



SUPPLY CHAIN CONSIDERATIONS FOR MANUFACTURERS

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supporting Food Manufacturers
to win and grow business
with Retailers

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Agenda for today

1. What is the Buyer thinking?
 1. Supply Chain requirements
 2. Supply Chain considerations for manufacturers
1. Maximising performance



WHAT IS THE BUYER THINKING?

Brexit - What is the Buyer thinking?

- Availability of goods
 - Rising costs in the supply chain ~ impact on margins
 - Impact on consumer behavior and the impact on category dynamics
 - Intensity of the competition ~ impact on value perception & sales
- Staying competitive!

What is important to Buyers?

- **Ability to differentiate their offer from their competition**
 - Quality, Price, Product range & Services
 - Creating customer loyalty
- **Ability to manage risk**
 - planning ahead
 - time and structure to manage through any cost changes
- **Long term, collaborative partnerships**
 - to secure supply of key volume categories
 - reward from any efficiency gains

Buyer tactics to manage margin impact

1. Change Customer Offer

- Retail prices
- Product range, change / reduce
- Promotional strategy

2. Reduce Costs / Improve commercial terms

- Tender
- Threat of delist
- Negotiation
- End to End project



SUPPLY CHAIN REQUIREMENTS

The holy grail

- ✓ Full shelves
- ✓ Efficient supply chain
- ✓ Product range that sells well
- Happy customers!



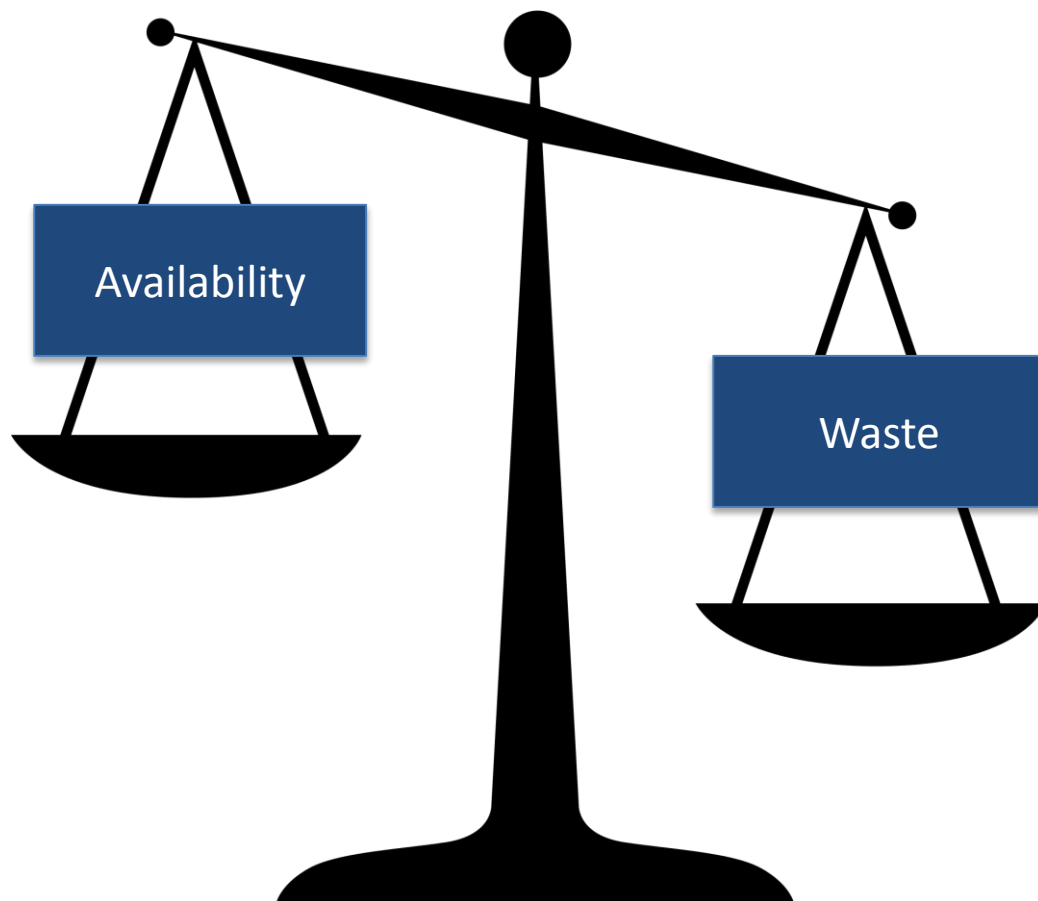
You can't sell what you don't have!

