



SUPPLY CHAIN CONFERENCE

Connect. Transform. Deliver.



Trading Partner Alliance
FMI and GMA

April 30 - May 2, 2017
Paradise Point Resort & Spa
San Diego, CA



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**From Beginning to End: Collaborative Value
Chain Strategies to Reduce Unsaleables**

An Introduction to Our New Educational Platform



Collaborative Value Chain Strategies to Reduce Unsaleables

INTRODUCTION & BACKGROUND



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We bring a diverse and robust range of experience

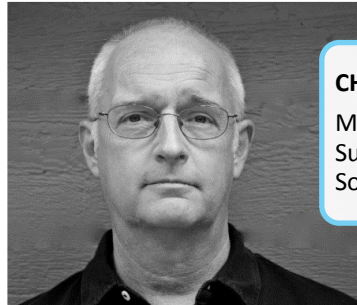
Ben Eugrin



CHEP

Director,
Supply Chain
Solutions

Mike Boersig



CHEP

Manager,
Supply Chain
Solutions

Rob Shifter



Nestle

Supply Chain
Manager

Greg Riggs



SpartanNash

Sr. Supply
Chain Analyst

Ted Lechner



H-E-B

Sr. Reverse
Logistics
Leader

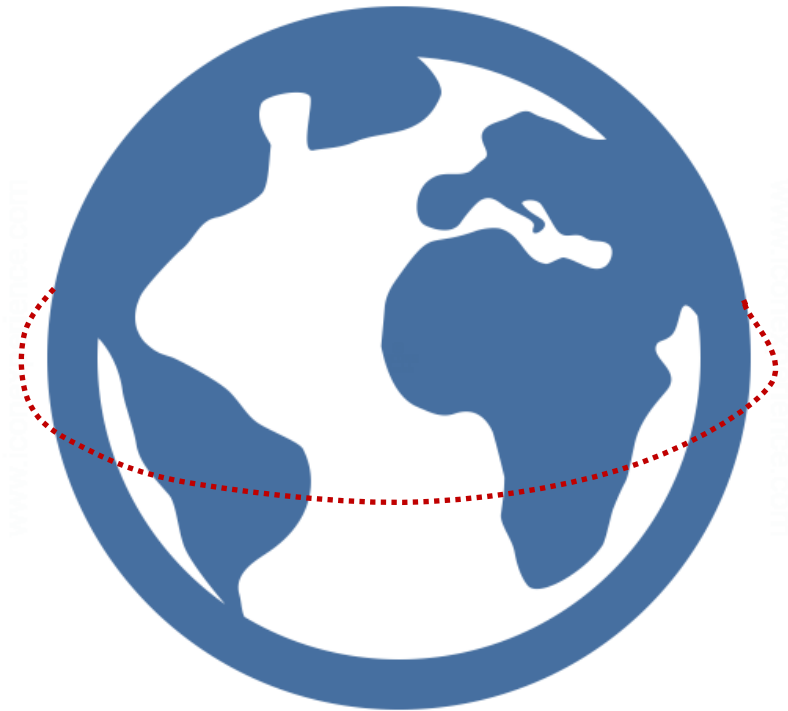


Unsaleables continues to be a massive opportunity



\$12-15 Billion per year*

or...



If it were soda cans...

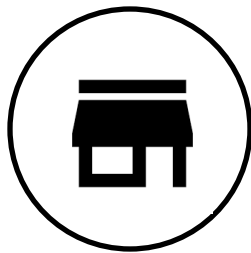


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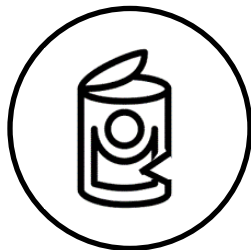
The industry needs to focus on reducing unsaleables instead of accounting for them



ARP



JIR



Swell



Expired



Discontinued



Damaged



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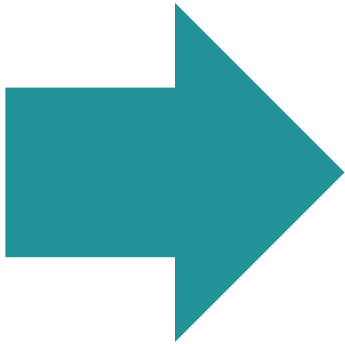
The TPA Joint Industry Unsaleables Leadership Team collaborated with CHEP to document best practices





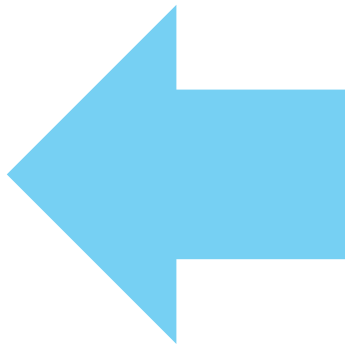
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The scope of our effort was broad with few exceptions



In Scope

- All Types of Unsaleables
- Most Products



Out of Scope

- Trading Partner Relationships
- Fresh produce, fresh meats, direct store delivery



We conducted surveys and interviews to generate a holistic view of supply chain best practices

Trading Partner Alliance
FMI and GMA

CHEP
A Brambles Company

Best Practices for Reducing Unsaleables

Manufacturer Best Practices

Manufacturer Practices - Product Development

To what degree does your company currently use this practice?

How much does this practice help you reduce or avoid unsaleables?

M1: We thoroughly test the total shelf life of new products during development.

