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THE Hawk Report

A quarterly resource for retailers

AUGUST 2011

Evolution Robotics Retail™

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(626) 773-7500
sales@evoretail.com

Retail Benchmarking

Typical LaneHawk Savings

Each time a BOB item leaves a store without being paid for retailers lose revenue and margin. Extensive research indicates grocery retailers generally lose between 0.07-0.13% of front-end sales, or $9-11 per lane per day. To put this in perspective, for every $10 lost, a typical grocer would have to sell an additional $500 to $1,000 worth of merchandise to recover that lost profit.

LaneHawk BOB has been proven to recover 85-90+ percent of BOB loss, or $8-10 of lost profit per lane per day. In a typical grocer that is equivalent to $30-40k in savings per store, per year. The outcome is a fast payback for LaneHawk BOB, typically in the 6-9 month range.

In a study conducted by No Frills Supermarkets, CEO, Fred Witecy stated that in pop (soda) alone the margin dollars were100 basis points higher because of the use of LaneHawk BOB. For soda alone, No Frills Supermarkets ROI for LaneHawk BOB was 8 months. LaneHawk BOB reduces shrink, increases revenue, and is designed to pay for itself in less than 12 months.

Matt Truhan, Manager, Information Services
mtruhan@evoretail.com

Under the Hood

LaneHawk and ROI Reporting

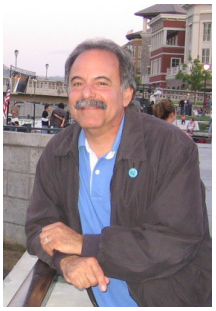
As you might expect, customers who purchase LaneHawk are very interested in making sure they are getting their money's worth. Even if they are confident going into deployment, they still might worry about the long term effectiveness. *Is the system still working? Is it still recognizing my products? Have my cashiers tuned the system out?*

Our LaneHawk Enterprise Manager reports help assure our customers that the savings from LaneHawk continue to meet

IN THE NEWS

AIM Global
Las Vegas Hilton
9/26-28
LaneHawk will be demonstrated in the Datalogic booth #212

TEAM MEMBER PROFILE



Art Friedman
Art Friedman is a Field Operations Program Manager for Evolution Robotics Retail, a world leader in item level recognition through software. Before joining Evolution Robotics Retail, Art had a long and successful career with Pathmark, primarily in Store Operations. Departments and areas Art supervised included Financial Planning and Measurement, Administration, Capital Planning and Industrial

expectations. Using LaneHawk reporting data paired with POS T-Log item information, we can produce ongoing recovery estimates. We use two different techniques based on the data available.

The Scan-After Method
In the newest LaneHawk release, we added support for POS T-Log item feeds in real-time. Knowing exactly where in a transaction the cashier viewed a BOB alert turns out to be very useful. It is amazing the number of times cashiers clear a BOB alert only to scan the item immediately afterward. In the Scan-After method reports, we count the real sale value of items the cashier accepts from LaneHawk, as well as similar items they scan after the alert, as an estimate of ongoing LaneHawk savings.

The Statistical Method
If the real-time context of POS T-Log items is not available, we fall back on a statistical measurement approach. We've analyzed over twenty-five lane-years worth of BOB activity and found a reasonable percentage of cleared items to consider as true recoveries. We treat these like the Scan-After clears, adding them up with the accepted BOB items, using an average price of a BOB item, as an estimate of savings.

Regardless of the method used, LaneHawk Enterprise Manager allows customers to review their ongoing savings, whether they're interested in a division's last quarter or a single day from a single store.

Justin Beghtol, Senior Software Developer
justin@evoretail.com

Engineering.
Art's responsibilities as a Program Manager for Evolution Robotics Retail include: Store Site Surveys, Retailer Training, Retailer Lab Work, and Installations.

Art holds a BS degree in Marketing from Northeastern University in Boston and participated in the university's Cooperative Education/Work Study Program. Art enjoys music, spending time with his family, and exploring new restaurants and food experiences.

Product Update

Managing Out of Stocks

The out of stock problem. It is something we have each experienced as a customer. Not only does this represent a source of billions of dollars in lost sales, but it is also damaging to the reputation of the retailer. When a customer feels "This store does not have what I want", they are very likely to shift their loyalties to a store that stays well stocked. If stores had the resources to hire a team of people to watch shelves and stock appropriately, out of stocks wouldn't be a problem. But who has the resources to staff a team to continuously watch stock levels? Like many other labor intensive problems, this can be solved through advances in technology and automation.

Enter ShelfHawk, Evolution Robotics Retail's solution to the out of stock problem. Ever vigilant, we deploy cameras that utilize our patented ViPR software, allowing them to not only see, but to recognize items on the shelf. When a low stock situation is detected, an alert is sent to the appropriate party. Since our system has the ability to recognize which items are on the shelf, it can also send alerts for shelves that are not planogram compliant. Diet soda occupying shelf space designate for caffeine free diet soda? ShelfHawk can detect that right away, a problem not so obvious to the casual employee walking by. ShelfHawk can also be used to check if the correct promotions and advertisements are being displayed at the correct location. Last week's promotion of "Buy 2 Get 1 Free" still being

displayed? Not a problem, ShelfHawk can detect that and put a preemptive stop to all those customer complaints.

If you want to know what is on your shelves, ShelfHawk will tell you!

Joey Kim, Mechanical Engineer
joey@evoretail.com

Future Trends

LaneHawk and Power Systems

The LaneHawk camera, installed in every lane, requires very little to operate: just networking and power. Networking is always Ethernet. Power is a bit more flexible.

At Evolution Robotics Retail, our newer Intelligent Lighting and Camera Units (iLCUs) support three modes of power: the traditional AC adapter, PoweredUSB or Power-over-Ethernet (PoE). The most common power source for LaneHawk is the AC adapter.

There are some operational downsides to using AC adapters. In many LaneHawk-installed stores, maintenance crews use in-lane AC power outlets to plug in vacuums and floor-polishers. When there aren't any available outlets, LaneHawk gets unplugged, and sometimes it never gets replugged. These are the risks of operating in a store of busy people.

Because of situations like this one, it can be more reliable to power a LaneHawk iLCU through an alternate method: PoweredUSB or Power-over-Ethernet.

The Evolution Robotics Retail iLCU PoweredUSB adapter cable is very simple. It connects the available 12V PoweredUSB port on the Point-of-Sale (or cash drawer) to the 12V input on the iLCU. This allows the Point-of-Sale to control power to the LaneHawk iLCU, possibly turning it off to save power when a lane is closed. Or at the very least, turning off the iLCU when the Point-of-Sale is unpowered. It's also much less likely to get unplugged; people don't want to mess around with the back of a Point-of-Sale. When the POS is on, LaneHawk is on.

With Power-over-Ethernet, the power comes in over the network cable. All you need is a switch that provides the power. We support Power-over-Ethernet through adapters, which are much cheaper than installing another AC outlet in the checkout lane.

The Power-over-Ethernet advantages don't end at installation. Centralized power-control provided by Power-over-Ethernet switches can provide information and control not available on main AC power supply lines. Many switches can keep track of power use, instantaneously and over time. Most switches provide the option of turning the power off on a port-by-port basis. A store could use these features to save power when lanes are closed or otherwise offline.

At Evolution Robotics Retail, we understand that every store is a little different. We like to stay flexible to make our customers' jobs easier. Power flexibility is just one way. Stay tuned for more.

Joe Olivier, Software Developer

jolivier@evoretail.com

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