Grocery replenishment done right:

5 common mistakes and how to avoid them

Replenishment is a mammoth task for grocery retailers; a small grocery store can stock more than a thousand different items, and for larger outlets, stock numbers can reach **tens of thousands**. While many of those goods are **fast-moving**, demand can be influenced day-to-day from a change in the weather to an ingredient featured on a popular TikTok recipe channel.

While dry or canned goods might have a relatively long shelf life, fresh produce such as bread, fruits and vegetables may last only a matter of days before they are spoiled, requiring any excess stock to be thrown away. **Spoilage** is a major issue – in the U.S., **30% of food in supermarkets gets thrown away**, which is both uneconomical and unsustainable. **Out-of-stock** situations are just as challenging; if a customer can't buy what they came in for, **they likely will leave without buying anything at all**.

Despite the effort grocery stores and supermarkets invest in balancing their replenishment, many of them regularly end up with **stockout situations or wasted products**.

What are grocery retailers doing wrong, and **how can they do it right**? This paper explores **five common replenishment mistakes** grocery retailers make and how to fix them.

1 **Data blindness**

2 **Manual replenishment**

3 **Too broad, or too detailed, rules**

4 **Disconnected channels**

5 **Gaps in the system**

Data blindness

Data volume is one of the biggest challenges for grocery retailers today. This is a sector where it's not uncommon to have **10,000–15,000** different items in the store – and those items move fast because grocery customers' basket sizes are among the biggest in the retail industry. Still, more complexity is added by **seasonal factors** that influence demand for certain products. Sales cycles can be as short as a few hours, with high demand for specific items in the morning or at lunchtime and different products flying off the shelves later in the day.

All of this generates **vast volumes of data**. When managed properly, this data can be turned into valuable insight to support targeted, accurate replenishment, increased sales and minimal waste. The trouble is that many grocery retailers aren't making best use of it. Some of them **aren't collecting the data they need**. Others haven't got the means to transform it into **actionable insights** that support more efficient replenishment.

How to avoid it:

To avoid this mistake, you need your replenishment processes to be **connected to the rest of your IT setup**. That means you need a retail management system that encompasses your whole enterprise and all your channels, and where data is shared across the system and throughout all touchpoints, so that **data about each product, its sales history and availability can be gathered from all channels, locations and sources**. The system should be able to apply relevant rules and parameters to analyze that data, identify sales patterns, and forecast demand for relevant products in different locations across the chain. Most importantly, you need a retail management system that enables you to **see this information in real time and in a format that is easy to understand** to support your decision making.

MISTAKE NUMBER TWO

Manual replenishment

With so many **products to manage** and factors to consider daily, it's difficult to see how grocery retailers could handle their replenishment without automated processes. Yet, many are still using the **same old manual processes** to take stock, often relying on a "gut feel" when it comes to knowing what's currently on hand, and **how much** product to reorder.

This reliance on instinct puts businesses at significant risk of **human error**, while making them less able to consider **seasonal, weekly or daily buying behavior**. Not only is the information likely **inaccurate and unreliable**, but it can also significantly **slow the business down** and lead to higher costs.

How to avoid it:

A big advantage of automated systems is that they can handle all **routine replenishment** tasks, leaving the retailer **free to focus on any exceptions**. A good system will be able to process **real-time information** about demand and stock levels across the business, while applying the rules and parameters that the retailer has set for each type of product.

At the same time, **a good, automated replenishment system will also never cut out the human element**. While you shouldn't do everything on your own, you also should not rely solely on automation. Make sure that the system you choose **supports fully automated and semi-automated** processing. In a semi-automated process, the system will create proposals for all the needed purchases and stock transfers, and then give you the possibility to **manually overwrite and adjust** if needed. This can be useful when dealing with specific types of items, as well as with exceptions. The ability to **add your human insights to adjust the system's automations is also useful during times of unstable demand**. During or after challenging periods, when there are abnormal sales patterns, retailers may need to intervene to **adjust both past histories and future forecasts**. For example, they may need to fix abnormal sales history so that they are not considered during modeling, or to adjust for **specific product groups** based on their knowledge of future events.

