

Dealing with the “Capacity Crunch”: A Retailer Perspective

March 2019

Big Lots Overview

Big Lots offers an extensive assortment of brand-name items and quality products, including food, furniture, seasonal items, electronics and accessories, home décor, toys, and gifts.

- Founded in 1967 as Consolidated International
- Headquartered in Columbus
- 35,000+ associates
- 5 Regional DCs
- Over 1,400 Stores in 47 states

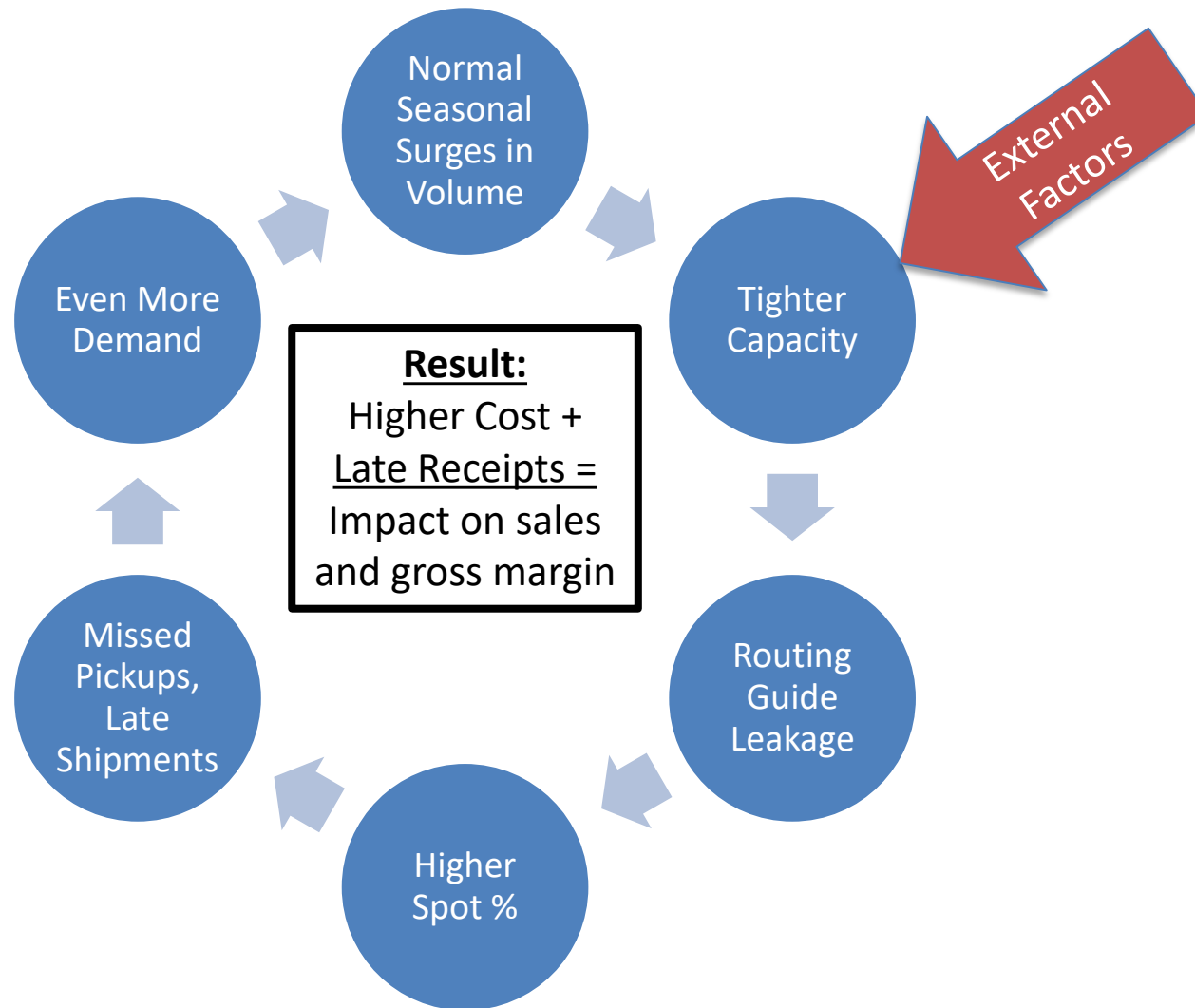
Our Mission:

We Exist to Serve Everyone Like Family

Financial Highlights	FY18
Sales (in 000's)	\$5.2 b
Adjusted Operating Profit (in 000's)	\$218 m
Net Income (in 000's)	\$156 m
Earnings Per Share	\$4.43



Impact of Tight Capacity



What did we do about it?

Identified internal levers to drive efficiencies:

- Improved visibility: daily reporting to internal customers; awareness to plan ahead
- Analytics to create various views of forecasts
- Smoothed peak surges by vendor
- Vendor scorecarding to target operational, systemic issues
- Consolidated, reduced LTL shipments
- Executive holiday hind-sighting (with feedback from transportation)

Collaboration with partners

- Frequent meetings with 3PL transportation provider
 - Daily reporting on waterfall tendering
 - Open issues, opportunities, priorities
- Bi-weekly review with intermodal provider
 - Market updates, performance, review forecast, drop pools, vendor issues
- Concentrated number of brokers to speed up tendering process
 - Leveraged brokerage marketplace for challenging and/or low volume lanes
- Looped feedback from service providers on problem vendors to merchandising team
 - Setup calls with key vendors to review

For the next (inevitable) capacity crunch...

- Improving analytics and process monitors
 - Where are the pinch points?
 - What levers can we pull to react more quickly?
 - Visibility is critical
- Standards for prioritization
 - Not all product is created equal - what drives our business?
 - Focus limited resources appropriately
- Enhancing forecasts
 - Partnering with top TL carriers, vendors
 - Driving change in buying behavior through understanding of costs