



# Shelf Life Derogation Process Guide (Fresh)

**Process Owner:** Lee Robertshaw, Head of Supply Chain

**Version:** 1

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# 1 Versions and Amendments

Version	Outline of what has been updated	Author	Page Updated	Date Updated DD/MM/YYYY
1	Original version	Karen O'Brien		08/04/2019

## 2 Purpose

This document details the process for requesting, reviewing and processing products that do not meet the minimum agreed shelf life, which is referred to as a Shelf Life Derogation request. Both our Co-op Group (tCG) network and also our Federal Retail Trading Societies (FRTS) Leicester Depot are in scope. FRTS will follow tGC derogation policy (therefore we will not need confirmation back from FRTS for every Shelf Life Derogation.)

This guide is intended for **Supply Chain** and **Buying** and teams, offering the step-by-step detail for the Shelf Life Derogation process. **This guide only covers Fresh categories**; please see separate guide for Ambient and Frozen areas [here](#).

## 3 Background

The minimum guaranteed shelf life is agreed and signed off by both retailers and suppliers as part of the ranging process, and confirmed in writing in our supply agreement. Co-op and supplier systems check to ensure they are aligned.

Both retailers and suppliers have a moral and financial duty to minimise waste in the supply chain. If this reduction in guaranteed shelf life increases waste within the tCG network, both the supplier and tCG must come to an agreement to mitigate the immediate impact and any future risk or implication, in-line with section 8 of the Groceries Supply Code of Practice (GSCOP). When faced with Shelf Life Derogation requests, regardless of the circumstances, tCG will always work in and adopt the spirit of GSCOP.

### Revised Process (February 2019)

As part of the supplier engagement plan in Supply Chain, the process was reviewed in February 2019 in order more effectively support suppliers when events occur that result in Shelf Life Derogation requests. Key changes to the revised process are outlined below:

- Improved internal ownership when reviewing requests, aiming to respond to suppliers in a timelier manner
- Short and long term requests now merged, as the decision making variables are identical
- Seeks to dispel perceptions that this process only covers own label lines within our supply base – this process should be used for all products
- Confirms that Shelf Life Derogation will also apply to our FRTS Leicester Depot

## Assumptions

The following assumptions have been made when building and reviewing the process:

- All suppliers can identify the life of the stock they hold on a case-by-case basis and are able to raise short term Shelf Life Derogation requests for review at least 24 hours before the delivery is due into the tCG network.
- The Consolidated Supplier Forecast (CSF) has been reviewed with the supplier to ensure they understand how it works.
- The minimum guaranteed shelf life will be agreed and signed off by both parties as part of the ranging process, and confirmed in writing in our supply agreement. Co-op and supplier systems check to ensure they are aligned.
- Branded product Shelf Life Derogation requests will be treated in the same manner as own label product Shelf Life Derogation requests. There is a renewed focus and acknowledgment that the Co-op has convenience pack sizes for branded products, as well as unique flavour variants. They will continue to be processed in the same way as own label.
- Where products cannot be delivered with the agreed life due to production or seasonality, the minimum acceptable life will be agreed by the Buyer in advance of first deliveries and reviewed ongoing.
- The supplier has an appropriate production cycle that balances production efficiency with appropriate stock level risk.
- Where Shelf Life Derogation are needed over a weekend, it is expected that the supplier is aware who the duty manager is via either an analyst out of office or a supply chain communication to suppliers to inform. The same process will be followed with reduced office presence.
- All hour references relate to business hours, which are Monday to Friday 8:30 – 4:45. If analysts do not work core hours or are on annual leave it is expected that they have an out of office with an alternative contact.

