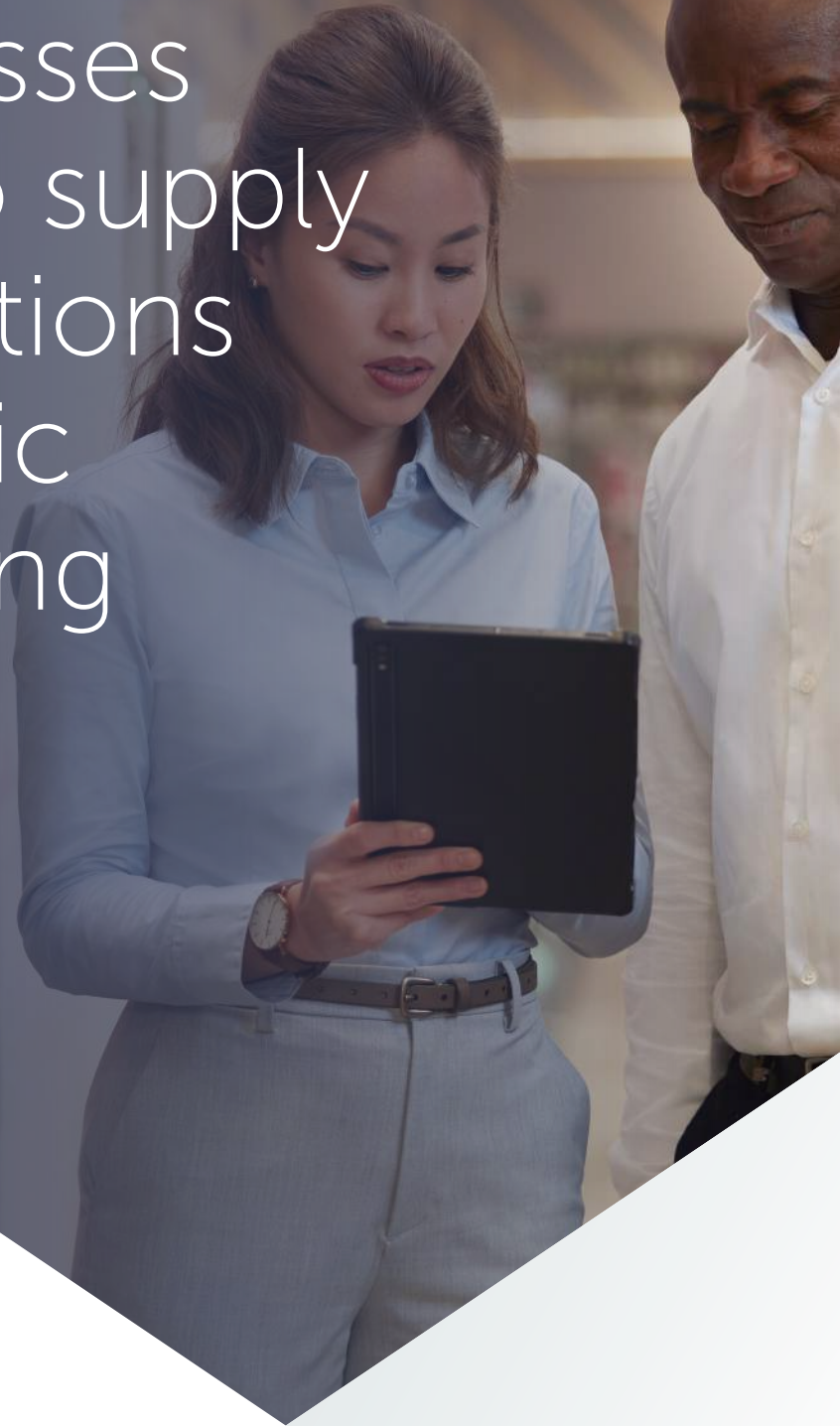


How businesses can adapt to supply chain disruptions with Dynamic Merchandising



trax[®]

Introduction

While the pandemic continues to expose weaknesses in the global supply chain, retailers and consumer packaged goods (CPG) companies are struggling to deal with the lasting effects. To survive, it's crucial that businesses adapt — and quickly. Flexible merchandising solutions can help retailers and brands combat supply chain challenges as they arise by giving them valuable insights into their stores and allowing them to maximize the impact of the stock they do have.



