



Using POS Data to Increase Sell-Thru

"Our business is increasingly being driven by what's happening at point-of-sale. Having a dependable and flexible tool like Accelerated Analytics to view and analyze consumer response allows us to react quickly to immediate opportunities and develop new strategies for future season's merchandise."

**David Cropper,
Mamiye Brothers**

Accelerated Analytics currently covers more than 50 retailers including:

Kmart	Belk
Macy's	Bon Marche
Sak's	Burdines
Bloomingdales	Dep Shops
Target	Sephora
CVS	Ulta
Walgreens	Goody's
BJ's	Kohl's
Federated	Nordstrom
Wal-Mart	Marshall Fields
JC Penney's	Mervyns
Dillard's	Parisian
Sears	Pamida
Home Depot	Lord & Taylor
Lowe's	ShopKo

Retailers are increasingly embracing a demand-driven supply chain model, the objective of which is to supply vendors with timely point of sale (POS) activity and on-hand so they can actively work to reduce out-of-stocks and increase sell-thru. When executed properly, the model has been proven to reduce out-of-stocks by as much as 30%. But, many vendors are struggling with how to handle POS data and turn it into actionable business decisions. This whitepaper provides seven steps vendors can take to improve POS data analysis.

Step 1. Selecting the right tools for the job. Successfully analyzing POS data requires a sophisticated database and flexible end-user reporting tools. Otherwise, your team will spend the majority of their time working the numbers rather than analyzing the data and taking action to improve your business. Many vendors start with spreadsheets but quickly realize they cannot effectively analyze store level data due to row limitations and the inability to store historical data. In addition, without a database setup to automatically load weekly retail data and store a long-term history, end users have to recreate the spreadsheet each week and still lack the historical data necessary for trending. To avoid costly software purchases and technical resources, we recommend an outsourced service. An outsourced service provides a robust set of tools at an affordable monthly cost and the technical support to adapt to retailers' constantly changing analysis requirements. This keeps your team focused on running the business instead of loading and formatting spreadsheets.

Step 2. Getting store level data. Point-of-sale data is most commonly transmitted to vendors through an EDI 852 document or made available through a retail partner trading portal. The most basic set of data will include unit sales and units on-hand for each UPC. In some cases, the retailer will also provide additional information like on-order, shipping, and dollars sold. Some retailers will provide store level detail by default, but many require vendors to submit a request in order to receive store level data—in some cases even describe the intended use of the data. Although store level data files are large, they are a requirement for effective analysis. This is because the large breaking points like efficient logistics in the retail supply chain have largely been addressed in the past few years. Now, breakdowns in execution are almost always happening at a store level. All the individual 'moments of truth' where a consumer does or does not see your product on the shelf add up across thousands of stores to large numbers.



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“A few months after rolling out nationwide with a key customer, we turned the lights on to our 852 POS data analysis using Accelerated Analytics and discovered that we were having out of stock issues in almost 1,000 stores. Ordering is done at store-level, but an email with a quick exceptions report showing zero on-hands highlighted in red convinced our buyer to issue one blanket order for all stores.”

Steven Pugh
Howard Products

Sample Stock-Out Report

Interpreting Sell-Thru

Sales	Inventory	Sell-Thru
↑	↔	↑
↓	↔	↓
↔	↑	↓
↔	↓	↑
↓	↓	↓
↑	↓	↑
↑	↑	↑

Step 3. Understanding sales. The first step in analyzing POS data is to identify which products are selling well and which are not. The key measure here is units sold. Isolate one item at a store by store level and then filter the top items by units sold. e.g. top 10 items or top 25 items.

Recommended sales reports:

1. Unit sales by item at a store level
2. Top selling items isolated by size, style, category, etc.
3. Slowing selling items isolated by size, style, category, etc.
4. Top selling stores by item
5. Sales trend over time by item
6. Sales performance by promotional campaign

Step 4. Getting a handle on inventory. At a store level, what items are out of stock or are in danger of going out of stock soon? The key measure here is units on hand. By isolating each of your items at a store level and applying filtering for your desired min/max inventory position, you can quickly determine where the problem(s) exist. We recommend you also calculate an average units sold based on a reasonable time frame for your business (e.g. last 4 weeks or last 8 weeks) and then use this to calculate inventory weeks' supply on-hand. If your products move very quickly, convert this to days' supply on-hand. The weeks/days supply on-hand is a predictive indicator that will alert you to trouble while you still have time to take action. After you have identified your stock-out exposure, create a companion report showing what the retailer has ordered for each of the problem stores. This provides a good indication of the retailers' awareness of the problem and if they have taken corrective action. Finally, from your sales analysis above, identify the top selling stores by units sold to ensure those stores have the desired level of inventory. If they do not, make corrective action at those stores your first priority.

