

Getting your availability right is more important than the range and choice you offer

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As customers continue to fracture their shopping trips across different retailers and channels, buying little and often, Grocery Retailers and their FMCG Suppliers need to work harder than ever to make their offer stand out. In the first of a sequence of new retail insights Atheon Analytics answers how your business can get the best out of its most underutilized and misunderstood insights – supply chain data.

UK Grocery Retailers have been sharing their Supply Chain data long before GSCOP made it an imperative. It's designed to drive collaboration, help both sides have a smarter, slicker supply chain, and to focus on where improvement can be made. But as a first port of call to drive change, Supply Chain data hasn't had the same appeal as the other retail data sources; it tends to be a secondary item on the shared agenda after sales, profit and mix, and its simplicity is often underestimated in favour of more adaptable, and bluntly more interesting, behavioural and research data.

In today's 'always on' world, customers have more control over where they can get the best price, deal or rewards and can do this from the comfort of their own homes, and validate their choices when they shop and eventually consume / use the product. As a result, customers aren't picking price or promotions or loyalty cards as the main reason they select a retailer to buy from, or even the brand or product they wish to buy. The one area a customer cannot control, and which therefore is critical in their final purchasing decision, is can I buy the product.

One of the most significant changes in UK grocery retail has been the deconstruction of the myth of choice. Tesco clung to its crown as the king of choice as the main reason shoppers switched to their stores, whilst at the same time it lost share and shoppers' spend on price, promotions and general preference. Choice was their last bastion as their competitors circled hungrily, and most significantly the Discounters chipped away at everyone's share, seemingly by simply offering better prices to tempt customers away.

In reality something more important was happening; customers' wanted value. As long as the quality was good and the price was better, they were prepared to buy from the Discounters and forgo the plethora of brands and flavours and varieties that their traditional store offered. Breadth of choice wasn't the reason they shopped at their chosen retailer; when presented with less choice, as any good category manager could tell you, the customers found it easier to shop. Not least because fewer products, on the same shelf space, meant better on-shelf availability (and a lower cost to serve for the retailer at a time when retail margins were getting tighter and tighter).

Customers still want excitement, innovation and relevant choices that resonate with the reasons they shop at a retailer; more local choice at Morrisons makes good sense because it is a neighbourly, service-driven retailer. But customers don't want an impenetrable sea of product variations that slows down and confuses their shop. Especially when that comes at the expense of being able to buy the actual product they need, which was the very reason they selected that store (in person or on-line).

Availability is therefore becoming the battleground for retailers and for FMCGs. If the product is not available then the supply chain has failed the customer. If this happens once, the customer will delay their purchase or substitute for another product and at worst the Brand will record a lost sale. However, if this happens consistently over time and across a store, then the customer will change where they shop. The best price, promotion, communication, service or reward strategy in the world does not matter, if the customer cannot buy their preferred product.

The best Supply Chain data incontrovertibly shows you what is missing, whereabouts in the supply chain it is/is not, and what the impact is when you don't have that brand and product on sale. It's hard to shape that data to meet your brand or business agenda, in the way that research and behavioural data can be made to fit and validate a speculative hypothesis. The product has been delivered, has enough stock on hand to handle the demand, and is ultimately on sale, or it is not.

The UK supply chain is the envy of the world. And yet, at Atheon we estimate some £9bn in is lost in sales each year in the UK Grocery retail market within what we call the 'flow-of-goods', as FMCG suppliers cannot see, detect and act upon the right data at the right time. The relative importance of price, service, promotions and choice come and go in cycle, but the need be able to buy the product you want is eternal. When it's not there, you will go somewhere else.

With a complete view of the Flow-of-Goods you can identify how to improve every element of the supply chain. You can ensure you protect and grow your most important products, when their stocks are threatening to run low in depots and store warehouses, all before this becomes an issue on shelf. Most importantly you are taking action to identify and remedy the real causes of out of stocks, rather than dealing with the symptom of their lost sales, two weeks later when your market and behavioural data finally alerts you to the issue or cause of your sales slump or failed promotion.

The questions to ask yourself are:

Are you monitoring the symptoms of lost sales after the event, rather than taking action when it's needed?

Do you not have the access and capability to turn your Retailer's Supply Chain data in simple visual reporting that makes it easy for you to diagnose and take action?

Do you struggle to remedy problems before they happen and alert the retailer to potential issues, so your supply chain runs even more efficiently?

Do your shoppers regularly face out of stocks that prevents them from buying your product, whenever, and wherever they want it?

If you've answered yes to any of these, then come and see how Atheon can help you make the right choices on availability.

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