



## ***Who is Park City Group?***



**Team of Experienced Brand Managers and Retailers who combine our talents and technological expertise to improve the profitability of our Customers.**

**Our solutions simplify the complex world of Inventory and Labor Management by identifying and creating timely and actionable efficiencies for Brands and Retailers.**

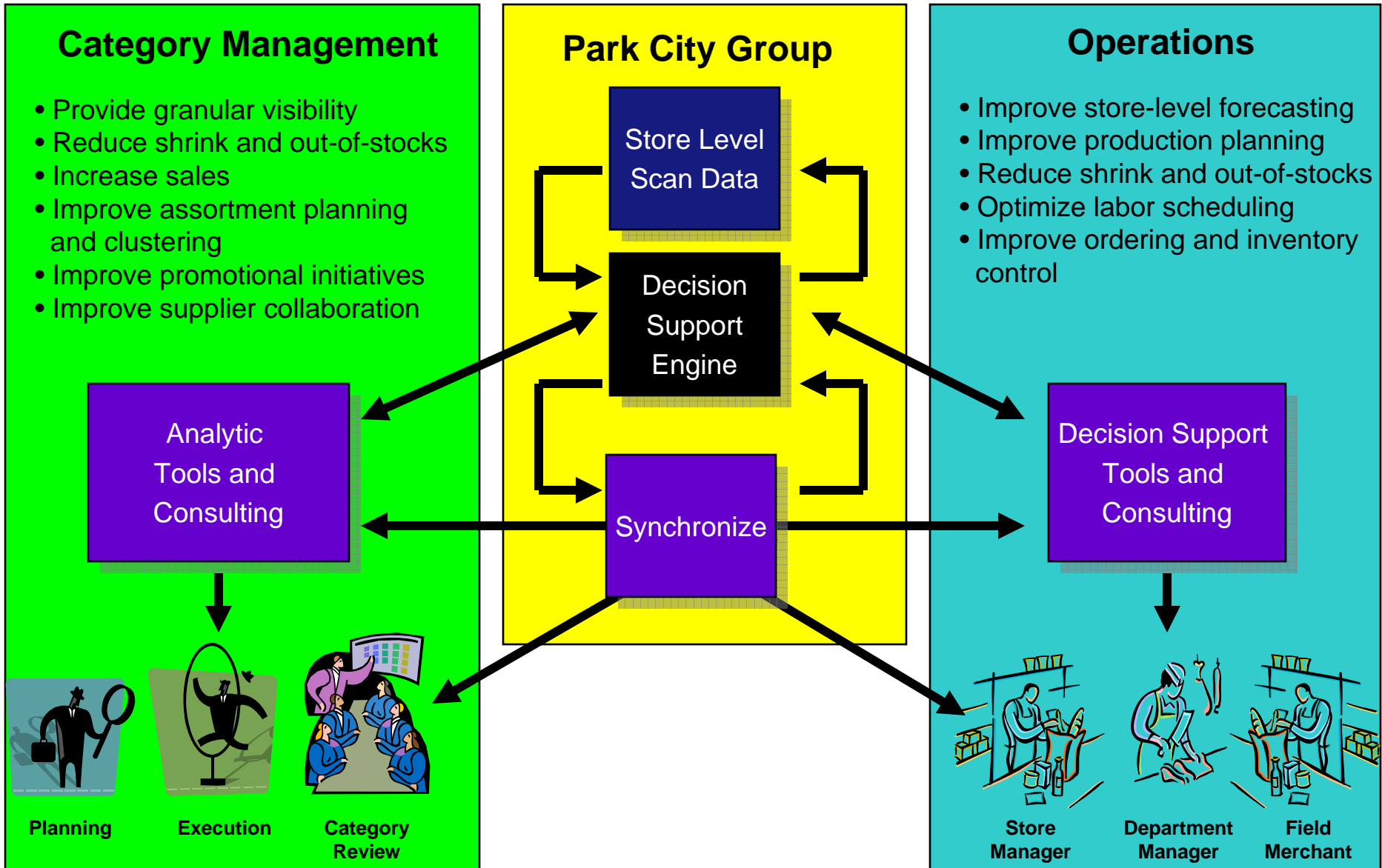
**Our patented tools and processes have been successfully utilized for over 20 years.**



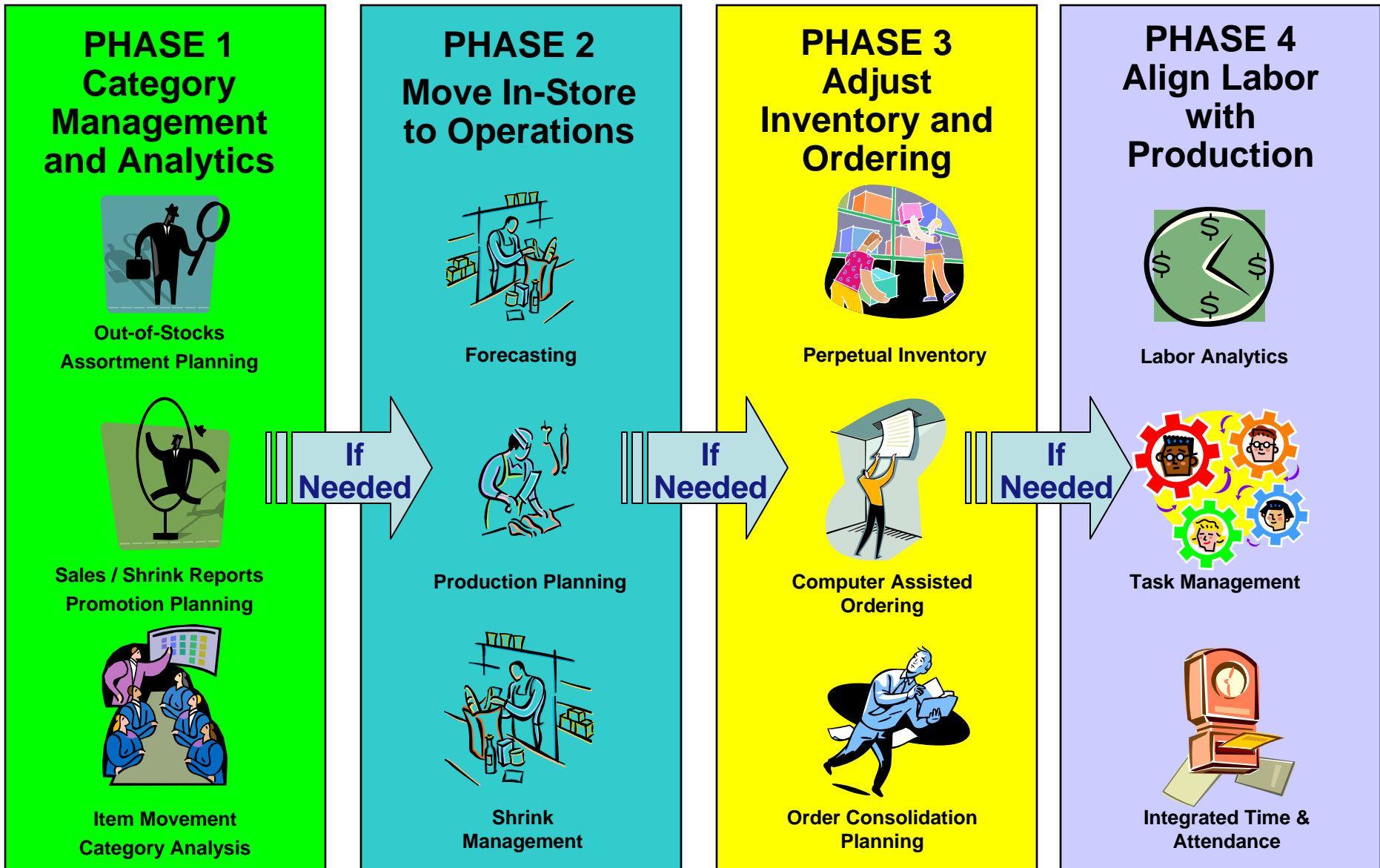
# We Are Known By Those We Serve



# How PCG Fits Your Business



# PCG Phased Approach



***Branded Produce Items***

***Regional Supermarket***



# *Random Weight Produce Items Opportunity Assessment*



## **Promotional Strategy**

- Promotional Discount Levels: Running continual deep discount promotions diluting customer value and producing diminishing returns
- Promotional Frequency / Length of Promotional Time Period: Consumer response dropped significantly in last week of 3 week promotions and stores continually experienced heavy shrink in 3<sup>rd</sup> week when not adapting to sales pattern

## **Operational Execution**

- Promotional Out-of-stocks: Promotional out-of-stocks ranging from .25 % to 21.91 %
- Excessive shrink: Location specific trends of continual item specific excess shrink

## **Assortment Plan Optimization**

- High category performance stores missing higher performance items
- Items with low and negative performance trends
- In process: Location specific - Increase distribution of high consumer response items and decrease poor performance items