2. We use it inconsistently

3. Medium impact

Comments for the Product Development Section:

Manufacturer Practices - Packaging Development

To what degree does your company currently use this practice?

How much does this practice help you reduce or avoid unsaleables?

M2: We test packaging throughout the supply chain, evaluate how it will perform during movement on pallets, in different layers or in different shipper cases.

4. We use it in most situations

1. No impact

Interviews:

26 surveys with 18 in-depth interviews:

- Manufacturers (42%)
- Retailers (46%)
- Wholesalers (12%)

Industries:

- Dry Foods
- Refrigerated / Frozen Foods
- Non-Food CPG
- Mass Retailers
- Grocery Retailers

Functions:

- Unsaleables & Reclamation
- Supply Chain
- Sales Operations
- Remarketing
- Distribution



We identified and prioritized 48 best practices

Results of the survey were quantified and helped the team prioritize and identify “Best in Class” practices for unsaleables reductions

Impact	Frequency	Best Practice	Applicable
Medium	Used in most situations	Adopt a company practice that requires approval for case markings or unit load designs that deviate from industry standards.	Manufacturer
Medium	Used consistently in parts of the business	Allow flexibility in minimum buy volumes for new products at different customer distributor locations.	Manufacturer & Retailer
Medium	Used consistently in parts of the business	Analyze damage and expiration by SKU and share data with manufacturer.	Manufacturer & Retailer
Medium	Used in most situations	Audit product rotation practices.	Retailer
Medium	Used in most situations	Audit unit load stability and handling practices.	Manufacturer
Small	Used consistently in parts of the business	Build redundancy into manufacturing lines - print date and identification codes on both sides of cases.	Manufacturer
Large	Used in most situations	Check and record date code (shelf life) at time of receipt at DC.	Retailer
Large	Used it in all situations	Employ a process to review aging product in the warehouse.	Retailer

