Latest Trends in Front-End Checkout Merchandising

Presented By:

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Retailers Are Facing a Changing Landscape

Increased Retailer Focus

- Basket size
- Checkout trips
- Overall sales decline
- Desire for promotion space
- Mobile payment
- Retailer apps

Retail Design & Style

- Average program life = 4.5 years
- Continued space allocation adjustment
- Streamlined look
- Lower profile fixtures
- Reduced number of lanes
- Design flexibility for ability to react to market changes
- LED Lighting

Front-End Changes

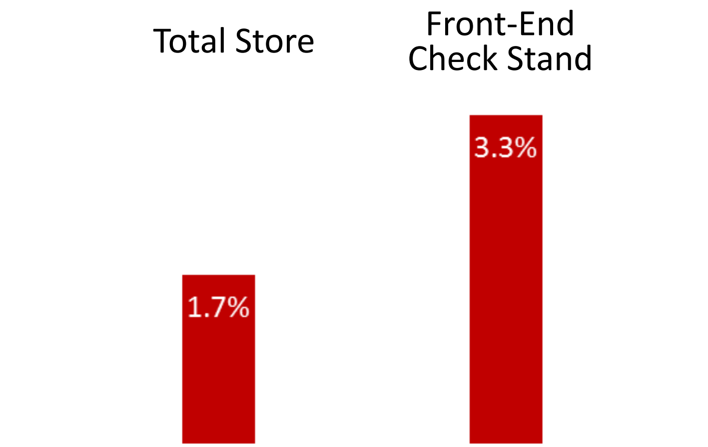
- Emerging Categories
- New item speed to market
- Additional & larger beverage coolers
- Some experimenting with healthy checkouts
- Digital retailer service such as In-Store Pick-up or Home Delivery
- Commitment to self checkout
- High velocity checkouts
- Continued technology improvements

Front-End Checkstands Deliver $6.5 Billion in Supermarket Sales

Estimated 2015 Front-End Sales

$6.5 Billion

Dollar Sales % Change vs. Year Ago

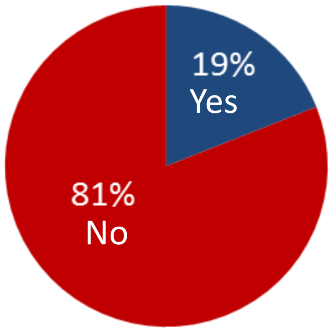


Front-End Share of Total Store Sales = 1% **

* FMI Supermarket Facts 2014/2015
** Front-End Focus

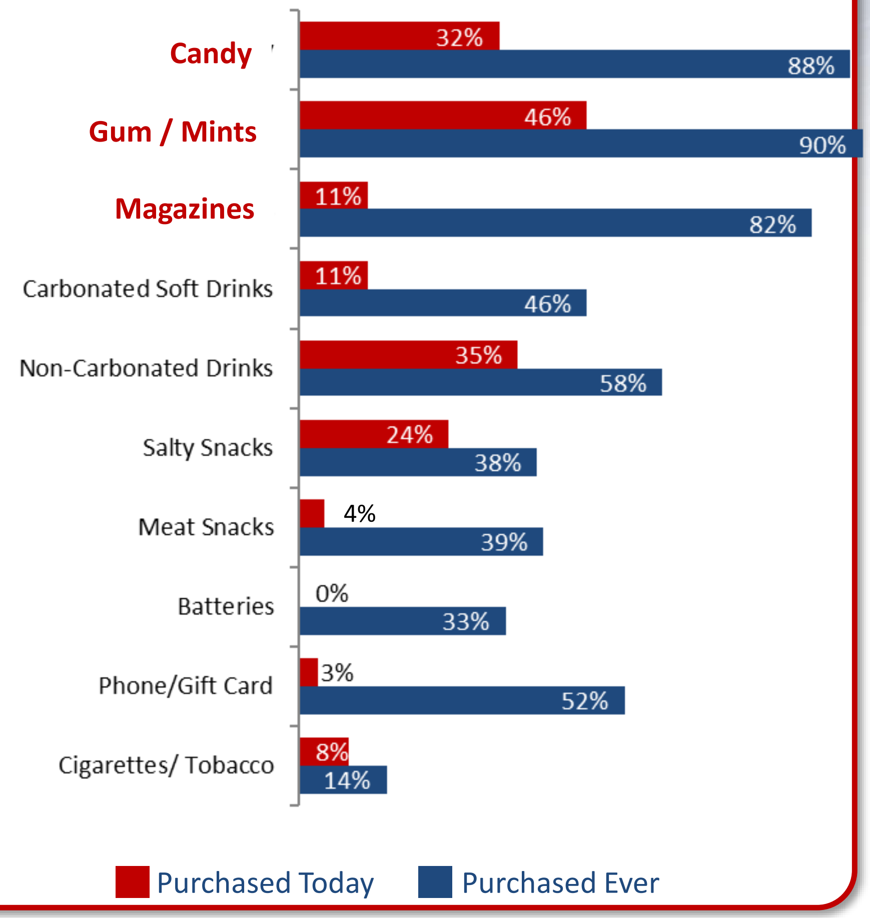
Items Consumers Purchased Most Were Gum/Mints, Followed by Candy, Beverages and Magazines

