ITASCA
Retail Information Systems

No-Compromise Store Replenishment:
Five Keys to Keeping Your Inventory on Target

THERE IS A DYNAMIC TENSION between performance goals in store-level supermarket merchandising:

▶ Low out-of-stocks versus excessive inventory levels on the shelf and in the backroom.

▶ High turns that beget excess labor costs for restocking.

▶ DSD vendors that shoulder the work, but "go their own way" when stocking their sections.

▶ Lean inventories that leave shelves with sparse presentation.

▶ Forecasts that veer off course when promotions are factored in.

Applied across 300 categories and 35,000 items in a typical supermarket, the reordering process is subject to numerous daily inaccuracies that drive down sales and profits, tie up cash in excess inventory, and make the shopping experience less satisfying.

For more than two decades, the industry has experimented with various software systems intended to tune the ordering process for the better. Called computer-assisted or computer-automated or computer-generated ordering, or simply, "the perfect order," the failures have outnumbered the successes, afflicting some decision-makers with a kind of post-traumatic stress. Perhaps these words are painfully familiar in your organization:

We have tried that in the past and it just doesn't work.

You need to have perpetual inventory, right? But we've proven that's almost impossible.

Two other retailers in our share group have crashed and burned with CAO. No thanks!

Meanwhile, out-of-stocks, uncontrollable shrink, bloated inventories both on the shelf and in the backroom, and flat levels of sales continue to pervade, and degrade, store performance.

Just because this problem hasn't been solved before in your organization using legacy ordering systems, doesn't mean it's a lost cause. In fact, the track records of the outstanding retailers who are succeeding with CGO proves the opposite. Itasca Retail customers have documented in-stock levels of 99% or better over the long-term, with simultaneous reduction of inventory on-hand.

Five Keys:
1. **Comprehensive Solution**
2. **Store-Focus**
3. **Real-Time Orders**
4. **Intra-day Forecast**
5. **Accurate Perpetual Inventory**

At the heart of previous failures are compromises inherent to some technology providers' historical attempts at solving the problem:

▶ **Singular focus on OOS:** The solution helps some with out-of-stocks in the center store, but it can't handle promotion order quantities, DSD categories, or perishables. A more comprehensive approach is needed to balance all these priorities.

▶ **Stores kept out of the loop:** The decision process is focused upstream on warehouse withdrawals or it provides an order quantity calculated across multiple stores. This limits local responsiveness and undermines store autonomy and accountability.

▶ **Batch orders:** The solution design builds in a systematic time lag that makes order inaccuracy an unavoidable feature.

▶ **Forecasts at too high a level:** Useful maybe for management reporting, but not adequate for keeping abreast of daily order quantities. Analysis typically lags behind actual replenishment requirements. Stores need to be able to forecast replenishment cycle needs, not long term trends.

▶ **"Perpetually inaccurate" inventory:** Too many solutions fall short on this essential capability. An accurate PI is as important as an accurate forecast for replenishment. Promotional inventory often isn't considered, even if it's in the store; multiple display locations only compound the problem.

Supermarket leaders can and do achieve outstanding performance, with positive impact on both sides of the balance sheet, by reversing these compromises with a true Inventory Optimization solution. The results, confirmed over more than a decade of experience in hundreds of stores, prove that out-of-stocks can be conquered without over-investing in excess stock; that turns can be accelerated without creating labor mayhem; that shelf presentation need not be sparse to minimize shrink; that DSD orders need not be subject to the gut instincts or personal goals of the route driver.

At Itasca Retail, we identify five "keys" to getting orders right, every day, every time:

1 **Comprehensive Solution:** An inventory and order management system that drives down out-of-stocks, excess inventory, and shrink, while keeping restock labor costs within bounds, for every item in the store. It even helps reduce delivery frequency, with consequent benefits at the distribution center.

2 **Store-Focused Order Management:** The solution uses store data to generate an order that reflects the real conditions in that location, not calculated orders based on data accumulated at the distribution center or headquarters. It takes into consideration the time demands and operational needs of the store and creates inventory managers out of historical order writers – even part-timers participate.

3 **Real-Time Orders:** Quantities based on data collected and updated incrementally throughout the business day, which nearly eliminates lag that can create persistent inaccuracies in faster-turning items and leave shelves sparse.

4 **Intra-Day Forecast:** The reordering system corrects its sales forecast based on sales history as well as sales occurring throughout the day. Orders reflect not just replacement of items sold, but an expectation of how many are likely to sell tomorrow.

5 **Accurate Perpetual Inventory:** A continually updated picture of stock on hand, for every store, every day is the foundation of a successful Inventory Optimization system. Without trustworthy data, orders will miss the mark. With it, associates and DSD partners learn quickly to trust the system and apply it to maximize store performance.

Five Keys: The End of Store Inventory Compromises	
Legacy Ordering Systems	**No-Compromise Inventory Optimization**
Singular focus on OOS	1. Comprehensive Solution – for OOS, shrink, stock levels, turn
Stores Left Out of the Loop	2. Store-Focused Order Management – by design
Batch Orders with Time-Lag	3. Real-Time Orders – ensure superior accuracy
Forecasts Weekly (or Longer)	4. Intra-Day Forecasts – maximize responsiveness
"Perpetually Inaccurate" Inventory	5. Accurate Perpetual Inventory – builds trust in the system

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For more than a decade, in real-world implementations at over 1,200 supermarkets in North America, Itasca Retail has been refining and proving the first and only comprehensive, just-in-time replenishment and Perpetual Inventory solution built upon real-time data that optimizes retail grocery inventory.

This means retailers don't have to choose among multiple competing priorities, You can achieve almost non-existent levels of OOS, while lowering inventory overall, keeping the "look" full… and increasing sales.

Beyond CAO, or even CGO, Itasca Magic™ delivers true Inventory Optimization without compromise.