

# Product Rotation Policy

<b>Policy Owner:</b>	Operations Services	<b>Updated On:</b>	2.1.2017
<b>Contact:</b>	Operations Services	<b>Effective Date:</b>	2.1.2017

## Purpose

The Product Rotation Policy provides direction for stores on ensuring that all merchandise is properly rotated monitored and maintained in accordance with manufacturers' requirements for expiration and quality standards. This directive is an integral part of exceeding our customers' expectations in an assortment of categories such as Health and Beauty, Medicine/Vitamins, Pet, and other similar consumables.

## Responsibilities

The Store Manager is responsible for:

- All Product Rotation Procedures being followed.
- Training of all Assistant Store Managers on Product Rotation Procedures.
- All Associates understanding and following proper Product Rotation Procedures
- Planning, delegating and following up on all activities within the store
  - If the Store Manager is not on duty, he/she may delegate appropriate tasks to a fully trained Assistant Store Manager.

## Key Points

- There are two primary elements of this policy:
  - **Stocking Rotation** which occurs every time merchandise is stocked on the floor or in the stockroom
  - **Scheduled Periodic Rotation** which follows a specific rotation schedule for select product groups or categories. Expiration date reviews must be completed during the Periodic Rotation. (*see Product Rotation Procedure*)
- All merchandise must be properly rotated every time new product is stocked.
  - Newer products must be positioned behind older products of the same SKU.
  - Products with closest expiration dates must always be brought to the front of the shelf or peg.
  - Any expired product must be set aside and processed through the Mark Up/Mark Down Procedure.
- All dated merchandise in the stockroom must be properly rotated as new dated product from the Distribution Center is received so that the oldest merchandise is moved to the sales floor first.
  - Rotate the products with the closest expiration dates or oldest receipt dates, based on the DC labels, to the front of all pallets when new stock arrives.
  - Always place new stock at the back of the pallets.

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- Any expired product must be set aside and processed through the Mark Up/Mark Down Procedure.
- **Daily Action Plans** list the specific product categories and groups that will be rotated as part of the periodic rotation plan. Store management will use the Daily Action Plans to assign Associates to these action items to initiate Product Rotation Procedures and the associated Mark Up/Mark Down Procedures based on expiration dates on those products.
- Follow the Mark Up/Mark Down Policy and Procedures and take appropriate action to mark down merchandise that is close-dated.
- Exception reporting will be run by the SSC, at a minimum quarterly, to verify that proper progressive Mark Downs are being taken to sell through close-dated products before they expire.

## Rotation Planning

It is the standard expectation that products that have been in the store the longest, based on the DC label dates, are moved from the stockroom to the sales floor first whenever stocking. It is also expected that merchandise in the stockroom be included as part of the periodic rotation activities on the Daily Action Plans. Periodic rotation activities must always adhere to the Product Rotation Procedure and incorporate the Mark Up/Mark Down Procedures.

Review the Mark Up/Mark Down KPR report quarterly to validate that each category of product on the Product Rotation Schedule is being properly managed using progressive discounting to drive sell-through before disposal.

## Product Rotation as Part of Daily Action Plans

1. Daily Action Plans will include required periodic rotation categories at appropriate times to maintain the highest quality products on the sales floor
2. Follow the listed categories when presented on the Daily Action Plan and assign to Associates.
3. Associates will process each product by checking the expiration date and using the Product Rotation guidelines to position the products with the closest expiration dates to the front of each peg or shelf area.
4. Associates will move products with expiration dates farther out to the back of each peg or shelf area.
5. Associates will set aside all merchandise that is close-dated or expired and management will process according to the Mark Up/Mark Down Procedure.
6. When a section has been completed, every product will have been reviewed and properly rotated.

## Mark Down Process as Part of Product Rotation

The Mark Up/Mark Down Procedures must be integrated into the Product Rotation Procedures to limit the amount of discounting while also increasing product sell through before expiration.

