

## Opinion: A new era for retail

**W**hen the world economy overheats, businesses become very focussed on cash, and identifying ways of increasing their cash flow. Companies that outsource part of their business requirement need to do so with trusted and skilful partners, that is a given, but in addition to that they need to find ways to work with those partners to greater benefit. New business models are emerging.

We are working directly for one of Europe's largest grocery retailers in about 300 hypermarkets. For this retailer we are providing a shelf replenishment service that we call instore logistics. It is work that is undertaken in the evenings, after peak shopping time. We are deploying a team of several thousand people to do it. With this team we are solving new problems that have not been addressed in this way before.

The problem that the retailer was facing is lack of space for storage at the stores and logistical inefficiencies when delivering pallets to replenish categories in store. We have supported them in their understanding the delivery requirements and to maximise the

efficiency on the shop floor.

We have developed a performance based remuneration model for this. This model is based on logistic units, pallets, containers etc. Every logistic unit gets a predefined time by which the products have to be in their shelfspace. We have an agreed time frame for each part of the requirement. By understanding the product workflow into store we are able to help the store accurately and efficiently meet its stock agreement with multiple brands across its pre-agreed shelf space. In effect this nullifies the need for traditional merchandising teams to check these shelves for FMCG product availability.

This has benefits for brands and also for the retailers own brand product.

Some service providers have attempted to do this before. Where they have come unstuck is in the knowledge of product workflow – the key store logistical issues. All the retailers have an issue with handling products several times because the ordering from the central warehouse was not consistent with the available shelf space. Deliveries would come to



# FM

the store and be sent back to the warehouse only to be brought back again the next day. Solving that kind of issue is saving the retailer a vast amount of funds that were being spent on this handling.

This makes a difference in millions to the bottom line.

The University of Jena and St. Gallen have just recently published - with our support - it's summary of the Adosa Project (Advanced Optimal Shelf Availability). This shows in detail the impact of the right organisation and the cost impact between stock receipt and shelf (for more information see <http://www.logistik.unisg.ch/org/logm/adosa>)

*SERVICE INNOVATION GROUP delivers process optimising solutions for sales and retail and is offering its services in all European core markets. At present more than 150 brands European wide are using SERVICE INNOVATION GROUP as their service partner.*

**Juergen Mueller is CEO of  
SERVICE INNOVATION  
GROUP**