

# CASE STUDY: SMITH DAIRY

## HOW VISIBILITY INTO CONSUMER DEMAND INCREASED SALES



Smith Dairy is one of the largest family-owned dairies in the US. Headquartered in Orrville, Ohio, with production facilities in Ohio and Indiana, Smith Dairy has provided customers with quality dairy products since 1909, including Ruggles® premium ice cream and Moovers® ultra-pasteurized single serve milk.

But this isn't a story about how dairy products are made – this is a story about how visibility into consumer demand helped a dairy product company make more money.



### CLIENT:

"The point of sale information we get from Park City Group's SBT engine has given us critical insight into what's really happening at the store shelf. It's been eye opening for us. We now use that data to analyze shrink, improve our demand planning, and monitor merchandising activities. The results speak for themselves."

-Scott Gift, Regional Sales Coordinator  
Smith Dairy

To find out more about Park City Group solutions, call us at 435-645-2000 or visit us on the web at [www.parkcitygroup.com](http://www.parkcitygroup.com).

### CHALLENGE: BUSINESS PROCESS CHANGE

Smith Dairy sells into lots of different retail locations, including Meijer, a large Midwest retail chain. Meijer was conducting scan based trading (SBT) with a number of its suppliers, and they wanted Smith Dairy to participate. SBT is a method of retail commerce in which the supplier owns the inventory until it scans out at the point of sale.

Smith Dairy was apprehensive at first – SBT would involve a substantial change in the company's business processes. And, since they were going to own the inventory until it was sold, they knew they needed to improve the accuracy of their ordering and replenishment. Up until this point, Meijer generated orders and sent them to Smith Dairy. But getting an accurate order was sometimes a challenge, and Meijer required a 48-hour lead time for order fulfillment.

### SOLUTION: FORECAST ISSUES PUT OUT TO PASTURE

Before embarking on an SBT program with Meijer, Smith Dairy used the POS data from the Park City Group SBT system to better understand how their products were moving through the checkout line, what was selling, how quickly, what flavors, and just how much product to make and ship. The Park City Group system was already capturing 852 (item movement) data from Meijer, so it was easy for Smith Dairy to take that data, analyze it over a 13-week sales period, and develop forecasts for a per store average order by comparing the scan sales data to what their drivers saw on the shelves.

After the 13 weeks assessment, Smith Dairy was ready to take the plunge into SBT with Meijer, which they tested for nine months. There were challenges here as well. Like high shrink in six pilot stores, which the Park City Group system was able to detect and bring to the attention of both companies; and increased out of stocks because the replenishment process was not well managed. Access to the POS data enabled Smith Dairy and Meijer to pinpoint and resolve the root causes of their shrink and merchandising issues.

### RESULTS: SMITH DAIRY BREAKS AWAY FROM THE HERD

Because of visibility and collaboration between Smith Dairy and Meijer, this story has a happy ending:

- More accurate demand planning has resulted in fewer out of stocks, which have netted a 7 – 8% increase in sales;
- By generating its own orders, Smith Dairy cut order lead time in half and gained a full day of production;
- Smith Dairy saves 45 minutes per delivery because product is no longer scanned at the back door;
- Shrink has been reduced by 62%. It now runs at 1.8% – 2.4%, compared to overall category performance of 1.5% – 2.5%; \*
- A third party in-store merchandising company replenishes Smith Dairy's products, resulting in fewer out of stocks;
- Better merchandising has also contributed to a 60% increase in Ruggles sales across 19 Meijer stores; and
- Conducting SBT with Park City Group gives Smith Dairy the flexibility to explore other operational efficiencies, such as route optimization

