Self-checkouts:
Ready for Prime Time?

The supermarket industry has embraced self-checkouts, but are the systems a good investment for independents?

By David Diamond

Everybody loves cool new ideas, but sometimes it's surprising how much time and effort it takes to make good ideas actually work. People forget that Apple didn't invent the MP3 player. In fact, Apple was a relatively late entry into the market, but it was the first company to deliver an MP3 player, the first iPod, that normal consumers could easily figure out how to use. The MP3 player was a big idea, and eventually, pretty much everyone got one, but until Apple figured out an intuitive, easy-to-use interface and operating system, the only people using MP3 players were technology geeks.

I bring this up because of an ancient experience and a recent one. The old experience was in 1990, when I was working for a venture capital company, and was asked to look at a new invention — the first commercial self-checkout machine — which was being tested at a Price Chopper store outside Albany, N.Y. I spent the day watching the prototype machine in action.

My conclusions from the visit were pretty simple. It seemed like a good idea: Customers liked having control over the checkout process, and the

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store was able to open more lanes at lower cost. (In the early model, one cashier serviced four lanes, providing help and processing payments.) Most importantly, however, customers didn't need to wait in line, addressing a big consumer concern. The problem was that the system didn't really work. Consumers didn't know how to scan items, some barcodes were unreadable, and the process of inputting non-barcoded items was beyond the comprehension of most consumers.

Improvements Needed

My recommendation to my client was also simple: This is a great idea, but significant effort would be needed to improve the system and make it ready for the world at large. To make a long story short, we made the investment, built the system and eventually sold it to IBM, which integrated it into many of its POS offerings. You can now find self-checkout lanes at many supermarkets around the country and the world. Most of us have even used one ourselves.

My recent story is frighteningly similar. A few weeks ago, I was at LaGuardia Airport. The flight was at 12:30 p.m., so I went to the food court to buy some lunch. I made my selections, and then headed to the checkout line, where I found self-checkout machines, and guess what? They still didn't work.

The scanner had a hard time reading any codes at all; custom-made items came with a slip of paper that had the barcode on it, but it wasn't communicated to the customer that the slip of paper was what needed to be scanned. Certain items had pre-printed codes on the bags, but you had to know which item to put in which bag. Shopping bags weren't easily within reach, and the payment options were opaque. What you had was five customers at five stations, each looking lost, while one attendant went up and down the row, essentially serving as the checker for all of us.

Progress Needed

Why do I tell these stories? The answer is simple: 25 years in, self-checkout stations are still not working as well as they should in all situations. What seemed in 1990 to be a set of simple technological changes needed to make a good idea work have proved to be difficult to solve indeed. In fact, over those 25 years, many stores have installed self-checkout lanes, become frustrated with the technological issues and limited consumer usage, and then uninstalled them. Self-checkout lanes aren't alone, however. In our day-to-day lives, we're surrounded by emerging technologies which are, in the words of "Saturday Night Live," not ready for prime time.

How is this relevant to independent retailers? First, it's a reminder that a good idea isn't enough. A good idea needs to be well executed to be of value to consumers, and the seemingly minor executional elements can turn a great idea into a bad product. Some great ideas just happen, and do so efficiently and effectively from the start — the technology is simple enough that as soon as you see it and experience it, you know it and don't ever go back. The first time I bought an airline ticket over the internet was the moment I knew I was never going to

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set foot inside a travel agency again.

Some ideas eventually become great, but take time. I recall my first cell phone — a 35-pound beast that required a full day to install in my car and provided service to basically no place at all. Now we all take for granted a cell phone that weighs a few ounces, slips into a pocket easily and works in most places. But it took a long time and many generations of phones and systems before this was true. And some ideas never become great — they just run out of gas.

When to Invest

Self-checkouts are being used in stores, but the technology is still deeply flawed. Will the next few years prove that it really is the technology of the future? Continually improving technology, along with continuously rising wage rates, tells me that it probably will be.

Independent retailers, with small or nonexistent IT departments and fewer locations, need to know when technology is truly ready for prime time. How long will this take? When will it be ready to use without too much human intervention? When will the technology be in place to enable a simple, easy-to-understand self-check process? These are the questions that need to be answered.

My guess is that the time for self-checkouts will come sooner rather than later, and independents will need to be ready to jump. **PGI**

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