

“The old view of the store was that it was about space plus product...the new view of the store is that it is about experience.”

– Gordon Graylish,  
VP and GM Intel Corp.

## ROAD BLOCKS TO SUCCESS WITH OLD TECHNOLOGY

The National Grocers Association, in partnership with Pan-Oston, has been touring the country with the Utopia Across America (UAA) Tour. During 2010, the UAA mobile innovation centers traveled 73,000 miles, stopping at 149 supermarket chains and meeting with more than 1,200 grocers. We listened to the needs and concerns of independent grocers and several core issues surfaced time and again: labor costs, loss prevention concerns, cash management challenges, POS system upgrades and end of life issues. Combined, these issues reduce independent grocers' already razor thin profit margins.

Through better loss prevention and labor management, grocers can combat rising fixed expenses, recapture lost profits and offset decreasing gross margins. In addition, independents must be able to leverage their strongest competitive advantage: providing unique and differential customer experiences. New technologies can play an integral role in combating business challenges, as well as significantly aid in better meeting customers' needs. As such, the first obstacle the independent sector must overcome is the often-prevalent inability to leverage technology in order to enhance operating performance and provide shoppers the more personalized experiences they demand.

### OPPORTUNITY: NEW TECHNOLOGY

#### Self-Checkout

Hardly a new technology in the mind of the consumer, self-checkout is slowly being more widely embraced by independent retailers. Although some retailers remain concerned that self-checkout equates to a drop in customer service, the customers themselves are increasingly demanding a self-service option. Convenience, speed and a general preference for self-service versus attended service, were cited as the top three reasons consumers choose self-service options, according to the 2009 Self-Service Consumer Survey, conducted by the Self-Service and Kiosk Association. Among the survey respondents, the vast majority said they had used a self-checkout device during the past six months, with high usage reported across all age groups. For those 35 years old or younger, 91 percent used self-checkout; 85 percent of respondents aged 36 to 50 used self-checkout; and, of those 51 years and older, percentage of use was 82 percent. This self-service trend will continue to grow over time. In the same survey, 78 percent of respondents indicated they thought they'd use self-service options either "somewhat more" or "much more" during the next five years. On average, four minutes of waiting in line equates to a drastic drop in customer satisfaction levels.<sup>1</sup> It's difficult to refute the numbers – retailers that aren't providing self-checkout are failing to provide the customer service their shoppers want.

There are many reasons that customers prefer self-checkout – from the control it provides in bagging their own groceries, to the belief it's a quicker way to checkout. Aside from customer preference, offering self-checkout can allow your attendant to move to the other side of the lane and truly have a positive impact on the customers' shopping experiences. Plus, with new technology like the mobile attendant, one attendant can cover multiple lanes while helping customers checkout at the same time. Combine this with low attendant intervention rates, and you are sure to see what many independents are seeing: a large gain in customer satisfaction rates after implementing self-checkout.

---

<sup>1</sup> Network Alliance, "Self-Service Store Integration"

“As technology has evolved over the years, most retailers have created a patchwork of disparate systems on different platforms throughout the store. The amount of hardware has also increased to include servers, PCs, printers and wireless handheld devices. Many systems either do not connect, or are connected in a cumbersome manner that requires manual processes. Information is difficult to retrieve, and new releases are resource-intensive to manage. Some applications purchased through software vendors lack consistency in capability, have overlapping scopes, and are rarely integrated in terms of function or data. Many older applications are based on outdated architecture and are inflexible, making it difficult to change processes and business rules, add new devices, and so on, without touching the source code. This can present a competitive disadvantage for retailers as new innovations are made available over time.”

– Thom Imlay, Microsoft Retail and Hospitality. “Challenges in Today’s U.S. Supermarket Industry,” May 2006

All of these reasons to offer customers self-checkout are compelling. However, they don’t even address the biggest benefits to retailers: **reduced overhead, increased average basket size, targeted advertising of specific products or product categories and enhanced customer service from a redistributed labor force.**<sup>2</sup>

#### Cash Handling with Bank Note Recycling Technology

One of the latest tools in the grocer’s arsenal for both labor and theft management is cash handling and bank note recycling (BNR) technology. While self-checkout can, and does, address the customer side of the theft equation, employees can be a more significant cause of store loss than most grocers realize. According to the National Retail Security Survey, employee theft accounted for \$15.9 billion in store losses in 2008, or 44% of total loss.