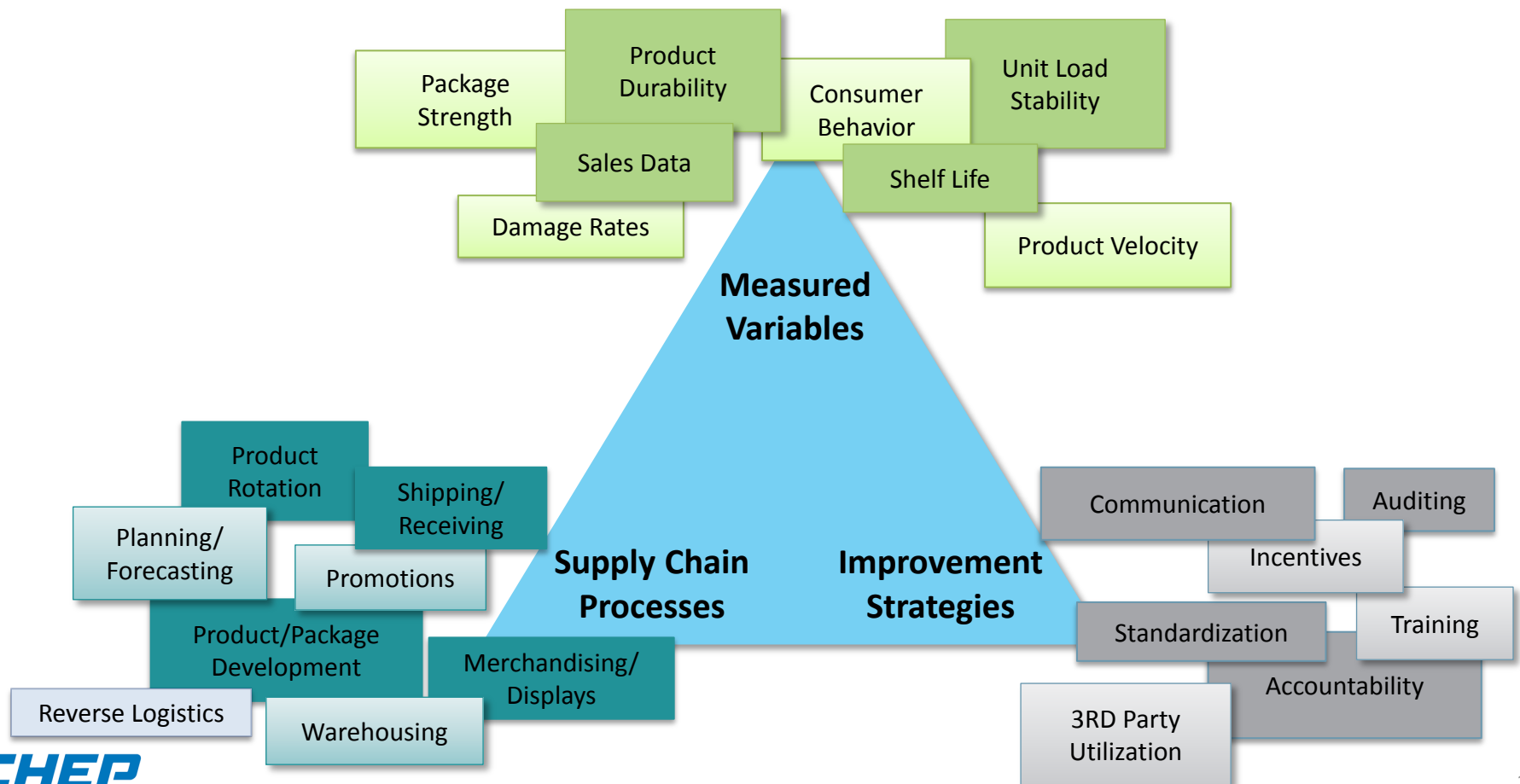


Collaborative Value Chain Strategies to Reduce Unsaleables

BEST PRACTICES OVERVIEW

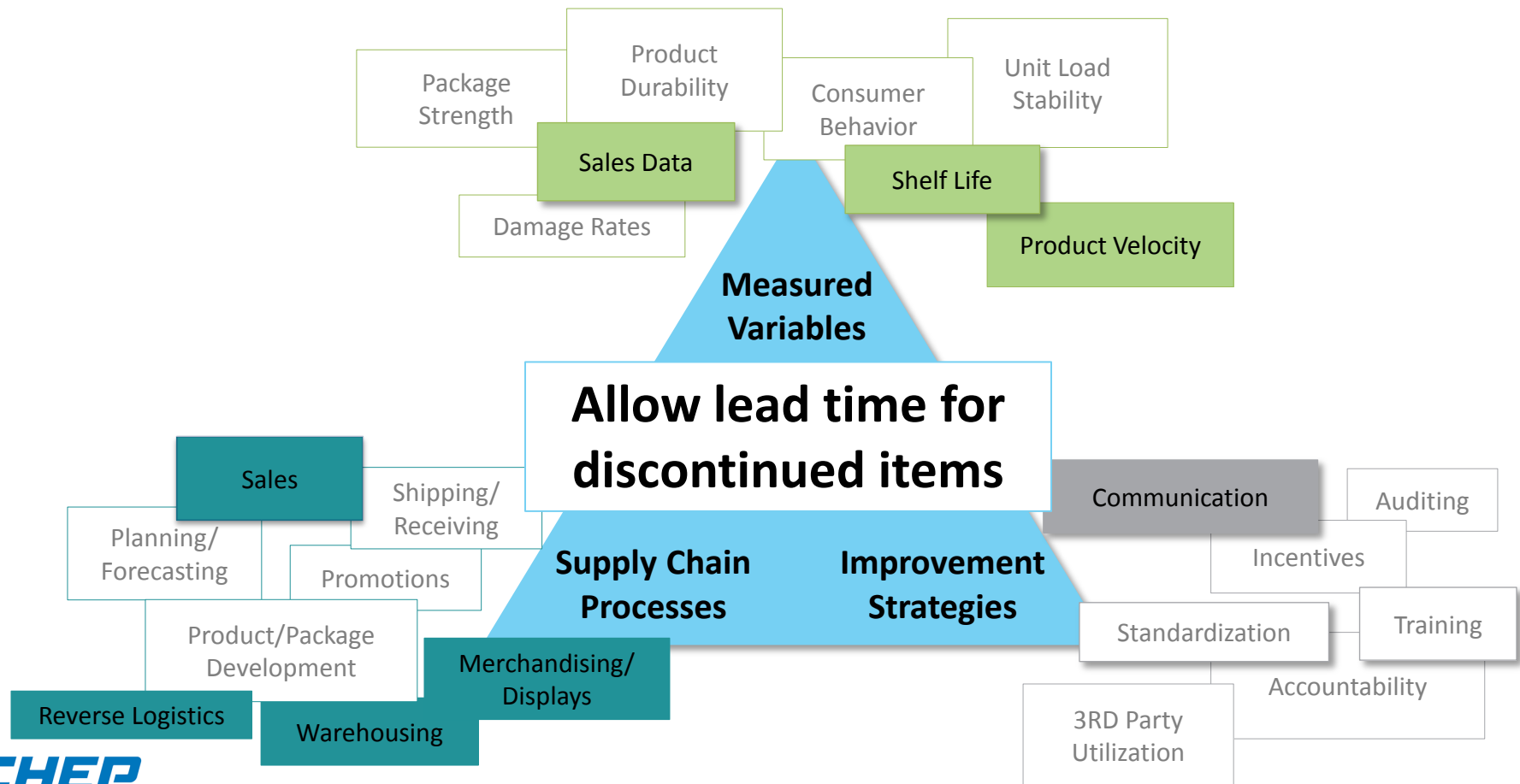


Each best practice is defined by a set of measured variables, processes, and improvement strategies



