



Efficient Consumer Response Australasia
Winning in January
2014 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 shopper.

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 to collaborate under the banner of Winning in January.

The following ECRA report is the culmination of the industry focus for 2009 - 2014 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 2015 and act as a catalyst for further discussion with your trading partners.

January brings together a unique set of circumstances: Christmas, the summer holiday season, increase in public holidays and changing weather patterns.

The industry needs a unique approach to deliver to shoppers during this time. Only through true collaboration will we start to see real sustainable improvements.

Samantha Blake, Manager ECRA

Winning in January 2014 Review

January 2014

Pressure on the FMCG / Retail markets to drive top line growth and deliver overall value to shoppers continues, as it should. Achieving these outcomes by delivering excellent on-shelf availability requires business commitment through greater internal and external collaborations.

The month of January brings with it unique challenges that demand a heightened level of industry collaboration. These challenges have been clearly articulated in earlier editions of *Winning in January*, including industry guides and toolkits. In past year's January has been beset by unpredictable natural disasters bringing additional challenging conditions to an already difficult time of the year to predict demand and execute supply. To the industry's credit it has responded and worked together to deliver food and grocery products to impacted areas.

January 2014 saw the combined effect of low interest rates, improved consumer confidence, certainty of government following the Federal Election and a commitment by Prime Minister Abbott to set effective economic fundamentals for business growth. With no major natural disasters impacting product flows the scene was set to deliver and improved service level, drive on-shelf availability and satisfy shopper demand.

Disappointingly, with six year's data now available, comprehensive industry improvements have yet to materialise. The headway made in January 2010 has not been repeated calling into question the sustainability of process improvements made over the past years.

Specific improvements are evident for certain categories yet other categories experienced significant issues throughout the period. Poor performance should act as a catalyst for trading partners to tailor strategies in these categories in advance of next summer.

In summary, similarly to the previous years, 2014 saw a mixed bag in out bound service levels (OBSL) performance. Whilst some categories have improved performance greatly over several years, there continues to be an opportunities to close the residual gaps that exists for service levels results 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 2014 Review

Seasonal Challenges

The Christmas and January period presents some particular challenges to those planning excellence in execution. Two among these challenges are the management of ordering and deliver around public holidays, and forecasting volume requirements in periods of extreme weather conditions – be it heat waves, cyclonic winds, or flooding deluge.

To provide some context to the discussion, we take a high level view of each of these facets of the Christmas and January period.

Public Holidays

The following table tracks the days of the working week which were designated public holidays in Australia since the Winning in January program commenced in 2010:

PUBLIC HOLIDAY	Monday	Tuesday	Wednesday	Thursday	Friday
Christmas	2010 & 2011	2012	2013		
Boxing Day		2010 & 2011	2012	2013	
New Year	2011 & 2012	2013	2014		2010
Australia Day	2013 & 2014	2010	2011	2012	

As shown the early parts of weeks have been heavily impacted in recent years. Potentially this means that a time of high sales businesses must deal with several sequential days of no orders, dispatch or delivery through the supply chain when weekends are also taken into account.

Weather Conditions

Australia regularly faces severe weather conditions in January. This impacts both forecasting

- of **demand** - particularly for product categories where consumption is directly related to levels of heat,
- of **supply** - where events such as flooding and fires impact delivery capability.

Woolworths

The lessons learnt over the past six years were not fully applied by all suppliers and Winning in January proved frustrating for Woolworths in 2014.

Planning meetings were held with suppliers in advance of the Christmas/January period. Where issues had been encountered in previous years, Woolworths sought to embed learnings from these issues into plans with suppliers for 2014.

Woolworths will be addressing a broad range of issues with suppliers ahead of January 2015 and as part of the formal post event assessment.

Winning in January 2014 Review

The following excerpts from Winning in January reports highlight the issues.

2011	Flooding across Queensland, northern New South Wales, Victoria, northern Western Australia and to a lesser extent northern Tasmania devastated these areas effecting the industry through; the loss of businesses, crops, livestock, plant, equipment and road and rail closures.
2012	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 impacting delivery.
2013	During January the capital cities took turns to swelter under extreme heat - in some cases at record levels, impacting product volume mixes. 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.

Industry response to some of the more extreme events, such as the flooding in Queensland in 2011, is extraordinary. However the unfortunate regular occurrence of such events requires a new way of approaching and responding to un-planned activities. Extended periods of hot weather, for example, are likely to become the more frequent and the industry needs to work together to normalise its response to such events.

Key Learning's from 2014

The '7 Steps' identified by the industry in 2010 still remain relevant and practical for driving improvements to service level for the month of January.

Plan, plan, plan and plan again
 Focus on one number
 Daily responsiveness
 Understand your trading partner
 Operational flexibility
 Communication plan
 Contingency planning

Successful business in 2014 had similar approaches:

- Senior business leaders' engaged in *Winning in January* challenge.
- Companywide engagement in the *Winning in January* program.
- Planning with trade partners started early, typically August.
- Response to promotional volatility was normalised.
- Escalation process are planned and communicated.
- Events such as 'back to school' are incorporated into plans.
- Inventory is critically managed during this period.
- Post January reviews take place early and identified improvements carried forward.

Winning in January 2014 Review

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 2014.

The data capture was undertaken with the collaborative support of retailers Coles, Metcash Trading and Woolworths Limited. For the first time, a **New Zealand perspective** has been included thanks to support and participation on the parts of Progressive and Foodstuffs.

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, 2012/13 and 2013/14. 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).

Progressive Enterprises Ltd

Service levels for January 2014 saw a slight improvement on previous years, yet there is still room for improvement. Throughout 2013 a lot of time and effort focussed on improving relationships with Vendors/Suppliers, examining their needs and ours.

