Leveraging Small-Format Retail and Bulk Merchandising Trends

Presented by:
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Large vs. Small-Format Stores

- Retail store with a large amount of floor space
- > 50,000 sq. feet
- Vast selection of product categories and skus
  - Case-Load delivery
- Typically located in suburban areas where real estate exists

- Retail store with medium to small amount of floor space
- 10,000 - 25,000 sq. feet
- Specialty product or limited sku offering
  - Pharmaceutical, grocery, discount
  - Split-Case delivery
- Convenience vs. price
Drivers of Small-Format Growth

It’s all about **YOU** ... the **CONSUMER**!

**Urbanization**
More People in Less Space

**Convenience is King**
Made Fast, Easy and Free

**The “Infinite Shelf”**
Access to Just About Anything

**The “Tyranny of Now”**
Not Willing to Wait

Real-Estate Constraints → Supply & Cost → Ecommerce Portfolio Growth → Upwards of 30% retail sales

Source: 2019 Material Handling and Logistics Conference 2019
Factors Driving Growth

1. **Shortage of Labor**
   - Pool to shrink 5.4% by 2030 (aging population)

2. **Cost of Labor**
   - 2018: Employment cost index up 3.0%
     - Labor typically accounts for 40% - 60% of warehouse/Dist ops
   - 2020: Min. Wage increase in 24 states.

3. **Logistics Market**
   - 2018: Intermodal up 28.7%
   - 2020: “steep grade to finally crest a hill”
What are the Pain Points?

- Secondary Packaging Waste
- Excessive Product Touches
- Delivery Driver Shortages
- Inefficient/Frequent Deliveries
- Re-Loading Outside Stores
- “Horizontally Cubed” Trailers
- Excess Inventory
- Inefficient Return Shipping
- Access/Maneuverability Issues
Fulfillment Challenges

**Simplify Delivery**
- No trailer docks w/ 36” store door openings
  - 48x40 pallet down-stack in trailer required:
    - Labor strain
    - Extend trailer dwell time

**Maximize Trailer Cube**
- Reduction in the # of cases per delivery
  - Pallet loads shorter, but same footprint - creating trailer cube loss and increased logistics costs

**Reduce Product Touches**
- Constraints for shelf-fulfillment – labor & equipment
  - Additional touches for sortation and repack into store cart extend stock-outs and increase shrink
Spectrum of Solutions

Small-Format Pallet

Delivery Carts

Bulk Merchandising

Handheld Dollies

Mobile Pallets

Material Handling Evolution
<table>
<thead>
<tr>
<th>Small-Format Pallet</th>
<th>Handheld Dolly</th>
<th>Delivery Carts</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Mixed loads (cases and totes)</td>
<td>• Single handheld sku’s only</td>
<td>• Mixed loads (cases and totes)</td>
</tr>
<tr>
<td>• High order size / high load capacity</td>
<td>• Cost effective for low order size / low load capacity</td>
<td>• High order size / high load capacity</td>
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<tr>
<td>• Requires MHE (21” fork spacing)</td>
<td>• No MHE requirement – faster unload times</td>
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<tr>
<td>• Increased trailer density</td>
<td>• Strapping needed for transportation</td>
<td>• Option for shelves = accessibility to each layer</td>
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<tr>
<td>• Great space savings for backrooms</td>
<td>• Stackable for backroom space savings</td>
<td>• Collapsible designs needed for space savings – create added labor and pinch points</td>
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<tr>
<td>Mobile Pallets</td>
<td>Bulk Merchandising</td>
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<td>• Mixed loads (cases and totes)</td>
<td>• Bulk loads (single sku’s)</td>
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<td>• Mod order size / mod. load capacity</td>
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<tr>
<td>• Movement efficiency at warehouse (MHE) and store (mobile)</td>
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<tr>
<td>• Transportation stability</td>
<td>• Retail ready - Streamline product replenishment at store</td>
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<td>• Stackable for backroom space savings</td>
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Bulk Merchandising: Defined

Packaging of high volume product so that it is delivered to a retailer in packaging optimized for efficient stocking and sale
Getting Started: Bulk Merchandising

- Choose the right product category
  - High volume / Limited sku's
  - Merchandising space
  - Time consuming
  - High shrink rate
- Retailer Buy-In
- Partner with the SME
- Understand full supply chain
Category Success: Bulk Milk

- Labor Savings
- On-Shelf Availability
- Shelf Utilization
- Backroom storage
- Trailer Utilization
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