

Preview of
Benchmarking Study **2**

Conference Schedule **3**

Advice on Cutting
Unsaleables Costs **4**

Unsaleables Update

Food Safety Symposium Set for September 17-19

The ninth Nestlé Purina PetCare Food Safety Symposium September 17-19 has been retitled as the Food Safety and Unsaleables Strategy Symposium, demonstrating the special emphasis on food safety and its relation to unsaleables reduction.

The event is held twice annually and has grown in popularity since it began in 2000, according to Carol Snyder, supply chain BPI manager at Nestlé Purina.

This year's session is open to all Nestlé Purina customers and will be held at The Enchantment Resort in Sedona, Arizona. The deadline to register is September 3.

"While the food safety symposia have always been a part of

Continued on page 4.

Conference Features Leading U.S. Unsaleables Practitioners

The 2003 Joint Industry Unsaleables Management Conference opens July 16 with a program brimming with a variety of in-depth sessions featuring the leading practitioners of reverse logistics in the United States.

The three-day conference is being held at The Palace Hotel in San Francisco.

"The conference is a great venue for manufacturers and retailers to get together, learn more about the latest unsaleables trends and findings and work together on plans to reduce overall unsaleables," said Carol Snyder, conference co-chair and supply chain BPI manager, Nestlé Purina PetCare Company. "While the basics of unsaleables don't change much from year to year, the industry's approach to addressing the issue continues to evolve, and the annual conference plays a key role in this evolution."

Conference Co-Chair Ted Lechner, manager for continuous improvement for return goods of the HEB Grocery Company, said: "It is exciting to see that we have numerous retailer/distributors sharing success stories on what has worked for them. I can truly say that these retailers have not only 'Committed to the Challenge' — the conference theme this year — but are also 'walking the talk,' as we can see from this year's conference schedule."

This year's programs range from the unveiling of the 2003 unsaleables benchmark survey to a discussion of the role of product safety in unsaleables management, from a panel on quality recalls and product withdrawals to a case study on how one company integrates sales and the supply chain into unsaleables management.

Paul Burke, director, reverse logistics, CVS Corporation, will present the unsaleables perspective from a drug retailer's point of view.

The conference kicks off with a pre-conference orientation July 16 for attendees new to the issue. Six smaller, interactive break-out sessions are planned for July 17 and July 18 on the following topics: unsaleables policies, the 2003 benchmark report, discontinued products, unsaleables management for HBC categories and product recalls/product safety and reclamation.

"Our conference features leading experts and unsaleables practitioners who will provide the latest information on current trends and emerging issues in reverse logistics," said Mike Gadbois, Joint Industry Unsaleables Steering Committee co-chair and manager of unsaleable product recovery center and corporate inventory control for Hannaford Bros. Co. "The smaller breakout sessions are provided for attendees to discuss specific problems and policies in an informal atmosphere."

Committee Co-Chair Gary Piwko, senior manager of unsaleables management, Kellogg Company, said: "The issue of unsaleables is one that affects the bottom line of both manufacturers and retailers, and this meeting brings both together to focus on the challenge of reducing unsaleables throughout the industry."



Carol Snyder
Conference Co-Chair



Ted Lechner
Conference Co-Chair

Sponsoring Associations



Sneak Peek at 2003 Benchmark Report

(The 2003 Unsaleables Benchmark Report *will be unveiled in a special session at the Joint Industry Unsaleables Management Conference July 16-18 in San Francisco. However, the following is a preview of one small aspect of the report.*)

One of the most notable disconnects between manufacturers and distributors featured in the soon-to-be-released *2003 Unsaleables Benchmark Report* exists in the vital area of what causes unsaleables in the first place.

Manufacturers participating in the survey contend the most frequent causes of unsaleables are (in order of importance) store resets, product discontinuation and the lack of proper product rotation at the retail level.

To distributors, on the other hand, the three most important causes of unsaleables today in order of importance are quality of case-pack materials (example: corrugated), the lack of proper product rotation at retail and tray packs. (Manufacturers had tray packs in the last category of activities that *rarely* causes unsaleables.)