The reaction of a shopper when a product is not available;

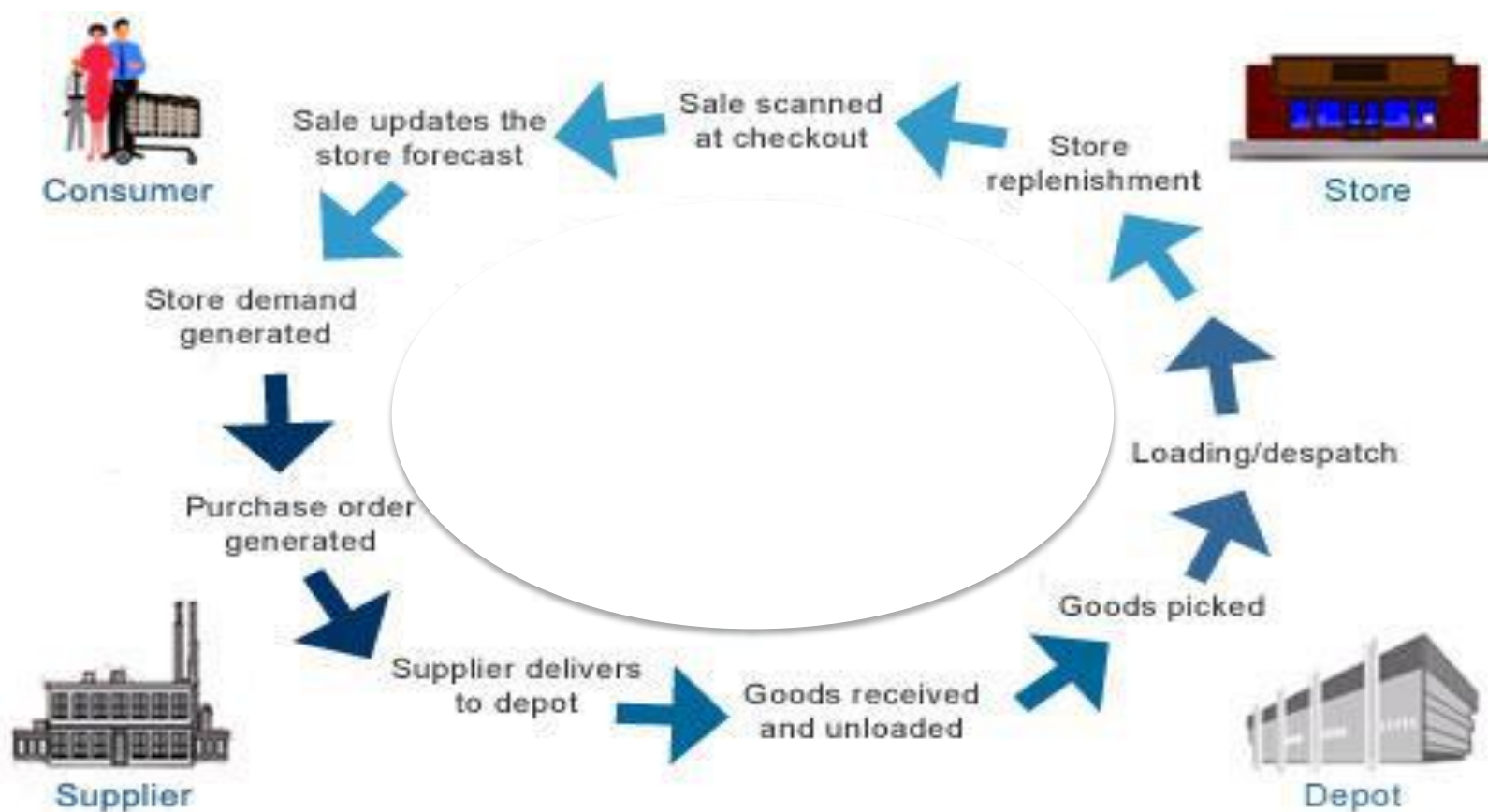
- 31% buy the product they need, but elsewhere
- 26% buy a different brand
- 19% still buy the same brand, but a different variant, size or flavour
- 15% buy the product at a later date
- 9% buy nothing



