



Unleashing the Business-Building Power of Scan Based Trading

*Based on a study conducted by
Park City Group & Willard Bishop Consulting*

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PREAMBLE: Retailing Strategies for the 21st Century

The direct store delivery (DSD) process is fraught with inefficiencies ... from the back door to the store shelf. Inefficiencies translate into tremendous costs, from wasted time, wasted resources, and lost sales. The company that wants to drive sales and grow its business will have to build an efficient, sustainable supply chain. Business as usual is not a survival tactic for the 21st century.

Innovation will be at the core of success. The power of DSD lies in its ability to merchandise and sell products to consumers. Companies that rethink current DSD practices and streamline processes through a demand-driven, sustainable supply chain will spend less time in the back of the store and more time in the front of the store, creating a better shopping experience.

This white paper features two such innovators – a leading Midwest retailer and one of the nation’s premier providers of baked goods. By taking advantage of the benefits of scan based trading – from labor savings to visibility into consumer demand – they saw a significant increase in sales lift.

BACKGROUND

Park City Group, who acquired Prescient Applied Intelligence, provides innovative solutions and services to retailers and suppliers that increase sales while simultaneously reducing out of stocks, shrink and inventories. Park City Group’s solutions capture information at the point of sale, provide greater visibility into real-time demand, and turn data into actionable information across the entire supply chain.

Park City Group has been the industry leader in Scan Based Trading (SBT), powered by Prescient, since 1999. SBT holds clear advantages from the retailer perspective – no inventory ownership, shared responsibility for shrink with suppliers. And while there are also advantages for suppliers, it was difficult to see and even harder to prove. The SBT process achieved the expected cost savings (through streamlined operations), but didn’t generate enough increase in sales to excite manufacturers.

Park City Group asked Willard Bishop Consulting to help develop and test an analytical and implementation process that would enhance the capability of Park City Group SBT services to drive sales.

DRIVING DSD SUPPLY CHAIN EFFICIENCIES

DSD is a method of distribution that gives manufacturers additional sales force services. Because they deliver directly to the store, they are able to perform merchandising activities that can positively impact sales.

Over the last decade, the retail landscape has experienced dramatic changes, forcing many retailers to re-evaluate their DSD business models. One thing is certain: today’s marketplace requires greater collaboration between trading partners to streamline processes ... rethink current practices ... and find new ways to drive efficiencies.

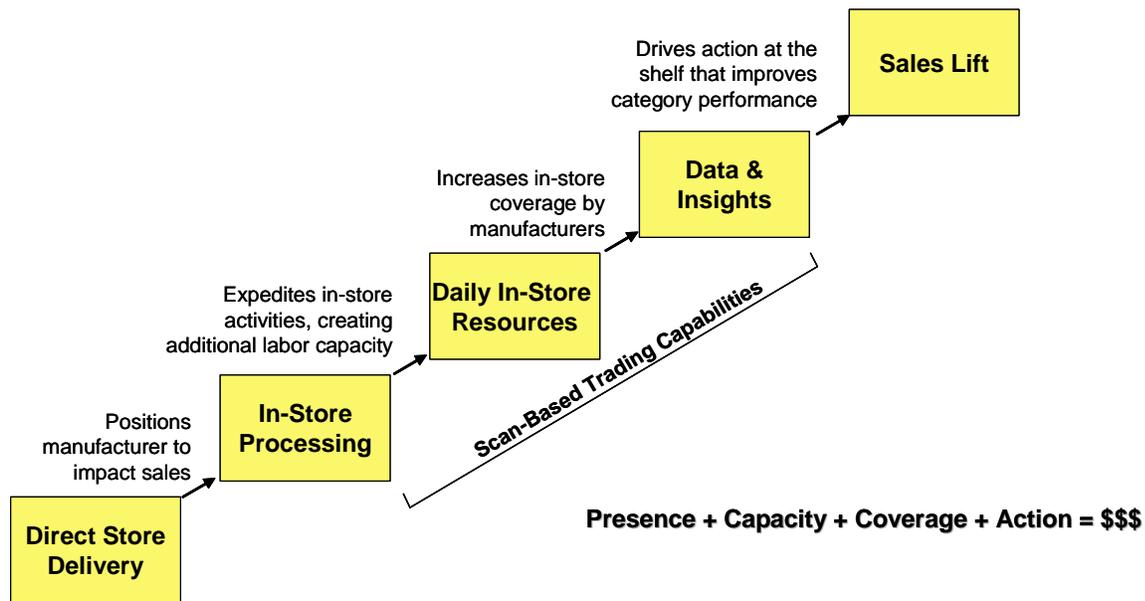
Leading companies are taking advantage of emerging technology that fully leverages the DSD system ...

