



# BEST PRACTICES SOLUTIONS TO ADDRESS ON SHELF AVAILABILITY

A FMI/GMA Trading Partner Alliance Report



*Trading Partner Alliance*  
FMI and GMA





# Overview

The FMI-GMA Trading Partner Alliance began researching the out-of-stock problem in 2013. At the 2014 TPA Supply Chain Conference, it showcased a Good-Better-Best maturity model for improving On Shelf Availability (OSA). As part of the phase II of the journey to achieve 98+% OSA, the alliance surveyed Manufacturers and Retailers to better understand how a wide range of practitioners are currently addressing out of stock issues. The survey results were consistent with the alliance's previous diagnosis and confirmed the gaps between current practices and future desired state. The white paper the alliance published at the 2015 Supply Chain conference included an updated "One Supply Chain" Good-Better-Best maturity model with definitions and recommendations on how to address the identified gaps in metrics/data, process/practice, organization and technology. In its phase III of the journey, the alliance validated several of the white paper recommendations via Retailer-Manufacturer learning pilots and collaborated to produce industry tools to both analyze and action against OSA opportunities.

*The Best Practices Solutions to address On Shelf Availability* document focuses on five root cause areas

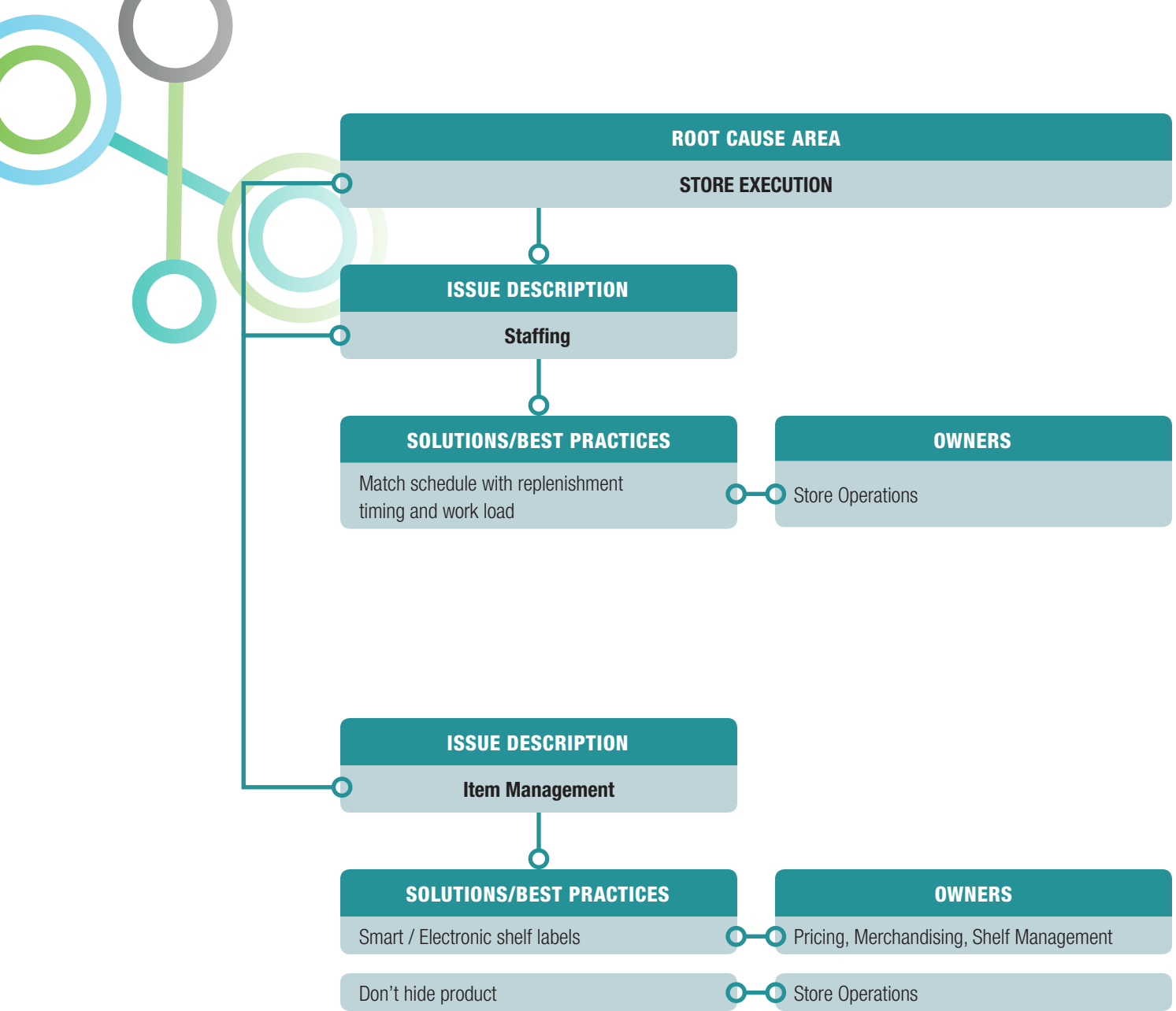
- Store Execution
- Ordering and Execution
- Forecasting
- Manufacturing
- Category Management and Merchandising

