The Lack of On-Time In-Full Performance is a Significant Problem in Grocery Retail – Here is How to Improve it

ON-TIME IN-FULL COMPLIANCE: WHAT IS THE IMPACT ON THE INDUSTRY?

One Network is the leading Consumer-Driven Supply Network in the US grocery retail industry. Over the last 12 months, **One Network managed 1.75 Million Retail DC appointments** related to shipments controlled by the suppliers. This represents an estimated 20-25% of all inbound appointments at all retail DCs across the industry.

Here is what we learned by analyzing the numbers:

- The aggregate **On-Time performance** across all 1.75 Million appointments was 75%. That means that 25% of the deliveries (or about 437,500) were not scheduled on the same day they were requested for (which is how we defined On-Time for the purpose of this analysis).

- Extrapolating that number to the whole grocery industry, that would represent between **1.75 Million and 2.20 Million** deliveries not scheduled at the retail DCs for the day they were requested.

- This is a **massive problem** for the grocery industry. Why? Because it causes **supply variability**, which in turn forces grocery retailers to increase their safety stocks in order to preserv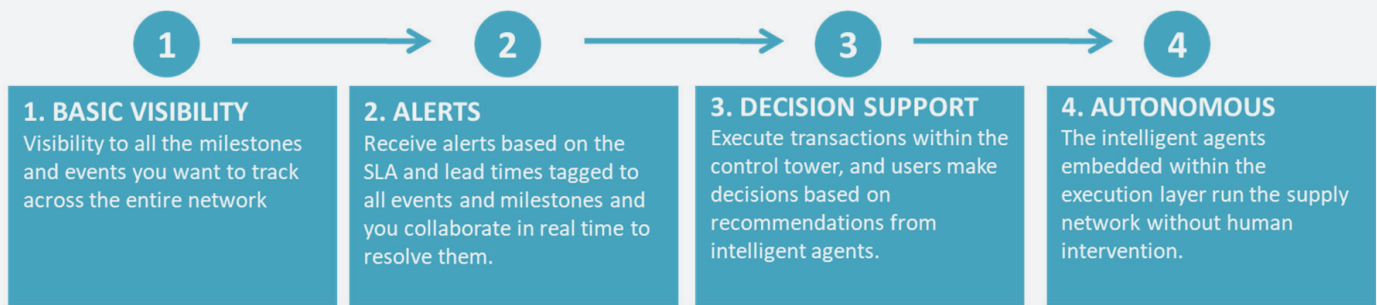e their on-shelf availability and their service levels to the stores. Worst case, it affects their on-shelf availability, customer loyalty, and profits.

- On average, the retail grocery industry operates at a 75% COGS and 30 days of inventory. Improving On-Time performance will help retailers reduce their inventory levels by as much as 20%, which is worth **$13 Million in savings for each $1 Billion in Sales**. If we assume conservatively that the grocery industry size is $650 Billion, that represents a potential improvement of **$8.5 Billion in inventory reduction**.

- If the suppliers are charged $500 for every late delivery, it also represents **between $875 Million and $1.1 Billion in potential back charges** to the retail grocery suppliers.

Bottom line: Improving the On-Time In-Full performance in the grocery retailing industry can drive significant savings for both retailers and retail suppliers. The question is:

Can grocery retailers and their suppliers implement a solution that can help them realize these savings quickly and easily?

The answer is Yes.

One Network Enterprises™

| 1 | → | 2 | → | 3 | → | 4 |

1. BASIC VISIBILITY	2. ALERTS	3. DECISION SUPPORT	4. AUTONOMOUS
Visibility to all the milestones and events you want to track across the entire network	Receive alerts based on the SLA and lead times tagged to all events and milestones and you collaborate in real time to resolve them.	Execute transactions within the control tower, and users make decisions based on recommendations from intelligent agents.	The intelligent agents embedded within the execution layer run the supply network without human intervention.

ONE NETWORK CONTROL TOWER: Covers all stages in the maturity model, on a true multi-party, multi-tier network platform.

THE ONE NETWORK CONTROL TOWER: A SIMPLE WAY TO DRIVE SIGNIFICANT SAVINGS FOR BOTH RETAILERS AND SUPPLIERS

One Network is a multi-party, multi-tier digital supply network that enables retailers, manufacturers and their respective eco-system of distributors, carriers and logistics providers to manage multi-party processes with a single version of the truth and with a single connection to the network platform. Sharing common data and common metrics allows all parties on the network to synchronize and optimize all their shared supply chain processes in real time.

The One Network digital supply network delivers 2 fundamental benefits:

1. **The ability to visualize, monitor, manage and collaborate on all the supply chain transactions across the network.** One Network is simply deployed as a "system of engagement" on top of the enterprise systems run by all the parties on the network, and tracks all the supply chain transactions (orders, shipments, inventories, etc.) across all enterprises in real time. That enables all parties to visualize and monitor all transactions as a single version of the truth. It also enables them to manage all transactions by exception, analyze the issues, and resolve them in real time using an embedded collaborative chat capability.

