

Precise Inventory Management through Continuous Automated Tracking of Out-of-Stocks

The Retail Challenge

Inventory management remains an enormous challenge for brick and mortar retailers. According to recent IHL Group analysis on retail inventory management and its impact on shopper experience, consumers experience out-of-stocks as often as 1-in-3 shopping trips. As a result of this poor customer experience, shoppers turn to alternatives. According to the IHL report, upwards of 24% of Amazon's retail revenue comes from customers who first tried to buy the product in store. The cost to retailers of having missing inventory is not simply a one-time lost sale opportunity. Once a shopper orders from Amazon (or another competitor) they are less likely to return to the store for future purchases.

The Focal Systems Solution

Focal Systems enables precise inventory management by delivering continuous automated tracking of out-of-stocks. By

tracking all day-long, Focal Systems' automated out-of-stock detections are typically 30- 50% higher than what's captured by manual scans or perpetual inventory.

Focal System's OOS tracking feeds into the Focal Systems Stocker Action Tool – a task management tool for store associates that integrate the retailer's backroom (or top-stock) counts and reordering system. The result is a highly efficient end-to-end solution that identifies the shelf gap within the hour that it happens, and then alerts associates with a prioritized replenishment task list that accounts for the number of outs per aisle, the average sales rates per item, secondary locations of items and the quantity of backroom stock. Because store associates no longer need to manually scan outs, those hours can be redeployed to restocking shelves, helping customers and other higher value tasks.

Focal's Automated OOS Tracking also monitors the number of OOS filled per hour per associate to ensure accountability and

compliance. Finally, Focal Systems delivers detailed data on the duration of out-of-stocks by item – including recurring outs, persistent outs, and the degree of workable vs. non-workable outs. Focal provides a single source of truth that can be leveraged by the store, merchandisers, direct store delivery, and manufacturers, to enable synchronized effort to improve the entire supply chain.

Case Study

A Fortune 50 retailer conducted a pilot with Focal Systems across several of their big box stores. The purpose of this pilot was to deploy Focal's Automated OOS Tracking as well as Focal's Stocker Action Tool to assess the impact on shoppable inventory levels and sales using only existing labor.

An initial period of data validation was conducted to confirm accuracy of the detection as well as to serve as a "baseline period." Store associates were then trained to replenish workable outs using the Focal Stocker Action Tool. This period of utilization was the "test period." Sales impact was determined by comparing the tracked items for the test period vs. the baseline period.

Key Findings

As a result of adopting Focal's Automated OOS Tracking, the retailer learned that 64% of their items had at least one OOS occurrence over the two-month test period.

With adoption of the Focal Stocker Action Tool, the retailer reduced the number of hours of out-of-stock by 30%. The number of items with one or more out-of-stock occurrences per day also declined by 41% (because persistent outs were finally able to be restocked). The net result was a 5.3% - 16.3% sales increase across the stores, averaging 8.2% sales lift overall!

All of this was accomplished without incremental labor. In fact, by leveraging Focal's associate accountability tracking, coupled with adopting new workflow optimization conducted by the retailer, there is an opportunity to increase restocking productivity by an additional 8X.

Key Findings

30% reduction in out-of-stock hours

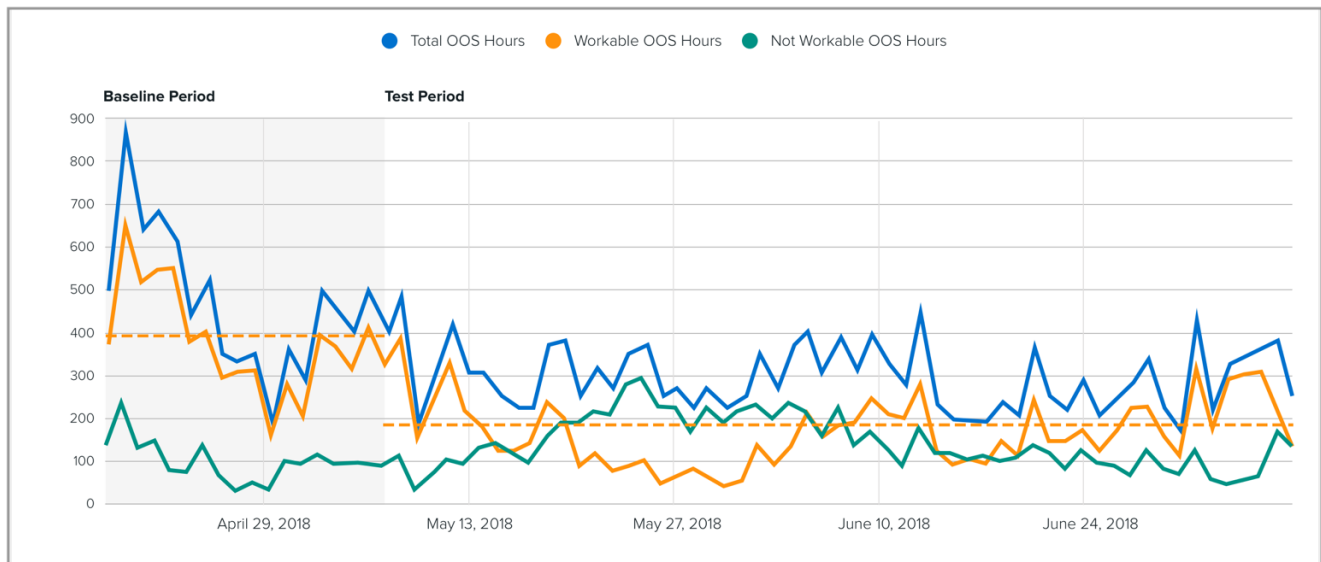
41% reduction in out-of-stock occurrences

8.2% average sales lift across stores overall

8x potential increase in restocking productivity

The company is also leveraging Focal Systems' item-level duration of out-of-stocks over time to optimize the supply chain, partner with vendors to change planograms, and improve the on-hand counts. The higher sales lift from increased on-shelf availability, labor savings from not having to manually

scan outs, increased labor productivity from replenishment task management and associate accountability tools, and improved supply chain management, allowed the retailer to reap an average \$138,031 incremental EBITDA per store per month!



We have tested a number of different automated OOS detection solutions, including robotics and other Computer Vision providers. Of all of these, we have found Focal to perform the most accurate and affordable, providing real and practical application in our stores at scale. Focal provides a significant business impact to our stores through their automated alerts and their easy-to-use apps. We are excited to scale across even more stores and replicate these results.

Testimonial by the Manager of Inventory Management
Product Strategy Development at the company

