

CHAPTER 8

**SERVICES FOR RETAIL, DISTRIBUTION, MANUFACTURING AND RELATED COMPANIES,
AND COMMODITY TRADERS/BROKERS**

- 8.1 Introduction
- 8.2 The Weather Initiative
- 8.3 Weather sensitivity analyses
- 8.4 Other products/services available

CHAPTER 8

SERVICES FOR RETAIL, DISTRIBUTION, MANUFACTURING AND RELATED COMPANIES, AND COMMODITY BROKERS

8.1 Introduction

8.1.1 This sector includes services provided to all those organizations whose primary function is associated with retailing and distribution to consumers, to retail outlets of food and non-food products, and to those involved in the manufacture or processing of products, both food and non-food items. It includes all non consumer-related manufacturing, e.g. the chemical industry, electrical, mechanical and general engineering companies, but not those whose primary involvement is in installation these are covered by construction (chapter 7). It also includes companies whose primary role is buying or trading in all forms of commodities. It includes the extraction, processing and distribution of ores, metals and minerals, but not fuel extraction (chapter 13). Finally, it includes the manufacturers, distributors and retailers of liquid gas products and suppliers of domestic heating oils but not the major power and fuel generation/supply companies, e.g. National Power, Electricity Boards, British Gas, British Coal, etc. (however, Electricity and Gas company showrooms, etc. are regarded as in Sector C).

8.1.2 The sector has an overlap with other sectors, especially with the Agriculture sector. In cases of doubt, it is the primary function of the parent that determines the sector. For instance, a company whose primary purpose is to sell/market potatoes rather than to produce them would fall into this sector whereas the company which grows/produces them would fall into the agriculture sector (chapter 6).

8.1.3 Requirements The primary requirement in this sector relates to the use of weather intelligence to benefit the clients by improving their reaction to weather variations. Consumer demand is influenced by the weather, both in relation to the need for the product, e.g. salads, soft drinks, windscreen de-icer, and the consumer's ability or willingness to visit the retail outlet (if there is sunshine a trip to the seaside may be more likely than one to the supermarket). Thus, the retailer needs weather, and other, information to estimate sales and ensure that there are adequate stocks to meet demand. At the same time, if the product is perishable, he does not want to overstock. Where a retailer has many outlets there will be a need to ensure these stocks can be ordered in good time from suppliers and distributed effectively. Distribution, in addition, needs information on weather which may delay delivery or affect the quality of perishable goods. Where food or other agricultural raw materials are involved attention may be focused on the weather in growing areas, often overseas, and on possible shortages through loss in transit. Information may also be used to influence tactical promotions, and is being used increasingly to help monitor changing consumer habits, and as a management tool to establish cost-effectiveness of a given sales outlet by comparing sales against projected sales, allowing for weather factors.

8.1.4 In this market sector, perhaps more than in others, the bulk of the potential customer base may be reached cost-effectively by a centrally coordinated approach to the major retail and manufacturing organizations or their marketing consultants/organizations. Furthermore, the complex interaction of the various requirements demands a good deal of attention to specific customer-servicing, market research and product tailoring. Because of these special needs, this sector is considered as a Business Unit in its own right, The Weather Initiative. Details of the main services are discussed in paras 8.2 to 8.4.

8.1.5 In the manufacturing and warehousing area in particular, the amount of fuel which is used for heating premises in winter is very weather-dependent and a number of industrial and commercial customers have a requirement to estimate and monitor their fuel consumption for the weekend. A standard-fee service is available to meet this requirement.

8.2 The Weather Initiative

8.2.1 The Weather Initiative (TWI) has been set up as a Business Unit of The Met. Office. The Unit has Office-wide responsibilities for organizing the development, sales and provision of all sector C clients (see chapter 2 Annex A). The Manager of TWI is responsible for the functioning of the Unit, the operation of which is monitored by a Board of Directors chaired by Hd(M).