## 4 Scope

### 4.1 In Scope

- Fresh categories supplied through the tCG logistics network
- The Shelf Life Derogation root causes as outlined in this document
- FRTS Leicester Depot (referred to in this guide as FRTS)
  - FRTS Leicester Depot receive the daily Derogations email from [co-opfreshsupplychain@coop.co.uk](mailto:co-opfreshsupplychain@coop.co.uk)

### 4.2 Out of Scope

- Ambient and Frozen categories (please see separate guide)
- Frozen isn't delivered direct to FRTS as it is cross docked so therefore no action required.
- FRTS Ipswich Depot (as this is an Ambient only Depot)
- Hand ball containers
- Inter depot transfers

## 5 Acronyms

<b>CRM</b>	Category Replenishment Manager
<b>CSF</b>	Consolidated Supplier Forecast
<b>DMT</b>	Data Management Team
<b>FRTS</b>	Federal Retail Trading Services
<b>GSCOP</b>	Groceries Supply Code of Practice
<b>MOQ</b>	Minimum Order Quantity
<b>tCG</b>	the Co-op Group

## 6 Audience and Responsibilities

### 6.1 Supplier

- Initiates the process by submitting a completed Shelf Life Derogation Request Form - requests are sent to the Buyer and Supply Chain Analyst (this is the Category Analyst for fresh)

### 6.2 Supply Chain Analyst\*

- Reviews request and either approves or rejects based on the parameters and any analytical insight provided by the supplier
- Where approved, informs the Supplier and the Store Services Team to process. Also cc's the CRM and the Buyer.
- Provide the supplier with the current shelf life held in tCG systems on request and category insight to resolve any issues that may be resulting in Shelf Life Derogation requests
- \*The CRM would do this task if the Analyst was absent

### 6.3 Supply Chain Supplier Implants

- Able to instigate requests on behalf of their parent business (this must be reviewed and signed off by the relevant Co-op Supply Chain Analyst)

### 6.4 Store Services Team

- Collate the Shelf Life Derogation that have been sent via the Category Analyst, send to Depot (including FRTS) and Profitable Sales and add to Shelf Life Derogation Tracker.

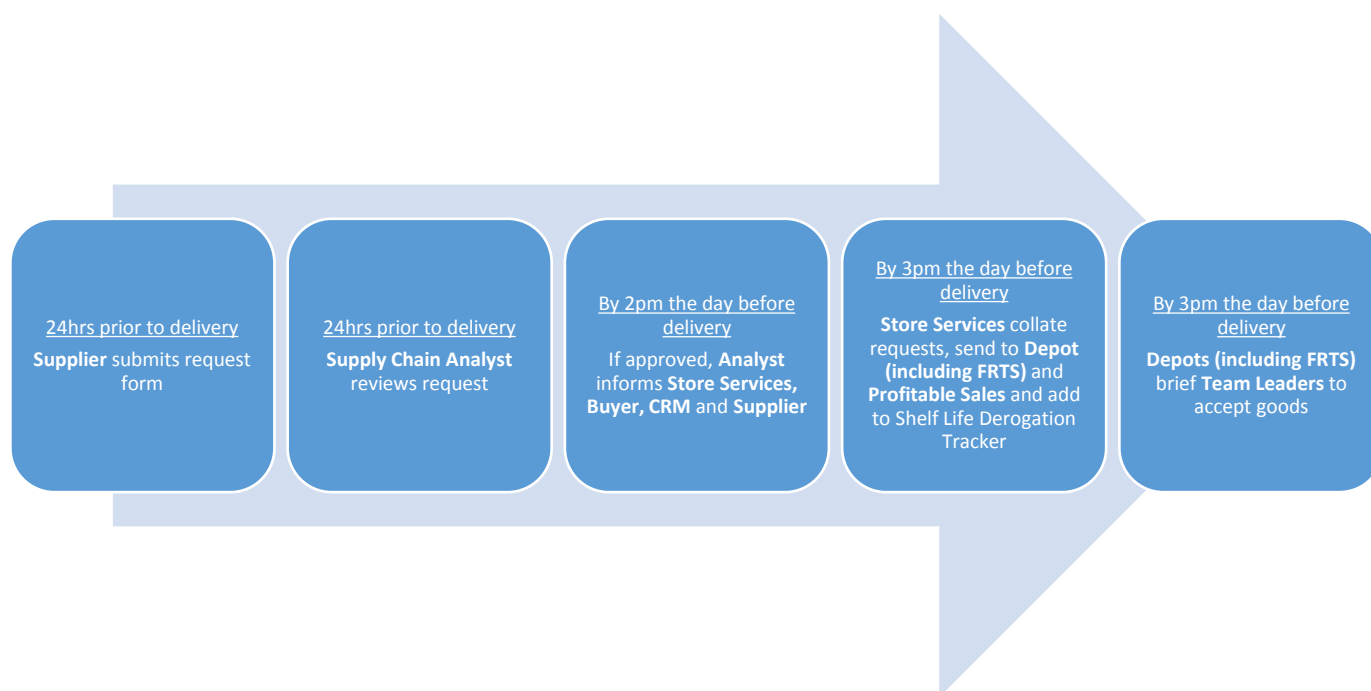
### 6.5 Depot Receiving

- Check supplier, product, date life and quantity provided against the file received by the Store Services Team in order to either accept or reject the delivered stock for (tCG and FRTS)