Distributors Emphasize Physical Damage

Michael Gadbois of Hannaford Bros. Co. and co-chair of the Joint Industry Unsaleables Steering Committee, said retailers and wholesalers tend to place greater importance on the *physical* root causes while manufacturers believe behavioral issues are responsible. He and Co-Chair Gary Piwko of Kellogg Company said these differing perspectives are due in part to the position of that industry segment in the supply chain and the involvement in the downstream handling of product.

Additionally, the co-chairs stressed, distributors handle all products while manufacturers have

experience with only their products and their unique properties. For example, a manufacturer of cereal would not consider the lack of can nesting a problem, but a distributor might.

“Trading partners need to understand each other’s perspectives on root causes and to work together on preventing both the physical and the behavioral causes,” the co-chairs added.

Damage No. 1 Unsaleables Cause

The benchmark report notes that 58 percent of unsaleables last year came from damage.

“This leaves more than 40 percent of unsaleables due to other causes, mainly inadequate inventory management,” the co-chairs said. “These are areas that are very fixable — a way to reduce unsaleables that does not require significant capital investments. Simple modifications or changes in trading partner behavior and practices could save the companies in our industry millions of dollars in avoidable unsaleables costs.”

The 42 percent of unsaleables that are not physically damaged cost the industry an estimated \$1.1 billion dollars a year, according to the survey, which estimates that one out of every 100 cases in the CPG supply chain goes through the reclamation/return process.

Unsaleables Update

Summer 2003

Unsaleables Update is published by the Joint Industry Unsaleables Steering Committee and its industry sponsors, Food Marketing Institute and Grocery Manufacturers of America.

Copyright 2003. All rights reserved. No part of this publication may be reprinted or reproduced in any way without written consent, which may be obtained by contacting Dan Bushey, GMA, 2401 Pennsylvania Avenue N.W., Suite 200, Washington, D.C. 20037.

Comments and story ideas may be sent to:

Editor:

Jo Anne Singley Sharlach
jsharlach@aol.com

Co-Chairs:

Kenneth Todd
kktodd@foodlion.com

Ernie Argenio
argee@motts.com

Design: CSSdesign

barry@cssdesign.com

Manufacturer & Distributor Perspectives on The Importance of Root Cause Activities

Frequency of Causing Unsaleables	Manufacturer Perspective	Distributor Perspective
Most Often Causes Unsaleables	Store Resets Product Discontinuation Lack of Proper Product Rotation at Retail	Quality of Case-Pack Materials (i.e. Corrugated) Lack of Proper Product Rotation at Retail Tray Packs
Often Causes Unsaleables	Unloading Practices Excess Seasonal-Product Returns	Store Resets Pallet Overhang Product Discontinuation
Least Often Causes Unsaleables	Pallet Overhang Poor Trailer Load Stability Poor Assembly of Store Orders Quality of Case Pack Materials (i.e. Corrugated) Lack of Load Dunnage	Lack of Can Nesting Poor Assembly of Palletized Store Orders Lack of Load Dunnage Excess Seasonal Product Returns Poor Use of Shrink Wrap
Rarely Causes Unsaleables	Poor Use of Shrink Wrap Poor Pallet Condition Tray Packs Lack of Can Nesting	Poor Pallet Condition Unloading Practices Poor Trailer Load Stability



**2003 Joint Industry
Unsaleables Management Conference
July 16 – 18
The Palace Hotel/San Francisco, CA**

Wednesday, July 16, 2003

2:00 – 7:30 P.M. Registration

3:00 – 5:00 P.M. Pre-Conference Workshop

For individuals new to unsaleables management.

6:00 – 7:30 P.M. Opening Reception with Exhibitors

Thursday, July 17, 2003

7:15 – 8:00 A.M. Continental Breakfast with Exhibitors

7:15 A.M. – 5:00 P.M. Registration

8:00 A.M. – 5:00 P.M. General Session

8:00 – 8:10 A.M. Opening Remarks and Welcome

Carol Snyder, Supply Chain Optimization Manager, Nestlé Purina PetCare Company; Ted Lechner, Manager for Continuous Improvement for Return Goods, HEB Grocery Company

8:10 – 9:00 A.M. The Future for Unsaleables Management

Dan Raftery, President, Raftery Resource Network, Inc.