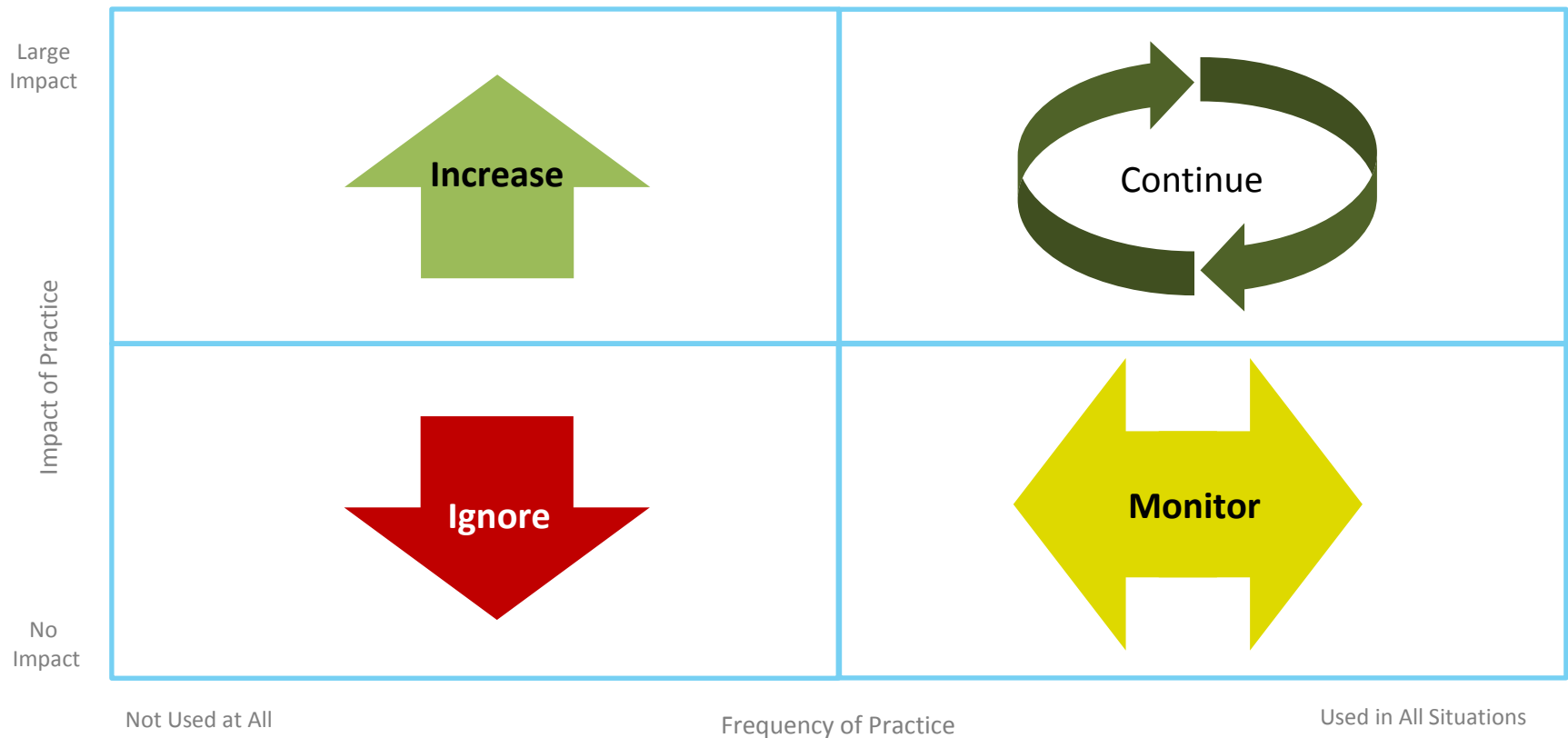


Each best practice is defined by a set of measured variables, processes, and improvement strategies



