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TOTAL SYSTEMS NEEDS OF THE WHOLESALER/RETAILER IN THE EIGHTIES

by

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INTRODUCTION

After a long period of learning to live with inflation, the supermarket industry must continually find ways to successfully operate without substantial price increases during the 1980s. The customers reduced buying, together with price stability, goes directly counter to the grocer's need for more sales volume.

With very little "real" growth in grocery industry, grocers will only make progress in the 80s by pulling business away from their competitors and from consolidation within the industry. Price is being used as the predominant magnet to attract new customers.

The industry is looking for help from technology and electronics as well as from food manufacturers. For instance, scanning, microcomputers and pooling systems for slower moving items are being widely accepted and expectations exceed millions of dollars in savings from the uniform communication system through computer-to-computer ordering and invoicing.

Let's take a look at these areas where we can improve our cost and productivity.

SCANNING

Over the past 10 years, we have seen a dramatic change in the type of scanning and front end systems being developed for the supermarket. Also, the quality and reliability of these systems, the cost of the systems and even the companies involved in the manufacture and distribution of these systems have changed.

Scanning has revolutionized the collection of sales data at store level. Retailers and wholesalers are rapidly perfecting management information systems fed by scanner data to provide quick evaluation of product-by-product return on investment. For the first time, the grocers have good, timely information on product movement before the manufacturers. This is information that can help the retailer better determine which products he wants to offer in his stores and when and how he wants to merchandise them.

MICRO COMPUTER

The in-store computer is moving past the talking stage among the chains, wholesalers and independents. Although most companies' programs are in the early stages, many companies are working on software development, equipment shopping and benefit planning.

Among the services and functions that can be computerized in the grocery industry are direct store delivery, meat management, product management, pharmacy, time and attendance, labor scheduling, energy management, payroll, accounts payable and accounts receivable, shelf labels, check authorization and inventory management.

It has been estimated that a savings of 1-2% of store volume can be achieved

through computerization at a cost of approximately 1/4 of the cost of scanning.

If the projected savings are anywhere near accurate, you can see the dramatic effect the micro computer is going to have on the industry. We are talking about savings equal to or greater than most retailers pre-tax earnings. The small cost will also allow more operators to take advantage of the system and the savings.

How would you like to be operating against a competitor who has a 1-2% cost advantage over you?

U.C.S.

The Uniform Communication Standard or U.C.S., is a computer-to-computer data exchange system for use by the grocery industry. With U.C.S., improvements in operations timing, data handling and associated costs are facilitated through the electronic interchange of information between manufacturers, wholesalers, distributors, retailers and brokers. The system accomodates standard business transactions such as purchase orders, invoices, shipment advice and administrative messages.

There are many benefits which a company may realize by participating in U.C.S. Information exchange is faster, which means higher manpower performance, improved inventory control and a reduction in inventory levels. Since information is entered once, the data is more reliable with fewer errors and fewer exceptions.

Companies should experience less confusion and wasted manpower effort with inter-company communication.

Finally, companies should realize a reduction in the time required to send purchase orders and receive invoices.

FROZEN FOOD INTRANSIT WAREHOUSE

Malone & Hyde is in the process of putting together a program to receive, with a single purchase order, consolidated national brands and private label frozen foods in full truckload shipments from a consolidated warehouse.

There will be only one consolidated invoice used to bill these products - and it will be sent over the computer. Not only will this system provide Malone & Hyde with substantial savings in handling and accounting costs, but will reduce the normal lead time on orders up to two weeks.

In addition, our retailers can be offered a wider variety of slower moving frozen foods for their stores and that should dramatically increase the sales volume of participating national brand vendors.

The local brokers will still get credit for the sales and will have more time to sell the products rather than handling the paperwork for a lot of small orders.

At the same time, the capital and warehouse space that Malone & Hyde has tied up in safety stock and slower moving frozen food inventories will be reduced and profits improved.

CONCLUSION

Scanning, micro computers, U.C.S. and consolidated warehouses are just a few ways we can improve our operating costs. This will be necessary to react to the extreme pressure that is being put on price by new merchandising methods such as warehouse stores and deep discount operations.

To be able to survive in the 80s, we must continue to take advantage of new technology and new methods. Only the operators who can give the consumer what he or she wants at a competitive price will be around at the end of the 80s and I feel certain that this group will be among the survivors.