

Out of stock, Out of mind

About the experts



Simon Kos has been active in the apparel industry for over 15 years in production planning and execution. He specializes in effective sourcing and supplier management in China and India as well as quality control and supply chain. He started on the retail side at Macy's in the US and subsequently managed the production of apparel collections of Bjorn Borg, McGregor, Euretco (ELC) and Royal Bamboo. In 2009 Simon founded Real Apparel Management B.V. advising brand owners on topics including sourcing, production and supply chain.



Ronald Poort is working for 24 years in logistics and is a Six Sigma Black belt. Currently he holds the position of Global Business Development Director DSV Fashion Solutions. He specializes in advising consumer products and fashion manufacturers on a wide range of logistics challenges and is the Thought Leader on e-commerce in DSV Solutions



John Rave has been in the logistics business for 20 years and is currently at DSV Solutions in The Netherlands responsible for the Sports and Outdoor sector. With his multisport and outdoor background he has in-depth expertise in the sector's products and the upcoming trends in sports and outdoor retail logistics.

Recommended further reading:

http://download.taipeitradeshows.com.tw/2012/taispo/download/The_Sporting_Goods_Market_in_Europe_2020.pdf

<http://www.vlm.nl/onderneming-in-last-mile-dynamiek/> (in dutch)

http://www.cbwmitex.nl/De_sportmarkt_van_de_toekomst_2010-rapport.pdf (in dutch)

For more information on the cases:

www.bricc.nl (SportMonitor)

www.rucanor.com

www.oakley.com



How to optimise your product's on-the-shelf availability



An empty shelf where your product should be, inevitably leads to lost revenue. The majority of customers will opt for a similar product from the competition in the adjacent aisle or don't purchase the item at all. Research has shown the potential revenue gain through on-shelf availability optimization can be as much as 29%. This article covers the context in which on-the-shelf availability is becoming increasingly important for Sport and Leisure brand owners and will highlight key areas where improvements can be made.

After a century the days of bi annual fashion cycles are officially over. Nowadays even renowned companies, including the likes of Prada and Louis Vuitton are changing their strategies to produce four to six collections instead of two a year. In addition, the economic recession has triggered increased price consciousness among consumers making them less loyal to brands. This is especially true for the less fashionable, more practical sports and leisure brands. As a result it is becoming increasingly difficult to achieve on-the-shelf availability for the entire product range. Further to the lost revenue due to out-of-stock events, an additional negative effect is customer frustration which can lead to further detachment from the brand.

On top of it all, private label brands have been gaining ground. According to financial institution, Rabobank, market share for retailer brands has increased rapidly over the years, most notably in the UK, Spain, Germany, Italy and the Netherlands. Retailer brands are estimated to have achieved at least 40% market share in five countries. In the UK and Switzerland, private label accounts for one of every two products sold. In this context uninterrupted availability of a brand-owner's product in the stores has become vital for the brand's survival.



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The sports and leisure industry is characterized by high seasonality and specifically fierce competition on retail space. The brand owner's or distributor's challenge is getting the products to and keeping them on the shelves of the retailers. The critical success factors in this challenge are:

- Demand forecasting
- Assortment size
- Order and delivery process
- Products display size
- Stock list accuracy



Demand forecasting

Accurate demand forecasting is the starting point through which all supply chain operations must be planned. Traditionally we see these forecasts made on basis of historical sales data. Nevertheless sales volume does not necessarily equal customer demand as it does not always take into account the Out of Stock events. For new products an accurate forecast of sales volumes ultimately depends on the commitment of the retailers. Depending on the quality of the relation sales has with the retailer can be overly conservative in his estimates in case the forecast represents a minimum quantity. Preferably a retailer should be motivated to provide an ambitious forecast without any contractual/purchase obligations.



Assortment size

A disciplined approach to optimize the product range and a relentless scrutiny on products outside the core portfolio is key to maintain high product availability. There is a natural tension between 'building the brand' by expanding the range of products and keeping the number of products manageable and therefore availability high. A mindset towards optimizing the current portfolio should be embedded in the company culture and become second nature to its employees.

“Relentless scrutiny on products outside the core portfolio”

Order and delivery process

The use of planning sheets for the end-to-end production process and a timely order process are obviously the basis of getting your goods on the shelves in time. A stable relation with one or a limited amount of logistics service providers can help to ensure capacity in the container and provide a reliable service for emergency air cargo service for out of stock sizes. Furthermore the tipping point of the most economical shipping costs of an LCL (Less than container Load) compared to an FCL (Full Container Load) is often lower than one would expect. In combination with volume discounts at the manufacturer this makes larger volumes extra attractive from a cost perspective. The order and delivery process is often characterised by huge volume/cost breaks. It is important to calculate the total landed costs of a wide range of scenarios and the advantages associated with each supply model.