# *Random Weight Produce Items Action Plan*



## **Promotional strategy adjusted**

- Decreased frequency of deep discount promotions
- Decreased length of time for promotions

## **Targeted Shrink Reduction**

- Adjusted location specific ordering on highest shrink cost items

## **Assortment Plan by Location**

- In process: Location specific - Increase distribution of high consumer response items and decrease poor performance items

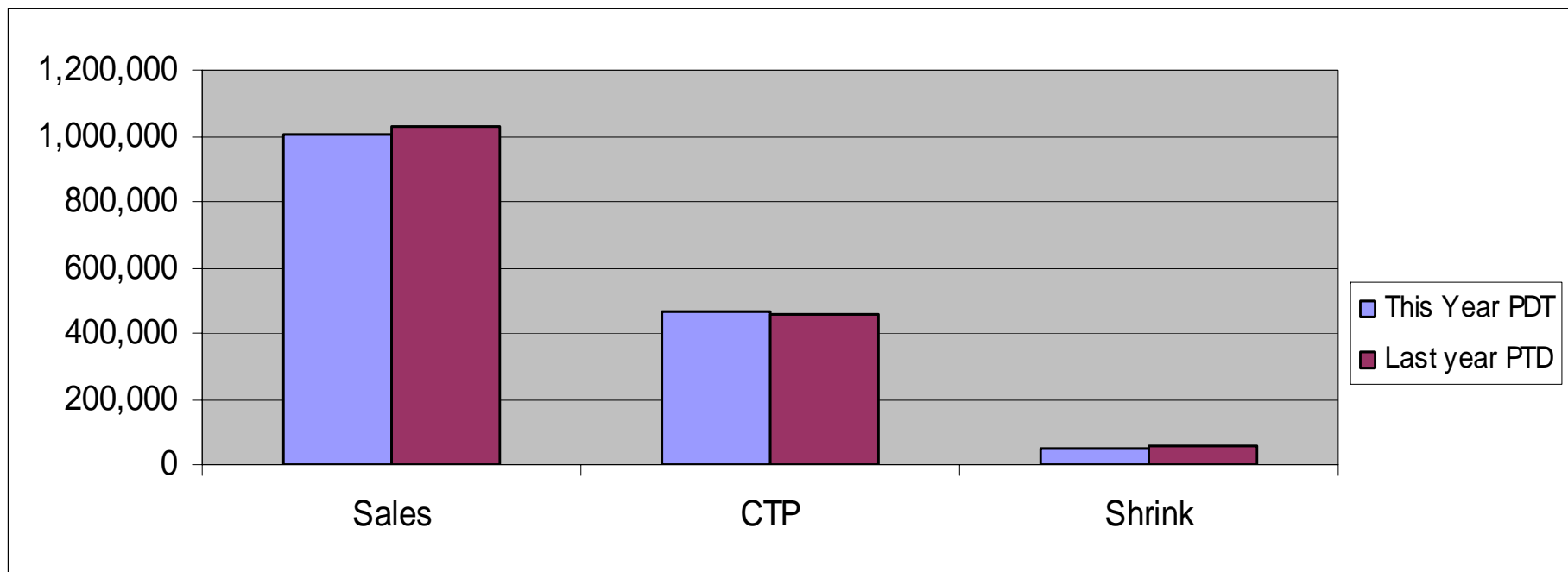


# Random Weight Produce Items Results Current Rolling 13 Weeks YOY



13 Week	Sales	CTP	CTP %	GM %	Shrink Qty	Shrink
This Year PDT	1,001,040	464,497	46.40%	50.90%	38,184	45,100
Last year PTD	1,024,778	454,107	44.31%	49.92%	45,433	57,461
YOY Change	-23,738	10,389	2.09%	0.99%	-7,249	-12,361
YOY % Change	-2.32%	2.29%	4.71%	1.97%	15.96%	-21.51%

- Increased Contribution 2.29 %
- Improved Gross Margin by 1%
- Targeted shrink reduction -16% in units -21.5% in cost
- Supplier promo funds reduced and profitability increased



# Promotional Strategy

## Year Over Year Performance Change



**Increased Promotional Activity at Lower Gross Margins  
Generating 8.73 % Increase in CTP Dollars**

Date	Sales	Units Sold	Ave. Price	On Sale	CTP	CTP %	Shrink Qty	Shrink	Shrink %	GM	GM %
TY PTD	2290132	734111	3.12	133	864070	37.73%	43555	82919	3.62%	946989	41.35%
LY PTD	1800022	555838	3.24	44	794666	44.15%	21277	41207	2.29%	835873	46.44%
Change	490110	178274	-0.12	89	69404	-6.42%	22278	41712	1.33%	111116	-5.09%
Change %	27.23%	32.07%	-3.67%	202.27%	8.73%	-14.54%	104.70%	101.22%	58.16%	13.29%	-10.95%

***Multiple Perishable  
Departments***

***Regional Supermarket***



**RETAIL SOLUTIONS**

# ***Regional Supermarket – 100+ Stores Opportunity Assessment and Action Plans***



## **Opportunity Assessment**

- SKU Rationalization
  - 44% of items only generating 2.29% of contribution while accounting for 8.1 % of shrink
- Assortment and Production Plan Execution
  - Random availability: Item selling frequency was proportionate to production frequency
    - Items selling less than 80% of time were produced less than 75% of time
    - Items with lower selling frequency had 2 ½ times the shrink rate of higher frequency selling items

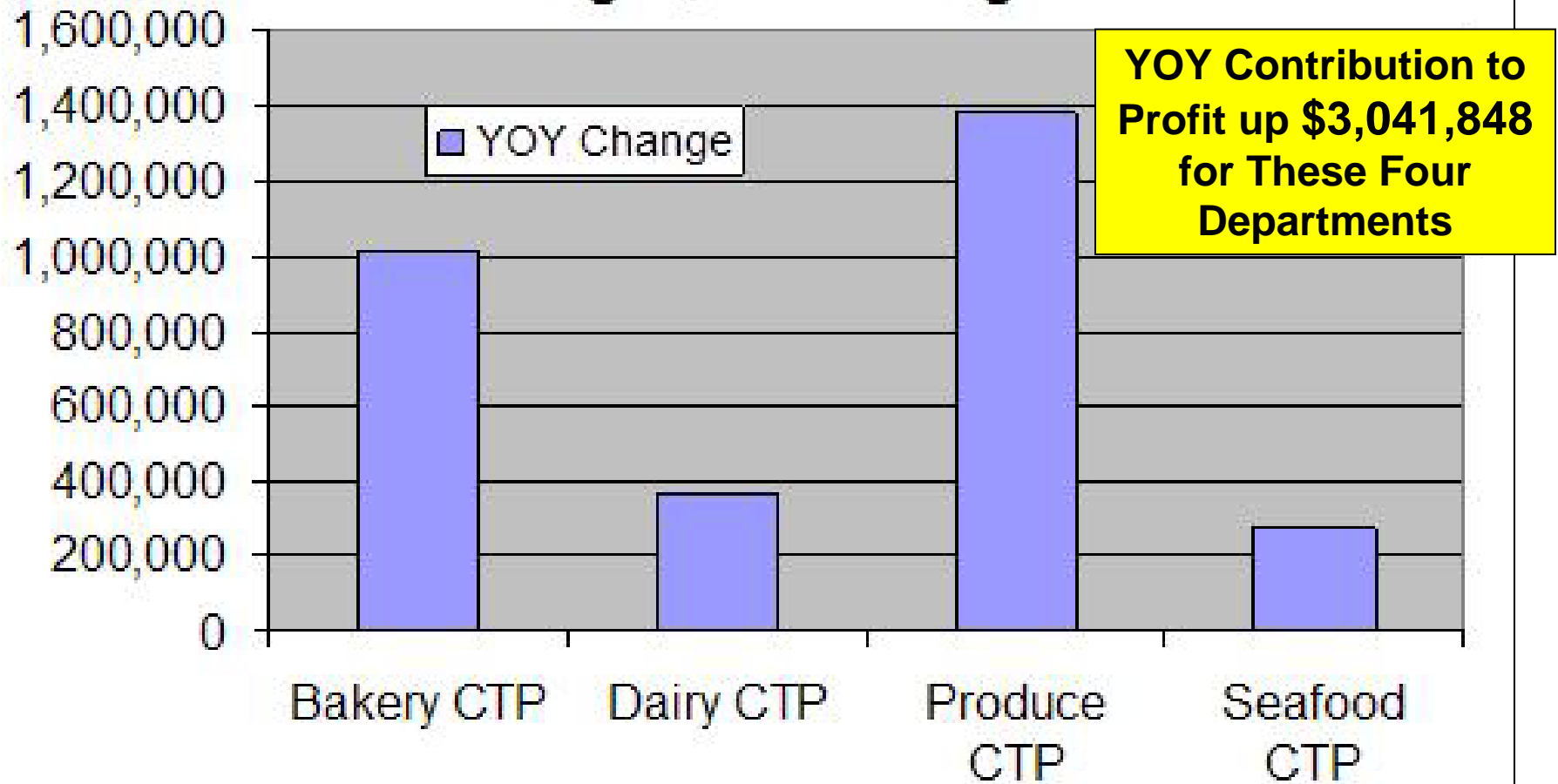
## **Action Plan**

- Train department managers in each store on use of ScoreTracker and Profit Optimization Methodology
- Targeted shrink reduction