## 6.6 Buying

- Provide assistance to the above teams when called upon, in particular the Supply Chain Analyst when faced with complex Shelf Life Derogation requests
- Approve Shelf Life Derogation requests that fall outside of issues related to the forecast, such as surplus stock related to errors due to over production (this does not constitute a Shelf Life Derogation request as a result of forecast accuracy challenges and therefore falls out of scope for Supply Chain). In such instances the supplier can contact the Buyer to commence a conversation around Co-op supporting them with the surplus stock. If an agreement is reached then the supplier can send through a Shelf Life Derogation form with the supporting evidence for it to be processed.
- Where Senior Buyer is referred to in this policy, this refers to Senior Buyers as defined in GSCOP and within our Co-op structure this refers to Category Trading Managers.

## 7 Process Overview



If the request is rejected, the Supply Chain Analyst should respond to the Supplier **24hrs prior to delivery** detailing the reason, and copying in Store Services, the Buyer, and the CRM for sight.

These process steps are outlined in further detail in the Process Stages chapter.

## 8 Root Causes

There are a wide number of Shelf Life Derogation root causes that both businesses encounter. These should always be discussed with the supplier in order to establish root cause and ensure learnings are captured. Understanding the reason will help in establishing what support is needed from the wider Co-op teams to gain a resolution that prevents or limits those future instances (i.e. this could be reviewed as part of supplier meetings and collaborative cross functional team meetings), and will also help make a more informed decision on reviewing the request.

Some root causes for Shelf Life Derogation are outlined below, but are not limited to the following:

### Forecasting Planning Error

This relates to scenarios where stock has been produced based on a collaborative forecasted volume for promotion or range but the actual demand was less, leaving product with less life than the minimum guaranteed.

### Supplier Production / Forecasting Error

A supplier may have overproduced on a line due to efficiencies or planning error or may have issues with stock rotation which could result in a Shelf Life Derogation request. We may be able to support but would require a commercial discussion. Co-op would work with the supplier to review their forecast, production, maturation, MOQ etc. to establish where we could support.

### Incorrect Product Set-Up / Administration Error

Instances could include where a line has been set-up with incorrect minimum life dates in the system either as an administration error, where the agreed life wasn't formally captured at the start of the supply agreement, incorrect NSL or line not switched on for first orders etc. Co-op would then support with Shelf Life Derogation until the matter is fixed.

### System IT Issue Internal / External

Scenarios such as system failures and an inability to send forecast data or actual orders can occur for both suppliers and the retailer. In such episodes we would work together and support with Shelf Life Derogation until the challenges have passed.

### Line Factory Maintenance

Occurs when a supplier has lines down for maintenance and will produce volumes in advance of this happening to protect inbound rather than short us for the affected time period. If demand reduces in the time after the volume has been produced this would leave the supplier with an overstock that Co-op could then support but may require a commercial discussion.

### MOQ Challenge

A minimum production volume has been established to meet the supply agreement parameters with trading but the lines actual performance post launch means order demand is not aligned to the minimum production run. Co-op would then support with Shelf Life Derogation until the matter is resolved either by production volumes revised and brought back into alignment or product range reviewed. Co-op could work with suppliers to reduce order frequency to meet MOQ whilst maintaining availability.

### Depot Capacity Issues

When our depot reaches pick volume capacity in peak periods we would suppress demand leaving suppliers with stock that was planned to be ordered and hasn't. Co-op would then support with Shelf Life Derogation to move through the network the volume that was originally planned.

