



HAVE YOU TRIED WEEKLY RETAIL REPLENISHMENT?

A customer can't buy what isn't for sale.

Near my family's farm in Ohio is a small plant that sells special meat products I've been eating (and loving) since I was a kid. Every time I visit, I'll stop and buy a large amount of meat. I was in there last month, looking for my favorite products, but didn't see them. I asked the owner, and he said, "Sold out." I left without making my usual big purchase.

"Sold out" might seem like a good sign—customers like your products, right?—but having sold-out products actually costs us profitability. Why? A customer can't buy what isn't for sale.

It's easy to check how much profitability a sold-out product can cost us: Take the average sales per day of a product and then multiply it by that product's contribution margin, which is (sales price) - (cost of meat + packaging + ingredients). The results is the approximate amount of profit we miss out on every day we have a product sold out. Do the math on your sold-out products. You might be surprised by how much you're giving up.

Why do we have sold-out products?

We have a big problem when we manage retail stock. First, we don't have a crystal ball. Sometimes we sell more than we expected, and sometimes we sell less. It's difficult to predict the demand for each individual product on your retail shelf. To make matters worse, it's hard to know how long it will take to *restock* a sold-out product. When we run out of a product, we need to make more; for example, by ordering more meat and then processing it in

a specialty sausage. That's when Murphy strikes—Murphy's Law is "Anything that can go wrong will go wrong," also known as variability—and our meat supplier is late, or our sausage kitchen or smokehouse is too busy. The result: We lose potential profits and send customers away disappointed.

What's the solution to this problem?

First, develop a proactive, not reactive, approach to managing inventory. Many meat plants wait until a product is out of stock before they take action to make more. When we do that, we're asking for "sold out" trouble and unhappy customers. Instead, proactively schedule time in your sausage kitchen and your smokehouse to make retail products.

How often should we replenish?

Replenishing stock once a week has been tried in some small and very small U.S. meat plants, and it seems to work. If we go longer than a week to replenish, we need to stock a lot of meat to avoid sell-outs keep customers happy, and not lose potential sales. But stocking more meat ties up a lot of cash in inventory. The next time business slows you down, you'll look at all that meat (cash) in your retail section and wish you could have some of it back.

How much of each product should we stock?

A good place to start is by stocking 100% more meat than your average weekly sales. For example, if you sell on average 100 lbs. of specialty brats per week, then make sure you set a stocking level of 200 lbs. Don't forget about seasonality, either. Your "average" may vary quite a bit from summer to winter, so adjust stocking levels accordingly by season.





Schedule a time to check your stock once a week and see how much you sold out during the previous week. Then take action in the sausage kitchen or the smokehouse to make more. If you sold 100 lbs., replace 100 lbs. If you sold 75 lbs., replace 75 lbs. If you find that products are still selling out, increase the stocking level. If you find you have more than you need, replenish to a lower level.

The results:
less "sold out" = more sales = more profits

One plant tried this for *only one product* and experienced a 13% increase in profitability for its entire retail counter. Is this possible for you? Don't let a customer leave without buying something!

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But won't scheduling weekly replenishment mean more setups on the machines?

Maybe.

Then won't this cost more?

Ask yourself one question: With more setups, will you have to hire another person? If the answer is no, then it is unlikely that your operating expenses will change by any more than the usual additional costs associated with the increasing sales (meat, packaging, and ingredients).

Trying weekly replenishment won't take any investment, and there is nothing to stop you from going back to the old way of doing things if it doesn't work. This is a low-risk opportunity to improve your business.

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