9:00 – 10:00 A.M. 2003 Joint Industry Unsaleables Benchmark Report

Anne Lightburn, President, foodBiz; Mike Gadbois, Manager of Unsaleables/PRCs/Corporate Inventory Control, Hannaford Bros. Co.; Gary Piwko, Senior Manager, Unsaleables Management, Kellogg Company

10:00 – 10:30 A.M. Break with Exhibitors

10:30 – 11:00 A.M. A Drug Retailer's Perspective on Unsaleables

Paul Burke, Director, Reverse Logistics, CVS Corporation

11:00 – 11:45 A.M. The Role of Product Safety in Unsaleables Management

Kim Kemp, Manager, Food Safety, Nestlé Purina PetCare Company; Donna Auldridge, Quality Assurance Manager for Logistics, Wal-Mart, Inc.

11:45 A.M. – 1:15 P.M. Lunch with Roundtable Discussion

1:15 – 2:15 P.M. Panel Discussion on Product Quality Recalls and Product Withdrawals

Mary Ann Platt, Executive Vice President, RQA; Jack Jeffers, Director of Quality Assurance Compliance, Quaker Foods; Sarah Geisert, Director of Global Regulatory Affairs, General Mills, Inc.; Gale Prince, Director of Corporate Regulatory Affairs, The Kroger Co.; Chuck Stoffers, Director of Food Safety, Safeway, Inc. (Moderator)

2:15 – 3:15 P.M. Breakout Sessions

Meet with your colleagues and trading partners in personalized group sessions to discuss:

- Unsaleables Policies
- 2003 Unsaleables Benchmark Report: In-depth Analysis
- Discontinued Products
- Unsaleables Management for HBC Categories
- Realities of Reclamation
- Product Recalls/Product Safety

3:15 – 4:00 P.M. Break with Exhibitors

4:00 – 5:00 P.M. Integrating the Supply Chain and Sales into Unsaleables Management

Mike Borgerson, Lead Packaging Engineer, Kellogg Company; Gary Piwko, Senior Manager, Unsaleables Management, Kellogg Company

6:30 P.M. Reception and Dinner

Friday, July 18, 2003

7:15 – 8:00 A.M. Continental Breakfast with Exhibitors

8:00 – 11:15 A.M. General Session

8:00 – 8:05 A.M. Opening Remarks

Carol Snyder, Supply Chain Optimization Manager, Nestlé Purina PetCare Company; Ted Lechner, Manager for Continuous Improvement for Return Goods, HEB Grocery Company

8:05 – 9:00 A.M. Committee Special Project Reports

Reports on two projects – the impact of expired products/retail coverage on unsaleables and recent supply chain trends that affect unsaleables management.

Carol Snyder, Supply Chain Optimization Manager, Nestlé Purina PetCare Company; Kenneth Todd, Reverse Logistics Manager, Food Lion, LLC

9:00 – 9:30 A.M. Operations the Focus at Harris Teeter

George Thrower, Reclamation Coordinator, Harris Teeter, Inc

9:30 – 10:15 A.M. Collaboration Best Practice: The Value of Partnership in Unsaleables Reduction

Gary Regina, Supply Chain Manager, Winn-Dixie Stores, Inc.; Dan Kubis, Customer Logistics Manager, Campbell Soup Company

10:15 – 11:15 A.M. Breakout Sessions (Repeated)

(See Thursday, 2:45 – 3:45 P.M.)



Archie Cashion
CEO
American Processing, Inc.

