THE FALSE SENSE OF SECURITY THAT A CGO/CAO (COMPUTER GENERATED/ASSISTED ORDER) SYSTEM PROVIDES!
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THE INVENTORY MAY BE IN THE STORE BUT NOT ON THE SHELF
CGO/CAO DOES NOT KNOW THE DIFFERENCE

To be shopper-centric, an accurate replenishment process from the retailer’s warehouse or DSD (Direct Store Delivery) suppliers to the store and unto the shelf, requires a continuous feedback loop. This feedback loop must be by store, to meet the daily needs of your shopper. If you think about the constant change in in-stock conditions within each of your stores, the analysis of each item’s inventory level must be in real time!

Typical CGO/CAO systems take into consideration the store’s perpetual inventory, POS data, deliveries, shrink and inventory increases of holiday items. Many CGO/CAO systems are store managed which is hindered by many variables that affect each store’s sales: the personnel’s talent, skill level and by time constraints. Additionally, it does not take into consideration projected or forecasted demand or lost sales from out-of-stock conditions. These OOS situations usually occur between stocking shifts and typically at peak shopping times. The inventory may be in the store but not on the shelf and CGO/CAO does not know the difference.
CGO/CAO SYSTEMS CAN ONLY LOOK BACK AT WHAT HAS BEEN SOLD, NOT WHAT COULD HAVE BEEN SOLD

Many retail chains are known for their IT superiority but have major issues with Out-of-Stocks. As an example, an executive at Walmart commented that OOS conditions cost them $5B in sales, in one year! Too often, store inventory needs are limited to the current shelf holding power. If a retail chain’s pack-out requirement is 1.5 or 1.2 cases, fulfillment from the warehouse to the store is activated only when the stock level reaches .5 or .2 cases.

Pack-out requirements are great for store labor efficiencies if the item is selling a case or more per day. For slow moving items, retailers typically invest in inventory for variety perceptions, not because it drives sales. This is especially true for specialty items. For fast moving items, stores sell out before the shelf is restocked or the inventory is replenished to the store. Plan-o-gram decisions are too often made in isolation of replenishment decisions and typical CGO/CAO systems are not sophisticated enough to be predictive. These systems can only look back at what has happened. If you have an out-of-stock issue, you will continue to repeat it.
CGO/CAO CANNOT DELIVER WHAT’S NEEDED. SO, WHAT’S MISSING?

To answer that question, we need to review all of the variables that affect store in-stock conditions.

a) Retailers need insight to understand where the largest opportunities are and those items that drive the business.

b) What is desperately needed is to develop plan-o-grams based upon individual store needs; not a hypothetical case-pack-out decision made at headquarters. Those decisions are understandably made to decrease inventory investment; but at what cost to sales? Wouldn’t it make more sense to adjust individual SKU inventory levels based upon store demographic needs. This could be derived by developing individual store level assortment driven by shopper analytic data at the beginning of the planning process.

c) Also, not all stores in a retail chain need to carry all items! Again, the demographic profile should be the determining factor of the offering. This would reduce unneeded inventory investment, both at store level, at the warehouse and with DSD suppliers.

d) Often overlooked are weather conditions which affect certain SKUs. By including current and forecasted weather conditions, one can insure better in-stock conditions during weather-driven demand.

e) Local events can affect demand on certain items. CGO/CAO does not adjust Inventory levels on those items affected by these events.

f) Productivity concerns also apply pressure on store workloads. Time is not built into the daily activities to continually check each SKU, in every aisle, to insure in-stock conditions.

g) Another issue is that the merchandise may be in the store but not on the shelf!

Multiple display locations and unplanned promotional demand typically have a bullwhip effect to the CGO/CAO replenishment models. If a store ends up with more of its share of corporate level inventory, another store is going to be out-of-stock. This can be seen for many weeks following a promotion until demand levels out again and the vendor deliveries are aligned with demand. For items that are heavily promoted, which can also be the highest volume items, this feast and famine cycle could be happening on a monthly basis.
NextOrbit is a cloud platform that uses AI (Artificial Intelligence) and Machine Learning from POS and other data to generate Predictive & Intelligent Alerts…the most effective, least expensive and proven system to significantly reduce out-of-stocks.

A fee structure based on a monthly or a yearly subscription menu. This subscription model offers retailers an inexpensive alternative to major financial and time-consuming investments while gaining immediate use, with no upkeep or continuous upgrades and with an exit if the new system does not deliver the expected results. Compare this to the outright purchase of a new IT system. The benefits are obvious:

- Cloud based model, no huge upfront license costs. No servers to maintain and manage
- No need to change existing systems.
- Non-Intrusive implementation
- No requirement of heavy capital outlay, it frees up cash to use for other corporate needed initiatives
- Maintenance free
- No need to learn and train on new systems
- Totally encrypted for Security
- Upgrades are on the plate of the SaaS (Software as a Service) provider
The False Sense of Security that a CGO/CAO System Provides

PROVIDES REAL-TIME ALERTS FOR IMMEDIATE ACTION TO MITIGATE OUT-OF-STOCKS

NextOrbit Provides Real-Time Alerts:

- Alerts that call out important issues for action BEFORE they cause lost customer sales opportunity
- Alerts are PRIORITIZED by the extent of sales loss they may cause
- Alerts are organized by store job function for quick preventive and corrective action
- Alert levels are raised if corrective store action is not taken

NextOrbit Has the Ability to:

- Combine potential OOS of one department in the Aisle
- Combine unrelated products that may be selling faster than normal into an alert
- Escalate if corrective action has not taken place, alert frequency intensifies and is sent to department or store manager
- Send alerts directly to store’s computer
- Show potential OOS on a map across store clusters or product groupings. Those stores with more alerts are the ones that require more. It may be concluded that there are significant dairy OOS’s in stores of a particular district or demographic group.