# Regional Supermarket – 100+ Stores Results - Quarter Ending 10/1/06 YOY



## YOY Change Quarter Ending 10/1/06



***Assortment Planning  
and Labor Scheduling***

***International Supermarket***



# *International Supermarket Opportunity Assessment and Action Plan*



## **Opportunity Assessment**

- Production Quality
  - Stores not producing or maintaining shelf stock to quality standards
- Assortment Plan
  - Large percentage of Items have low or negative contributions
  - Stores unable to manage quality and availability of too many items
- Production Labor Staffing
  - Stores under-staffed to produce right products and quantity to drive sales

## **Action Plan**

- Reduced assortment plan mix
- Increased production staff by average of 3 personnel per store
- Re-trained stores on production quality standards
- Implemented Fresh Market Manager Production Planning and ScoreTracker KPI reporting

***International Supermarket  
Average Result Over 52 Week Period***



- Average sales of produced items up 20.04% since implementation of program.
- **Contribution to Profit up \$103K USD per month**
- **Sales up \$194k USD per month**
- Net cash flow after all costs, labor, software, consulting, personnel, hardware: \$22,059 USD per month
- **In year two sales increases continue at +10%.**



# PCG

***Labor and Task Management***  
***Regional C-Store Chain***



# ***Regional C-Store Opportunity Assessment***



## **Existing Schedules Not Achieving Customer Experience Objectives**

- ***15% and 18.7% in coverage gaps*** across the week
- Branding strategy adversely effected by prime day parts gaps
- Missing sales opportunities from peak opportunity periods

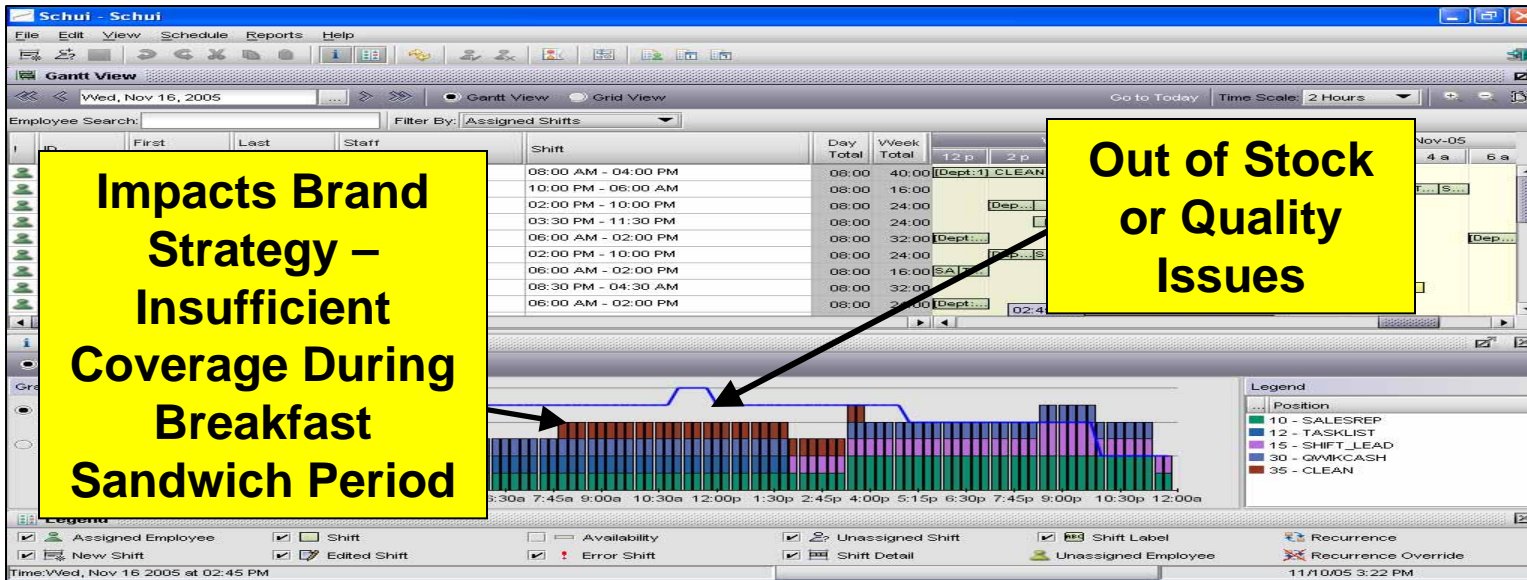
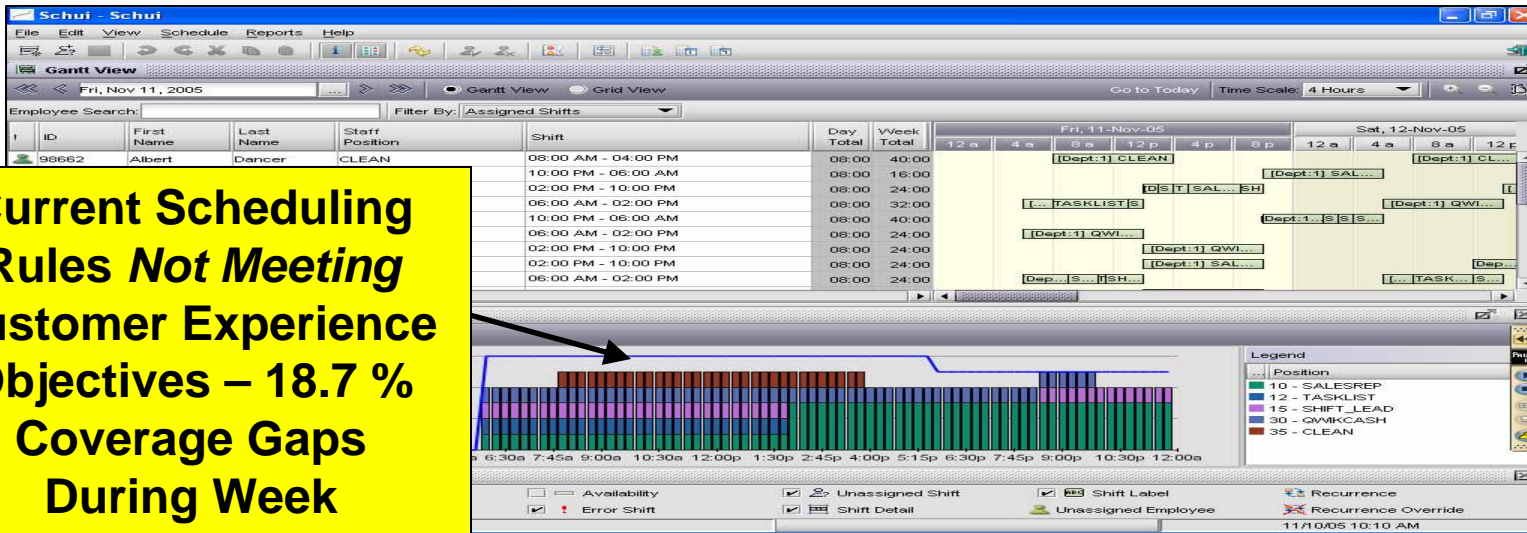
## **Missing Return on Labor Budget Investments**

- ***\$742.5k to \$1.172m*** annual savings
- ***\$370.2k to \$512.5k*** annual additional unauthorized overtime savings
- ***\$3,048 to \$4,602 DAILY OPPORTUNITY COST***

# Regional C-Store Opportunity Assessment



**Current Scheduling Rules Not Meeting Customer Experience Objectives – 18.7 % Coverage Gaps During Week**



**Impacts Brand Strategy – Insufficient Coverage During Breakfast Sandwich Period**

**Out of Stock or Quality Issues**

***Lost Opportunity Sales  
Bakery & Meat Departments***

***Regional Supermarket***



# ***Regional Supermarket – 40+ Stores Opportunity Focus Fix***



## **Opportunity:**

Improve product availability and by store mix to increase missed opportunity sales.

## **Solution:**

Start with highest volume stores to provide consistent availability of highest per day performance items and monitor sales impact performance. Adjust mix by store as required and continue trial cycle with medium per day performance items.. Continue process with medium and lower volume stores.