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How supply chain disruptions affect businesses



Last year, as lockdowns lifted and Americans emerged from widespread pandemic isolation, spending in the US surged. With unemployment now below 5%, overall spending in the US economy has nearly returned to pre-pandemic levels, and food purchases have risen even further. Despite signs of recovery, the pandemic left a supply chain crisis in its wake.

The inventory drops beginning in the early days of COVID-19's spread have had a widely reported cascading effect on industrial supply chains. According to a [Consumer Brands Association report](#)

released in November, CPG demand in Q3 of 2021 grew by more than 8%. This was a level not seen since the pandemic-panic shopping of March 2020 and will undoubtedly put pressure on the supply chain for several more months.

[Economic forecasters debate](#) how long they expect supply chain problems might affect retailers and CPGs, but most say it will get worse before it gets better. In addition, the discovery of Omicron, a new COVID-19 variant, might exacerbate supply chain problems. In an address to the Senate Banking Committee in November, US Federal Reserve Chairman Jerome Powell said [concerns about the virus](#) could slow progress in the labor market recovery and intensify supply chain disruptions. Combatting supply chain problems, therefore, will require both short-term solutions and long-term planning on the part of retailers, as a [recent McKinsey & Company report](#) noted.

The pandemic exposed the fragility and interconnectedness of businesses' relationship with the supply chain, magnifying problems less visible but bubbling under the surface for several years.

Factors contributing to supply chain disruption are numerous. There's currently a too-large gap between when product is loaded onto vessels and when, or if, it's unloaded onshore. US ports are clogged with ships waiting to unload cargo because there aren't enough workers to unload them. Container shipping delays have resulted in inconsistent product delivery. In November, the World Economic Forum warned that [clogged container capacity](#) could stretch into Q4 of 2022.



The current labor shortage isn't only affecting the shipping and warehouse industries. In August 2021, a record 4.3 million Americans quit their jobs. The pandemic created a skills mismatch between the positions employers need to fill and the workers available to fill them. As COVID-19 surges continue, many workers aren't willing to accept service work that requires them to be around other people for hours a day. They're demanding higher pay and greater flexibility to take time off when sick or to care for others affected by the virus. As a result, employers have been forced to raise wages, and fast-food chains are engaging in bidding wars for workers to staff their stores.

Analyzing US Bureau of Labor Statistics data, the Consumer Brands Association noted that the [CPG industry added only 6,400 jobs](#), far short of the nearly 140,000 jobs still open. [Open positions in trucking](#) reached a historic high of 80,000 in 2021,

and if trends continue, that number could swell to 160,000 by 2030, according to the American Trucking Associations.

But despite increased study of the problem and signs that government, unions and businesses are willing to work together to come up with solutions to make the supply chain as seamless as it once appeared, it's clear that retailers and CPGs need to take matters into their own hands. [According to the World Economic Forum](#), waiting and hoping for the supply chain to right itself is a narrow, shortsighted approach.



Businesses should be better prepared for what could be a much more volatile supply chain in the coming years, which will require increases in connectivity, communication and utilization of smart AI strategies to address.

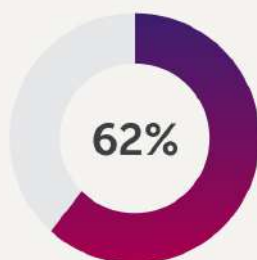


How supply chain problems affect consumer spending

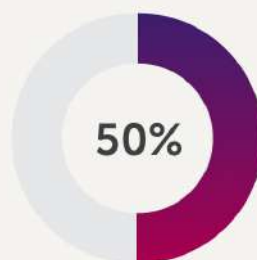


The Shelby Report noted in November that concern among Americans about [product shortages in grocery stores](#) is increasing. An October poll by Consumer Brands/Ipsos found that out of 1,021 US consumers, 62% said they worried that supply chain problems could affect