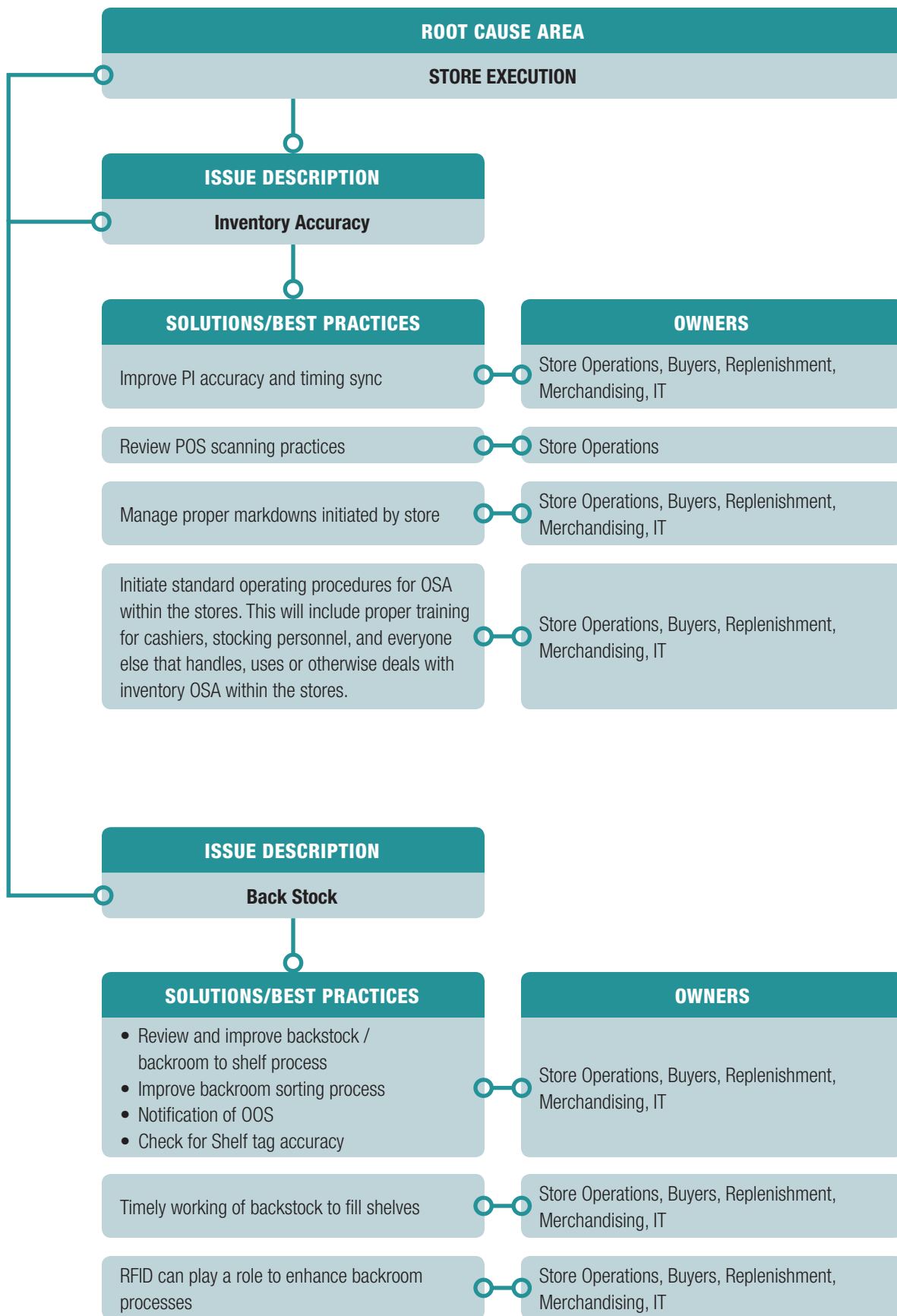


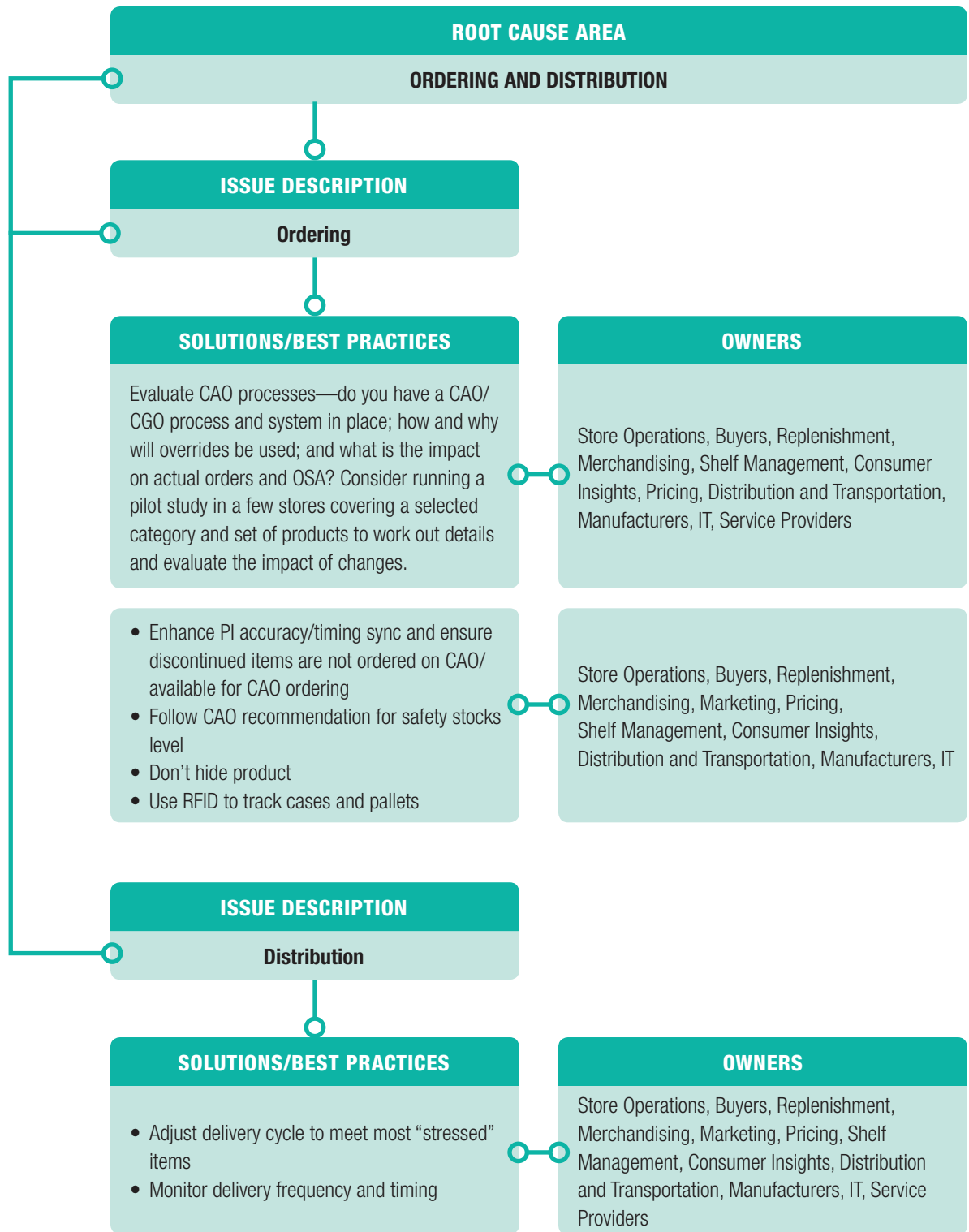
# Table of Contents

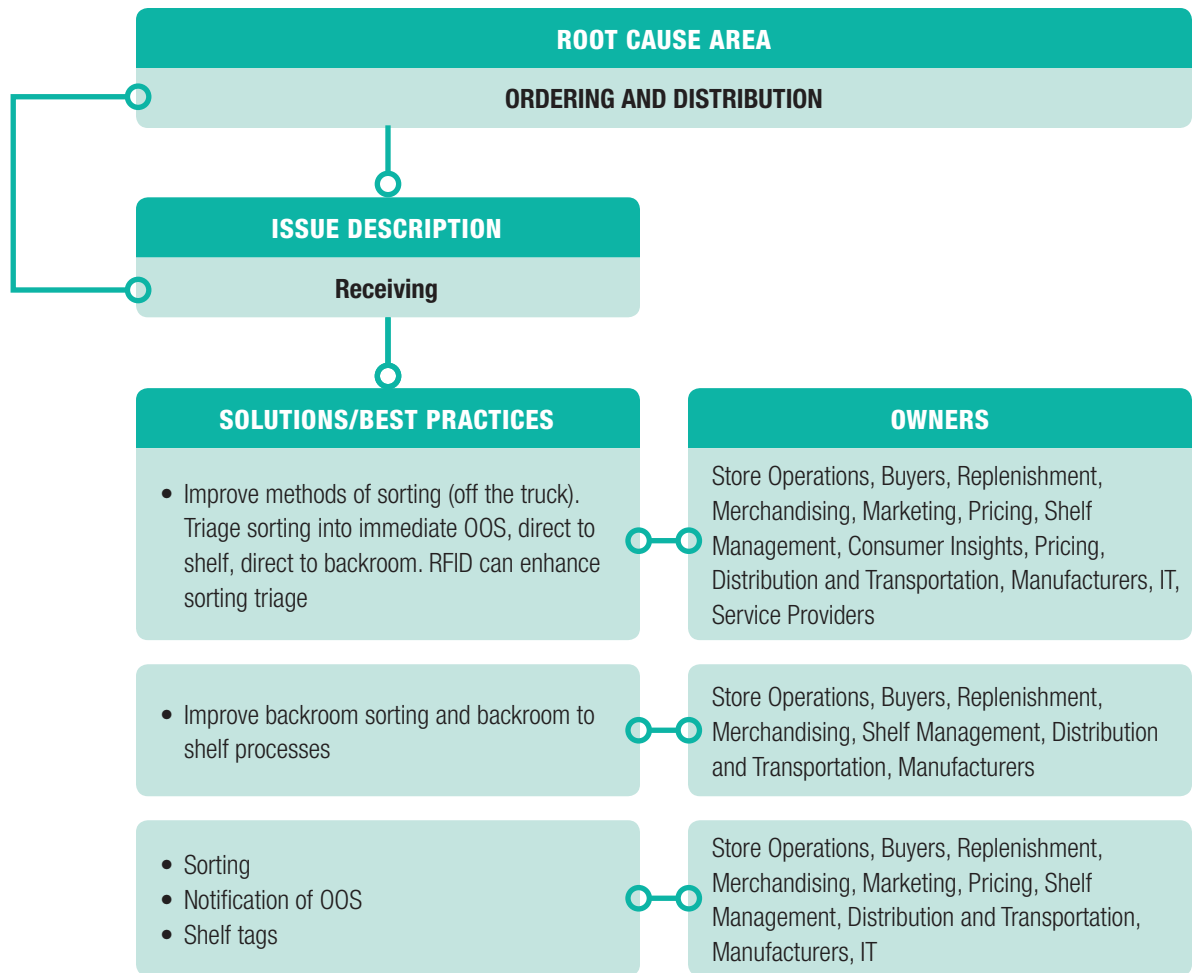
## Root Cause Area

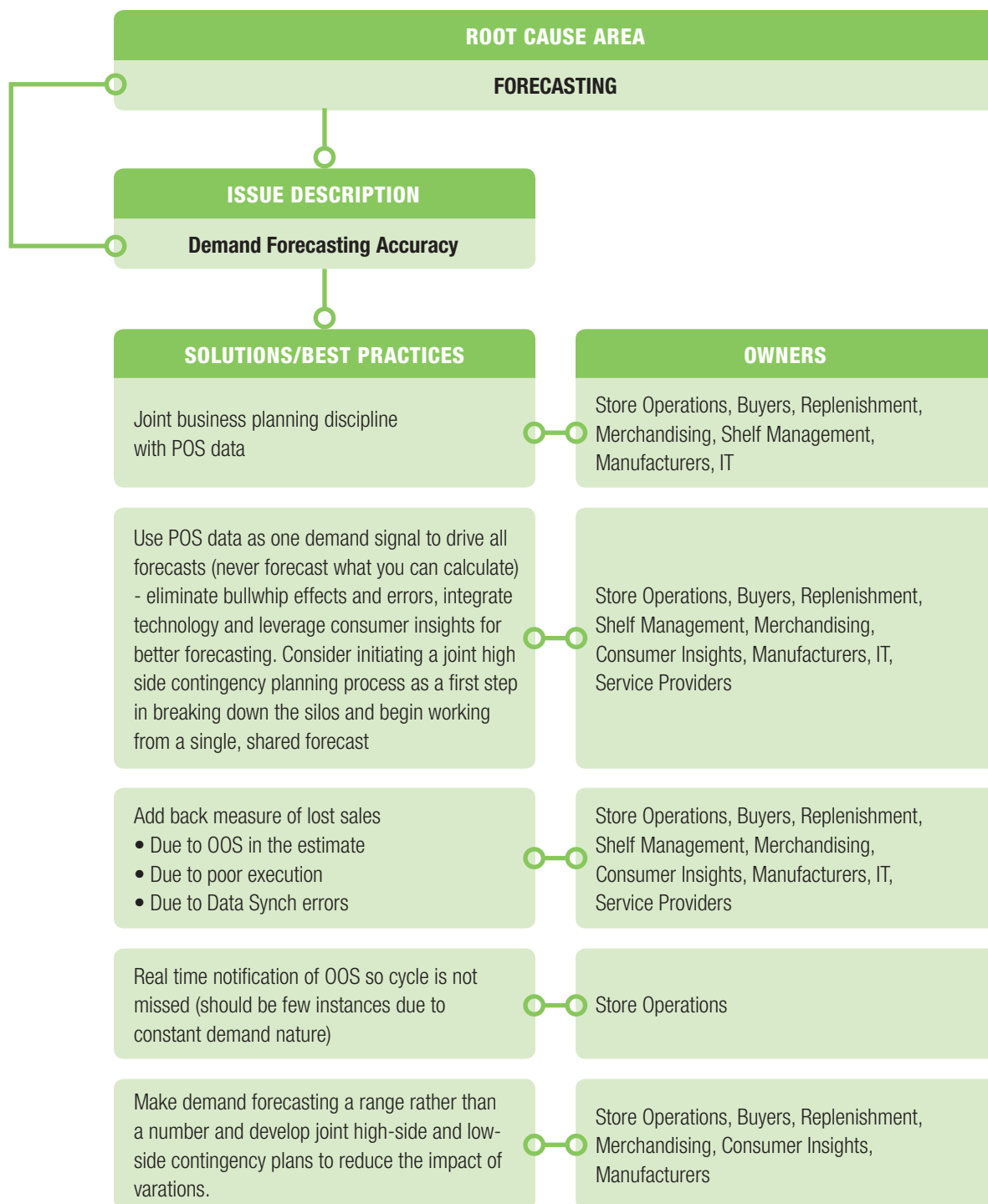
Store Execution .....	3
Staffing .....	3
Item Management .....	3
Inventory Accuracy .....	4
Back Stock .....	4
Ordering and Distribution .....	5
Ordering .....	5
Distribution .....	5
Receiving .....	6
Forecasting .....	7
Demand Forecasting Accuracy .....	7
Timing .....	9
Manufacturing .....	10
Item/Product Management .....	10
Ordering and Distribution .....	11
Category Management/Merchandising .....	12
Data Accuracy .....	12
Shelf Allocation, Planogram Compliance and Item Management .....	13
Promotions .....	14