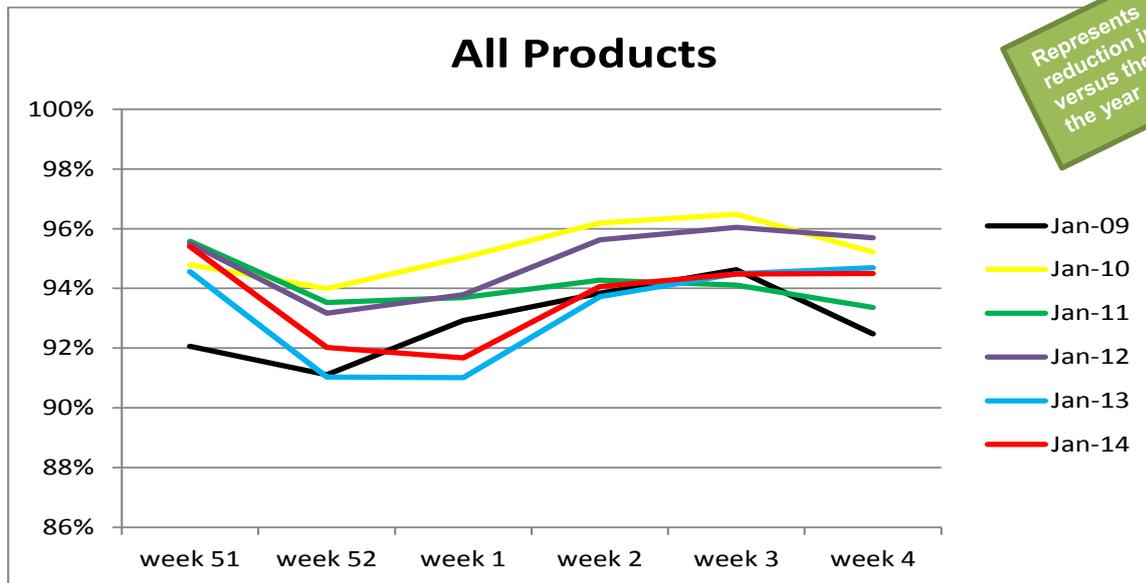
A range of reasons resulted in demand not being fully met. For example shortage of ingredients, packaging, transport, key staff on holidays, maintenance shut down periods, major system upgrades and inadequate storage capacity all negatively impacted the ability of vendors to meet the higher sale demands for this period.

Data has also been provided by the retailers for **Delivered in Full on Day (DIFOD)** from their supplier base which has been commented on for additional service performance perspective where appropriate throughout this report.

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, 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. 2014 performance is shown by the red line.

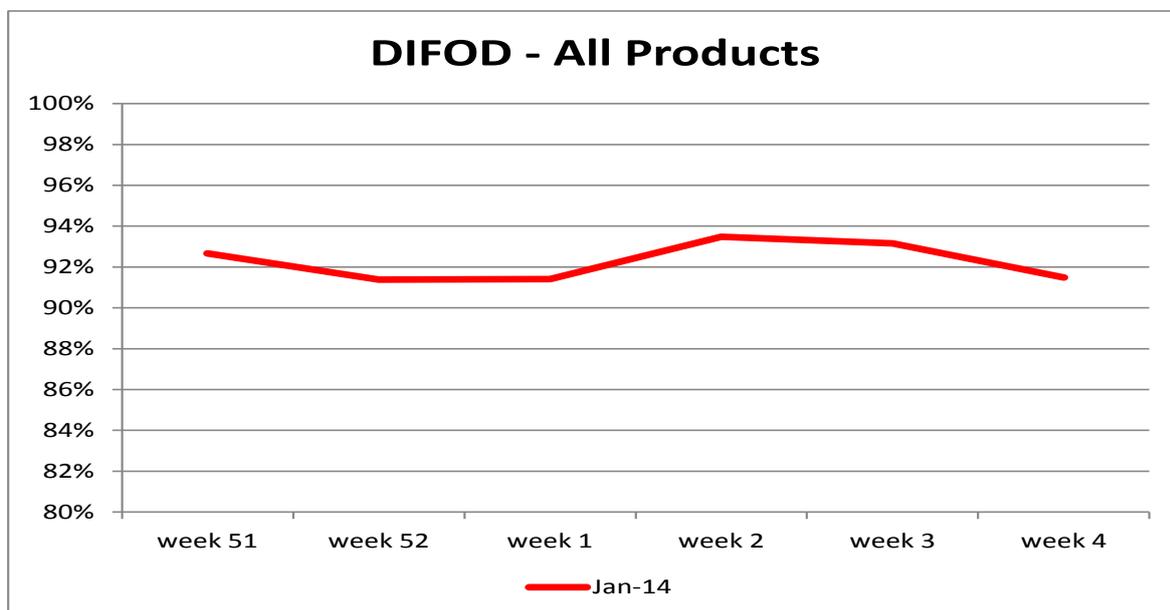
Winning in January 2014 Review



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

Snapshot of Results

- Significant improvement versus 2013.
- An average performance compared across the past 6 years.
- Christmas to New Year remains a substantial opportunity to be addressed.
- DIFOD performance was slightly weaker than OBSL performance (particularly impacted by GM and Tobacco)
- New Zealand OBSL was very similar to Australian average performance



