Collaborative Value Chain Strategies to Reduce
Unsaleables

FMI
THE VOICE OF FOOD RETAIL

Trading Partner Alliance
FMI and GMA

GMA
The Association of Food, Beverage
and Consumer Products Companies

CHEP
A Brambles Company

Food Marketing Institute (FMI) conducts programs in research, education, industry relations and public affairs on behalf of its 1,500 member companies — food retailers and wholesalers — in the United States and around the world. FMI's U.S. members operate approximately 26,000 retail food stores with a combined annual sales volume of $340 billion — three-quarters of all food retail store sales in the United States. FMI's retail membership is composed of large multi-store chains, regional firms and independent supermarkets. Its international membership includes 200 companies from 50 countries. For more information, visit the FMI Web site at www.fmi.org.

The Trading Partner Alliance (TPA) is a joint industry affairs/industry relations leadership group that was formed by GMA and FMI in January 2009. The TPA exists to develop a shared retailer-manufacturer agenda on supply chain efficiency issues, the application of information technology, the adoption of environmentally-friendly business practices and other issues. This common agenda is executed jointly by the FMI and GMA staffs and is overseen by the boards of directors of both organizations.

The Grocery Manufacturers Association (GMA) is the trade organization representing the world's leading food, beverage and consumer products companies and associated partners. The U.S. food, beverage and consumer packaged goods industry plays a unique role as the single largest U.S. manufacturing employment sector, with 2.1 million jobs in 30,000 communities across the country that deliver products vital to the wellbeing of people in our nation and around world. Founded in 1908, GMA has a primary focus on product safety, science-based public policies and industry initiatives that seek to empower people with the tools and information they need to make informed choices and lead healthier lives. For more information, visit gmaonline.org.

CHEP has helped more companies move more goods, to more places, more efficiently and more sustainably than anyone else in the world. CHEP is a company of supply chain experts and engineers that have been in literally tens of thousands of supply chains. Bringing that unmatched experience to bear, CHEP has created a suite of pragmatic, actionable and affordable solutions that can make a supply chain quantifiably better. No one has more solutions to help organizations move things in, out and through the supply chain. CHEP's goal is to improve their customer's supply chain and create a solutions portfolio that leads to real, measurable gains – no matter what business they're in.

Contents

THE UNSALEABLES INITIATIVE

The topic of unsaleables has long been a key issue within the Consumer Packaged Goods (CPG) industry. The FMI-GMA Trading Partner Alliance (TPA) has an extended history of leadership in this area. In November 2016, the Joint Industry Unsaleables Leadership Team (JIULT) began to increase the focus around unsaleables reduction and mapped out and compiled a list of unsaleables drivers, tactics, and best practices. The JIULT then engaged CHEP to use this information to build an educational platform in order to publicize the industry's best practices with the broader CPG community.

CHEP worked with the JIULT and other industry experts to characterize and prioritize unsaleable practices. The scope of the project was broad, with a few exceptions: trading partner relationships, fresh produce, fresh meats, direct store delivery, and hazardous waste.

Interviews and surveys were conducted with manufacturers, retailers, and wholesalers to understand two delineating factors about each practice:

The **Frequency** at which the practice is used within organizations
The **Impact** the practice has on the reduction of unsaleables

The results of the initiative produced 48 practices that are outlined in this report. Each practice has been grouped into a practice family and given a priority score. Additionally, within the report, specific details are provided to help assist with the implementation of the practice.

Grouping Practices into Families

The 48 practices are grouped into seven families based on supply chain functions. As illustrated in the figure below, the seven families of best practices fall into three broad categories: collaborative, manufacturer, and retail and wholesale.

Colllaborative

Manufacturer

Retail & Wholesale

Planning & Reviewing with Trading Partners

Shelf Life Management

Testing Package & Unit Load Performance

Package Labeling

Receiving

Sharing UPC & POS Level Data

Rotation & Display
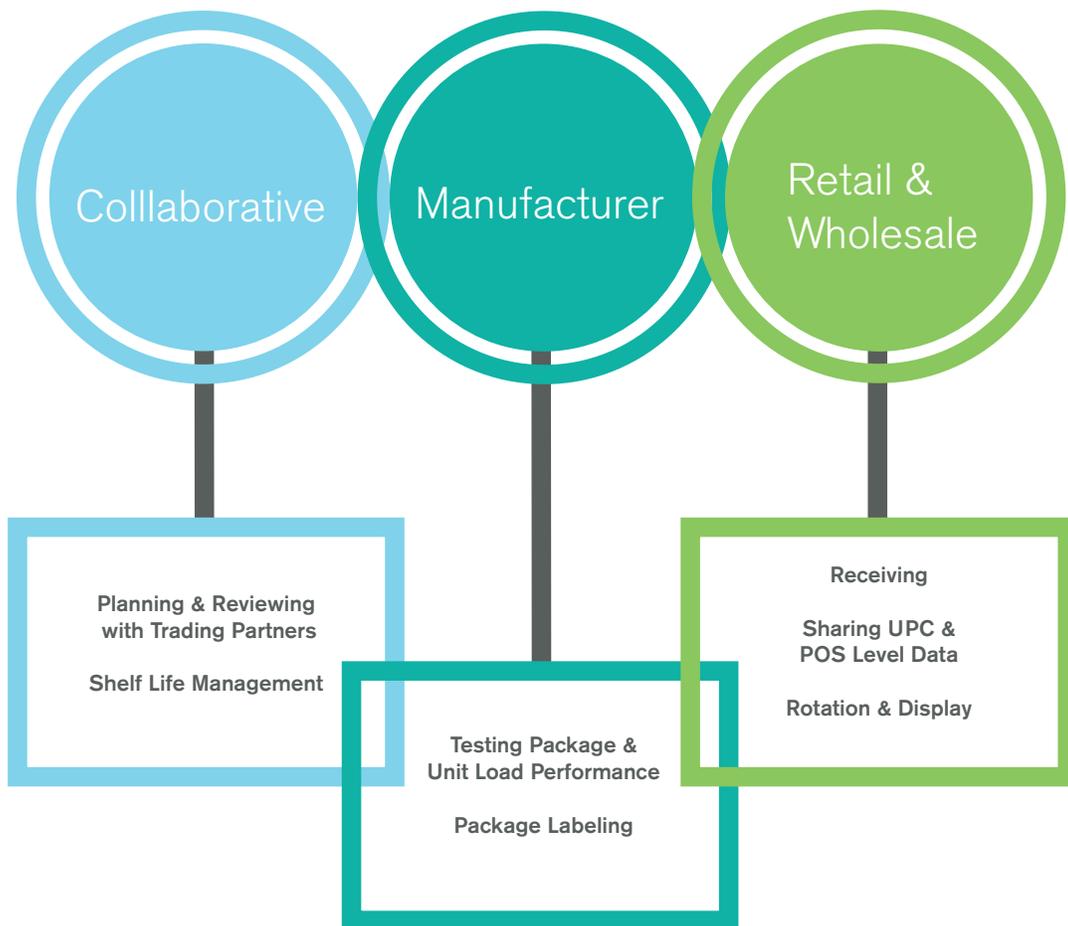
Scoring and Prioritizing the Practices

As mentioned, each practice was scored in order to help organizations and individuals prioritize implementation efforts for unsaleables reduction. Each of the 48 practices was given a frequency score and an impact rating.

Each score is a derivative of the responses from a survey in which participants were asked the degree to which their companies currently use the practice with 1 being "Never Used" and 5 being "Always Used." Participants were then asked how much the practice helps their company reduce or avoid unsaleables with 1 being "No Impact" and 4 being "Large Impact."

impact

| No Impact | Small Impact | Medium Impact | Large Impact |

frequency

| Never Used | Inconsistently Used | Consistently Used in Parts of Business | Usually Used | Always Used |
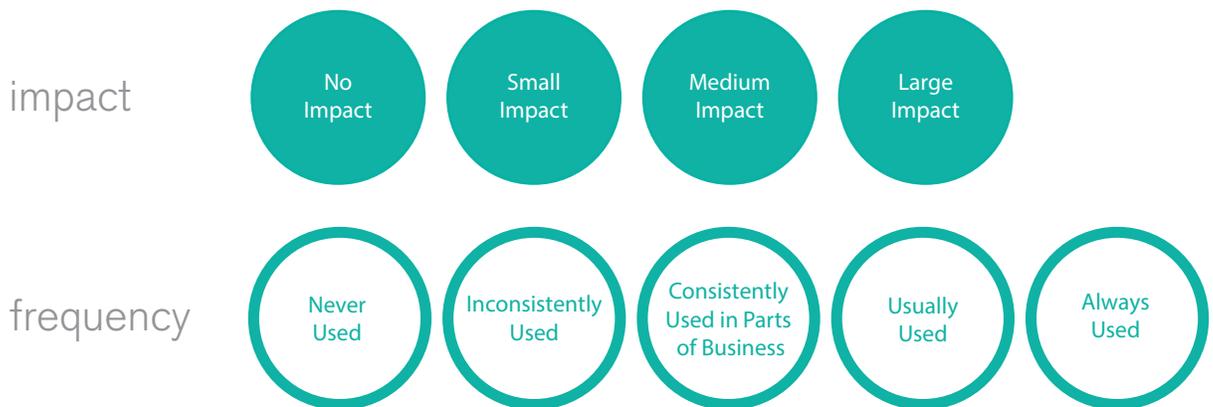
In addition to the score, each practice has been assigned a unique identifier based on its category and can be seen throughout the report. Each identifier starts with either an M or an R showing it is a Manufacturer's practice or a Retailer's practice. In the Collaborative category, a combination of both practices is displayed. Throughout the report you will see this chart:

1 Unique identifier for the practice (M=Manufacturer, R=Retailer)
2 A short description of the practice
3 The practice impact rating and frequency score
4 Prioritization range for the practice

4 Highest Priority

1 **M14**
2 Create Strategy for Discontinued Items
impact 3.3
frequency 3.6 **3**

M23
Audit Inbound Loads
impact 3.2
frequency 3.2

M21
Monitor Inbound Damage at Select Customers
impact 3.1
frequency 3.2

Lowest Priority
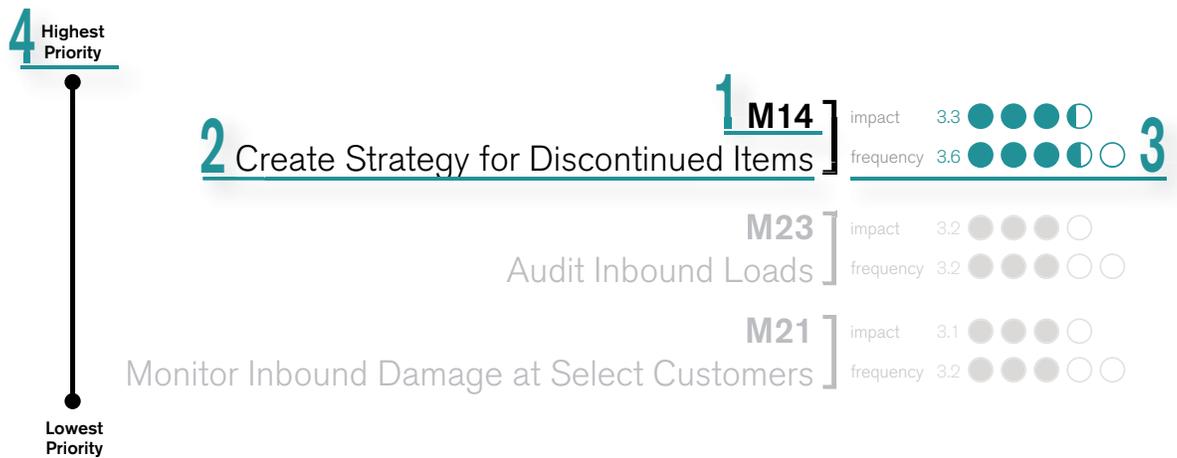
The practices in each family are listed in order of decreasing impact score, which shows their relative importance according to the opinions of the supply chain participants who were surveyed. Best practices that appear at the top of the range are practices that should be focused on first when resources and time may be scarce. Practices that fall at the bottom of the priority range should have less focus and/or can be put on hold until high priority practices are in place. Ultimately, an assessment should be done within each organization to understand the impact of any unsaleables practice.
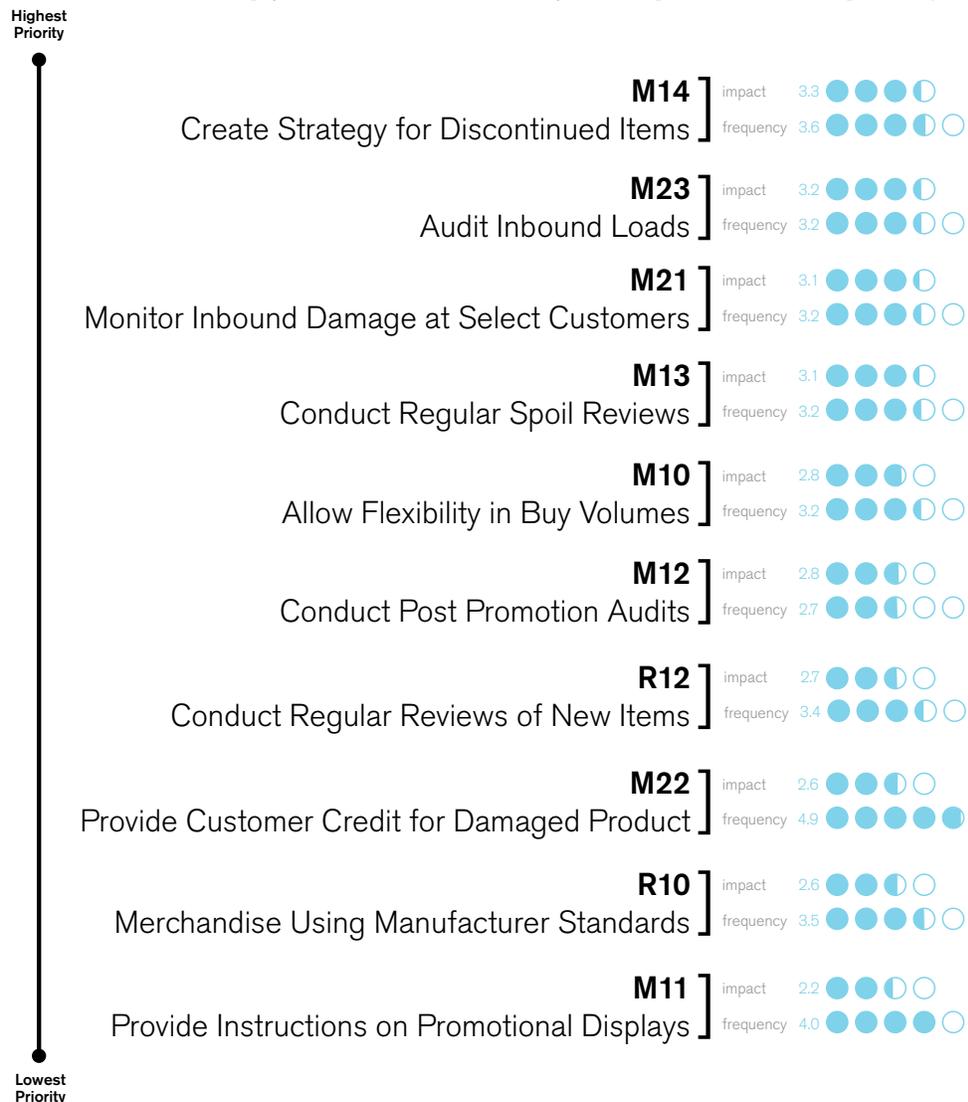
Collaborative Best Practices

BEST PRACTICE FAMILY 1
Planning & Reviewing with Trading Partners

Family Significance

The planning and reviewing practices in this section involve communication around orders, promotions, audits, and discontinued items. These practices are necessary to ensure transactions occur smoothly and without surprises.

The following practices fall into the planning and reviewing family:

Highest Priority

M14
Create Strategy for Discontinued Items
impact 3.3
frequency 3.6

M23
Audit Inbound Loads
impact 3.2
frequency 3.2

M21
Monitor Inbound Damage at Select Customers
impact 3.1
frequency 3.2

M13
Conduct Regular Spoil Reviews
impact 3.1
frequency 3.2

M10
Allow Flexibility in Buy Volumes
impact 2.8
frequency 3.2

M12
Conduct Post Promotion Audits
impact 2.8
frequency 2.7

R12
Conduct Regular Reviews of New Items
impact 2.7
frequency 3.4

M22
Provide Customer Credit for Damaged Product
impact 2.6
frequency 4.9

R10
Merchandise Using Manufacturer Standards
impact 2.6
frequency 3.5

M11
Provide Instructions on Promotional Displays
impact 2.2
frequency 4.0

Lowest Priority

Success Factors

Communication is the key factor in this family of practices and is most effectively coordinated by the vendor's sales lead and distributor's purchasing agent. The ultimate accountability for unsaleables performance between trading partners is at this level. It is important to clarify which person needs to support each activity such as new item introductions and discontinuations. Success depends on the melding together of different unsaleables programs, and that requires the partners to work together toward:

- Daily communication
- Audits (often with third party support)
- Understanding both ends of the supply chain
- Understanding packaging and distribution
- Understanding of how store practices impact unsaleables

Ideally a manufacturer representative should be located at the customer's site or close by for regular contact. Trading partners should monitor processes and enforce accountability by asking the following questions:

- Is the review process working?
- How can this review process be improved?
- What is missing in the process?
- Are unsaleables with this partner improving over time?
- How is this partner doing compared to others?
- Do sales and purchasing have a good business relationship?
- Does this partner have an internal process for driving consistent improvements in unsaleables?
- Is more attention warranted in this relationship?

Best Practices Details

M14 R22.1 M14 & R22.1 Have an agreed upon strategy and lead-time to communicate discontinued items; give retailers/manufacturers and sales teams adequate time to adjust ordering patterns.

Why this Practice is Important

This practice is essential to the efficient transitioning of products out of the supply chain. Without sharing a strategy and allowing lead time,

product slated for discontinuation will accumulate in the form of excess inventory, and will ultimately represent wasted value.