2. **The ability to plan, re-plan and optimize the supply chain transactions in real time within the execution layer.** A major flaw in traditional supply chain implementations is the disconnect between execution systems and batch planning systems. Such an antiquated architecture can no longer support the need for agility and velocity required by grocery retailers and their suppliers. The only way to remedy this flaw is by leveraging intelligent autonomous agents deployed directly in the execution layer and

allowing the processes to be planned, re-planned and optimized continuously and incrementally, in real time – either by generating recommendations to the users or by driving the processes autonomously.

One Network offers both benefits in one single offering, called the One Network Control Tower.

The **One Network Control Tower** is the only offering that covers all the stages in the maturity model shown above, on a true multi-party, multi-tier network platform.

How can grocery retailers and their suppliers leverage the One Network Control Tower to improve their On-Time In-Full Performance?

IMPROVING YOUR ON-TIME IN-FULL PERFORMANCE WITHTHE ONE NETWORK CONTROL TOWER

A One Network Control Tower can be deployed by both retailers and suppliers, since the platform enables all parties to share a single version of the truth on a true hub-to-hub platform.

The One Network Control Tower can be deployed gradually across the four maturity levels mentioned above:

Levels 1 and 2. All orders and shipments are tracked on the shared network platform, across enterprises. All transactions are associated with specific states and milestones. All states and milestones are linked to service level agreements (SLAs). Alerts are generated when any transaction violates the SLA of a given state or milestone. These alerts are made available via a workbench UI to the users, who can then drill down into the transactions to address the problem. An embedded

collaborative chat capability allows the users to interact with the required parties on the network and resolve the alerts. Chat logs are preserved within the transaction for audit purposes.

Levels 3 and 4. Instead of relying only on visibility, exception-based monitoring and collaboration to resolve the issues, the One Network intelligent autonomous agents can be deployed within the execution layer and proactively manage inventories, orders, shipments, etc. The agents can deliver recommendations to the users within their workbench UI, or make the decisions autonomously. These intelligent autonomous agents can be deployed on top of batch planning systems, or replace them entirely.

This leads us to a very simple roadmap:

1. Implement the One Network Control Tower to enable visibility, exception-based monitoring and real time collaboration (levels 1 and 2).

- **Focus on On-Time:** Track the shipments from pick up to delivery across multiple parties (sellers, movers, buyers). Manage the alerts every time a shipment violates a SLA tied a state or milestone. Resolve the issue to ensure an On-Time delivery.
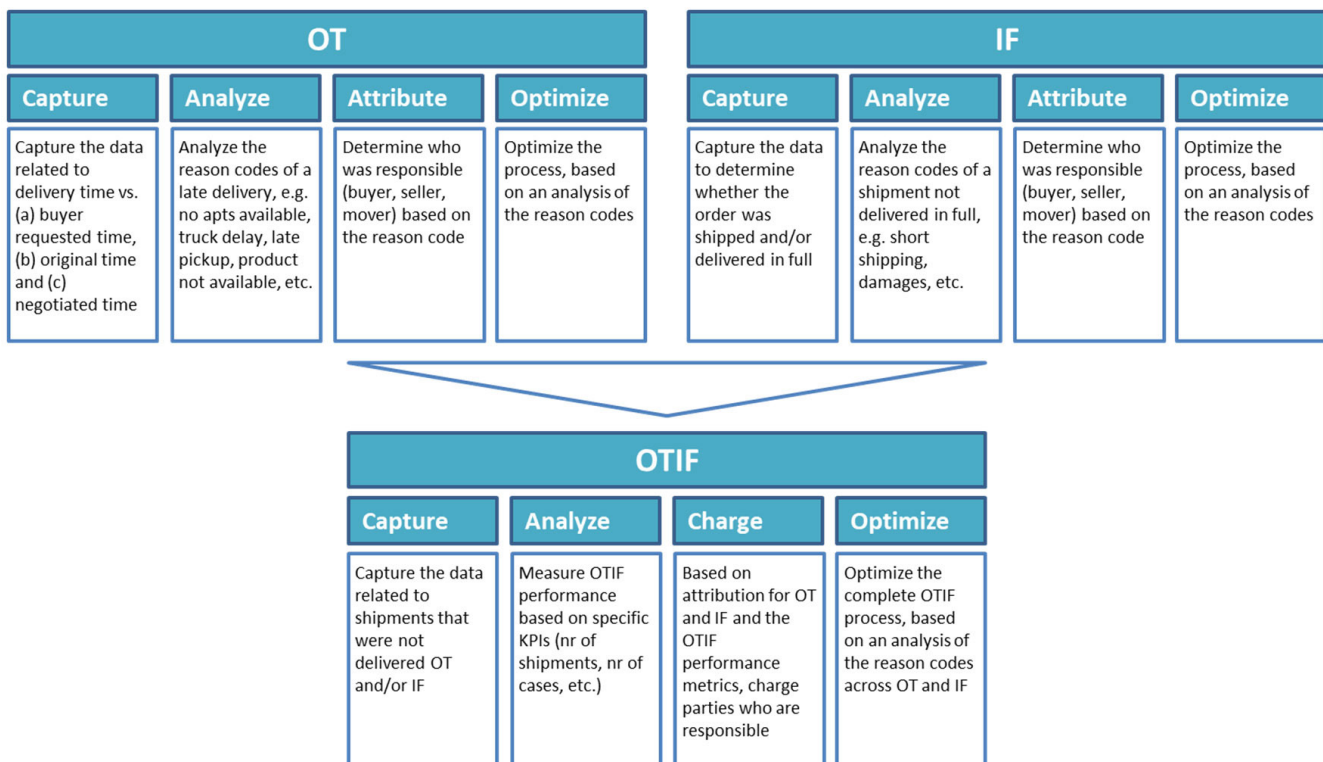
- **Focus on In-Full:** Track the quantities shipped and/or delivered against the orders. Trigger alerts when a discrepancy occurs. Resolve the alerts in real time to ensure an In-Full delivery.

