Handling Slow Velocity Products in The Supply Chain Effectively: A Panel Discussion

2011 Trading Partner Alliance Supply Chain Conference: People, Products, Process And Potential
Presenters

• W. Thomas Bird, Vice President, Supply Chain Integration, Price Chopper Supermarkets, Golub Corp., Inc.

• Ken Finch, Senior Manager, Customer Supply Chain Integration, PepsiCo Warehouse Logistics

• Randy Fletcher, Vice President Logistics and Supply Chain Management, Associated Grocers, Inc.

• Keith Swiednicki, P. Log. COO and Senior Partner, KOM International, Inc.
Video Slide........
Something That Moves Slow
What Is A Slow Mover?

The Answer Varies by Size of Supplier, Distributor and Retailer

- At KOM International, Inc. – Global consulting firm – a starter definition of a slow mover is any item that satisfies the following criteria:
  - Very Slow (Dogs)
    - Any item moving less than an average of 6 cases or 5 cube per week,
    - Velocity cut-off equivalent to 6 store order lines or less per week,
    - Total shipping volume representing less than 10% of cases per week
  - Slow
    - Any item moving less than an average of 12 cases or 11 cube per week

A large grocery retailer may define a Slow Mover as anything moving < 1.8 cs/store/wk
Not the largest grocery retailer may define a Slow Mover as anything moving < 1.8 cs/wk – Period!
## A Look at The Numbers

### The Make Up Of Slow Movers In Your Inventory

<table>
<thead>
<tr>
<th>Movement of C&amp;D Items</th>
<th>Ambient Beverages</th>
<th>Foods and Snacks</th>
<th>Chilled Beverages</th>
<th>Total C&amp;D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count of Total Items</td>
<td>271</td>
<td>406</td>
<td>88</td>
<td>765</td>
</tr>
<tr>
<td>% Of Total Items</td>
<td>61.73%</td>
<td>83.03%</td>
<td>72.44%</td>
<td>72.44%</td>
</tr>
</tbody>
</table>

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<th>Total C&amp;D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Shipments (cs)</td>
<td>1,027,827</td>
<td>1,248,180</td>
<td>6,352,369</td>
<td>8,628,376</td>
</tr>
<tr>
<td>% Of Total Shipments</td>
<td>14.50%</td>
<td>29.56%</td>
<td>20.05%</td>
<td>20.05%</td>
</tr>
</tbody>
</table>

* Movement out of Single Service Region

### Slow Moving Items

<table>
<thead>
<tr>
<th>Slow Moving Items</th>
<th>Grocery</th>
<th>Dairy</th>
<th>Frozen</th>
<th>Total's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count of Total Items</td>
<td>1525</td>
<td>59</td>
<td>523</td>
<td>2,107</td>
</tr>
<tr>
<td>% Of Total Items</td>
<td>20.00%</td>
<td>6.00%</td>
<td>25.00%</td>
<td>19.37%</td>
</tr>
</tbody>
</table>

* Slow Moving < 5 Units /Week

### Slow Moving Items

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<th>Frozen</th>
<th>Total's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Dollars</td>
<td>$ 95,884.00</td>
<td>$ 3,703.00</td>
<td>$ 37,794.29</td>
<td>$ 137,381.29</td>
</tr>
<tr>
<td>% Of Total Shipments</td>
<td>2.41%</td>
<td>0.31%</td>
<td>1.56%</td>
<td>1.48%</td>
</tr>
</tbody>
</table>

*excludes Seasonal GM and Seasonal Candy

**amount shown is retail value of shipped items (not actual sales)**

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**Bottom Line…..If we didn’t have slow movers what would we have?**
Slow Movers Through The Supply Chain
How they Start, is not always how they end up

The Cost and Complexity To Manage Slow Moving Items Increases The Further Down Stream You Get

<table>
<thead>
<tr>
<th>Manufacturers</th>
<th>Wholesalers/Retailers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>Transportation</td>
</tr>
<tr>
<td>Warehousing</td>
<td>Replenishment</td>
</tr>
<tr>
<td>Service Levels</td>
<td>Labor</td>
</tr>
<tr>
<td>Age Of Inventory</td>
<td>Unsaleables</td>
</tr>
<tr>
<td></td>
<td>Transportation</td>
</tr>
<tr>
<td></td>
<td>Replenishment</td>
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<td></td>
<td>Labor</td>
</tr>
<tr>
<td></td>
<td>Store Operations</td>
</tr>
</tbody>
</table>

Operational Impacts Are Similar
Now That You Have Them And They Are Not Going Away...What Do You Do With Them?

