

CASE STUDY

Afresh and Alvarez & Marsal CRG Partner to save U.S. Value Grocer an Estimated \$2.7 Million Annually

A U.S. value grocer sought to provide its customers – especially those in areas with limited access to nutritious food – with affordable, fresh produce at a competitive price. Yet high shrink, staff turnover, and low inventory turns highlighted issues with their centralized distribution model and prevented stores from achieving the degree of operational efficiency required to keep produce at optimal freshness and pass savings along to customers.

The grocer knew something had to change and engaged industry experts Alvarez & Marsal's Consumer and Retail Group (A&M CRG) to lead an end-to-end Fresh transformation program, including improvements to their supply chain replenishment and sourcing practices, distribution and logistics processes and retail pricing strategies. Together they knew that to reach their goals, they needed supply chain solutions that could improve store-level decision-making while accounting for the nuances of fresh, as well as their customers' unique needs.

Intrigued by the promise of Afresh's user-friendly interface and expertise in fresh replenishment, the value grocer opted to test Afresh's AI-powered ordering solution. Over a 12-week pilot conducted in partnership A&M CRG, Afresh's technology demonstrated remarkable results.

- ✓ **\$2.7 Million** in annual savings
- ✓ Optimized back rooms
- ✓ Improved in-stock rates
- ✓ Unprecedented freshness
- ✓ Enhanced labor efficiencies

“ You have my full buy-in on this program. This process can be a game changer for my stores. ”

Market Director



Inefficient Operations Pose Barriers to Freshness, Availability, and Profitability

Value grocers operate in a highly competitive market with tight profit margins, making efficient inventory management crucial.

This value grocer was keen to improve product freshness and availability, and thereby, become their customers' first choice for fresh. Yet they faced several obstacles:

- **Overflowing Backrooms:** Frequent pushes led to overflowing backrooms. In some cases, these backrooms were not temperature controlled, resulting in shrink that was significantly higher than industry standard.
- **Atypical Customer Demand:** Their demand forecasting did not properly account for unique buying patterns, like customers buying more fresh foods at the beginning of the month when they received their SNAP benefits.
- **Variable Store Layouts:** Stores were not initially designed with fresh groceries in mind, leading to significant variations in layout, display sizes, and backroom capacity and temperature controlled infrastructure.
- **Inconsistent Operations:** Practices varied widely depending on store managers and regional leadership, affecting scanout/weighout methods and the frequency of floor replenishments.

These challenges compounded to result in either chronically over- or understocked stores, directly impacting the quality and availability of produce. Furthermore, inefficient labor practices, over-full backrooms, and high shrink rates were costing the chain millions in lost revenue annually, undermining their ability to provide affordable, fresh food to their customers.

“

That was fun. The Afresh app was easier than I thought it would be. Very seamless”

Assistant Store Manager



Empowering Store Teams with AI-Driven Order Writing

Alvarez & Marsal CRG partnered with Afresh to pilot their AI-powered ordering solution in select stores, while transforming their Fresh departments from a push to pull ordering model. Recognizing that store associates had no previous experience writing orders (and limited experience in grocery on the whole), Afresh and A&M CRG provided comprehensive on-the-ground training and ongoing support to transition store teams to this new system and significantly improve operational efficiency.

How Afresh and A&M CRG helped:

- 1. Comprehensive Training:** Afresh conducted hands-on, in-person training sessions, teaching store associates how to use their iPad app to write orders. Afresh worked closely with A&M CRG and the grocer to build onboarding and enablement best practices, ensuring teams felt confident and capable of managing store orders.
- 2. Seamless Digital Workflows:** Afresh's digital workflows streamlined the ordering process by seamlessly integrating with existing store processes, enhancing accuracy and reducing the time spent on manual tasks (e.g. inventory, downstacking, etc.).
- 3. AI-Powered Recommendations:** Afresh's solution provided intelligent order recommendations based on numerous fresh-specific factors, including perishability and demand elasticity, helping store teams make data-driven ordering decisions.
- 4. Continuous Support:** Afresh maintained ongoing support, offering a white-glove approach to address any challenges and ensure the store associates could fully leverage the system's capabilities.

“

Scrap is significantly lower. We used to fill up half a trash can every day and we had all those U-boats out on the floor in addition to our backroom stock. We don't need to sidestack like that anymore. My backroom is much more manageable.”

Primary Order Writer



Before



After

Driving Profitability and Customer Satisfaction Through AI-Powered Ordering

Store associates found the app intuitive and quickly gained confidence in placing orders. Within four weeks, store associates accepted Afresh's order recommendations 89% of the time.

As a result of this pilot, the chain saw:

- **Lower shrink:** Pilot stores historic shrink and scan-out reductions significantly improved profitability.
- **Tidier backrooms:** Optimized store ordering led to cleaner and more manageable backrooms, along with labor savings. Store teams spent less time managing shrink, allowing them to focus more on customer service and other high-value tasks.
- **Fresher produce & fuller displays:** Consistently fresh produce and well-stocked displays enhanced the shopping experience due to less reliance on storing produce in non-temperature controlled backrooms.
- **Empowered store teams:** Store associates, trained and supported by Afresh, felt more confident making replenishment decisions for their produce assortment, leading to better execution and improved employee engagement.

Altogether, transforming their Fresh departments from a pull to push model with Afresh projected an estimated **\$2.7 million in annual savings**. This significant reduction in operational costs enabled the value grocer to pass savings on to their customers, thereby advancing their mission of providing affordable, fresh food to those who need it most.

“

We've seen great sales results, and 7% reduction in scan-outs is historical.”

Market Director



The combination cutting edge technology, best-in-class industry knowledge and hands-on training provided the foundation for an outstanding partnership between Afresh, A&M CRG and, of course, the grocer themselves.

Prior to engaging Afresh, Alvarez & Marsal's Consumer and Retail Group (A&M CRG) was working with the grocer on an end-to-end Fresh transformation program, including replacing the retailer's traditional "push" replenishment model with a store-driven "pull" model. Additionally, A&M had also identified opportunities to drive further improvements throughout the supply chain such as better sourcing practices, re-designed distribution and logistics processes and retail pricing strategies and were in the midst of implementing them when they engaged Afresh.