8.2.2 Target areas of TWI are as follows:

- a. Major manufacturers and retailers, specifically their
 - (i) Marketing departments,
 - (ii) Buying and distribution departments,
 - (iii) Sales departments,
- b. Commodity-based companies,
- c. Marketing, advertising, research and business consultancy companies,
- d. Manufacturing and retailing companies overseas.

8.2.3 The primary service provided by The Weather Initiative is a professional consultants approach, with Key-Account Management (by TWI staff at Bracknell or any regionally based Commercial Manager), the corner-stone of the successful approach to clients in this sector.

8.2.4 All enquiries received, or opportunities perceived, at Headquarters or outstations in relation to Key-clients in this sector should be directed to the appropriate Key Account holder (a list of these is available) (or TWI in cases of doubt). For localized elements of the retail trade, services should be arranged by the appropriate Commercial Manager in line with the published guidelines.

8.2.5 A full set of guidelines establishing standards, pricing and procedures has been prepared and issued. Extra copies are available from TWI.

8.3 Weather sensitivity analyses

8.3.1 Using the extensive climatological records now available on computer archive, The Weather Initiative is able to examine sales despatch data for a given company or product line to find out what correlations exist between sales, the weather and other quantifiable variables. This information can be very valuable to the client in enabling the variation due to the weather to be eliminated from sales analyses. It may be used also to capitalize on the weather sensitivity by using special tailored forecasts of the main variables identified to predict future sales, anticipate demand, adjust production, reduce wastage or make stock control more efficient. Tactical advertising can be employed to capitalize on anticipated weather events.

8.3.2 For sales analyses, climatological values of possible variables from individual stations are matched to the available sales data by averaging over suitable areas and time-scales, usually monthly or weekly, weighted according to, say, population density. Dependent on the quantity and resolution of the sales data provided, seasonal and longer term-trends can be isolated and correlations with particular weather types established. The temporal relationship (e.g. lag) between sales and the weather may also be determined, though where this is on a scale of less than one week it is rare to obtain sales data with the necessary resolution. This lack of resolution may also reduce the effectiveness of the analysis as a basis of sales prediction.

8.3.3 The final product of the analysis is a report of the work and, if significant weather-dependence is established, mathematical formulae linking sales with weather. Personal presentations of findings to clients will, generally, be appropriate.

8.4 Other products and services available

8.4.1 Forecasts Forecast information in the retail trade can be used in a variety of ways, from influencing stock-level decisions to planning promotional campaigns. The Weather Initiative can arrange the forecast package, covering up to 30 days or so ahead, and for the production point to be identified, if not from within the Unit. The format and method of distribution of the forecasts are important since retail companies will have their own internal network for dissemination of information.

8.4.2 Analyses TWI will also provide or coordinate, as necessary, the provision of an analysis of weather to be expected (temperature levels, rainfall, sunshine, etc.) on an historical basis for given periods (e.g. weekly, monthly, by season, etc.) as an aid to longer-term planning. This can also include the provision of data. Various analyses of single or multiparameter weather variables may be provided to benefit a client. These include, for example, spells or frequency analyses to assist with risk analysis.

8.4.3 Provision of data TWI can provide a wide variety of meteorological variables averaged over the 13 television sales regions (or clients' own areas) for any period. Data may be supplied on paper, magnetic tape or diskette and in graphical form. Both non-routine past data (i.e. one-off sets) or routine recent past data can be provided.

8.4.4 Commodities TWI can make arrangements for the monitoring of weather in crop-growing regions and where it may cause difficulty in the transport of perishable goods. A service is available giving information on weather in crop-growing areas around the world. The areas, elements reported and the frequency of messages are tailored to the customers requirements subject to the availability of data. The service is aimed at commodity brokers, food manufacturers and retailers to give warning of weather related commodity price changes.

8.4.5 Full details of these services and current pricing are contained in the *CS Product Manual* or may be obtained by contacting The Weather Initiative (ext. 6817).