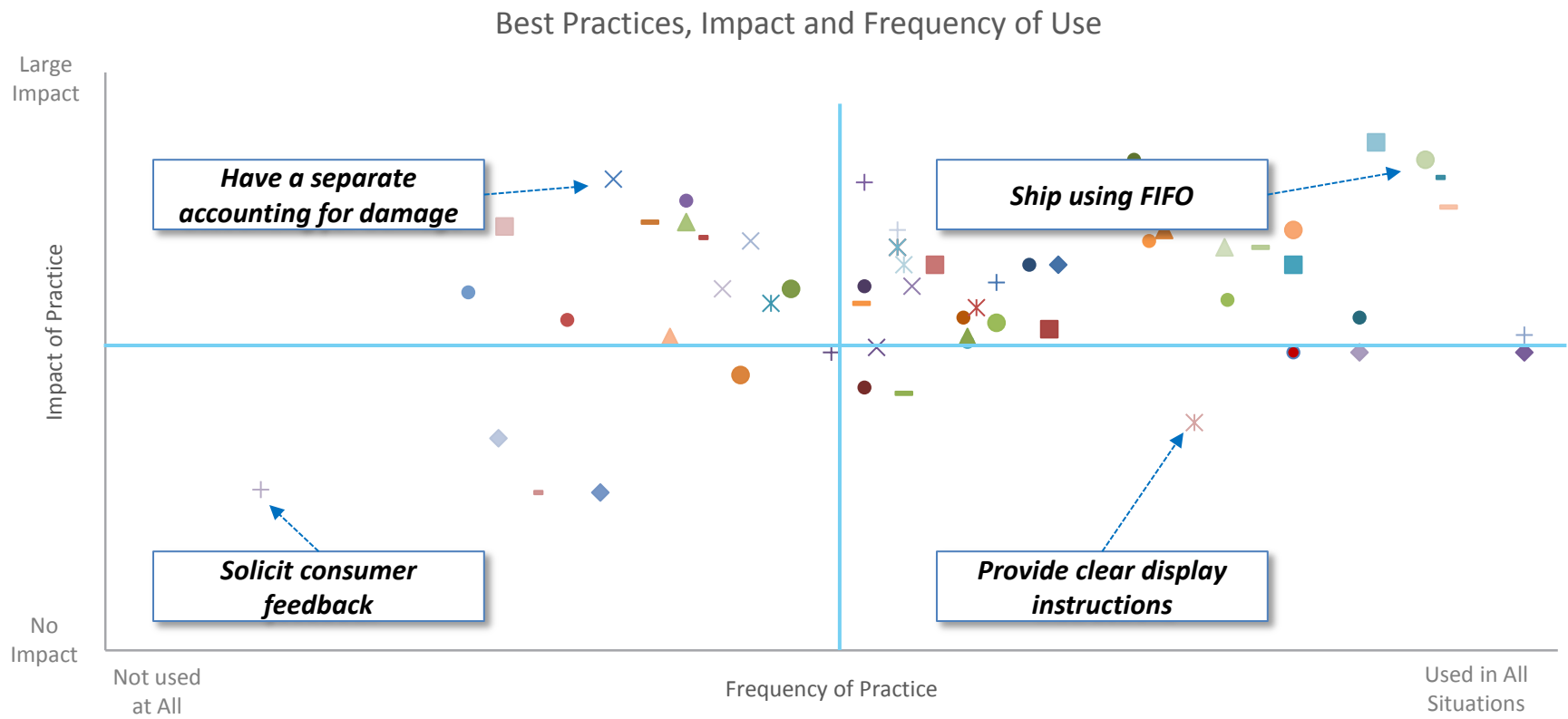


Impact and frequency were used to categorize practices into 4 quadrants



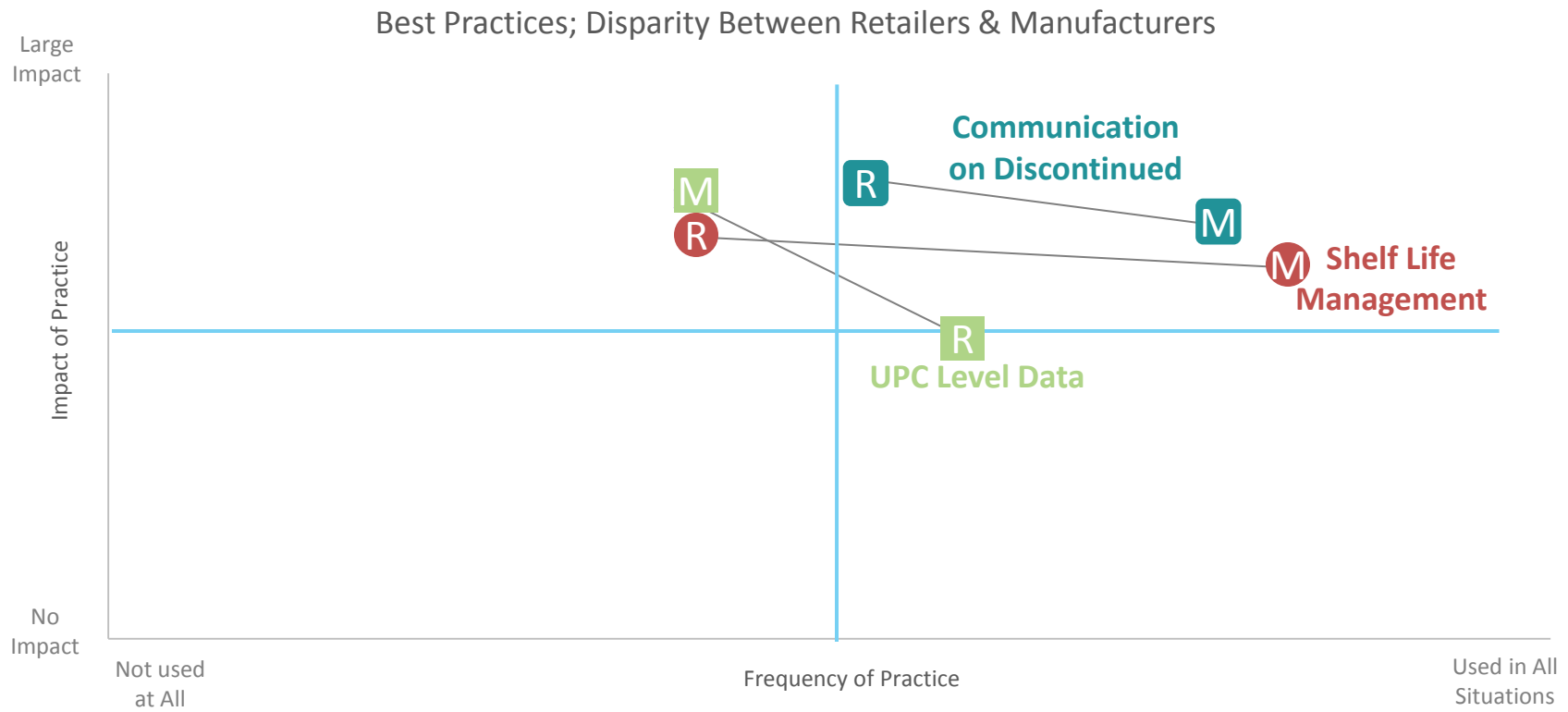


Unsaleables practices have a wide range of impact and frequency of use





We chose 3 high impact practices with wide variance in response for today's examples





MANAGE SHELF LIFE THROUGHOUT THE SUPPLY CHAIN



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Nestlé

Rob Shifter

- Supply Chain Manager



Shelf life management drives business results

- Annual industry impact of ~ \$6-7B*
- Protects brand equity & consumer satisfaction
- Impacts downstream customers and consumers
- Improved by upstream and downstream planning