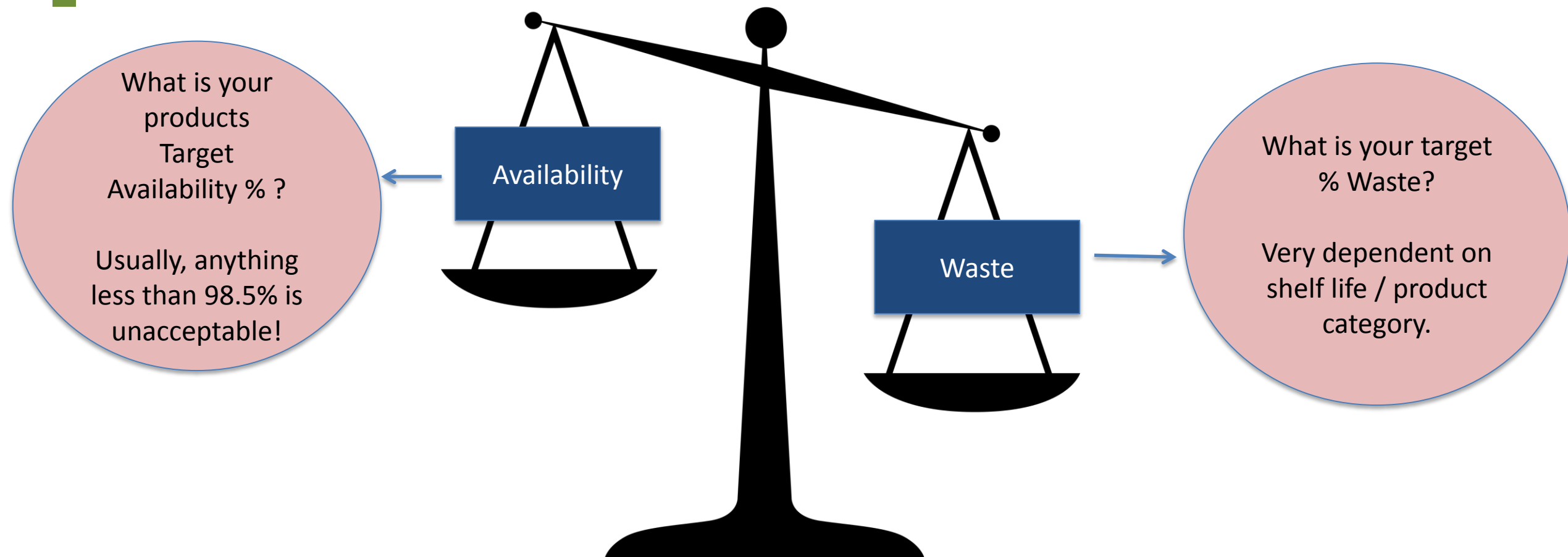
A balancing act



Automated forecasting systems



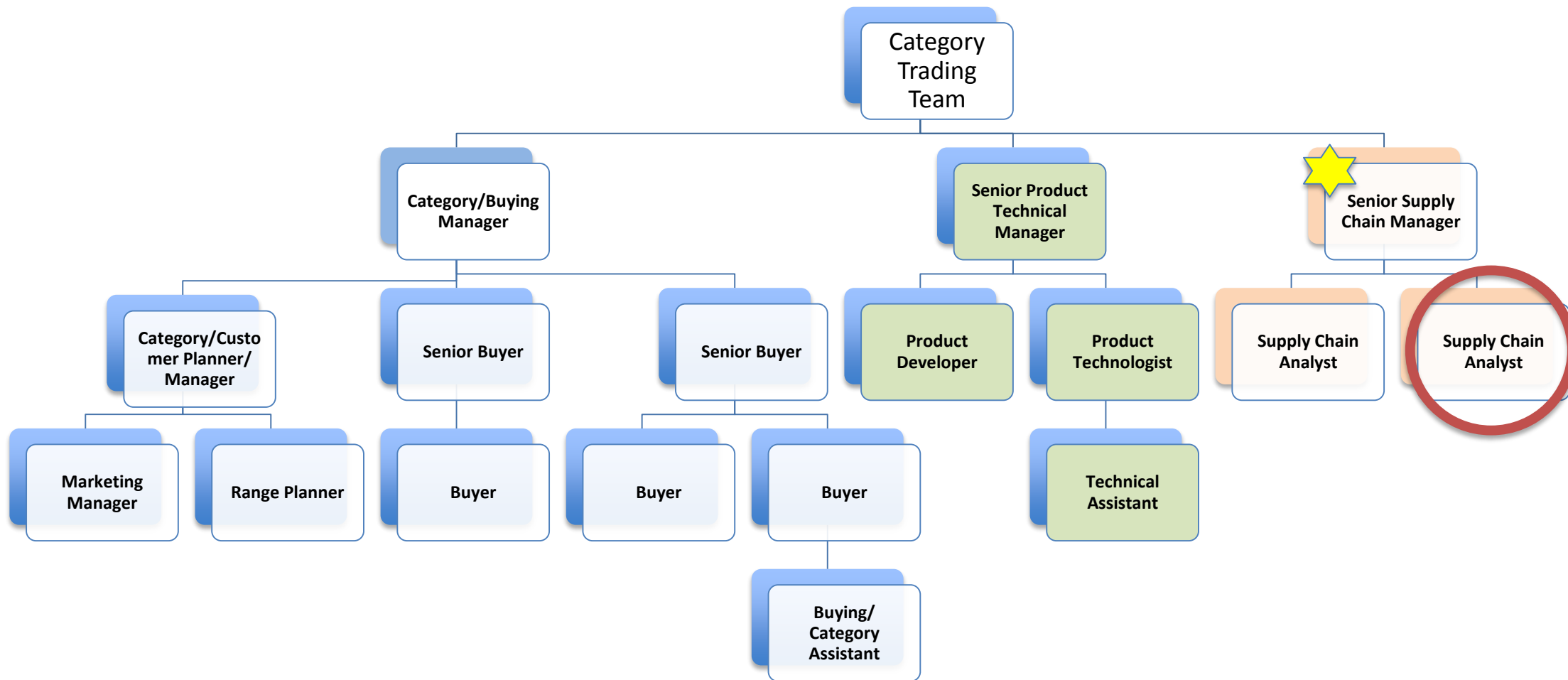
Do you know your targets?



Retail Trading Team - Roles and Responsibilities

Role	Key KPI's	Responsibilities
Buyer	• Sales • Profit • Market Share	Category strategy Buying the Master assortment (full range) Supplier management Retail Pricing and Promotional strategy Promotional planning Cost & Terms Negotiations
Supply Chain	• Availability • Waste	Forecast and Order Balance the availability, stock and product wastage Managing the Supply Chain relationship with Supplier to ensure supplier service, availability and waste targets are achieved.

Relationship with your Supply Chain manager is key



Retailer's Supply Chain Requirements

- Daily deliveries, 7 days a week
- No minimum order quantities
