



# Tesco & Gillette Shrinkage Reduction Project in Hungary

- Zsolt Partos, Trading Director, Tesco Hungary
- Bill Cody, Country Manager, Gillette Group Hungary



# Tesco Profile

- Global retailer: UK, Central Europe and Asia.
- Tesco Hungary: 21 hyperstores and 27 superstores.
- Business growth through long term customer loyalty by meeting constantly changing customer needs.
- Low levels of shelf out of stocks and customer friendly merchandising are key pillars of the Tesco strategy.
- Business goals are severely challenged by the complex problem of stock loss.
- Tesco is addressing stock loss to drive sales and improve profitability.



# Gillette Profile

- Global manufacturer of grooming, portable power and Oral Care products including:
  - MACH3 and Venus
  - Duracell Ultra
  - OralB/Braun Power Assisted Toothbrushes
- Tesco is a key customer, globally and in Hungary.
- On Shelf Availability and Visibility in retail outlets is critical in achieving category growth. Stock Loss is a barrier to this.
- In response, Gillette has invested in specialist store operations resources to work in collaboration with key customers to remove all the barriers, such as stock loss, to perfect retail execution..



# Project Background

- May 2001**
- Stock loss levels on Gillette Blades & Razors cause major impact on Tesco P&L.
  - Gillette B&Rs taken off open sale = lost sales
- July 2001**
- Gillette and Tesco agree to collaborative approach
  - Respond with 14 day plan that addresses immediate need
- Oct 2001**
- Launch ECR Europe Shrinkage Project to address long-term needs



# Project Objectives

- Identify root causes of stock losses on Blades & Razors
- Develop fact based solutions
- Prioritize the key wins to implement within time scales
- Specific Goals:
  - Reduce Stock Loss to acceptable level  $< 3\%$
  - Improve on-shelf availability and reduce shelf out of stocks
  - Be customer facing, satisfy their needs
  - Increase sales ahead of market growth
  - Raise net profitability
  - Implement solutions that are simply and easy to use
  - Makes procedures transparent and transferable

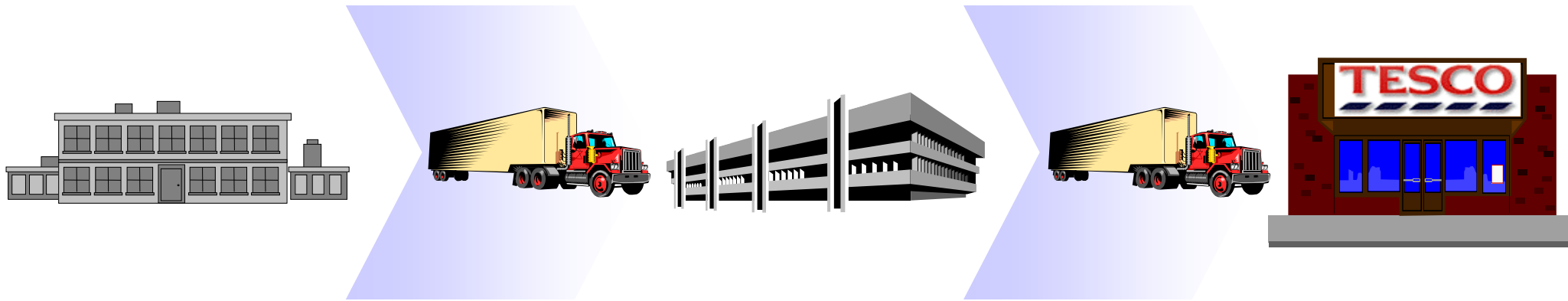


# Project Team Structure

	<b>Tesco</b>	<b>Gillette</b>
<b>Sponsors:</b>	Paul Kennedy	Chris Mummery Bill Cody
<b>Steering Group:</b>	Dave Fenlon Csikos Gellert	Colin Peacock
<b>Project Managers:</b>	Victor Jegesi	Gyorgy Ruzkovszky
<b>Team members:</b>	M.Coulam, P.Juhasz P.House, Zs. Partos Steve Glasson G.Horvath, J.Somogyi	Lilla Horvath, R.Horling, J.Petrovszky
<b>Support:</b>	Internal audit, IT and Finance Cranfield School of Management	



