

THE Hawk Report

A quarterly resource for retailers

JANUARY 2011



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Hawk Report

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New York, NY

Javits Center

1/9 to 1/12

LaneHawk will be demonstrated in the Datalogic (#2805) and Retailix (#2119) booths

[Wincor World](#)

Paderborn, Germany

1/25 to 1/27

[Euroshop](#)

Dusseldorf, Germany

2/26 to 3/2

Retail Benchmarking

Mystery Shopping



There are many different ways for retailers to gauge how effectively their employees, specifically those at the front end, are processing items found on the bottom shelf of grocery baskets. One method that has been used for many years is Mystery Shopping. A Mystery Shop typically takes

TEAM MEMBER PROFILE

the following approach:

1. The Shopper purchases at least four items to be put in the top of the shopping cart and then places one of the items under the basket.
2. The transaction is carried out by the shopper, while ignoring the item that was placed on the bottom of the basket. If an employee notices the BOB item before the transaction is completed, then it is considered "noticed"; otherwise, it is considered "not noticed".
3. If the cashier does not notice the item then the Mystery Shopper proceeds to the Customer Service desk to drop off or purchase the item. If the Cashier notices the item the Mystery Shopper has the option of telling the employee they no longer want the item or if they do wish to purchase the item, they can have the cashier add it to their total. Mystery Shoppers never leave the store without paying for or returning an item to the shelf.

After the Mystery Shopper has followed this criteria, a detailed report is completed based on a questionnaire developed specifically for the retailer. Some questions include: cash lane configuration, any noticeable security devices being used for bottom of the basket, etc.

ERR recently conducted a national mystery shopping study of retail stores that have LaneHawk and retail stores that do not have LaneHawk. The study spanned 16 retailers, 130 stores and hundreds of Mystery Shops. Results confirmed that at retail stores that do not have LaneHawk, BOB loss continues to be a big issue. The study demonstrated that when shoppers attempted to leave a store without paying for a BOB item, they were successful 40-60% of the time.

However, at stores that have LaneHawk, shoppers that attempted to leave a store without paying for a BOB item were only successful 5-15% of the time. This translates to huge savings for our customers. The proof is in the pudding (or the shopping), if you do not have LaneHawk, you are losing merchandise.

Matt Truhan
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Rich Rands

Rich Rands is Sales Director and Program Manager for Evolution Robotics Retail, a world leader in item level recognition through software. Prior to joining Evolution Robotics Retail, Rich had a successful career with IBM as a product analyst focusing on the second generation of POS products. In this capacity, Rich built business cases for both hardware and software features as well as working with the pricing element in IBM to determine price for the products. Rich went on to manage IBM's marketing to all supermarkets in the western half of the United States. Rich next went to Citicorp to spearhead a division developing and supporting various manufacturers of POS terminals on PC, greatly reducing the physical space needed for the POS system and increasing functionality at checkout. Rich's experience in the retail market has proved invaluable as he assists in the implementation of LaneHawk in grocery divisions and measuring the resultant savings for the customer. Rich attended the University of Utah earning a BSEE. He enjoys restoring cars and currently has a classic Camaro and Jaguar XKE in his garage.

Under the Hood

ROI



At the end of the day, the most important deliverable of LaneHawk is how much did it reduce shrink. We measure shrink, and LaneHawk's ability to reduce it, continuously for our customers. So we thought we would share a few of our techniques for doing so.

One technique is to measure shrink reduction at the SKU level, with a focus on the BOB items. Measurement can be done with a physical inventory before and after LaneHawk is put in. Or, if you have an automated inventory management system that can measure at the SKU level, measure with the automated system. The result for many of our customers is a 25-50% reduction in BOB item shrink.

Another technique is using the LaneHawk reports. LaneHawk has a variety of reports that can estimate the total \$ saved by the system. LaneHawk can track items it Adds, items it sees, and items that still get by the system. These reports are a good proxy for the \$ savings per lane per day.

And last, but not least, is good old fashioned mystery shopping. Send a mystery shopper to a non-LaneHawk store, and then to a LaneHawk store. See if they can get out of the stores with an item on the bottom of the basket. You will be amazed at how easy it is to get out of a store with a BOB item, if there is no LaneHawk unit present. And on the flip side, if LaneHawk is watching and guarding your store, then it's highly likely the BOB item will be caught and rung up.

Test the ROI. Challenge us to help you. This is the best way to justify the system. Most of our customers have a sub twelve month payback. Not bad!

Alec Hudnut
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Product Update

International



LaneHawk has had a lot of success in the US. We are installed in over 1,200 stores and across 13,000 lanes. In a given day, about 1 million BOB items are under our watchful eyes. The net result for our US customers: BOB loss is reduced and retailers get paid for the items that are on the bottom of the

basket.

In July 2010, we were acquired by Datalogic. Datalogic has a large retail business, including many of the top international retailers as customers.

It's a great match for us. We have built a good brand and a good reputation in the US, and now we have a partner that can take us abroad. Working closely with the Datalogic Scanning and Mobile teams, we have launched LaneHawk outside of the US. Already a number of international retailers have expressed interest in getting started with trial stores.

We thought we had made it when LaneHawk was installed up the street from our office. Next year we should be able to see it outside of our country.

We are looking forward to it!

Alec Hudnut
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Future Trends

Independent Grocers Fighting BOB



Evolution Robotics Retail began marketing LaneHawk to Tier 1 grocers several years ago. In the last 12 months, Evolution Robotics Retail introduced LaneHawk to the approximately 15,000 independent grocers across the United States. Research has shown that BOB loss in the independent community is consistent with the Tier 1 and

Tier 2 grocers, both groups lose 0.1% of front end sales to BOB

loss.

In the independent world, store owners are close to their issues and know they have a BOB loss problem. With low margins in grocery stores, they understand the importance of reducing shrink. Many of the independents have tried to reduce BOB loss and have little to show for their efforts. Training and other solutions have not produced the desired results.

If an independent grocer is not sure of the severity of their BOB issues, their local POS dealer can provide a Mystery Shop that will prove their customers are leaving the store with items on the Bottom-of-the-Basket more often than they realize.

LaneHawk is integrated with the industry's most prominent POS solutions for the independent marketplace and the dealers across North America have the ability to deliver LaneHawk to their customers. The channel business for Evolution Robotics Retail has been firmly established and is growing rapidly.

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