- Strict delivery windows
- Small case sizes
- Reactive to short order lead-times & order volume changes
- 99% service level
- Efficiency & Cost saving improvements
- Crisis Management & Business Continuity



John Lewis
MP2

Delivery requirements

- ✓ Valid Purchase Order
- ✓ Delivery Paperwork
- ✓ Date and sometimes a specific time window
- ✓ Checking in, in advance of delivery
- ✓ Pallet restrictions – format, height and weight



On delivery....

- ✓ Barcodes scanned
- ✓ Temperature checked
- ✓ Shelf life / date codes checked
- ✓ Quality (no damage)

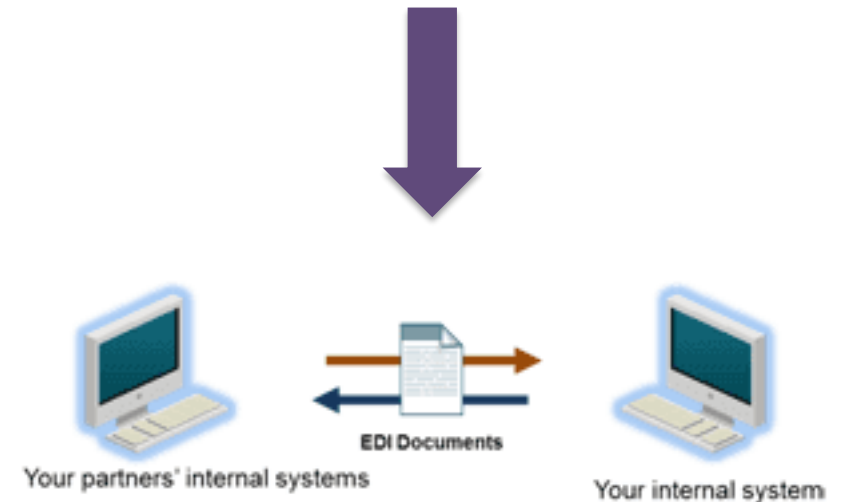
- Ensure you have an agreement with your logistics partner to re-compensate any retailer claims
- Retailer will ask for proof if you are refuting a claim e.g. a photo
- Ask for deductions to be held until investigation is completed

