DechertHampe
Consulting

# The Impact of Continued Evolution on the Front-End Checkstand Impulse Sales

> "Front-End Focus identified that a checkout lane can deliver $31,000 per year in sales

Retailers understand that the Front-End Checkstand is a critical location in the store. Almost every shopper passes through and it is the last opportunity the retailer has to make the shopping experience a pleasant one. It also represents a significant source for impulse sales.

This area of the store is constantly evolving from the standpoint of technology, merchandising, and shopper behavior. But regardless of the constant changes going on within the front-end checkstands, there is always an opportunity to better align checkout lanes' merchandising with consumer purchase behavior.

What is known is that some retailers do a much better job of merchandising their front-end checkstands, thereby generating greater sales and profits. Front-End Focus, a research project conducted by Dechert-Hampe Consulting and sponsored by Mars Chocolate, Time, Inc. Retail, and Coca-Cola found that front-end checkstands deliver $5.5 billion in sales. Yet there was still an opportunity to generate *$1.7 billion more dollars* through the adoption of front-end merchandising "best practices".

## Technology is changing the face of Front-End Checkstand

Technology improvements are a constant in the world of front-end checkstands. Scanners have enhanced ability to read UPC codes quickly and many retailers have embraced self-checkouts for their stores. Others, like Albertsons LLC and Big Y, have decided to remove self-checkout from their stores. Kroger recently tested a "Scan Tunnel" that uses optical character recognition technology to read product information in a 360 degree environment.

Kroger and companies like Stop & Shop have also tested handheld devices that shoppers take with them on their shopping trip, scanning products as they put them in their shopping cart. When done shopping, they go to a checkout and place the device in a receiver and pay their bill. Their checkout process/time has been significantly reduced.

Most of these technology improvements deal with shopper pass-thru. How can I get my shoppers through the checkout line quickly? But retailers cannot forget about product merchandising at the point of finalizing the transaction like the original self-checkouts did. If they do, they stand to lose a significant amount of revenue from the products carried at the front-end checkstands. Front-End Focus identified that a checkout lane can deliver $31,000 per year in sales. For a chain that has 20 stores with an average of 10 lanes per store, that amounts to about $62 million. That is why retailers need to pay attention to checkout merchandising regardless of what technology is being used.


Mobile devices like smart phones can also play a role in the checkout process. While we are not sure how many people are using them to pay for their groceries, we do know that some people are using them to check competitive prices and to look for product coupons. But the technology is there for mobile devices to play a much larger role in the checkout process. Retailers need to make sure that smart phone users are also somehow paying attention to the products merchandised at the checkstands during the checkout process.

> "Research suggests LED lighting can increase checkstand sales by double digits

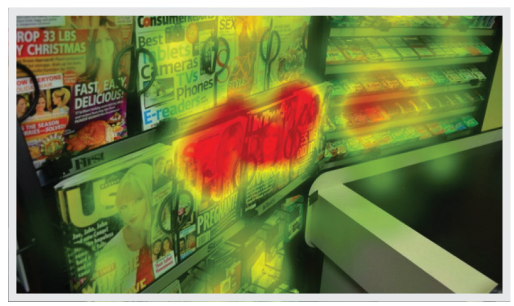
Technology can be used to keep shoppers engaged during the checkout process. Coca-Cola is testing interactive refrigerators. This technology can push out coupons, promotional material, and games based on demographic information that the refrigerators' facial recognition features are picking up like, age, gender, or emotion. These units also include a touchscreen that allow shoppers to interact with the content available. This is certainly one way to keep a shopper's attention while checking out, and hopefully remind them that they are thirsty and need to make a purchase.

One of the biggest complaints that shoppers have is the time it takes to check out. A recent study reported that 57% of shoppers are dissatisfied with the checkout experience at their local grocery store. In one retailer, technology is playing a role in condensing checkout lines. Kroger's QueVision uses overhead infrared sensors to count the people at the checkout lanes and alerts the manager when the lines are getting lengthy. This technology is credited with slashing checkout wait times to less than thirty seconds from four years ago when it took about four minutes of wait time. While this initiative led to higher customer satisfaction with the checkout process, the question that needs to be asked is "what was the impact of the reduced dwell time on front-end impulse sales?" Does thirty seconds allow the shopper enough time to view some of the checkout items available for sale?

Certainly technology will continue to heavily influence the front-end checkstands of the future. Whatever improvements are made, the retailer needs to continue to understand consumer's checkout shopping habits so they can have impulse items available for sale wherever and however the consumer conducts their checkout transaction.