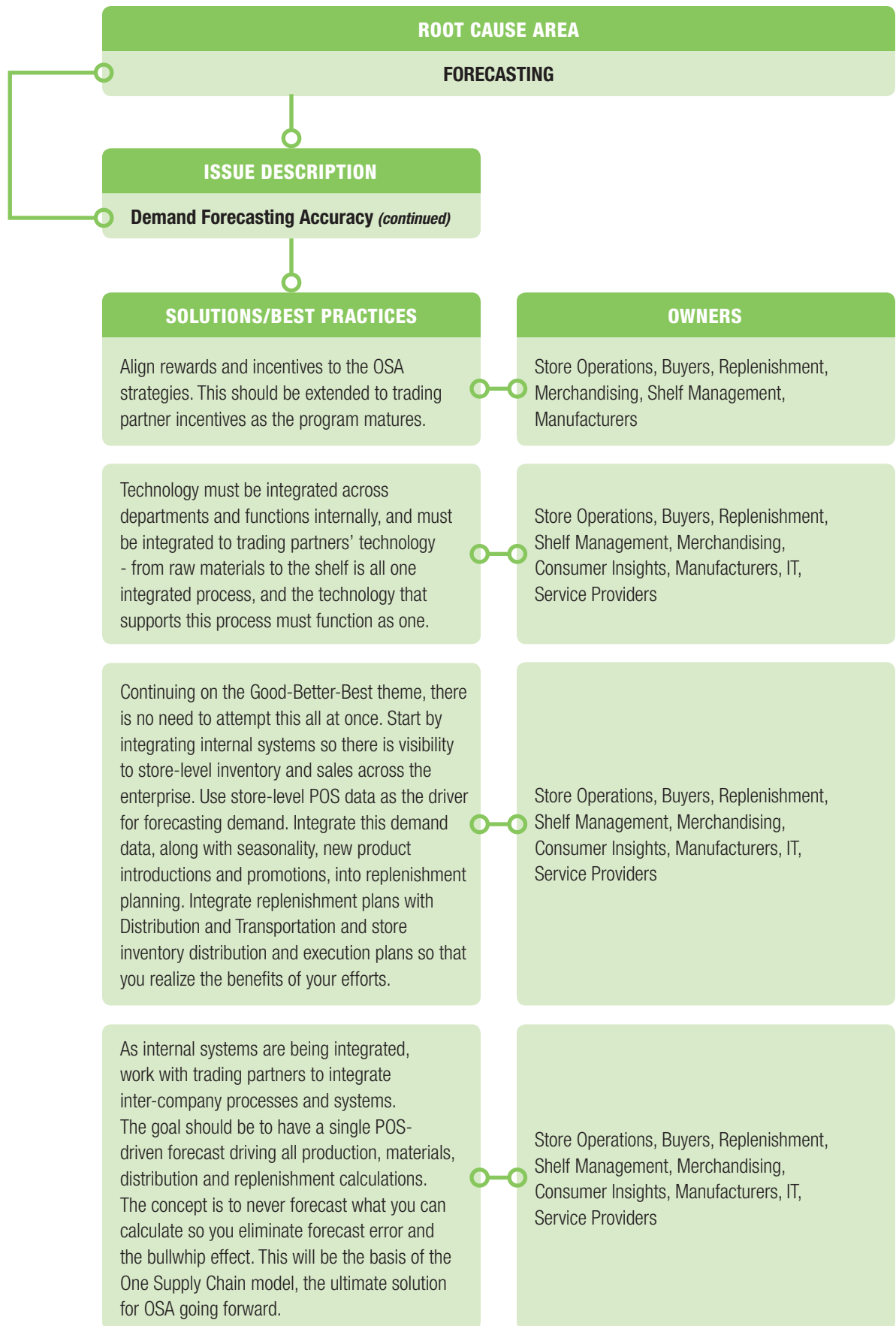


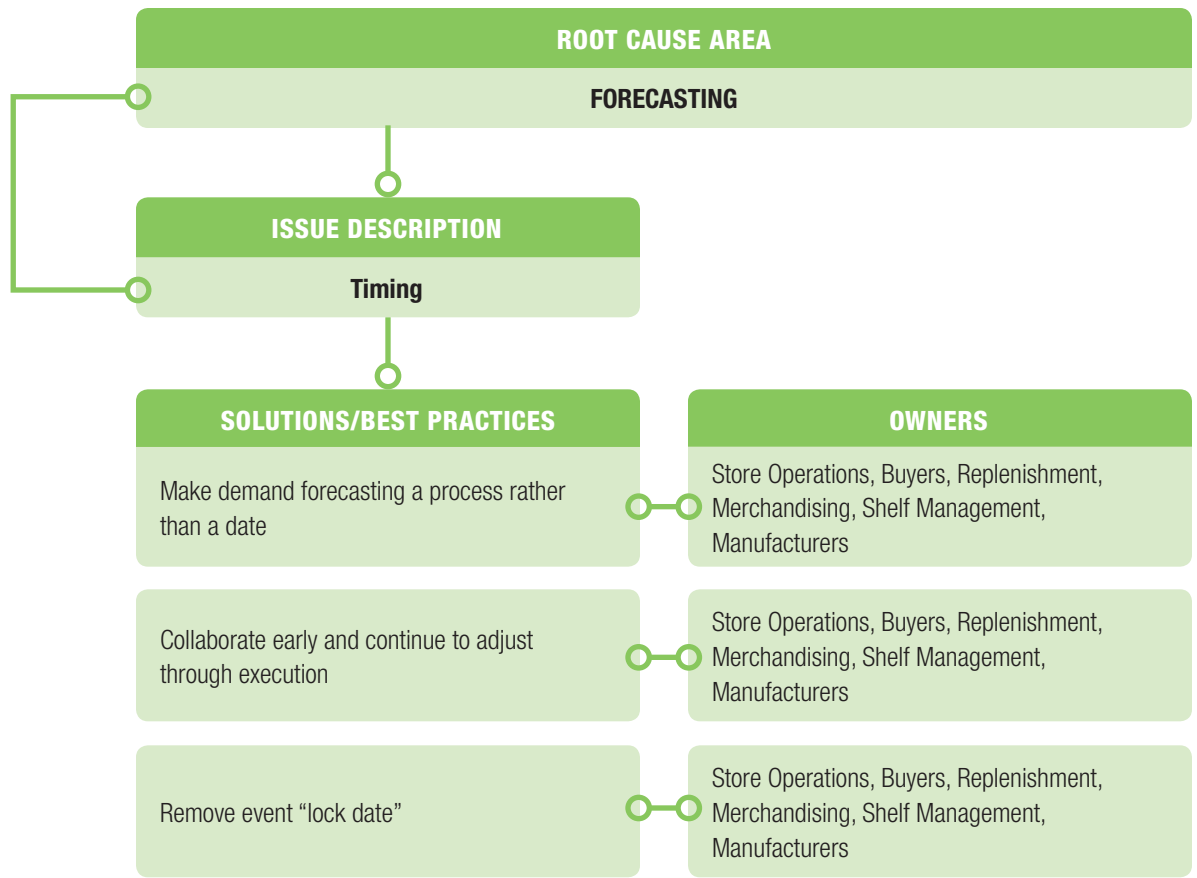


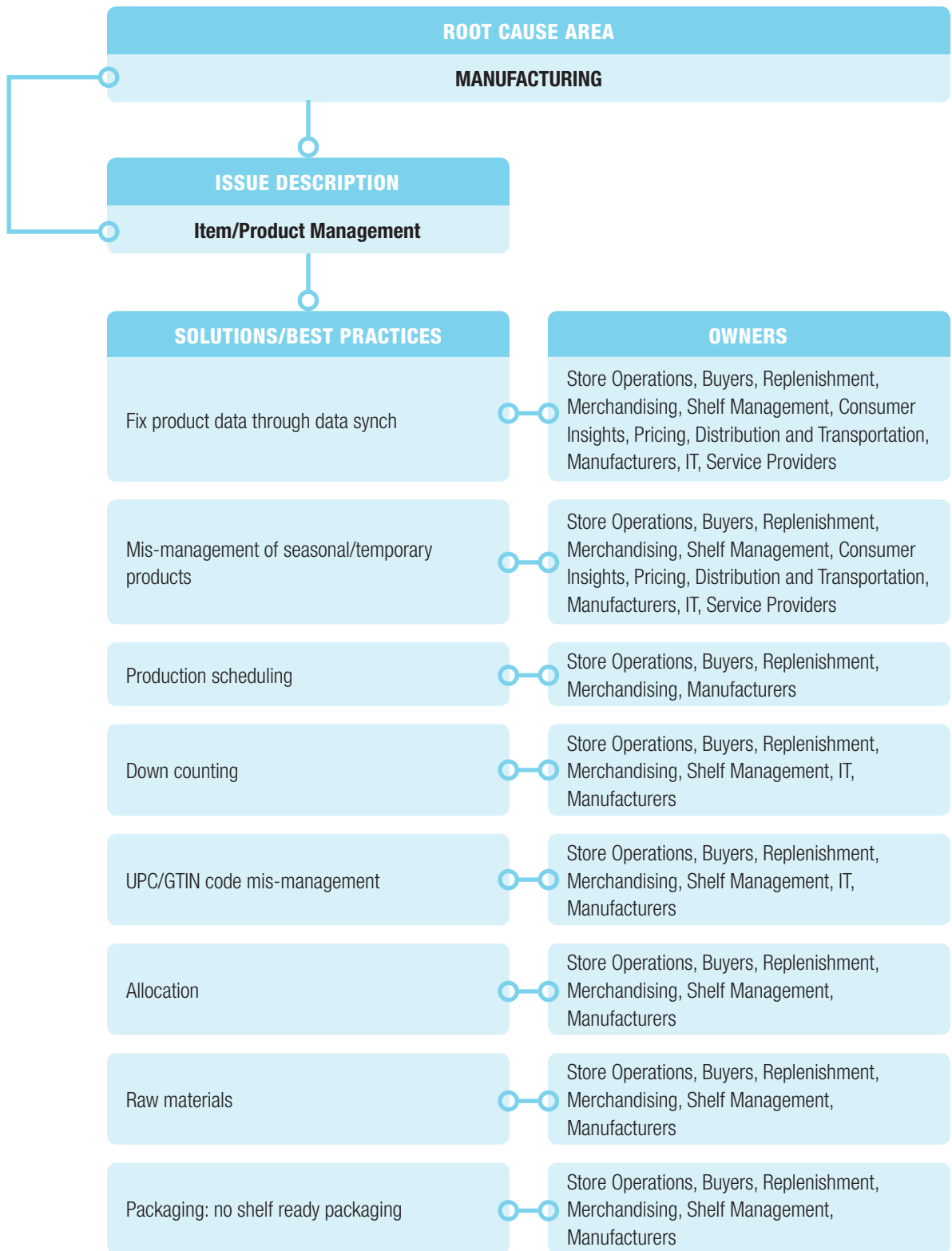


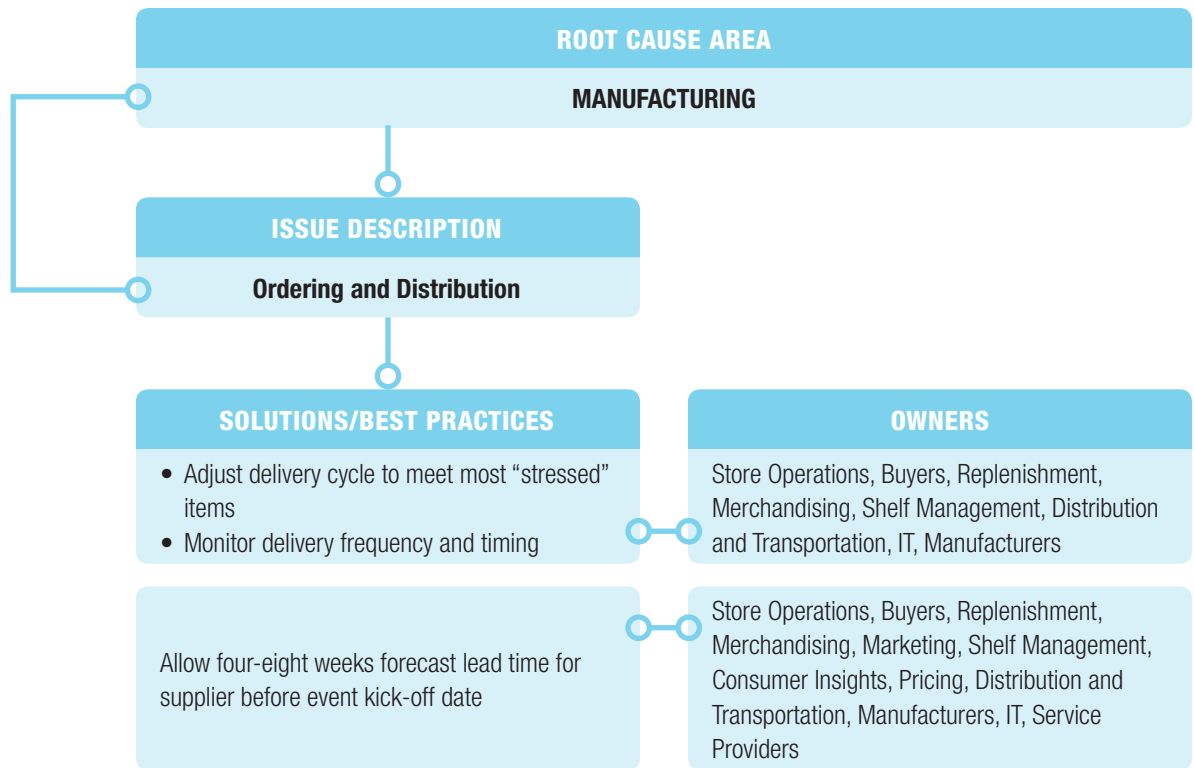


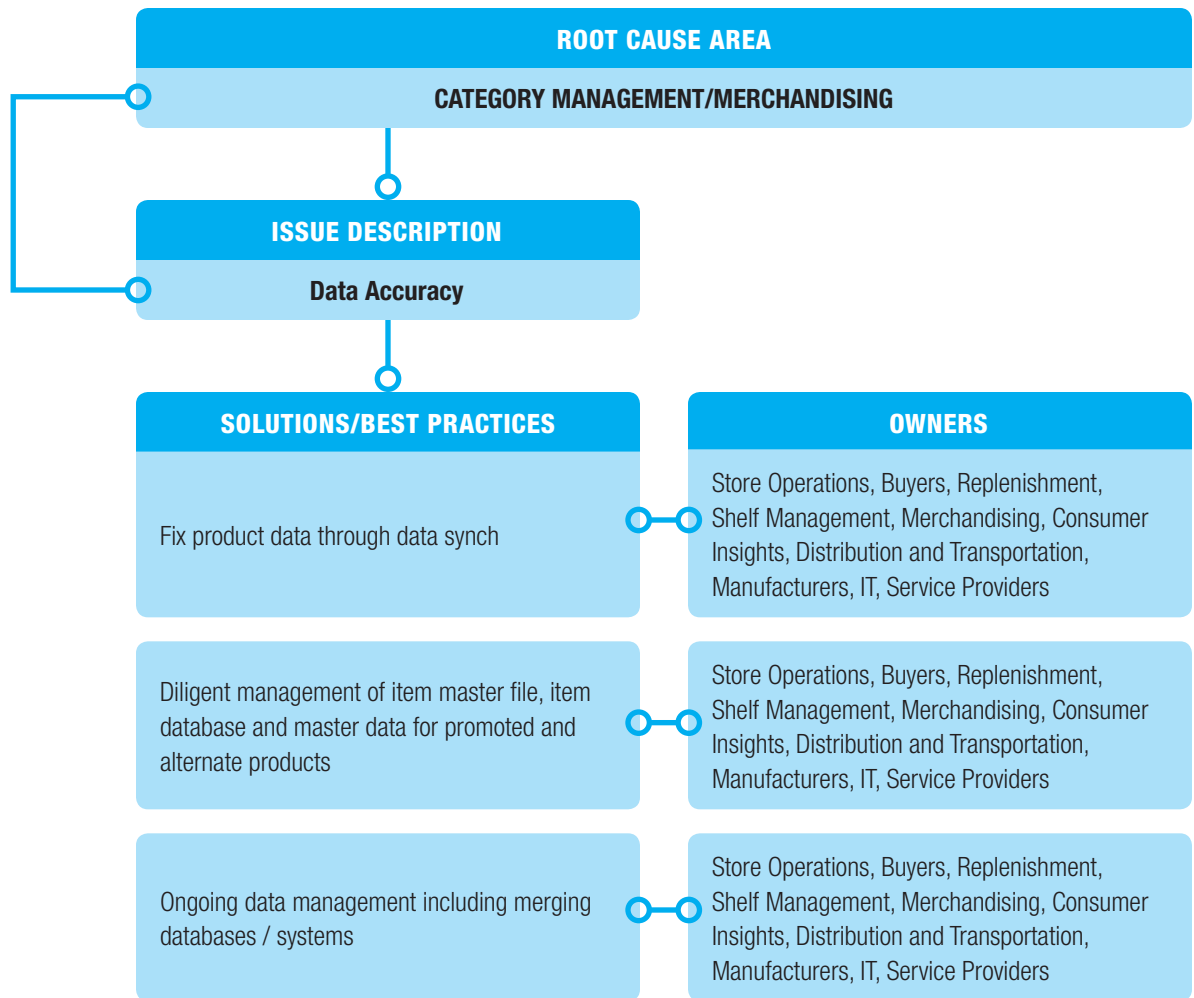


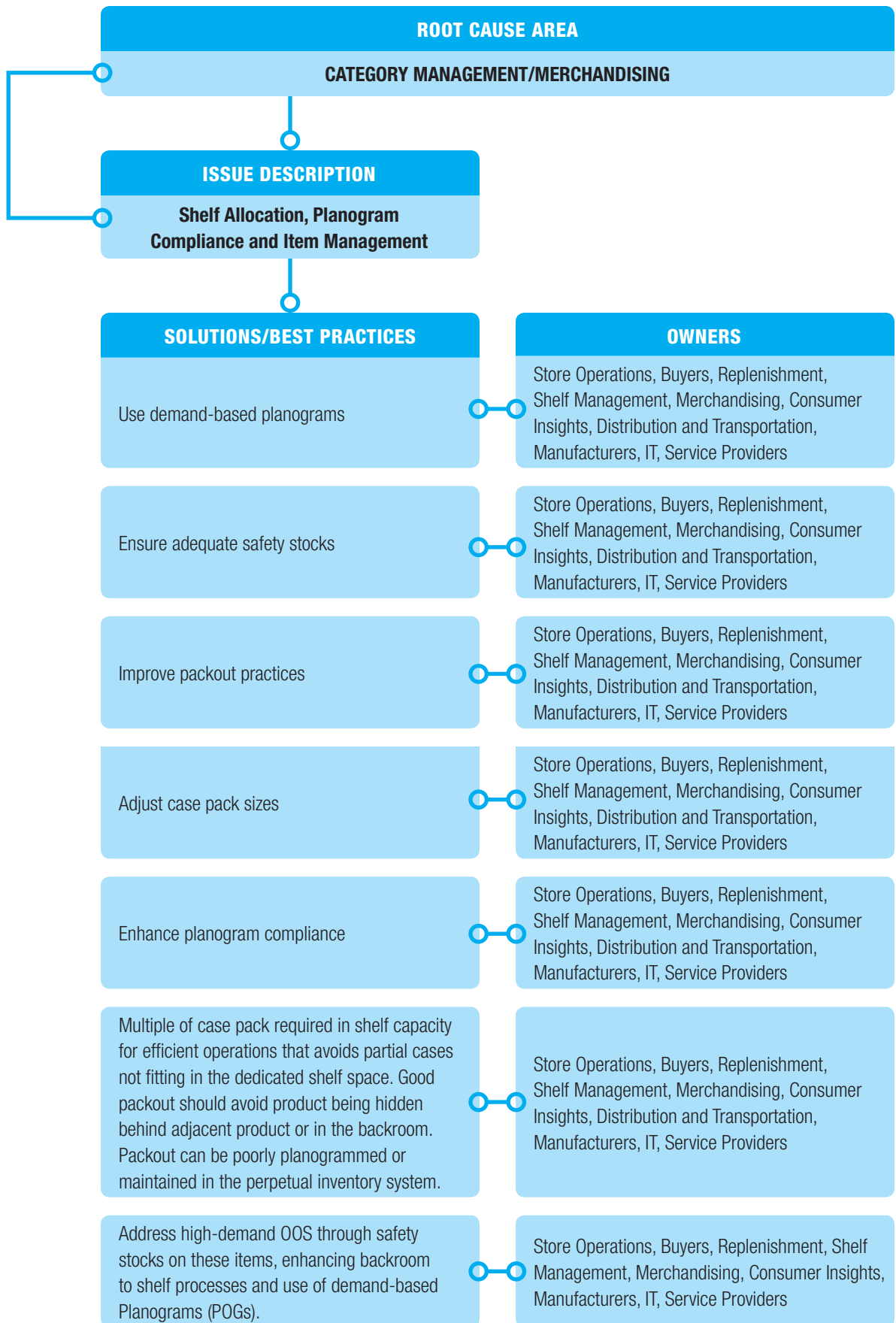


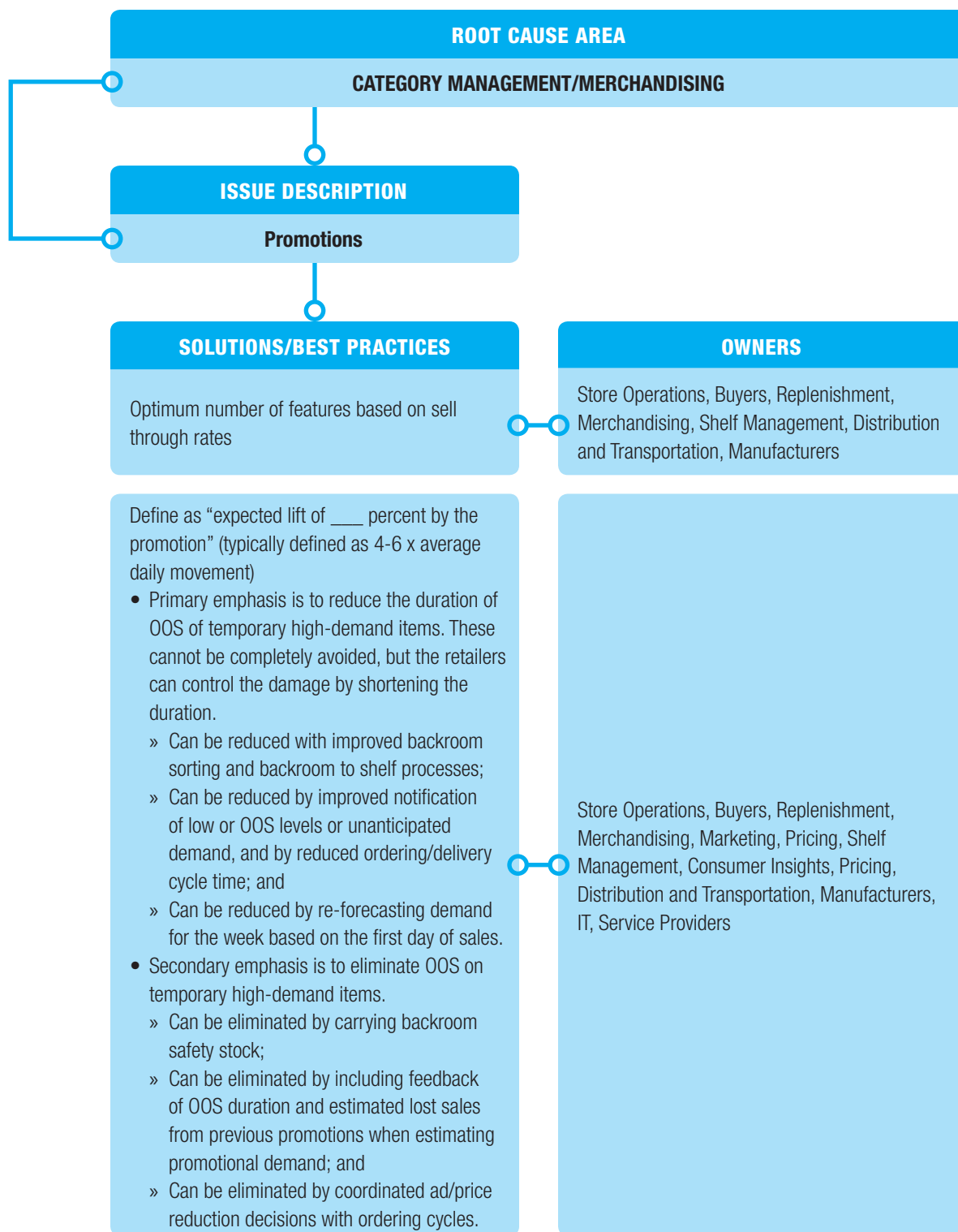














ROOT CAUSE AREA	ISSUE DESCRIPTION	SOLUTIONS/BEST PRACTICES	OWNERS	
Store Execution	Staffing	Match schedule with replenishment timing and work load	Store Operations	
	Item management	Smart / Electronic shelf labels Don't hide product	Pricing, Merchandising, Shelf Management Store Operations	
	Inventory accuracy	Improve PI accuracy and timing sync	Review POS scanning practices	Store Operations, Buyers, Replenishment, Merchandising, IT
		Manage proper mark-downs initiated by store	Initiate standard operating procedures for OSA within the stores. This will include proper training for cashiers, stocking personnel, and everyone else that handles, uses or otherwise deals with inventory OSA within the stores.	Store Operations, Buyers, Replenishment, Merchandising, IT
	Back stock	Review and improve backstock / backroom to shelf process	Improve backroom sorting process Notification of OOS	Store Operations, Pricing, Merchandising, Shelf Management, Replenishment, IT
		Check for Shelf tag accuracy	Timely working of backstock to fill shelves RFID can play a role to enhance backroom processes	Store Operations, Pricing, Merchandising, Shelf Management, Replenishment Store Operations, Pricing, Merchandising, Shelf Management, Replenishment, IT
Ordering and Distribution	Ordering	Evaluate CAO processes—do you have a CAO/CGO process and system in place; how and why will overrides be used; and what is the impact on actual orders and OSA? Consider running a pilot study in a few stores covering a selected category and set of products to work out details and evaluate the impact of changes.	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Consumer Insights, Pricing, Distribution and Transportation, Manufacturers, IT, Service Providers	
		Enhance PI accuracy/timing sync and ensure discontinued items are not ordered on CAD/available for CAD ordering Follow CAO recommendation for safety stocks level Don't hide product Use RFID to track cases and pallets Adjust delivery cycle to meet most "stressed" items Monitor delivery frequency and timing	Store Operations, Buyers, Replenishment, Merchandising, Marketing, Pricing, Shelf Management, Consumer Insights, Distribution and Transportation, Manufacturers, IT	
