

On Shelf Availability in Clothing Retailing

Abstract

This paper highlights exploratory work on a promotional campaign by a major UK clothing retailer to achieve 100 per cent on-shelf availability in a specific children's wear category. A variety of research methods were used and results show that reprocessing was a key issue to be addressed. Stock was often in the storeroom or fitting rooms and was not being put on the floor quickly enough, leading to errors in stock filing. The observational research and stock data confirmed the interview findings in that average sales flow availability across the 12 stores in the survey was 73 per cent during the campaign.

Keywords: On Shelf Availability, Clothing, UK, Supply Chain

Track: Retailing, Channel Management and Logistics

Introduction

On-shelf availability (OSA) and retail out-of-stocks (OOS) have attracted considerable trade press and media attention during the past five years. The sight of empty shelves was a major concern for British consumers (ECR UK 2004) and the problem of OOS has become a major focus of management attention through the forum of ECR UK and IGD, the main trade association for addressing issues pertaining to the grocery sector in the UK. Although the study of stockouts is not new and can be traced back to work published in the US by *Progressive Grocer* (1968a, b) and UK research in the 1970s (Schary and Christopher 1979), almost all of the research has focused upon the grocery sector. Hammersley (1991) claimed that one-third of the consumers of the now defunct British Shoe Corporation could not find the shoe which they had originally intended to buy. Anecdotal evidence would suggest that the situation now with regard to OSA in clothing is far from perfect. How many consumers find the right colour, size and style of clothing item which they originally intended to buy? It is therefore the purpose of this paper to make an initial assessment of the scale of the OSA/OOS situation in the clothing sector and the measures which have been taken by managers to address the issue.

Background Literature

The early research by *Progressive Grocer* and Schary and Christopher focused upon the reaction of consumers to stockouts, and more recent work by Emmelhainz et al. (1991), Verbeke et al. (1998), Campo et al. (2000), Gruen et al. (2002), Corsten and Gruen (2003) and Sloot et al. (2005) has continued this theme in determining causal factors which prompt consumer reactions, such as the product category, the nature of brand loyalty, consumer type and the immediacy of need. In essence consumers are more likely to substitute products in store rather than postpone purchases or switch stores if the product has low brand attachment and requires immediate consumption. Also, consumers tend to perceive OOS to be higher with promotional rather than non-promotional items.

It is perhaps surprising that OSA should still be a problem in the 21st century. The earlier research was undertaken at a time when manufacturers controlled the supply chain and the retail industry was fragmented with a large number of small stores. Tesco and the other major supermarket chains now dominate the grocery market in the UK to such an extent that the Competition Commission has investigated their market behaviour three times since 1999. In the clothing sector, consolidation has also occurred with the High Street dominated by Marks & Spencer, Arcadia and BHS owned by Philip Green, and many of the smaller fashion specialists chains coming under the ownership of the Bauger Group. Such retail concentration has seen a shift in channel power from suppliers to retailers along with the centralisation of buying and distribution. The stock situation in-store should have improved dramatically over the last 30 years with the centralisation of distribution, the creation of retail-controlled distribution centres, a reduction of inventory and lead times from suppliers. Indeed, Fernie and Sparks (2004) claim that the UK has one of the most efficient supply chains in the world. So, why is there OOS?

Although shrinkage accounts for around 1.4 per cent of sales (Centre for Retail Research 2005) many of the problems relate to store operations and replenishment (Corsten and Gruen 2003). In the grocery sector the situation was aggravated by the growth of internet ordering in that store-based picking strategies were used for e-fulfilment to home shoppers (Fernie and McKinnon 2003). Thus, although replenishment from the distribution centre (DC) is more

frequent many of the problems occurred in the 'last 50 yards' from backroom of the store to the shelf. In the UK, ECR UK has been the medium through which the OSA/OOS problem has been addressed by all members of the grocery supply chain. In a series of reports and conferences it has reported on case studies and commissioned research to glean a better understanding of the dynamics behind availability problems (ECR UK 2004, 2005, 2006, 2007, IGD 2004, 2005, 2006).

Of particular interest to this paper was a presentation by Carey and Staniforth at the ECR UK conference in 2007 which was the first published work on current availability problems in the fashion sector. Their company, House of Fraser, had been motivated to address the problem in the aftermath of a consultancy report and commissioned consumer research. In a customer exit survey, it was shown that 36 per cent of customers who visited House of Fraser stores and who planned to purchase did not, mainly because of non-availability of size or colour. The company estimated that 'lost sales' accounted for around £63 million. To address the problem, nine of the highest turnover stores were chosen with the aim of working with store teams to identify problems and brainstorm potential solutions. Most common issues related to store operations with regard to communications, the training and motivation of staff and replenishment from both the backroom and the DC.

The solutions which were trialled included overnight replenishment to make stock available to the customer, pre-retailing at the DC to minimise stock handling by staff in the store and the reduction in catalogue items to focus on the best sellers. It is clear that these initiatives incur costs but it has 'bought in' staff involvement in the knowledge that stock from the DC is much more likely to match customer expectations than in the past.

Methodology

As the above House of Fraser example is the only published account of OSA/OOS issues in clothing retailing, this research was exploratory in nature and focused on the operations of one aspect of a major retailer's business. The retailer cannot be named for confidentiality reasons. The case study approach, common in logistics research, was used in this study as it addresses a better understanding of supply chain management challenges through obtaining insights of particular companies' approaches to solving specific problems (Ellram 1996). In this case the researchers were involved not only in semi-structured interviews with key informants who dealt with the issue but also participant observation in becoming a part of the understanding of store operations.