How this Practice is Carried Out

Creating a strategy for discontinued items requires participation on the part of both manufacturers and retailers. The following checklists outline activities that will ultimately save time and reduce waste:

Manufacturer's Check List

- ☐ Have a minimum lead time of 16 weeks for communication with partners

- ☐ Work with partners to evaluate their current inventory levels at DCs and stores

- ☐ Define an inventory step-down schedule *(if normally carrying 6 weeks, move to 4 or 2)*

- ☐ When possible, use monetary funds to either buy back excess inventory or to help move through retail

- ☐ Allocate discontinued product to other retail outlets

Retailer's Check List

- ☐ Plan ahead while still within the current plan-o-gram set to ensure distribution of items

- ☐ Adjust orders to ensure all systems are updated to reflect discontinuation

- ☐ Review orders and identify the item(s) and internal item code(s)

- ☐ Update purchasing status of orders to suspend further shipments of the item(s)

- ☐ Communicate to markdown/pricing team and/or plan-o-gram team

- ☐ Notify reclaim team so they will know which items spike in reclaim if not sold through at stores

- ☐ Notify stores in advance about section reset(s) *(minimum of one month before reset cycle)*

- ☐ Give customers notice with tags to let them know an item will no longer be carried regardless of a markdown price for sell through or not

- ☐ Markdown product using a discount schedule to push items through retail *(can vary based on inventory levels and code dates)*

- ☐ Ensure markdown is at store level based on each store's movement vs. a markdown across all stores

- ☐ Review inventory at retail and DC's as well as velocity across store locations

- ☐ Use step-down plan to cut shipments to slower velocity stores first

- ☐ Allocate product to secondary markets or donate to Feeding America or local food banks

M23
M23 Work with select customers to audit inbound loads at their distribution centers

M21
M21 Monitor inbound damage at select customers

Why these Practices are Important

When product is physically transferred from a manufacturer to a distributor, it reflects the quality and value of the partnership. Continuous improvement requires monitoring and measurement of processes. A valued relationship between trading partners should not be left to chance. In order to understand where responsibility for damaged product lies, it is necessary to observe the receiving process. This will illuminate areas where process improvement is necessary, and it will discourage partners from unjustly blaming the other party.

How these Practices are Carried Out

When monitoring inbound product and auditing that activity, it is important to understand that variations in processes exist among different supply chains. Some receiving systems may use automated or semi-automated conveyers, while others may be strictly hand-picked. Large packages or bundles wrapped in plastic film may not perform well on certain conveyance systems. Sales managers and purchasers need to be aware of these nuances.

Walk the system to understand what works; be engaged with your trading partner and gain an understanding of both sides of the business. Success depends on the sales manager's focus on the process. When necessary, a sales manager will want to involve supply chain experts from his or her organization, such as logistics and unsaleables management experts.

M13
M13 Conduct regular collaborative spoil reviews, either monthly, quarterly, or twice per year

Why this Practice is Important

Again, communication is key when implementing these practices and any good continuous improvement effort calls for regular monitoring and measurement to ensure activities are having the desired impact and trending in the right direction.

How this Practice is Carried Out

Establish contact between supplier and retailer representatives who have responsibility for waste, as this function may be performed outside the sales and procurement departments. Define and monitor joint metrics, such as damage and expiration rates by SKU. Where necessary, drill down based on other relevant data (such as consumer returns).

Set up a schedule of regular meetings (in-person or conference calls) for replenishment, new item and discount management. Establish an overall inventory strategy that includes the manufacturer's cross-channel sales team as well as unsaleables/reclaim representatives.

The frequency of reviews should be jointly decided and be depedent on the partner relationship. Set goals early in the year so there is time to track progress.

- If vendors are trending unfavorably in reclamation, meet more often, e.g. monthly
- If trending favorably, meet less frequently, e.g. quarterly
- Audit reclamation centers at least once per year

M10 M10 Allow flexibility in minimum buy volumes for new products at different customer distribution locations

Why this Practice is Important

DCs in different regions have different volumes and flow-through rates. One size does not fit all. Seasonal fluctuations also require the attention of trading partners. If a slow-moving DC receives product at the same rate as a fast-moving location, unbalanced flow will result. In order to avoid excess inventory and unsaleables, the right volumes need to be directed through each location.

How this Practice is Carried Out

This process should also be co-owned by the manufacturer sales manager and the retail purchasing agent. The retail agent has to provide the information and the sales manager must coordinate orders to different locations. Supply chain partners need to know how they vary in size and volume.

Relationships need to be strong enough to share this information and keep both parties aware of changes. Include forward-looking forecasts in establishing weeks of supply, not just history. Consider any weeks of promotions/displays for forward-looking forecasts. Track agreed-upon actions, such as changing replenishment parameters. Inventory strategy should include guidelines in writing and be trackable.

Real-World Example: *"We defined an acceptable level of inventory in advance based on history and then we set alerts like as soon as we hit 2X average weeks of supply, we have a stop, drop, and call meeting to address. We also established inventory guidelines based on revolving history by category, SKU, and season."* - CPG Manufacturer

M12 M12 Conduct post-promotion audits and share results with trade partners

R12 R12 Have a set cadence for reviewing the introduction of new items to forecast the replenishment of new items both at warehouses and stores

Why these Practices are Important
Product promotions and the introduction of new items represent deviations from normal flow volumes, thus they raise the risk of unbalanced inventory. In order to ensure that product supply does not become short or grow to excessive quantities, the processes around promotions and new items should be reviewed and understood by all parties.

How these Practices are Carried Out
Partnership between the manufacturer sales lead and the distributor purchasing agent is again key to carrying out these practices. Trading partners should establish and agree on measurable KPI's that include velocity thresholds, distribution levels, shelf placement, depth and frequency of promotion, along with a pricing plan that covers both regular and promoted items. Success depends on paying attention to the details. See practice M14 and R22.1.

M22 M22 Provide customer credit for products that arrive damaged

Why this Practice is Important
Basic fairness and respect for contracts are required to maintain trust

and a good working relationship. Incentives to reduce product damage require responsible parties to honor their side of the agreement. This practice is complimentary with underlined practice R8 in the Receiving and Warehousing Family.

How this Practice is Carried Out

If inbound loads are being monitored as described in practice M21, there should be agreement on which party is responsible for product damage. In cases where the manufacturer is responsible, reimbursement in a timely manner should be carried out according to contractual agreements.

R10
R10 Ensure product is merchandised according to manufacturer's standards

M11
M11 Provide customers with clear instructions on how to set up new promotional displays

Why these Practices are Important

In keeping with the theme of communication and collaboration, practices R10 and M11 go hand-in-hand. Manufacturers should give retailers well-defined and concise instructions around displays. Retailers should follow manufacturers' recommended merchandising practices.

How these Practices are Carried Out

Retailers should make an effort to understand the strategy, scope, and duration of promotions. If there are questions, contact the supplier. Retailers may have suggestions for improving displays. The end user often sees aspects that the designer is unaware of. Communication about flaws in a display can be beneficial to both sides.

Manufacturers should inform retailers about any unique requirements for promotional displays. Be certain that retailers are aware when promotional displays require special handling or timing. Keep it simple but informative. Provide contact information so that questions can be addressed directly. Have a process to ensure that the message is conveyed all the way to the front-line users.
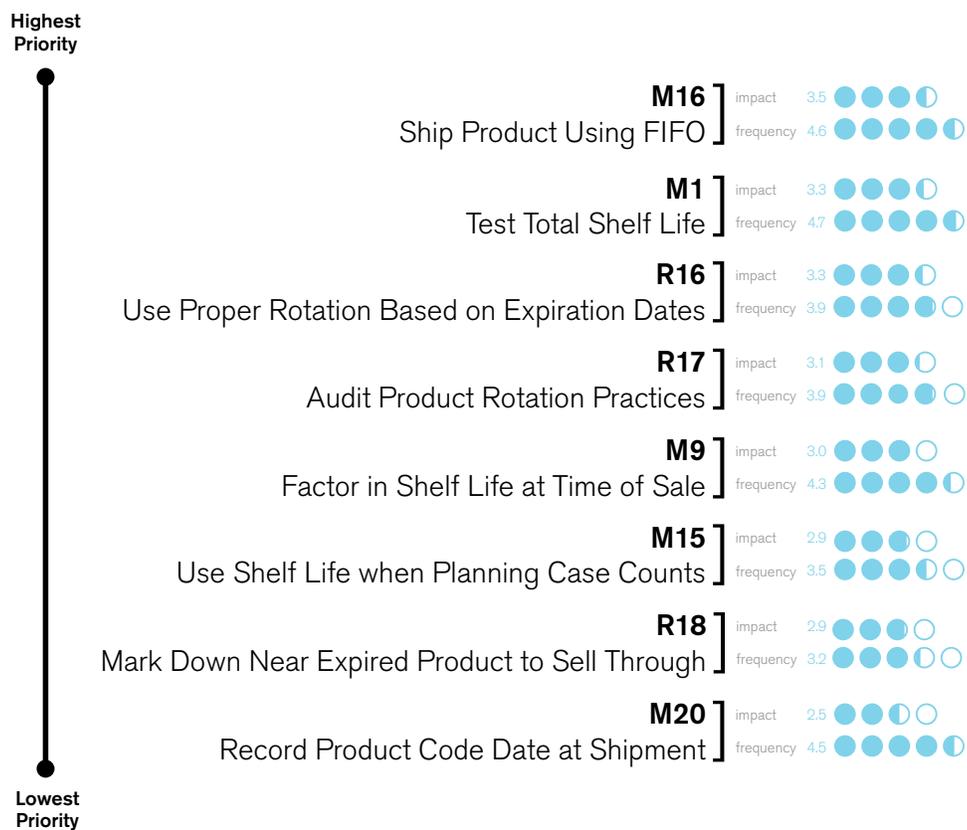
BEST PRACTICE FAMILY 2
Collaborative Shelf Life Management

Family Significance

These practices are necessary in order to minimize product expiration. Appropriately managing shelf life reduces cost and waste, protects brand equity, and improves consumer satisfaction.

