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Senior Manager – Central Supply & Strategy

Fresh Production Planning
- Introduction
- The Problem & Benefits
- The Journey
- The Challenges
- Our Solution
- The Results
- Next Steps
Asda in Pictures
Asda in Numbers

- 633 Stores serving 19m customers each week
- 39 Distribution Centres delivering 1.9bn cases per annum from 4k vehicles making 800k deliveries
- 140k Colleagues
- 98% of UK homes served by Asda.com
- 15m Click & Collect orders per annum from 650 sites
# The Problem & Benefits

<table>
<thead>
<tr>
<th>Problem</th>
<th>Root Cause</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production lines are profitable but costs of labour / waste are high</td>
<td>Not enough Production causing poor Availability and lost sales</td>
<td>Right Availability, at right time.</td>
</tr>
<tr>
<td>Production areas contribute to nearly 15% of total Fresh waste cost (2019)</td>
<td>Too much Production leading to waste and impact on resource on markdowns</td>
<td>Improved Product Freshness for Customers</td>
</tr>
<tr>
<td>Lack of central supply visibility on Inventory levels</td>
<td>Wrong Production timing causing products to be poorer quality</td>
<td>Reduction of time, effort and resources used to remedy</td>
</tr>
</tbody>
</table>

Sales, Waste improvements therefore Profitability increased
The Journey so Far

Asda Supply Chain 2020

Global Issue

Walmart Project 2015

UK Project

Asda Owned Project 2017

Current Status

Solution launch 2019 - 2021

“Why are we spending £1000s on new Rotisserie packaging when our colleagues don’t know how many chickens to cook?”  Sean Clarke CEO Asda 2017
The Challenge

Asda Supply Chain 2020

People
- Industry recruitment issues around Bakers
- Colleagues alignment to shape of customer demand
- Colleagues lack of trust in system
- Retail Vanity

Product
- Sales Variance In-day between areas
- Operational differences between Production Areas
- Standard Pack Sizes
- Differing production times of products

Process
- Complex Cross Functional Project
- Technology 3rd Party Integration
- Lack of SF devices
- Inventory Data (different ordering methods)
- Compliance – what does it measure
Our Solution – How It Works

- Production Levels based on Historical data, forecasts and internal levers alongside pack size information. Colleagues scan any carryover into ADC App.
- Events are added from Asda Central Supply feed, combined with forecasting completed by ADC.
- GRS delivers Fulfilment, FPP delivers Production Planner
- Output is a simple Colleague Planner with time buckets across the day.

<table>
<thead>
<tr>
<th>INPUT</th>
<th>DATA WAREHOUSE</th>
<th>LEVERS</th>
<th>OUTPUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daily Data Feed</td>
<td>52 Weeks - Sales,</td>
<td>Waste Tolerance</td>
<td>Retard Report</td>
</tr>
<tr>
<td></td>
<td>Markdown &amp; ITB,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ingredients, Pack</td>
<td>Forecast Period</td>
<td>Production Plan by window</td>
</tr>
<tr>
<td></td>
<td>sizes</td>
<td>Weighting</td>
<td></td>
</tr>
<tr>
<td>Supply Data</td>
<td></td>
<td>Safety Stock</td>
<td>Compliance Report</td>
</tr>
<tr>
<td>Feed</td>
<td></td>
<td>Min/ Max Qty</td>
<td>Production Tracker</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Carryover</td>
<td>Cash Impact of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>non-compliance</td>
</tr>
</tbody>
</table>
Our Solution – How Colleagues Use

6.30am
Colleague prints planner and produce volumes within 3 windows

Markdowns are completed throughout the day

Waste processed end of day

End of day Carryover scanned on App (Bakery & Pizza)

Asda Supply Chain 2020

Coming Soon
The Results and Lessons Learned

Pizza / Bakery Trials 2018 / 2019

<table>
<thead>
<tr>
<th>Waste Reduction %</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pizza</td>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>Bakery (Cake)</td>
<td>9%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Rotisserie FPP chain launch Q3 2019

<table>
<thead>
<tr>
<th>Waste Reduction %</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rotisserie</td>
<td>13%</td>
<td>18%*</td>
</tr>
</tbody>
</table>

*MPre COVID19 Disruption

Positives

- Leadership focus on previous ‘unfocus’ area
- Once forecasting had settled, FPP showed multiple opportunities
- Availability across the day improved
- Over achieved against Business Plan waste target

Opportunities

- MVP so not all functionality available
- Middle Management cascaded – should have also been GSM
- Rota's not in place in all areas
- Winning ‘Hearts & Minds’ harder than expected
- Compliance Report not in place
Next Steps

Asda Supply Chain 2020

Rotisserie
- Re-launch post COVID19
- All functionality in place
- Asda Compliance Report imminent

Pizza / Bakery
- Trial both technical and operational process (Retail & Supply)
- Build feedback into Planner

FPP
- FPP ownership folds into Category / Supply WoW
- Metrics fold into overall Waste KRA
Three Discussion Points

**Question 1: Compliance Reporting**
Compliance has been difficult to embed on Rotisserie. Reporting could be the key but as sales can fluctuate on an hour by hour basis in Supermarket Retailing and colleagues may feel they need to produce more / less, what metrics should be used?

**Question 2: Post-launch Ownership**
In Asda we have spent a lot of time completing a RACI with Technical, Supply and Commercial Teams on who will own the BAU actions once fully launched. (Levers on system, admin updates etc). What would be your view on where these tasks would be best placed?

**Question 3: In Store Bakeries**
With the traditional skillset of Bakers reducing nationally and not having the capacity / equipment to make specialised products customers now expect, we know the industry is moving way from baking all products on premises and using part-baked, third parties to provide these products. What are your long term views on how Supermarket Bakeries will manage customer demand trends in the future?