Example of a Retailer's delivery requirements:

1. Pallet loads may be rejected if;
 - a) The pallet or product is damaged
 - b) The pallet or product is contaminated
 - c) The products on the pallet overhang
 - d) The pallet load is not securely shrink wrapped
 - e) The pallet load is unstable
 - f) The pallet contains a mixture of products
 - g) They contain a mixture of date codes
 - h) They fail to comply with the contracted minimum shelf life requirements
 - i) They fail to comply with the temperature requirements
 - j) No delivery documentation is provided
 - k) The delivery documentation provided
 - a) Does not coincide with the products delivered
 - b) Does not state the product description, case size and product codes
 - c) Is not in English

EDI Ordering

- All major retailers require this to receive orders
- Circa £1,000 cost to set up with a EDI Network service provider
- Consider who is processing orders and location e.g. remote / fixed / push notifications
- Third party logistics can receive your EDI orders
- Important to test run an order before launch, ask retailer to send a dummy order





SUPPLY CHAIN CONSIDERATIONS FOR MANUFACTURERS

Manufacturer Supply Chain challenges

- Order lead times
- Stock management & minimising wastage
- Meeting Minimum life requirements
- Cost effective transport solutions
- Different retailers have differing requirements
- Unpredictable order patterns & stock volumes
- Resource to manage forecasting, order processing, stock management, analysis of data
- Penalties for non-compliance