Multiple Strategies Exist Across The Industry To Handle Slow Movers......

➢ Slow Moving Bays/Areas At Your Distribution Centers
➢ Pricing Brackets To Drive Economic Order Quantities
➢ Limited Delivery Cycles Within the Supply Chain
➢ Cross Dock Relationships With Third Party Operators
➢ National Distribution Strategies With Third Party Operators

Bottom Line.....You Have To Develop What Works Best For You
Slow Movers In The Warehouse

***Slow Moving Items Area***
- 10,000 sqft Carved Out In Mixing Center
- Pick Slots both on floor and racks
- Manual Pick to Pallet
- Min Order QTY of 1 Layer
- Mechanized Shrink Wrapping
Dry Grocery Warehouse
Slow movers – Span Trak pick aisle

- Approximately 25 individual sku’s per bay
- Positioned by movement with cube and weight considerations
- Bays are numbered in a Z-pick pattern
- Small reserve slots for excess inventory located above and in back of pallet rack, support the slow moving aisle.
For items that did not meet the criteria for the Span-trak slow moving section, Frazier Ergo Beams are used for two level selection. The Ergo Beam allows access safely for the selector to the rear of the pallet.
Slow Moving Options

- Dry Grocery Slow Moving Aisle ~ 2200 SKU Capacity
- Perishable Case Flow Bay at end of Conventional Bay Aisle
- Perishable Cross Dock - Partial Pallet, Store Specific
- Grocery Cross Dock - Full Pallet of Specialty Items Shipped in Totes, Store Specific
Tactical Options for Slow Movers

Material Handling Alternatives

- Shelving/Bus Stops
- Hand Stack
- Flow Rack
- Pick Carts, PD Stations, Double Pallet Jacks
- VNA - very narrow aisle
- MLP - multi level pick
- Mechanized
  - Multi level
  - Pick to belt
- Automation
  - Mini load
  - Carousel
  - Robot

Operating Strategies/Concepts

- 3rd Party/Centralized
- Retail Friendly
- Family Group
- Designated Slow
- Group/Batch Pick
- Restricted Ordering
- Dynamic/Fixed Slotting
- Customer Format
- Product to Picker
- Picker to Product
So, Where Do We Start To Understand The Best Way To Manage These Items?

You Need to Know Your Item profile…….

Identify Your Slow Fixed & Variable Costs per Case Shipped……

Evaluate Alternative MH Solutions that Reflect Product Velocity Profiles……

< 15% of total velocity is generated by 40-50% of items

Basic Analysis Will Assist In Getting These Out Of The Way
At the end of the day......

Slow Moving or Not, if it sells you need it

- Critical for you determine your definition of slow moving items for your network
- Understand the impact these have on your operations
- The solve for you, could be/will be different basis your definition and business needs
Submitted Questions

- What criteria do you use to determine a slow velocity item will be warehoused in your facility instead of another method such as cross docking and who (Supply Chain, Retail, or Category Management) owns that decision?
- How often do you review slow velocity items to determine the life cycle of that item does not justify your criteria to warehouse that item?
- Do you restrict the frequency of store orders for slow velocity to maximize productivity?
- What are some of the suggestions that you have for suppliers in working with their retailers to manage lower velocity perishable items. What were the results of these suggestions/actions in regards to markdowns (unsaleables)
- How much (on average) of your slow velocity items make up your return / reclaim $$
- What automation is being used to manage slow movers
- What constitutes an effective co-distribution strategy? Is it time for manufacturers to join together in co distribution of slow moving items? (vs a consolidator or distributor)
The End.......... 

Please Move Slowly To The Nearest Exit