Shelf-Ready Fulfillment
Moving Beyond Tagging and Ticketing for Bottom-Line Benefits

Too often, shelf-ready initiatives are seen as merely efficiency plays. Practices like ‘receiving garments on hangers or pre-ticketed goods’ do speed up back room processing and are a key part of the shelf-ready movement. But by freeing up store employees to focus on selling and organizing merchandise for optimal sales, the potential for revenue lift is the greater benefit. This article explains the three components of Shelf-Ready Fulfillment and takes a deeper look at its benefits.

One leading US big box retailer already receives over 90% of their goods in shelf-ready format. And UK retailer Tesco boasts a “one-touch” strategy from store receipt to shelf. What do these retailers know that many retailers don’t? 

**Shelf-ready initiatives do more than save money with increased efficiency. They can also increase revenue.** When merchandise is delivered in shelf-ready format, fewer touches are needed and store employees are free to focus on the customer experience which leads to **increased sales**. It can also **reduce markdowns** by ensuring that products are delivered to the shelf timed appropriately with promotions and according to the merchandising plan for coordinating items. Further, product groups arriving according to the merchandising plan can **increase the likelihood of cross-selling which helps to boost sales** as well.

What is Shelf-Ready Fulfillment?

Shelf-ready fulfillment is the delivery of display-ready merchandise to the retail store to optimize business performance. Many of the cumbersome tasks that were typically performed at each store are today being pushed upstream in the supply chain and handled by the distribution center or directly by suppliers who perform these value added services (VAS). There are three components of shelf-ready fulfillment:

1. **Shipping “go-togethers” or promotional items together as a set.** Shipping go-together sets—such as coordinating tops, bottoms, accessories, or promotional sets—so that they arrive in stores together, in accordance with the merchandising or promotion plan.

2. **Shipping items in a shelf-ready fashion so fewer tasks must be performed at the store.** Merchandise arrives at the store with the VAS or key tasks already performed, so fewer touches are required by store personnel to place items on display. For example:
   - Price tickets and security tags applied
   - Hangers inserted
   - Apparel folded to shelf requirements
   - Product packed in cartons designed for display

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3. **Shipping items organized for fast stocking/putaway.** Goods arrive at the retail store organized for efficient handling from the door to the floor. For example:
   - Product delivered on rolltainers organized by store aisle or display area
   - Assembly of goods in retail-ready, end-cap displays
   - Less than full case fulfillment quantities packed in totes, organized by the store planogram or display area
   - Replenishment product organized in carton by department, sub-department or even presentation rack
   - Container contents are marked for easy identification on the exterior of the carton, box, tote or gaylord
   - Unit pre-packs to optimize shelf replenishment. Unit pre-packs should adhere to the “Five Easys”: Easy to identify, open, shelve, dispose waste, and shop.

### The Five Easys

- **Identify**
  - Separated by category/department and marked for floor location
- **Open**
  - Minimal packaging necessary to protect product
- **Shelve**
  - Pre-ticketed, pre-folded or garment on hanger
- **Dispose Waste**
  - Packaging easily recycled or re-used
- **Shop**
  - Coordinated launch and fast replenishment

### The Benefits of Shelf-Ready Fulfillment

A deeper look at the two key benefits—increased revenue/margins and reduced costs—can help explain why shelf-ready fulfillment has become an important strategy for many of today’s leading retailers.

#### Increased Revenue and Margins

By streamlining the “door-to-floor” process, shelf-ready fulfillment frees up store employees to spend more time on the sales floor. Focusing on customer interaction rather than backroom activities helps to boost retail sales. One apparel retailer notes that eliminating back room work allowed them to focus their staff on more consultative selling, where associates engage customers to identify their needs, suggest additional products that coordinate or go with merchandise selected and sometimes “save the sale” by finding inventory that may be out-of-stock in the store, but available to be shipped directly to the customer. These salespeople can provide a better experience for customers, making them more inclined to buy products and increase their overall purchase amount.

Synchronized delivery of coordinates or “go-together” merchandise also increases adherence to planograms, which is an effective way to drive higher sales and avoid markdowns. Marketing and merchandising teams work hard to create displays designed for optimizing add-on sales. For example, a customer may come into the store for a specific item, but a display of the right coordinating items may encourage a reactive or “impulse” decision to purchase additional items and ultimately yields a larger purchase as a result. Conversely, when products arrive at different times to the store/floor, it can lead to less impactful displays; or as is often the case, one or more “go togethers” are sold out before the rest of the set arrives. When this happens, the “leftover” products in the set can languish on the sales floor until they are marked down.

