



## Reducing Out-of-Stocks with More Effective Planograms

### How the J.M. Smucker Co. Leveraged Granular Retailer Data to Support Planogram Recommendations in the Coffee Category

In November 2008, as the J.M. Smucker Co. completed its acquisition of the Folger Coffee Co. from Procter and Gamble, it found itself with a commanding presence in the coffee market. With its original Folgers Brand, Millstone, as well as a license to manufacture and distribute Dunkin' Donuts coffee, the jelly and jam maker added the #1 selling ground coffee in the United States to its portfolio.

J.M. Smucker realized that they were experiencing wide-spread out-of-stock situations across many retail chains on Dunkin' Donuts coffee. "This did not come as a major surprise for us," commented Amy Derrenberger, a category development analyst at J.M. Smucker. "When the issue surfaced, we were already deeply engaged in an analysis to understand out-of-stock levels and try to find solutions."

More specifically, Derrenberger, along with one of her colleagues, Cathrine Lockhart, worked on the situation at Food Lion, a Charlotte, NC-based retailer with over 1,300 stores in 11 Southeast and Mid-Atlantic states. "We had a unique opportunity to start there," said Lockhart, also a category development analyst at J.M. Smucker. "Food Lion's data sharing program, Vendor Pulse, provides us with comprehensive access to actual data: we now have full visibility over sales and inventory levels by day, by store, for each of our references. With this level of detail, we now can accurately determine where we have out-of-stocks and understand how we can address their root cause."

## Understanding the real out-of-stock picture

Using solutions provided by Sunnyvale, CA-based Retail Solutions Inc. to leverage the Food Lion Vendor Pulse data, J.M. Smucker realized that the out-of-stock problem at Food Lion was indeed structural.

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—Amy Derrenberger,  
Category Development Analyst,  
The J.M. Smucker Co.

"We looked at the warehouses first," explained Derrenberger. "We realized that there was no issue there and that our service levels were satisfactory. We then started analyzing the information down to the store level, matching stores not scanning the products with inventory levels. Leveraging our partnership with Retail Solutions Inc., we were able to look at sales and in-stock levels for 160 days, in each store, for each SKU."

The outcome was astonishing: at any point in time, an average of 12% of Food Lion stores were out-of-stock for Dunkin' Donuts Original Blend, the best selling reference in the range. During promotions, the numbers tended to spike even higher. Equally importantly, the issue happened across a large number of stores: 50% of stores were actually out-of-stock for more than 10 days during the study period, and 13% of the stores were out-of-stock for 50 days or more, or nearly a third of the reference period. "When you hit these long out-of-stocks, it presents a clear risk to customer loyalty," commented Lockhart. "The last thing we want is to give an opportunity to a committed customer to switch brands because they hardly ever find their first choice on the shelf."

"Retail Solutions showed us we were losing 24% of our sales by not being in-stock," added Jessica Fording, the Food Lion team director at J.M. Smucker. "Based on that kind of number, it was obvious we needed to move into structural changes rather than tactical ones."

## Recommending an optimized planogram

The opportunity presented itself in the form of a major planogram reset at Food Lion scheduled for August 2009.

Up to then, most stores just followed a simple guideline for Dunkin' Donuts: a single facing for each SKU. Derrenberger and Lockhart conducted an extensive space-to-sales analysis (while reincorporating the lost sales to account for real customer demand) for two different planogram sets at Food Lion.

"We went back with a completely different proposal," said Scott Dacus, J.M. Smucker's national account manager for Food Lion. "We presented our findings to the category management team at Food Lion and they blended our proposal with other suppliers' recommendations."

"Our strategy was not solely based upon incremental facings for Dunkin' Donuts and the other J.M. Smucker brands," clarified Derrenberger. "We worked under a set of criteria defined by Food Lion to not increase the planogram size but rather to reallocate space between various products."

This resulted in Dunkin' Donuts coffee products receiving significantly more planogram exposure while some slower-selling SKUs in other ranges saw their number of facings decrease. The reset was enacted on August 3 and quickly rolled out across all stores.

### **The results: 47% sales growth for Dunkin' Donuts, 34% for the overall coffee category**

A few months after the reset, J.M. Smucker started analyzing the results. "When comparing sales per store per week before and after the reset, we found a 47% increase for Dunkin' Donuts, which also resulted in growth for the category," stated Fording.

A more detailed analysis shows the improvement. The average number of stores out-of-stock for Dunkin' Donuts Original Blend was nearly cut in half, with equally impressive results for the other product variants.

However, it still shows potential. "The Retail Solutions updated in-stock analysis still highlights a large sales increase potential," added Derrenberger. "By further improving in-stock situations, we still have an opportunity of growing total sales for the Dunkin' Donuts range by about 10%."

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—Jessica Fording, Food Lion Team Director,  
The J.M. Smucker Co.

The results have received executive visibility and the project has been presented in several occasions to category managers. “With the help and support of Retail Solutions, we were able to recommend increased space on Dunkin’ Donuts coffee based on real consumer demand, considering real shelf availability,” summed up Derrenberger. “With a 34% overall sales growth, the results speak for themselves.”

“These results are indeed very compelling, but one of the most valuable benefits here is intangible,” stated Fording. “One of our core objectives is to build a relationship with Food Lion based on our objective analysis of their data that deliver actionable solutions. The combination of the Food Lion Vendor Pulse program and the analytical and data management skills brought by Retail Solutions helped provide the tools to build relationships and achieve business success.”

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#### **About Retail Solutions Inc.**

Retail Solutions applies science to retailer data. Retail Solutions develops and delivers a comprehensive suite of software-as-a-service (SaaS) solutions that turn retailer data, such as point-of-sale (POS), supply chain, merchandiser feedback and EPC data into actionable visibility into the store and onto the shelf.

Leading companies such as 3M, Abbott, Bausch & Lomb, Bayer, Colgate-Palmolive, Crayola, Clorox, Heineken, HP, Kao Brands, Kraft, Nestlé, Novartis, Procter & Gamble, Reckitt-Benckiser, Schering-Plough Corp., Stemilt and Unilever trust Retail Solutions to grow their retail sales, maximize in-store operation productivity, plan and execute more effective promotions, reduce their costs and join efforts with retail partners to improve shelf availability and consumer satisfaction.

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