Implementing shelf life management requires information and planning

Manufacturer Actions

- Know each product's shelf life
 - Common language recommendation
 - BEST if Used By
- Track each product's shelf life
- Flag items near thresholds
- Have action plans to manage aging product

Retailer Actions

- Flag items near thresholds
- Have action plans to manage aging product
- Product rotation at stores & product velocity is critical
- Be prepared to mark down aging items
- Use historical data to adjust order quantities
- Review residual promotional inventory at warehouse or store



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Standard processes & constant vigilance deliver results



Implement weekly
planning reviews



Develop internal
system guidelines



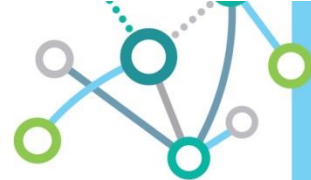
Enable shelf-life based
disposition rules



Establish monthly metrics
for senior leadership



STRATEGIZE & ALLOW LEAD TIME FOR DISCONTINUED ITEMS



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SpartanNash™

Greg Riggs

- Sr. Supply Chain Analyst



Discontinued items are initiated by manufacturers and/or retailers

- Unsaleables impact is estimated at roughly \$3-4B per year*
- It can result in disorderly transactions
- The effects begin in mid to downstream supply chain
- Accumulation of upstream inventory is influenced
- Reclamation and other disposition centers are impacted
- It can impact trading partner relationships and overall communication is key among all trading partners





Implementation of a strategy for discontinued products requires communication

Manufacturer Actions

- Minimum 16 week lead time of communication to partners
- Work with partners to evaluate partners current inventory level
- When possible, utilize monetary funds to either buy back inventory from partners if there is an excess amount of inventory or utilize funds to help move item(s) through retail
- Utilize and allocate to other retail outlets

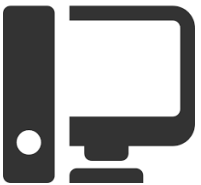
Retailer Actions

- Use Inventory Management Best Practices
 - Make adjustments to orders
- Utilize Markdowns
 - Create a markdown schedule
- Utilize and allocate to other secondary markets

Decisions on product disposition will influence the cost & timing of discontinuation



Strategically manage discontinued items more effectively



Ensure all systems are updated to reflect discontinuation change



Utilize a Markdown Schedule with Discounts



Getting ahead can ensure distribution on items while still within the current Plan-O-Gram set



SHARE UPC LEVEL DATA WITH MANUFACTURER



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Ted Lechner

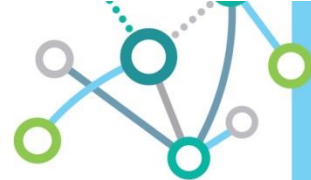
- Sr. Reverse Logistics Leader



UPC level data provides the granularity necessary for process enhancement

- Measurement at the UPC level provides feedback for improvement
- Data can flow upstream from retail to all partners
- These product characteristics are UPC level specific





Using UPC level data requires a systematic approach

Manufacturer Actions

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

Retailer Actions

- Utilize robust system to collect UPC level unsaleables
 - In house or third party providers
- Collect UPC unsalable data
 - Item, package
 - Store, Region,
- Share data with supplier
- Hold high damage items for review by
 - Supplier
 - Packaging team
- Support Reclaim Audits,
- Review internal handling practices

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Using UPC level data at a granular level is a routine improvement strategy to reduce unsaleables

Sub Commodity	Bill Units	Return Items / Store	RGC Items / Bill Unit	Cost \$	Bill Cost	Return Cost / Store	RGC Cost / Bill Cost
Total	286,501	3,297	1.15%	\$11,72	\$3,358,157	\$54,557	1.67%
APPLIANCES-SINGLE SERVE COFFEE	4,681	276	5.90%	\$38.84	\$181,787	\$10,672	5.87%
APPLIANCES-DEEP FRYERS	321	12	3.74%	\$45.31	\$14,543	\$543	3.73%
APPLIANCES - COFFEE MAKERS	6,922	241	3.48%	\$24.36	\$168,612	\$8,111	4.81%
APPLIANCES-PRFRIMPERSONAL BLEND	1,066	32	3.00%	\$13.00	\$13,857	\$646	4.66%
APPLIANCES-TOASTER OVEN/MICRO	154	4	2.60%	\$51.67	\$7,957	\$221	2.76%
APPLIANCES-JUICE EXTRACTORS	3,748	92	2.45%	\$25.68	\$96,235	\$2,400	2.49%
APPLIANCES-COFFEE	1,371	11	0.81%	\$89.73	\$123,000	\$516	0.42%

Start at the commodity level

Item/UPC	Bill Units	Return Items / Store	RGC Items / Bill Unit	Cost \$	Bill Cost	Return Cost / Store	RGC Cost / Bill Cost
Total	4,681	276	5.90%	\$38.84	\$181,787	\$10,672	5.87%
319106 HB 2WAY FLEX BREW KCUP FUNCTN	4,004	436	10.9%	\$45.31	\$181,787	\$10,672	5.87%
178011 HB FLEX BREW S/S COFFEE MAKER	4,004	436	10.9%	\$45.31	\$181,787	\$10,672	5.87%
75413 HB FLEX BREW S/S RED COFFEE	4,004	436	10.9%	\$45.31	\$181,787	\$10,672	5.87%