The following practices fall into the collaborative shelf life management family:

Highest Priority

M16
Ship Product Using FIFO
impact 3.5
frequency 4.6

M1
Test Total Shelf Life
impact 3.3
frequency 4.7

R16
Use Proper Rotation Based on Expiration Dates
impact 3.3
frequency 3.9

R17
Audit Product Rotation Practices
impact 3.1
frequency 3.9

M9
Factor in Shelf Life at Time of Sale
impact 3.0
frequency 4.3

M15
Use Shelf Life when Planning Case Counts
impact 2.9
frequency 3.5

R18
Mark Down Near Expired Product to Sell Through
impact 2.9
frequency 3.2

M20
Record Product Code Date at Shipment
impact 2.5
frequency 4.5

Lowest Priority

Success Factors

Shelf life management practices outline several specific activities that will improve unsaleables once embedded into operations; but even at the highest level, consider the following to increase success:

- Ship using First In First Out (FIFO) method
- Track each product's shelf life throughout the supply chain by having action plans and trigger dates to manage aging product
- Product rotation at stores and product velocity is critical
- Be prepared to mark down aging items
- Use historical data to adjust order quantities to align orders with movement
- Review residual promotional inventory at warehouse and/or store

Use industry standard definitions for product coding

http://www.gmaonline.org/issues-policy/preserving-the-environment/product-code-dating-initiative/

Best Practices Details

M16 M16 Ship products using FIFO (First In First Out) method

Why this Practice is Important

Shipping FIFO ensures an orderly movement of product in and out of the warehouse and minimizes the accumulation and unnecessary aging of product while in storage. Based on our survey results, shipping product on a FIFO basis is standard practice in the industry and considered a high impact best practice. It should be routinely adhered to.

How this Practice is Carried Out

Most distribution facilities utilize warehouse management systems that automatically control the flow of products on a FIFO basis. Flow through racking is an efficient way to physically impose the practice of FIFO shelf life management. One variation on the concept is FEFO: first expired first out, where items that have recently arrived are nevertheless due to expire before other items that have been there longer. In situations like this, FEFO should take precedence over FIFO.

M1 M1 Thoroughly test the total shelf life of new products during development

Why this Practice is Important

In order to move a product through a distribution system, it is essential to know how long that product will maintain its quality under the specific environmental conditions in question. Without adequate knowledge of a product's shelf life, it would be impossible to plan product flows, cycles, and inventories.

How this Practice is Carried Out

Shelf life testing can be done in-house or through a commercial testing service. Testing shelf life on products all the way to product failure should be done on all items. It is important to understand how a product performs at different stages within the life cycle. Determination of product quality over time can be made by observing changes in color, moisture content, odor, viscosity, weight, or the presence of microorganisms. Changes in product formulations should be tested for changes in shelf life.

M9 M9 Factor in shelf life at time of sale - i.e. set a practical minimum shelf life for all customers

M15 M15 Factor in product shelf life and velocity when planning product case counts and order increments

M20 M20 Record product code date at time of shipment

Why these Practices are Important

These practices form the backbone of shelf life management. Recording, monitoring, and shipping with adequate shelf life are absolutely necessary in order to ensure that inventories, flows, and product quality remain in balance as products move through the supply chain.

How these Practices are Carried Out

The frequency of monitoring depends on the product's shelf life. Products with very short shelf lives are monitored daily; others should be monitored weekly.

Review forecasts, inventories, and production plans to predict aging inventory and adjust accordingly. Use available category and item velocity data to set minimum shelf life or stop thresholds for products, as shelf life requirements can vary widely within and across product classes.

- Identify total shelf life and a minimum shelf life guarantee for each item
- Each item should have a minimum shipping date/stop ship date for DCs to stores and/or manufacturers to customers
- Have an action plan for items that hit the minimum ship or guarantee
- Have a system that flags these items or places them on hold for a more controlled review and designated shipping

Set shelf life standards at time of vendor onboarding. A good rule is to set expectations at the time of receipt in the DC. Suggested thresholds are 80% of total shelf life for dry grocery and 70% for perishables.

- Flag items for review that are near this threshold and review by item and shipping location
- Ask the questions, *"Will you move through it before it hits the minimum ship?"* and *"Do you need to move it to another location to ensure shipping?"*
- Have a defined process for product that hits best if used by dates and ask the question, *"What are your store practices for the product as it is aging?"*
- Have a process such as markdown and liquidation to manage inventory that is on hold

Accountability is required to effectively manage shelf life. Monthly metric reporting ensures data is kept current and stays within target specifications. Regular reporting of aged status offers reference points for continuous improvement. Spikes in aged product can alert managers of the need for more resources to investigate and resolve special situations.

Real-World Example: *"We implemented our own minimum shelf life requirements to challenge suppliers to help us reduce shrink related to close code issues. We found vendors whose guarantees were as little as 30% of the total shelf life which increased our risk for close code related issues."* – Retailer in CPG

R16 R16 Use proper rotation based on expiration dates, i.e. utilize a set schedule for rotation within different sections of the store

R17 R17 Audit product rotation practices

R18 R18 Mark down near expired product to sell through

Why these Practices are Important

Shelf life management is collaborative and continuous until the product reaches the consumer. Managing shelf life is especially critical at the retail level because much time and effort have already been invested, and at this point the product may be getting close to the use by date.

How these Practices are Carried Out

Perishable departments such as dairy and lunch meat have daily rotation assignments to review rotations, markdown close dated product, and pull expired product. Dry departments have weekly rotation assignments to review rotation, markdown close dated product, and pull expired/expiring product.

Use of colored shelf tag overlays is a good practice for items set to expire prior to next check. It is recommended for perishable departments to be checked weekly and for dry departments to be checked quarterly.

Have a preplanned rotation schedule to ensure that all product (especially perishables) is arranged in a first in first out (FIFO) orientation. Auditing rotation should be an ongoing process including the following guidelines:

- Be sure to have the appropriate employee conducting the monthly Women, Infants, and Children (WIC) food and nutrition program rotation
- The employee should be fully trained on proper rotation guidelines based on company expectations
- Employees should understand the WIC guidelines for product near expiration

Department managers should spot check associates' stocking habits to ensure that FIFO is being conducted properly. Department managers should also make routine checks to verify cooler product is labeled and placed in its home location with nearest expiration dates stacked on top of newly received product.

- Receivers should be spot checking vendor items for out-of-date product
- Use a Vendor Violation Log to inform vendor management of any violations of out-of-date product on the sales floor or in back stock
- All departments should have a preplanned rotation check scheduled to avoid last-minute rushing

It is imperative that rotation checks receive the full attention by the individual assigned. Accountability is required to ensure rotation practices result in proper dates on shelves

- Quarterly audits should be conducted on rotations, markdowns, and pulling of expired product
- Identify at-risk items in the DC and create specific markdown programs to move through inventory in an efficient cost-effective manner
- Establish mandatory time standards for sensitive product categories (i.e. baby food, formula, medicines and vitamins) that must be pulled prior to expiration

Manufacturer
Best Practices

BEST PRACTICE FAMILY 3
Testing Package and Unit Load Performance

Family Significance

Even though the incidence of product damage has decreased over the last ten years, it continues to be a major source of unsaleables. The balance between product damage, packaging costs, and sustainability makes damage reduction a moving target.

Many consumers today consider environmental sustainability an important factor in deciding what products to purchase and where to buy them. A growing number of consumers favor products that are produced, distributed, and marketed according to sustainable principles. One such principle is the reduction of packaging material, which decreases the amount of solid waste ending up in landfills. The challenge of reducing packaging material while maintaining package integrity requires innovative designs and rigorous testing of those designs, thus package testing continues to be a priority.

In addition to evolving package technology, the high turnover of personnel in the CPG industry necessitates regular training in product manipulation and operation of material handling equipment.

The following practices fall into the testing package and until load performance family:

Highest Priority

M2
Test Packaging Throughout Supply Chain
impact 3.5
frequency 3.8

M17
Evaluate Palletizing, Loading, & Bracing
impact 3.2
frequency 4.3

M18
Train on Palletizing, Load Stabilization, Loading & Bracing
impact 3.1
frequency 3.5

M19
Audit Unit Load Stability and Handling Practices
impact 3.0
frequency 3.5

Lowest Priority

Success Factors

In order to be successful with these practices rigor for package testing and handling must exist throughout the entire supply chain and systematic training programs should be considered. Additionally, audit and measure processes to ensure operations are in fact minimizing damage. In short:

- Be thorough and systematic
- Provide training
- Audit processes

Best Practices Details

M2 M2 Test packaging throughout the supply chain; evaluate how it will perform during movement on pallets, in different layers or in different shipper cases

M17 M17 Periodically evaluate and update methods of palletizing, loading, and bracing

M19 M19 Audit unit load stability and handling practices

Why these Practice are Important

In efforts to reduce product damage, one has to consider the cost tradeoff between additional packaging strength and damage reduction. Effective testing helps to optimize this balance. Systematic testing is an investment that ideally reduces both product damage and packaging costs.