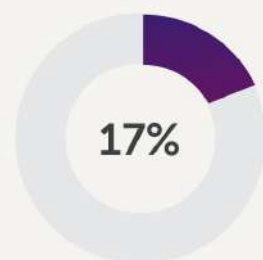
availability of the products they want. Half of the respondents said they had already experienced grocery product shortages in the past few months, and 17% expected product shortages in the near future.



of respondents said they worried that supply chain problems could affect availability of the products they want



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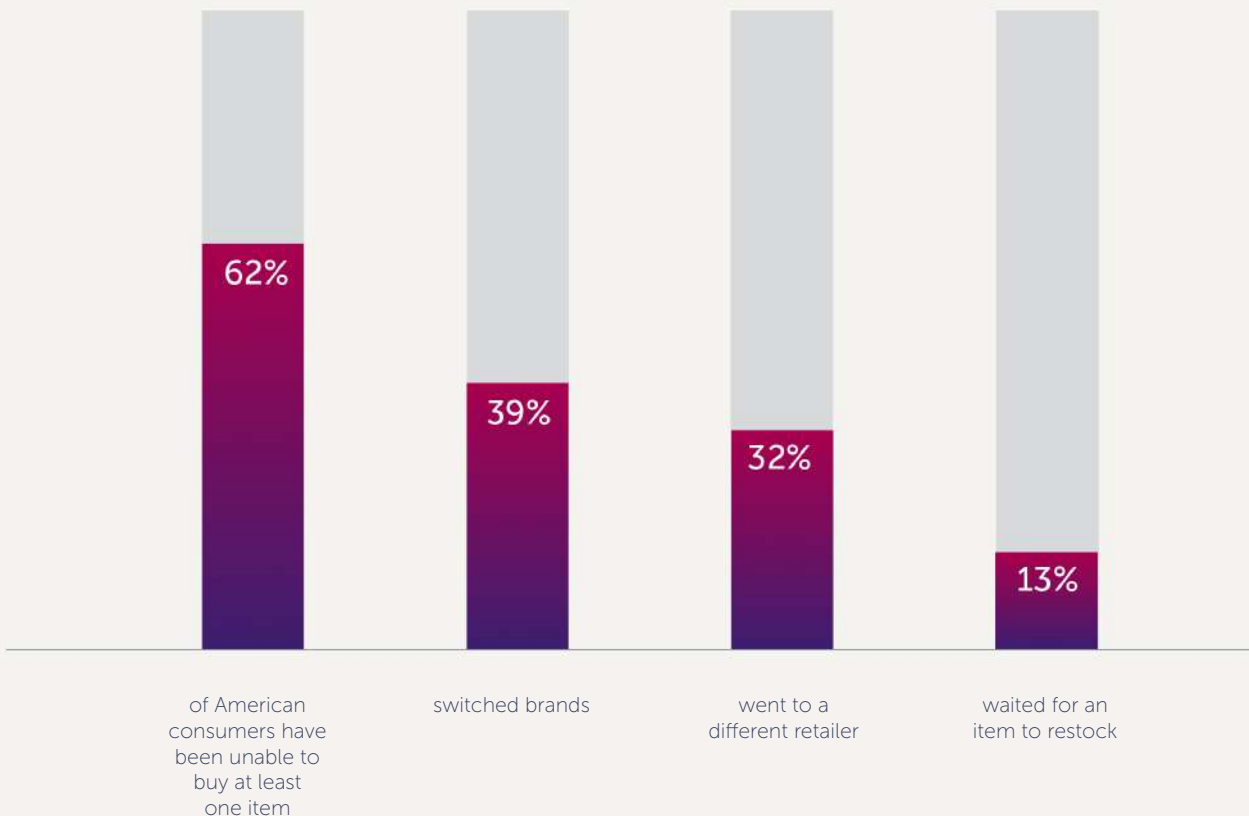


expected product shortages in the near future

These fears about shortages could make consumers more fickle when it comes to brand loyalty. A [McKinsey & Company survey](#) found that Americans appeared willing to abandon brands or even stores if the items they want are out of stock (OOS). Sixty-two percent of respondents said they had been unable to buy at least one item due to availability in the previous three months. Of those denied a wanted item, 39% said they switched brands, and 32% went to a different retailer for the item. Consumers appear less likely to wait for OOS items to be replenished as well. The authors wrote: "Only 13% said they had waited for an item restock."