Find UPCs with high returns

Fiscal Period	Bill Units	Return Items / Store	RGC Items / Bill Unit	Cost \$	Bill Cost	Return Cost / Store	RGC Cost / Bill Cost
Total	4,121	245	5.95%	\$39.54	\$162,953	\$9,719	5.96%
Y2016P10	189	9	4.76%	\$37.31	\$7,052	\$369	5.23%
Y2016P11	249	10	4.02%	\$36.68	\$9,132	\$373	4.08%
Y2016P12	229	15	6.55%	\$38.44	\$8,802	\$649	7.38%
Y2016P13	231	15	6.49%	\$37.94	\$8,765	\$600	6.85%
Y2016P6	59	4	6.78%	\$37.34	\$2,203	\$196	8.89%
Y2016P7	283	25	8.83%	\$37.02	\$10,477	\$943	9.00%
Y2016P8	278	21	7.55%	\$37.58	\$10,447	\$799	7.65%
Y2016P9	213	21	9.86%	\$39.23	\$8,357	\$775	9.27%
Y2017P1	484	25	5.17%	\$42.75	\$20,691	\$974	4.71%
Y2017P2	446	21	4.71%	\$37.79	\$16,854	\$777	4.61%
Y2017P3	305	20	6.56%	\$39.46	\$12,115	\$1,116	9.19%
Y2017P4	205	10	4.88%	\$39.46	\$8,111	\$369	4.54%
Y2017P5	205	10	4.88%	\$39.46	\$8,111	\$369	4.54%
Y2017P6	205	10	4.88%	\$39.46	\$8,111	\$369	4.54%

Check for promotions or holiday impacts

Region	Bill Units	Return Items / Store	RGC Items / Bill Unit	Cost \$	Bill Cost	Return Cost / Store	RGC Cost / Bill Cost
Total	4,121	245	5.95%	\$39.54	\$162,953	\$9,719	5.96%
SAN ANTONIO	2	1,388	6.20%	\$38.52	\$53,471	\$3,549	6.64%
CNTR TEXAS	3	1,247	5.77%	\$41.14	\$51,306	\$2,824	5.50%
HOUS FOOD/DRUG	8	706	6.09%	\$40.36	\$28,491	\$1,736	6.09%
BORDER	1	1,388	6.20%	\$38.52	\$53,471	\$3,549	6.64%

Look regionally for any location issues

Store	Bill Units	Return Items / Store	RGC Items / Bill Unit	Cost \$	Bill Cost	Return Cost / Store	RGC Cost / Bill Cost
Total	4,121	245	5.95%	\$39.54	\$162,953	\$9,719	5.96%
AUSTIN 29 - BECAVES/360	29	1	3.45%	\$55.32	\$55	\$55	99.67%
H39 MASON RD/HIGHLAND KNOLLS	497	5	1.01%	\$45.06	\$225	\$141	62.37%
PALMVIEW	448	2	0.45%	\$29.59	\$59	\$30	50.00%
H47 STUEBNER LOUETTA	576	7	1.22%	\$55.36	\$308	\$167	43.15%
LAR03 SAN DARIO/CALTON	255	6	2.35%	\$38.30	\$230	\$85	37.01%
SUGAR LAND - 530 HWY61/UNRVSTY	627	7	1.12%	\$44.32	\$310	\$111	35.73%
CUERO E BROADWAY/US87/FAIR MC	712	3	0.42%	\$29.57	\$89	\$30	33.36%
ATAS/COCITA	490	10	2.04%	\$55.36	\$554	\$168	29.95%
PORT ISABEL	303	6	1.98%	\$33.33	\$204	\$55	26.96%
ROUND ROCK 02 620/O'CONNOR	373	6	1.61%	\$55.28	\$332	\$85	25.48%
SAN BENITO	626	7	1.12%	\$48.05	\$336	\$85	25.25%
SA40 FM 471/1604	494	39	7.9%	\$40.21	\$1,568	\$362	23.07%
SAN ANGELO	52	18	34.6%	\$38.18	\$607	\$140	20.41%
H60 JONES/VEST	657	5	0.76%	\$29.55	\$148	\$30	20.11%
REFUGIO	234	5	2.14%	\$29.62	\$148	\$30	19.99%
H46 BELLAIRE/HWY 6	575	5	0.87%	\$29.51	\$148	\$29	19.91%
SA28 H35/FM 3009	416	73	17.44%	\$41.93	\$3,061	\$588	19.20%
WESLACO 01 N TEXA	416	73	17.44%	\$41.93	\$3,061	\$588	19.20%
ROUND ROCK 1-GATT	416	73	17.44%	\$41.93	\$3,061	\$588	19.20%
H51 BISSONNET/FRUIT	416	73	17.44%	\$41.93	\$3,061	\$588	19.20%
LAR04 DEL WAR/SAN	416	73	17.44%	\$41.93	\$3,061	\$588	19.20%
WOOLANDS 4 KUY	416	73	17.44%	\$41.93	\$3,061	\$588	19.20%

Then look at store level data



Collaborative Value Chain Strategies to Reduce Unsaleables

SO WHAT'S NEXT...



