



Focus on Service

Self-checkout proves a potent resource for independents as much as for big chains.

By Marc Millstein

Some retailers are still debating the benefits and ultimate return on investment of point-of-sale self-checkout systems.

Many others, however, are sold on the stepped-up speed and ease of customer use, as well as the improved service levels and streamlined labor costs offered by the systems. That's proving true not only for large chains such as Kroger, Ahold and many others, but also — and perhaps more importantly

— for smaller regional chains and independents.

According to retailers and industry leaders interviewed by *Progressive Grocer*, self-checkout rates at some locations are topping 40 percent of transactions while reducing front end and backup staffing requirements by equally impressive numbers.

For most retailers, the percentage of transaction won't reach these levels. But the opportunity to leverage new-generation self-checkout systems with improved attributes helps

grocery retailers in a number of significant ways.

For instance, the need for backup staffing to help out at the POS during sudden spurts of activity and busier periods throughout the day is greatly reduced. As a result, department staffers who before had to perform double duty can instead now stay where they are — behind the higher-margin deli, meat and seafood counters and in other fresh perimeter sections — to engage customers and drive those sales.

Cash flow requirements are greatly reduced. With the self-checkout stations now being used, the upfront cash requirement has been reduced to as little as \$400, more than four times less than what's typically required at traditional lanes.

Further, the precision of the systems and the

inherent cash-recycling mechanism mean that retailers can reduce the time frame for required manual reconciliation to as little as once a month, retailers tell *PG*.

Flexibility a Game Changer

For independents especially, the ability to keep more lanes open — from early in the morning to late at night — without requiring increased staff, along with reduced cash-on-hand requirements and greater flexibility in staffing, has been a major game changer.

"When we first started using self-checkout, we installed them in our Morgantown, W.Va., location, which at the time had the lowest unemployment rate in the state," says Shila Mason, front end supervisor for Jamieson Family Markets, based in Uniontown, Pa. "We also were on the outskirts of the main part of the city and struggling to get people to apply for jobs and to stay."

The company operates 10 Shop N Save full-line traditional supermarkets, with an 11th scheduled to open this summer, and 10 Save-A-Lot limited-assortment stores, all in Pennsylvania and West Virginia.

"Morgantown is a huge college town, and people were coming and going," Mason continues. "That was really hurting us. We just couldn't keep our schedules on target, and our service levels were slipping. We couldn't keep enough lanes open."

So the company made the decision to invest in self-checkout with three lanes in one store, "and they took off like wildfire," she notes. "Literally, it saved us."

Since then, the company has rolled out self-checkouts to additional stores and is upgrading to the latest Fast Lane models from Duluth, Ga.-based NCR.

Shoring Up Staffing

Other grocers report similar scenarios.

"We have had so much success with the two stores we have them in, that in the new store we are opening this summer, we are going to go with four self-checkout lanes and only three regular registers, which is really sort of a leap of faith," says Jamie Fincke, Jamieson's VP of operations. "We are putting a lot of trust in the way these things are operating."



"Imagine opening a full-size grocery store with limited upfront staffing," Fincke adds. "We'll make sure it works. But it is going to be a real test."

At Stormans, an independent operator in Olympia, Wash., the move to self-checkout came with much excitement — but also apprehension regarding payback time.

"I always felt like self-checkout in the right stores would bring some advantages," notes VP Greg Stormans, whose company operates two Thriftway supermarkets in the Olympia area, "but I have been reading how some retailers are ripping them out, some putting them in. These things are way more expensive than a regular checkout lane. But we installed them, and it was amazing. We opened the units late last year, and people just began using them."

"Clearly, there was a large segment of our customer base that was already using them at other stores — whether competitors, Lowes, Home Depot, etc.," he continues. "We started off with the percentage of transactions conducted through the self-checkout lanes in the low- to mid-40s, and now it runs in the high 40s and sometimes above 50 percent."

Stormans points out that the customer base and the particular location of the store made it ideal for self-checkout based on a high number of small transactions. "We estimated a payback in 15 months, but I am not saying all retailers would achieve 40 or 50 percent transaction levels," he cautions. "We have a large amount of customers coming in here for a quick snack, for takeout sushi or a sandwich."

Shopper Concerns

While the potential is proving to meet expectations, Stormans admits that there was quite a bit of resistance initially from many in the community who thought the retailer would be cutting jobs as a result of installing the self-checkouts.

"When we first announced we were going to do this and started putting them in, I had people calling me up — people here know who I am — saying they were really disappointed," he recalls. "[They told me,] 'I will not go through those checkout lanes. We think it is terrible what you are doing to your people.'"

That sentiment passed rather quickly, he notes,



when people realized that no one was being let go, but that instead resources were being reallocated to provide better service in other areas of the store, especially in deli, meat and other fresh food sections.

"We often have 50 percent of transactions going through the self-checkout, so clearly customers are telling us that is what they want," Stormans says, "and we have been able to enhance our image from both a service and convenience standpoint. We have broadened our appeal for customers who want to control the process and use self-checkout, as well as for those who don't want self-checkout and prefer the interaction with a cashier." The company is using NCR's Fast Lane self-checkout solutions.

Jamieson's Mason also points to the systems' automatic cash reconciliation as providing major savings in labor, time and cash flow. In fact, the systems require manual reconciliation only once each month.

"I didn't have any balancing issue," Mason says. "The money is completely locked in and it recycles the cash, so you have much less need to restock the machines. You also cut out cashier discrepancies. I do not have cashiers that are over or short."

Plus, she notes, "I have been able to lower cash on hand because of the way the self-checkout machines recycle money. With traditional registers, I had to keep each one stocked with \$1,725, and then I would have to fill them two or three times a week. I had to manually count and fill them."

With the new machines, Mason says: "I put in \$400, and that is it. In the morning, I might need to drop in a roll of quarters, and that is it. There is a lot of cash flow savings, along with labor and service benefits." **PG**

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