Cash handling significantly reduces employee theft by limiting the need for staff to manage store tills and cash. Bill recycling also limits the need for cash replenishing, further reducing theft opportunities. Another benefit of bank note recycling (BNR) is an up to 90 percent reduction in start up float, freeing up potentially tens of thousands of dollars per store for grocers to use elsewhere. The BNR helps retailers realize labor savings by eliminating the need for routine pickups at the lane to reduce the amount of cash in the till, and reducing the time required to pre-make and reconcile tills. The BNR is also an excellent guard against counterfeit bills, including the bleached bills showing up at grocery stores across the country. Combined with a cash controlled back office safe system, cash handling with BNR technology provides a comprehensive cash management solution from the till all the way to the bank.

#### **ROADBLOCK: OLD TECHNOLOGY**

Self-checkout and cash handling are just a few of the many technological advances available to aid retailers in labor and theft management, as well as in providing a better customer experience. The list of tools available to grocers continues to grow – customer relationship management and loyalty programs, self-scanning systems, bottom-of-the-basket loss prevention, and mobile applications, just to name a few.

Possibly now more than ever, adoption of new technologies is critical in order to remain competitive. According to the National Grocer Association’s 2011 Consumer Survey Report, customers are looking for better prices at alternative stores, impacting supermarket share. Warehouse clubs and specialty food stores each rose a full percentage point in response to the survey question, “Where do you purchase the majority of your foods?” But, 95 percent of these respondents also cited courteous and friendly employees as a major factor in deciding where to shop; and 83% indicated that an individualized shopping experience – a store that pays attention to special needs and requests – is a very/somewhat important factor.

Technology can play a huge role in providing customers the friendly, personalized shopping experience they’ve come to expect, and differentiate the independent sector from the big retailers.

However, with rapidly advancing technology and related integration challenges, many retailers have fallen behind the technology curve.

---

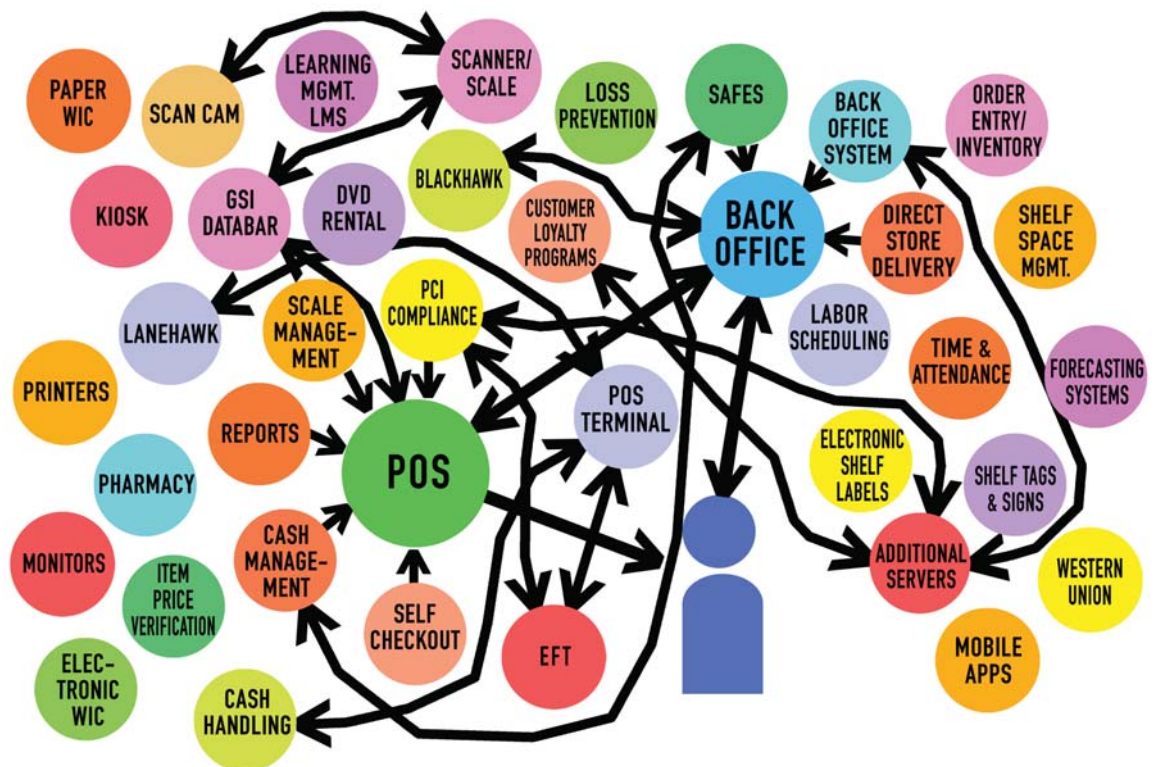
2 <sup>1</sup> Network Alliance, “Self-Service Store Integration”