How these Practices are Carried Out

Thorough package testing should take into account the interaction of product and packaging. This practice usually requires equipment designed to simulate all segments of the supply chain. Testing can be conducted in-house or through a third party service provider. An ideal package testing system simulates different hazards and factors that impact distribution, handling, warehousing and transportation.

Per the ISTA test protocol, inclined impact testing is completed to evaluate shock, which normally occurs in the handling of the unit load. Compression testing, using a fixed load weight, is used to replicate warehousing.

The final simulation is vibration, which is common in transport vehicles, lift trucks and conveyors. All of these tests support trading partner objectives such as product damage reduction, new product validations, and cost reduction opportunities. Objective testing maximizes the likelihood of making correct decisions and minimizes the risk of introducing poor packaging and equipment into large-scale operations.

Testing of packaging, unit loads, and handling systems is ideally a scientific process. To really understand the relationships between packaging materials, stabilization equipment, and dynamic supply chain conditions, all factors need to be accounted for during testing. Whether testing is done under simulated conditions or in the actual supply chain environment, all variables must be controlled and accounted for in order to reach accurate conclusions.

Real-World Example: *"Our product is enclosed in corrugated packaging and we set the condition for the environmental chamber to ensure relative humidity was at 85% and the temperature was at 120°F for at least 72 hours. This reduced the compressive strength of the corrugate by 50% and allowed for the unit load to be tested during a worst-case scenario, providing us the confidence needed to ship the product in a wide range of temperatures and humidity."* - Manufacturer in CPG

The packaging and handling systems will require occasional updating. A regularly scheduled audit will inform managers whether material handling processes are actually being carried out the way they should be. Auditing the process in the field will continuously uncover opportunities for improvement.

M18 M18 Provide ongoing training for warehouse personnel on palletizing, load stabilization (stretch wrap), loading, and bracing.

Why this Practice is Important
Operation of material handling equipment requires skill and attention. For the safety of personnel and for minimizing the cost of damage, training should be conducted on a regular schedule.

How this Practice is Carried Out

A systematic training and maintenance program should be a routine part of every manufacturer's operations. Education of employees and equipment upkeep should conform to the following guidelines:

- Material handling operators should be re-certified annually
- Newly certified operators limited with height access and high-traffic areas during 12-week probation period
- Complete fork lift maintenance and inspection reports daily before workday begins and take special note of platens
- Make sure there are no uneven, bent, or damaged blades as this can be a major source of product damage
- Make sure platens are smooth and waxed to allow for easier push-pull slip sheets, which further reduces risk of damage to product

Ensure Safe Transport of Product with Fork Lift

- When moving loaded pallets, *handle with care* means ensuring the forklift is square to product and platens are centered and level
- All motions should be smooth and steady with no jerking
- Come in square to the pallet using the gate to center up product
- Gently place forklift platens through wood frame of the pallet
- Raise platens approximately three to five inches, lifting pallet off floor or rack
- Carefully back straight out, taking care not to damage the pallet contents or any adjoining/surrounding pallets
- If taking pallet from the top, lower it gently to a driving position

Inspect Trailers Before Loading

- Check for conditions such as infestation, leaks, odor, and foreign substances on any surface
- Take note of any conditions to the trailer that could cause damage (e.g. rough walls, protruding nails, holes in floor)
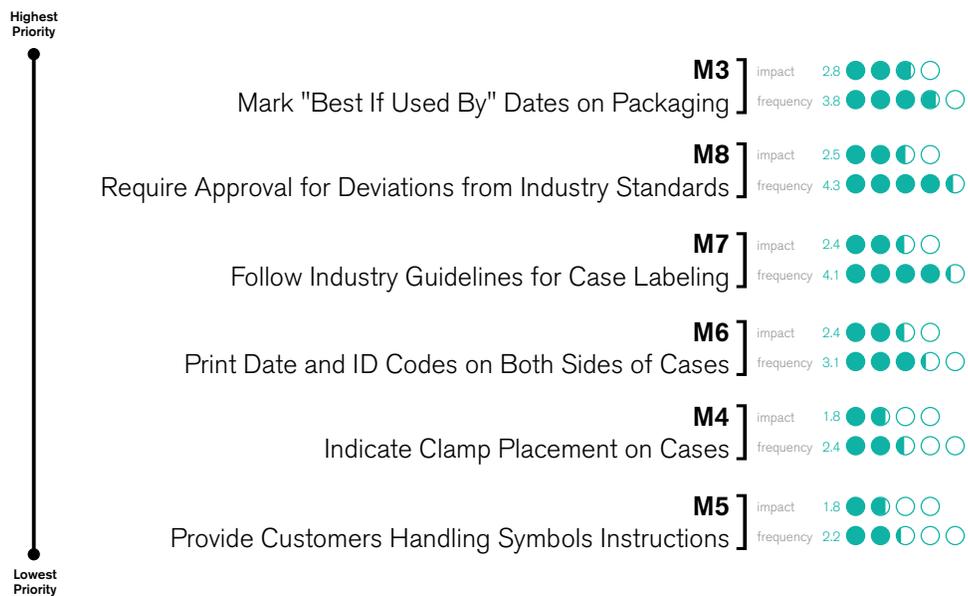
BEST PRACTICE FAMILY 4
Package Labeling

Family Significance

Several federal agencies share jurisdiction over food labeling in the US. Most of the labeling regulations exist to inform and protect consumers. In the context of unsaleable reduction, pertinent label information exists on shipping containers as well as consumer units. In both cases, the label needs to include: product identification, supplier identification, product date information, and special handling instructions to reduce product damage or spoilage.

The following practices fall into the Package Labeling family:

Highest Priority

M3
Mark "Best If Used By" Dates on Packaging
impact 2.8
frequency 3.8

M8
Require Approval for Deviations from Industry Standards
impact 2.5
frequency 4.3

M7
Follow Industry Guidelines for Case Labeling
impact 2.4
frequency 4.1

M6
Print Date and ID Codes on Both Sides of Cases
impact 2.4
frequency 3.1

M4
Indicate Clamp Placement on Cases
impact 1.8
frequency 2.4

M5
Provide Customers Handling Symbols Instructions
impact 1.8
frequency 2.2

Lowest Priority

Success Factors

Overall, making package label information clearly visible on products and ensuring label information is actionable, unambiguous and consistent across product lines is imperative to the overall success of managing product expiration.

Best Practices Details

M3 M3 Clearly mark *"best if used by"* dates on the outside of case packaging (shippers)

M8 M8 Require approval for deviations from industry standards

M7 M7 Follow industry guidelines (GS1 recommendations) for case labeling

M6 M6 Build redundancy into manufacturing lines – print date and identification codes on both sides of cases

Why these Practices are Important

In the context of shelf life management, package labeling is an essential way for trading partners to communicate. All the testing, monitoring, and scheduling that happens upstream is channeled into the best if used by date information that is conveyed on the package labels. In order for this information to be used, the labels need to be visible, clear, and unambiguous. Every effort should be made to ensure that these qualities are met.

How these Practices are Carried Out

Label information must be large enough to see. GS1 standards call for print height of 3mm or larger. It is best if pertinent information is visible on two sides of the shipping container, ideally on opposite sides of the outer carton.

The Food Marketing Institute and the Grocery Manufacturers Association have introduced a new initiative to **streamline** the many date labels to two standard phrases.
- "**Best** if Used By"
- "**Use** by"

Historically there have been many forms of date language used in the food industry. More than 10 different date labels on packages – such as "sell by," "use by," "expires on," "best before," and "better if used by" - have been used.

These inconsistent terms can be confusing to consumers, and may lead to unsold product. It is recommended that manufacturers adopt the following terminology in order to establish consistent standards across the CPG industry. "BEST if Used By" describes product quality, where the product may not taste or perform as expected but is safe to use or consume. "USE By" applies to the few products that are highly perishable and/or have a food safety concern over time; these products should be consumed by the date listed on the package – and disposed of after that date.

M4 M4 Indicate on the case which way the product is designed to be clamped

M5 M5 Provide customers with instruction on how to interpret handling symbols on packaging

Why these Practices are Important
In the context of product damage reduction, package labeling is an effective way for trading partners to convey handling instructions. The package testing that occurs during product development is often supplemented by information that is printed on labels or packaging. Like product date information, product handling instructions should be visible, clear, and unambiguous.

How these Practices are Carried Out
If special care is required for fragile products, handling instructions should be clear and unambiguous. Messages such as "fragile," "this side up," "keep dry," and "apply clamps on this side" should be easily seen and understood.