	Distribution	Improve methods of sorting (off the truck). Triage sorting into immediate OOS, direct to shelf, direct to backroom. RFID can enhance sorting triage	Store Operations, Buyers, Replenishment, Merchandising, Marketing, Pricing, Shelf Management, Consumer Insights, Distribution and Transportation, Manufacturers, IT, Service Providers	
	Receiving	Improve backroom sorting and backroom to shelf processes Sorting Notification of OOS Shelf tags	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Distribution and Transportation, Manufacturers, IT Store Operations, Buyers, Replenishment, Merchandising, Marketing, Pricing, Shelf Management, Distribution and Transportation, Manufacturers, IT	
Forecasting	Demand Forecasting Accuracy	Joint business planning discipline with POS data Use POS data as one demand signal to drive all forecasts (never forecast what you can calculate) - eliminate bullwhip effects and errors, integrate technology and leverage consumer insights for better forecasting. Consider initiating a joint high side contingency planning process as a first step in breaking down the silos and begin working from a single, shared forecast	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Manufacturers, IT, Service Providers	
		Add back measure of lost sales Due to OOS in the aisle Due to poor execution Due to Data Synchron errors	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Manufacturers, IT, Service Providers	
		Real time notification of OOS so cycle is not missed (should be few instances due to constant demand nature)	Store Operations	
		Make demand forecasting a range rather than a number and develop joint high-side and low-side contingency plans to reduce the impact of variation	Store Operations, Buyers, Replenishment, Merchandising, Consumer Insights, Manufacturers	
		Align rewards and incentives to the OSA strategies. This should be extended to trading partner incentives as the program matures. Technology must be integrated across departments and functions internally, and must be integrated to trading partners' technology - from raw materials to the shelf is all one integrated process, and the technology that supports this process must function as one.	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Manufacturers	