Winning in January 2014 Review

Case fill - DIFOD

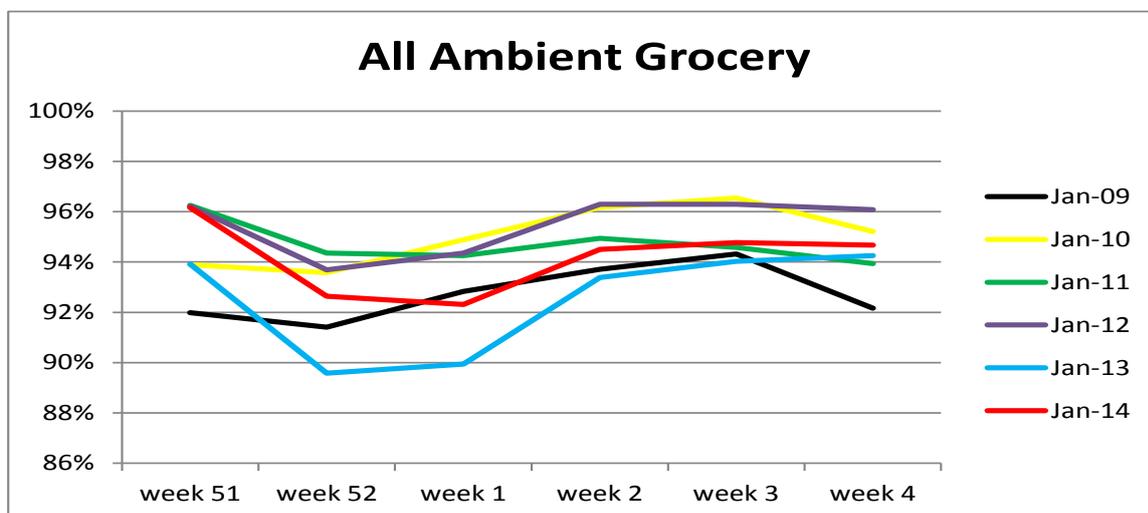
- DIFOD performance reported by retailers was slightly weaker than OBSL performance.
- Performance was particularly impacted by GM and Tobacco which was significantly below the performance achieved by ambient grocery and perishables
- It should be noted that there is likely to be significant variation in the specific ways in which retailers capture DIFOD and the exclusions they make, therefore the chart above should be taken as a broad reference.

For 2014 DIFOD is not charted in this report below 'all products' level as the impact of variation in calculation and thereby results is exacerbated at deeper levels of granularity.

Metcash Trading

Metcash prepared for Winning in January 2014 by reviewing service level performance of suppliers. This facilitated dialogue and information sharing aimed at identifying and addressing underlying issues.

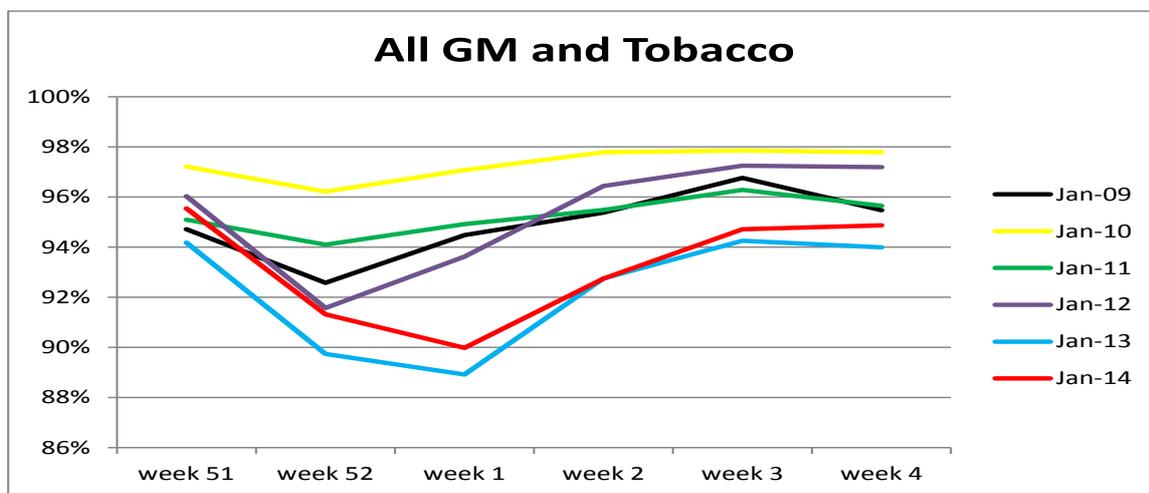
Overall, Metcash recognised that there is still room for further improvement. To achieve this improvement, Metcash will be rolling out the successful elements of its communication and information in preparation for January 2015. Metcash will also be looking to work with suppliers in key categories for next summer in an ongoing effort to raise the bar in January.



Winning in January 2014 Review

Snapshot of Results

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- DIFOD performance was comparable OBSL performance overall
- New Zealand OBSL was similar to Australian average performance



Snapshot of Results

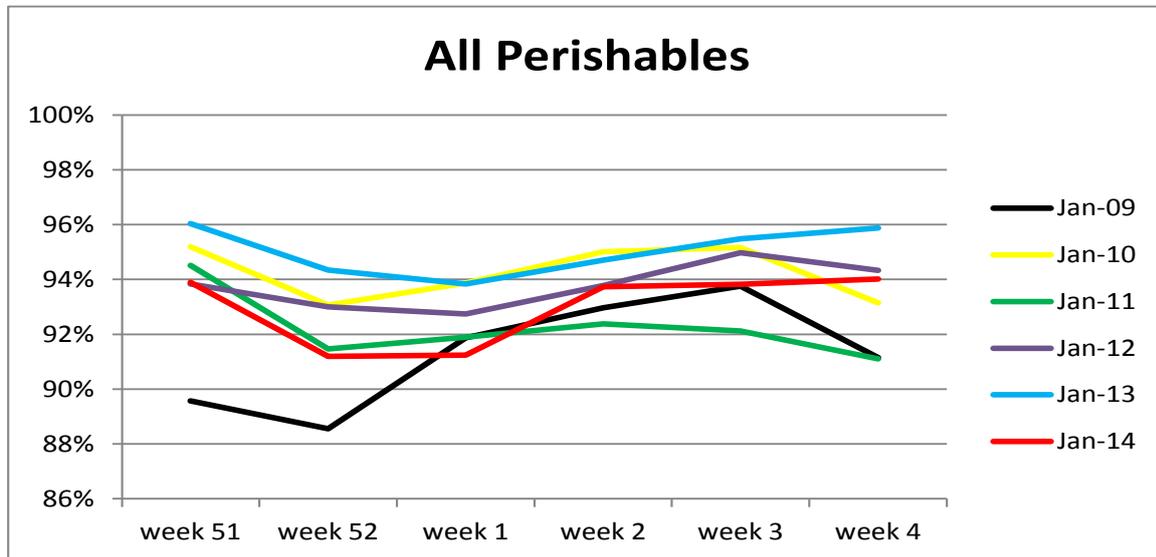
- Slight improvement versus 2013.
- Poor overall performance compared across the past 6 years.
- Christmas to New Year remains a substantial opportunity to be addressed.
- DIFOD performance was poorer than OBSL performance overall
- New Zealand OBSL was similar to Australian average performance

Coles

Coles engaged suppliers in over 500 collaborative planning meetings in preparation for Christmas and January. The granularity of engagement was tailored based on seasonal sensitivity of products. In spite of these efforts, and strong service in the lead up to Christmas, service from suppliers fell away in January, giving back much of the improvements.