### Seasonal

In the extremes of seasonal events such as Christmas, where order demand can commonly fluctuate despite a robust collaborative forecast being in place (instances include customer distress purchases, market place shortages on products); we plan Shelf Life Derogation support to give suppliers the confidence to produce planned volumes to maintain the customer offer, and a contingency should a drop off in demand occur.

### Weather Impact

If during extreme weather periods we have spikes in demand that the supplier can't support inbound with at the current minimum life agreement but the supplier has stock to fulfil our orders with shorter shelf life we may accept to protect the customer offer.

### Logistics Issues

Operational issues to do with getting the products into and through our networks e.g. Road Traffic Accidents, vehicle constraints, etc.

### NISA

If orders for Nisa have come in below what has been forecast and has resulted in product below min guaranteed shelf life.

### Other

This relates to instances that aren't a common occurrence and relate to exceptional circumstances that the Co-op could be required to support with. For example, Brexit stockpiling, or Co2 crisis.



## 9 Process Stages

### 9.1 Stage 1: Supplier Submits Form for Review

The form should have been checked by the Supplier before submission to ensure it has all the fields completed correctly to allow the Supply Chain Analyst to conduct an investigation, and to also prevent any rejections at depot. At this point, the Supplier has the opportunity to add any supporting evidence to the request that will aid decision making.

### 9.2 Stage 2: Supply Chain Analyst Reviews Request

Having received the completed form, the Supply Chain Analyst will assess the key variables within it, i.e. date life decrease and time length needed. The Analyst should then use their category knowledge and insight to establish what level of risk is present. This may include gaining the input of different stakeholders on the issue, such as Buying or their CRM.

#### **Key factors that must be considered on receipt of the request are:**

- ☒ Check forecast volumes against date and amount of derogated stock requested. Will the stock clear in the time frames requested?
- ☒ On submission ask supplier to provide forecast volumes against order volumes to demonstrate difference.
- ☒ Ask supplier to detail what date forecast they are working to in order to understand, for example, if it was recent or 2 weeks old.
- ☒ Validate product date life data held centrally in Co-op matches what the supplier is working to. If incorrect raise with Buyer. If ok to change needs to be requested through DMT.
- ☒ Validate and understand supplier production cycle to determine if amendments can be made to reduce risk of Shelf Life Derogations or if the MOQ is going to cause a longer term issue whereby the guaranteed shelf life or the commercial viability of the product may need to be reviewed?
- ☒ Have there been any recent shorts that could suggest an issue with the production cycle?
- ☒ Has there been a recent event which has either de stabilised the forecast or introduced a new product into the business?
- ☒ Check FRTS orders vs co-op and validate the CSF. If FRTS contact Operational Reporting team with evidence to update the CSF

### 9.3 Stage 3: Analyst Approval / Rejection

#### Approvals

At this point the Analyst has agreed to support the Shelf Life Derogation request and it now starts the implementation phase of the process. The completed form should be sent to the shared inbox: [Co-opFreshSupplyChain@co-operative.coop](mailto:Co-opFreshSupplyChain@co-operative.coop) by the Category Analyst, along with any supporting commentary. The Supplier, CRM and Buyer should be copied in on this email to act as confirmation that this has been approved.

#### Rejections

It is not expected that a request found to be as a result of Co-op fault should be rejected. If the Analyst feels that the request is unreasonable after reviewing the variables and the level of risk, they should respond to the Supplier informing them of the decision, copying in Store Services, CRM and the Buyer.

Store Services should then add this to the log (rejections will be on a separate tab in the spreadsheet).

The importance of this is that it doesn't leave the supplier without an answer. If the supplier remains unhappy with the decision they should escalate through Supply Chain management for review.

### 9.4 Stage 4: Requests Collated

The Store Services team have from **2pm until 3pm** to collate all the approved Shelf Life Derogation requests received. Once completed, the detail is sent to the Depot (including FRTS) so they can to either accept or reject the delivered stock. The Analysts that have approved such requests are not copied in on this but as long as they have sent approvals through by the deadline, they will be included.

### 9.5 Stage 5: Depot Team Briefings

Having received the information, the Depots (including FRTS) then share with their Team Leaders so that they know to accept stock on arrival for the dates affected. This then prevents any risk associated with rejections around requested date and depot dates.