“The POS system remains the most mission-critical application in any retail environment, and it must support the way customers want to interact with the retailer.”

– Thom Imlay

In the nearly five years since Mr. Imlay shared the above insights, little has changed for the independent grocer sector. The challenges independent retailers face when attempting to integrate new technologies remain numerous, stemming primarily from an inflexible point-of-sale system. Such as:

- Is it easy and economical to make changes or add to your POS software?
- How responsive is your service and support?
- Does your technology provider have to compete for your business?
- Do you have easy access to all of your stores' data? What types of reports does your software produce and can you access these reports, or develop personalized reports, in a real time manner?
- Does your POS software interface with all of your current operating software and systems?
- Is your POS system scalable?
- Has your POS reached “end of life,” requiring expensive upgrades?
- Are you locked in to using specific hardware selections and configurations?
- Are you self reliant, or are you reliant on distributors for service and support of your POS system?

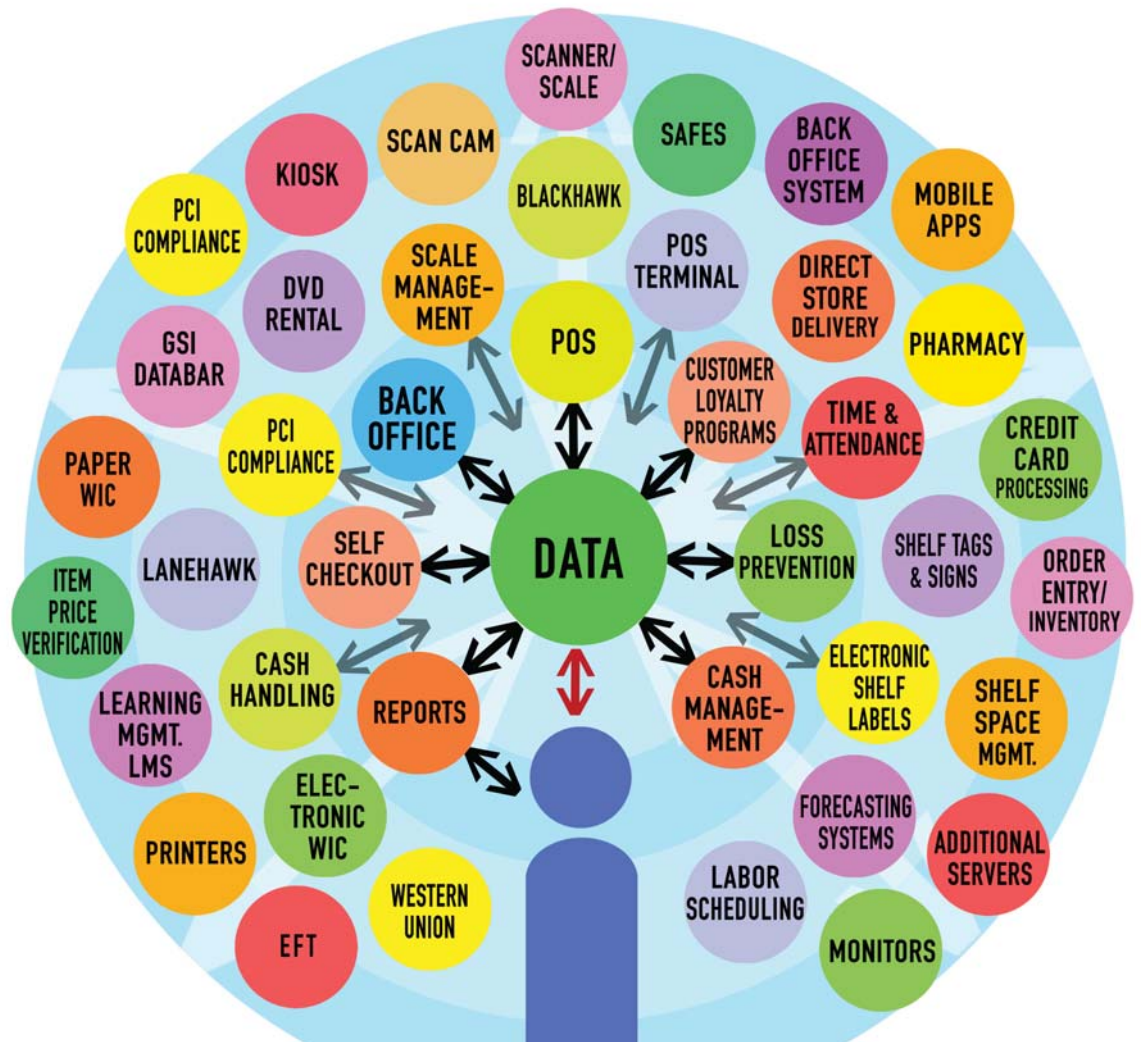


“Technology can not only tell you what you can sell, it can tell you how to sell it and how to keep it sold. This is a big, big change and we all need to embrace it. We need to embrace technology that will allow us...to be successful with any culture, any age, at any time.”

– Bill Fields, former WalMart CEO

## THE FUTURE IS NOW: OPEN PLATFORM SYNERGY

In order to truly capitalize on the business advantages new technologies can provide, independent retailers must be able to operate from a truly open platform POS system. An open platform Windows system is non-proprietary and is scalable and adaptable to retailers' needs. The synergy