



Best Practices for Managing Seasonal Items

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Introduction

Efficiency in the managing of seasonal product requires an integrated approach to bring uniformity to how seasonal items are identified so that all contributors in the supply chain reap the benefits. This document introduces best practices for suppliers and distributors in managing seasonal items. Vermont Information Processing, Inc. (VIP), in cooperation with a group of participating beer suppliers and distributors, has documented these best practices.

Challenges Presented by Seasonal Items

Seasonal items are obvious drivers of portfolio growth in the beverage industry, and the complexity of tracking inventory and sales of seasonal products is an issue for both supplier and distributors. For distributors, the costs associated with storage in the warehouse, increased labor to manage multiple seasonal item codes, and operating costs associated to inventory turnover can impinge on profit. Adding to the complexity is the transition from one seasonal product to another (for example, a fall seasonal to a winter seasonal) in ensuring the past season's product is sold and moving at retailers before its code date while starting to carry inventory and sell the new season's product.

For suppliers, inaccurate sales figures for a seasonal product can result in inaccurate production planning. The potential problems are to either over produce resulting in unnecessary costs for all in the supply chain or to under produce resulting in loss of sales for both the supplier and distributor. In addition, poor visibility to inventory of a seasonal product at distributors can result in distributors ending up with out-of-date product as the supplier cannot help shift the product in the market.

Issues Associated with Identification of Seasonal Items

A major factor in the inefficiencies is the lack of uniformity in identifying a particular seasonal product between supplier and distributor.

Usually, suppliers use one Uniform Product Code (UPC) for each seasonal product associated with a package and then a separate Stock Keeping Unit (SKU) for each seasonal. Since retailers often use UPC to assign shelf space, it is sometimes advantageous to use the same UPC so that shelf space is maintained by the supplier

and distributor as seasons change. However, as consumers increasingly use on-line searches to locate retailers with specific packages, unique seasonal codes are required. To help sell beer, a separate SKU should be used to track production, inventory, and sales for each seasonal item.

In practice, distributors vary in how they identify seasonal items. The best practice is to mimic the supplier’s SKUs by setting up a unique distributor item code for each seasonal arrangement as shown here:

Description	UPC	Supplier SKU	Distributor Item Code
Fall Seasonal B 12/22	87692302001	SA1321	32520
Winter Seasonal B 12/22	87692302001	SA1421	32522
Summer Seasonal B 12/22	87692302001	SA3521	32526

An alternative and less desirable practice is for the distributor to assign a single item code for the package type corresponding to the supplier UPC and use this same item code for each seasonal release.

Description	UPC Code	Supplier SKU	Distributor Item Code
Fall Seasonal B 12/22	87692302001	SA1321	32520
Winter Seasonal B 12/22	87692302001	SA1421	32520
Summer Seasonal B 12/22	87692302001	SA3521	32520

This scenario presents problems for the entire supply chain because it does not provide visibility to inventory and sales of a particular seasonal item. This is especially a problem during the time period when transitioning from one seasonal to another.

The following chart shows inventory of a Summer and Fall seasonal tracked separately and when reported as one item. Both the supplier and distributor have visibility to what is on hand during the transition period.

Inventory					Transition Period		
	Distributor Item Code	May	June	July	Aug	Sept	Oct
Summer Seasonal	32526	112	168	135	56	10	2
Fall Seasonal	32520	0	0	112	168	224	180

This next chart shows inventory of a Summer and Fall seasonal tracked using a single seasonal item code for multiple supplier SKUs. Neither the supplier nor the distributor has visibility to what constitutes the inventory during the transition months.

Inventory					Transition Period		
	Distributor Item Code	May	June	July	Aug	Sept	Oct
Seasonal Item	32520	112	168	267	224	234	182

Without visibility to the separate items, the distributor and supplier cannot see that there is too much Summer inventory and do not have the information needed to help by redistributing the product to faster-moving markets. Both the distributor and supplier will have difficulty forecasting sales for the transition months, because they will be unsure of which product was moving at that time.

Best Practices for Managing Seasonal Items

Efficiency in the handling of seasonal product requires a coordinated approach that brings uniformity to how seasonal products are identified so that all in the supply chain reap the benefits.

For suppliers, the best practices are to:

- ▶ Assign one UPC to each seasonal package type and a unique SKU to each seasonal variation of the package. Since retailers often use UPC to assign shelf space, it is advantageous to use the same UPC so that shelf space is maintained by the supplier and distributor as seasons change.
- ▶ Inform the distributor of the UPC and SKU for each seasonal package in advance of the product introduction. There should be enough time to allow the distributor to set up the item before receiving their first shipment of the seasonal.

For distributors, the best practices are to:

- ▶ Treat each seasonal product separately by assigning a unique distributor item code that cross references the unique supplier SKU and uses the UPC for the package.
- ▶ Set up the distributor item code before entering a purchase order on your system for the seasonal item. Track all purchases, inventory, and sales using this item code.
- ▶ Report inventory and sales to the supplier using the distributor item code.

Distributor Routing Account Systems Support Best Practices

The supply chain is positioned for success, because RAS distributor systems offer the following capabilities to support distributors in the best practices for managing seasonal items.

- ▶ For new item set up, systems allow multiple items to use the same supplier UPC code.
- ▶ For new item set up, systems allow the setting of flags in the product file to prevent sales reps and others from ordering an out of season product.
- ▶ For internal sales reporting, systems allow grouping of seasonal packages by UPC, brand, or other coding to allow reporting of like seasonals.

- ▶ For inventory receiving, sales and merchandising, systems display all items that align to a scanned UPC code with the user able to select the item they want to select.
- ▶ For route books, using unique distributor item codes keeps route books up-to-date with the proper seasonal items currently available with the understanding that in transitional months there may be more than one seasonal available to sell (such as transitioning from Fall to Winter seasonal).
- ▶ For sales, systems handle substitution of items so as to avoid orders for out of season or out of stock items from being placed. Auto-substitution can be configured to order a Fall Seasonal when a Winter Seasonal is ordered and the Fall seasonal is still in stock or substituting the Winter Seasonal when a Fall Seasonal is out of stock.
- ▶ To support sales, systems allow the setting up of rules for allocating special packages to specific accounts as an exception to substitution. For example, systems can allow key accounts to order next season's item while regular accounts can only order this season's item.