The pandemic also appears to have increased consumers' omnichannel behavior, with 60 to 70% of shoppers from the same survey reporting spending this way during the 2021 holiday season. Consumers' increasing expectations that companies' stock numbers should be accurately updated across channels – app, website and in store – calls for sharp communication and a supply of good workers to meet those demands.

McKinsey & Company insights into 2021 holiday shopping



Key priorities for businesses to meet supply chain challenges



In its [2021 Supply Chain Technology study](#), Retail Info Systems (RIS) asked retailers and CPGs to identify their top inventory management challenges, which were: too many out of stocks for fast-moving products (72%) and too many out of stocks in stores (60%).

Another major challenge, chosen by 58% of respondents, is a lack of real-time data when restocking their stores. Theft, damage and in-store accounting inaccuracies exacerbate these challenges for retailers. Checkout errors can affect inventory if a clerk, for example, scans a few different varieties of a brand's product of the same price to save time. Labeling errors, returns or damaged items not processed quickly enough and stolen items not detected

lead to discrepancies in the stock actually available. In turn, this delays replenishment and increases the chances consumers won't be able to purchase items they're looking for.

To overcome stock discrepancies and current supply chain problems, 46% of survey respondents said labor and skill shortages were a key obstacle to be addressed. Therefore, it's tantamount that businesses intelligently manage labor problems to remain competitive.

How Trax Dynamic Merchandising helps businesses overcome supply chain challenges

Trax Dynamic Merchandising helps retailers and brands maximize ROI with supply chain solutions that help them optimize operations to reduce OOS and false OOS items.

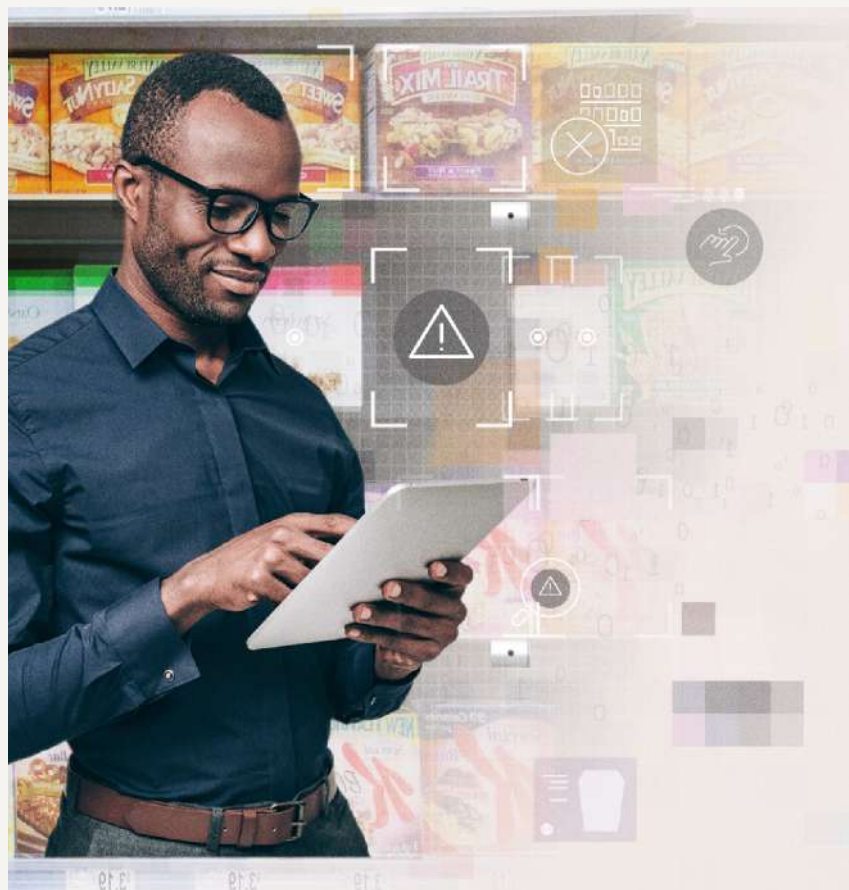
Current merchandising systems are antiquated, unreliable and time-consuming. Inventory management software and technologies retailers use can't keep up with stock changes due to theft, and store employees are usually too busy to monitor inventory constantly and devote time to restocking shelves. It's also unrealistic for CPGs to send reps into every store to check on displays and item availability.

