Experts Featured on Saturday Morning Meeting:
- Bill Akins, Senior Vice-President of Business Innovation at Rockfish
- Mike Graen, Vice-President of Collaboration at Crossmark
- John Suchy, Director of Strategic Category Sales at The Nestle Retail Operation Center
- Dr. Matthew Waller, Chair of The Supply Chain Department at The Walton College

OSA – on shelf availability -- may be the hottest subject in retail at the moment. Phantom inventory, missing in action merchandise, and empty shelves affect all of us -- retailers, suppliers, and certainly customers.

The best retailers know what products their customers want and they have those items ready and handy when their customers want to buy. The end goal is always the customer’s satisfaction.

But when a customer looks for and can't find a product, she’s disappointed, frustrated, and sometimes even upset. Anything but satisfied.

“I don’t have time to go track down a clerk to look in the back for something I need. I don’t want to search around the store for a clerk or for a certain product. I want to find it right away, where it’s supposed to be.” Carole K., Arlington Heights, IL
What is On Shelf Availability?

OSA means that a product is on the right shelf, available for the consumer. This is not the same as in-stock. “In stock” often means “It’s here… somewhere.”

When the retailer’s software shows that an item is in stock, the retailer assumes that it is on the shelf, available for purchase. In fact, there are quite a few alternatives:

- The product may be mis-shelved or it might have been moved by a shopper – it’s in the store but on the wrong shelf.
- The product may be on the shelf, but hidden by other items.
- A product may be in the store, but in the back rather than on the shelf.
- The POS may be counting products that have been damaged, stolen, or for another reason are not available for purchase.
- The item might be in a distribution center or warehouse and not yet received in the store.

There are also many different scenarios that can lead to OSA problems, and we’ll be discussing some of them in this ebook. However, they all lead to the same end point: a shopper looking for a specific item on the shelf where the item should be, and not finding it.

A consumer study found that about one third of shoppers in this case will choose a competitor’s item. A third will go to another store or buy the desired product online. The remaining third of shoppers will take another action, including asking for help, doing without the product, or planning to come back later. In the majority of cases, the result is a lost sale.
## Effects of OSA Issues

### Effects of OSA Issues on Retailers:

- Lost sales when shoppers go elsewhere or choose not to buy at all
- Perception of retailer as often being out of things, diminishing shopper loyalty
- Potential for loss of trust and satisfaction among suppliers
- Inaccurate data, which hampers accurate forecasting

### Effects of OSA Issues on Suppliers:

- Lost sales when shoppers buy competing products or choose not to buy at all
- Loss of opportunities to build customer brand loyalty
- Poor sales caused by out of stocks creating a perception of diminished demand
- Inaccurate data leading to less-informed decisions about production

### Effects of OSA Issues on Customers:

- Loss of opportunity to buy product
- Frustration, which can have a halo effect leading to negative perceptions of brand
- Diminished brand loyalty
- Loss of satisfaction and trust in retailer
Ways to Improve OSA

Data
One of the reasons out of stock issues become an issue is that retailers and suppliers are not aware of them. Retailers often rely on POS data to let them know if an item is in stock or needs to be reordered. Suppliers may be relying on the same information sources.

If no one realizes that an item is out of stock, no one will restock it.

On the other hand, when you have items in hundreds of stores across the nation or around the world, you can’t walk into each store and make sure your products are in place.

Crowdsourcing is one option. There are several retail data collection companies that produce smartphone apps that let their far-flung agents provide a pair of eyes in the store for suppliers. This data allows testing of the accuracy of Point of Sale data and alerts, as well as ways to dig deeper into situations causing concern.

Another option is an automatic alert. Nestle uses an algorithm that forecasts sales and alerts the supplier when actual sales are out of line with forecasted sales, suggesting a possible out of stock or OSA issue.

The best way to collect data will depend on the resources available to the supplier and the retailer. However, there are new technologies in place and in development that can help collect data faster and more effectively. Keeping up on new developments can be a key to success going forward.

Analysis
Once you know about OSA issues, you still have to determine the action needed.

One grocery supplier found phantom inventory – products listed as in stock but not on the shelf -- in a number of stores while getting ready to demo a product. In local stores, they simply walked in and helped staff find the product and shelve it correctly. That wasn’t a practical option in distant stores, and they found that phone calls got them nowhere.

Busy retailers may not have the time or even the authority to fix OSA issues for every product and every supplier.

If you identify out of stocks or possible OSA issues for 27 items in a total of 55 stores, you may need to prioritize the issues. You can calculate the importance of the various issues in more than one way:

- Products with the largest number of OSA issues
- Products with the largest amount of lost sales revenue
- Stores with the largest number of OSA issues

If one store or group of stores appears to have repeated challenges in the area of store-level execution, it might be practical to work on correcting the issues at that particular store, through crowdsourcing or with a personal visit.

On the other hand, if there are products that have slow turn and lower price points, as well as products that show a high level of potential lost sales revenue, it might be more effective to focus on the products with the highest revenue potential, regardless of individual store numbers.

Capturing data is always the first step, but without action-oriented analysis, you have nothing but a bunch of numbers.
Ways to Improve OSA

Action
Sometimes a solution to an OSA issue exists somewhere else along the supply chain, not just in the last hundred feet where suppliers may have limited influence.

When one winery saw a drop in sales of their products, they explored every facet of their supply chain and ended up in a warehouse, talking to a forklift driver.

He showed them a room full of undifferentiated boxes. “If I could tell which box was yours, I could get it out to the store faster,” the driver said.

The winery began color coding their boxes in bright colors. If time was tight and the warehouse staff had to prioritize, these were the boxes that got taken care of first, since the color-coding made it easy and efficient to get the boxes to the right place... and the supplier had taken the trouble to establish a relationship.

This is just one example of how a small change in one part of the supply chain can make a big difference in store-level execution. A lot can be accomplished with creativity and a willingness to put in some time on the front end to solve the problem once and for all.

Finding the root cause and implementing a solution can lead to any part of the supply chain, or many parts. Don’t overlook planning and forecasting.

When a strong replenishment plan is in place, it’s easier to support retailers in their replenishment efforts. Training in forecasting and replenishment can help suppliers hone their skills in this area, and learning more about every aspect of the supply chain for your products makes it easier to identify opportunities to improve.

Making sure that shipments are accurate and on time may seem obvious, but it’s often put on the back burner, especially by smaller suppliers who may rely on other companies for fulfillment. A supplier’s strategic partners, however, may bring useful, different perspectives to the issues and help spark outside-the-box thinking.

Resources


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