Did you purchase an item at the checkout today?



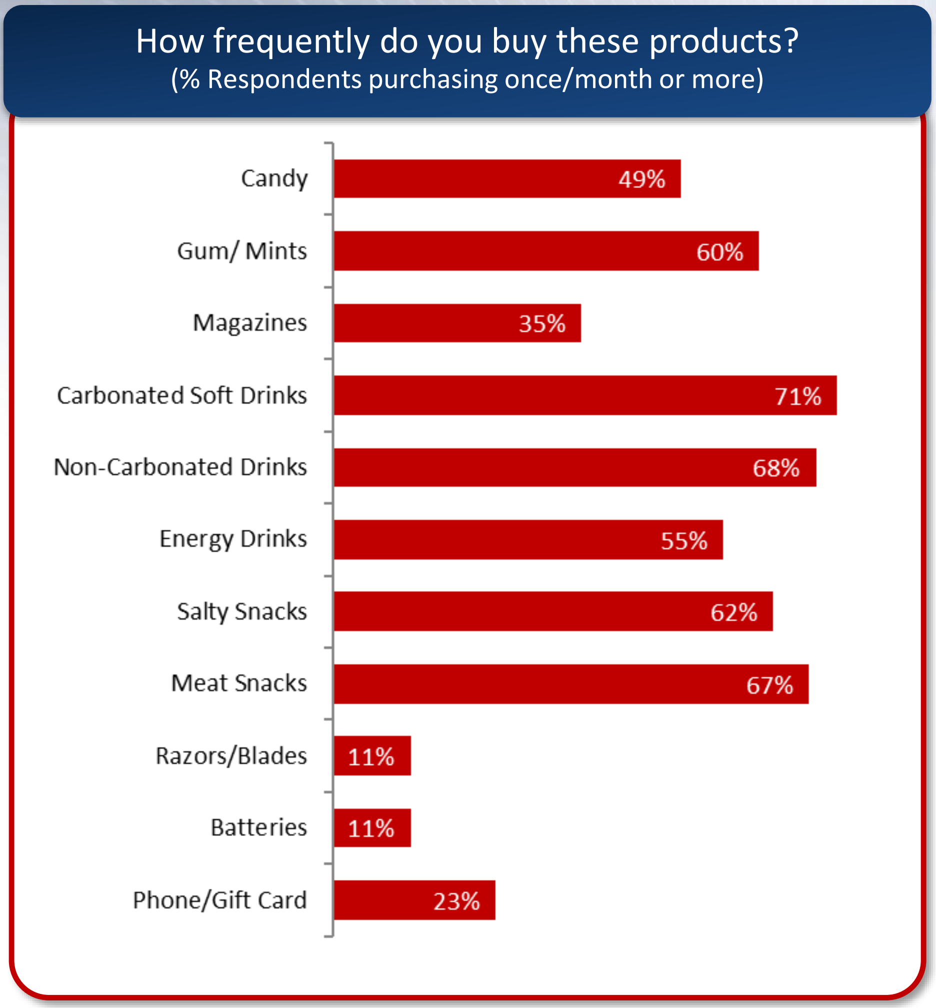
About 20% of shoppers purchase a checkout item on any given day