## **Opportunity Value:**

**Bakery/Bread Category - \$1.7m**

**Meat/Beef Category - \$10.4m**

## ***Regional Supermarket – 40+ Stores Bakery Observations***



**Food Bank shrink is climbing dramatically and the Thrift program needs to be reviewed for extended hours to reduce the more expensive throwaway shrink.**

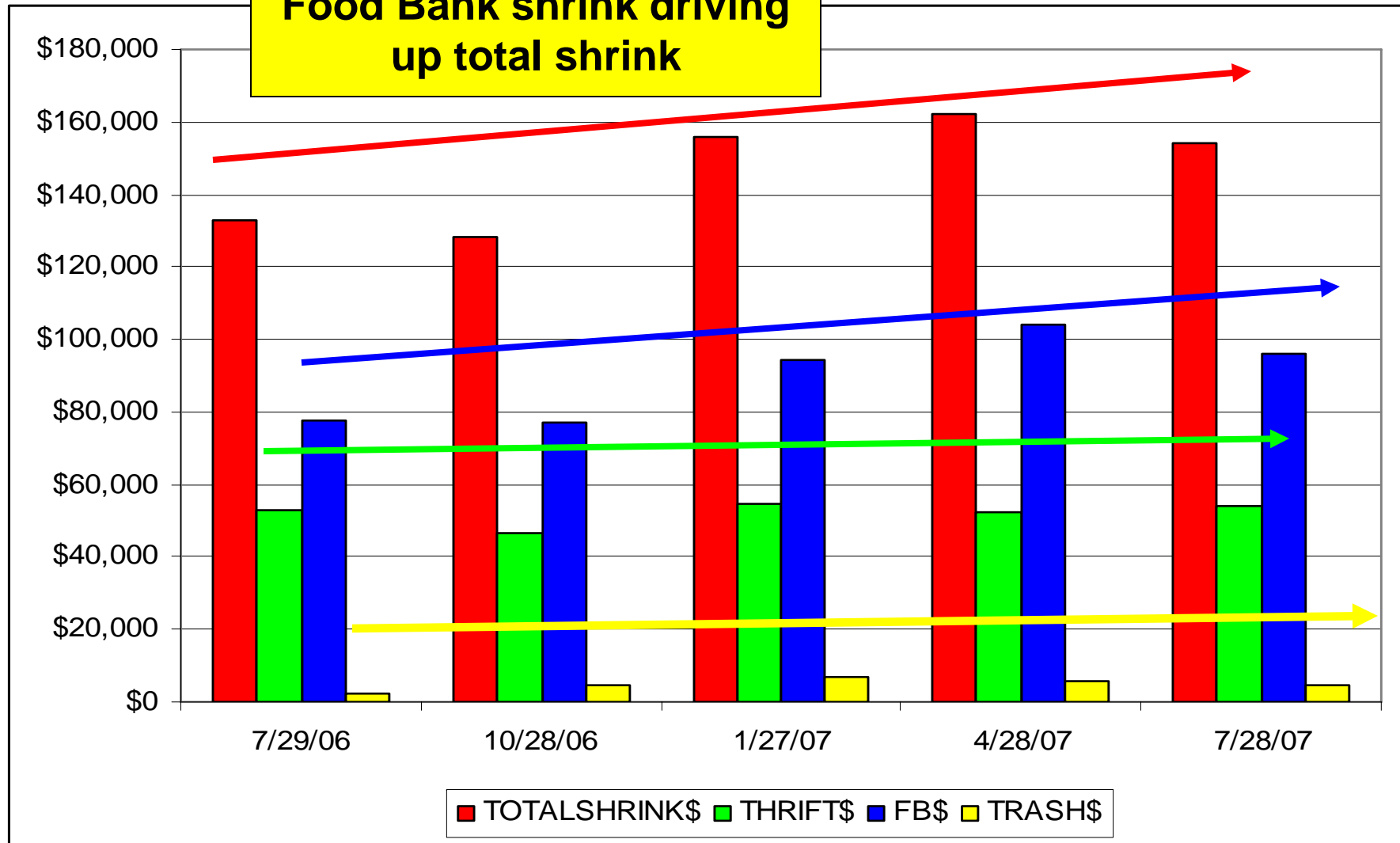
**Forecasting and ordering for promotions and day-of-week, along with variations in store performance, are the largest contributors to excess shrink.**

- Excess inventory load in early in week and at end of promotions is driving higher thrift shrink.
- Moving highest shrink performance stores to the corporate average shrink rate would add **\$90k to the bottom line.**
- Many items are not sold routinely every day in the 76 possible selling days analysis period.
- Based on consistent availability, the potential sales opportunity gap at the average per day / per store sales performance is **\$1.7m per year.**

# Regional Supermarket – 40+ Stores Bakery Dept. Shrink \$ by Type Trend



**Significant increase in Food Bank shrink driving up total shrink**



# Regional Supermarket – 40+ Stores Bakery Dept. Shrink Performance



Store #	Total Shrink Rate	Thrift Rate	Food Bank Rate	Trash Rate	Excess Shrink \$
479	24.47%	4.82%	19.65%	0.00%	\$3,629
470	21.49%	2.11%	19.38%	0.00%	\$10,032
489	15.05%	4.77%	10.28%	0.00%	\$1,742
436	12.59%	4.00%	8.31%	0.28%	\$1,203
487	12.13%	6.46%	5.67%	0.00%	\$1,352
498	11.45%	3.77%	4.68%	3.00%	\$1,047
490	11.38%	3.02%	8.32%	0.03%	\$688
491	11.30%	3.75%	7.55%	0.00%	\$631
499	10.93%	4.26%			\$516
415	10.87%	3.19%			\$231
476	10.72%	3.19%			\$395
482	10.60%	4.32%			\$250
485	10.55%	3.19%			\$231
434	10.50%	3.19%	6.46%	0.09%	\$344
437	9.88%	2.70%	6.99%	0.18%	\$187
Grand Total	<b>9.58%</b>	3.12%	6.22%	0.24%	<b>\$22,478</b>

**\$90k per year**  
**can be saved by moving**  
**worst shrink performance**  
**stores up to corporate**  
**average**

**Corporate avg.**  
**shrink rate**





# Regional Supermarket – 40+ Stores

## Missed Sales Opportunity Gap



Subcategory	Avg.# Days Sold	Avg. Sales Per Day	Avg. Daily # Stores	Avg. of Opportunity Sales Gap Days Per Store	Opportunity Sales Gap
<b>\$1.73m annual sales opportunity gap</b>	37	\$5.73	11	39	\$ 97,884
	30	\$4.92	21	46	\$ 134,678
	Breakfast Loaves	32	\$4.19	12	44
Dinner Rolls	58	\$5.90	18	18	\$ 8,736
European\Crusty Bread	42	\$5.20	16	34	\$ 24,449
French\Italian Bread	28	\$3.07	12	48	\$ 19,783
Sandwich and Traditional Loav	26	\$3.73	14	50	\$ 77,209
Sandwich Rolls	58	\$5.31	16	18	\$ 13,373
Self Serve Rolls	16	\$1.28	19	60	\$ 33,187
Sour Dough Bread	64	\$3.79	20	12	\$ 742
White House Rolls and Biscuit	39	\$7.89	11	37	\$ 15,072
Grand Total	33	\$4.58	15	43	\$ <b>433,651</b>