# Project Scope



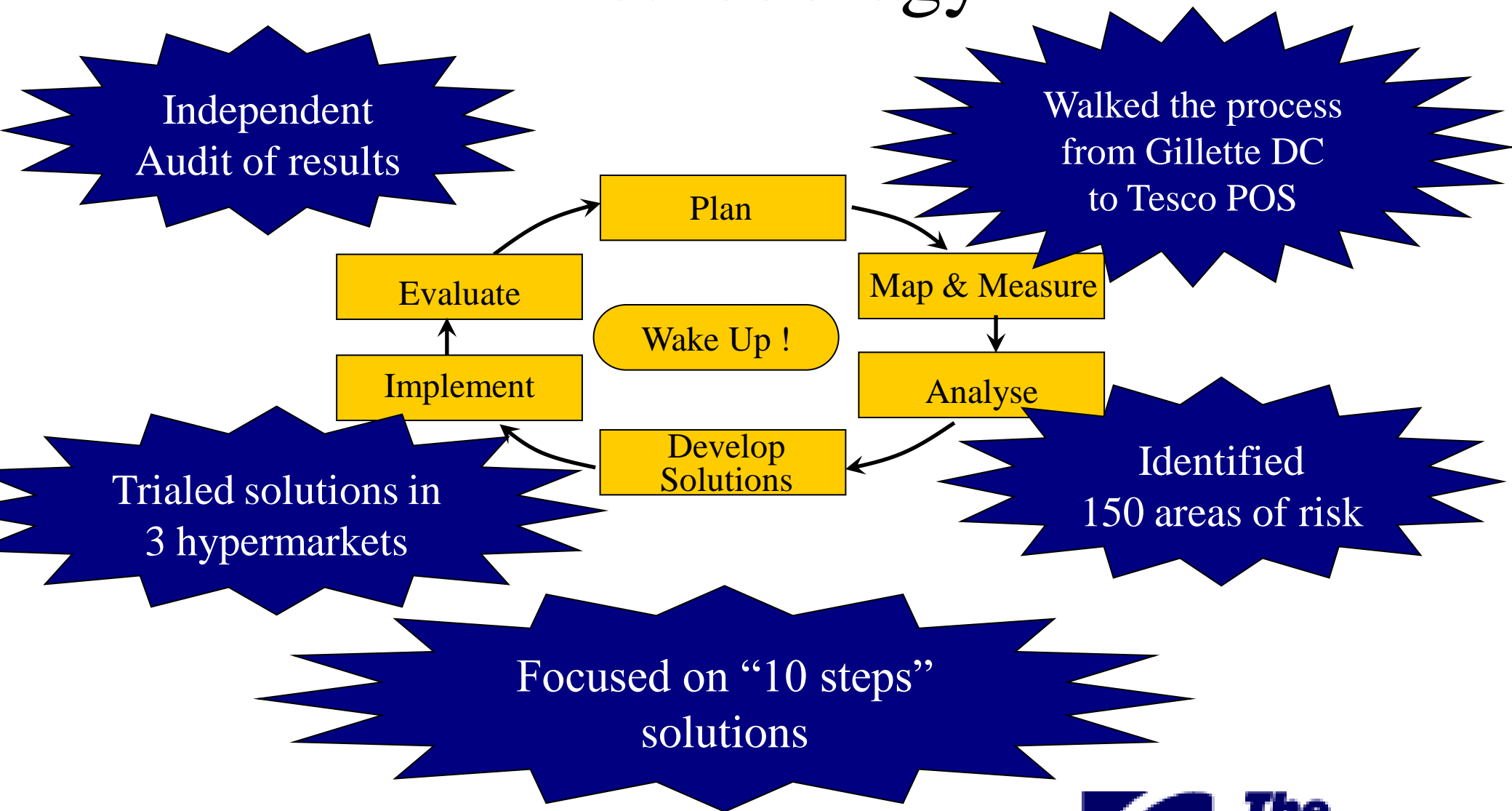
**Gillette D.C.  
( P&O )**

**Tesco D.C.**

**Point of Sale**



# Methodology





# Solutions Implemented: The “10 steps”

- Tesco / Gillette “10 Steps” video



# Solutions Implemented: The “10 steps”

- **Secure ‘hot product’ Supply Chain**

1. Sealed pallet from DC to outlets
2. Each product movement checked & documented
3. Products fast-tracked into secured storage locations