Recommended inventory reports:

1. Inventory on-hand by item at a store level
2. Inventory on-hand weeks supply by item at a store level
3. Stock-out exposure isolating stores with low or zero inventory on-hand by item
4. Inventory on-order by item at a store level
5. Overstocked stores by item at a store level

Step 5. Using Composite Measures. Sell-Thru allows you to understand the velocity with which inventory is being consumed as it relates to sales. It provides a key performance indicator (KPI) which tells you if your sales and inventory are working together as they should. And because sell-thru is expressed as a percentage, it is useful for comparing products across categories and stores. When analyzing sell-thru, keep in mind that with no change in inventory, sell-thru will move in the same direction as unit



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About Accelerated Analytics

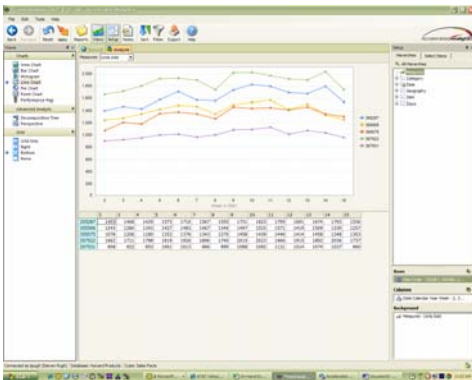
Accelerated Analytics is a point-of-sale (POS) data collection and analysis service which provides vendors with one-click access to inventory on-hand and sales for all items at a store level. Accelerated Analytics eliminates all manual data handing and reporting for vendors and instantly highlights the most critical stock-out situations and slow selling items.

To learn more, visit
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Sample Inventory trend report



sales—e.g. if sales go down, so does sell-thru percentage. If sales are held constant, sell-thru will move inversely to units on-hand—e.g. if units on hand increases, sell-thru decreases. If both sales and inventory increase, sell thru will increase. Conversely, if both sales and inventory decrease, sell-thru will decrease. Finally, if sales increase while inventory decreases, sell-thru will increase.

Step 6. Applying exception conditions to reports.

Pareto's Law of 80/20 defiantly applies to analyzing point-of-sale data. In most cases, the most time sensitive issues can be isolated by sorting reports so the top or bottom 20% of items are most critically analyzed. Take this a step further, and for each report identify a range for items that are trending negatively, items that require action but are not critical, and items which require immediate attention. Then apply conditional formatting to highlight in yellow, orange, and red these items. This brings focus to your reports and greatly improves the efficiency of your end-users.

Tip: Resist the temptation to apply color coding to “good” performance. Profitability is improved by fixing problems, not by celebrating successes.

Step 7. Enriching your analysis. The usefulness of POS data can be extended by inserting additional complimentary data into your POS database. When adding secondary data sources into your POS database be careful to match the level of grain (e.g. UPC level detail) and the time period (e.g. daily or weekly) otherwise the data may not align correctly. Be creative, many of our vendor customers have added data and found very interesting correlations that have been turned into valuable decision making tools.

Recommended data sources

1. Purchase order and shipping status
2. Historical and forecasted weather data
3. Consumer demographics
4. Syndicated category sales data

Summary.

The insights that can be drawn from POS data will have a dramatic impact on your business. We have a client who used one Accelerated Analytics stock-out report to get a 900 store blanket order. Prior to using Accelerated Analytics they did not have access to store level information for on-hand so they were unable to quantify their stock-out exposure. Now each week they access a handful of key reports and know precisely how their products are selling and stocked. Plus they can easily communicate action items to their buyers using quantitative reports. POS analysis is not difficult but it does require a specific set of tools and a partner who can help you make the technical aspects of setting up the database and creating reports simple for business end users.