



KSS OPTIMAL INSIGHTS VOL. 2

Understanding Ready-For-Purchase

THERE ARE NUMEROUS REASONS why a motivated shopper may be unable to purchase a desired item of merchandise. When a wanted product is not on the shelf or otherwise unavailable (about one item out of 11 in a typical supermarket) the shopper is forced to either choose an alternate item, find it at an alternate store, or do without. These represent negative outcomes for the retailer – and negative experiences for the shopper.



RFP: Two Ways

<<< At left, a classic out-of-stock, caused by a hot promotional price, limited cooler space and/or inadequate back stock.

Missing price tag discourages shopper take-away on a store-brand item (right). Item is present, but *not ready for purchase*. >>>



The outcomes of these events – lost sales, gross margin reduction, and a loyalty-shaking shopper experience – are always regrettable. Retailers need a reliable method to assure that items are Ready-For-Purchase (RFP) at the moment of decision.

Industry dialog around this problem has traditionally focused on what is called “out-of-stock” – instances where product is assumed to be simply missing from the shelf or display. These are typically measured after the fact, by reviewing store conditions, warehouse “scratch” reports and item sales rates. But simple inference is not an effective way to restore items to RFP status.

Some RFP Scenarios

Consider the following common retail scenarios, where an item may be physically present in the store, but not ready for purchase:

- A produce display is full of bananas that are visibly over-ripe. POS scan data shows few or no sales.
- A display of yogurt looks full and neatly arranged, but the package dates show expiration within two days.
- A hot price for store-brand canned beans has depleted shelf stock. A well-meaning clerk has “faced out” the shelf with adjacent items, masking the issue.
- A popular line of frozen entrees is on display at list price. A competitor advertises the same products on deal, and shoppers are stocking up across the street.

NOT READY-FOR-PURCHASE – COMMON ROOT CAUSES:

- Item not on shelf (OOS, upstream void, product in the back)
- Item not in store
- Item is hidden from view
- Missing display
- Item present but tag is missing
- Item present but wrong price posted
- Item present but tag shows incorrect unit measures or price/ounce
- Out of date or short dated item
- Damaged/dirty product
- Perishable ripeness or condition is unacceptable
- Spread /parity of prices (e.g. brand versus PL) is incorrectly set
- Competitor advertises lower price
- Competing promotion in same store/category siphons sales
- Posted price does not match promo price in circular

These are just a handful of the everyday issues that impact Ready-For-Purchase in your stores. They are often hard to detect, but once identified, 50-70% can be controlled in the store. Often the fix is simple – restock from the back room; rotate out short-dated or unattractive stock; replace a shelf tag. For more complex fixes – a competitive price change, display setup or re-order of a depleted item – rapid initiation saves lost sales.

KSS Retail Heartbeat®: How “Ready-For-Purchase” Beats Tracking “Out-of-Stocks”	
Old Way (reduce OOS through planning)	New Way (RFP detect and resolve)
NOMENCLATURE <ul style="list-style-type: none"> • Legacy Concept: “Out of Stock” 	NOMENCLATURE <ul style="list-style-type: none"> • New Concept: “Ready-For-Purchase”
SOLUTION APPROACH <ul style="list-style-type: none"> • Attempt to predict/prevent • Rely on merchandisers’ innate smarts • Not enough labor to keep up • Try to control through planning refinements 	SOLUTION APPROACH <ul style="list-style-type: none"> • Model expected item demand/sales rates • Continually monitor the transaction log • Rapidly detect discrepancies • Alert merchandisers to check and resolve RFP issues
DETECTION METHOD <ul style="list-style-type: none"> • OOS reported after the fact, <i>post hoc</i> data analysis • Accidental discovery by store personnel • Customer complaint or request 	DETECTION METHOD <ul style="list-style-type: none"> • Harness the inherent genius of shopper behavior • 20,000+ pairs of eyes scan the store each week • Compare purchase data against forecast to detect RFP issues
MERCHANDISING RESPONSE <ul style="list-style-type: none"> • Re-order or de-list item • Reconciliation with trading partners • Adjust future plans • Revise order quantities 	MERCHANDISING RESPONSE <ul style="list-style-type: none"> • 50-70% are correctible in the store • Alerts communicated rapidly to people in stores • Monitors staff response via self reporting • Data accuracy is “baked in” to the model
TOOLS (REPORT AND REPLAN) <ul style="list-style-type: none"> • Store checks/audits • Price changes • Promotion plan • Assortment/Distribution plans 	TOOLS (DETECT AND RESOLVE) <ul style="list-style-type: none"> • Track shoppers’ collective behavior/ intelligence • Track and mine 20,000+ transactions/week/store • Gigantic free labor pool • Automatically alerts merchandisers to check and correct
TECHNOLOGY <ul style="list-style-type: none"> • \$\$\$ High cost to address • Post-event reporting • Sample-based audit data • Tracks how often we failed, on average 	TECHNOLOGY <ul style="list-style-type: none"> • \$ Lower cost solution allows “always on” process • Data crunch power is plentiful, so it’s no longer a problem • Continuously models expected item movement • Continuously compares sales rates against the model

Admittedly, practical tools for continually monitoring Ready-For-Purchase data have only recently become available. Historically the reasons *why* items sell below their potential have been poorly measured. As the examples above imply, shoppers decide to buy or not based on multiple factors. Mere presence of the product, while essential, is only the first influencer.

To correct merchandising shortcomings, merchants need a handle on why each item is not selling, or selling below the expected frequency. The sheer number of items in a store presents a level of intricacy that can only be addressed with automated purchase pattern recognition. RFP assurance is a perpetual challenge and it demands a continuous solution – one that is always on and woven into the operational fabric of the business.



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