and SBT is one such technology. Many of the activities that create DSD inefficiencies are virtually eliminated with SBT, including back door check in, delivery verification, and invoice preparation and reconciliation. The elimination of these and other time-consuming activities creates additional labor capacity, giving suppliers an average of 14 minutes more per store for merchandising activities.

THE VALUE CREATION FRAMEWORK

But how do manufacturers know which merchandising activities will grow their business, netting the biggest dollar return for their time investment? The study conducted by Park City Group and Willard Bishop illustrates how the insights gathered from SBT data drives value-added activities that improve category performance, resulting in sales lift.

With the oversight of the retailer, this value creation framework empowers the DSD manufacturer to take specific action based on demand data from the SBT application. This represents a new paradigm in the DSD process – that the freeing up of incremental labor (through SBT) produces powerful results.



THE OBJECTIVES

Technology is an enabler. It can have all sorts of bells and whistles, but if it doesn't contribute to the bottom line, it doesn't really serve a purpose. The primary objective of this study was to determine if SBT can positively impact sales when used as a collaboration tool between retailer and supplier.

To that end, the study provides:

- a. A measure of the upside sales potential associated with retailer/manufacturer collaboration around SBT to drive sales
- b. A roadmap to the manufacturer for using SBT data, in a collaborative way, to drive increased

- sales on a store-by-store basis
- c. A detailed, “firsthand” understanding of the analytical processes used to develop insights into store-specific merchandising actions as well as issues related to implementing changes on the shelf

SCOPE & APPROACH

The study was conducted in a test and control environment. All parties agreed that recommendations would be implemented at the test stores and the sales benefit would be measured relative to performance at the control stores.

The key project stakeholders also reached agreement on the following scope objectives, which would form the basis for in-store activities and sales performance measurement during subsequent project phases:

- a. **Space productivity** (the way product is presented to the consumer): Improve the space allocation of the current shelf assortment by reallocating facings from less productive to more productive items.
- b. **Inventory adjustments**: Create daily inventory guidelines that are sensitive to variable product demand throughout the week.
- c. **Saturday/Sunday split**: Fine-tune inventory guidelines to plan for Saturday/Sunday demand dynamics.
- d. **Displays**: Enhance ‘shopability’ of key products through the use of displays outside the bakery aisle.

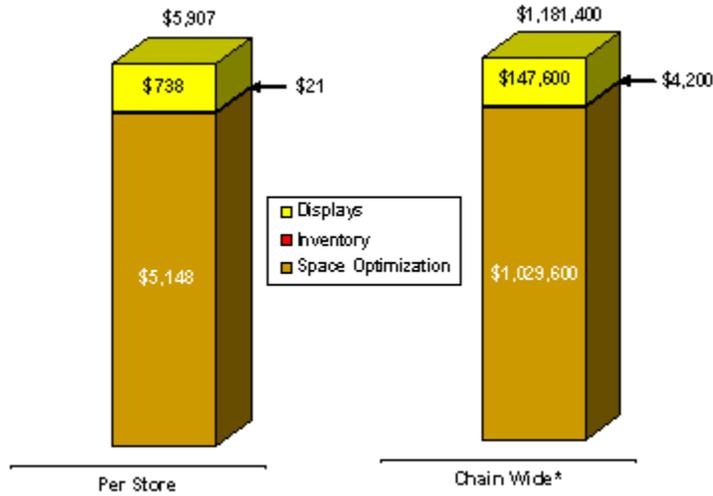
KEY FINDINGS

The study showed that leveraging insights from SBT data leads to a strong net positive impact on sales for DSD categories when properly deployed into the appropriate retail systems.