Checkout Purchases – % of Respondents



Source: TIR In-Store Survey, November 2015

Confectionery, Beverages and Salty Snacks Are Purchased Frequently



The Power Categories Lead the Way in Purchase Frequency…

Source: TIR In-Store Survey, November 2015

Candy, Magazines, Books & CDs/DVDs Were Items Most Purchased on Impulse

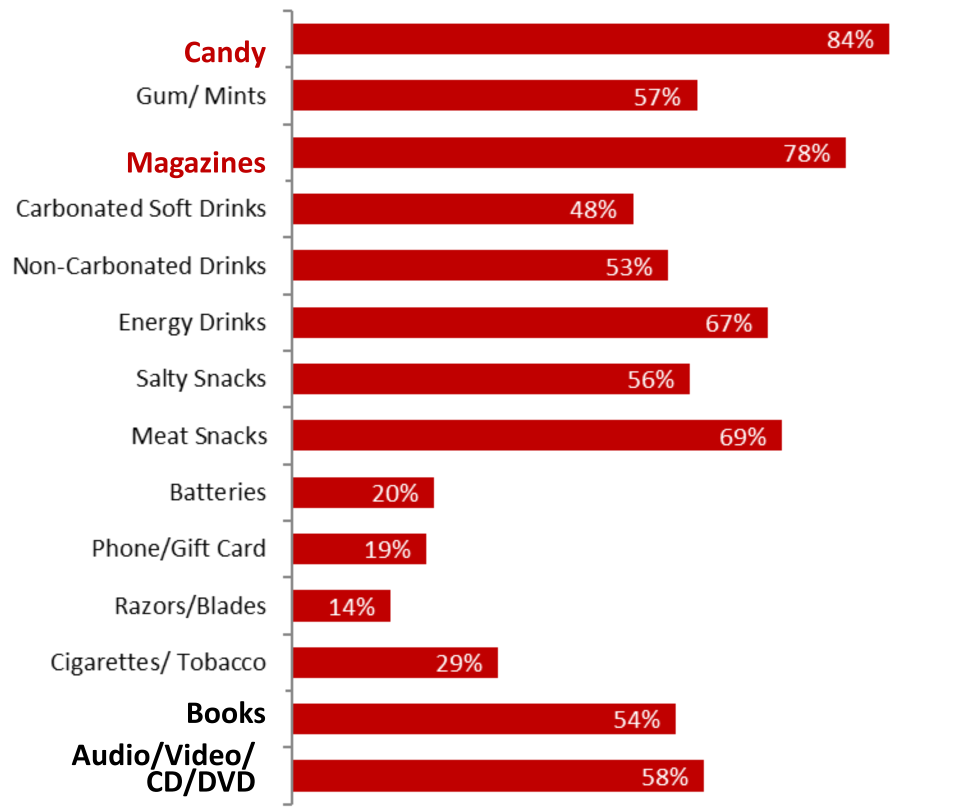
- Candy, Magazines and Beverages are at the top of the impulse spectrum
- While Books & CDs/DVDs were impulsive purchases, only 2% of consumers purchased those categories at the front-end checkstands

Recommendation

Front-end focus should be on Categories that:

- Are impulse-driven
- Many people buy
- People buy often

Do you plan to buy the item you actually purchased before coming into the store?
(% Respondents purchasing category on impulse)



Source: TIR In-Store Survey, November 2015

Dollar Sales Importance Does Not Match The Amount of Linear Space That Front-End Categories Receive

	$ Shares of Front-End Checkstand Sales*	Share of Front-End Linear Space (All Lines)#	Space to Sales Index	Over/ Underspaced
Beverages	40.5%	8.1%	20	Under
Candy	16.7%	24.1%	144	Over
Gum	9.1%	14.0%	154	Over
Mints	4.1%	5.0%	122	Over
Magazines	8.7%	13.8%	159	Over
Salty Snacks	3.0%	4.6%	153	Over
Batteries	1.7%	2.8%	165	Over
Razors/Blades	0.7%	1.1%	157	Over
Meat Snacks	3.3%	1.1%	33	Under
Energy Shots	1.5%	1.0%	66	Under
Energy Bars	5.8%	1.4%	24	Under

