

Assessment of Current Supply Chain Needs for the Christian Retail Industry

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Goal

Re-energize and successfully reposition CBA retailers to become the “Preferred Source for Christian Resources” for Christian consumers and suppliers.

As a result of the Supply Chain Summit Meeting held in Chicago, Illinois in September of 2003, the Christian retail segment of our industry is in many ways in the earliest stages of looking to assess and improve the way in which we transact business with one another.

Therefore, we need to keep our goal and approach to improving the supply chain simple in this early part of the process. There currently exist many pieces of ‘low hanging fruit’ from an operational, technical, standardization/best practices, and educational practices standpoint. Proper implementation of these items will have a dramatic and, in many cases, immediate impact on improving our supply chain. At these early stages, we do not need extended studies or research to verify or implement some of the basic issues outlined in this document.

As an industry, we will be better served to get these basic building blocks of Supply Chain Management up and running before we embark upon a study that requires extensive research, time, and money. Once these items are resolved, and we’ve had a taste of how much better we can operate within our supply chain, then we need to work toward a higher level of optimization.

Therefore, the overarching goal at this point for optimizing the supply chain for our industry is simple ...

To look for the obvious places within the Christian retail sales channel where sound business practices can be implemented that will

Reduce Costs

Improve Sales

Increase Efficiencies

Approach

The approach to take in this process will consist of looking at our supply chain from four basic aspects – Operational, Technical, Standardization/Best Practices, and Educational/Promotional.

Listed in this document are just some of what appear to be the ‘low hanging fruit’ in each of these areas that could be considered. While the ultimate implementation of these action items may be focused more in the direction of either retailers or suppliers, it is critical that the entire industry lend its support and expertise to effecting a positive outcome. As outlined in greater detail in the Implementation section, an industry-wide task force will work on the details to actually implement these recommendations.

Operational

In order to justify any future investment in technology or significant operational changes, it is critical that our industry commit to establishing key benchmarks regarding the current and future costs to transact business. To that end, it is important that cost studies be conducted for both retailer and supplier segments in the following areas:

- Order processing
- Invoicing
- Receiving
- Returns

Once industry benchmarks have been established in these areas, companies can accurately measure what the potential cost savings could be were they to implement new supply chain practices.

Additional operational actions that should be considered for initial implementation include:

- Improve the cycle count process to assure greater inventory accuracy.
- Look at developing a consolidated order process to reduce the number of accounts stores must manage, especially related to backorder product.
- Look at moving the in-store backorder process to a category management approach (akin to Borders) versus a per title or per publisher approach.
- Establish an ongoing process to assess in-store core inventory availability on a quarterly basis.
- Establish a weekly re-ordering schedule that will permit product to be consistently received on a given day (and potentially by product category if coupled with item 3), and thereby reduce the labor required to reconcile and restock product orders.
- Give serious consideration to outsourcing operations (i.e. accounting, developing order templates, vendor-managed inventory, etc.) that store owners are inefficient at or are 'back room,' labor intensive and thereby take valuable employees off of the floor serving the customer. A cost benefit analysis study for the industry may be required to justify this idea.

Technical

As was discussed at length in the Chicago Summit, the initial steps that should be taken in the area of technology is to commit to better utilizing the technologies that already exist within our industry (for a detailed review of this discussion, go to www.ecpa.org/supplychainsummit.html to view the PowerPoint Presentations from the summit).

The central focus of this commitment to technology should focus on repurposing the 'user friendliness' and functionality of all supply chain technologies through retailer Point of Sale systems. The overlying goal must be to give retailers a compelling reason to place orders electronically because they are simpler, faster, and cheaper than calling 1-800 ... To make this happen, we are proposing a *B2B Marketplace* concept:

- The B2B Marketplace is a concept that works in the back end of a POS system to integrate current and future industry technology initiatives in order to allow a POS system to provide this data in a single place as an intimate part of the ordering process.
 - The goal is that a retailer will be able to fully integrate all aspects of their business through the POS system to look up a product and ...

- Be assured that product data is timely and accurate through a database process of providing real-time daily updates directly from the vendor's database (Savantech, UCC-Net).
- Be able to look at current industry and in-store sales velocity for any given product (STATS).
- Be able to determine best seller or core inventory backlist data by category when making restock decisions (STATS).
- Look at distributor or vendor in-stock availability (available for distributors, planned for vendors).
- Review accurate supplier standard and special discount information on product prior to placing an order.
- Review vendor order and return policies.
- View vendor recommended min/max inventory recommendations.
- Be guaranteed best pricing on all electronic orders.
- Place an electronic order (*X•net*[®] - VAN, Translink – web, point-to-point vendor and distributor systems).
- Receive immediate acknowledgements of purchase order confirmation (*X•net* - VAN, Translink – web, point to point vendor and distributor systems).
- Product fulfillment and shipping information (*X•net* - VAN, Translink – web, point to point vendor and distributor systems).
- Track product in transit via carrier tracking (integrate with carrier software tracking systems).