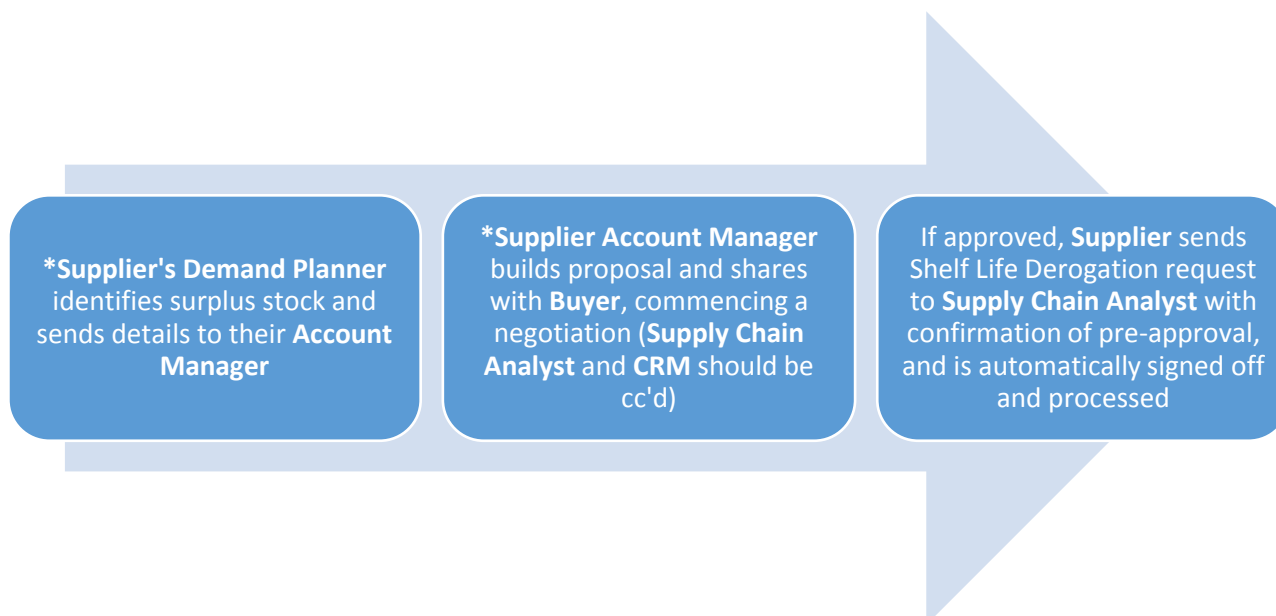
### 9.6 Stage 6: Weekly Shelf Life Derogation Report

A weekly report is issued to Supply Chain and Buying which includes details such as: category, supplier, line level detail with running total of most frequent requests. An agenda point will be added to Weekly Category Meetings to discuss any repeat Shelf Life Derogations or root cause resolution.

## 9.7 Non-Forecast Related Shelf Life Derogation Requests

If the Analyst receives a Shelf Life Derogation request that they believe does not relate to the forecast, they should forward the request to the relevant Buyer, and advise the Supplier that the Trading team are better placed to support.

Below outlines the process for Shelf Life Derogation requests that come through to Trading which are not related to forecasting:



\*For some suppliers, their Account Manager may also cover the Demand Planner duties, and as such Steps 1 and 2 would be combined.

If the proposal is rejected by the Buyer, the Buyer should inform the Supplier of their decision and copy in the Supply Chain Analyst, CRM and [co-opfreshsupplychain@coop.co.uk](mailto:co-opfreshsupplychain@coop.co.uk) so this can be added to the Rejections Log.

## 10 Process Control and Monitoring

The Shelf Life Derogation Tracker provides a control mechanism to establish trends and process compliance, as well as face into any underlying issues that cause Shelf Life Derogation, and ultimately reduce the frequency of instances longer term. As owners of the forecast, Supply Chain are accountable for the overall governance of the Shelf Life Derogation process.

For the separate process guide relating to Ambient & Frozen categories, please see [here](#).

For further information, such as Forecasting or the Senior Buying Escalation Process, please [click here](#) to access the Knowledge Portal. If you do not have access please email the Commercial Process Team on [commercial.process@coop.co.uk](mailto:commercial.process@coop.co.uk)