

SN TECHNOLOGY EXCELLENCE AWARD/INDEPENDENT RETAILER

# Creating an Image Through Technology

By MICHAEL GARRY

While most food retailers only look at the efficiencies that a piece of in-store technology can realize, Rudy Dory likes to also consider the psychological impact it can have on customers.

Take self-checkout systems. "We have found that some shoppers think self-checkout is faster than regular checkout because they control the transaction," said Dory, owner of 22,000-square-foot Newport Avenue Market, a single-store IGA Plus operation in Bend, Ore., opened in 1991. "And we have hard-core anti-self-checkout users who will never use it, but like it because people who do use it are not in their line."

Last year, Dory invested in about 18,000 electronic shelf labels (ESLs) to enable faster and easier price changes throughout the store. But a big motivation for the investment was the "green" impression it would make on the store's environmentally aware shoppers, since the store would no longer be going through reams of paper labels.

Dory values the store's image enough that four years ago he decided to hire a local ad agency, Every Idea, to enliven his advertising and his



Rudy Dory, Newport Avenue Market

website. Two years ago, Every Idea redesigned the website ([www.newportavemarket.com](http://www.newportavemarket.com)), turning it into a colorful and amusing compendium of tips and facts for the "foodie" — the food-loving, gourmet-leaning shopper to whom the store caters.

Dory has not hesitated

to make other proactive investments in technology. He upgraded his POS registers twice in the past few years before settling on a system he found effective. Two years ago, he was among the first independents in the Northwest to sign up for price optimization services from Revionics, Granite Bay, Calif. And as chairman of a 65-store group of IGA stores in the Northwest, he is overseeing a project aimed at using Revionics to assess the effectiveness of ads used by the group.

Technology has helped Dory remain competitive in a 70,000-population market in central Oregon that supports a bevy of chain stores, including three Safeway outlets, a Costco, two Albertsons, a Fred Meyer, a Whole Foods market and a Trader Joe's, as well as a few other independents. His store nevertheless managed near-double-digit sales gains in most of the past several years, including a 9% increase last year.

For Dory's successful implementation of a variety of systems, including some not typically used by independents, and for understanding the value of these technologies to himself and his customers, Newport Avenue Market has been selected to receive SN's 2008 Technology Excellence Award in the independent retailer category.

## ROI FOR ESLs

Installing ESLs — plastic modules that display digital prices and replace paper price tags on shelf edges — is rare for any retailer outside of Connecticut, where state laws provide an incentive for using them.

But Dory was attracted by the environmental benefit and the ability to keep prices on the shelf in lock-step with those at the POS. (See "Oregon Independent Likes 'Green' Effect of ESLs," SN, Nov. 5, 2007.) Made by Pricer, a Swedish company, the ESLs are provided by StoreNext Retail Technologies, Plano, Texas.

A year after their installation, the ESLs are "great," said Dory. "We've only lost

one or two of them. Shoppers have reacted well. We get lots of comments." He no longer has to give away an item for charging more for it than the price on the shelf (his long-time policy), since that never happens with ESLs. "It would occasionally happen before," he said.

thing promotions. Once per year, in December, this includes a 20% discount, which generated \$180,000 in one-day sales last year.

## BETTER GROCERY MARGINS

Perhaps Dory's most successful technology application is Revionics' price optimization



In the first year of using a price optimization service, Newport Avenue Market improved grocery margins by 2%, thereby paying for it.

Dory agrees with StoreNext's statement that the ESLs, which cost him about \$125,000, will pay for themselves in two years. The store saves about eight hours of labor per week, and Dory estimates there are "some savings" from the "margin protection" the labels provide by allowing the store to instantly raise prices following a promotion.

Dory has gotten a lot of mileage out of his installation of four U-Scan self-checkout stations, from StoreNext, that replaced two conventional lanes two years ago. Between 40% and 42% of transactions go through the self-checkout lanes, with a one-day record of 49%. Most of the orders are small, reflecting the design of the units, which use a three-bag well.

Despite the high usage, Dory has had few maintenance issues with the self-checkout stations. At about the same time as the U-Scan installation, Dory changed over his POS to ISS45 terminals, also supplied by StoreNext. In addition to working more reliably than the system that preceded it, the ISS45 works well processing the store's occasional percentage-off-almost-every-

service, which provides optimized prices in exchange for POS data. In the first year, the service improved Dory's grocery margins by 2%, effectively "paying for itself," he said. "We're not seeing any more increases, but we're holding at that level."

Even during the first quarter of this year, as sales remained flat and costs rose, "we had minute margin deterioration in grocery," Dory said.

Price optimization represents the kind of technology investment Dory said he prefers to make — one that "will help us make better decisions," he said. He emphasized that he does not believe that technology can help him save labor. "Self-checkout allowed us to have more checkout capability than before, but I never planned to lay off any people."

Even ESLs were primarily a "green" move, though Dory acknowledged that ESLs do afford him some labor savings.

As chairman of the 65-store Northwest group of IGA supermarkets, Dory has been involved in a new project, financed the first year by the group, to extract POS data from the 45 stores not using Revionics. This data will be

combined with the data from stores that are using Revionics in order to assess the overall effectiveness of ad markdowns used by the group "and get better pricing models from vendors," he said.

Newport Avenue Market's website — flashy by any standard, but certainly for an independent grocer — is introduced by the store's slogan, "Life is short. Eat good food."

In addition to information-rich sections called "Foodieopia" and "Tips, Trends, Tools," the website invites shoppers to sign up for the "Foodie Flash," a bimonthly e-newsletter that has 1,400 subscribers. It provides news about interesting foods and recipes the store offers, and alerts readers to a big sale the next day. A local cable cooking show the store sponsors brings in new readers to the newsletter.

About six months ago, Dory struck a partnership with Cooking.com and Gourmet Catalog to enable Newport Avenue Market shoppers to access those sites through the store's website and purchase a variety of kitchenware and gourmet food products not available in the physical store. He acknowledged that this offering has so far generated only "a little bit" of revenue.

But the big appeal of the site is information. In the Foodieopia section, for example, shoppers can find out more about such Newport Avenue offerings as fiddlehead ferns, peppadews and goji berries.

"Knowledge is power," said Dory. "The consumer we're after wants information on products."