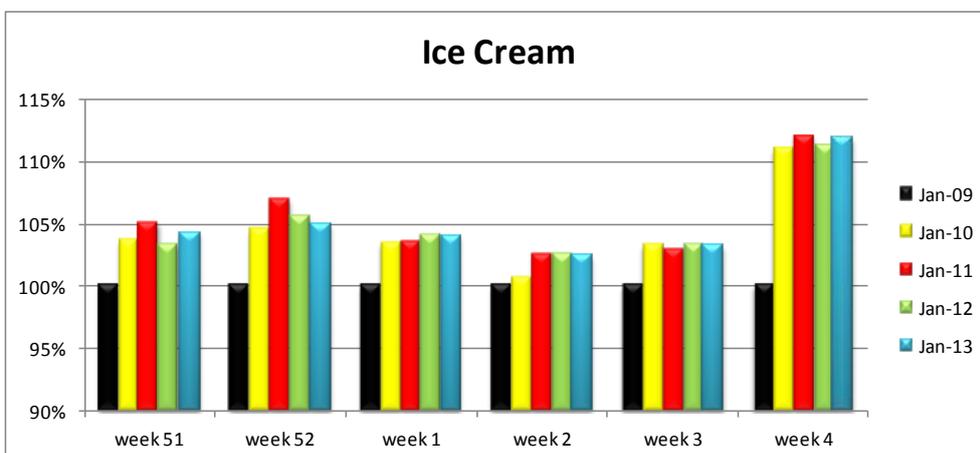
Insight

- Poorer performance versus previous years. Christmas and New Year weeks had significant OBSL issues.



Insight

- Some strong results versus prior years - weeks 2 and 3 are opportunities.



Insight

- Outstanding performance this summer.
- OBSL has improved greatly over past 4 years.

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Winning in January Tools

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, 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 Improving Product Availability***, is still relevant in 2013, can be downloaded from www.ecraustralasia.org.au.



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