By allowing for faster restocking, shelf-ready also helps retailers get the right products to the floor during a promotion—which can be the difference between making or losing a sale. While retailers aim for same-day put away, many companies have back room processing delays that can take anywhere from a day to a week or more during peak
Shelf-Ready Fulfillment: Bottom-Line Benefits

season. As a result, they can miss critical dates for key merchandise to be on the sales floor to support promotions or holiday events. With an increase in the speed of replenishment for a store’s most popular items, comes an increase in the sales opportunity for those items. Leading companies replenish shelves quickly by packing and shipping store-ready goods according to the planogram. Stockers work from a stack of cartons or totes on a dolly, which can be layered according to the planogram; they start at the top and take items out, ready to be placed on shelves. The stockers then move in sequence through the store in a fast and efficient replenishment process.

Eliminating store back room processing can result in less back room space which enables retailers to devote more of their expensive retail real estate to selling. This can reduce overall store footprint or allow a broader product assortment and/or deeper inventory on the floor; both of which can factor into increased sales and potentially increased sales per square foot. Australian retailer Myer has been able to devote significantly more of its average retail store footprint to sales (versus administration and inventory storage), which has allowed them to carry more and a broader range of products in its new and redeveloped stores than it did previously.

In a previous article, we noted how space is a critical element in enabling ship-from-store fulfillment. In some cases, retailers are redeploying the extra back room space to offer ship-from-store fulfillment options, which can also help increase sales and reduce markdowns. And other retailers are able to reduce their overall retail square footage, which leads to the other key benefit of shelf-ready fulfillment—cost reduction.

Cost Reduction

Shelf-ready initiatives can reduce costs by reducing the inventory sitting in back rooms, quickly becoming obsolete. One retailer found that supply chain transformation including store ready merchandise increased the speed to shelf and reduced the overall inventory pipeline from DCs to stores. Others achieve speed to store benefits by holding inventory at the distribution center for more effective replenishment based on store needs, which helps increase sales and reduce markdowns. The right inventory in the right place at the right time translates to higher margins.

Shelf-ready fulfillment helps reduce costs through more efficient use of labor. Instead of charging store associates with labeling, tagging, and placing merchandise on hangers, retailers can have these tasks performed by DC personnel. Where the DC is set up with scalable, more efficient processes, this reduces overall cost to the business.

Shelf-ready merchandise also reduces the number of touches required to get the goods from the stores’ receiving dock to the sales floor. One retailer required an eight-touch process from the store door to the shelf which could have been achieved with less than half as many touches.
And where retailers are able to ship shelf-ready goods in re-usable containers like rolltainers, plastic totes or collapsible boxes, there is financial and environmental impact from reducing packaging waste.

Getting Started

Shelf-ready fulfillment has the potential to boost revenue and reduce costs in a variety of ways. But it requires holistic thinking across the organization and should be part of a larger strategy to optimize overall business operations and performance. Retailers considering these types of strategies should look at their product attributes and packaging, the volume and complexity of the business, and the impact of speed, and then assess the cost, benefits and risks when deciding if shelf-ready is a good fit. If your company has one or more of the characteristics identified in this chart, you may be a good candidate for Shelf-Ready.

Because shelf-ready fulfillment helps companies boost efficiency in a variety of supply chain and store operations processes that impact revenue and costs, shelf-ready initiatives can have a significant impact on the bottom line. But because it can be challenging to quantify the impact of a shelf-ready initiative—what’s the baseline and what’s the potential benefit—companies are sometimes reluctant to jump in.

In our experience, it often takes a pilot program to demonstrate the opportunity. Pilot programs can be developed for a single store, a group of stores, or for a subset of products across the entire network.

Summary

Shelf-Ready initiatives are often seen as a way to increase store efficiency at the expense of the distribution center or supply chain. Practices like ‘receiving garments on hangers or pre-ticketed goods’ do create store efficiencies and are a key part of the shelf-ready movement. But when you look at overall business performance, freeing up store employees to focus on selling, and organizing merchandise for optimal sales can produce greater impact through revenue lift and better margins. Have you considered the impact to your business of coordinated delivery of go-togethers and potential savings associated with faster shelf replenishment? Have you considered how shelf-ready merchandise fits into your supply chain strategy of increasing speed to the shelf? Are you taking advantage of this opportunity to work across functional silos for better bottom line results for the company overall? If not, get started now. The benefits are real and the leading retailers are well on their way.

How Can We Help?

Fortna helps companies improve performance by implementing strategies like shelf-ready fulfillment. With extensive experience in all aspects of retail distribution, we understand the benefits, cost and implications of shelf-ready fulfillment. We can help you evaluate the process and labor shifts that will be needed. And help you build a business case for investment.

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