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When used together properly they increase profitability and reduce overall markdowns due to Disposal. They will help to maintain the highest quality products on the sales floor at all times.

- Daily Action Plans are used to assign product categories to review expiration dates as part of the periodic rotation plan.
- Products should be rotated properly as defined in the Product Rotation Procedure.
- Close-dated products will be set aside to be managed through the progressive discounting process in the Mark Up/Mark Down Procedure.
- Outdated or expired products will be set aside and properly handled through the Mark Down Procedure.
- SMs will use Mark Up/Mark Down KPR reporting to monitor adherence to the Product Rotation and Mark Up/Mark Down Procedures.
- DMs will review Winning the Week during visits to validate that these policies and procedures are being adhered to and driving the correct activities every day.

# Product Rotation Procedure

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## Purpose

This Product Rotation Procedure provides direction on product stocking processes to maintain adherence to product expiration guidelines and to ensure that product follows a First In/First Out strategy. These include managing activities for the stockroom and the sales floor during routine stocking as well as periodic auditing of product groups or categories to guarantee product quality and freshness.

## Definitions

- **Standard dating formats** - Dates for expiration or date of manufacture are printed using standard dating formats by all of our manufacturers to provide clear understanding of the information.
- **Open-dating** – Manufacturers' markings on packaged food products with a 'sell by', 'best by' or 'use by' date or the date on which the product was packaged
- **Close-dated Product** - Merchandise that will expire prior to sell through based on weekly sales rate.
- **Merchandise with Expiration Dates** – These products have expirations dates determined by the manufacturers after which the merchandise cannot be sold and must be disposed of.
  - Examples include: Frozen / Refrigerated Food, magazines, grocery items, bread, pet food, medicine, vitamins and some health care, etc.
- **Merchandise without Expiration Dates** – These products do not have expirations dates on the label in most cases, however product quality may diminish over time. It is important to rotate these to ensure product quality.
  - Examples include: some Items such as lotions, soaps, conditioners, shampoos, some ointments/creams etc.
- **Product Rotation** – The act of positioning merchandise that has arrived in the store most recently or which has the longest time before expiration at the back of a peg or shelf and moving merchandise that has been in the store longer or has a closer expiration date to the front of the peg or shelf. This will ensure the highest product quality by maintaining the freshest merchandise for sale on the shelves at all times.

## Key Points

- Prepare for DC deliveries by organizing areas in the stockroom to maximize ease of rotation.
- All dated merchandise in the stockroom must be properly rotated as new dated product from the Distribution Center is received so that the oldest merchandise is moved to the sales floor first.
  - Rotate the products with the closest expirations dates or oldest receipt dates, based on the DC labels, to the front of all pallets when new stock arrives.
  - Always place new stock at the back of the pallets.

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- Any expired product must be set aside and processed through the Mark Up/Mark Down Procedure.
- All merchandise must always be prioritized by expiration date and worked to the sales floor accordingly.
- Load u-boats with back-stock product first and fill in with needed product from your delivery.
- Proper rotation of dated merchandise assists in improving the Customer Experience, product sell through, brand integrity and minimizing markdowns.
- All products must be rotated following the same procedures and appropriate schedule.
  - Note: Top and bottom shelves are traditionally the least shopped areas and extra attention should be used to maintain proper rotation standards.
- Review check lanes and end caps for products that have been sitting for long periods of time.
- Submit dating questions/issues via **SSC Help > Merchandising > Dates/Expiration**.

## Procedures

The baseline expectation during all stocking and recovery activities is to place newer merchandise to the back and rotate older stock to the front to ensure that the oldest merchandise sells through the soonest. In support of maintaining that practice, additional **Periodic Stock Rotation** activities will be included weekly as part of **Winning the Week (WTW)** in the **Daily Action Plans**. These activities will ensure that the routine, timely and structured inspection of certain product groups and categories is included in addition to standard product rotation during stocking.