## Merchandising Will Continue to Play an Important Role

Merchandising plays a key role in driving impulse sales at the front-end. In the Front-End Focus research study mentioned above, merchandising best practices were identified for retailers based on the location of categories at the checkstand, the amount of space those items had, and the purchase habits of the shopper. Of key importance to the retailer is which categories a lot of shoppers purchase, how frequently they purchase those categories, and do they purchase those categories on impulse. The merchandising of these front-end categories needs to evolve with shopping habits. As an example, with a significant percentage of shoppers using the self-checkout lanes, it is important that key categories are merchandised effectively there. Also, product assortment needs to evolve. A few years back, energy shots were mainly a convenience store item. Now many supermarkets are carrying them at their front-end checkstands. Once again, staying attuned to consumers' shopping habits will help the retailer keep up with which categories need to be merchandised at checkstands.



Eye tracking studies identify "hot spots" where the shoppers' eyes will migrate to during the checkout process. It is important for retailers to understand where the hot spots are at the checkout and make sure that top selling items are stocked in those locations to help drive incremental impulse sales.

One new approach to highlight front-end checkstands and draw attention to them is the use of LED lighting. These brightly lit shelves improve customer attentiveness which helps drive impulse sales. Companies that have installed the LED lighting suggest that their checkstand sales have increased by double digits. Once again, finding ways to have the shopper more involved with checkstand merchandising will lead to incremental impulse sales.

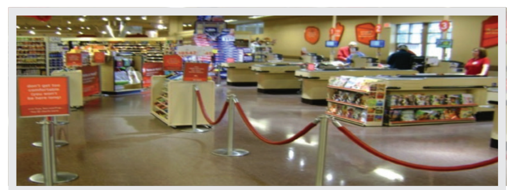
Have you ever stood in line and thought to yourself that you should have chosen the next line because it is moving faster? We have all had that happen. Checkout wait times can be a significant source of irritation for shoppers and can leave them with a negative impression of their overall shopping experience. To address this some retailers have chosen to install a queuing line.

In this merchandising approach shoppers are directed into a single queuing line which then leads to a number of cash registers. At that point they are told which register to go to for checking out. In queuing research conducted by Dechert-Hampe Consulting and sponsored by Time, Inc. Retail, Coca-Cola and Hershey, 64% of shoppers that used the queuing line felt that the queuing line was faster for checking out. When asked which type of lane they preferred, 60% of the queuing lane respondents said that they preferred the queuing lane.

> “60% of respondents prefer queuing lanes for faster checkout

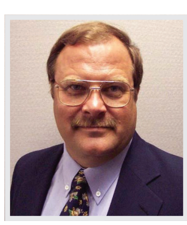
Certainly there is a feeling of equitable wait times when everyone is in the same lane, but there is one pitfall. In the queuing research, Dechert-Hampe found that the conversion rates of products merchandised in the queuing lanes were lower than the rates in the traditional lanes. These lower conversion rates would result in lower sales from the front-end checkstands. The assumption is that shoppers were so focused on watching for which register they were supposed to go to, that they were not “shopping” the queuing lane for impulse items. In this situation the retailer has perhaps increased the shopper’s checkout experience, but they have also lost some front-end impulse sales. The retailer needs to find a way to get the shopper more engaged with the queuing lane merchandising so that there is no loss of impulse sales.

As front-end checkstands continue to evolve either through technology or merchandising, there is an opportunity for retailers and manufacturers of checkstand items to lose impulse sales. It is very important for retailers to make sure they understand how these front-end evolutionary changes are changing the shopping habits of their shoppers.



With this understanding of the shopper’s habits, the retailer can best understand how to entice the shoppers not to compromise their previous purchase habits at the front-end checkstands. Understanding shopping behavior must be an ongoing process just as the evolution of front-end checkstands is an ongoing process.

To discuss Front-End research findings, please call: **Bill Dusek at (847) 559-0490**




## Bill Dusek

Dechert-Hampe Consultant


Bill’s focus is on helping CPG sales forces integrate Shopper Insights and utilize big data. He also collaborates on customer development processes and Shopper Insight solutions for manufacturers and retailers alike. He is a frequent speaker at industry conferences on Category Management and Efficient Promotion in both the U.S. and abroad.

Prior to joining Dechert-Hampe, Bill progressed up the management ranks at Nielsen Marketing Research to Vice-President Sales and Marketng.


DechertHampe Consulting

33332 Valle Road, Suite 200
San Juan Capistrano, CA 92675
Phone: (949) 429-1999
www.dechert-hampe.com