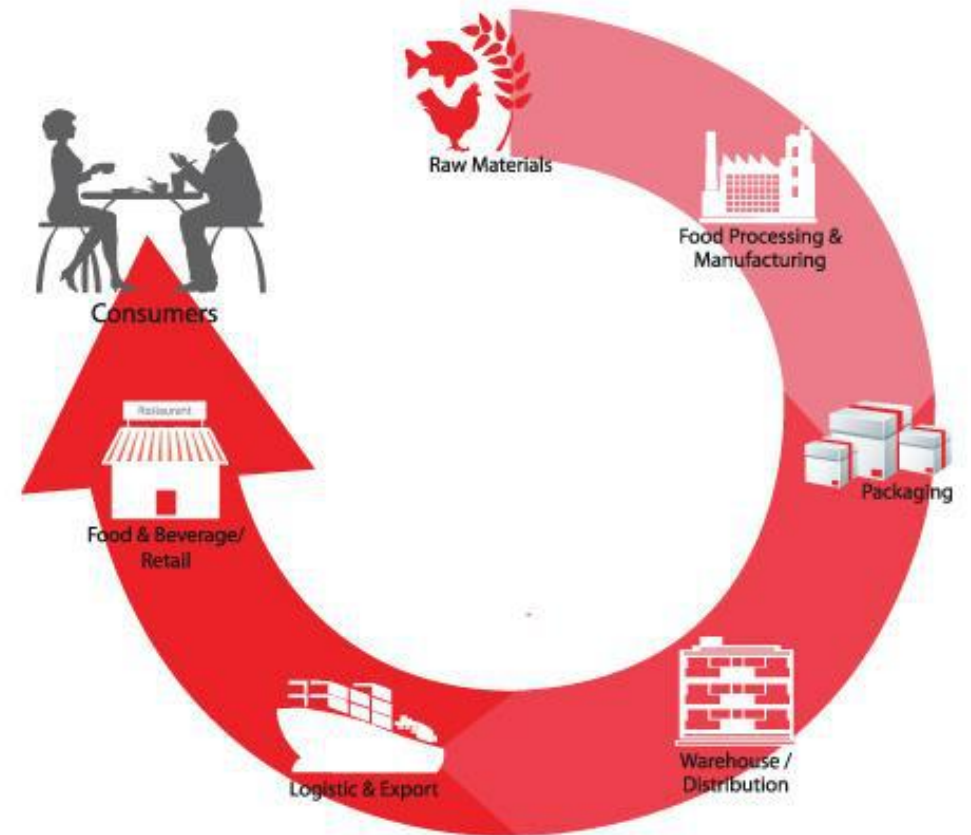


Retail is detail

- Optimum Case size (number of saleable units in an outer case)
- MLOR (minimum life on receipt into depot ~ 75% of total shelf life from production)
- Pallet configuration
- Forecasted volume
- Number of delivery locations, driven by store distribution of SKU
- Frequency of delivery

Understand your supply chain costs

- Challenge supply chain costs
- Identify opportunities for cost reductions
- Where can you make efficiency improvements?
- What volumes do you need to do this?



Unlocking Value from the supply chain

- Volume efficiencies gained from stocking point & volume negotiation
- Distribution savings
 - Pallet configuration
 - MOQ's
 - Delivery frequency
 - Case sizes
- Buying better – tenders with your suppliers?
- Cost saving initiatives e.g. packaging reduction, pack weight

Forecast Accuracy

- ✓ Focus on getting the right amount of stock to the right place at the right time!
- ✓ Fewer missed sales
- ✓ Customer service levels achieved
- ✓ Efficient manufacturing
- ✓ Less waste

Forecast considerations

- Weather
- Promotions, Secondary space
- Competitors' Promotions
- Seasonality
- Retailer Events
- Retailer Marketing activity



Retail Logistics providers & added value services

Logistics companies include:

- NFT
- Oakland
- Culina
- Armstrong Logistics
- PW Gates
- Rick Bestwick

Services available:

- ✓ Storage
- ✓ Date coding
- ✓ Re-packing
- ✓ Frozen to chill tempering
- ✓ Promotional stickering
- ✓ Consolidation
- ✓ EDI order management
- ✓ Delivery Paperwork

Invoicing

- ✓ Invoice based on order delivered
- ✓ Ensure cost prices are as the commercial team have agreed with the Buyer
 - Check if you've agreed an 'off invoice' or 'trigger funded' promotional price
- ✓ Payment terms, outlined in terms of trade ~ between 14 and 90 days
- ✓ Invoice discounting services are available



MAXIMISING PERFORMANCE

Supplier data sharing to maximise performance

- Some free, some an annual fee c. £1k p.a.
- Supplier / SKU / Store level KPI data
- Depot performance
- Stock holding
- Forecasts
- Report generators, to aid analysis



Sales performance can be impacted by many factors

- Supplier service ~ not meeting orders in full, on time
- In Store Availability
- Poor forecasting
- Waste ~ markdown / disposals = impacting availability
- Stocking points
- Stores selling vs Stores ranged
- Stores with no stock
- Poor replenishment in store
- Inventory issues
- Victim to another promotion
- Incorrect product details during new line set up e.g. shelf life, case size

Example: Supplier Half Year Performance Review

Supplier: Donohue Preserves Half Year Performance Report 2016/17				
	FYTD 2017	FYTD 2016	YOY CHANGE %	YOY CHANGE
GROSS SALES VOLUME	238,195	213,652	11%	24,543
SALES CASH £	£613,864	£514,896	19%	£98,968
COST OF GOODS £	£369,452	£332,862	11%	£36,590
PROFIT £	£295,080	£236,750	25%	58330
MARGIN %	48.1%	46.0%	4.5%	2.1%
SUPPLIER SERVICE	98.33	99.12	-0.8%	-0.79
AVAILABILITY	99.17	98.77	0.4%	0.40
PROMOTIONAL AVAILABILITY	98.68	98.06	0.6%	0.62
WASTE £	£(665)	£(441)	51%	£(224)
WASTE %	-0.11%	-0.09%	26%	-0.02%