Coles noted that despite the many hours spent collaborating, suppliers lacked the agility to react effectively to meet demand in a period which is renowned for high levels of variability in shopper purchasing patterns. Given this is the sixth year of the formal "Winning in January" initiative there appears to be a lack of sustainable improvement as such a redesigning of the program will be required this Christmas.

Winning in January 2014 Review



Snapshot of Results

- Performance feel away versus 2013.
- Average overall performance compared across the past 6 years.
- Christmas to New Year remains a substantial opportunity to be addressed.
- DIFOD performance was similar to OBSL performance overall
- New Zealand OBSL was similar to Australian average performance

Foodstuffs South Island

For Foodstuffs South Island (FSSI) overall supplier performance was below last year. An increase in supplier related issues impacted DIFOT particularly in the chilled and frozen category service to stores. Slower moving SKU's were impacted throughout January which was disappointing given the forward communication and strategic stock build undertaken for these important, low volume product at this time of the year .

On a brighter note liquor and general merchandise performed well above last year. The Cook straight ferry issue (one ship less) and subsequent congestion issues at the Port of Lyttelton (due to this issue and the additional Canterbury rebuilt growth) also impacted performance.



NIELSEN SHOPPER INSIGHTS

Today's shopping landscape is growing more complicated by the minute. And, being a consumer in today's fast-evolving landscape can be a challenge.

Shoppers are faced with new store formats, in-store services, mobile marketing and innovative loyalty programs. Understanding the shopper's path to purchase is now more critical to build traffic in your direction. The good news is that when it comes to reaching and connecting with customers, the touch points and engagement opportunities are abundant.

Early engagement in the path to purchase has become essential for marketers as shoppers begin their shopping plan with a brand in mind well ahead of their actual trip to the store. Product type, quantity and price are also on the mind of shoppers, but they play a more critical role while shoppers navigate the shelf. Due to this strong role of brands in the planning process, marketers must focus on engaging shoppers before they enter the store to convert planned purchases at the shelf.

In situations where a category draws a high level of engagement, retailers and brands have a great opportunity to influence purchases at the shelf. The growing use of mobile devices while shopping provides a new way to influence shoppers in addition to the more traditional sales promotions, merchandising displays and eye-catching packaging. In-store influencers can be particularly effective for smaller, niche brands seeking to capture unplanned, impulse purchases.

In many ways, consumers' definition of value has morphed beyond a simple price label. In some ways that means through socially responsible efforts; in others, that means creating a customisation model for its consumer base. For others, finding a niche and working it better than anyone else is salient way to build sales and capitalise on a trend—or create one. Today's needs are many and varied. So the goal for companies, brands and retailers hinges on getting to know their consumers, engaging with them to understand their priorities and then delivering in ways that are meaningful and create lasting value—beyond price.

About Nielsen

Nielsen Holdings N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and related properties. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands.

For more information, visit www.nielsen.com

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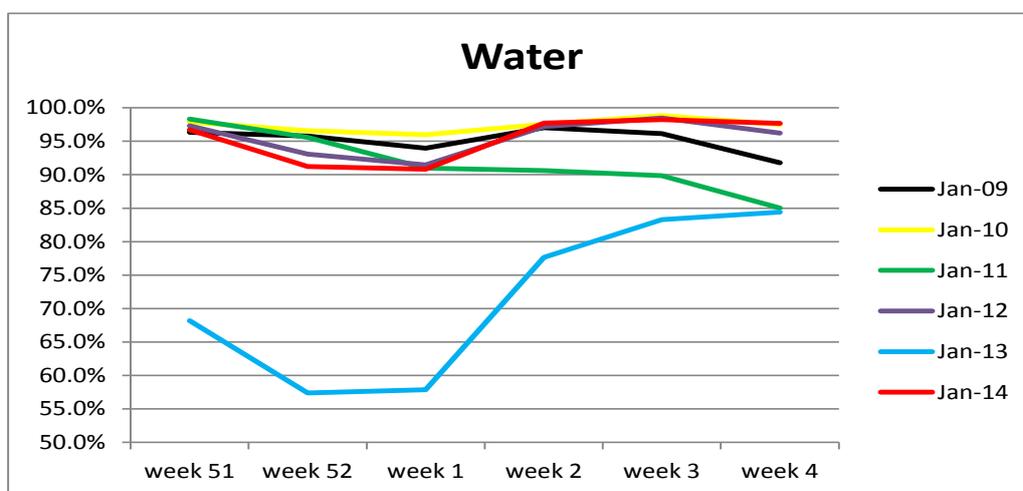
Category Results - January 2014

Coles and Woolworths/Progressive provided data depicting their OBSL for several key seasonal categories from DCs to stores for the last two weeks of 2013 (weeks 51 and 52) plus the four weeks of January 2014 (weeks 1 to 4). Data was also provided in 2009 - 2013.

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.