Best Practice

Beverages are underspaced while many other categories are overspaced and in need of SKU rationalization

Source: *IRI 52 weeks ending July 10, 2016, DHC Analysis; #TIR Audits,Sept. 2016

Best Practice:
Manage The Front-End Based on Consumer Buying Behavior

Low Scores

- Health Items
- Razors/Blades
- Baked Goods
- Lip Care
- Oral Care
- Household Products
- Audio/Video/DVD
- Other Snacks
- Beauty Care
- Grocery Products
- Film/Camera Supplies
- Children's Items
- Nutrition/Energy Bars
- Books
- Maps/Horoscopes/Puzzles

Mixed Scores

- Salty Snacks
- Batteries/Flashlights
- Cookies/Crackers
- Nuts/Seeds
- Meat Snacks
- Gift/Phone Cards
- Tobacco Accessories
- Energy Shots

High Scores

- Confectionery
- Beverages
- Magazines

Recommendation

Focus on key categories that

- Have high Household Penetration
- Have high Purchase Frequency
- Provide higher Impulse Sales
- Generate higher Front- End Sales

Source: Front-End Focus

Seven Key Insights for Checkout Optimization

1 Front End Departmental Management is a Key Strategy to Winning at Checkout

2 Research reconfirms the importance of the Power Categories (Beverages, Confectionery and Magazines) to front-end check stands

- Retailers need to focus on the appropriate merchandising efforts, across all types of lanes, for these key categories to drive the highest incremental sales
- X- Category SKU Rationalization is Critical in Order to Reduce Visual and Physical Clutter

3 Continually upgrade your consumer insights to keep track of emerging consumer trends

- Consult Front End Focus for current and future immediate consumption trends

4 Temporary Displays in front of the check stand endcaps do not drive incremental sales
Find other locations for those temporary displays

5 Explore the role of "Healthy Items/Choices" in limited doses as a compliment to the Power Categories

* Source: Progressive Grocer 2015, DHC Analysis

How to Implement Best Practices

Phases of the Front-End Program:

- Information Review and Sales to Space Analysis Versus National Trend
- Store Survey
- Fixture Concept Design
- Prototype
- Fixture Order Finalization
- Planograming and Space Negotiation Begins
- Store Communication and Markdowns
- Fixture Production Begins
- Shipping and Install Schedule Developed
- Racks Begin Delivering
- Install Begins
- Old Fixtures are Removed and Recycled
- Vendors are Billed Based on Installation Recap

Store Survey Importance

Most Important Items to Capture

- Current Fixture Dimensions – Length Width Height
- Current Fixture and Lane Count
- Available Lobby Space Per Fixture
- Current Belt Cavity Per Fixture
- Any Obstructions / Poles
- Detailed drawing of Self-Scan Area

Store Survey Importance

- **Store Surveys – The Most Important Measurements**
  - Register Stand Cavity Length