## ***Regional Supermarket – 40+ Stores Meat Department Observations***



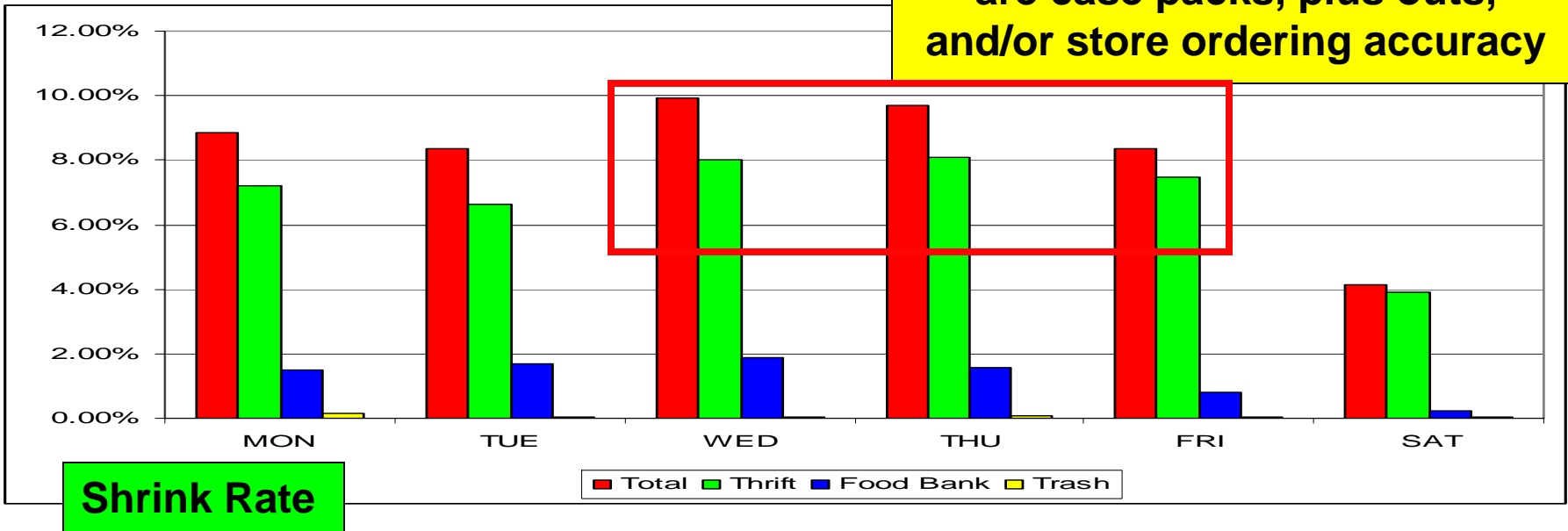
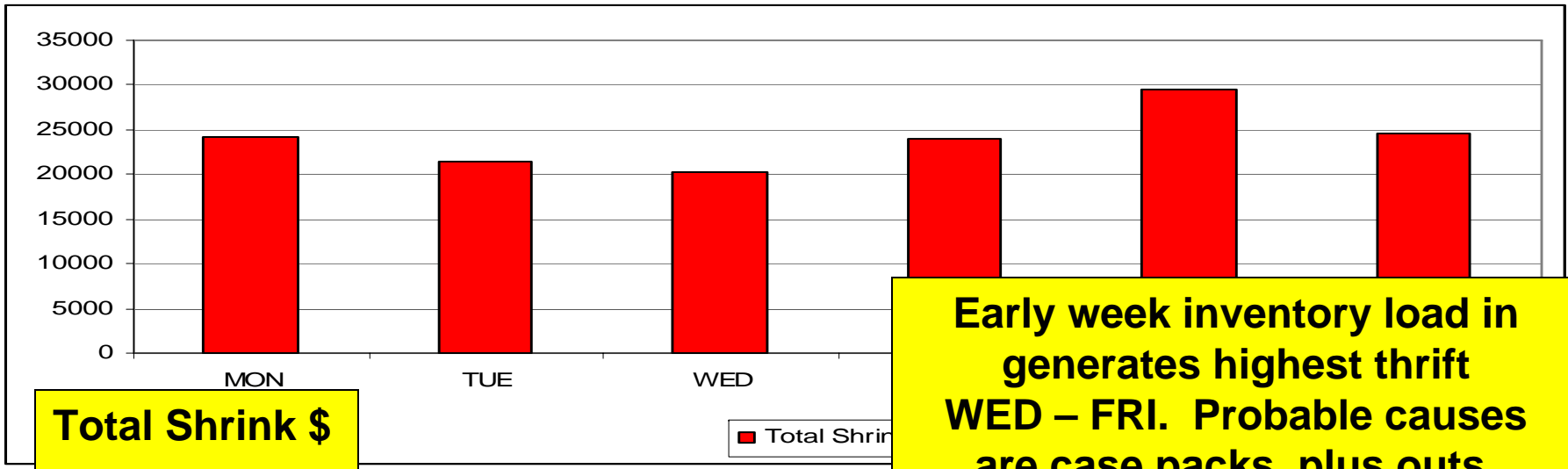
**Shrink is running the same as prior year with Food Bank replacing declines in Thrift shrink.**

**Forecasting and ordering for promotions and day-of-week, along with variations in store performance are the largest contributors to excess shrink.**

- Excess inventory load in early in week and at end of promotions is driving higher thrift shrink.
- Moving highest shrink performance stores to the corporate average shrink rate would add **\$167k to the bottom line.**
- Many items are not sold routinely every day in the 76 possible selling days analysis period.
- Based on consistent availability, the potential sales opportunity gap at the average per day / per store sales performance is **\$10.4m per year.**

# Regional Supermarket – 40+ Stores

## Meat Dept. Shrink by Day-of-Week



# Regional Supermarket – 40+ Stores

## Meat Dept. Shrink Performance



Store #	Total Shrink Rate	Thrift % of Shrink	Promo Thrift % of Shrink	FB % of Shrink	Trash % of Shrink	Excess Shrink \$ Above Corporate Ave. Shrink Rate
495	9.77%	7.34%	1.10%	0.78%	0.55%	\$13,742
415	9.48%	7.18%	0.72%	1.51%	0.07%	\$1,418
436	8.36%	7.10%	0.83%	0.42%	0.00%	\$10,463
489	8.32%	6.76%	0.96%	0.61%	0.00%	\$10,914
437	8.30%	6.43%	1.72%	0.15%	0.00%	\$22,466
496	8.19%	6.89%	0.78%	0.45%	0.07%	\$11,062
476	8.08%	3.52%	0.79%	3.76%	0.01%	\$8,389
434	8.03%	6.72%	0.72%	0.60%	0.00%	\$13,020
492	7.98%	6.11%	1.03%	0.81%	0.03%	\$10,658
490	7.92%	5.70%	1.30%	0.92%	0.00%	\$12,409
487	7.57%	5.00%	1.00%	1.57%	0.00%	\$12,820
479	7.48%	5.25%	0.40%	1.83%	0.00%	\$7,501
439	7.18%	6.03%	0.60%	0.55%	0.00%	\$13,376
485	6.90%	5.80%	0.80%	0.30%	0.00%	\$7,127
499	6.75%	5.90%	0.90%	0.00%	0.00%	\$9,796
438	6.72%	5.79%	0.79%	0.53%	0.16%	\$18,556
Grand Total	<b>6.36%</b>	4.80%	0.79%	0.73%	0.04%	<b>\$183,715</b>

**Corporate avg. shrink rate**

**\$735k per year**  
**can be saved by moving**  
**worst shrink performance**  
**stores up to corporate**  
**average**

# Regional Supermarket – 40+ Stores

## Meat Dept. Opportunity Gap



Subcategory	Average # Days Sold	Average Sales Per Day / Per Store	Average of Missed Opportunity Sales Days Per Store	Potential Missed Opportunity Sales
CHUCK ANGUS	2	12	74	\$5,499
GROUND ANGUS	43	26	33	\$260,290
LOIN ANGUS	37	29	39	\$261,309
LOIN SELECT BEEF	38	59	38	\$456,920
NATURAL- CHUCK	40	18	36	\$84,155
NATURAL GROUND BEEF	49	67	27	\$74,513
NATURAL LOIN	38	27	38	\$298,720
NATURAL RIBS	27	33	49	\$257,553
NATURAL ROUND	45	<b>Significant missed selling days</b>	31	\$305,218
NATURAL-MISC. CUTS	36		40	\$102,565
OTHER	21	12	55	\$212,397
RIBS ANGUS	43	43	33	\$61,663
RIBS SELECT BEEF	42	53	34	\$54,031
ROUND ANGUS	<b>\$10.39m annual sales opportunity gap</b>	9	74	\$8,432
SERVICE CASE ALL NATURA		24	71	\$56,111
SERVICE CASE ANGUS		36	39	\$97,869
Total		31	44	<b>\$2,597,245</b>

# Regional Supermarket – 40+ Stores

## Top 10 Missed Opportunity Sales Items



Sub-Category	Name	Average # Days Sold	Average Sales Per Day	Average of Missed Opportunity Sales Days	Missed Opportunity Sales	Ave # Stores
OTHER	BACON CHEDDAR SEASONED BURGE	19	\$12	57	20609	29
OTHER	CRCKD PEPPR&GRLIC SEASONED	30	\$11	46	14309	29
<b>Target opportunities for increasing availability and sales potential</b>			\$167	49	231339	29
			\$38	45	47740	29
NATURAL ROUND	BF ROUND EYE ROUND WHOLE SUB	11	\$21	65	39125	29
LOIN SELECT BEEF	SELECT PORTERHOUSE STEAK	45	\$30	31	30671	29
RIBS SELECT BEEF	SELECT RIB EYE STEAK VALU PAC	64	\$97	12	29204	29
LOIN SELECT BEEF	SELECT NEW YORK STRIP STEAK V	69	\$140	7	25231	29
LOIN SELECT BEEF	SELECT T-BONE STEAK	44	\$25	32	24151	29
GROUND ANGUS	ANGUS GROUND ROUND 85% LEAN V	69	\$98	7	23227	29

***Lost Opportunity /  
Distribution Voids***

***Branded Poultry for  
Regional Supermarket***

RETAIL SOLUTIONS

## ***Branded Poultry Analysis Observations***



**Branded Poultry YOY Sales are Up 19%** although overall distribution is down over 20%.

- DC4 accounts for a significant portion of the distribution loss with a decline of over 60% in sales and distribution.

