

RETAILING

SHARON AND KEVIN'S
50 METRE DASH

The last 50 metres between the stockroom and a retailer's shelf remains one of the supply chain's biggest challenges and contributes to problems of 'high cost' and 'low availability'. Initiatives from the IGD and ECR have resulted in workable standards, but even more can be achieved by addressing 'back of store' and staff issues. MARTIN GREEN

Most consumers entering a supermarket with a shopping list of 20 items have little more than a 50/50 chance of leaving with all the items in their basket. Research by the Institute of Grocery Distribution (IGD) has shown that around 20 per cent of shoppers are frustrated by poor availability and faced with empty shelves would consider switching stores, buying alternative brands or not buying at all.

Retailers became aware of just how important on-shelf availability was three or four years ago when they began picking goods for home delivery from their stores. Availability was critical to these internet shopping services. At the same time a study by Tesco concluded that the last 50 metres represented 46 per cent of the company's controllable supply chain costs.

Efforts by retailers and their suppliers to improve availability have gathered momentum since then. They have been collaborating via the Efficient Consumer Response (ECR) initiative, run by the IGD, on ways of tackling the problem.

Immediate improvements

The IGD is coming up with many good ideas. Each quarter the organisation's researchers visit 400 stores in the UK with a list of 200 items from 11 product categories and check which ones are available. When the survey was started three years ago, researchers found immediate improvements, as retailers strove to make advances but more recently availability has stuck at around 96 per cent for each item in the researchers' baskets.

Many of the improvements gained through the ECR programme have involved agreeing standards. For example in fresh produce, the industry has settled on a single format of green tray, cutting out the waste involved in managing a different kind of tray for each supermarket company.

So far retailers and suppliers have concentrated on the big picture: tackling supply chain strategies, business processes, technology advances and management issues. However, more attention could be paid to managing the people who are

responsible for replenishing shelves in stores.

If the back of a store is run as well as a Unipart distribution centre, using the lean techniques developed in the manufacturing sector, its performance could be transformed. Lean processes involve focusing on customers and the value they place on particular services. It also involves engaging employees to identify poor practice and wasteful activities.

In the best managed manufacturing industry, there is a culture of continuous and active participation of the workforce so that they contribute to problem solving. They are given clear guidelines and challenged to improve their working practices. In stores, for instance, lean processes might involve laying down the steps involved in unloading a truck, sorting the roll cages or replenishing a shelf. Instead retail operations remain a Cinderella activity.

At Unipart we have created two characters called Sharon and Kevin who are 17 to 18-years-old, struggling with their A levels and raging hormones. They are paid a minimum wage, and receive minimum training, relying mostly on being told what to do by co-workers.

There are no such things as standard operating procedures or performance boards that describe the amount of work a team has to do in a day and then track it hour by hour. Sharon and Kevin struggle to find products in a badly organised store room. Their standard response to customer enquiries is 'If it is not on the shelves, we haven't got it'. When they do go to look for something they are more than likely to have a cigarette and then return saying it is not there.

There are little in the way of agreed operating procedures to follow when a vehicle arrives. Roll

cages have to be unpacked, sorted and then reassembled into another roll cage that corresponds with the aisle the goods are going to. But all too often jobs are interrupted because more urgent work crops up. There should be a standard way of unloading a truck and priorities should be determined in advance.

Store friendly deliveries

Some retailers are already adopting 'store friendly deliveries', where loads are shipped to store in a way that meets the needs of the store – not the logistics operation. However, in some instances this has been difficult where there has been additional cost incurred in the logistics operation and the benefits in stores have not been clearly identified.

Retailers are also experimenting with merchandising units that can simply be rolled into a store and used to display products. This is already widely accepted practice with milk. However, these units immediately put up logistics costs since they are smaller than the standard pallet and this reduces vehicle capacity.

Trying to find a particular stock keeping unit in the back room is a nightmare if everything is packed in the same cardboard outers. Fortunately the industry is looking at ways of making products more readily identifiable.

For the moment, staff turnover is high: Sharon and Kevin soon get demotivated because there is no order in their work. Retailers will argue that they cannot invest more in Sharon and Kevin because their margins are tight and the pair won't stay long.

However, with stores accounting for such a high proportion of supply chain costs it makes sense to apply 'best practice' management techniques in this area. Retailers can learn a great deal from industry in this respect. The real questions that retailers need to ask themselves are: 'What is it costing me not to have these products on my shelves' and 'How do I

reduce the cost of my total supply chain' – if necessary trading off increased logistics costs for reduced and more effective store operations.

Lean techniques, and the management tools that go with them, both reduce costs and improve effectiveness. This in turn leads to improved staff moral, reduced staff turnover and more satisfied customers. These techniques have been established in many sections of industry for nearly 20 years. Surely it is time for retailers to take the next big step in managing their supply chains and focus their attention on – Kevin and Sharon.

Martin Green is a senior management consultant at Unipart