Register Stand

to

End of Belt

  - Lobby Length

End of Belt to First Gondola

  - Current Fixture Dimensions & Belt Height

Current Front-End Fixture Height, Width, Length

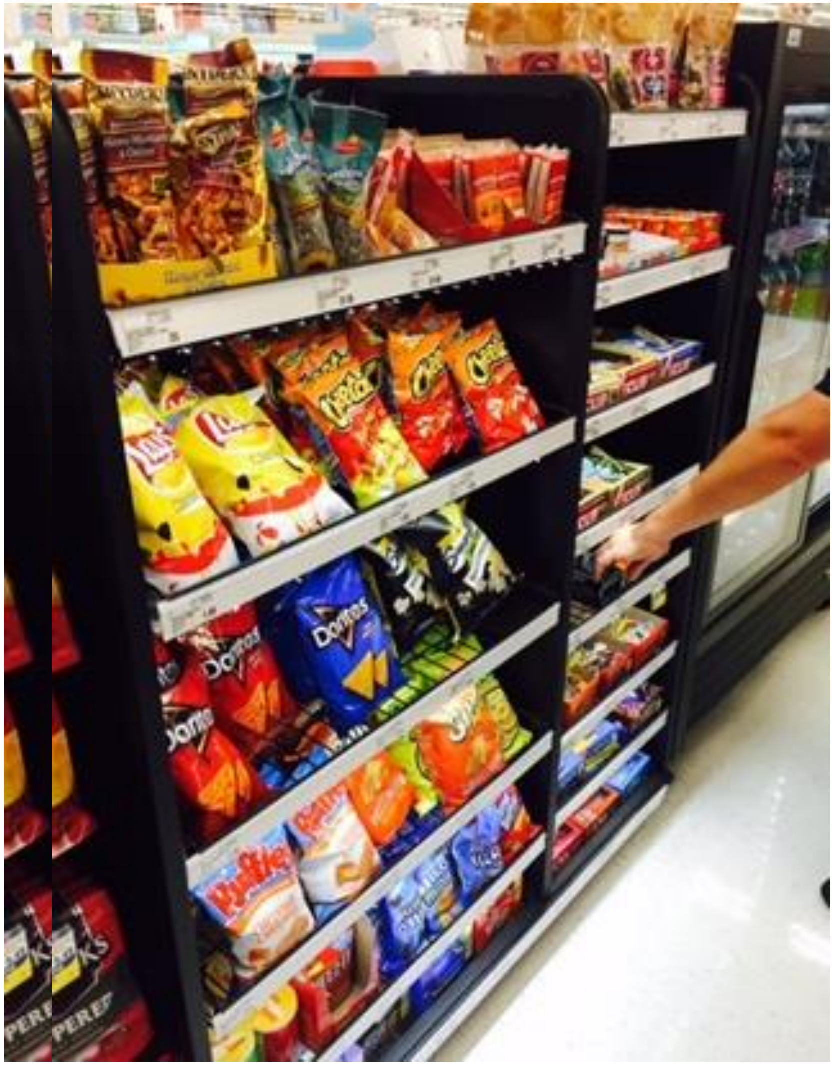
