



How OSA (out-of-stock) impacts the shopper

As competitive pressures continue to affect the FMCG sector (fast moving consumer goods), a real prospect to improve economic returns exists by focusing on Optimal Shelf Availability, which can have dramatic and lasting positive consequences for manufacturers and retailers alike.

The origins of the joint ECR Italia & IRI initiative, is centred around an analysis of the impact out-of-stock has on the shopper and their behaviour. The primary objective is to develop a shared tool which systematically measures the extent of the problem, leading to an organised approach with specific recommendations and targeted measures.

As a first step the IRI Shopper Insights, out-of-stock research was completed recently and the findings show that the out-of-stock problem was widespread: data analysis of approximately 5,500 shopping trips taken by 780 shoppers over the course of a month showed that on average, consumers found themselves in front of a shelf where at least one product they were looking for was out of stock on 3 out of 7 shopping trips. This means that 41% of shopping trips were affected by out-of-stock issues.

The shopper's first reaction to a desired product not being on the shelf was one of annoyance: more than 1 shopper out of every 2 reported being "annoyed" by the out-of-stock event and a 25% reported a decidedly unpleasant impact (very + extremely annoyed).

Reactions were even more negative in sectors where personal involvement was greater and product selection considered connected to a specific functional need as opposed to a generic purchase where acceptable alternatives were available, here the percentage of annoyed shoppers dropped.

Interestingly, when products that were actively being promoted through sales material were out-of-stock, the level of annoyance increased significantly, reaching 66%. Therefore,

one key finding from the research is to be acutely aware of stock levels of products being actively promoted. This is especially true when you consider that 83% of consumers in this study use sales material to help construct their shopping lists and 53% use them to help choose a store. Therefore, from the shopper's point of view, experiencing an out-of-stock situation is considered to be the retailer's issue. Interestingly some of the key root cause were identified as finished stock (23%) and slow re-stocking of shelves (22%) and only less so with the brand that "did not deliver the product" (11%).

The research also tried to understand the impact that out-of-stock situations have on shopper behaviour and in particular how consumers react in front of a shelf where a product on their shopping list is missing. More than 6 shoppers out of 10 still made a purchase to replace the product/s they did not find on their shopping trip. This mitigates the impact on the lost sales the retailer would otherwise incur, given the widespread nature of the problem. In fact, in the short term, the risk of lost sales for the store is about 35%. The impact differs for manufacturers, for whom adding brand switching in the category (23%), replacing with another category (25%) and no purchase (25%), the potential risk of sales lost at the time of purchase rises to virtually 73% of shoppers.

The research shows that over the short term, it is the brand manufacturer that risks the greatest loss in sales. While over the longer term the retailer may be impacted the most as store loyalty is eroded and consumers search for buying alternatives - 18% of those interviewed said that frequent out-of-stock situations would encourage them to change stores. Therefore, failure to satisfy customer needs at the store can have serious consequences on both brand loyalty and store loyalty.

Some of the most important research results were analysed in greater detail by individual categories. This methodology identified categories that were of a higher risk of sales loss both for retailers and manufacturers and a high annoyance rating. This categorisation facilitates the construction of a "priority map".

The research results were shared with many large-scale consumer product companies in Italy because reducing out-of-stock events is a winning investment both for retailers and manufacturers that has proven necessary to maintain the customer base and ensure brand and store fidelity and provides a wider view of the problem in terms of "quality" encompassing the entire value chain.

Many companies are working tirelessly on the issue and the research results provided interesting discussion points. For example, for the Carrefour Group.

Last International meeting was organized in Milan, promotion on shelf availability was one of the main topics discussed and the results of the ECR Italy study were highlighted.

"Promotion management was defined by the Carrefour Replenishment community as a priority for 2016. ECR survey bring us a unexpected customer prospective allowing us a better prioritize our actions" comments **Jean Philippe Colliere, International Replenishment Coordinator**

: “OSA improvement on point of sales is one of the most important topics in our current Agenda, we have worked and we are still working internally in order to improve processes and we think that collaboration with suppliers is a key factor of success for the future, we need to clearly identify how also through the help of ECR “is the comment of **Matteo Gasparini, Store Replenishment Director Italy**

Carrefour Group, in order to be focused on Replenishment Flows in an end to end perspective (from supplier to point of sales of different formats) put in place a international coordination call "File" (french word) in order create a common view within Carrefour processes. The team is composed by all local Replenishment Directors from all Carrefour countries, they meet twice a year facing common topics, sharing best practices, benchmarking performance and discussing about future projects and innovations with the aim of improving customer level of service.

Main methodology:

Quantitative analysis was run on a sample of 779 shoppers, representing the Italian population, using online logs that were filled out starting from 1 July, for a period of four weeks, through which 5,468 shopping trips were recorded. At each shopping trip, the individual experience was recreated, in terms of: out-of-stock experienced up to category level, annoyance rating, behaviour, aggravating conditions (special offers and sales flyers).

Shoppers filled out an online log at the end of each shopping trip.

ECR Italy worked with IRI for this research project.

The GS1 Italy OSA project was developed by ECR Italia, part of GS1 Italy.