

The 4th International ECR Research Symposium, held at IULM Milan on September 16-17 2004, focused on five themes:

- Collaborative differentiation for consumer value
- Information sharing in a manufacturer/retailer supply chain
- In-store experience: virtual shopper environments
- Customer retention through operational leadership in retailing
- Collaboration: how to solve old problems and capture new opportunities.

The following is a brief overview of the main presentations.

Information sharing

Ananth Iyer (Purdue University, USA) and Arnd Huchzermeier (WHU, Germany) reviewed legal challenges to closer manufacturer/retailer cooperation, especially in the area of category

management. Noting the few instances when manufacturers have abused 'category captainship' status to disadvantage competitors, they concluded that retailers should decide all strategic aspects regarding a category and that category captains' roles should be limited to advice.

Gerhard Armingier (University of Wuppertal, Germany) investigated integrated demand forecasting and ordering for stores, DCs and suppliers. The ideal system, he suggested, should be 'self-learning', highly automated but highly based on store-level micro-forecasting, and take account of as many demand-influencing factors as possible, including calendar events, promotions, seasonal changes and the weather. Reporting on experiments, he concluded that working 'upwards' from store level to DC forecasts can result in more accurate forecasting, reduced stock levels and reduced out-of-stocks.

Daniella Burkhardt (WHU, Germany),

At the cutting edge of best practice

MILAN REPORT

Alan Mitchell
London, UK

The 4th International ECR
Research Symposium gathered
leading researchers to identify
and debate cutting edge
industry practices. What did
they talk about?

Arnd Huchzermeier (WHU, Germany) and Ananth Iyer (Purdue University, USA) examined the importance of information on planned competitor activity when planning promotions. Using real life data from Procter & Gamble they demonstrated the huge influence competitor prices have on promotion uptake: ideally, to generate an accurate forecast the promoting manufacturer needs to know planned competitor prices in advance. If that information is not available, a 'next best' could be competitors' planned delivery quantities.

Axel Hopp (Division Manager of Strategy Category Management of METRO Group Buying *in absentia*) looked at future trends in supply chain collaboration, showing the growing sophistication of METRO's information systems.

In-store experience

Solveig Wikström (Stockholm University Business School, Sweden) reported on consumer attitudes to the concept of valued experiences (see 'When products and services are not enough', *ECR Journal* Volume 4, No 2, Winter 2004).

Francesco Massara and Giovanni Pelloso (IULM, Milan) reported on experiments using sophisticated image modelling technologies to virtually test consumer reactions to different store environments.

Bernhard Treiber (Treiber + Partners, Germany) demonstrated the latest

developments in photo-realistic displays of stores and products as fully animated 3D objects. A consumer can walk through a virtual store and 'pick' a product off the shelf and examine it. The development of truly immersive retail test environments will enable retailers to test ideas in store design, interior architecture and category management much more efficiently, he suggested.

Supply chain design

David Simons, Kate Bailey and Keivan Zokaei (Cardiff Business School, UK) looked at the need to:

- design consumer-focused key performance indicators, for example 'basket fulfilment' - the probability of a consumer finding all desired items in stock - versus SKU fulfilment.
- align 'back room' operations to meet consumer requirements. An analysis of a red meat supply chain revealed 'chaos' in most retailers' back rooms, leading to large amounts of wasted time and poor levels of availability, and
- consider how value chain analysis can uncover the potential for quick, simple and cheap improvements using existing assets in supply chain management. A study of a public sector catering operation showed how, simply by redefining who makes what orders when, stock levels can be reduced and costs and complexity cut.

To generate accurate sales forecasts we need to know planned competitors' prices in advance. The next best data input is planned delivery quantities.

Customer retention

Giulio Zotteri (Politecnico di Torino, Italy) and Ananth Raman (Harvard Business School, USA) looked at examples from the apparel and grocery industries to show how retailers can estimate sales lost due to stock-outs. It is easy to measure sales, but it is not easy to measure lost sales, even though they can account for up to 25% of potential turnover. By combining point of sale and inventory data, however, it is possible to identify lost sales periods and estimate the likely level of consumer demand for the items in question during those periods.

Karel van Donselaar and Tom van Woensaal (Eindhoven University of Technology, The Netherlands) reported on research into how consumers respond when their preferred item is out of stock, and how to incorporate these findings into automated store ordering systems.

Thomas W Gruen (University of Colorado, USA) reviewed research into the causes and cures of out-of-stocks including the use of technology to signal when an item goes out of stock.

Collaboration

Dimitros A Papakiriakopolous, Katerina Pramataris and Georgios I Doukidis (Athens University of Economics and Business, Greece) reported on an experiment with rule-based algorithms to monitor out-of-stock situations. The best

algorithm captured approximately 60-70% of out-of-stock cases.

Katerina Pramataris, Georgios I Doukidis and Panos Kourouthanassis (Athens University of Economics and Business, Greece) looked at the implications of RFID for smarter supply and demand chain collaboration and showed how RFID can enhance collaboration, particularly in the areas of replenishment, shelf management, promotion planning and the evaluation of promotion effectiveness.

Debate and overview

Raoul Hasselgren (Chairman, AB Sardus, Helsingborg) reflected on ten years of ECR and asked 'is ECR's job done?' (see 'ECR ten years on', *ECR Journal* Volume 4, No 2, Winter 2004).

Sjoerd Schaafsma (vice president customer development Unilever Europe) and Joerg Hofstetter (University of St Gallen, Switzerland) asked whether collaborative differentiation offers an opportunity for retailers and manufacturers to increase the benefits of cooperation (see this issue, page 66).

Daniel Corsten (University of St Gallen, Switzerland) reported on research into J Sainsbury's attempted supply chain transformation (see this issue, page 70).

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