**Extreme variations in number of stores selling and number of days sold across items.**

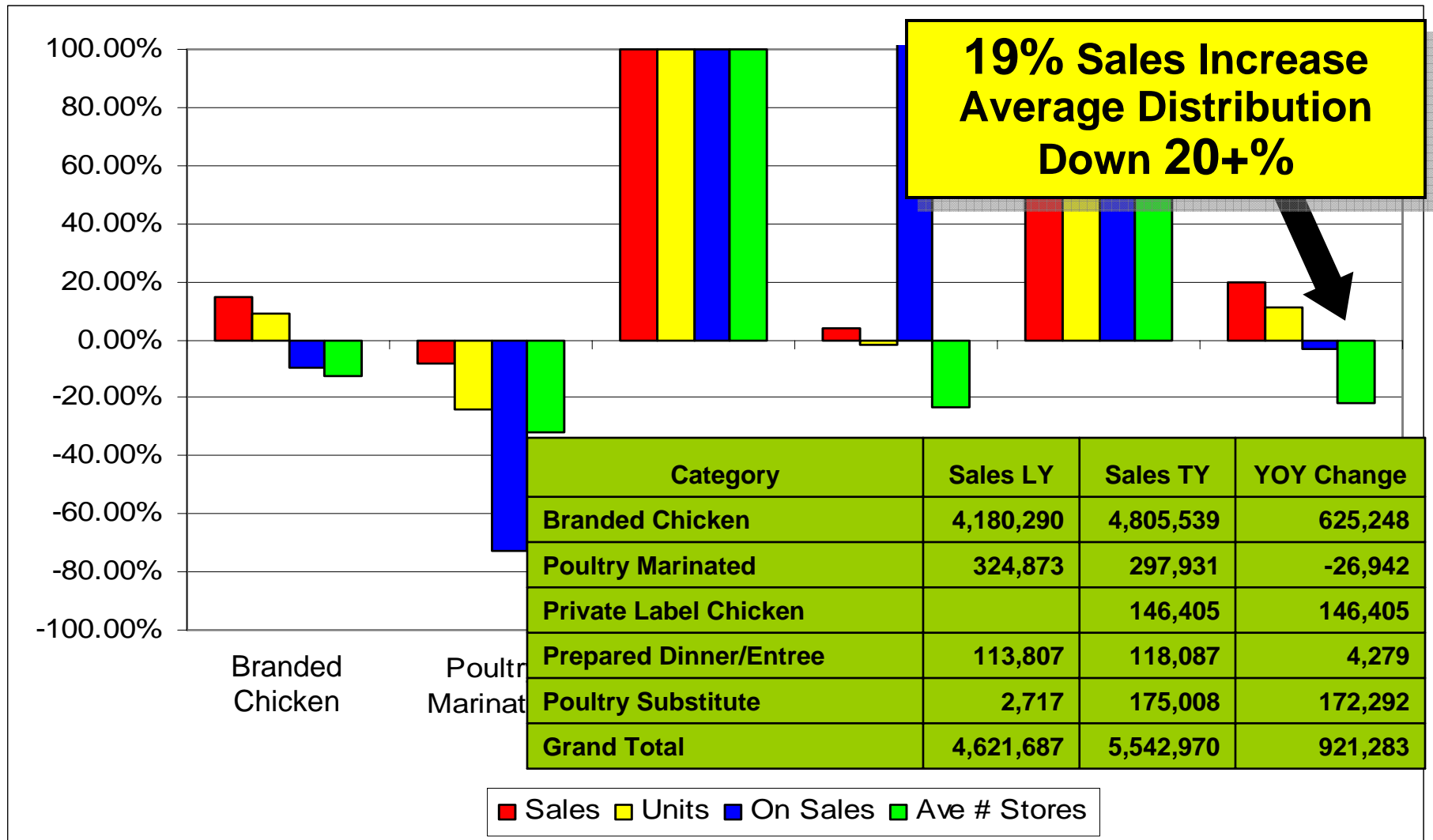
- DC7 average days sold across 22 branded items was 69% higher than DC4 with only 14 items.
- Minimal opportunity for branded products to grow premium pricing and margin opportunities.

**Pro-rating average per store performance equals an outstanding \$32m per year** in opportunity sales.

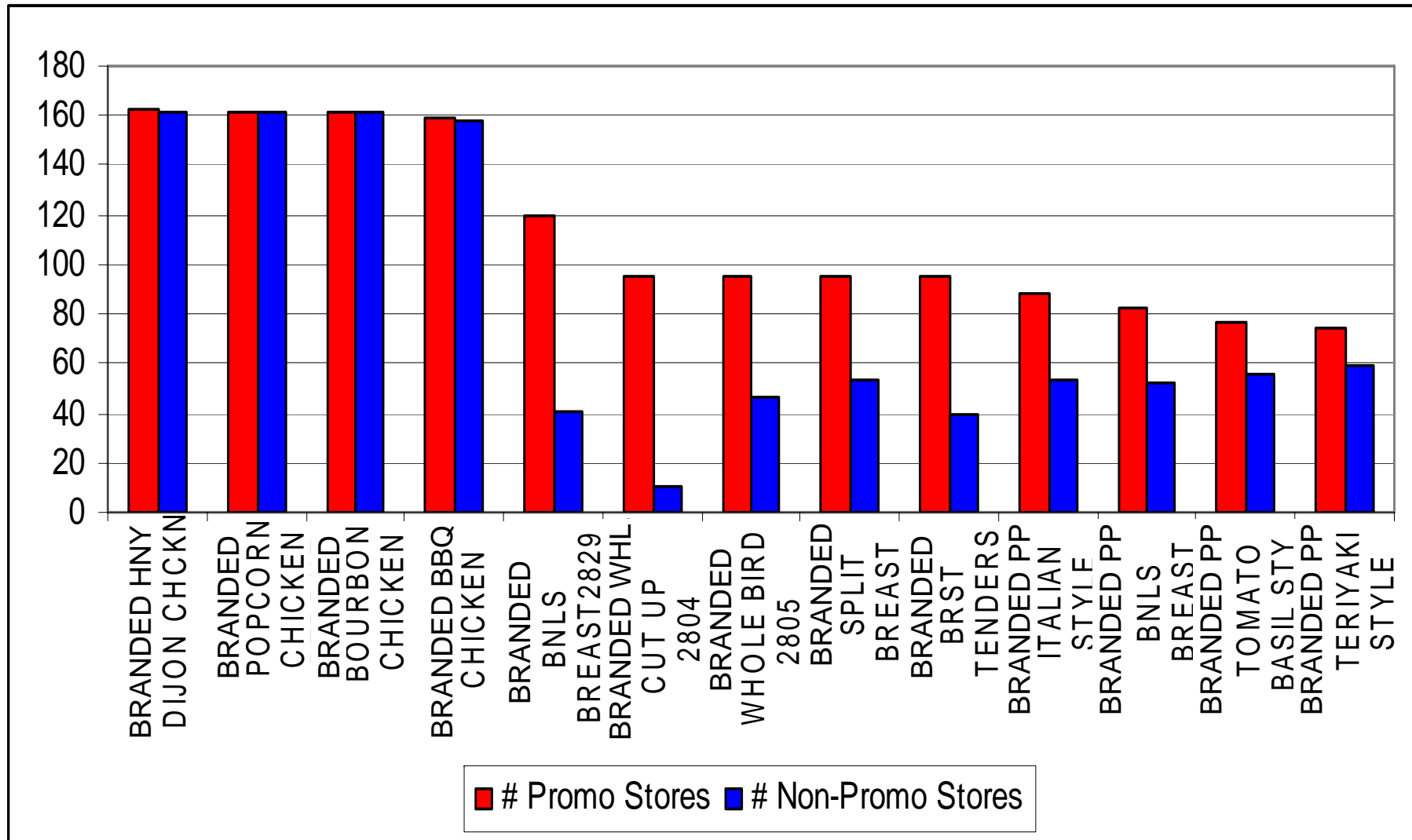
**A well balanced promotional strategy with consistent distribution and brand development is needed to increase sales and profits for Retailer and Supplier.**



# Branded Poultry Total Stores YOY Performance Change



# Branded Poultry Distribution Elasticity During Promotion



# Branded Poultry Lost Opportunity Sales



Name	DC7				DC4				Total (LOS)
	Daily Sales	Days Sold	# Stores	Lost Opportunity Sales	Daily Sales	Days Sold	# Stores	Lost Opportunity Sales	
BRANDED BNLS BREAST2829	349	84	41	317,307	29	45	122	177,333	494,639
BRANDED WHL CUT UP 2804	206	54	10	1,160,428				1,934,046	3,094,474
BRANDED BRST TENDERS 2836	120	72	40	284,341	19	49	104	119,503	403,844
BRANDED SPLIT BREAST 2806	95	43	54	494,868	14	15	37	235,300	730,169
BRANDED WHOLE BIRD 2805	88	57	46					259	571,904
BRANDED PP BNLS BREAST	50	34	52					049	601,455
BRANDED JUMBO WINGS__2874	39	54	36					791	556,957
BRANDED PP ITALIAN STYLE	39	26	54	272,667	16	17	34	2,503	527,170
BRANDED PP TOMATO BASIL STY	31	15	56	249,419				594,411	843,830
BRANDED JUMBO DRUMSST 2872	30	51	28	161,027				304,161	465,188
<b>Total</b>									<b>8,289,631</b>

**\$32+ Million  
Annual  
Opportunity Gap**

***Assortment Planning***  
***Bakery Department***  
***International Supermarket***



# *Bakery Department Assortment Planning*



## Problem

At an international retailer our Business Metrics Group discovered that only 32% of the assortment plan items were available on a consistent basis; 27% of the items were contributing less than 4% of total Contribution to Profit.

