

No Need for Speed, Just Control

Regional, independent grocers adopting **self checkout** to improve customer service

BY DEENA M. AMATO-McCOY

Self-checkout has become a core component within many top-tier supermarkets' point-of-sale arsenals. Taking a lesson from their larger counterparts, regional chains and independent operators are now using the solutions to promote customer service within their stores.

Based on their acceptance of ATMs and pay-at-the-pump fueling, "customers show they are willing to use self-service technology," says Jim Mueller, director of information technology for Schnuck Markets. "The technology is now more secure and reliable and customers feel comfortable guiding themselves through the checkout process."

Self-service technologies, including self-checkout, "are a requirement" for the 102-store chain, Mueller says. "They provide a competitive edge."

Stationary units, which debuted in the grocery industry in 1998, have been adopted with vigor over the last few years. Mass merchants and warehouse clubs (63 percent) and grocery chains (46 percent) are showing the most commitment to self-checkout technology, according to Franklin, Tenn.-based IHL Consulting Group's study based on data from 172 merchants.

Initially marketed as a means for reducing store-level labor costs, shoppers now regard the units "as a customer

Schnucks self-checkout units process an average of 30% of all customer orders



service," says Don Paschal, director of self-checkout solutions for Frisco, Texas-based Fujitsu Transaction Solutions.

Grocers can typically replace two or three traditional lanes with four self-service stations, but shorter, speedier lines aren't always the key to consumer attraction.

"Shoppers are interested in controlling their checkout experience," says Paschal. "Shoppers enjoy checking out at their own pace.

They scan an item, make sure the price is right, then scan the next item. A cashier often zips through the order, making it difficult for shoppers to monitor prices.

"Shoppers use self-checkout not for speed, but for control," he says.

Regardless of the reason, shoppers are seeking out self-checkout terminals in increasing numbers. Participants in the IHL POS study revealed that between 25

percent and 40 percent of their sales — and 15 to 20 percent of total dollar volume — is processed through these units.

As the price of the technology drops and more bundled packages become available, regional chains and independent supermarkets are incorporating the self-checkout units into their customer-service strategies, allowing them to compete with larger players.

Through a self-service application bundled with its POS offering, Fujitsu Transaction Solutions is helping retailers integrate its U-Scan self-checkout units.

And independent grocers can take advantage of Fujitsu's expertise thanks to a partnership with Retailix, with U.S. headquarters in Dallas. The joint venture — StoreNext Retail Technologies — combines the vendors' expertise in POS hardware, software and Internet-based store management solutions for independent grocers. The solutions also help retail customers drive down costs and differentiate their business performance.

Pre-tested code

Fujitsu's U-Scan self-checkout system was created with pre-tested code that ensures seamless integration. Its software provides the interface between the POS application and the user.

Based on customer actions, the software prompts and leads customers through transactions. This code also accesses price files and controls scales, weight databases and conveyor belts. After the customer tenders her order, all transaction log data is pushed to a database in the back office. This data is then uploaded to headquarters in the same manner as data from conventional cash registers.

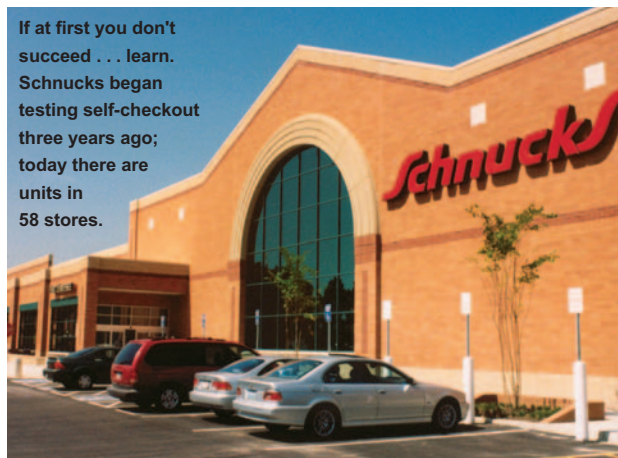
"There is no need for programmers to install and integrate the systems," Paschal says. "T-logs are posted, and credit and price authorizations are posted just like any other register."

Schnuck Markets was one of the first chains in its region to commit to the self-service technology. It began testing a self-checkout system three years ago in hopes

of promoting stronger customer service.

"No retailer has more than three or four manned checkout lanes at 2 p.m. on a weekday," Mueller says. "With self-checkout, we can offer shoppers more open lanes."

Schnucks' initial self-checkout efforts were not successful, but it used the experience to create a checklist of requirements. It wanted a scalable solution, especially as it pertains to bagging. "Consumers need space for big items like cases of beer and soda, even detergents," Mueller says. "Without this space, the



checkout process can be disrupted."

The chain also wanted reliable payment terminals. "We learned this the hard way," he says, referring to the problems that arose when customers tried to pay for orders with older, weathered bills.

Within 60 days of installing the first U-Scan terminal, Schnucks was under way with its self-checkout rollout: to date, customers can scan their own orders at approximately 58 stores. Where in use, these units process an average of 30 percent of all customer orders.

Small stores, big vision

Sherm's Thunderbird Markets is a four-store, family-owned independent grocer based in Medford, Ore. But its modest size isn't keeping it from competing with larger chains.

All of the local chain stores, such as Albertsons, Safeway and Fred Meyer, offer self-checkout. So when Sherm's shoppers began asking about the technology, the grocer paid attention.

Historically, the store used two checkout lanes to move shoppers with smaller orders through the front end. When Sherm's tapped StoreNext about self-checkout options, the chain realized that four U-Scan stations "could accommodate the same amount of customers that our two staffed 'Quick Checks' were doing," says Steve Rolston, manager of the chain's Roseburg store. The store's front end transitioned from 14 traditional lanes to 12 conventional POS stations and four U-Scan terminals in October 2004.

The Roseburg store is located near a retirement community, and Rolston was unsure if older shoppers would adopt the technology as readily as younger ones. But it didn't take long for Rolston to realize that shoppers were attracted to the productivity that the units provide.

"Self-checkout is a tool that makes shopping easier for them," Rolston says. "Shoppers are attracted to the sense of productivity they provide. They like

an option that enables them to shop and check out of the store without waiting" in line.

The next generation of U-Scan will consist of a larger check stand that can accommodate larger orders. The unit, called U-Scan Max, improves both scanning and bagging operations. A more robust scanning functionality enables shoppers to scan with two hands, rather than scan an item, bag it and then scan the next item.

"This dramatically speeds up the scanning operation," Paschal says.

Fujitsu has identified customers to assist with beta testing the U-Scan Max in early 2006. Production units should be available later in the year. **STORES**

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