

Taking Stock of Out-of-Stock

Major study shows just how far online inventories have to go to keep customers satisfied

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It's not often one gets to co-author a study that becomes an industry standard. Professor of marketing Thomas Gruen has published not one but two game-changing studies.

In 2002, Gruen and his Swiss colleague Daniel Corsten published a sweeping study of on-shelf availability covering a wide variety of consumer-goods categories including baby, hair, oral, skin and shave care products at major grocery, mass, drug and convenience retailers in North America, Europe and Asia. The study immediately became the major reference for understanding availability and supply chain success in the industry, and continues to be referenced today.

Sixteen years later, the researchers broke new ground with a report geared to the age of ecommerce. Published by the Grocery Manufacturers Association (GMA), the 2018 report focused on online availability. Its findings – that out-of-stock rates for online purchases doubled those of in-store rates – sent a wake-up call to branded goods firms worldwide. The report also estimated potential sales losses of as much as \$17 billion a year at a time when retailers are ramping up ecommerce in an effort to compete with Amazon, which owns a whopping 70 percent share of US online sales.

“The key concept we examined was ‘non-online available’ or NOLA,” Gruen says. “This includes ‘out-of-stock’ items but also items that have been suppressed due to bad data or other technological problems. A new product code, price or even photograph can be lost in transition online. When that happens, the product disappears from the digital shelf. Our evidence suggests that companies simply haven’t been paying attention.”

With billions at stake for brands and retailers alike, they soon will.

Gruen’s study illuminates critical differences between how online consumers and in-store shoppers react to not finding what they want. For example, in-store shoppers will switch stores to find specific brand products they want; online shoppers are more likely to substitute another product from the same brand or switch brands rather than leave the website.

“Online transactions are still labor intensive and emotionally taxing for consumers who want to expend the least amount of effort possible,” Gruen says.

The report recommends that the trillion-dollar industry ramp up its online readiness, and the GMA has in turn made NOLA a top priority for its Supply Chain Committee and special task force with retailers.

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