The context of the research relates to the company's objective to increase market share in a specific children's wear category, namely a 'back to school' promotion in the summer of 2007. This category was chosen because of the short time window for such a promotional campaign in which stores were asked to achieve 100 per cent availability on the top 20 lines of the schoolwear range. An availability 'champion' was assigned to each of the regions of the business to ensure that communications to all stores were carried out to stress the priority of the promotional effort. A specific region was chosen for the research involving 12 stores of differing sizes, all of which were served by the same distribution centre and were accountable to the same regional manager.

The research was conducted in a series of phases. Initially, a series of face to face interviews were held with four key informants in a medium-sized store in the region to glean a better understanding of the campaign and its implementation at store level. Three interviewees, the

store manager, a customer assistant (floor operations) and a customer assistant (stock control) had a total of 89 years of service with the company. The store manager was responsible for communicating the key objectives of the campaign to the region (the availability champion) and the customer assistants were responsible for sales-flow standards and stock accuracy respectively. A visual merchandising (VM) assistant who had six years service experience was also interviewed. The VM assistant was responsible for layout and displays and would take the initiative when display lines were OOS.

When informal interviews were completed a more structured interview format based on a questionnaire was used to target the two types of customer service assistants in each of the 12 stores. The questionnaire, using both a Likert scale format (7 point scale) and follow-up open questions had three categories: communication of availability targets, support in achieving these targets, and operational issues that emerged in the implementation of the promotional campaign. In order to monitor the success of the strategy the researchers did 'mystery shopping' checks on the floor of one store in addition to monitoring all 12 stores' performance of 20 key lines to measure availability through the company's sales and stock data.

Results

The semi-structured interviews revealed numerous reasons for poor availability on the shop floor. The key issue relates to poor housekeeping. The customer assistants commented upon too much stock in the stockroom, the reprocessing of stock and the need for greater ownership and motivation of staff on the sales floor. Reprocessing stock was a consistent theme throughout the interviews; reprocessed stock needs to be recovered from stockrooms, fitting rooms and cash or till points because if it is not back on display the store re-orders and the stock files become inaccurate. Damaged packaging and displays can also lead to products being taken off display until they are repaired.

A more strategic issue for the company to address is the indication that the right range of stock is being targeted for particular stores. In the case of school wear colour is often specific to local areas. Some interviewees felt that the needs of customers were not being adhered to by head office. The results from all 12 stores reinforced most of the points raised by staff in the medium-sized store in the initial survey. It became clear that the objectives of the back to school campaign had not been properly articulated to customer assistants on the floor (the stock control assistants were more familiar with these availability targets than the store operations staff). Staff also did not feel supported by management and therefore it was no surprise that they felt that 100 per cent availability of the top 20 lines was an unachievable goal. Because staff did not feel involved in the planning and implementation of the promotion, they were not motivated to achieve better results. In terms of operational issues, the assistants in all stores confirmed that reprocessing was a major concern because of the inefficiencies in returning stock back on display. Some also mentioned that their products were not been given priority on deliveries. It was a common theme, however, that respondents from larger stores were more positive about the campaign, communications and support from management.

At the store where the observational exercise was conducted, it only carried 8 of the top lines in the promotion. This meant that this store only carried 16 lines, of which 50 per cent were not within the top 20 lines. Of the 8 lines in the catalogue which were to achieve 100 per cent availability, 3 were unavailable and none of the other 5 lines had full availability. Most lines had some sizes missing, one product (a blouse) was displayed in blue which is not catalogued

for the store and 3 out of the 5 lines not displayed were found in the stockroom and customer service desk areas. The data collected from the company's sales and stock records at the end of the promotion period confirmed the failure to achieve the ambitious targets set by the company. The average sales floor availability across the 12 stores in the region was 73 per cent with the best store achieving 80 per cent and the poorest achieving 63 per cent. Although two of the smaller stores achieved the poorest availability, there was no clear pattern of stock availability at store or DC level across the region. Indeed, the best performers tended to be the medium-sized stores.

Discussion and Conclusions

It is evident from this research that OSA is a major problem to this company if the results from this campaign are any indication of stock availability issues in other parts of the business. Similar issues were identified to those from the Carey and Staniforth (2007) study at House of Fraser. Communications from headquarters on the campaign were not being implemented by store staff. Because of the lack of involvement in the planning process, staff motivation was low and there was a lack of urgency to process stock onto the sales floor and to maintain stock accuracy. The reprocessing of stock was a key area to be addressed. Highlighted by Carey and Staniforth, it was also a major factor in explaining OSA here and was mentioned by staff in interviews and was evident in the observational research.

Similar to the research on the grocery sector (Corsten and Gruen, 2003) most OOS problems occur at store level, especially in relation to replenishment procedures. Here, the 'last 50 yards' problem was noted with stock in the storeroom or in reprocessing and not on the shelf. This further led to errors in stock files because stock would be ordered because of perceived OOS situations. Many of the solutions to these problems have been addressed by the grocery sector through ECR UK. For example, in their 2004 report they identify seven 'levers' which can be used to improve OSA. These are 'measurement levers' which need management attention (levers 1 and 2), replenishment and in store execution (levers 3 and 4), inventory accuracy (lever 5), and promotional management and ordering system (levers 6 and 7). Initial attention in grocery focused on levers 1 to 5 and could be invoked here. This would involve appropriate levels of staffing in order that stockrooms are cleared, reprocessed stock is quickly transferred to the floor and stock is consistently monitored on the floor and in the updating of files.

Carey and Staniforth (2007) stated in their work that a reduction in catalogue items was a feature of their company's strategy. In the research reported here interviewees were more concerned that the correct product range was being allocated to specific stores in the region. One colour not in the catalogue was found in-store in one instance. This is not so much an OSA issue but a marketing problem. If the wrong stock is targeted for the specific store it would not sell even if it was on the shelf!

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