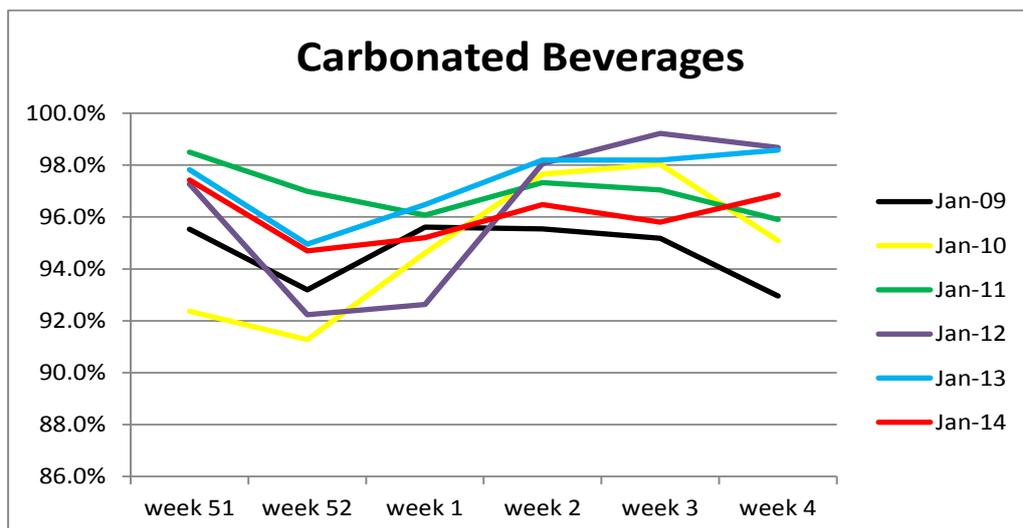
The legend for the charts is as follows:

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Insight

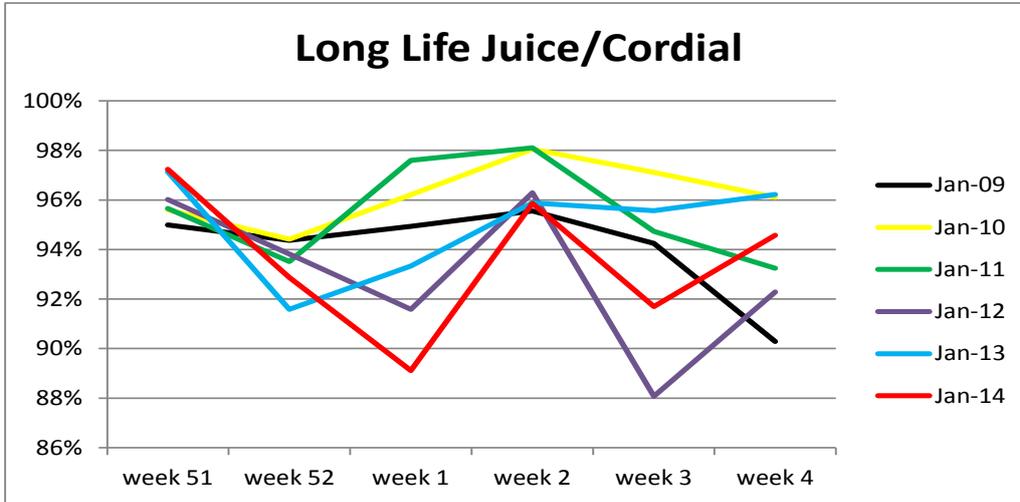
Vast improvement on 2013 and strong result in January in particular.



Insight

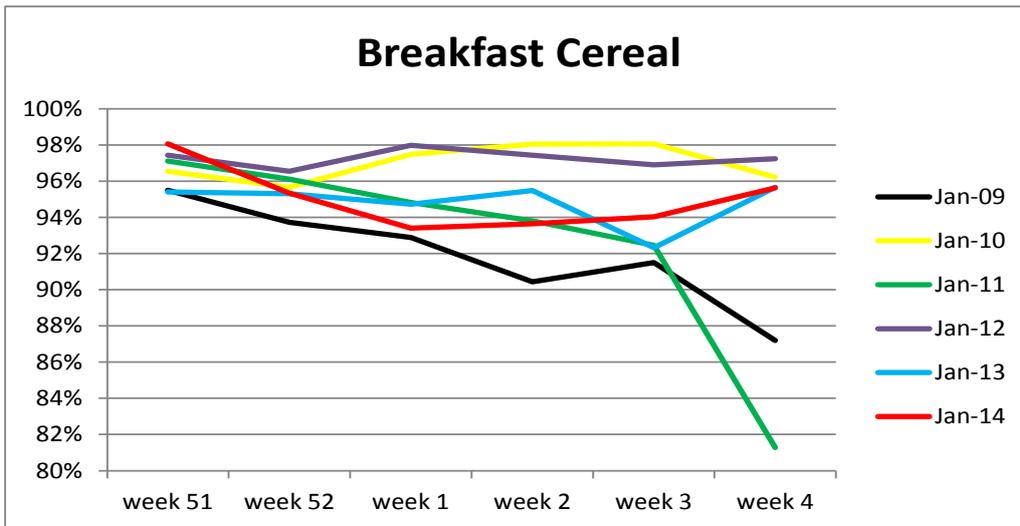
Service levels to stores very consistent for 2014 though down on 2013 results.

Winning in January 2014 Review



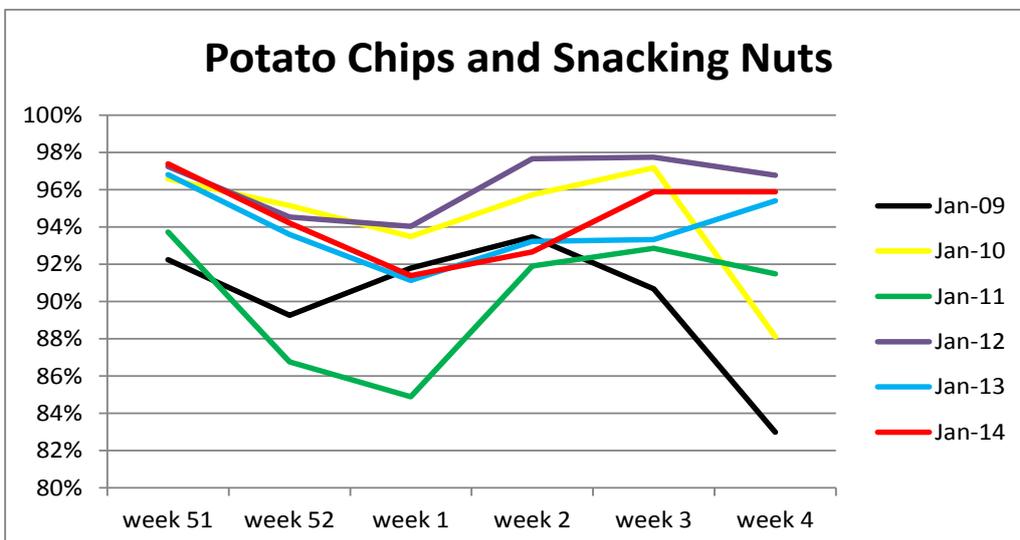
Insight

This category continues to experience very erratic performance across weeks.