Retailers need real-time alerts to enable timely action to resolve future out-of-stocks on those SKU’s that drive the business and the ad items that shoppers are coming into your store for.

The key is in having the ability to identify the SKU’s that will be out-of-stock, before it happens.
NEXTORBIT OVERCOMES THE LIMITATIONS OF CGO/CAO
A KEY TO THE ENHANCEMENT OF THE SHOPPING EXPERIENCE

By:

• Moving backroom inventory to shelf before OOS occurs
• Adjusting shelf replenishment schedules to align with the immediate needs of the shelf
• Coordinating order-to-warehouse-shelf between retailer and supplier
• Providing an opportunity to better align sell-through with product facings and inventory
• Giving more visibility to products prior to expiration and increase in shrink
• Correcting store orders without store personnel involvement
• Correcting / Refining demand forecasts both of the store and the supplier
### NEXTORBIT HAS UNPARALLELED CAPABILITY TO SIGNIFICANTLY REDUCE OUT-OF-STOCKS RESULTING IN HIGHER SALES REVENUES

<table>
<thead>
<tr>
<th>Yearly Sales</th>
<th>OOS Rate *</th>
<th>Potential OOS Loss</th>
<th>Actual Loss Sales of 40%**</th>
<th>NextOrbit OOS Mitigation***</th>
<th>Same Store Sales Gain</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500,000,000</td>
<td>8%</td>
<td>$40,000,000</td>
<td>$16,000,000</td>
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</tr>
</tbody>
</table>

* FMI / GMA Out-of-stock Study Statistics 2014

** Harvard Business Review School Publishing 2014: 9% do not purchase and 31% buy the item at another store equates to a 40% sales loss

NextOrbit understands that not every OOS translates into a lost sales, but it does result in shopper dissatisfaction

***NextOrbit will decrease OOS rate by 50%

2008 GMA/FMI/NACDS: A Comprehensive Guide To Retail Out-of-Stock Reduction states that 1 of every 12 items on a shopping list is OOS and 1 in 10 items on sales are OOS
The False Sense of Security that a CGO/CAO System Provides

NextOrbit is recognized as one of the top customer experience solution providers in the world.

NextOrbit chosen as one among the top 10 CEM solution providers in 2016
NextOrbit was recognized by CIO Review as one among the top 20 customer experience management solution providers in the world.

NextOrbit chosen as one among the top 16 companies for the RBTE Innovation Awards 2016
RBTE, Europe’s largest end-to-end retail solutions event featured NextOrbit as one among top 16 companies in their Innovation Trail and awards. NextOrbit exhibited its cloud platform for predicting and mitigating Out-of-Stock at RBTE 2016, London, UK.

NextOrbit chosen as one among the top 20 CEM solution providers in 2015
NextOrbit was recognized by CIO Review as one among the top 20 customer experience management solution providers in the world.
NEXTORBIT’S CORE TEAM COMBINES DEEP KNOWLEDGE OF THE SUPPLY CHAINS ALONG WITH DEEP EXPERTISE IN AI AND MACHINE LEARNING REQUIRED TO IMPROVE BUSINESS OUTCOMES...

Win Weber
Chairman, WWA
Go-to Market Leader for NextOrbit
Since entering the consulting profession 33 years ago Win has been a value added resource for consumer products manufacturers, retailers, wholesalers and industry associations. He has a worldwide reputation as one of the original architects of category management and is credited with introducing retailer/supplier partnering in the US, Mexico, Australia and Asia. He is the architect of the new beyond category management Shopper-Centric Retailing business model currently being introduced.

Win was a member of the FMI ECR Category Management Subcommittee. He has written numerous articles on partnering, category management and related subjects. He has been a guest speaker on these subjects for the Strategic Planning Forum, Food Marketing Institute, Grocery Manufacturers Association, National Food Brokers Association, Canadian Council of Grocery Distributors, Canadian Food Brokers Association, Private Label Manufacturers Association and for numerous other industry and corporate affairs.

Bernard Anderson
Principal Consultant
WWA/NextOrbit
Experienced consultant with expertise in the areas of retail, consumer packaged goods and supply chain.
Consulted with HEB on out-of-stock. His work got published in the HBR article - “Stock out causes Walk outs.”
A proven track record with a focus on the customer, developing a team-centric environment, and a talent for improving collaboration throughout the organization.

Kishore Rajgopal
Founder & CEO
Plano TX & Bangalore
Over 20 years of experience in consulting, product development, business development, Business Intelligence and analytics.
During his 9+ years stint at Infosys in Plano TX, he evangelized and developed technology consulting & technical architecture that repositioned Infosys as a consulting player.
Bachelors and Masters both from IIT Madras
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