- **Secure In-Store Handling**

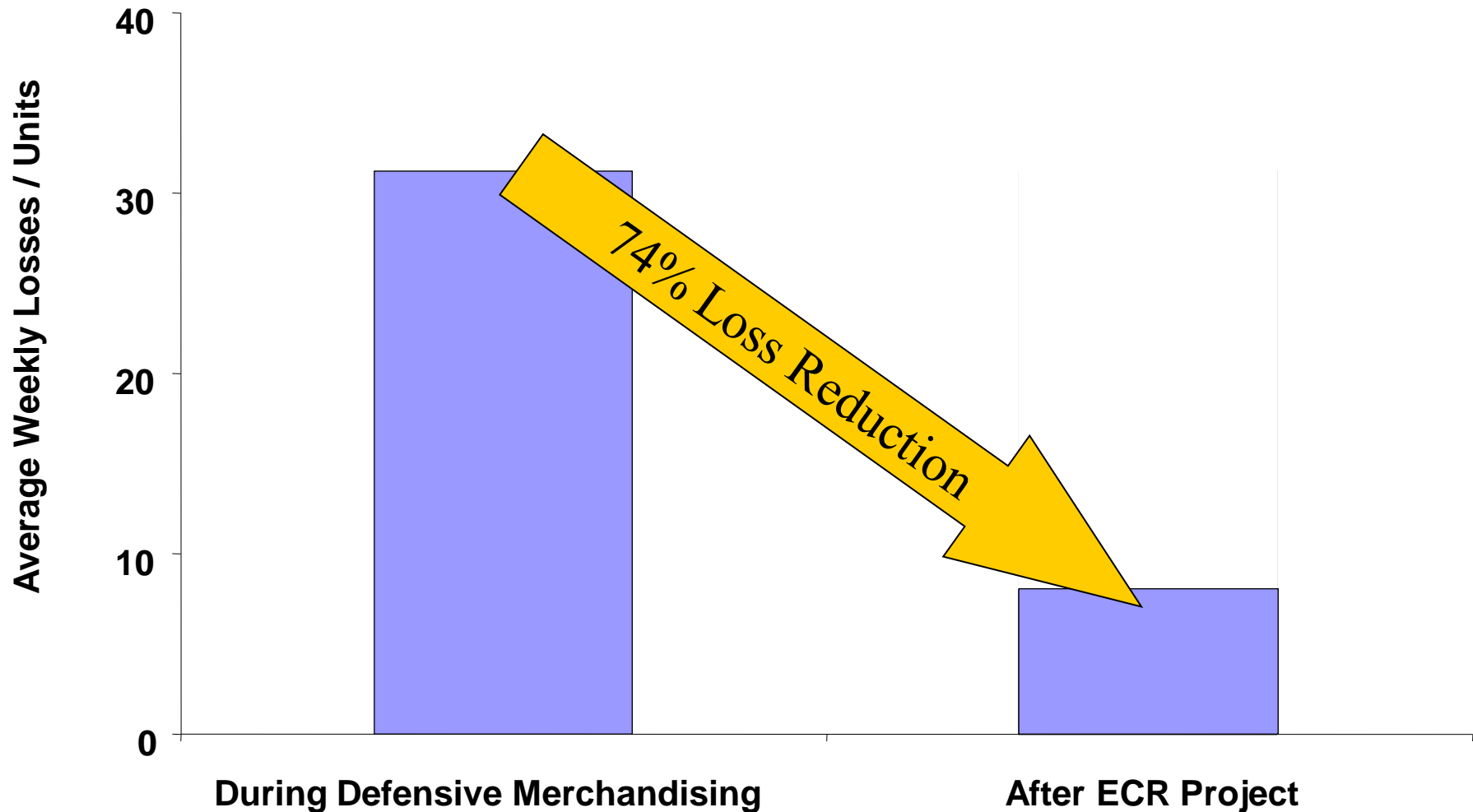
4. Controlled replenishment between secure storage and shop-floor  
Frequent replenishment
- 5 & 6 Visible display location - Anti theft fixtures

- **Ownership and Control of Loss**

- 7 & 8 Stock loss results owned by in-store champion- Staff awareness
9. Ongoing control through regular stock counting (front and back of store)
10. Measure & Adjust