Insight

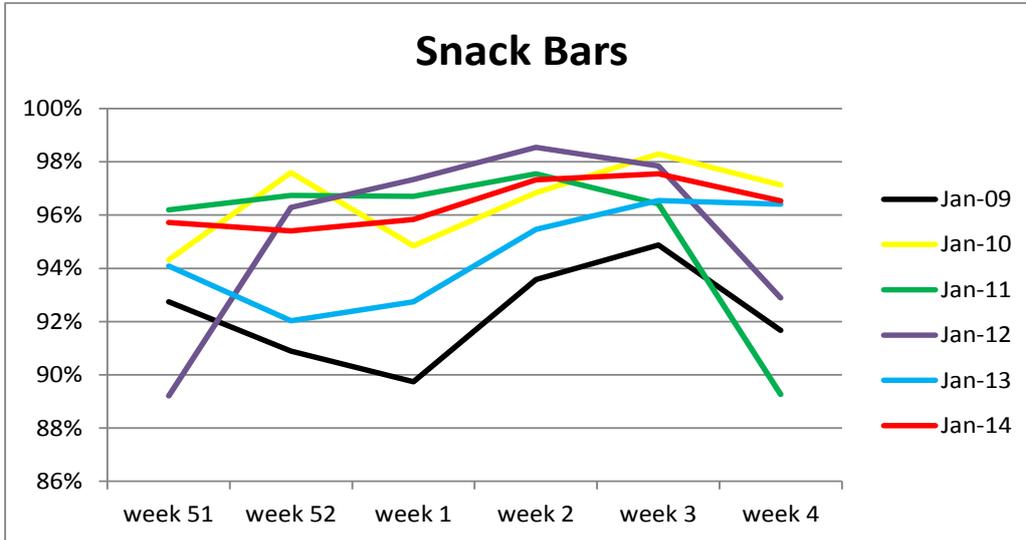
Slightly improved versus 2013 but an average performance overall versus past years.



Insight

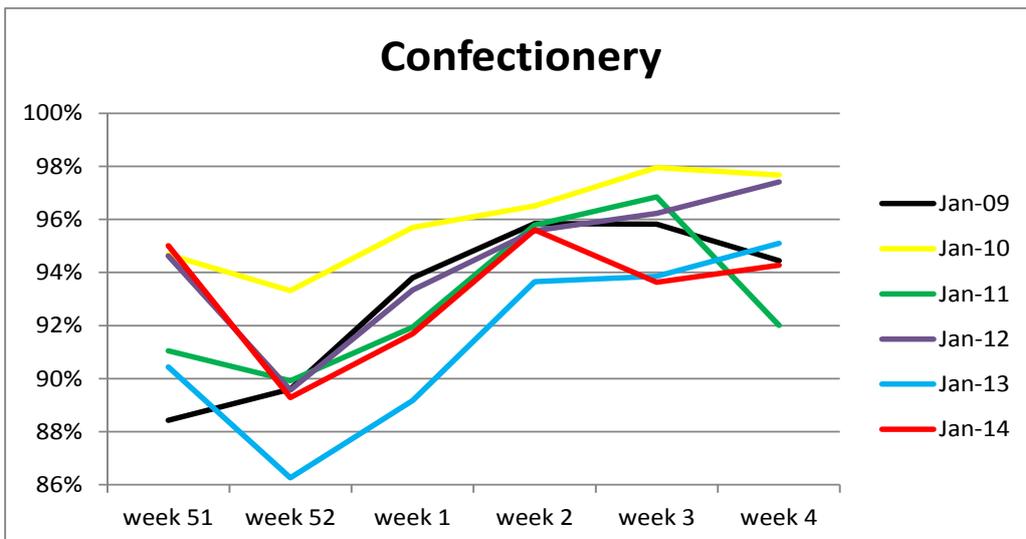
Slightly up versus 2013 - New Year week remains an opportunity.

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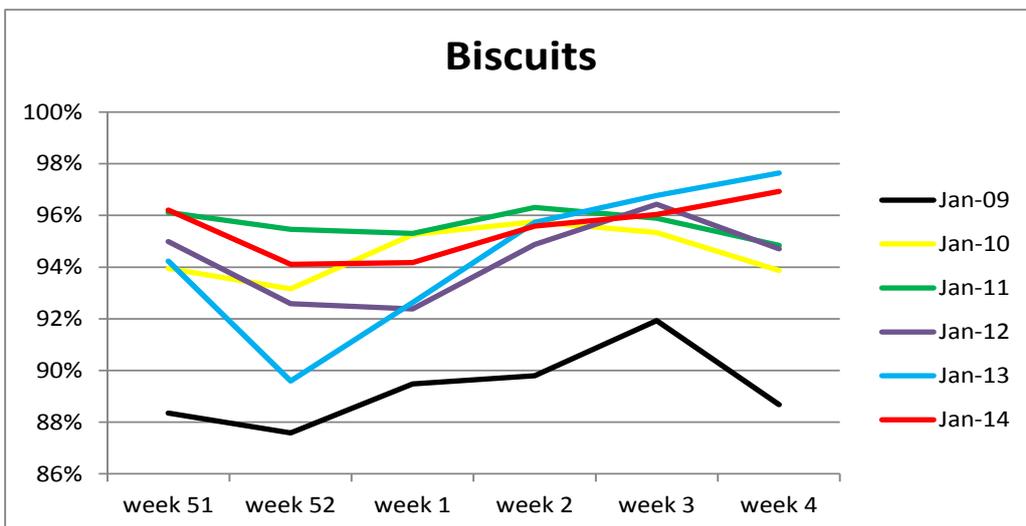
Insight

A strong and consistent performance compared with past years.