Product Display size

The larger the retail space per product, the larger the buffer to prevent out of stock. The reality however is fierce competition for product display surface often side-by-side direct competitors. A larger area in the store often also means more possibilities to ex-

change slow rotating products that are out of stock with available stock of fast movers. Retailers that provide brands with sufficient space for a complete concept will get more attention from the sales/merchandise organisation making sure the product range is optimized for the store and prevent the popular style/size/color combinations getting out of stock.



Stock list accuracy

Accuracy of stock forecasts and availability is greatly improved through the integration of specialised warehouse management systems into the planning software. Having up-to-date and sufficiently detailed information on quantities on stock and on order is crucial for a smooth supply chain. Radio Frequency scanning upon each movement of the stock and real-time availability of this data will support decision making and ultimately lead to increased availability of the products.



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We will discuss 2 examples of sports and leisure goods brand owners and how they have succeeded in improving the number of out of stock incidents. Although their situations are different, it will provide useful insights into different strategies for on-the-shelf availability optimization.

Rucanor

Get the basics right

This iconic sports brand originating in The Netherlands in 1956 is most famous for its sports peripherals such as fitness equipment, sports bandages and protection products, swimming/diving products, boxing gear, shoes and clothing. During its heydays in the 1980's the company developed a wide product range that, in addition to its core peripherals included lines of sports fashion such as T-shirts, jackets, training suits and bathing suits. Due to the changing economic climate and fierce competition the company struggled to keep up sales volumes of its entire product range. In March 2013 the brand was re-launched by Sport Services Europe. The new exclusive licence holder of the Rucanor brand made drastic changes to the product portfolio. Most of its seasonal and fashionable product lines were stopped and it adopted a strategic focus on its core products. Currently the company is consistently expanding and deepening its Never Out Of Stock portfolio including; swimming and running gear, protective pads, martial arts equipment, sports apparel, etc. The team of merchandisers as well as its network of distributors in Europe are succeeding in optimizing the on-shelf availability. As now a large part of the products are produced to stock, the EDI connections with the major retailers and distributors allow for timely replenishments. A clear focus on its core products has enabled Rucanor to achieve the economies of scale required to be competitive in terms of price and customer service. "Our new slogan: Get the basics right, expresses this successful strategy very well" according to Martijn Nelissen, owner of Rucanor.



Martijn Nelissen, Rucanor

SportMonitor

Big data at work

The philosophy of SportMonitor, a supplier of retail benchmark software, is that sales optimization is founded on data sharing between brands/distributors and retailers. The dreaded "...but I can order it for you" in case of a non-available size, nowadays almost inevitably leads to a customer buying a product online. SportMonitor provides retailers and brands sales data. The tool is directly linked to cash tellers of over 125 sports retailers and provides insights into sales volumes and seasonality depending on weather, holidays and other variables. "Having a reliable forecast on sales taking into account influencing factors greatly improves on-the-shelf availability", according to Friso Berghuis from SportMonitor.



Friso Berghuis, SportMonitor

This statement is confirmed by Perry van Stuivenberg from DAKA, a company using SportMonitor for their own sports retail stores. "The more a retailer and a brand can optimize the sales forecast through sharing of data, the more confidence there will be on the retail side to place ambitious orders." comments Perry. EDI connections between brands and retailers are nothing new but pro-active consolidation and subsequent reporting of sales and benchmark data from large and small stores, opens up an array of possibilities to maximize the availability of the right product, at the right place, at the right time", concludes Friso.

Oakley

Better sales forecasts

California based Oakley manufactures sports performance equipment and lifestyle pieces including sunglasses, sports visors, ski/snowboard goggles, watches, apparel, backpacks, shoes and other accessories. From their European Sales and Marketing department in Zurich and the European Distribution Centre in the Netherlands they have experienced steady growth of their European business. Where in the past order quantities for next season's stock were based on rough estimates, they have started relying more on sales forecasts of their retailers. Their approach towards the retail network focusses on growing with key accounts in combination with a network of own stores, store-in-store concepts and consignment stock. This more stringent forecast process has made the last seasons collections more focussed, with higher volumes of fewer products. As a result of this approach the amount of end-of-line stock sold through Factory Outlets has drastically decreased. From a supply chain perspective the traditional 2 seasons are increasingly overlapping. "The challenge in the warehouse environment is that the traditional 2-week season changeover of stock locations is disappearing" according to Harold Heutink logistics manager of the Oakley European Distribution Center (EDC). Harold is responsible for all the logistics activi-



Harold Heutink, Oakley

ties in Oakley's EDC and the distribution of the products to Europe, Middle East and Africa. Besides the outbound distribution the EDC also manages all reverse logistics such as product returns and warranty.