Finding #1: Total Sales Impact

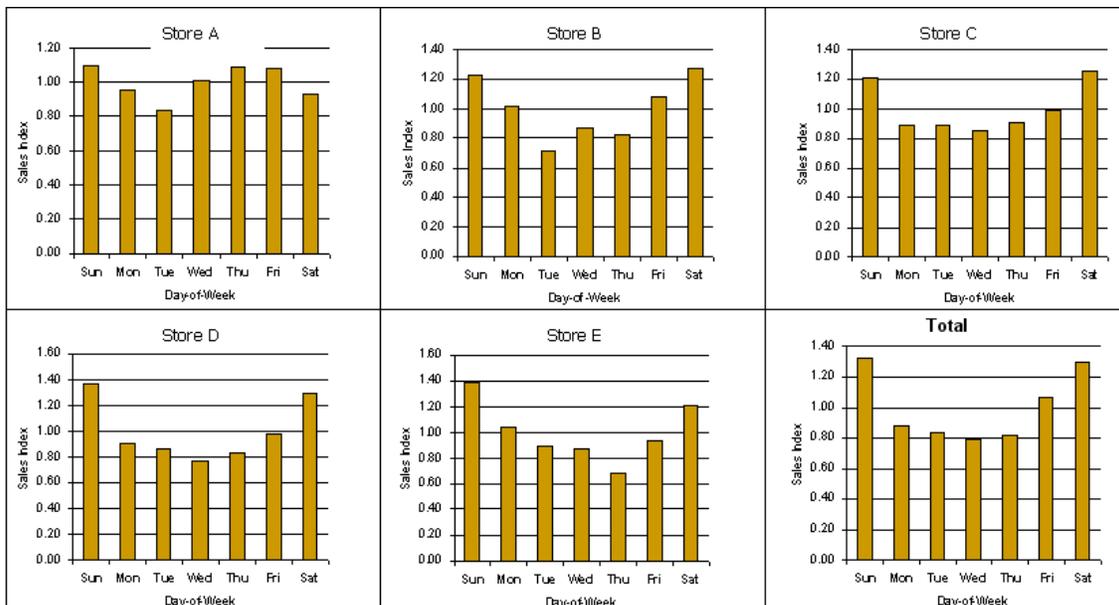
In total, implementation of the study recommendations led to an annualized **per store sales lift of \$5,907** in one category. Space optimization and dislocated displays contributed significantly to the positive results.

*Annualized Sales Lift: Per Store and Chain-Wide
(Two Categories)*



Finding #2: Daily Inventory Profile

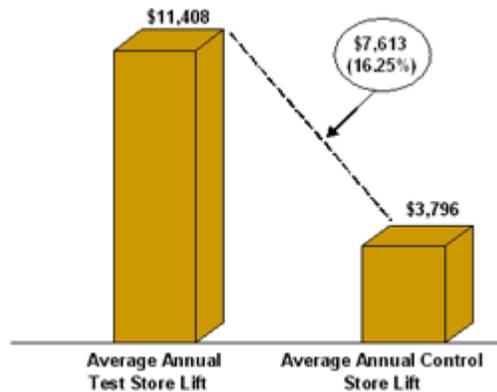
On average, snack cakes sales are 30% higher on Saturday and Sunday than on other days of the week. However, demand varies considerably by store.



Finding #3: Category Sales Impact

Snack Cakes experienced an **overall lift of 16.2%** relative to the control stores. **Sixty-eight percent** of the sales lift in Snack Cakes resulted from space productivity enhancements.

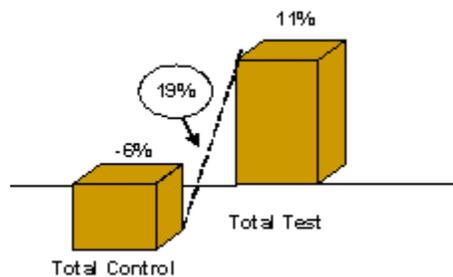
*Snack Cake Sales Lift: Test vs. Control
(per Store)*



Finding #4: Space Productivity Impact

Space Productivity Enhancements lifted sales on impacted Snack Cakes products by **11 percent across all test stores**. All test stores experienced a positive sales increase on space-adjusted products, whereas control stores, as a whole, suffered a 6 percent decline in sales for these same products.

