



Increase your profits

Retailers now have a tool to increase net profit by up to 15%

As a retailer of over 40 years' experience (not only in groceries, but also liquor, pharmacy and hardware), I was always on the lookout for any means to reduce my out of stocks. Over my career, firstly as a retailer (14 food stores, five liquor stores) and later as Retail Ops director at SPAR Inland and CEO of Link pharmacies and Pick n Pay pharmacies, I placed a great emphasis in reducing out of stocks as the obvious way to increase net profit without increasing expenses.

In the early days of a Kardex system, we manually inputted the orders, deliveries and non-deliveries and endeavoured to manage all items that apparently were out of stock.

Later in 1981, our store in Wilro Park, Roodepoort, was the second store in the country to implement electronic checkout scanning (Knowles of Pinetown was the pioneer). This process speeded up the sale of the products, but the reports were not user-friendly and we still had to resort to 'eye-balling' the merchandise and count stock on hand on the shelf and in the store room to keep up with the out of stock situation.

Today, even if giants like Wal-Mart and local chains use SAP or Oracle or other fancy multimillion dollar software, the out of stock situation continues to be a problem for most retailers. Wal-Mart's latest innovation is the use of robots that cross the store from shelf



“ With out of stocks, either the supplier has let the store down, or the goods are in the storeroom and not on the shelf display ready for sale 📱📱

to shelf to check whether all items are on display. Even then, they have not managed to get to the bottom of the problem.

Is there a solution?

Chris du Preez, as a supplier to the food trade, identified the problem and decided to do something about it. Having spent a substantial amount of money and many years in development, Chris now uses his software under the banner of The Last 50 Yards (as a reference to the short distance from the store room to the shelf) to assist retailers countrywide with an amazing reduction of their out of stock levels.

Worldwide research conducted by giants such as Wal-Mart, Procter & Gamble and Coca Cola arrived at the conclusion that out of stocks averaged 8,3% of monthly sales, with lows of 4,3% and highs of 12,3%. In South Africa, recent experience shows that many stores lose as much as 15% of their sales due to out of stocks.

The same global research indicated these interesting consumer behaviours when confronted by an item missing on the shelf

- 45% of them will substitute for another item
- 15% of the customers will delay their purchase for another time

- 31% will go elsewhere to find the product
- 9% will cancel the search altogether

The Last 50 Yards process is a simple one. Once the retailer authorises the process, the store's daily sales data is transmitted from computer to computer (no human intervention is permissible nor necessary) and an electronic analysis is conducted overnight.

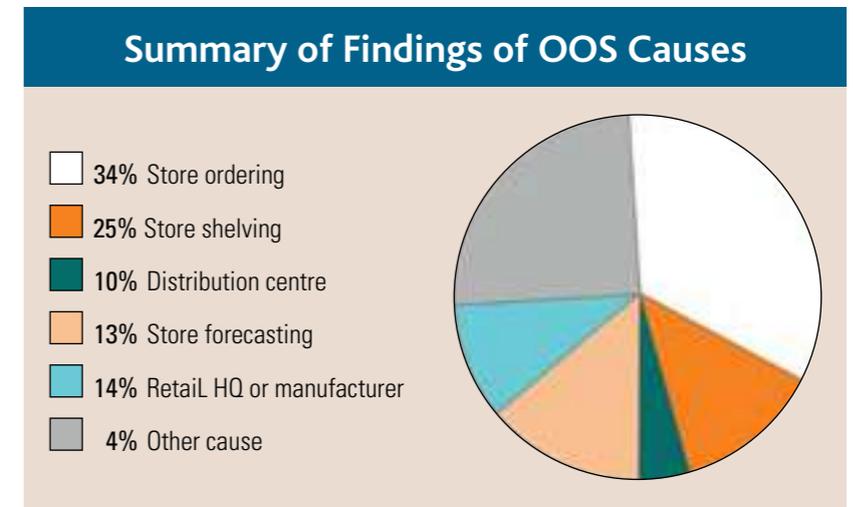
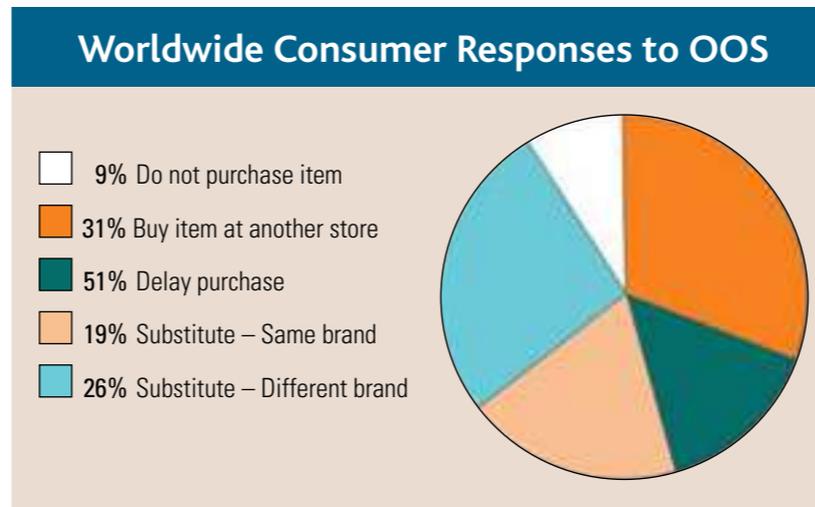
As the retailer arrives at his/her store in the morning, a simple one- or two-page report is available on email indicating the line items that should be checked immediately to verify if they are on the shelf or not. Invariably, over 90% of the items listed have a problem. Either the supplier has let the store down, or, as in most cases, the goods are in the storeroom and not on the shelf display ready for sale. The tool also works exceptionally well in the service departments. Examples include bakers that stop producing a confectionery product on a given day or butchers that change the boerewors production on a whim without management's knowledge.

Amazing results

Stores that use the tool religiously every day have managed to drop their out of stocks by up to 75% (it is almost impossible to achieve a 100% success rate).

A store that averages a 2% net profit after expenses is capable of increasing it to 2,3% (the Rand value of such bankable profit increases by up to 15%) by the consistent implementation of the tool that

Consumer response to OOS Using Item Velocity Measurement						
Product Group Measured	Lost Sale (LS)	Delay (D)	LS+D (Retailer Immediate Loss)	Substitute Same Brand	Substitute Other Brand (Mfr Loss)	Total Substitution
Top 2000 SKUs	66%	4%	70%	15%	15%	30%
Top 100 Private-Label SKUs	56%	2%	58%	20%	22%	42%
Top 100 Manufacturer SKUs	48%	5%	53%	24%	23%	47%
Diaper Brand A	67%	7%	74%	12%	14%	26%
Diaper Brand B	49%	1%	50%	39%	11%	50%
Detergent Brand A	52%	6%	58%	42%	0%	42%
Detergent Brand B	1%	1%	2%	0%	98%	98%
Paper Towel Brand A	47%	8%	55%	20%	25%	45%
Paper Towel Brand B	5%	4%	9%	35%	56%	91%
U.S. Survey Data (Benchmark calculated from Exhibit 11)	43%	17%	60%	20%	20%	40%



is cost-effective and very easy to use. I wish I had this tool when I was at the rockface! Interested parties should contact Chris on 074 997 7922 or find *The Last 50 Yards* on Facebook. **SR**



Hippo Zourides is an independent business consultant who has assisted businesses in the retail and wholesale environment in the fields of food, pharmacy, hardware and garage forecourts.

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