We will develop an Unsaleables Educational Platform

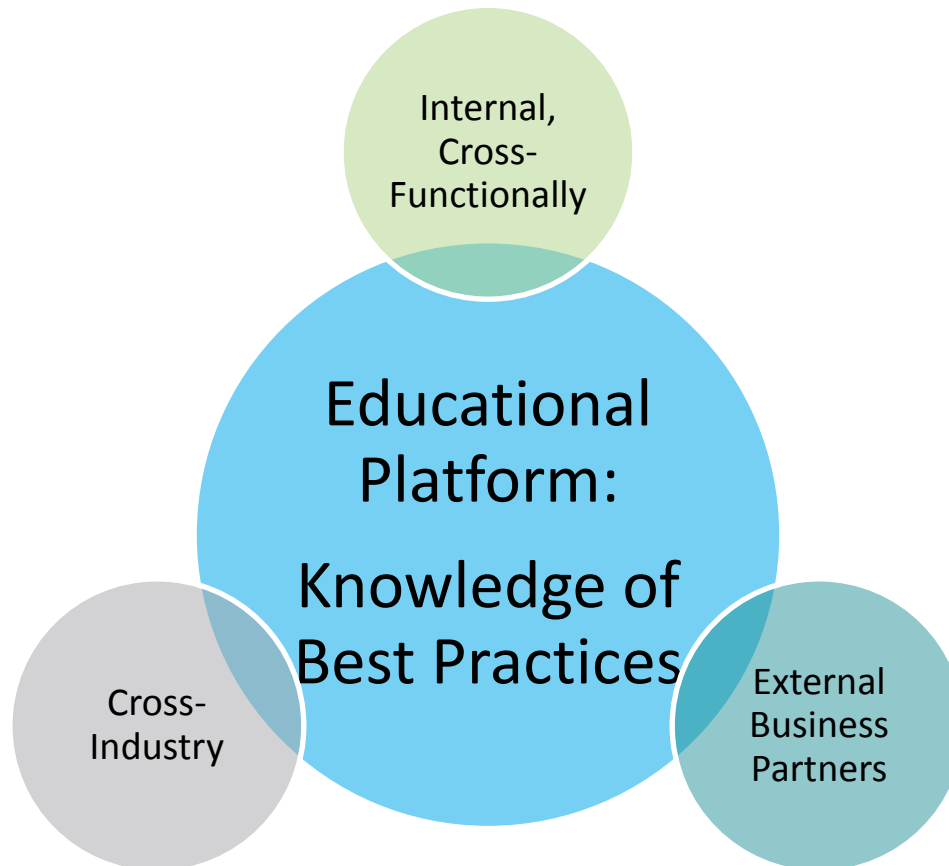
The Platform will include the broad range of best practices that will overlap and interact



1. An introduction to unsaleables
2. A glossary of terms
3. A compendium of best practices



The Educational Platform will help the industry maintain focus on reducing unsaleables





The Best Practice repository should evolve along with the industry and our talent

- We need your help
 - This will be a crowd sourced document, so you will be improving this resource into the future
 - Become an active member of the committee – play a leadership role





You can play a part in the TPA Joint Industry Unsaleables Leadership Team

- Current JIULT
 - Bumble Bee, Clorox, General Mills, Kellogg's, Land O'Lakes, Mondelez, Nestle, Nestle Purina, PepsiCo, SC Johnson
 - Ahold Delhaize, Albertsons, HEB, Kroger, Southeastern Grocers, SpartanNash, Target, Wakefern
 - CHEP
- Best Practice Project Core Team
 - CHEP
 - General Mills, Land O'Lakes, Mondelez
 - HEB, SpartanNash, Target
- Interested in joining the JIULT
 - Contact Daniel Triot at dtriot@gmaonline.org

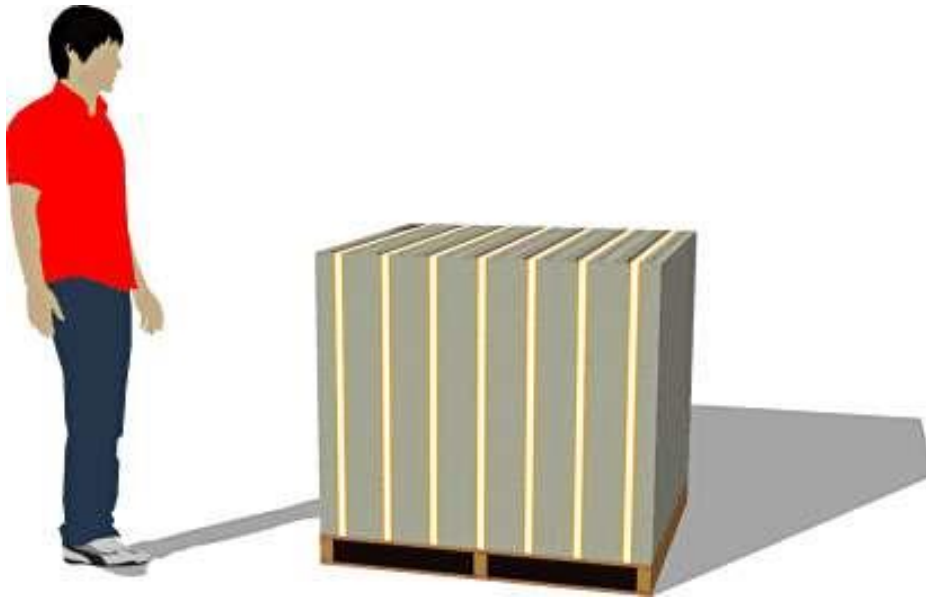


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CHEP Supply Chain Solutions



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\$1 Million dollars



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What if we could save 1%...



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...we could save over \$100 million