

BWH News Letter

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The New Lexicon for Retail

As new technologies and business models evolve it is important that the retail lexicon keep up with the changes they produce. The old meaning of many traditional terms must be updated.

Item

Item is the first term we must address. Traditional thinking equates Item with a physical unit. This led people to equate a GTIN or UPC with an item. Data modelers soon learned that this was a mistake, as manufacturers changed the UPC on existing physical units. This was further complicated when manufacturers implemented down sizing (reducing the net weight to preserve a price point), special packaging (same item but different consumer message), or discount labels (same item with cents off or pre-priced labeling). Each variation had its own UPC, but they are all the same "Item" for consumers and merchandisers.

The new definition of an Item puts it at the lowest level of the Merchandising Hierarchy. It represents a generic quantity (small, medium, large) and brand of a product. Many physical units may be assigned to the same item. There are instances where physical units from different vendors may be associated with the same item. This occurs in limited assortment stores that carry the "best deals" regardless of manufacturer, or "Packer Label Items", and with some commodities such as produce or meat.

In addition to the labeling variations, item must link the various packaging configurations for a physical unit. Physical units may be sold in cases or some type of multipack configuration. They may also be included in a variety pack that has multiple items in one selling unit.

In the area of meat and produce items, Country of Origin Labeling dictates the need to distinguish between instances of the same product that originate from different countries. Oranges from South America vs Florida will be identified by different labeling. These may or may not be recorded as the same item, depending on merchandising requirements. While they might be considered the same item,

shipping them under different unit numbers allows tracking to the store level.

While sales need to be tracked by UPC, so the effects of special labeling can be monitored, replenishment decisions must consider all the various physical units as the same item. This means available inventory (on-hand and on-order) and forecasts need to be tracked by item.

Don't confuse this definition of item with the logistics term for substitutions. Logistics users need to know what containers can be shipped in place of others. There may not be a merchandising association between logistics containers. Certain ingredient or supply items may be substitutable even though there is no merchandising item association. For this and other reasons it seems keeping the logistics relationship separate from the merchandising relationship is a good idea.

Selling Unit

Selling Unit refers specifically to a combination of physical units sold to the consumer. Most of the time a selling unit is a solitary physical unit, but it may also be a case or multi-pack of the same or various physical units. These various packaging configurations can have their own retail characteristics or derive them from the aggregation of the units contained within.

Selling units may not be offered in all stores. A retailer may only merchandise certain packaging configurations because of limited shelf space or demographics.

Price Zones

Traditionally, Price Zones have represented different sets of retails for the same products. Store categories might be slotted into price zones based on competition, banner, or category objectives. Price zones allowed the duplication of price books and shelf labels for all the stores in the same price zone. The introduction of electronic price books and rules based pricing have completely change the role of price zones.

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Price zones no longer must define an absolute retail. Instead, a price zone dictates what rules should be followed to determine the retail for that zone. The absolute retail for a particular transaction will depend on applying the rules to the facts as they occur in a particular store. Should competition always be beaten? Is a certain gross profit dollar objective to be met? Is a certain relationship necessary with the items in another category? By stating the rules instead of the absolute price, the number of price zones can be drastically reduced. The actual price that will be used in a particular store will be based on the goals set for it and the facts it faces.

Further segmentation of retails may come in the future as frequent shopper based discounts are offered. Loyal customers who spend most of their retail dollars in your store can be offered special discounts. "Who bought the item" will become one of the factors in determining retail.

By setting store prices based on individual circumstances, we expose ourselves to the practice of arbitrage. We must consider the possibility that some customers will buy at a lower price and return merchandise in either another store or under a different frequent shopper ID for more money. This problem exists today, but would be more pervasive if each store priced individually. Special policies may be needed for returns without receipts or at different locations.

Instance

The whole concept of "serialization" is introducing a new level of awareness that must be added to all retail applications. Retailers traditionally tracked "classes of units". They knew they had 20 cases of peas on hand, but they knew nothing about a particular case or can within a case. Now applications must track specific "instances" of a case or can.

Serialization, facilitated by the introduction of RFID, makes the awareness of instances economical because it can be captured by the RFID readers without any special steps. Retail applications can track specific instances of a class to detect outdated product or support product recalls by lot number. Serial numbers

that "vanish" can be tracked to the specific instance that was stolen.

Offer

For too long, we have thought of stores as places where we "sell items". The truth is that we have long ago broken out of that traditional role and are not only selling items (or classes of objects), but are tracking specific instances of objects such as lottery tickets and money orders. We are also selling services that include video or equipment rental, pharmacy, and utility bill collections. As we move into further requirements for "tracking and tracing" we will need to capture specific serial numbers on more selling units such as prescriptions, perishable merchandise, etc.

POS File Maintenance sends POS Master File transactions from the host systems to maintain GTIN's or UPC's on the store systems. The POS Master File describes the characteristics of the various selling units carried in the store. The POS index can be a GTIN, UPC, or PLU. The object referenced by the index could be a selling unit, coupon, frequent shopper id, service fee (video rental, utility payment, etc), or anything else we offer in the store.

The concept of an "Offer" recognizes that the object referenced by the POS index may be something other than a simple selling unit. It uses the index as a cross-reference file that points the pos system to various files that describe other objects besides selling units. The key to the Cross Reference is the POS Index, the Class Type and the Key to an instance of the class in its class file.

These are some of the obvious changes, but there are other terms that will no doubt enter the retail arena. It is important that these terms become consistent across the supply chain. The first step to developing collaborative business processes is to agree upon the terminology. Once everyone is speaking the same language it will become much easier for them to design common processes.