Standardization/Best Practices

Continued industry-wide support of the Christian Products Standards Group is essential in order to assure that as an industry, we are looking to standardize any process that will lead to increased efficiency and reduced costs of doing business. If we all can adhere to a single process for doing certain aspects of the business, everyone benefits and no one loses competitive advantage.

Standardization

- Continued refinement of the Christian Product Category Code system so that it becomes an industry cornerstone of how we define and categorize product in our industry. This requires continued compliance and utilization by everyone in the industry. It also requires continued refinement so that it will meet the needs of the industry.
- Continued refinement of the Best Seller and Core Inventory Lists. These lists must be designed in a way to meet the needs of retailers, vendors, and ultimately of consumers.
 - For Best Sellers, our goal must be to make them simple to implement at the store level, valid in their definition of what constitutes a 'Best Seller,' and direct consumers to the very best in Christian products.
 - For Core Inventory Lists (industry-wide or vendor lists), they must serve and be understood by the retailer as a foundational building block to the long-term success of their store. Core Inventory represents the 'secret gold mine' of what distinguishes a Christian retailer from any other retailer carrying Christian products in their neighborhood.

Best Practices

- The industry must continue to look toward establishing Best Practices in the way it conducts certain aspects of its business. These best practices are not designed nor can they legally 'legislate' a certain business practice—they are simply designed to encourage industry participants to consider conducting their business in a particular fashion for the benefit of everyone involved. Some areas that are worth considering at this time include:
 - Establishing a Best Practices Paper for Product Returns and Markdowns. This would be a comprehensive paper that covers everything from the buy-in process to mark downs to return options.
 - Establishing a Best Practices Paper for Transacting Data Elements within the industry. Currently the industry lacks any standard approach to data format, timeliness of data submission, as well as a common code system for defining product disposition.

Educational/Promotional

A key component to the whole supply chain improvement process is to develop and commit to an educational process that not only trains on the processes, but also clearly articulates and demonstrates the benefits outlined above. This should be accomplished in a variety of creative manners to assure industry implementation including:

- In-store vendor, POS, and distributor hands-on training. One of the key opportunities is to consider a possible modification in the role of the supplier's sales rep. Beyond simply selling product to a store, it may be that a sales rep's role also includes POS training, inventory management skills training, etc.
- Continuous and effective utilization of industry news outlets to promote articles, success stories, and challenges related to these 'first steps taken' in supply chain management.
- Close collaboration on product information, product ordering, and other processes between vendor and retailer early on in the process to make sure everyone 'gets it.'
- Better utilization of research tools afforded to our industry through Yearly Trends Reports, Consumer Buying Trends, Operational Surveys, etc.

Implementation Process

The commitment of key individuals to serve on a Supply Chain Implementation Task Force to both define and manage the proposed next steps will be crucial to the success or failure of improving the Christian retail supply chain. Individuals chosen to serve on this task force must be:

- Key decision makers for their organizations.
- Willing to lead the way in making and supporting industry-wide changes.
- Representative of all aspects of the supply chain.

In order to maintain momentum and implement immediate change, the task force should meet in person as a minimum on a quarterly basis at:

- CBA Advance - Winter
- ECPA Spring Seminar - Spring
- CBA International - Summer
- ECPA Publishing University - Fall

These same events should also commit considerable time to providing updates and training to the entire industry on supply chain initiatives.

Additional meetings would take place via conference call as necessary.

Conclusion

In many ways, Christian retail stands at the crossroad. While it is true that market erosion has occurred in the past several years due to the growing popularity of Christian products in the mainstream marketplace, it is also true that it still maintains the dominant role in being the single largest channel to sell Christian-based books, music, gifts, and other product. Commitment to increasing the efficiency of the supply chain will play a critical role in determining whether or not that position can be maintained in the years to come. This commitment will take time, money, and effort. Old habits will be hard to break, and collaboration throughout the industry is essential. These initial steps outlined in this document, while in no way representing the 'end all' solution, will take the industry a long way in improving its approach to how we transact business with one another ... and ultimately how committed we are to the long term viability of Christian retail.