## Solution / Results

Over a 52 week period the assortment plan was rationalized resulting in a **20% Departmental Sales Increase** and a **10% Improvement in Contribution to Profit.**

**In year two sales increases continue at +10%.**

***Shrink Management Produce  
and Deli Departments  
Regional Supermarket***



## *Produce Department Shrink Management*



### **Problem**

With a 100 store regional chain in the Midwest we found significant opportunities to optimize assortment based on findings that some specialty items had very low sales numbers and high shrink levels.

### **Solution / Results**

By focusing on excessive shrink levels we were able to **Improve Contribution to Profit by \$884,000 Annually.**

At the same chain by focusing on sales mix and shrink for the top 5 items in fresh berries we were able to generate a **Contribution to Profit Improvement of \$91,000 Annually.**

# Produce Department Performance by Sales Mix



Stores with a high sales mix 7+% higher shrink rate and 7+% lower CTP %

Sales % Index	# Stores	Ave CTP %	Ave Shrink %	Ave Price	Ave Sales	Ave # SKUs	Ave # Categories
High	26	35.85%	12.58%	2.23	6794	11	4
Med	51	41.99%	6.50%	2.29	9769	16	5
Low	24	43.01%	5.53%	2.37	14906	19	5



# Produce Department Promotional Performance



**Diminishing Return Running Promotion Consecutive Weeks – Driving Higher Shrink In Last Week**

Week Ending	Sales \$	Sales Units	CTP \$	Reg Price	Promo Price	Sales \$ Lift % vs. non-promo average	Sales Units Lift % vs. non-promo average	CTP \$ Lift % vs. non-promo average
06/26/05	7668.49	5055	3484.92	2.19	1.50	47%	113%	20%
07/03/05	8445.00	5631	3602.22	2.19	1.50	62%	137%	24%
07/10/05	6915.66	4604	2955.55	2.19	1.50	33%	94%	2%
07/31/05	6587.61	4337	2740.09	2.19	1.50	27%	83%	-6%
08/07/05	7963.50	5309	3655.61	2.19	1.50	53%	124%	26%
08/14/05	6232.23	4147	2479.57	2.19	1.50	20%	75%	-15%

**Shrink Management / Distribution**

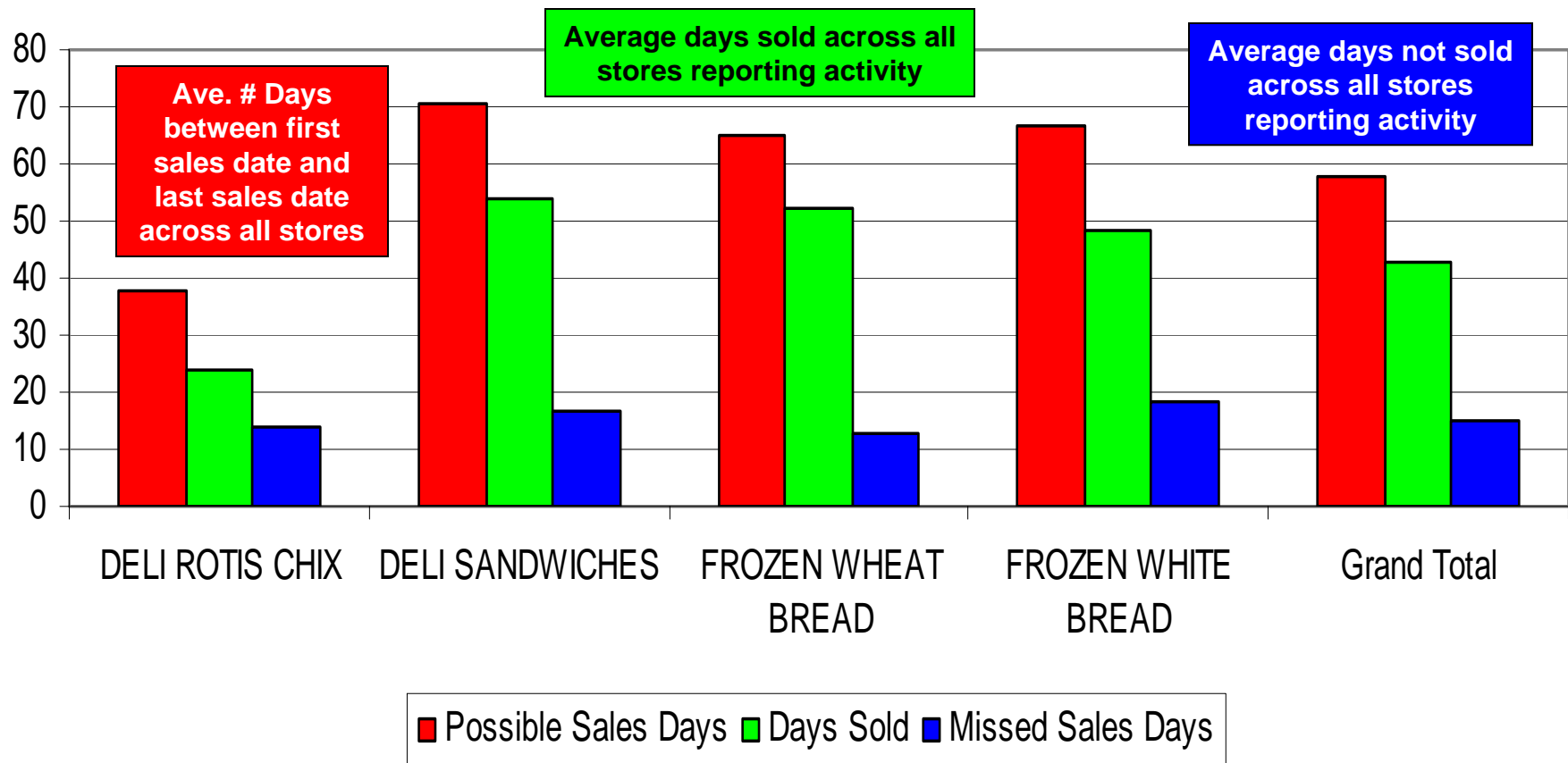
At a 105-store retailer in Canada we identified shrink improvement opportunities of **\$545,000 Annually** by moving the worst performing stores to the chain average in their deli and bakery departments.

At the same chain we identified a sales opportunity that will add **\$4 Million Annually** in the deli and bakery departments by isolating SKU's that are not available for sale on a consistent basis in all stores.

# Deli Department Sales Opportunity Gap



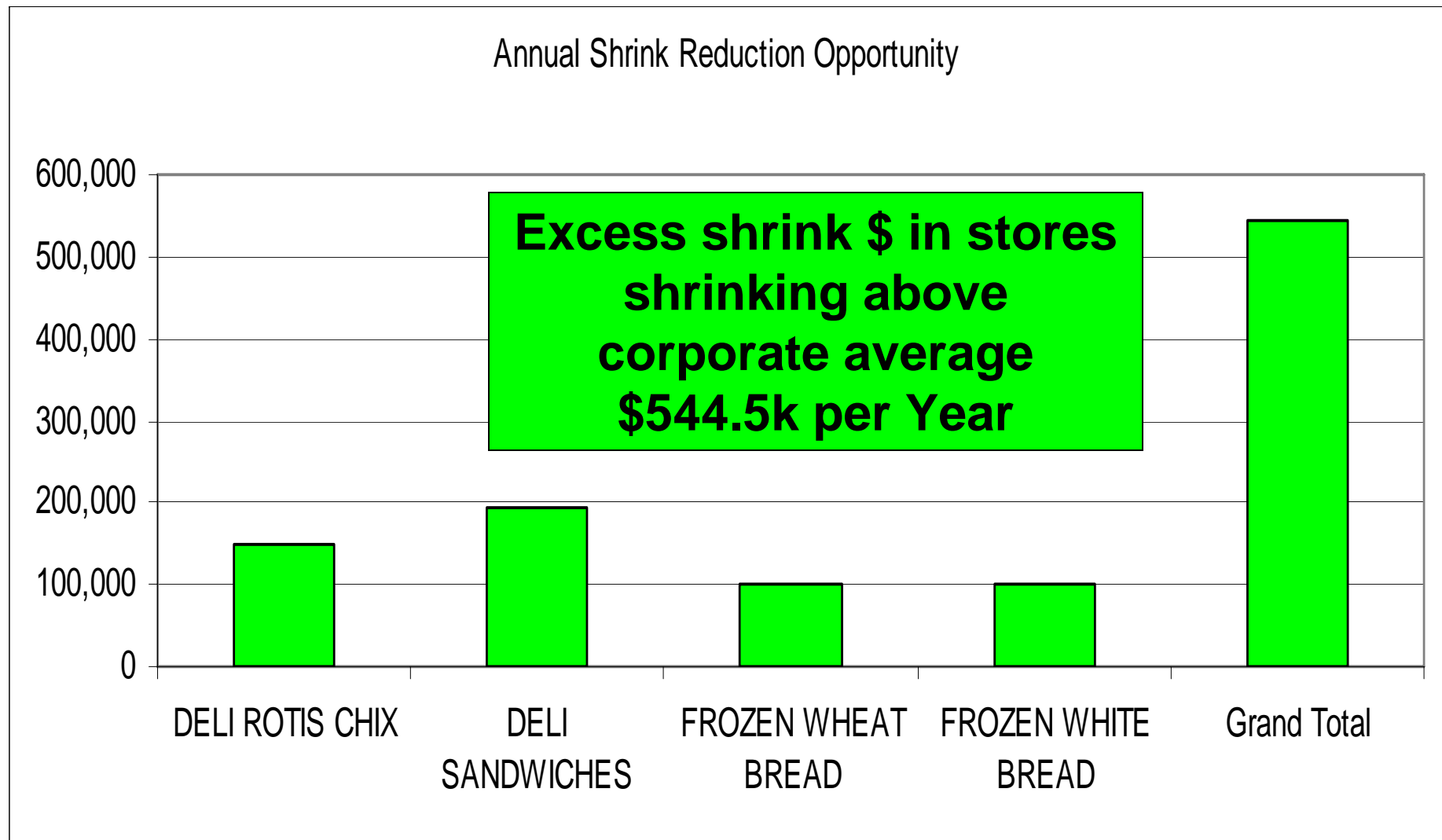
## Missed Opportunity Sales Days - 13 Weeks