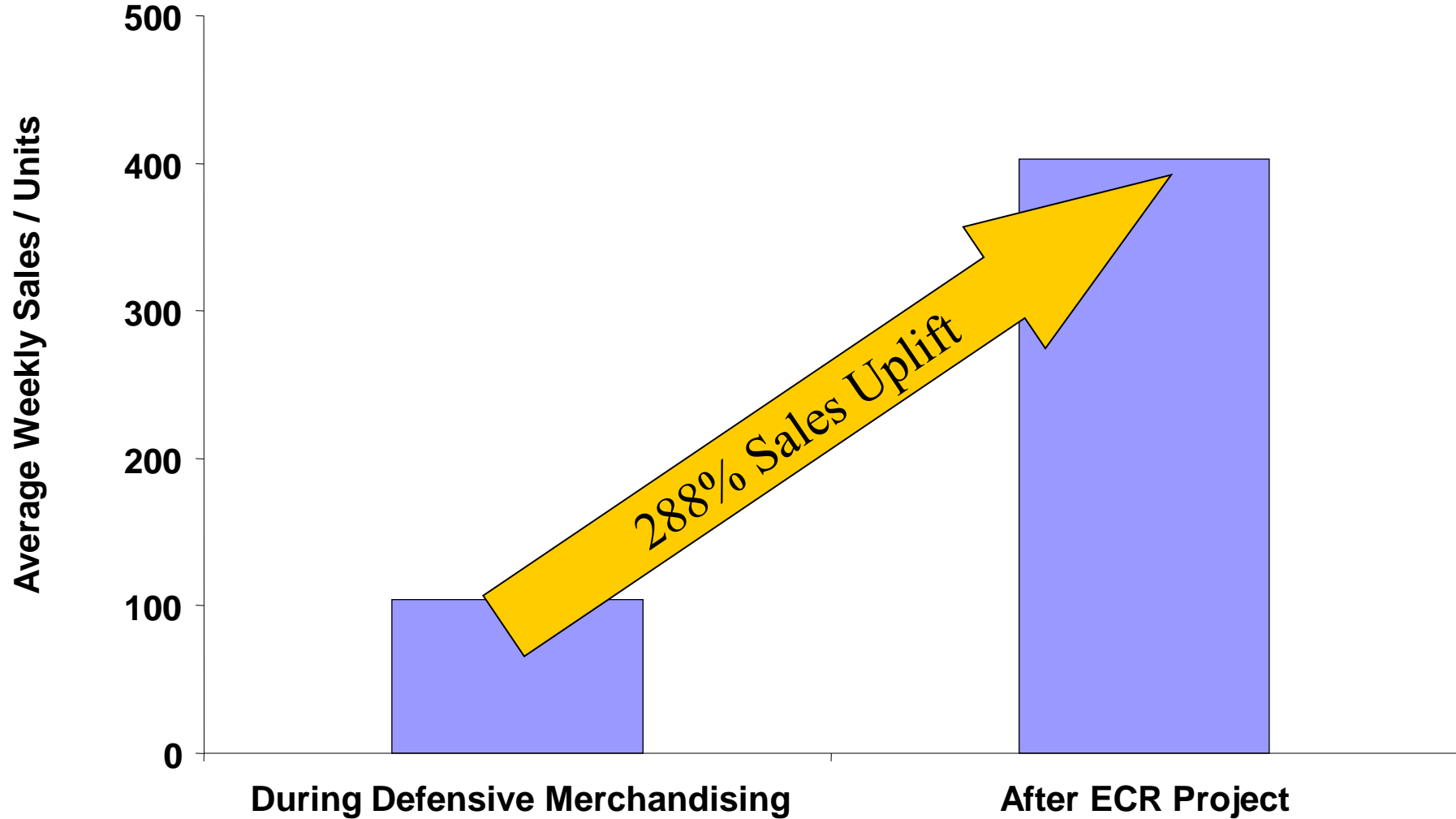
# Effect on In-store Stock Loss



Source: data from 3 Tesco Hypermarkets



# Effect on Sales



Source: Data from 3 Tesco Hypermarkets



# Summary of Key Results

- **Hard Results:**

- Stock Loss: From crisis level to below 2%
- Sales: Up from defensive merchandising
- Retailer Profit: Dramatic improvement

- **Additional Benefits:**

- Supply chain now in control.
- Stock handling procedures now transparent
- Solutions are transferable, e.g. Implemented new procedure for cigarettes handling



# Conclusions

- Demonstrable benefits of ECR approach to resolving stock loss
- Collaboration between companies important:
  - Steering Group needs to be behind project team
  - Consumer focus - Delight the shoppers - Open sale
- Collaboration within each company important:
  - Success depends on pro-active store management and in-store champion
  - Shop floor staff need to be motivated to own the project



# Key Learnings

- Roadmap provided a practical approach to improved Product Availability and Stock Loss
- Roadmap instills commitment to a project, to implementation and to going forward
- Measuring and adjusting is key part of the process
- The collaborative approach promotes Teamwork



# Concerns

- Information flows were difficult to map and measure
- Need for ongoing management control and operational support if good procedures are to work.
- Launching the project properly was vital to:
  - ensure consistency of purpose
  - get commitment to follow the whole roadmap process.
- Rolling-out successful solutions to all stores will be a substantial task that will demand strong project management.





# Next steps

- Celebrate pilot project success
- Build a roll-out plan for Tesco stores across Hungary
- Get commitment to the solutions from the stores
- Implement the solutions
- Initiate the “Gillette Team Award” for Tesco’s in-store champions
- Tesco: transfer solutions to other suppliers and categories (as done with cigarettes)
- Gillette: transfer approach and solutions to other retailers



Thank You