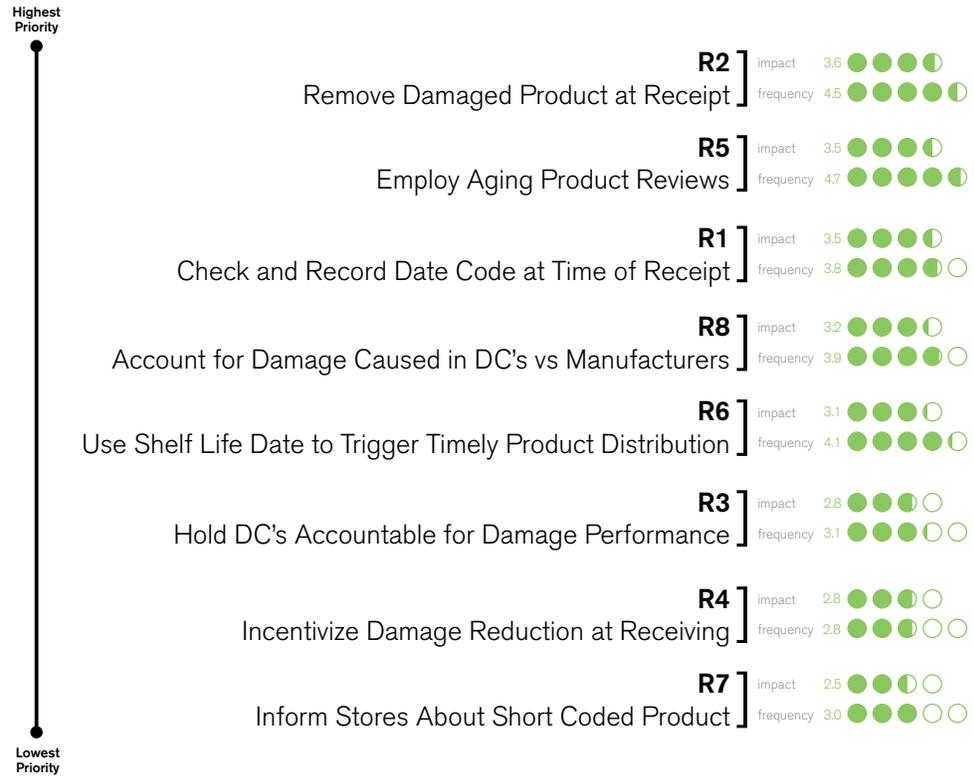# Retail & Wholesale Best Practices
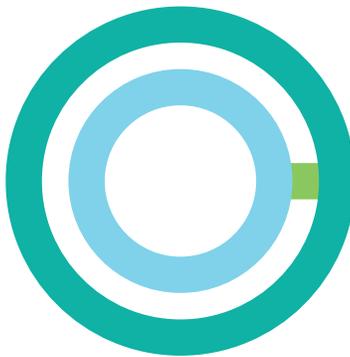
BEST PRACTICE FAMILY 5
Receiving and Warehousing

Family Significance

The receiving process includes several crucial steps that help reduce unsaleables and prevent unsaleable product from continuing down the supply chain. Receiving and warehousing practices have an impact on both product damage and shelf life. This crucial link in the supply chain represents the passing over of ownership and responsibility for product.

The following practices fall into the Receiving and Warehousing family:

Highest Priority

R2
Remove Damaged Product at Receipt
- impact 3.6
- frequency 4.5

R5
Employ Aging Product Reviews
- impact 3.5
- frequency 4.7

R1
Check and Record Date Code at Time of Receipt
- impact 3.5
- frequency 3.8

R8
Account for Damage Caused in DC's vs Manufacturers
- impact 3.2
- frequency 3.9

R6
Use Shelf Life Date to Trigger Timely Product Distribution
- impact 3.1
- frequency 4.1

R3
Hold DC's Accountable for Damage Performance
- impact 2.8
- frequency 3.1

R4
Incentivize Damage Reduction at Receiving
- impact 2.8
- frequency 2.8

R7
Inform Stores About Short Coded Product
- impact 2.5
- frequency 3.0

Lowest Priority

Success Factors

Above and beyond the practices mentioned in this section there are a few other activities that can improve product damage and shelf-life within the warehouse. A clean, organized, and well-lit facility is conducive to carrying out these processes. A team of well informed, incentivized personnel also improves chances for success. In general be sure to:

- Record and monitor date codes
- Discard damaged product
- Understand manufacturer/customer unsaleable related policies

Best Practices Details - Product Damage Reduction

R2 R2 Remove damaged product at receipt

R3 R3 Hold third party distribution centers accountable for their distribution damage performance

R4 R4 Ensure that the receiving process incentivizes damage reduction

R8 R8 Have a separate accounting of damage caused in the distribution facility as opposed to damage coming from manufacturers

Why these Practices are Important

Handover of responsibility for product occurs at this juncture of the supply chain. Clear delineation of accountability during this transfer can be achieved through the use of incentives. If all parties understand their responsibilities with regard to material handling, then everyone will have a stake in preventing product damage.

How these Practices are Carried Out

Damaged product should be noted immediately, and either returned or processed according to planned procedures. This will prevent further damage downstream, and will provide incentive to responsible parties to modify processes that are causing damage.

Understanding the manufacturer's Over, Short & Damage (OS&D) policy will help determine the best actions to take for reimbursement of product damaged on receipt. (i.e. provide picture and description of the incident, communicate with manufacturer customer service)

Knowing how and who to communicate with will expedite the resolution of damage drivers from the distribution source and lead to reduced supply chain damage.

Make sure products are stored in the appropriate environment (e.g. temperature, light, humidity). For example, flour and cornmeal should be stored in a cool, dry environment. These products are highly susceptible to infestation which leads to broader inventory contamination and increased costs. Understanding the potential risks of improper handling and storage is a key component of any unsaleables management plan. Working closely with manufacturing supply chain teams to understand these risks will drive long-term cost reductions.

Accountability and responsibility make supply chain participants more careful. Receiving crews should be responsible for product that they damage, and they should pre-inspect product for damage that may be the carrier's responsibility. Inform and incentivize as much as possible.

A comprehensive reverse logistics system is essential to this process. Create a holistic plan that includes process development, robust communication, and ongoing training. Training should inform employees on key action steps and communication needed to resolve unsaleable issues and limit the potential for repetitive failures.

Real-World Example: *"The reverse logistics plan that we have implemented includes:*
- *Ongoing supply chain audits of manufacturing locations, third party distribution services, retail DCs and retailer reclamation centers*
- *Robust communication plan that includes early action items from field to manufacturing point and to customer*
- *Monthly and quarterly cross-functional root cause meetings that include supply chain, plant operations, brand marketing, packaging, third party auditors, and sales communications teams*
- *Bi-annual customer communication plan that includes an in-depth look into both root cause drivers and manufacturer corrective actions*
- *Supply chain analytics that seek to identify potential unsaleable issues and recommendations*
- *DC scorecards to deliver insights into supply chain improvement opportunities that reduce or eliminate unsaleable costs"*
- A major producer of center of store grocery products

Best Practices Details - Shelf Life Management

R1 R1 Check and record date code (shelf life) at time of receipt at DC

R5 R5 Employ a process to review aging product in the warehouse

R6 R6 Use a set date range of remaining shelf life to trigger expedition of product to stores

R7 R7 Employ a process that informs stores when they are receiving short coded product

Why these Practices are Important

In order to maintain the integrity of the supply chain, responsibility for shelf life maintenance should be clearly transferred at the receiving stage. In order to give the stores as much shelf life as possible, tight management of product dates at the warehouse are recommended.

How these Practices are Carried Out

The first step is to record the date of receipt and the supplier's best if used by date. That information can be associated with the product batch number and/or the PO number. Reference numbers should be as specific as possible in order to distinguish different batches of the same product, but of different ages. Color code identification can be a useful guide regarding when product was received or will expire. Flow through racking can be conducive to efficient FIFO shelf life management. Also, tracking each product's shelf life in the warehouse is recommended:

- Use trigger dates to flag aging product
- Segregate out aged product to ensure it is not picked in error
- Have action plans and processes defined to manage aging product
- Communicate with downstream partners (e.g. stores) before they receive short coded product so they can be prepared to promote or mark down
- Communicate upstream to retail/wholesale to help further facilitate a markdown plan against short coded product

All employees handling variable shelf life product should be thoroughly trained in all the processes on tracking product shelf life. Training related to warehouse rotation practice should include:

- How to read and record product coding
- Actions to take when product is close dated or expired
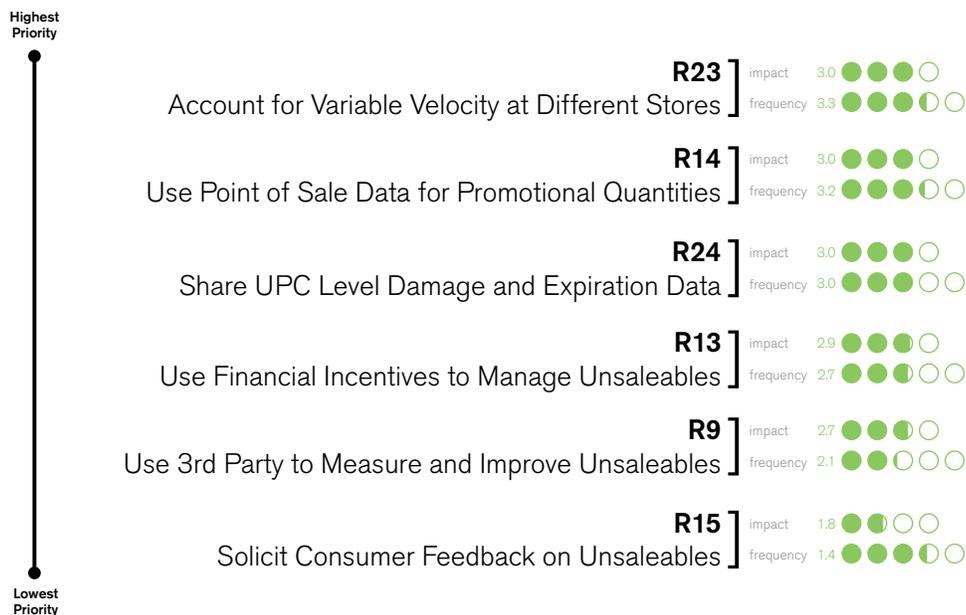- What and to whom to communicate
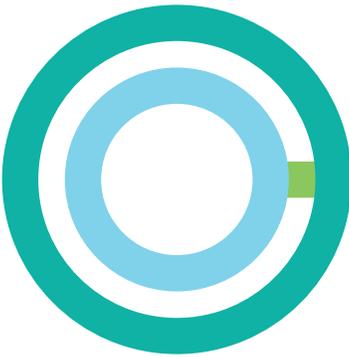
BEST PRACTICE FAMILY 6
Sharing UPC and POS Level Data

Family Significance
UPC level data provides the granularity necessary for systematic process enhancement(s). Measurement at the UPC level allows for the identification of root cause and the construction of improvement strategies. Items that are out of date, damaged, or discontinued can all be tracked and analyzed at the UPC level. Point of sale (POS) is a specific source of UPC data that can be used at the level of specificity required, e.g. product type, store, or region.