In an industry that deals with fresh produce, **unexpected events and exceptions are relatively common occurrences**. The ideal system should make it easy for you to intervene with manual replenishment methods when needed.
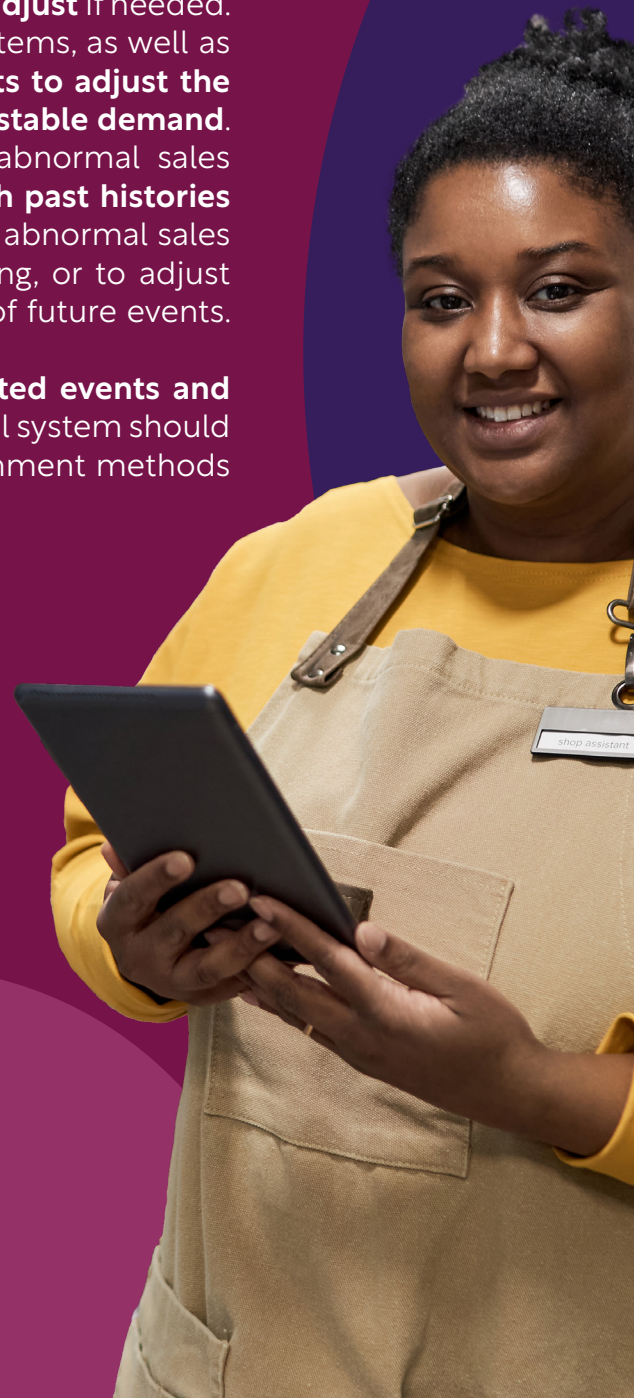
Too broad, or too detailed, rules

Grocery involves an incredibly **diverse assortment of item types**, all of which need to be treated differently. Those items have varying shelf lives and, especially when it comes to fresh produce, anything that isn't sold in time often must be thrown away. At the same time, a product's **demand cycles** can be influenced by anything from the weather to promotions by local competitors.

For supermarkets using **one-off promotions** to stimulate footfall, these add yet another dimension to the mix. For instance, a discounter that sells groceries might have **bi-weekly promotions** on products outside its classical assortment. These items could be as diverse as electronics, like smartphones and even notebooks, or fashion items or DIY products. Large discount chains like Lidl, Aldi or Don Don Donki often provide weekly and bi-weekly special offers for non-reoccurring products, which receive a lot of attention from customers. Although they can be very profitable, **from the point of view of replenishment these one-time items can be complicated** to handle, as they demand totally different planning from all the other items the retailers sell.

Treating all items in the same way can result in **too little or too much stock** on the shelves. At the same time, it's equally damaging to go into too much detail. **Applying too many complex rules to differentiate between items will slow down the replenishment process**, at best making it impossible to respond to changes in demand, and at worst leading to costly errors.

How to avoid it:

Grocery retailers need to **identify appropriate categories and groups of products**, so they can apply rules to those categories in an intelligent way. An automated replenishment system can accomplish this task effectively, as it can **create categories** that consider numerous factors including trends, seasonal influences, and differences in demand for each item type at various locations in the chain. All these factors are then considered in relation to **rules that reflect the needs of the business without cluttering the system**.

For example, a manager might s**et a re-order point for goods that are in low demand**, to ensure there is always just enough stock available on the shelves while avoiding the risk of overstock. However, to calculate **demand for faster moving items**, the manager might use a **forecast-based replenishment model** instead. **For non-reoccurring items, it's best to use a push-based approach**, distributing the items to the stores based on distribution rules and quantity shares.

An advanced replenishment system should also be able to **propose those shares using different rules**, for example based on **store size or historical sales** – of course, always leaving you the possibility to overwrite manually. To make sure that item distribution across the chain matches customer demand in each location, make sure you select a system that can **work with different models**.

Disconnected channels

Real-time stock information is of no use if it only reflects some of the channels through which you sell. With the boom of **online grocery shopping**, supermarkets are experiencing a pressing need for replenishment systems that provide real-time **visibility into all the channels involved** in the purchase. The online store or app, the warehouse or local supermarket that fulfill the order, and the delivery service must all be **seamlessly connected**. If they are not, the customer may not receive their complete purchase – and the retailer will risk future sales and reputation. Unfortunately, many grocery retailers are still **struggling to unify** all their channels effectively, and **full visibility of stock** is a common challenge.

The problem of disconnected systems providing a **fragmented view** is not limited to sales channels. Today's customers want an increasing variety of regional products, and that often means numerous direct **shipments from local vendors**. If the replenishment system isn't prepared to provide integration with those partners' systems, **neither party will have a clear picture of demand and availability**.