Therefore, it's enormously challenging to monitor retailer compliance in terms of product placement, display and promotion guidelines. Companies need detailed insights into their stores so they can understand what's really happening on their shelves and thrive in a competitive marketplace. Trax Dynamic Merchandising provides a solution to these challenges and helps retailers and CPGs in four key areas.

Create real-time inventory visibility at scale

The stock a company has is as important as the stock it doesn't have. Optimizing in-stock merchandise is key, particularly amid supply chain difficulties plaguing businesses worldwide. Armed with the shelf data Trax Dynamic Merchandising provides, businesses can immediately execute strategies to replenish holes in available

stock, address noncompliance with promotions guidelines and gain insights to stay ahead of changes in the market. Maintaining a tighter grasp on what is on their shelves can help companies pick up new customers who jumped ship from other brands and stores. As McKinsey & Company pointed out: "Retailers that want to take full advantage of the opportunities provided by the decline in brand and retailer loyalty will need to [meet consumers' demands](#) despite their supply and labor challenges."



Empower businesses to manage labor issues intelligently and efficiently

The current standard model of merchandising management is particularly ill-equipped to meet the challenges created by supply chain problems. Traditional agencies and brokerage firms often are unable to scale quickly enough to address fluctuations in consumer demand that might result from new product launches, a shift in a company's promotional initiatives or a reported product shortage that could trigger panic buying. In addition, smaller, more remote or rural locations are often overlooked or experience significant delays. Having OOS items replenished or merchandising needs met is often difficult, with the distance making it harder for traditional reps to visit as quickly as needed.

Trax Dynamic Merchandising Flexforce helps companies meet the challenge of the current labor crisis. **Trax Flexforce provides flexible, local merchandising workers** who can be dispatched to a location in a matter of hours to focus on clients' specific, current needs. Flexforce team members cover 94% of metropolitan statistical areas, making 100,000 visits to stores each month. Flexforce 1099 contract workers all over the US can quickly visit stores even in rural, low-density areas where it doesn't make sense to employ more staff.

Dynamic Merchandising assigns priority merchandising tasks to members who cover more retail stores in the US faster than on-the-clock, fixed merchandising reps or in-store employees busy serving customers. Workers on fixed timeschedules, whether in-store employees or agency reps, can't respond to merchandising needs as quickly as Flexforce workers. Flexforce workers respond to requests within days or even hours, compared with traditional merchandising management systems that take weeks to fulfill tasks.

Trax Dynamic Merchandising clients benefit from **Flexforce focus** as well as increased availability. During store visits, Flexforce reps work for your brand only and won't have their attention diverted helping customers or covering for a coworker's break. They're unaffected by busy holiday periods and receive clear instructions to stay on task. Flexforce's focus on specific assigned tasks during timed visits frees brand staff to strengthen communication and relationships with store managers. It also helps store employees engage with customers to offer the personal interaction they expect once they're free of merchandise management duties. Another benefit of Dynamic Merchandising

-  Trax Flexforce provides flexible, local merchandising workers to a location within hours.
-  Flexforce 1099 workers can quickly reach stores even in rural, low-density areas.
-  Flexforce responds quickly to requests, within days or even hours.
-  Flexforce team members cover 94% of statistical areas, with 100,000 visits to stores each month.
-  Dynamic Merchandising assigns priority merchandising tasks to members that cover more retail stores and locations.
-  Flexforce workers focus on and work with your brand only; they are unaffected by busy holiday periods.

is its **task allocation system**. It takes the skills, experience and workload of Flexforce workers into account to assign the best one for each job, rather than assigning tasks to any employee or rep who happens to be available.

