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Retail Solutions
Case Study



Building a Demand-Centric Supply Chain

How P&G Uses Demand Signal Management to Win at the Shelf

When Allan Barr took responsibility as operations manager in the drug channel at The Procter & Gamble Company (P&G) in April 2006, he began by defining success in his role: winning the “First Moment of Truth” – the moment when the customer chooses any of P&G’s 3,000 products over any competitor products in many thousands of U.S. drug stores (winning the “Second Moment of Truth” is the one when the consumer actually uses the product).

Starting with a clean slate, Barr assessed “First Moment of Truth” performance – from supply chain reliability to store execution and from assortment-display optimization to store design. Using P&G’s shopper-centric philosophy and insights in which “the consumer is the boss,” he found in-store design and operational reliability opportunities. To improve both performance and capabilities, Barr designed a multi-year project to restructure P&G’s operations.

An Integrated Vision

Barr envisions an operational system fulfilling three distinct yet integrated roles: moving goods to the store (to “meet demand”); building an integrated, collaborative environment to optimize store design (to “create demand”); and finally establishing an organization capable of building, testing and commercializing continuous breakthrough and innovation.

To enable his vision, Barr defined a four-stage roadmap that would help bring capabilities from its current baseline level up to an “operational level.” Each level definition was complete with a list of simple questions to which P&G was able to respond, a set of success metrics and the strategies and tactics employed.

Figure 1: P&G’s supply chain transformation roadmap

Level	Baseline	Foundational	Dynamic	Operational
Questions	<ul style="list-style-type: none"> • “What is my performance?” • “What are my issues?” 	<ul style="list-style-type: none"> • “What is my performance and gap?” • “How am I doing by category, event, store?” • “What are my actionable opportunities?” 	<ul style="list-style-type: none"> • “How are the components of the supply chain performing?” • “How quickly can I replicate the review, execute, adjust process to become proactive?” 	<ul style="list-style-type: none"> • “How can the retailer and P&G act as one enterprise?”
Key Success Metric	<ul style="list-style-type: none"> • On-shelf availability • Lost sales 	Baseline, plus: <ul style="list-style-type: none"> • Sales • Promotion success 	Foundational, plus: <ul style="list-style-type: none"> • Service levels • Inventory • Costs 	Dynamic, plus: <ul style="list-style-type: none"> • Comprehensive collaborative planning and scorecarding
Strategy and Tactics	<ul style="list-style-type: none"> • Control charts to understand performance • Basic pareto to prioritize root causes of key issues 	Baseline, plus: <ul style="list-style-type: none"> • Collaborative reviews and continuous improvement • Initiative management • Optimized work orders • Some real-time demand/supply sensing and shaping 	Foundational, plus: <ul style="list-style-type: none"> • Collaborative score-card to analyze service, inventory and forecast accuracy • Event management • Alerts • CPFR 	Dynamic, plus: <ul style="list-style-type: none"> • Joint operating strategy • CDSN • VMI/ CPFR/ S&OP • Demand and supply synchronization (sensing and shaping)

“Any change in structural capabilities requires the analysis of three distinct components: people, processes and technology,” says Barr. “But to improve on any one of them, the first thing we had to figure out was how to measure ourselves. P&G has long used Retail Solutions to manage its point-of-sale and inventory data: this was the perfect way to assess our capabilities, set objectives and measure our progress against our long-term goals.”

Improving in Stages

In the first two stages of the project, P&G primarily worked on improving in-store availability. From its initial baseline level, Barr identified three main levers to bring availability up to an aggressive target: promotional management, better management of phase-in and phased-out items, and shrink management. For each of these, Barr utilized Retail Solutions data to first review where out of stocks happened, but more importantly to understand their root causes.

“The review of promotions was particularly insightful,” comments Barr. “We found that our promotions were having greater and greater success, but were incredibly disruptive to our supply chain, leading to unacceptable out-of-stock levels. By using retailer data to enable collaboration with supply chain partners to improve demand and supply synchronization, we were able to improve on-shelf availability dramatically; there were examples of comparable promotions where the in-stock percentage grew 30 percent!”

Over the first two stages, and in less than a year, P&G’s availability reached its target level by growing more than two points and remaining there sustainably.

In the third stage, P&G leveraged data to increase sales and service while reducing inventory and cost. For instance, by using the list of stores not scanning for new product introductions, P&G deployed its retail services team to address problematic stores. For products being phased out, it identified stores with large on-hands and utilized tactics such as the distribution of instantly redeemable coupons in specific stores to speed up sell-through. P&G also utilized detailed sales data to identify distribution voids and ensure each store benefited from the authorized assortment. Each of these initiatives was related to specific financial goals, with an associated increased sales forecast and a systematic measure of return on investment, thanks to P&G’s ability to identify specific opportunities and deploy pinpoint resources on the issues.

Over the last three years, Barr determined that with this approach, P&G created an incremental 5 percent in sales, or tens of millions of dollars. “Five percent was the goal that we had set for the entire project, and we reached it one year earlier than scheduled,” says Barr. “Retail Solutions Demand Signal Management is a strategy that has created value for P&G all along our transformation process. It is a critical foundation for many of the projects we run, and in this economy, having this level of business-centric visibility will be all the more important.”



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—Allan Barr, Operations Manager, P&G

What's Next?

The project is still far from completion. The fourth stage focuses on building what Barr refers to as the “operational level,” literally integrating P&G’s and retailers’ supply chains. Based on enhanced scorecarding, this phase’s focus is on-shelf management, forecasting and replenishment and promotional/event management – giving P&G the visibility and the tools it needs to support the retailers’ supply chain in real time, at the most granular level.

“This is the measure of real success,” summarizes Barr. “We want to be in the very best position to not only react to supply chain issues, but also to make the right decisions and constantly adjust our efforts and actions based on what really happens in the store. This is the way we can maximize the opportunity retailers give us when they allocate their shelf space to our products. And if we make these right decisions, we will win the ‘First Moment of Truth’ more often, benefiting the shopper-consumer, the retailer and P&G.”

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About Retail Solutions Inc.

Retail Solutions applies science to retailer data. Retail Solutions develops and delivers a comprehensive suite of software-as-a-service (SaaS) solutions that turn retailer data, such as point-of-sale (POS), supply chain, merchandiser feedback and EPC data into actionable visibility into the store and onto the shelf.

Leading companies such as Abbott, Bausch & Lomb, Bayer, Colgate-Palmolive, Crayola, Clorox, HP, Kao Brands, Kraft, Novartis, Procter & Gamble, Reckitt-Benckiser, Schering-Plough Corp., Stemilt and Unilever trust Retail Solutions to grow their retail sales, maximize in-store operation productivity, plan and execute more effective promotions, reduce their costs and join efforts with retail partners to improve shelf availability and consumer satisfaction.

Please visit <http://www.retailsolutions.com> for more information.