		Continuing on the Good-Better-Best theme, there is no need to attempt this all at once. Start by integrating internal systems so there is visibility to store-level inventory and sales across the enterprise. Use store-level POS data as the driver for forecasting demand. Integrate this demand data, along with seasonality, new product introductions and promotions, into replenishment planning. Integrate replenishment plans with Distribution and Transportation and store inventory distribution and execution plans so that you realize the benefits of your efforts.	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Manufacturers, IT, Service Providers	
		As internal systems are being integrated, work with trading partners to integrate inter-company processes and systems. The goal should be to have a single POS-driven forecast driving all production, materials, distribution and replenishment calculations. The concept is to never forecast what you can calculate so you eliminate forecast error and the bullwhip effect. This will be the basis of the One Supply Chain model, the ultimate solution for OSA going forward.	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Manufacturers, IT, Service Providers	
		Make demand forecasting a process rather than a date	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Manufacturers	
		Collaborate early and continue to adjust through execution	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Manufacturers	
		Remove event "lock date"	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Manufacturers	
Manufacturing	Item/Product management	Fix product data through data sync	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Consumer Insights, Pricing, Distribution and Transportation, Manufacturers, IT, Service Providers	
		Mis- management of seasonal/temporary products	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Consumer Insights, Pricing, Distribution and Transportation, Manufacturers, IT, Service Providers	
		Production scheduling	Store Operations, Buyers, Replenishment, Merchandising, Manufacturers	
		Down counting	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, IT, Manufacturers	
	Ordering and Distribution	UPC/GTIN code mis-management	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, IT, Manufacturers	
		Allocation	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Manufacturers	
