



## Distributors Grapple With Slow-Moving Items

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**ORLANDO, Fla.** — Though food retailers and wholesalers are in the fast-moving consumer goods business, half of their items don't move very fast.

According to an analysis of retailers, wholesalers and foodservice companies conducted by Keith Swiednicki, senior partner, KOM International, Montreal, half of the items marketed by those companies fall into the “slow-movers” category, representing less than 15% of sales (in terms of sales velocity of cases).

Swiednicki, who presented his findings this month during a panel discussion at the FMI/GMA Supply Chain Conference here, defined slow movers as items that ship fewer than 15 cases per week. Very slow movers — which account for 40% of total items and less than 12% of sales — ship fewer than six cases per week.

The large number of slow-moving items is primarily the result of “SKU proliferation,” said Randy Fletcher, vice president, logistics and supply chain management, Associated Grocers of Baton Rouge, La., who participated in the panel discussion. “We need new items but [slow movers are] the price we pay for new items,” he added.

On the other hand, “slow movers do provide variety and may be seen as a competitive advantage,” Fletcher noted. “Some slow movers end up being good sellers, we just never know when.”

Fletcher and another panelist, W. Thomas Bird, vice president, supply chain integration, Price Chopper Supermarkets, discussed how their companies try to figure out the best ways to order, stock and handle slow movers.

At Associated Grocers, slow movers are defined as items that ship fewer than five cases or per week, said Fletcher. More than 1,500 grocery items fall into the slow-movers category, or 20% of all grocery items; 523 frozen items (25%); and 59 dairy products (6%). Overall, 2,107 items, or 19.4%, are slow movers. On a dollar basis, that equates to 1.5% of the total.

Price Chopper, Schenectady, N.Y., regards slow movers as items that ship five or fewer cases per week, said Bird. “When it gets that low, we try to move the items into third-party hands.” He broke down slow movers into 1,597 grocery items (14.5%), 203 frozen items (12.5%) and 93 dairy items (5.5%). In total that comes to 1,893 items, or 14% of the total, which accounts for about 3% of sales.

## INTERNAL OR THIRD PARTY

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In handling slow movers, retailers need to decide whether to farm them out to a third party or manage them internally at a warehouse. Even with carrying costs and labor costs, there may be cost savings associated with bringing slow-moving items into the warehouse, said Swiednicki.

Associated Grocers reslotted its grocery facility last year to create a 2,200-SKU slow-movers aisle, though the wholesaler is considering limiting access to it because of selection efficiency issues, said Fletcher. Associated also has a slow-moving perishables bay at the end of a conventional perishables aisle. In addition, Associated conducts cross-docking of store-specific slow-moving perishables and grocery items. The company is looking at limiting deliveries of slow movers to one to three times weekly to most retailers.

Price Chopper isolates slow movers in sections of its warehouse by movement, weight and cube, said Bird. Low-weight, low-cube items that ship 15 or fewer cases per week — “not our slowest movers,” said Bird — are selected within regular pick aisles. Ordering frequency for slow movers is limited to two or three times per week for an average store.

Slow movers with different weight/cube and a little higher volume are put into the back of another area. That area uses ergo beams, which provide easy access to hard-to-reach cartons in the back by creating an opening between pallet locations through which an order-picker can enter. The ergo beams “are not put in to deal with productivity but to address sanitation, damage and bending, lifting and reaching issues,” said Bird. “It gives an immediate payback in that regard.”

According to Swiednicki, ergo beams increase the rack footprint by 6.3% and decrease storage capacity by 7% while increasing equipment costs by 5%.

At Associated Grocers, category specialists decide whether slow movers are held in their facility or by a third-party and then cross-docked through their facility. “They look at our capacity in the DC and consult with our distribution folks,” said Fletcher. Category reviews are done at least annually, but sometimes “decisions are made when we’re close to running out of [warehouse] space or out of space,” he said.

Category managers make the call on whether to carry slow movers for Price Chopper, although sometimes slow movers “just come along” with a vendor’s faster-moving products, said Bird. Category reviews are done at least semi-annually.

On some bakery, deli and frozen slow movers, Associated Grocers partners with a redistributor, Dot Foods, Mt. Sterling, Ill. The redistributor provides weekly, consolidated truckload deliveries of slow-movers from a variety of vendors, reducing each vendor’s inventory. “The key to the program is turn frequency,” said Fletcher. “It allows stores to order product on a recurring basis, which is important for perishables.” Some products from Dot Foods are also cross-docked through Associated’s DC to specific stores.

Price Chopper uses ES3, Keene, N.H., to bring in daily consolidated shipments of slow movers. “It keeps inventory low; we manage turns much better with a co-distributor,” said Bird. Price Chopper also employs Kehe Distributors, Romeoville, Ill., to handle gourmet slow movers, which are cross-docked through the chain’s warehouse to specific stores.