How to avoid it:

Grocery retailers should consider how the replenishment system **connects and communicates** with e-commerce, brick-and-mortar, logistics, and other external partners' systems.

By using a software solution that **unifies front office, back office, inventory, and manages all sales channels within the same platform**, retailers can get seamless visibility into sales across channels and **ensure inventory is always correct** throughout the enterprise. And the customers benefit, too. An online shopper will know about unavailable items and suggested substitutions **before they place their order**. The ideal system must also provide **actual item availability**: if a customer changes their mind and returns an item, that should be **immediately reflected** in the inventory and replenishment system.

Besides being unified and connected in real time across different parts and channels, the ideal replenishment system should also allow you to **transfer items from your other store locations and offer integration with local vendors**. This enables the retailer to make sure everyone is informed, and stock can be ordered, delivered and processed **quickly in line with trends in demand**.

LS Retail
an **aptos** company

Gaps in the system

Efficient replenishment depends on a **wealth of up-to-date information** from many systems across the store. However, a surprising number of grocery retailers are still working with **separate or loosely connected systems** for their processes; for example, they might use different software solutions for sales on POS, for weighing with scales and goods receipts, stock counting, stock adjustments and ordering. **Some are even still using pen and paper!** Too many retailers that have been in business for a long time are still working with systems that were put in place **a decade or more** ago.

Thinking that those older, separate systems will enable replenishment that meets the expectations of today's customers is a **major error**. Separate systems create gaps in information and processes:

- Very often, these systems sync **only once per day, which causes delays and inability to see updated information**. The syncing may also require manual work, wasting time that would be better spent on more productive tasks.

- When master data is held in multiple systems, **errors in the synchronization process can result in gaps in information**, which can lead to out-of-stock and overstock situations.

- With so much **vital information sitting in silos**, visibility into stock availability is a challenge – and up-to-date insight into trends and factors that influence demand is pretty much **impossible to achieve**.

How to avoid it:

Connecting the different parts is the **only way** to avoid this mistake.
To do that, retailers have **two options**:

1 **Build bridges between their existing systems**. However, these integrations can be costly and time-consuming, both to set up and maintain. And if anything happens – even a simple update to one of the software solutions used – **the connection might break down**, leaving you with zero visibility, a slew of errors, and an urgent IT drama to solve.

2 **Invest in an end-to-end, unified retail management system** that integrates all aspects and processes of the operation, including replenishment.

With a unified system, all the data the retailer needs for accurate stock information is **collected in a central place**. As all the information is centralized in real time, the system can also **predict demand** at very short intervals to do **accurate, automated replenishment**. On top of drawing vital information from across the business to help plan and execute replenishment, a unified retail and replenishment system can **contribute to efficient operations elsewhere** – for example by providing up-to-date information for use in sales controlling and giving staff **real-time knowledge** on stock availability at the Point of Sale.

Building resilience with the right technology

Accurate replenishment is not something that can rely on guesswork, yet too many grocery retailers are doing just that. As consumer habits shift **more and more rapidly** and the retail environment becomes more competitive, retailers are increasingly aware that sticking to gut feel and manual processes is a mistake, and a **risk**.

As a growing number of grocers look at ways to optimize replenishment, perhaps the biggest mistake they can make is **failing to look at their entire system and what it does — and does not do — for them**. Modernizing the replenishment system alone doesn't work when the rest of the IT system is outdated, wastes employees' time with manual tasks, and can't bring together all the information needed to accurately **optimize replenishment**.

With **online shopping** becoming a common part of grocery consumers' buying journeys, supermarkets and grocery retailers need to **invest in technology** like **LS Central** that gives them **total visibility** over available products, with no data gaps or time delays, while also maximizing grocery availability and **decreasing the burden of manual processes** that can lead to costly purchasing errors.

Is outdated technology destroying your business?

When your inventory is not in balance with demand, the **consequences can be disastrous**. Some of your shelves are empty, while others are too full. And while you throw away food, you're also **losing customers** who can't find their favorite products.

Don't let your old technology get in the way of your success.

We can help you reach the ideal balance.

Contact us

LS Retail

an aptos company

LS Retail is a world-leading provider of software as a service (SaaS) unified business management software solutions for retail, hospitality, F&B, and forecourt businesses of all sizes. Our all-in-one management systems power tens of thousands of supermarkets and grocery stores, c-stores, duty-free stores, department stores, malls, and more.

For further information on the company and the products, visit

www.LSRetail.com

NAVISIONTECH

Navisiontech offer fully integrated and flexible business applications based on Microsoft Dynamics platforms, including Navision/Business Central and LS-Central, designed for Wholesale Distribution, Retail, Manufacturing and Hospitality industries.

Our team's deep understanding of both traditional and modern business strategies motivates us to help enterprise clients achieve maximum success. We do this by providing solutions that improve efficiency, ensure strong control and security, and offer strategic platforms for significant growth.

Contact us

www.navisiontech.com