Belt Height

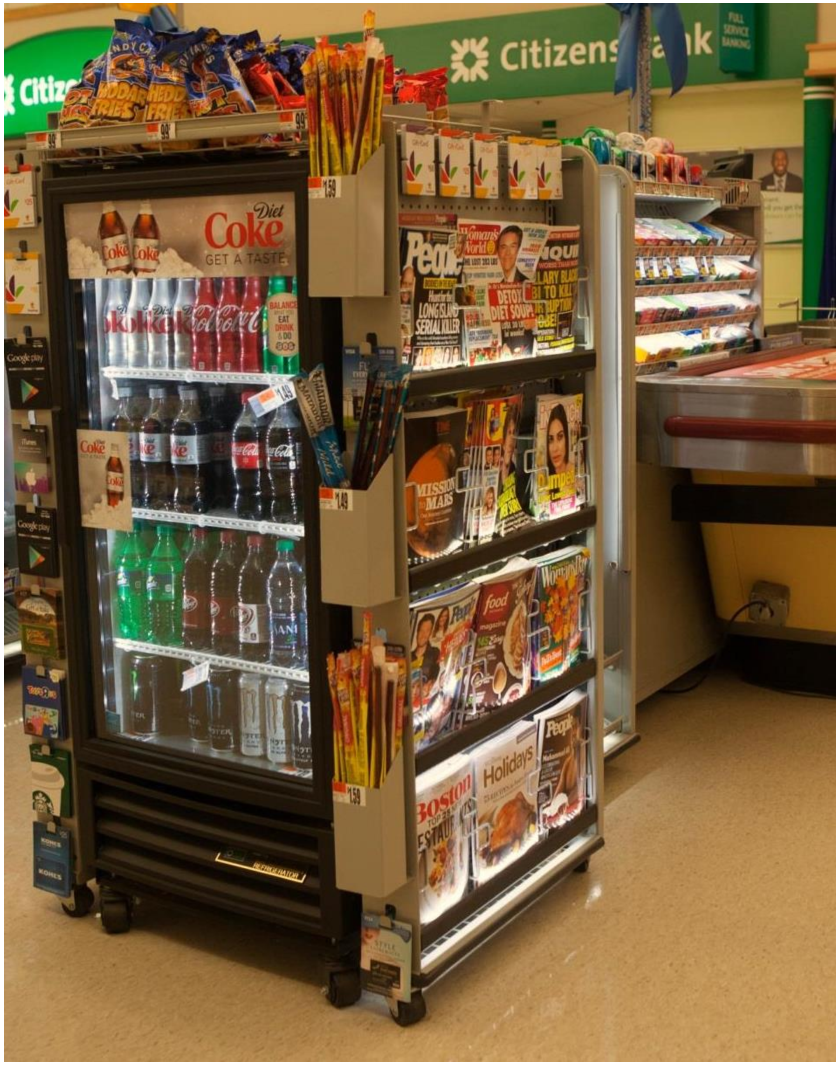
What is New on the Front End

Focus on Product Visibility

Focus on Product Visibility

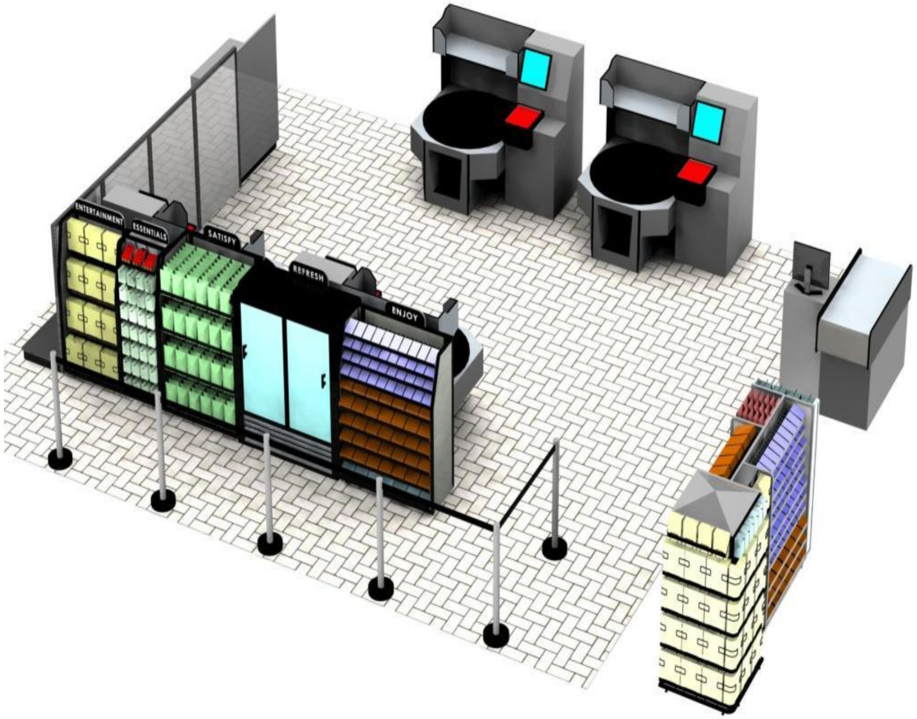
Adding in Snacks