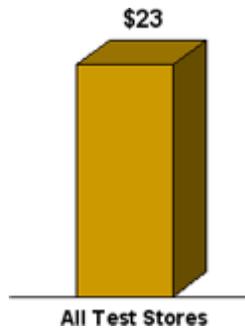
*Phase II to Phase II Sales Lift – Space Productivity
Adjustments Snack Cakes*



Finding #5: Display Impact

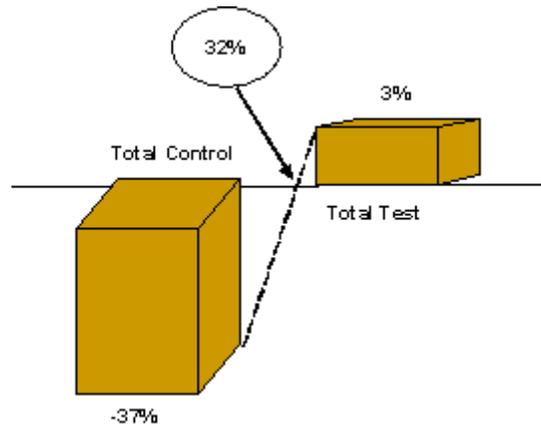
Displays lifted doughnut sales by 20 percent relative to control stores. All test stores experienced a positive sales lift as a result of the displays. By contrast, control stores experienced an overall sales decline of 5 percent on the same products.

*Inventory Adjustment Sales Impact Per Store
Snack Cakes (Net of Control Stores)*



Finding #6: Dislocated Displays

Dislocated displays (displays outside the bakery aisle) **enhanced individual product sales by 32%** net of control stores. All but one test store experienced a positive sales lift as a result of the displays. By contrast, control stores experienced an overall sales decline of 37% on the same products.



CONCLUSION

This study proved that the value creation framework is the pathway to exciting sales lift. Why? Because of the DSD efficiencies realized through SBT - efficiencies that free up labor, empowering the manufacturer to do more merchandising. With intelligence gained through the demand data available from the SBT application, the manufacturer can make informed decisions about where to expend in-store energy to generate the greatest return.

The improved performance of the test stores versus the somewhat poorer performance of the control stores can be directly attributed to better use of demand data from Park City Group's SBT system. The study clearly shows that with information about store-level characteristics, there is a substantial upside benefit to improving space allocation at the shelf. However, it is also clear that store-specific factors can drive sales pattern variability. In order to fully capture this upside, Park City Group delivers recommendations that are sensitive to the unique nature of product placement at each store.

While it's widely acknowledged that secondary displays help drive incremental volume, retailers and suppliers are challenged to identify the specific display strategies that deliver the highest benefit. By leveraging insights from SBT data, Park City Group can provide guidance on the number of optimal displays, how often and how long secondary displays should be implemented, and where the best locations are to maximize in-store shopping patterns.

Given the seasonal and holiday shifts in demand characteristics of many DSD categories, Park City Group is also able to capture and forecast these shifts as part of its daily inventory recommendations, and to adjust for these dynamics when making space productivity recommendations.

There is no dearth of data in this Information Age, and there are endless technology options. The way to cash in on DSD efficiencies is to use technology to gather data, and use that data to make informed decisions. **The result? A more satisfying shopping experience for the consumer, and increased sales for retailers and suppliers.**

About Park City Group

Park City Group is a trusted business solutions and services provider that enable retailers and suppliers to work collaboratively as strategic partners to reduce out-of-stocks, shrink, inventory and labor while improving profits, efficiencies, and customer service. Our innovative solutions provide trading partners a common platform on which they can capture, manage, analyze and share critical data, bringing greater visibility throughout the supply chain, and giving them the power to make better and more informed decisions. For more information, go to www.parkcitygroup.com.

About Willard Bishop Consulting

Willard Bishop is a consulting firm working with retail and foodservice companies to solve business problems and identify opportunities to drive profitable growth. For over 30 years, Willard Bishop has helped clients in the United States, Canada, Europe, Asia, and Latin America implement go-to-market strategies that improve both top-line sales and bottom-line profits. The company does this by going beyond research to develop strategic implications and actionable recommendations for its clients.