The following practices fall into the sharing UPC and POS level data family:

Highest Priority

R23
Account for Variable Velocity at Different Stores
impact 3.0
frequency 3.3

R14
Use Point of Sale Data for Promotional Quantities
impact 3.0
frequency 3.2

R24
Share UPC Level Damage and Expiration Data
impact 3.0
frequency 3.0

R13
Use Financial Incentives to Manage Unsaleables
impact 2.9
frequency 2.7

R9
Use 3rd Party to Measure and Improve Unsaleables
impact 2.7
frequency 2.1

R15
Solicit Consumer Feedback on Unsaleables
impact 1.8
frequency 1.4

Lowest Priority

Success Factors

The bulk of the responsibility for sharing UPC and POS level data falls with the retailer but manufacturers can also help the cause by performing a few activities and being proactive:

- Seek out UPC level data from retailer
- Reimbursement type should not determine use of UPC level data to reduce unsaleables
- Review retailer data against other retailers to identify issues
- Request reclaim to hold high unsaleables items for review
- Provide follow-up actions/resolution on findings and corrections

From the retailer's point of view, using a robust system to collect UPC level unsaleables data in-house is recommended and although using a third-party provider is not done as frequently, it is still a viable option.

- Collect UPC unsalable data by item/package and by store/region
- Hold high damage items for review by Supplier and Packaging teams
- Support reclaim audits
- Review internal handling practices

Best Practices Details

R23 R23 Know product velocity at different stores and manage accordingly

R14 R14 Use point of sales data, not previous orders, to determine promotional quantities

Why these Practices are Important

Stores in different regions have different volumes and product velocities. Seasonal fluctuations also require the attention of trading partners. In order to avoid excess inventory and unsaleables, the right volumes need to be directed through each location. POS data is an excellent way to distinguish volumes and velocity at different stores and in different regions.

How these Practices are Carried Out

To make effective decisions on velocity and volume, an evaluation of inventory weeks of supply and forecasted demand rates should be supplied by the retailer. Some manufacturers and retailers have Vendor Managed Inventory (VMI), or Collaborative Planning, Forecast and Replenishment (CPFR) relationships which better enable these types of collaborations. Knowledge about shelf life, demand variability, supply variability and lead time all enable inventory planning and UPC rationalization.

> Sharing UPC-specific data on product shelf life, inventory levels, and forecasted demand rates **enables all parties to make better decisions** because they are operating from the same data.

For example, both manufacturer and retailer need to alert one another when a particular UPC is scheduled for a promotional ad. Both parties benefit in ramping up the on-hand inventory in the retailer's DCs and stores prior to the promotion date. Both parties need to agree on when inventory flow should increase

- From the manufacturer to the retailer DCs
- From the retailer's DCs to the stores

There should be adequate time allotted for the product to ramp down to normal inventory levels at the end of the promotion period.

R24 R24 Analyze damage and expiration by SKU and share data with manufacturer

R13 R13 Use financial incentives (with measurements) to manage unsaleables at DCs and stores

R9 R9 Use a third party to measure unsaleables and develop actions to improve processes

Why these Practices are Important

Data is easier to gather today than it has ever been in the past. Collecting root cause information about product damage and sharing it with trading partners is a valuable practice that can reduce waste

for both parties. Making use of all data resources, including retailer, manufacturer, and third-party service providers is an option that should not be overlooked in today's environment of cost reduction.

How these Practices are Carried Out

Knowledge about product durability and unit load stability enable package improvement and damage reduction. Manufacturers want to know if there are UPC items that are experiencing high damage rates as they move through the supply chain (manufacturer to distributor to retailer). Manufacturers that physically receive damaged product back through the reclamation process have the opportunity to inspect the product first-hand.

However, more manufacturers are moving away from physically handling the damaged product and are now more reliant on receiving damage data from retailers and/or third parties hired by manufacturers to audit inventories throughout the supply chain. Manufacturers will request retailers to share UPC-specific data from their reclamation operation which can sometimes include descriptions of the types of damage, e.g. crushed, leaking, torn, etc. This data can be compared to data from third-party service providers.

When all the data is reviewed, a manufacturer will be equipped to assess whether the damage is the result of issues with the package design, manufacturing processes, or handling processes at the manufacturer, distributor, or retail store sites. Some manufacturers set up cross-functional boards that include representatives from Quality, Package Engineering, Transportation, DC Operations, Supply Chain, and Manufacturing to review the data and build business cases for damage reduction projects.

If data is sufficiently robust, it can trigger the exchange of trade funds when certain unsaleable thresholds are reached. Such incentives can be used to optimize investments for all trading partners committed to the agreement.

R15 R15 Solicit consumer feedback on product or packaging issues that may drive unsaleables.

Why this Practice is Important

The consumer is the ultimate arbiter of supply chain success. A manufacturer's product and a retailer's service are judged by consumers' satisfaction and their willingness to repeat purchases. Therefore consumer feedback can be a valuable tool in reducing unsaleables.

While consumer feedback should always be listened to and respected, according to the results of the Unsaleables Initiative survey it has the lowest impact and is the least frequently used practice for unsaleables reduction.

How this Practice is Carried Out

Store check-out aisles, customer service counters, and company web sites are all potential avenues for receiving consumer feedback about product quality and packaging. Overall, with the exception of product recalls, consumers seldom notice more than one-off issues regarding out of date or damaged product.
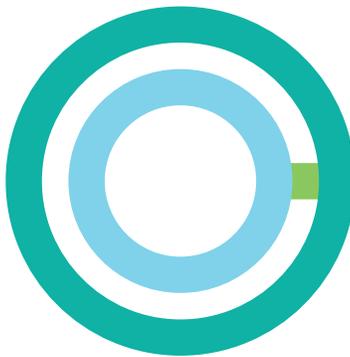
BEST PRACTICE FAMILY 7
Rotation and Display

Family Significance

These practices are necessary in order to minimize product expiration. They represent the final stage before the consumer chooses or rejects the product, so the investment at this stage is significant. In addition to wasting product and causing rework, aged product can have negative impacts on inventories, relationships between supply chain partners, and consumer satisfaction.

The following practices fall into the Rotation and Display family:

Highest Priority

R11 Ensure that Promotional Items are not Misplaced	impact 3.0 ●●●○ frequency 3.6 ●●●◐○	
R19 Do Not Pull Unexpired Product Prematurely	impact 2.9 ●●●○ frequency 2.9 ●●●○○	
R21 Ensure Proper Stocking Behavior and Handling of Displays	impact 2.6 ●●◐○ frequency 3.1 ●●●○○	
R22 Review Product Assortments to Identify High Unsaleables	impact 2.6 ●●◐○ frequency 2.6 ●●◐○○	
R20 Evaluate Suitability of Dump Bins and Other Displays	impact 2.8 ●●●◐○ frequency 2.4 ●●◐○○	

Lowest Priority

Success Factors

There are a few pitfalls to consider when implementing rotation and display practices. Over time, customers have become aware of the practice of rotation and may circumvent it by reaching towards the back of shelves or diligently monitoring for the "best if used by" date to ensure they are getting newer and therefore slightly better products. Price reduction/discounting is an acceptable way to combat this problem.

Again, at the highest level of the rotation and display processes, it is helpful to:

- Maintain appropriate quantities
- Manage product dates
- Review displays

Best Practices Details

R11 R11 Employ a process to verify that appropriate quantities of promotional items are displayed at store level; ensure promotional quantities are not sitting in a back room, or being displayed too late for an ad

Why this Practice is Important
Promotional ads offer a good opportunity to increase sales, but they also raise the potential for unbalanced inventories and misplaced product. Promotions increase the likelihood of both product damage and overstocked items. Promotional events require special attention.

How these Practices are Carried Out
Plan ahead for promotional displays; they should be part of a larger business plan, and quantities should be considered ahead of time. Use predictive modeling to ensure promotions will meet expected levels of performance. Utilize Computer Generated Ordering systems with forecasting algorithm functions to predict store specific movement based on past promotions, store trends, and seasonality.

Real-World Example: *"We offer a forecasting service for our Merchandisers that allows us to identify what stores can move through a shipper or display to avoid adding back stock in stores leading to excess inventory and difficulty in rotating product. We also load the secondary display information into our distribution system but only ship product that is expected to be sold. We utilize store inventory for distribution and promotional display plans."* – Retailer in CPG

Why these Practice are Important

These practices represent the last step before product is accepted by the consumer. Any product not making it past this point represents maximum waste. Product that does fail here must be noted and analyzed so the failure won't be repeated.