		Raw materials	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Manufacturers	
		Packaging: no shelf ready packaging	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Manufacturers	
Category Management/Merchandising	Data Accuracy	Adjust delivery cycle to meet most "stressed" items Monitor delivery frequency and timing	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Distribution and Transportation, IT, Manufacturers	
		Allow four-eight weeks forecast lead time for supplier before event kick-off date	Store Operations, Buyers, Replenishment, Merchandising, Marketing, Shelf Management, Consumer Insights, Pricing, Distribution and Transportation, Manufacturers, IT, Service Providers	
	Shelf Allocation, Planogram Compliance and Item Management	Fix product data through data sync	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Distribution and Transportation, Manufacturers, IT, Service Providers	
		Diligent management of item master file, item database and master data for promoted and alternate products	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Distribution and Transportation, Manufacturers, IT, Service Providers	
		Ongoing data management including merging databases / systems	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Distribution and Transportation, Manufacturers, IT, Service Providers	
		Use demand-based planograms	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Manufacturers, IT, Service Providers	
	Promotions	Ensure adequate safety stocks	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Manufacturers, IT, Service Providers	
		Improve packout practices	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Manufacturers, IT, Service Providers	
		Adjust case pack sizes	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Manufacturers, IT, Service Providers	
		Enhance planogram compliance	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Manufacturers, IT, Service Providers	
Category Management/Merchandising	Promotions	Multiple of case pack required in shelf capacity for efficient operations that avoids partial cases not fitting in the dedicated shelf space. Good packout should avoid product being hidden behind adjacent product or in the backroom. Packout can be poorly programmed or maintained in the perpetual inventory system.	Store Operations, Buyers, Replenishment, Shelf Management, Merchandising, Consumer Insights, Manufacturers, IT, Service Providers	
