



# Wesley Associates Business Consultants, Inc.

The State of the CPG Reverse Supply Chain

April 26<sup>th</sup>, 2011



**TOP 2008  
BUSINESS**



DiversityBusiness.com



**TOP 2010  
BUSINESS**



DiversityBusiness.com

[www.wesleyassociates.com](http://www.wesleyassociates.com)



# Wesley Associates Perspective The State of the CPG Reverse Supply Chain

## Our Perspective

- A look back
- Two decades later
- Unsaleables: It takes two to tango!!



# Wesley Associates Perspective

## The State of the CPG Reverse Supply Chain

### **First, a look back...**

- Industry as we know it today born via 1990 JIR report
- 400-500 reclamation centers pop up during that decade
- “Unsaleables” can’t be found in the 1990 report but “damages” and “shared responsibility” can
- Product dating was largely “close coded”
- Fleming was a Top 5 customer; Wal-Mart not yet in food
- Retailers had not yet developed their own Corp. policies
- ARP policies had not yet been invented
- First GMA Unsaleables conference held in 1995 with @ 30 attendees. 1996, one Retailer was invited (Dominick's)



## Wesley Associates Perspective

### The State of the CPG Reverse Supply Chain

#### **Now, some 2 decades later.....**

- Other than benchmark studies, no Joint Industry Report “fair rates” updates since 1990
- Open code dating is now the “norm”
- ARP’s widespread – shifting costs back to the Retailers
- 2011 Industry study reports many companies now have “Hybrid” polices
- Bargain bins and centers are now back in style
- Companies that have not embraced “Unsaleables” risking competitive survival
- Wal Mart now a power-house in Food
- Retailers attend the Unsaleables conference “in force”



## Wesley Associates Perspective

### The State of the CPG Reverse Supply Chain

#### **UNSALEABLES: IT TAKES TWO TO TANGO !!**

- ✓ Unsaleables *still* hover @ the 1% mark industry-wide
- ✓ Policy disputes and discord are at “record levels”
- ✓ Incentives needed to support an effective Unsaleables “process” - has been an elusive goal
- ✓ Gap Analytics in play
- ✓ Retailer Direct Data
- ✓ Physical disposition ramifications
- ✓ Consumer pressure to cut grocery bills



## Wesley Associates Perspective

### The State of the CPG Reverse Supply Chain

#### **Unsaleables *still* hover @ the 1% mark industry-wide**

- Composition of the pie has markedly changed. **See attached chart from Wipro report**
- Too much Expired, Discontinued, and “good in-code” product
- Rates often higher on highly promoted lines-C stores/promo exit execution
- BI store clustering needs to get better – C items in C stores





# Wesley Associates Perspective

## The State of the CPG Reverse Supply Chain

### **Policy disputes and discord are at “record levels”**

- “Let’s agree to disagree on Policy” reception to many JIR policies (begs the question - doing the same thing over and over and expecting a different outcome?)
- Gives rise to the ARP policy/approach, an unfavorable reception from many retailers
- Hybrid policies add layer of confusion to process
- Payment accuracy, deduction disputes and post audits heighten the discord
- Disco/Resets may not be incl. in ARP rates but separate deductions need to be accounted for




# Wesley Associates Perspective

## The State of the CPG Reverse Supply Chain

### **Incentives needed to support an effective Unsaleables "process" - has been an elusive goal**

- Food broker support needed to effectively contribute to a successful exit - generally not in their interest
- Provide adequate notice of a disco or category event – simple but doesn't happen often enough
- Use of weighted net sales for sales performance measurement with unsaleables given extra weighting for their labor intensive nature
- Carrot & stick needed for marketing's huge influence on spoils rates and the unrecognized organizational cost
- All represent execution “weak spots”






# Wesley Associates Perspective

## The State of the CPG Reverse Supply Chain

### **Gap Analytics in play**

- In large part little uniformity within an ARP category
- Rates thoroughly studied/documentated to justify X% reimbursement.
- Fact of the matter- 80-90% will be at or below the ARP
- Remaining 10-20% of marginally performing UPC's, category & new product victims wreak havoc
- The dichotomy- story of winners and losers (C item in C stores) as much as Package Platform A vs. Package Platform B
- ARP Gap must be engaged




# Wesley Associates Perspective

## The State of the CPG Reverse Supply Chain

### Retailer Direct Data

- Wal Mart Retail Link, Vendor Pulse Data and the like
- Provides new potentially powerful tools (not available a decade ago). Use of BI to reduce unsaleables incidence rates for both sides
- Retailers need to be willing to make available raw store/UPC level detail to the Mfg. and their Service providers
- Food Broker resistance in this process at times



# Wesley Associates Perspective

## The State of the CPG Reverse Supply Chain

### **Physical disposition ramifications**

- ARP's induced more salvage sales to offset "gaps"
- Full tax benefits of "donate" chute elusive
- Volume through reclaim results in consolidations/contraction & lost data
- "At Store Reclaim" providers reduce "touch points" – controlled disposition maintained?
- Food Bank donations continue to decline
- Secondary market acceleration with 2008 Great Recession
- Consumers looking for all ways to save money before gas approached \$4 -Squeezing profit margins for ALL stakeholders

## Wesley Associates Perspective

### The State of the CPG Reverse Supply Chain

#### **Consumer pressure to cut grocery bills – unknown impact but .....**

- Coupon usage back on the rise from 2 decades ago,
- Loyalty cards impact POS
- Private Label offerings now low, medium and upscale
- Undoubtedly eroding Branded Sales turn rate
- Wegmans model – hard to find your favorite branded products anymore





# Wesley Associates:

*attending and/or exhibiting at the GMA Unsaleables Conference since 1996.*

