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# The Impact of Open Code Dating on the CPG and Retail Industry

**GMA Unsaleables Conference**

**July 12, 2006**

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# 2003 Joint Project Team

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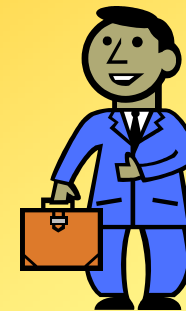
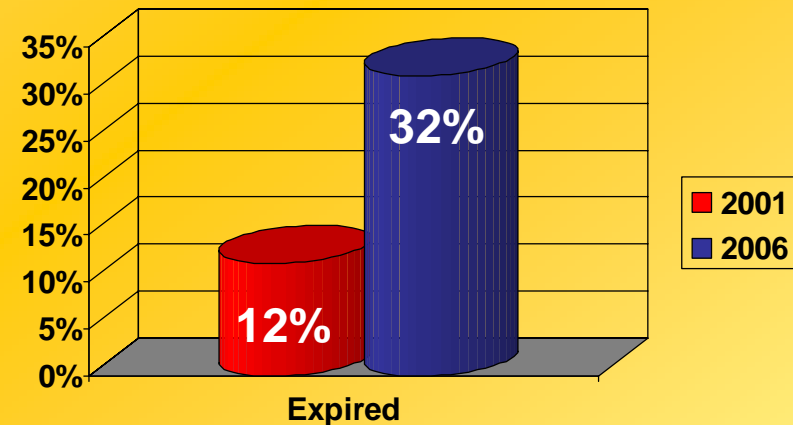
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- Identified 5 Primary Factors that drive product expiration
  - ❖ Inventory Rotation does not occur 100% of the time
  - ❖ Product date-coding practices are not standardized
  - ❖ Case date-coding practices are not standardized
  - ❖ Warehouse and inventory management systems do not easily and accurately capture date-code data
  - ❖ New product development practices may shorten shelf life remaining

# What and Why Now?

- Increased products with open-code dating are in the market now
- More categories
- Fewer resources
  - ❖ Retailer
  - ❖ Manufacturer

Shelf Stable Expired Products



# Project Mission

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“The mission of this project is to evaluate the business processes that impact the effectiveness of open code dating in the CPG and retail industry.”

# Joint Team of Manufacturers and Retailers

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## Manufacturers

- Abbott Laboratories
- Coca-Cola North America
- Gerber Products
- H.J. Heinz Co.
- Kellogg Co.
- Land O'Lakes Inc
- Nestle Purina Pet Care
- Unilever Foods
- Pharmavite LLC

## Retailers

- Food Lion
- Hannaford
- Harris Teeter
- Safeway
- SuperValu
- Walgreens
- Winn Dixie

# 2006 Project Team Identifies Top Challenges

## Product Rotation

### ➤ Retailer

- ❖ Labor
  - ✓ Store
  - ✓ Distribution Center
- ❖ Warehouse Management Systems
  - ✓ FIFO
- ❖ Consumer
- ❖ Shelf Configuration

### ➤ Manufacturer

- ❖ Labor
  - ✓ Broker Responsibility
- ❖ Multiple Shipping Locations
  - ✓ May ship older product from second facility

# 2006 Project Team Identifies Top Challenges

## Shelf Life/Code Dating

### ➤ Retailer

- ❖ Slow Movers
- ❖ No correlation to pantry life
- ❖ Pull date vs expiration date
- ❖ Shorter date on product than actual expiration
- ❖ Location varies by manufacturer
- ❖ Terminology varies by manufacturer

### ➤ Manufacturer

- ❖ New Products
  - ✓ Stockpiling
  - ✓ Q.A. requirement
- ❖ Increased Shelf Life vs. Customer Guarantee Days
- ❖ Minimum Run Requirements

# 2006 Project Team Identifies Top Challenges

## Remaining Shelf Life

### ➤ Retailer

- ❖ Varying sales rates per item
- ❖ Slow movers have least amount of remaining shelf life
- ❖ Pull dates reduce remaining shelf life
- ❖ Not put into purchasing equation

### ➤ Manufacturer

- ❖ Cannot customize retailer requirements
- ❖ Minimum runs
- ❖ Diverted products have potential of a reduced remaining shelf life

# Other Contributors to Increased Levels of Expired Product

## ➤ Safety Stocks

- ❖ Lack of Forecasting
- ❖ Fear of Out-of-Stocks on promotions
- ❖ Running simultaneous promotions on competing products

## ➤ Loading

- ❖ End of a financial period
- ❖ Stockpiling during a promotion for discounted price

## ➤ Product Turns

- ❖ New items that cannibalize existing items
- ❖ Lower velocity items

## ➤ Package Design Changes

- ❖ Consumers leave older product on shelf

# Successful Practices Can Minimize Risk

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- Use Existing Industry 'Tools' to Gain Better Understanding of True Demand
  - ❖ CPFR
  - ❖ Category Management
  - ❖ Nielsen/IRI
  - ❖ SKU Optimization
- Change Risky Practices
  - New Product Launches
  - Partnering between Manufacturer and Retailer
    - ❖ Coding with lower than actual shelf life
    - ❖ Loading
    - ❖ High Safety Stocks

# Next Steps

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- Continue to explore opportunities for better practices
- Determine a recommended standard for date coding (open, closed, primary & secondary packaging)
- Develop report listing challenges with recommended potential solutions

# Project Timeline