Cooler Branding and Adding Fresh

Moving Equipment to Merchandise Self Checkout Before the Transaction



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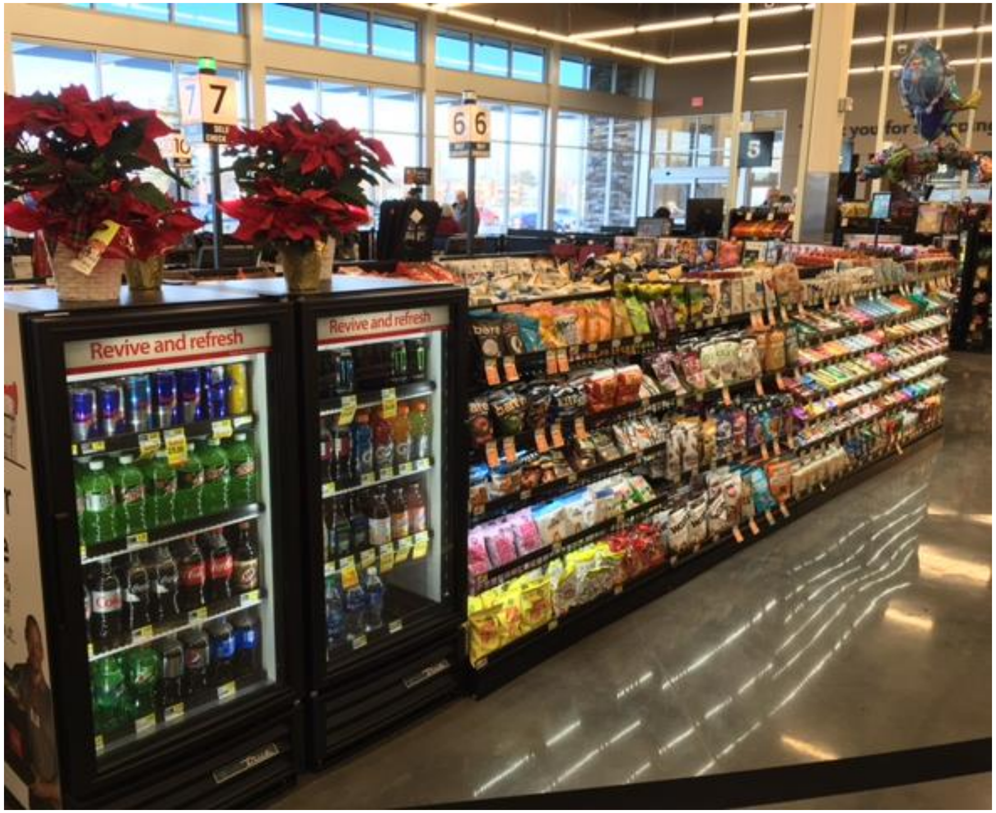