**DO YOU KNOW
YOUR KPI'S**

**HOW ARE YOU
PERFORMING?**

Example

Product
Supplier

Una's Orange Marmalade
SKU 6774021
Donohue Preserves

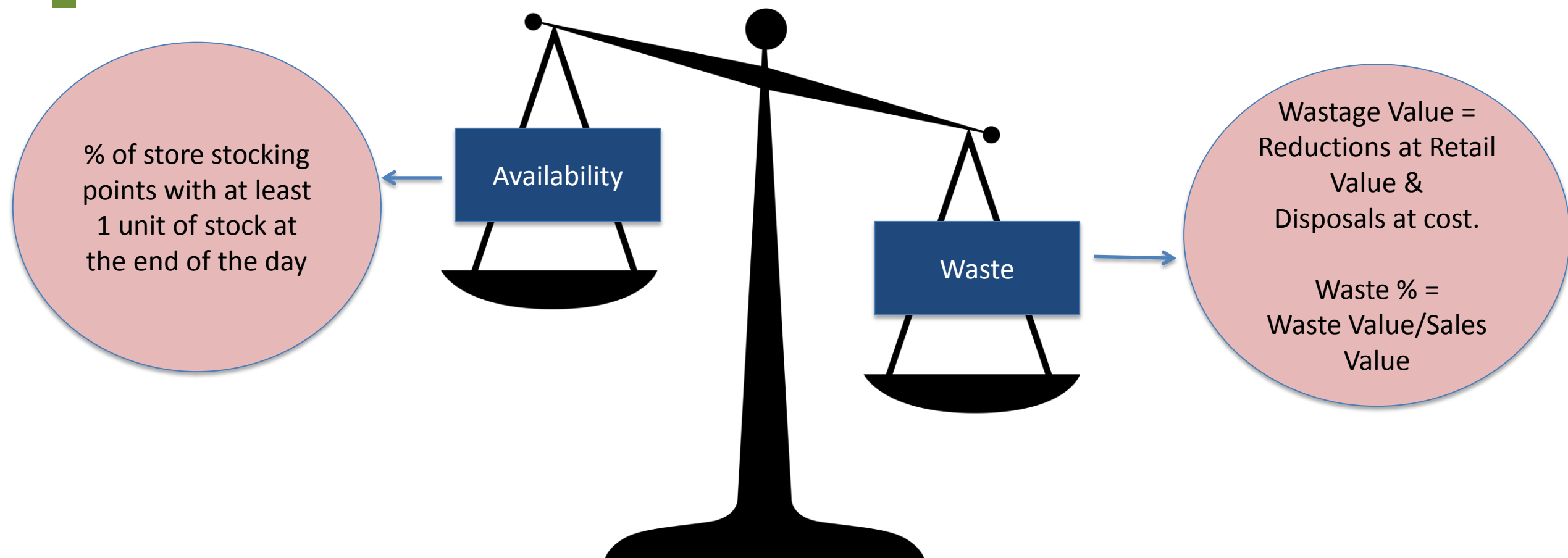
Targets set by
Buyer:

UBW	5
Supplier Service	99%
Availability	99%
Waste	0.50%

Weekly Performance Report

Week number	24	25	26	27	28	29	30	31
Metric								
Sales Cash (£)	£2,104	£2,123	£2,028	£3,568	£3,992	£3,789	£2,088	£1,961
Sales Volume (units)	726	732	700	1,620	1,999	1,896	720	676
Lost Opportunity Value £	£6.00	£9.00	£8.00	£12.00	£25.00	£9.00	£6.00	£9.00
Lost Sales Value £	£1.00	£5.00	£6.00	£33.00	£132.00	£95.00	£1.00	£5.00
Wastage Value £	£(3.00)	£(5.00)	£(3.00)	£(8.00)	£(16.00)	£(1.00)	£(3.00)	£(5.00)
Wastage %	0.14	0.22	0.17	0.22	0.41	0.03	0.14	0.22
Availability %	100	99.67	99.54	98.06	95.63	96.19	100	99.67
Supplier Service %	100	99.32	100	98.81	71.72	94.85	100	99.32
Stores ranged	313	313	313	313	313	313	313	289
In stock	313	312	300	308	313	313	313	289
Out of stock	0	1	1	5	15	10	0	0
Stores selling	313	312	300	308	298	303	310	288
Promotion Indicator	N	N	N	Y	Y	Y	N	N
Victim Indicator	Y	Y	Y	N	N	N	N	N

A balancing act



Conclusion

- A changing environment gives rise to opportunities - be nimble!
- GBP is volatile and additional cost pressures are coming
- Manage your supply chain costs proactively and think outside of the box in price negotiations
- Be proactive - use data to improve your performance
- Stay close to your consumer & your competition



Thank you
Questions?

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