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Giant Eagle Factoring Shrink Into Forecasts

By MICHAEL GARRY

PITTSBURGH — Giant Eagle here is well into a chainwide rollout of a shrink measurement program aimed at identifying “known loss” and using that knowledge in perishable production forecasts.

Giant Eagle is recording instances of shrink — such as damaged goods, discontinued items, out-of-code products and in-store transfers — on Symbol handheld devices equipped with software developed for the chain by SofTechnics, Dallas, explained Robert P. Garrity, the chain’s senior vice president, information services.

In perishables departments, such as meat, prepared foods and bakery, the shrink information is being incorporated in sales and production forecasting systems in an effort to “make the right products and avoid shrink” in the future, he said. Giant Eagle uses production planning systems from Eatec, Emeryville, Calif., for prepared foods and

bakery, and Invatron, Mississauga, Ontario, for meat.

“If we record shrink as it is occurring and remove the mystery from waiting until a physical inventory is done, we can know the timing and the reason for the shrink,” said Garrity. “Then we can [take steps] to avoid it in the future.”

According to Erv Jones, director of marketing, SofTechnics, Giant Eagle’s known-loss application “is a new area of fresh management” for the grocery industry. He said SofTechnics is now offering the system to other food retailers but “it will be tailored for each application.”

Garrity said that the focus on known loss has resulted in improvements in the production planning process. In a pilot of its Eatec application, Giant Eagle achieved a 5% reduction in shrink for a limited number of products, according to Dave McGeary, the chain’s retail technology adviser.

Added McGeary, “We have

a better handle on the percentage of shrink attributable to in-store transfers vs. the percentage attributable to damaged goods. The better we understand the causes of shrink, the better we can handle it.”

The chain has been rolling out the shrink measurement application for about a year exclusively in its 124 corporate stores, reaching about 75% of them so far.

While the application gets the greatest use in perishables departments, it is being employed throughout the store.

Garrity explained that in non-perishable departments the application is used during regular cycle counting in an effort to identify “obvious out-of-stock issues” so that adjustments can be made immediately. In addition, orders can be adjusted to reflect issues like damaged products, he added. McGeary said that 1% of Giant Eagle’s non-perishable distribution has been identified as known loss.

Giant Eagle is also engaged

in the following store-related initiatives:

- Installing wireless scales, from Mettler-Toledo, Columbus, Ohio (owner of SofTechnics), throughout the chain. Currently, 82 out of the chain’s 213 stores are equipped with only wireless scales; 44 have a mix of wireless and cabled scales as some departments have upgraded to wireless; and 53 stores have only cabled scales (other Giant Eagle independents do not use its scale application).

- Near rolling out a feature in Mettler-Toledo scales enabling deli associates to record side orders in meals, which helps with production planning.

- Moving toward corporate control of “speed keys” — programmed pricing keys — for scales. Speed key information would be downloaded via the Web to IP (Internet Protocol) addressed on the scales.

- Implementing a new, internally developed retail pricing package next month. It will allow the chain to manage prices by store or zone across ads, shelf and front end.

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