

Making Progress on Delays in Payment resulting from Drop and Drive

The GCA identified problems with drop and drive deliveries as one of her Top 5 issues because they can cause a delay in payments to suppliers for goods received.

Many suppliers raised this issue with Christine following her appointment and the GCA has since worked with retailers and suppliers to establish a clearer understanding of the problem.

A group of 20 suppliers (selling around £5bn of chilled goods a year) came together to research drop and drive discrepancies across different parts of the sector, working with consultancy Simply Supply Chain.

In November 2014, the GCA invited a representative from Simply Supply Chain to the Group Code Compliance Officer meeting to present the findings. Many retailers brought their own logistics and supply chain specialists to the meeting. As a result a strong message was delivered to a large number of key people working for retailers at the same time.

The group reported on three key findings:

- The overall claims/error rate for incorrect deliveries was much higher than the accuracy provided by retailers' own consolidators;
- There were significant variations in error rates between retailers;
- Retailers had large variations between their different distribution centres, with some having a rate over ten times greater between their best and worst performing depot.

The slide below was among those presented at the meeting. As well as the range of variability in performance it shows:

- Average claims rate (across all retailers) was 39 per 10,000;
- The supplier error rate was 3 per 10,000;
- The average claims rate for suppliers varied between 0 and 179 per 10,000 (20 and 179 per 10,000 for those that used drop and drive)

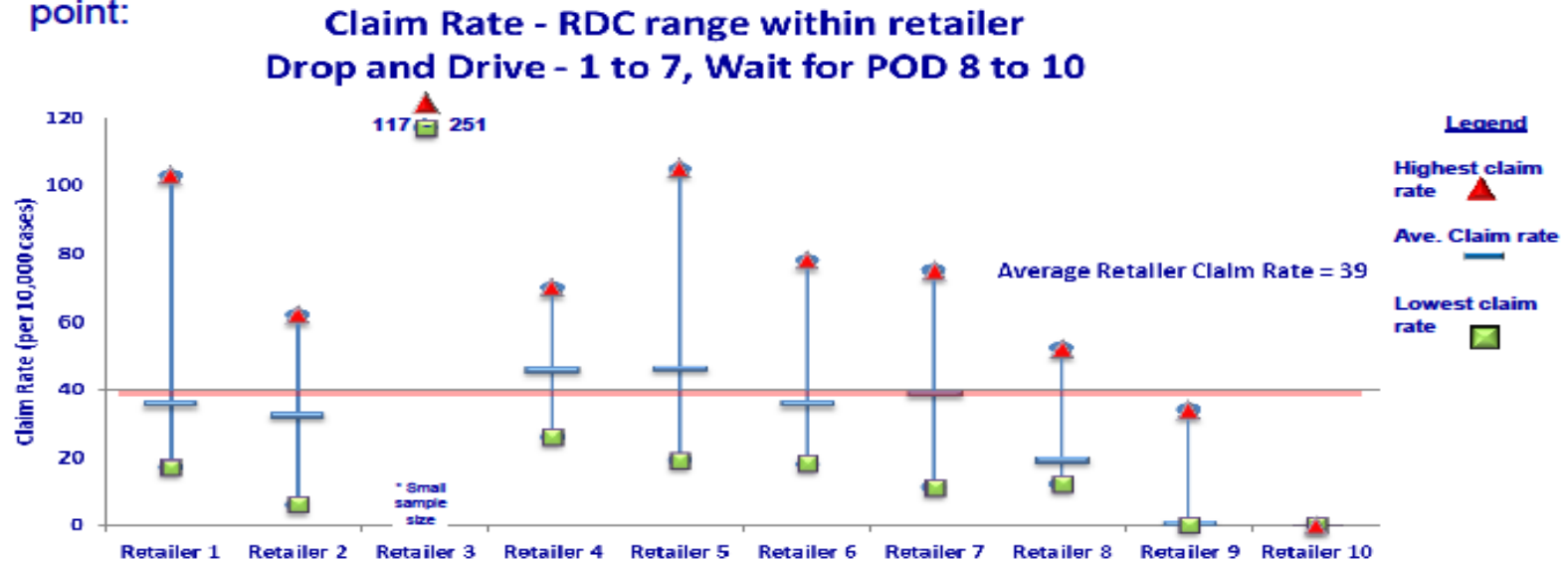


Drop and Drive Claims Workgroup

How does the issue manifest itself?

Retailers' claims range from 2-25 times supplier recorded pick accuracy

- Regional Distribution Centres, within the same retailer, claim at significantly different levels across the same suppliers, supplied by the same consolidation point:



The group concluded that a review of the systems used by retailers would be beneficial and would enable best practice to be shared amongst distribution centres and retailers alike.

At the same time the group was self critical, finding that issues such as very similar packaging, including packaging similar products in the same-sized brown cardboard boxes, were causing problems. Members proposed working with retailers to find more distinctive packaging methods to reduce errors.

The GCA is now stepping back from the drop and drive issue to allow for industry-led solutions to reduce the error rate. Progress in this area should lessen the financial impact on suppliers and improve the availability of products in store. The GCA is encouraged that with its support and encouragement some retailers have not only found the information useful but are already actively engaging with suppliers to find solutions.