Insight

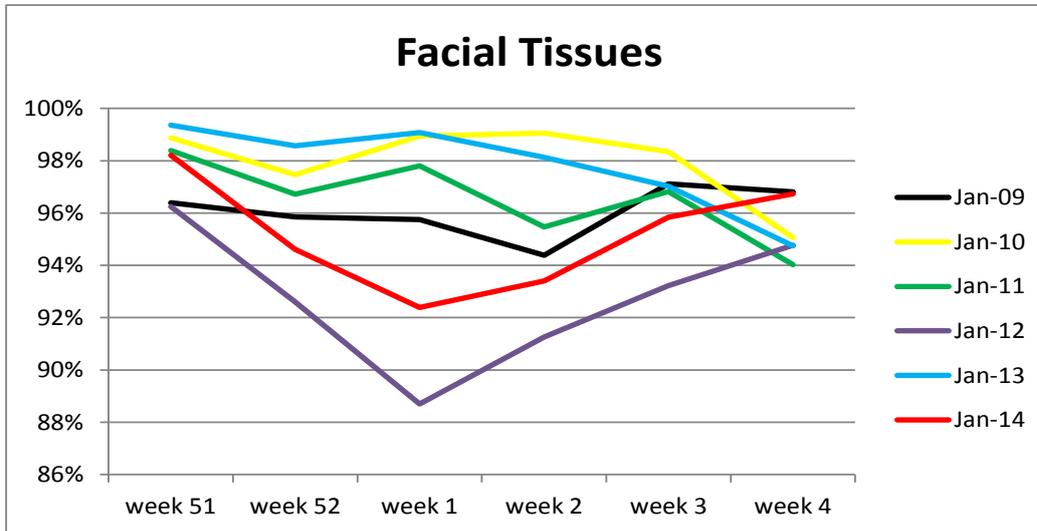
Christmas week was again an issue, though less so than in 2013.



Insight

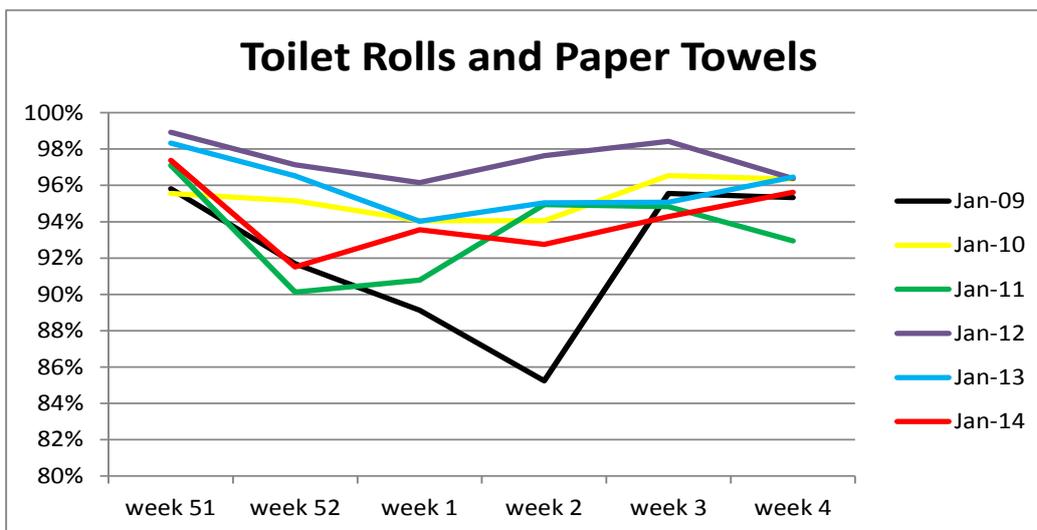
Continues step change improvement versus pre Winning in January and one of its strongest years.

Winning in January 2014 Review



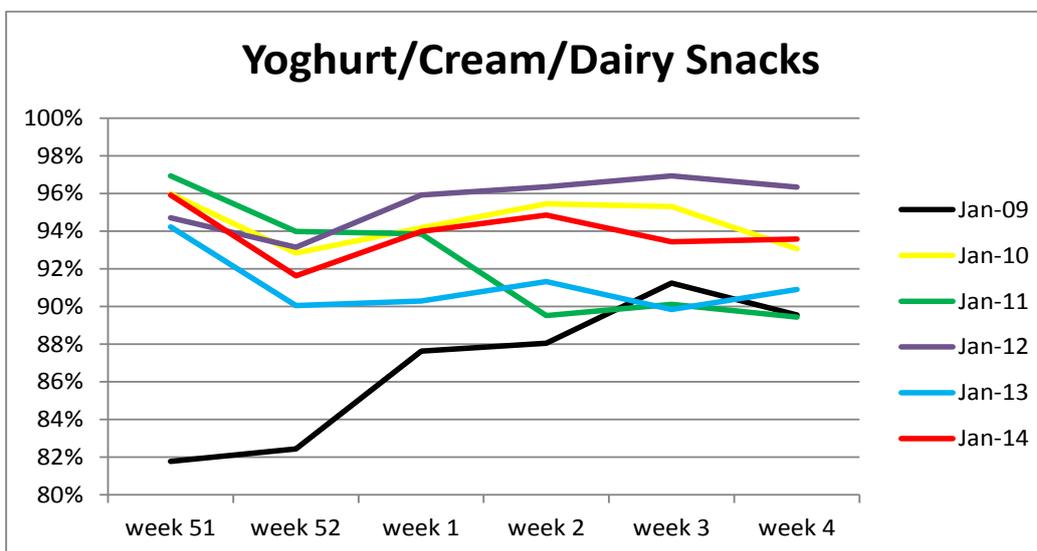
Insight

Gave up much of the gains made in 2013 though overall DIFOD was relatively strong.