Joint Industry Unsaleables Steering Committee

The following companies are members of the Joint Industry Unsaleables Steering Committee:

Albertson's, Inc.
America's Confectionary
Campbell Soup Company
ConAgra Grocery Products Company
Food Lion LLC
General Mills, Inc.
Hannaford Bros. Company
H. E. Butt Grocery Company
Kellogg Company
Kmart Corporation
Kraft Foods, Inc.
Mott's, Inc.
Nash-Finch Company
Nestlé USA, Inc.
Nestlé Purina PetCare Company
Safeway, Inc.
S.C. Johnson & Son, Inc.
SUPERVALU INC.
The Procter & Gamble Company
Unilever Bestfoods North America
Winn-Dixie Stores, Inc.

Cuttings Costs, Improving Profits at Reclamation

CEO Archie Cashion of American Processing, Inc. (API) knows there will always be some unsaleable goods, but he stresses there also are efficient ways to handle them.

“The key to the entire process is to drive as much efficiency into the process of managing unsaleables while at the same time driving costs down,” the 14-year reclamation veteran notes.

How can CPG companies handle this two-prong approach to managing products that have become unsaleable?

First: The Processing Center

Cashion says the first step to reducing expenses associated with the management and operation of reverse logistics at API is with the processing center itself. At API these reclaim centers are streamlined, and a high priority is given to timely and accurate data files.

“The state-of-the-art software we create specifically for a client allows us to engineer our data transfers to be as flexible and accurate as possible,” he notes. “We clean up the data coming in so we have good data going out.”

Invoice Accuracy Rate of 0.73%

API is proud of the fact that the company has achieved an overall sorting/invoice accuracy level of under 0.73 percent last year — considerably better than the national average of approximately 4 percent (as reported by one of the national auditing firms).

“If your sorting and output data are accurate, the costly audits each accounting period are not necessary, also saving manufacturers the time and expense associated with count discrepancies,” he stresses.

Purina Symposium

Continued from page 1.

our overall unsaleables strategy, now is the time to reinforce the link and use the success of the food safety program to help our customers address the overall issue of unsaleables,” Snyder said. “We need feedback from our customer attendees to further expand this program for the benefit of the entire supply chain.”

Leading national entomologists, industry regulators, and pest management and unsaleables experts will speak at the symposium. Special tours of Purina production/distribution facilities and a demonstration of proper material handling techniques also are planned.

Purina trading partners are encouraged to attend. E-mail for registration forms or more information to kharrell@purina.com, or call Carol Snyder at 314.982.2241.

Second: Data for Distributors

The second step in the API cost-reduction process revolves around the timeliness and accuracy of data provided to document the reverse logistics process for the retailer/wholesaler.

“Technology advances now allow us to respond to requests for consumer reports in hours — not weeks or even months,” Cashion points out. “The Internet allows us to deliver this information quickly and efficiently, reducing costs even more.”

He notes that the accuracy of regular store credits and invoice information has skyrocketed with the new technology, although no information is ever released until it has been checked and verified.

Better Relations Saves Money

Without count disputes and invoice discrepancies, all unsaleables trading partners benefit from the saved time and costs. But more importantly, Cashion says, the relationship between the trading partners is strengthened, allowing them to focus on the other side of the unsaleables equation — preventing the unsaleables in the first place.

“In the end, we all know that better relations between trading partners saves money and increases efficiency and profitability for all involved,” Cashion concludes.

American Processing, Inc. was launched in 1988 to help retailers and wholesalers who want to outsource the management of their unsaleables program. The Winston-Salem, N.C.-based company specializes in facilities design and operations and consults in manufacturer reimbursement policies.

For more information on API, go to www.apireclaim.com.

Conference Sponsors & Exhibitors

The Joint Industry Unsaleables Steering Committee wishes to thank the following exhibitors and sponsors of the annual unsaleables management conference. Please note an asterisk by the name means that the exhibitor is also a sponsor.

Active International
America's Second Harvest
Big Lots Stores, Inc.
Carolina Logistics Services, Inc.
Consumer Product Recovery
*Damage Recovery Systems, Inc.
Feed the Children
GENCO Distribution Systems
*ITW Shippers Products
*J.L.E. Enterprises, Inc.
*Strategic Solutions, Inc.
*Universal Solutions International, Inc.
*USF Processors, Inc.