The following procedure provides direction on required steps for managing products that have expiration and open-dated guidelines:

1. As part of **Winning the Week (WTW)**, follow the **Daily Action Plans** to assign Associates to the designated product groups or categories for the periodic rotation activities.
  - Each section of merchandise from these product categories must be reviewed to verify the expiration or open-code dates on every product.
  - Products with the oldest date codes are to be positioned at the front of all pegs and shelves and items that arrived in the store more recently or which have expiration dates that are farther out are to be positioned at the back of each peg and shelf.
  - Close-dated merchandise must be set aside and marked down following the progressive discounting process detailed as part of the Mark Up/Mark Down Procedure.
  - Out-dated or expired merchandise must be set aside and processed following the related Mark Down Procedure.
  - The **stockroom** must be included as part of all of these scheduled activities to ensure that all dated merchandise moves to the sales floor in a timely manner adhering to expiration guidelines.
  - **NOTE:** Always adhere to the manufacturers' stated expiration dates. If any merchandise is found to be out-of-date during normal daily stocking and recovery it should be processed through the Mark Down Procedure.

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2. Add additional activities to the Daily Action Plans based on needs observed during twice-a-day store walks.
3. Walk the stockroom daily.
  - a. Make sure that merchandise is organized and following the guidelines for most recent deliveries placed at the back of pallets.
  - b. **Prioritize** any product in the stockroom that is close-dated and find ways to move that to the sales floor.

## Mark Ups/Mark Downs

It is critical to include a specific markdown plan as part of the Product Rotation Procedure. Progressive discounting is used to drive product sell-through and preserve some profitability while reducing opportunities for total write-off. It is the responsibility of the Store Manager or Assistant Store Manager to manage the Mark Down process.

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- When close-coded merchandise is found as part of normal product rotation, it is to be set aside for the SM or ASM to process properly to expedite sales before the product reaches its expiration date.
- They will review and properly discount each product using the progressive Mark Down Procedure.
- This procedure will take appropriate discounts on the merchandise at set intervals depending on rate of sale, closeness to expiration date and quantity remaining on hand.
  - Depending on the merchandise, there may be one or two rounds of discounts planned before it expires and has to be moved to Disposal.
  - Store management needs to balance need to expedite sales with recouping as much profit as possible.

**NOTE:** These are general guidelines for scheduling markdowns by category. DMs should determine if local market conditions may require specific stores to take more aggressive discounts to sell through.

### **Progressive Markdowns for Close-dated Merchandise**

Coordinating Product Rotation and Mark Up/Mark Down Procedures is required to ensure every effort is made to sell through merchandise using progressive discounting before it expires

Store management will use pricing factors such as rate of sale, closeness to expiration date and quantity remaining to sell to set appropriate prices on close-dated merchandise. This should be done over two or three increasingly “progressive” discounts until the expiration date is reached.

Management will determine the amount of markdown and the schedule to take the progressive discounts based on the shelf-life of the product category.

1. Categories with short shelf-life like products will need to be rotated and progressively marked down weekly.
3. Categories with a longer shelf-life such as dressings/sauces, Health and Beauty Aids, medicines require management to use the progressive discounting over the last 3 to 4 weeks before expiration to move merchandise through two (2) or three (3) discounts to drive sell through.
4. Examples of the using the progressive mark down process would be that during rotation activities:

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- c. The SM marks them down to 2/\$1.00 on the first discount
  - d. After 1 week, and with 2 weeks before expiration, they are still not selling at a rate to sell through before expiration, so the SM marks them down again to 3/\$1.00
  - e. With 1 week before expiration the SM marks them down to 4/\$1.00.
5. All products that are found during product rotation activities to be expired must be processed using the Mark Up/Mark Down Procedure and disposed of properly.

The integrity and quality of our products is the highest priority and expectation for our Customers.