		Address high-demand OOS through safety stocks on these items, enhancing backroom to shelf processes and use of demand-based Planograms (POGs).	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Distribution and Transportation, Manufacturers	
Category Management/Merchandising	Promotions	Optimum number of features based on sell through rates	Store Operations, Buyers, Replenishment, Merchandising, Shelf Management, Distribution and Transportation, Manufacturers	
		Define as "expected lift of ___ percent by the promotion" (typically defined as 4-6 x average daily movement) Primary emphasis is to reduce the duration of OOS of temporary high-demand items. These cannot be completely avoided, but the retailers can control the damage by shortening the duration. Can be reduced with improved backroom sorting and backroom to shelf processes. Can be reduced by improved notification of low or OOS levels or unanticipated demand, and by reduced ordering/delivery cycle time; and Can be reduced by re-forecasting demand for the week based on the first day of sales. Secondary emphasis is to eliminate OOS on temporary high-demand items. Can be eliminated by carrying backroom safety stock. Can be eliminated by including feedback of OOS duration and estimated lost sales from previous promotions when estimating promotional demand; and Can be eliminated by coordinated ad/price reduction decisions with ordering cycles.	Store Operations, Buyers, Replenishment, Merchandising, Marketing, Pricing, Shelf Management, Consumer Insights, Pricing, Distribution and Transportation, Manufacturers, IT, Service Providers	





# Acknowledgments

The FMI/GMA Trading Partner Alliance OSA Committee includes representatives from the following companies:

- The Clorox Company
- The Coca-Cola Company
- Delhaize America
- Food Marketing Institute
- GENCO
- Grocery Manufacturers Association
- H-E-B
- Inmar, Inc.
- JDA Software Group, Inc.
- McCormick & Company, Inc.
- Meijer, Inc.
- Mondelez International
- Nestlé USA, Inc.
- The Procter & Gamble Distributing Company
- Rite Aid Corporation
- Wegmans Food Markets, Inc.

## **Additional Information**

---

For additional information please contact Daniel Triot, Senior Director, Trading Partner Alliance, [dtriot@gmaonline.org](mailto:dtriot@gmaonline.org) or [osateam@gmaonline.org](mailto:osateam@gmaonline.org)