# *Deli Department Shrink Reduction Opportunity*



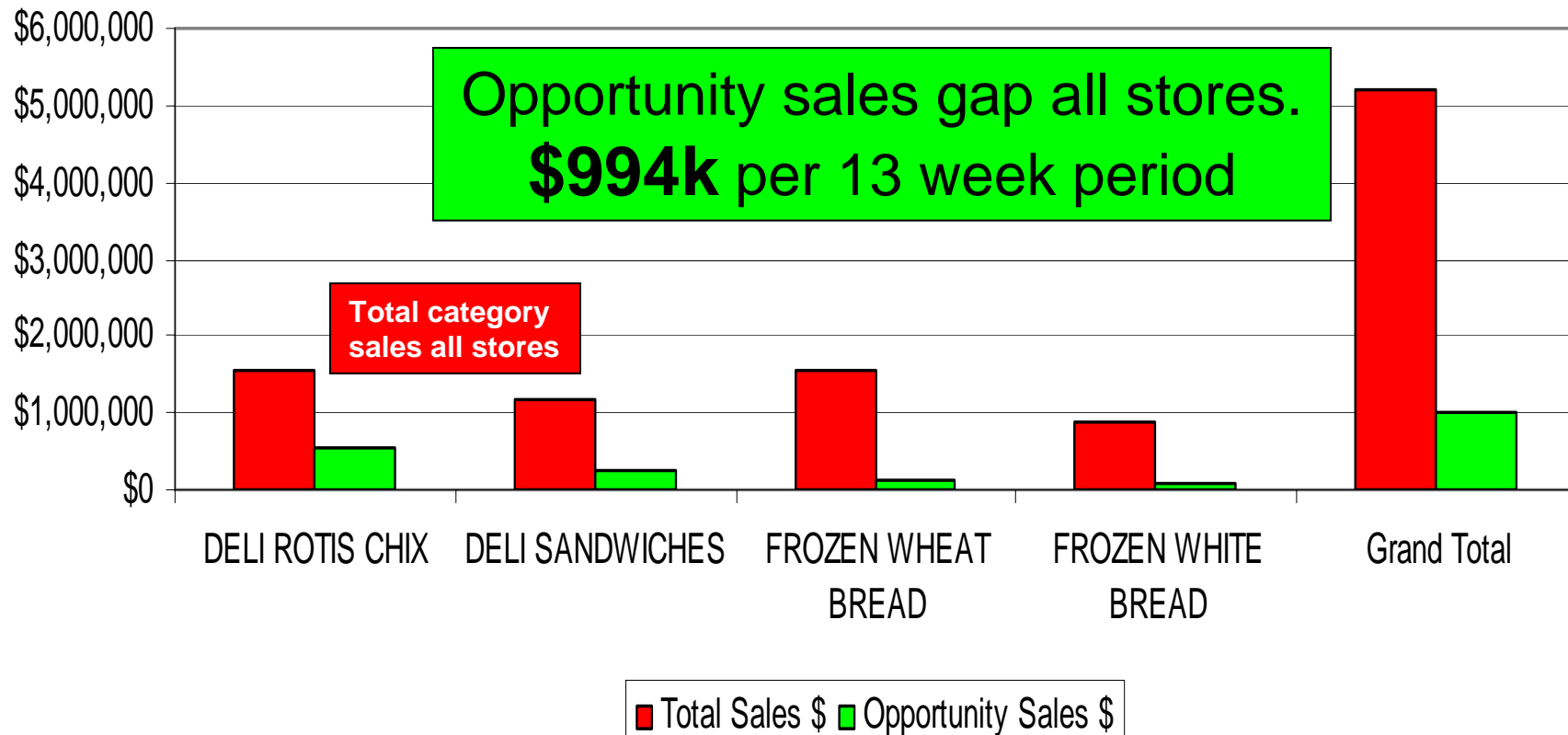
Annual Shrink Reduction Opportunity



# Deli Department Sales Opportunity Gap



### Opportunity Sales - 13 Weeks



***Shrink and Assortment  
Analysis – Fresh Items***

***International Convenience  
Store***



# ***C-Store Fresh Food Items New Market Analysis***



## **New Market Analysis**

- First time opportunity of an international market with high volume, high quality fresh food items in a market with rapid product turnover and new product availability.
- Multiple daily deliveries with smaller item counts allowed for tighter controls of perishable shelf-life –product analysis by time duration categories
  - 16, 24, 30, 48 and 72 Hour Shelf Life categories
- Elected to analyze data based on shelf life for an 8 week test period.
- In lieu of active Point-of-Sale data, the transactional sales data was entered into a spreadsheet for use.
  - Transaction data included item sales
  - Reported shrink (making products unavailable for sale to the customer due to spoilage or damage or loss)
- Recommendation for ordering more or ordering less were provided each week of the test trial period
- 24 Weeks of data were used for comparison purposes (16 Weeks prior to the 8 Week test)

# ***C-Store Fresh Food Items Opportunity Assessment***



## **Impact of No Shrink Categories**

- No Shrink may indicate an excellent job of determining the right quantities
- No Shrink may also indicate that there are potential lost sales opportunities because they have run out of a product so the customer cannot purchase it.
- No Shrink with lost sales leads to a level of customer dissatisfaction and possible impact on perceived customer service and satisfaction.

## **Following Recommended Orders**

- Some categories and items were managed directly from the experience of the store manager
- Some Forecasting factors were put into place to provide more meaningful recommended orders – factors included weather, day of the week and special events
- In process: increase distribution of high consumer response items and decrease poor performance items



# C-Store Fresh Food Items 8 Week Test Results



WEEK	Zero Shrink but suggested order was for more	Shrink Exists but suggested Order would result in Less	Zero Shrink but suggested order was for less	Shrink existed and order suggested More	Order determined by manager input
6/26-7/2	21	23	5	15	27
7/3 - 7/9	30	12		27	21
7/10 - 7/16	38	14		29	3
7/17-7/23	29	19		17	29
7/24 - 7/30	17	42		8	2
7/31 - 8/6	23	28		9	23
8/7 - 8/13	21	30		2	31
8/14 - 8/20	45	18		6	15
SUM		410		175	151

**70% of total orders would have provided cost savings or more sales**

410

# C-Store Fresh Food Items Period Comparison Results



Key Metrics	Period 1	Period 2	Period 3
Sales	6,701,840	6,826,155	7,536,937
Shrink (#)	1784	2224	1604
Profitability	1,974,228	2,009,029	2,525,527
Shrink Percent	34.6%	44.0%	29.1%
Contribution to Profit	233.3%	227.2%	246.2%

Period 3 (test trial period)

**RESULTS:**

- Sales increased (10.25%)
- Shrink decreased (24.9%)
- Profitability was increased (21.1%)
- Percent of Shrink was reduced (10.2%)
- Contribution to Profit increased (9.5%)

## ***Other Successful Categories***



**Cat Litter**

**Refrigerated Juice**

**Yogurt**

**Mushrooms**

**Ground Beef**

**Salty Snacks**

**Fluid Milk**

**Frozen Breakfast**

**Bagged Salads**

**Eggs**

**Bananas**

**Cut Fruit**

**Sandwiches**

**Rotisserie Chicken**

**Potatoes**

**Crusty Bread**

**Pet Food**

**Bottled Water**

**Magazines**

**Frozen Pizza**

**Fresh Pork**

**Refrigerated Baked Goods**

## ***Testimonial***



**“This data portal will ultimately provide our biggest strategic customers with the daily sales data that we are analyzing every day...**

**As a major retailer, we long for the day when a vendor can come to us proactively and make educated recommendations based upon what they are seeing in our own scan data. The more eyes on our data the better.”**

***Category Manager  
1,000+ Store Regional Supermarket Chain***

***Right Product...***  
***Right Quantity...***  
***Right Time...***

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