Insight

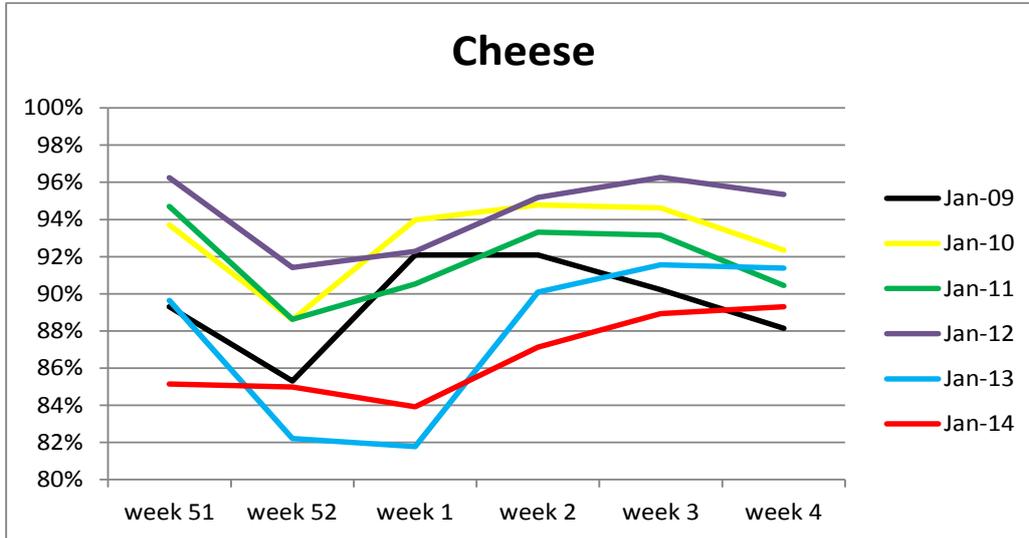
Some decline versus 2013 performance, though overall DIFOD figures were strong.



Insight

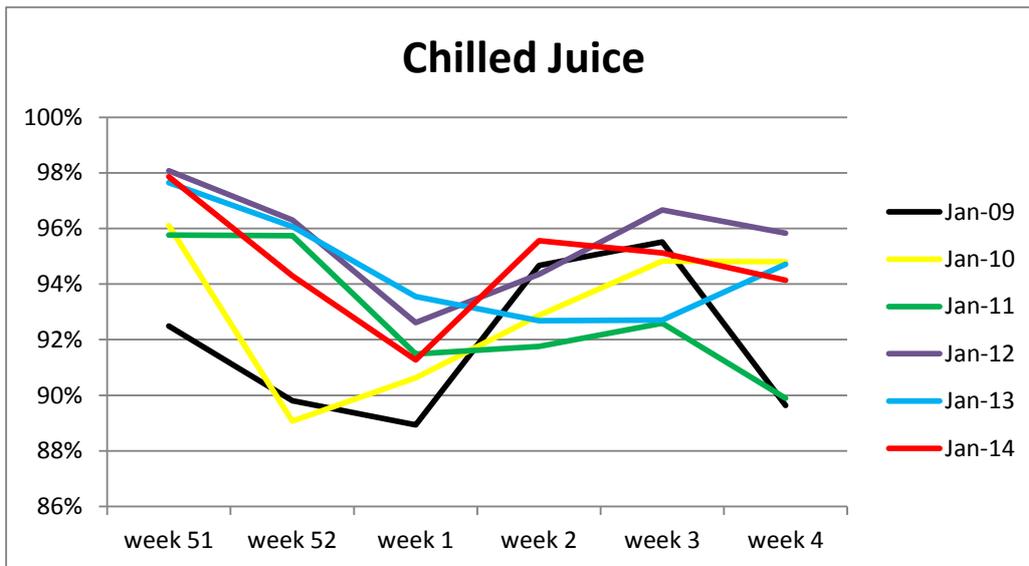
OBSL significantly better than in and very consistent throughout the period.

Winning in January 2014 Review



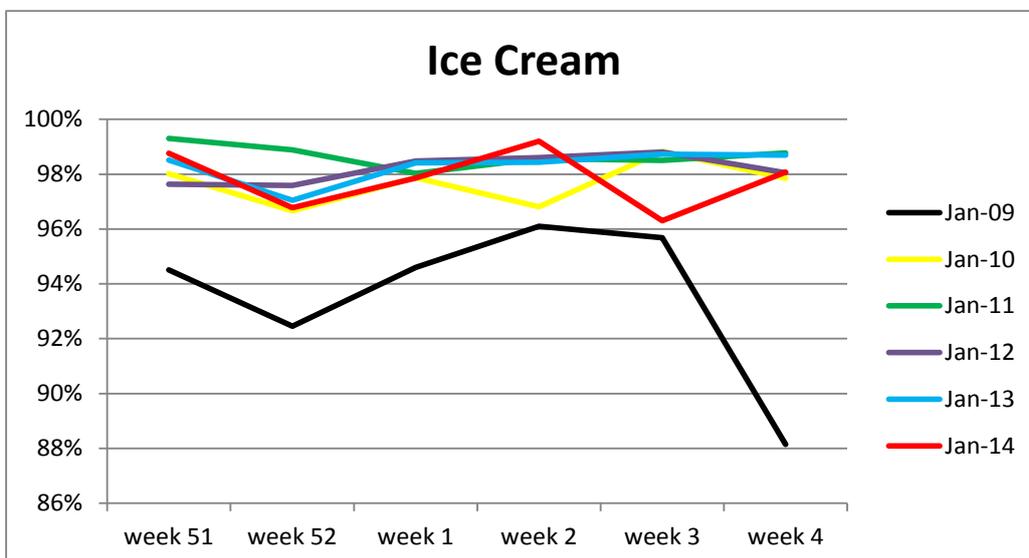
Insight

A second successive poor year for OBSL with the category experiencing some significant OBSL issues.



Insight

Some strong results versus prior years - weeks 2 and 3 improved significantly though week 1 was down on 2013.



Insight

Strong overall performance this summer.

OBSL has improved greatly since introduction of the Winning in January program.

Winning in January 2014 Review

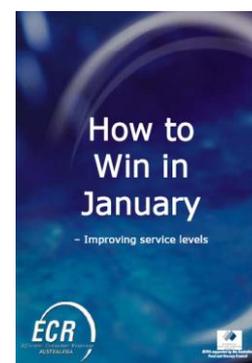
Winning in January Tools

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**, has been revised to ensure it is still relevant in 2014, 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.