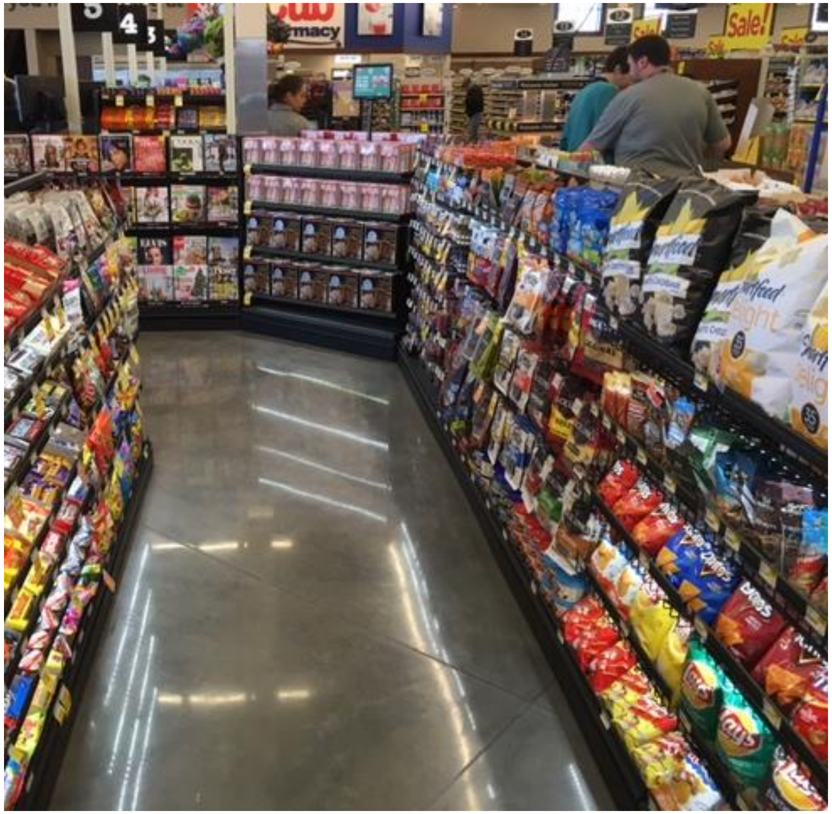

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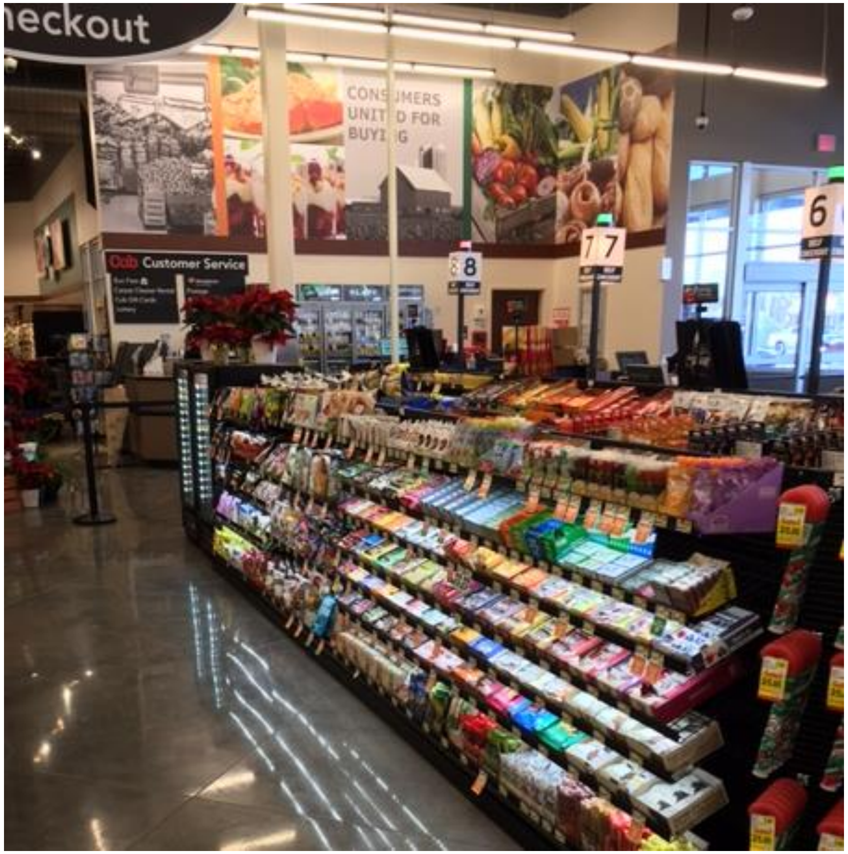
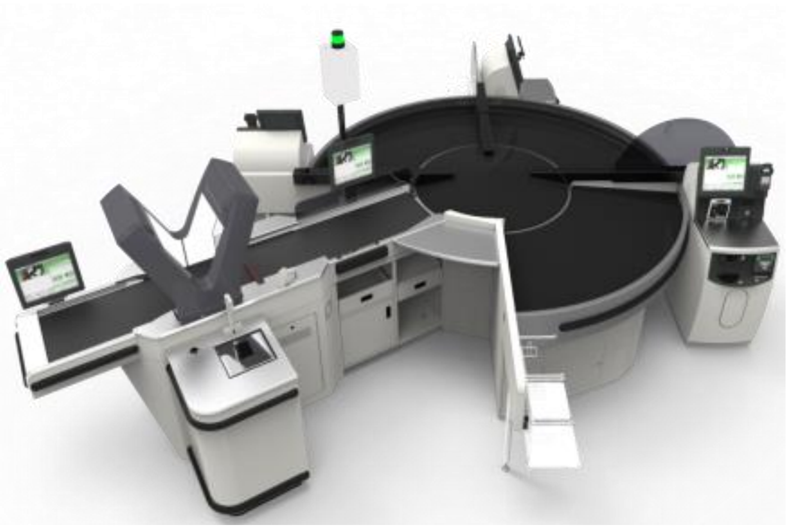


Long Term Change - Technology



Long Term Change – Changes in Funding

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