Trax Dynamic Merchandising offers **total transparency and quality control** with AI Image Recognition technology that provides a window of visibility for every phase of execution. Each Flexforce visit is documented with photos, time stamps, reverse image lookups to ensure the correct products are where they're supposed to be, and performance reviews of Flexforce workers.

Trax's machine-learning, human-driven Quality Assurance Program proprietary algorithm scores reps on a comprehensive list of attributes including reliability, quality and speed. This means the best workers are rewarded with more work, and your business won't suffer from slow or unsatisfactory work.

A key element of Flexforce is that members are paid by the task, not the hour, so they are motivated to complete projects quickly and satisfactorily. Hourly employees, by contrast, have little incentive for expediency. Because clients receive before and after photos of store shelves after a Flexforce visit, clients are assured the job was done and done right. Trax clients are billed only for successful visits, so quality assurance is guaranteed.

The flexibility of Trax Flexforce enables retailers and CPGs to scale up or down when merchandising needs taper off. Clients are **free of long-term commitments** and the need to divert resources to evaluating staffing needs. Essentially, you're only hiring when there's

work to be done, and Trax Dynamic Merchandising handles it for you.



Use customer data to inform decisions

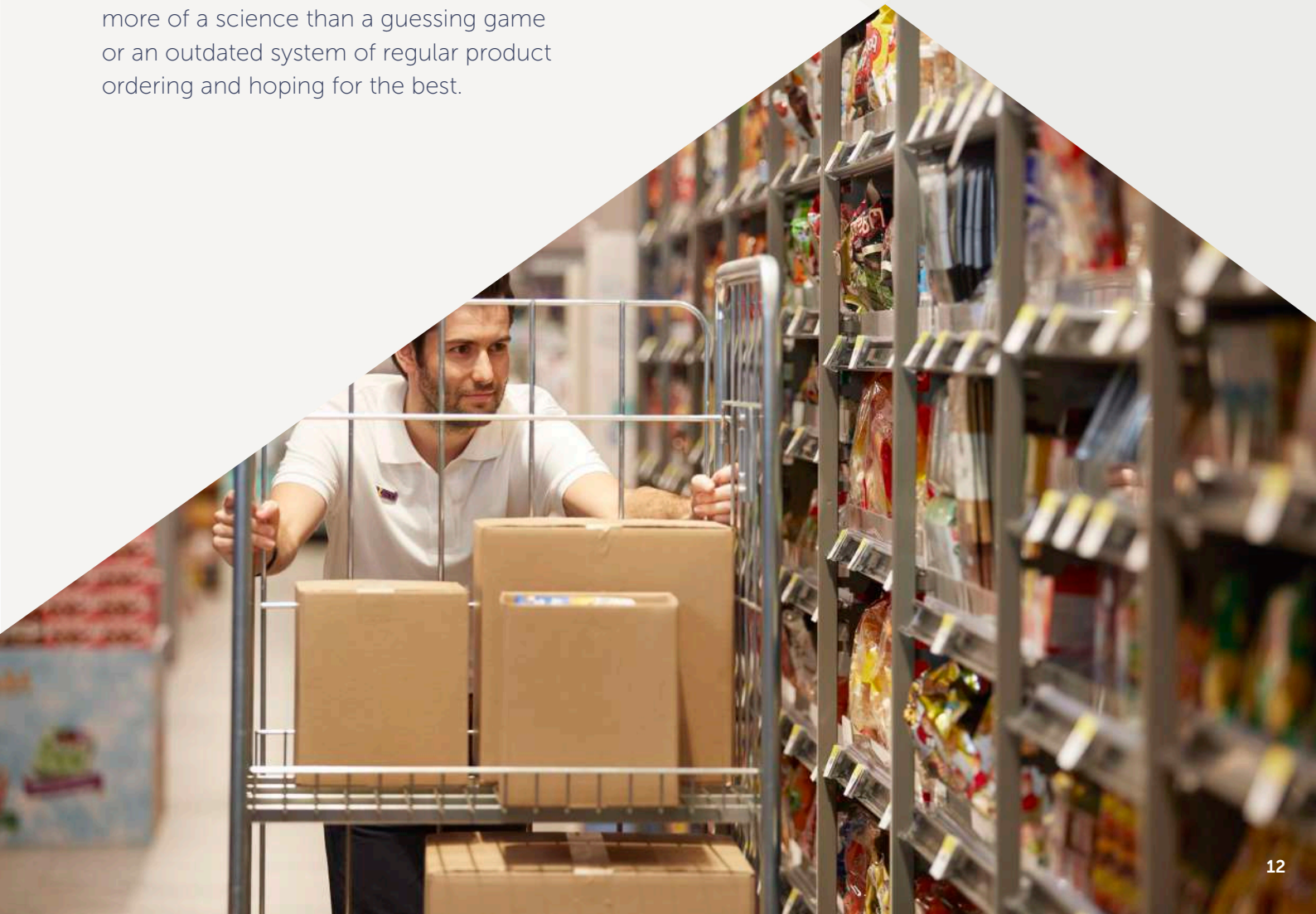
Trax Dynamic Merchandising provides clients with digital images documenting store shelves before and after Trax Flexforce workers complete tasks. Trax's proprietary AI extracts data from the images that helps determine the next most important tasks to be performed, such as steps to increase shelf compliance at a location. After analyzing the data, the system provides immediate suggestions for further action.

