MEAT DEPARTMENT: THE BELL CURVE
PRODUCT LIFE CYCLE AND SHRINK

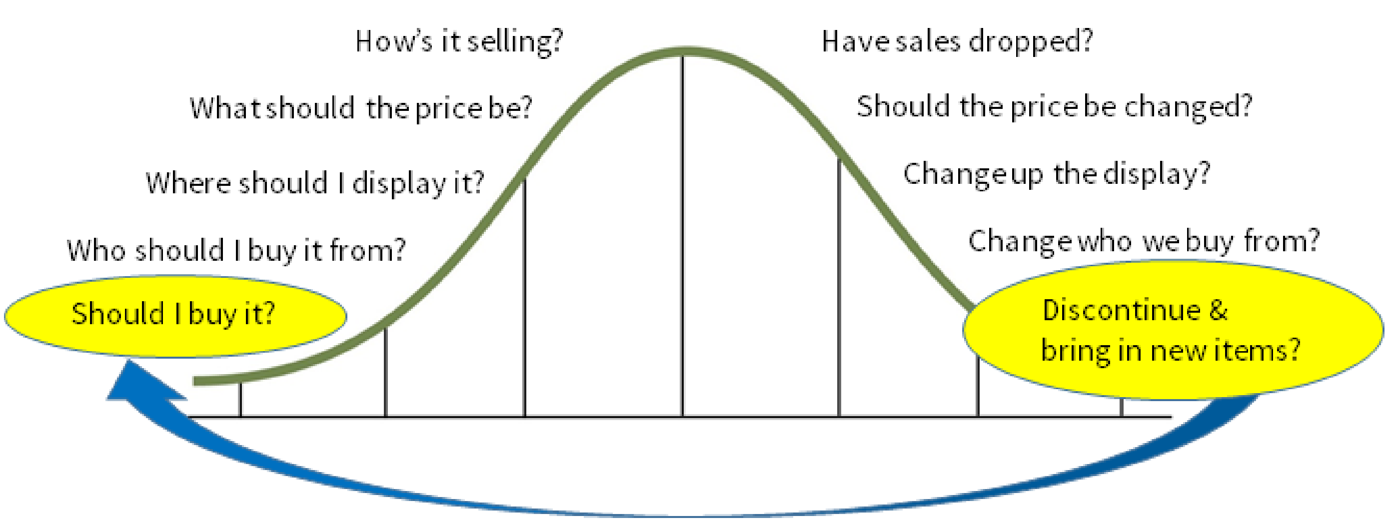
Price is only one factor in the how-to-buy equation. The most disciplined retailers track not just price but also product quality, timeliness of delivery, and the delivery accuracy of every single order.

Typical pitfalls in meat sourcing include:

- Buyers who believe their primary responsibility is to secure sufficient supply, and thus spend most of their time processing orders rather than managing suppliers
- Limited transparency into the performance and strength of individual suppliers and the supplier base as a whole (many retailers track only one of the following metrics: buying price versus benchmark, margin, availability of products, and quality)
- Quality-control processes that rely on a single indicator—for example, evaluating meat solely on the price instead of other indicators such as quality and consistent availability
- Lack of a systematic, comprehensive monitoring of the performance of buyers

Staying on top of product movement and tracking the product life cycle with the Bell Curve is important to your profitability.

THE BELL CURVE OF BUYING AND MERCHANDISING



When setting prices and assessing where a product is on the Bell Curve, it is important to consider shrink as well.

Shrink (or shrinkage) **is defined as** *the cash value of products that a retailer has bought but that it neither sold nor has in stock*. There are many components to shrink, including products past their sell-by or expiration dates, damaged goods, theft, and cashier errors. For many retailers, shrink also includes markdown, the cash value of products that were sold at a reduced price. 3-5 % of product cost is shrinkage: to secure your intended margin the waste or shrinkage has to be built into pricing.

Regarding markdowns, a retailer with a lax in-store culture might want to prioritize the standardization of operating procedures and the introduction of strict markdown policies.