it provides allows for easy interfacing with new technologies, providing independent grocers with the opportunity to have best-in-class hardware and software. It provides easy access to all your store data – *when* you want it and *how* you want it. Independent retailers deserve to be, well, independent. The current store system model creates dependence, while the new open platform offers independence.



A truly open platform POS system allows grocers to effectively and cost-efficiently address the competition, service and support costs, labor costs, theft, regulatory standards and, most importantly, it allows a greater opportunity for customer satisfaction.

Just as customers are driving change through their increased demands of being able to shop the way they want to and their expectation of being engaged in two-way dialog with retailers they patronize, independent grocers must also drive change. They must demand the ability to run their stores the way they want to, with the ability to adopt and leverage new technologies in order to remain alive in a competitive landscape that is seeing the center store products

and sales invaded by convenience stores, dollar markets, retail outlets and drug stores. It is time to expect and help bring to fruition a better way of doing business. That better way resides in the widespread implementation of a truly open platform POS. Adaptation and innovation is critical to the future success of the independent grocery sector.



**White paper provided by Pan-Oston.**

*Pan-Oston, a division of Houchens Industries, Inc., has been an industry leader in the design and manufacture of retail checkout products, as well as a broad range of retail fixtures and fittings, for more than 40 years. The company strives to be a trusted resource of industry insights and best practices for the independent grocery sector. [www.panoston.com](http://www.panoston.com).*