How these Practices are Carried Out

Pulling unexpired product prematurely will guarantee unsaleables. If necessary, place the item on markdown to motivate purchase.

Department or store managers should have a detailed plan on exactly how a display should be assembled. Everything from the overall amount of space, to the height of the display should be taken into consideration. This will help with increasing productivity, while helping to control shrink (e.g. avoiding accidents because there is too much weight on product or displays are too tall).

Vendors share responsibility for providing an easy and safe shopping experience for the customers. Safety should always be the primary focus when building displays. Things such as pallets or dummy boxes can be used to build up displays and avoid the need for excessive product, as long as it is done in a safe manner. This practice can also help reduce shrink by preventing product from getting damaged by shopping carts, floor machines, etc. Make sure display fixtures are physically appropriate and are not contributing to product damage by exposed corners, excessive consumer manipulation, etc. All vendor displays should be approved by management before the vendor leaves the building.

To minimize packaging damage in displays, follow up to validate rotation practices are in place and train floor personnel to:

- Ensure that appropriate safety cutting tools are properly used
- Take accountability for damages while stocking
- Rotate stock appropriately by setting clear expectations for rotation

It is very important that the store management team give consistent reminders that, while speed and efficiency are important, it is equally as important to care for the display items. Rushing to get stocking done or displays built is not an acceptable excuse for damaging product. Moreover, it is wasteful.

Products in the backroom should be viewed just as importantly as products on the sales floor. Proper and safe stacking methods must be used when placing excess product in the backroom. Vendors must keep their back stock location neat, organized, and clean at all times.

Make sure promotional product is placed in the appropriate place at the appropriate time (i.e. coordinated with ads) and are not left in back room. Provide weekly display plans to the operators to help them identify what promotional items they will be receiving and where to display in the stores. Examine pre-existing trade promotion data when planning promotions. Verify that previous promotions did not result in higher levels of unsaleables.

Partner with manufacturers to track product after promotions for excess inventory in warehouse or stores and take actions for additional promotions to avoid excess unsaleables. There is accountability from both sides of the supply chain to own the inventory until it is sold.

CONCLUSION

At a cost of approximately $15B annually, unsaleables is both a massive opportunity and at the same time a challenge. Many organizations are already reducing unsaleables and have shared their experiences by quantifying the best practices outlined in this report. If process improvement efforts can eliminate as little as 1% of the unsaleables problem, the potential savings is greater than $100M.

The first recommended step to reducing unsaleables is to conduct an assessment of any supply chain processes currently in place that impact unsaleables in the organization. The assessment should focus on measuring the effectiveness and efficiency of each process and should span the supply chain end-to-end. Once the assessment quantifies the processes, build an action plan that determines which current processes should be improved and which new processes should be implemented to achieve the biggest reward. Identify process owners. Implement success measures and develop ways to monitor them over time. By learning from others efforts and implementing some of the more impactful best practices outlined in this report, a portion of that $15B can be saved in each organization.

Glossary of Terms & Acronyms

Glossary of Terms and Acronyms

Adjustable Rate Policy — A monetary cap on the amount a manufacturer pays distributors for unsaleables. These caps can be adjusted, up or down, based on statistically relevant sampling of supply chain touch points to establish the portion of unsaleables that are the manufacturer's responsibility.

CPG — Acronym for Consumer Packaged Goods

Cause of Damage — How a product came to be damaged. Often confused with the type of damage (product condition). For example, "razor cut" describes the visible damage — not why or how it happened. Some causes of razor cuts have been found to be poor case design and improper opening techniques.

Closed Coded — Date stamp where the expired date is unreadable without knowing how to decipher the code. Contrasted with "Open Coded" - A date stamp where the expired date is easily understandable.

DC — Acronym for Distribution Center

Damaged Goods — Unsaleables products that are physically damaged, e.g., broken, cut, crushed, dented, etc.

Discontinuation Sub-Glossary:

> **Discontinuation process** — The steps taken within the originating company and with trading partners to stop selling or buying new quantities of the product.

> **Discontinued product disposition process** — The steps taken by trading partners to handle residual inventory of discontinued product.

> **Originating company** — The trading partner who first decides to discontinue a product. This decision could be made jointly.

> **Product discontinuation** — The removal of a product from distribution to wholesalers or retailers by manufacturers or sales agencies; or the removal of a product from stores and warehouses by a distributor (also known as delisting).

> **Total supply chain** — All steps and costs associated with the production and distribution of consumer packaged goods. This includes manufacturers, independent sales agencies, wholesalers, and retailers.

> **Type of discontinuation** — The reason the product is discontinued, i.e., the "cause" of the discontinuation.

Disposition — The path taken by unsaleable, e.g., donate, destroy, salvage, hold for pick-up or return to supplier.

Expired Product — Product that is removed from distribution based on the date code printed on the package or case. Manufacturers determine the code date based on quality parameters.

Feeding America — Formerly known as America's Second Harvest — The national network of local food banks that administers operating standards and guidelines while assisting in the distribution of products to the needy.

FEFO — Acronym for First Expired First Out.

FIFO — Acronym for First in First Out.

FMI — Acronym for the Food Marketing Institute.

Food Banks — Non-profit organizations that accept unsaleables from a reclamation center and process them along with other donated products for distribution to local feeding agencies, such as soup kitchens and food pantries.

GMA — Acronym for Grocery Manufacturers Association.

GS1— The not for profit international organization that develops and administers business communication standards, e.g. universal product codes (barcodes). HTTPS://WWW.GS1.ORG/ DOCS/TL/GS1_LOGISTIC_LABEL_GUIDELINE.PDF

Joint Industry Report (JIR) — The first in a series of reports on unsaleables. The 1990 JIR set out guidelines for using reclamation centers and established the first joint industry reimbursement policy recommendations.

JIULT — Acronym for Joint Industry Unsaleables Leadership Team.

Open Coded — Date stamp where the expired date is easily understandable. Contrasted with "Closed Coded" - Date stamp where the expired date is unreadable without knowing how to decipher the code.

Platens — A flat plate on a forklift, one that exerts or receives pressure.

Policy — A written document that states a company's position and practices with trading partners. An unsaleable policy guides discussions and practices with trading partners on the handling and disposition of unsaleables and on the reimbursement practices.

POS — Acronym for Point of Sale.

Post-Damage Handling Costs — These costs typically occur after damage to the item has been identified in the store and before it arrives at the reclamation center if it is sent there.

Pre-Damage Direct Product Cost — These handling and storage costs occur before damage is identified as an item moves through retail distribution. They include costs incurred at the warehouse, during transportation to the store, and at the store itself. Store costs for retail shelf space, checkout and bagging are excluded.

Reclamation Center — A collection point for damaged goods and other unsaleables, often affiliated with a warehouse distribution center. In these facilities, physical processing occurs, invoices are created, data are captured and disposition is managed.

Reimbursement — Generally refers to the manufacturer's payment to a distributor or sales agent for unsaleables. Sales agents may also reimburse stores for unsaleables.

Returned Goods — Generally saleable products that are removed from the primary distribution channel and returned to the manufacturer. Examples include seasonal products, such as insecticides or garden seeds; cosmetics; and seasonal packs with guaranteed sales contracts. Prescription drugs and other controlled distribution products can be returned to the manufacturer for proper disposition.

Shippers or Cases — Secondary packaging that usually contains and protects consumer unit packaging, which in turn contains product. A group of shippers or cases are usually stacked in layers on a unit load.

SKU — Stock Keeping Unit. A number assigned to a product by a manufacturer or distributor for stock keeping purposes . SKUs are alpha-numeric and can vary in length. Each company assigns its own SKU to an item for internal inventory management. Each SKU can be embedded with various types of information such as size, color, etc. which is determined by the company assigning the SKU. (also see UPC)

Swell Allowance — A fixed percentage applied to all products invoiced by the manufacturer and delivered to the distributors' warehouse. Sometime referred to as "spoils allowance."

Third Party (Service Provider) — A company that provides unsaleable management services for one of the two trading partners. For example, a manufacturer could use a third party to collect unsaleable product or data. A distributor could use a third party to manage a reclamation center.

TPA — Acronym for Trading Partner Alliance.

Type of Damage (Product Condition) — Condition of an unsaleables product such as crushed, dented, soiled, out-of-date. Standard industry definitions are published in the 1990 Joint Industry Report: Product Reclamation Centers. Third-party auditors have more extensive categorizations, frequently called "causal factors."

Unit Load — A collective arrangement of unitized packages such as shippers stacked in layers, usually on a pallet or slipsheet. Unit loads are transported via truck, rail, ship, or intermodal container, and can be stored on the floor or in racks.

Unsaleables — Product removed from the primary channel of distribution, regardless of the reason for removal. This includes product discontinuations, damaged, seasonal or expired products.

Unsaleables Rate — Unsaleables, expressed in dollars, divided by gross sales. Rates can be determined for a total company, division, brand, SKU, customer, store, etc.

UPC — Universal Product Code. A twelve digit numeric code assigned to a product in order to track that product through the supply chain. Each product has one UPC code, which is used universally across all retailers. UPC codes are issued by GS1, the not for profit organization that administers the global use of bar codes. (also see SKU)

Acknowledgements

For Further Contact

For support and questions regarding Unsaleables best practices, contact CHEP at **(800) 243-7255 ext. 1**

To become an active member of the TPA or to express interest in joining the JIULT, contact Daniel Triot at **dtriot@gmaonline.org**