



EPC Changing the CPG Industry

Improving Retail Promotional Execution

Situation:

Secondary Promotional Displays are a key element to driving impulse, incremental sales of supplier product. Some displays support time sensitive advertisements and product launches. Lack of timely movement of displays from the back room to the sales floor:

- Hinders expected sales lifts and store profit.
- Jeopardizes on-shelf in-stock levels to the point of modular shelf out-of-stocks.
- Makes inefficient use of the time sensitive, premium priced, promotional vehicle and real estate being utilized.
- Delays replenishment ordering.
- Increases idle, non-productive inventory.

How EPC Meets the Challenge:

EPC technology is delivering on its promise to improve supply chain visibility, and has been directly applied to improving retail execution of promotional displays. Gillette and Wal-Mart have conducted experiments which yield significant improvements of sales performance as well as identify areas of process improvement.

For these experiments Gillette used Wal-Mart Retail Link™ to monitor movement of promotional displays through the supply chain.

Promotions were observed moving from the DC to the Store backroom and ultimately to the Store floor. These observations successfully demonstrated whether a store has executed moving these secondary displays to the store floor for consumer sale or if inventory remained in the back room past the promotional start date.

From these experiments, Supplier Retail Operations (SRO) representatives were able to visit stores and aid in setting the promotion resulting in immediate sales. This experiment identified opportunities for specific store execution improvement. Identifying these specific stores enables the SRO to better allocate resources to work with specific stores and improve future promotional execution.

Prior to and during these experiments Gillette and Wal-Mart have measured read rates of these promotional displays and have found that these displays exhibit read rates ranging between 97%-100% of total cases shipped. These levels of read rates were achieved through a "multi read" strategy which combines DC reads and store reads. These strong results enable robust inventory tracking, especially

at store level, as well as the efficiency of movement of product from the DC to the store.

Resolution:

This experiment illustrates how EPC is changing the CPG industry by improving retail promotional execution. The implications of this experiment lead to a number of benefits including:

Consumer Benefits:

Advertised and promoted product is available for purchase at the store providing:

- An overall satisfying shopping experience
- Good return on consumer investment of their shopping time.
- No rain checks or return visits required.

Retailer Benefits:

- Sales data during the test indicate that stores that execute promotions on time experience 19% sales lift over stores that don't. Retailers will benefit from more timely execution yielding greater sales and profits.
- Reinforces store loyalty
- Improved utilization of working inventory and capital.

Supplier Benefits:

- When utilizing EPC alerts to monitor and assist in moving displays to the sales floor sales increased by 19% driving brand and category growth.
- Reinforcement of supplier brand loyalty by delivering on their promoted promise.
- Quicker replenishment cycles during the promotional period.
- Improved forecasting and execution measurement learning which can be applied to future promotions.

Process Enablers:

Near term promotional execution improvements can be achieved with a relatively low level investment in EPC technology.

Suppliers (or their third party packagers): Need a means to tag promotional cases/displays. For many instances this tagging can be performed manually "Slap and ship". Suppliers need to capture the data from all shipped promotional items. Suppliers also need access to EPC reads from the Retailers EPC network. Once the supplier has both their own reads and the retail reads they can use a simple spreadsheet to track location of promotional items and make determinations of where the promotional items are in the supply chain.

Retailers: Need read points at their distribution center and store locations. These read points need to provide at a minimum the location of the promotional item at the DC, the store backroom, the store sales floor, and the store trash compactor. Retailers need to make this EPC information available to suppliers.

Process Changes:

Actual during the experiment:

- Retailer and Supplier share EPC reads with SRO.
- SRO uses data to see if promotional inventory is moved at the correct promotional time period.
- SRO assists in movement of non compliant promotional items.
- SRO also adapts store visit schedule to focus on improving promotional execution.

Anticipated future changes:

Future changes could include the development of more automated promotional monitoring systems which would:

- Measure execution performance and monitor KPI. Develop trend analysis determining the stores who consistently execute promotions below the base average and form process change plans to assist these stores in improving inventory execution and increasing sales and profits.
- Alert both store and SRO personnel when items are past the promotion window, both promotion start and end times.
- Provide decision support regarding proper inventory push for future promotions / product launches.

Additional Retailer shared information can be used in conjunction with EPC data to determine Point-of-Sale impact once promotional displays are moved to the sales floor, match Retailer DC shipments with Retailer store receipt to determine if a mis-shipment will result in a future store on-hand inventory adjustment, and determine if idle inventory in the store back room coupled with multiple consecutive zero sales days is causing on-shelf out-of-stock and preventing store replenishment orders from being generated.

Conclusion: By utilizing EPC data Consumers, Retailers and Suppliers can benefit through improved promotional execution. The experiment performed by Wal-Mart and Gillette has proven results in improved sales, and is now being integrated into future process change improvements. This example is just one of many ways EPC is changing the CPG industry.

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