These real-time insights can inform data-based merchandising decisions and prioritization, such as improving in-store execution, alerting restocking needs and evaluating display or promotions performance. In addition, these reports blend shelf availability insights with sales trends to better predict consumer demand. This helps companies make inventory more of a science than a guessing game or an outdated system of regular product ordering and hoping for the best.

Maximize ROI

It's a no-brainer that only paying for the tasks you need done saves money. Shortly after needs are identified, Flexforce workers can arrive at the store armed with the latest dynamic data about what needs to be done, whether it's replacing missing merchandise, executing a new planogram or setting up a promotional display.

Dynamic Merchandising makes it possible for retailers and CPGs to assign workers to their highest priority locations as soon as they're needed, independent of a particular store's team or schedule. Trax Dynamic Merchandising allows clients to trim the fat of unnecessary agency visits from their budgets, saving time while maximizing profits.



Case studies

Actions

Results

TARGET CORPORATION STORES

The goal: To drive impulse purchase at high-traffic locations via secondary fixtures next to permanent

The solution: Install placements at checkout locations to drive purchases of meal and snack/drink deals

The results:



PHASE 1 – 1,600 placements
PHASE 2 – 3,200 placements
TOTAL – 5,000 placements



ROI
17% sales growth in Target via ongoing equipment placement



Awarded supplier of the year

KOMBUCHA

The goal: To increase product in stores after learning that its products were missing from about one-fifth of stores

The solution: Get real-time insights with cutting-edge technology to increase overall retail presence

The results:



Leveraging the AI-driven merchandising platform and **real-time images**, the team was able to **quickly identify gaps** in compliance and fix the most urgent inventory issues first.



Data collected using Trax also highlighted that 15 to 20% of the stores were breaking up the four-pack, validating that there would be strong consumer demand for a single pack type. This led to a **stronger product line-up**, with the launch of a **single can SKU**.



Now found in **2,500 stores**, the brand was able to drive a **25 percent increase** in its retail presence with up to **600 new product placements**.

Conclusion

With supply chain disruption likely to create obstacles and headaches for businesses well into the next year, there's no better time to harness the technological innovations of an industry leader to manage merchandising needs. Trax Dynamic Merchandising provides intelligent and strategic solutions to address key issues created by supply chain disruption. Optimizing the stock you have to maximize profits using out-of-the-box staffing solutions that ease reliance on a dwindling available labor force and capitalizing on the power of AI to analyze shelf and sales data allows businesses to adapt quickly to the changing retail landscape.

To learn more about how Trax can be your always-on partner, book a meeting with our sales team at www.traxretail.com/contact/.



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