2. Enhance the One Network Control Tower to enable real time planning, re-planning and optimization (levels 3 and 4).

- **Leverage the One Network intelligent autonomous agents** to proactively plan, re-plan and optimize the processes based on the alerts.
- **Tune the agents** to deliver recommendations to the users, or allow them to make autonomous decisions.

BRINGING IT TOGETHER: HOW TO ACHIEVE YOUR ON-TIME IN-FULL PERFORMANCE OBJECTIVES

The simple recommendations mentioned above will enable you to significantly improve your On-Time In-Full performance. Now the last part is to enable you to measure your progress over time so you can fine tune your Control Tower and achieve your objectives. The model below shows you how:

OT			
Capture	**Analyze**	**Attribute**	**Optimize**
Capture the data related to delivery time vs. (a) buyer requested time, (b) original time and (c) negotiated time	Analyze the reason codes of a late delivery, e.g. no apts available, truck delay, late pickup, product not available, etc.	Determine who was responsible (buyer, seller, mover) based on the reason code	Optimize the process, based on an analysis of the reason codes

IF			
Capture	**Analyze**	**Attribute**	**Optimize**
Capture the data to determine whether the order was shipped and/or delivered in full	Analyze the reason codes of a shipment not delivered in full, e.g. short shipping, damages, etc.	Determine who was responsible (buyer, seller, mover) based on the reason code	Optimize the process, based on an analysis of the reason codes

OTIF			
Capture	**Analyze**	**Charge**	**Optimize**
Capture the data related to shipments that were not delivered OT and/or IF	Measure OTIF performance based on specific KPIs (nr of shipments, nr of cases, etc.)	Based on attribution for OT and IF and the OTIF performance metrics, charge parties who are responsible	Optimize the complete OTIF process, based on an analysis of the reason codes across OT and IF

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Achieving your goals will require that you monitor your performance across the two components of On-Time In-Full (OTIF): On-Time and In-Full. The One Network Control Tower will enable you to capture all the On-Time and In-Full data, as well as the reason codes for non-conformance. These reason codes will determine which party caused the non-conformance (and which party should be penalized based on the retailer's OTIF policies).

The reason codes can also be analyzed to optimize the processes over time. These measurements can then be aggregated together to give you full visibility into your OT + IF performance, and to allow you to analyze and optimize the processes accordingly.

"One Network can deliver significant value with a comprehensive control tower solution spanning basic multi-enterprise visibility and collaboration, to advanced machine learning and autonomous operations."
SETH LIPPINCOTT, ANALYST, NUCLEUS RESEARCH

WHAT IS IN IT FOR YOU?

If you are a grocery retailer, improving your OTIF performance will enable you to lower your supply variability and reduce your inventories by as much as 20%, resulting in savings of $15 Million per $1 Billion in revenues – while improving your outbound service levels and on-shelf availability. It is time to claim your share of the $8.5 Billion prize!

If you are a supplier to the grocery retail industry, improving your OTIF performance will enable you to avoid costly back charges – while delivering a better service at a lower cost to serve. Remember that these back charges could top $1 Billion across the industry today if every non-compliant delivery was docked a $500 penalty!

The answer is simple: Deploy a One Network Control Tower to regain control of your On-Time In-Full performance, improve your financial performance and deliver a better service to your customers and consumers.

For more information on One Network's solutions please contact One Network at:

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