

Satisfy consumer demand for self-service and reap the benefits of self checkout.

“Self checkout gives customers an option that addresses one of the biggest customer issues—faster checkout—and allows retailers to improve labor allocation, leading to greater efficiency.”

— “Retailers Should Expand Implementation of Self Checkout,”
Gartner/G2, January 2004



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Executive summary

Imagine the consumer who is pressed for time, yet still needs to go to the grocery store after work so he has food for the week. He finishes his shopping and, at one of the busiest times of the day, is able to scan and bag his full-size order, pay for his purchases and leave the store—no waiting, no problem. Or the department store customer who is looking for a particular blouse to match a skirt she purchased on a previous visit. In a hurry, she's pleased to find a sales associate readily available to help her find the blouse she needs. And instead of waiting in a line at the cashier station, she uses a self checkout system and makes her purchase quickly—without assistance. The self checkout option not only gives customers control over their checkout experience, but helps allow the store to redeploy staff to help other shoppers who, ultimately, leave the store more satisfied. Self checkout solutions available today make transactions like these achievable for virtually all retailers.

Today's customers demand self-service options. At the same time, the in-store shopping experience is rapidly transforming. To stay competitive, you can now take advantage of self checkout solutions to enhance your store environment. This brief will explain why self checkout capabilities matter for retailers and customers and describe how self checkout can help retailers build customer loyalty, realize rapid return on investment (ROI), streamline operations and improve employee productivity. It will also illustrate the potential payoff of a fully self checkout-enabled retail environment.

Self checkout industry trends and drivers

Today's consumers are exposed to numerous self-service experiences on a daily basis, whether on the Internet, at the ATM, airport self check-in station or fuel pump. And research findings indicate that they like it—making self checkout a natural evolution for retailers. In a recent Gartner/G2 survey, 56 percent of consumers in North America said they have used self checkout.¹ This is substantiated by an ACNielsen U.S. Homescan consumer panel survey of 61,500 households across the U.S., which found that 61 percent of households have tried self checkout

lanes and 70 percent said they would use it again.³ These statistics indicate that consumer demand for self checkout is strong. The data also suggests that customers are beginning to choose their shopping location based on the availability of self checkout, and retailers that have adopted self checkout are benefiting by attracting more customers who are seeking self-service technology. These numbers pose a strong argument for retailers to meet consumer demands by expanding their front ends with self checkout options.

Customer service is critical to differentiate your organization from the competition and to please demanding consumers—and self checkout is an ideal way to boost customer loyalty and satisfaction. It can help reduce wait times and give customers control over their checkout experience. To be more competitive, retailers are looking at technology to help them do more with the same number of employees.

“We expect the North American retail self checkout market to surpass US\$1 billion in revenues by 2005 and that figure to nearly double by 2006 to US\$1.7 billion.”

—IHL Consulting Group, 2003²

In addition, with self checkout, you can begin to address labor challenges and reduce front-end costs. According to IHL Consulting Group, retailers faced with tight budgets and a labor shortage must find practical and creative ways to make good use of the employees they have—and reduce their labor costs. Self checkout solutions can help optimize front-end labor costs: a single worker can oversee four to six self checkout registers.⁴

Benefits of self checkout

Self checkout systems not only offer you the ability to give your customers choice and speed—two of the most important elements for today's retail consumer—they also have the ability to help retailers reduce labor costs, improve operations and productivity, and increase revenues.

Build loyalty and motivate spending by delivering a superior customer experience

By providing your customers with self checkout options, you can help meet the growing demand for fast self-service. And today, by using self checkout machines that can handle virtually any size order, you don't limit your customers to a specific number of items—they can use self checkout every time they shop. Self checkout offers consumers a new level of control over their checkout experiences. They gain the ability to scan items at their own pace, and they can handle and bag items—such as delicate produce or fresh flowers—however they want.

Benefits of self checkout

- 1 Build loyalty and motivate spending by delivering a superior customer experience**
- 2 Realize a rapid ROI by optimizing labor costs and increasing revenue**
- 3 Improve customer service and take out costs by streamlining store operations**
- 4 Improve productivity by redeploying your employees**
- 5 Operate a resilient, security-rich business—around the clock**



With more checkout stations open inside your store, it can help your customers get out of the store faster, saving them valuable time. Even shoppers who prefer traditional checkout lanes can experience shorter waits, because self checkout gives you more capacity at the front end. Self checkout can also provide your customers with a positive shopping experience that can help build customer loyalty among your clientele: they will choose to shop at your store because you offer self checkout.

Realize a rapid ROI by optimizing labor costs and increasing revenue

According to Gartner/G2, ROI for self checkout systems typically occurs within 12 to 18 months.⁵ Self checkout can increase throughput at the front end, which can lead to higher sales and improved ROI. Other factors, such as high labor costs and more cost-efficient technology, also contribute to an improved ROI with self checkout solutions. Yet ROI is more than just hard numbers. You can gain increased customer satisfaction; flexibility to reallocate labor hours from cashier activities to other in-store tasks;

better ways to optimize space at the front of the store; and the ability to move more customers across your sales floor. And you can reduce the number of customers who become frustrated with waiting in line and leave before purchasing.

Improve customer service and take out costs by streamlining store operations

Self checkout allows you to simultaneously serve more customers and operate your front end more efficiently, making it a compelling technology in which to invest. With self checkout lanes, you can reduce the amount of variable labor that needs to be scheduled; add lanes to your store without staffing them with new employees; and enhance service levels with in-lane assistance to encourage usage or help first-time users. Since four full-lane self checkout options typically fit into the same space as three conventional lanes, you can increase the number of available lanes without occupying additional valuable square footage.

“Consumers will change how they shop by using an expanding variety of do-it-yourself technologies, including self checkout, kiosks, smart screens, personal shopping gadgets and quick-pay cards or devices.”

—Forrester Research, January 8, 2004⁶



Improve productivity by redeploying your employees

With self checkout, you gain the ability to redeploy staff who would typically run a checkout lane to another area within your store, such as merchandising or the sales floor, helping to improve customer service. During busy periods, you can maintain high productivity and throughput without adding sales associates, enabling you to utilize labor more efficiently. And the in-lane assistance provided with certain self checkout systems can boost satisfaction and speed the checkout process, such as bagging items or offering technology help for first-time self checkout users.

Operate a resilient, security-rich business—around the clock

Security at self checkout systems is a crucial concern. Self checkout systems that incorporate both weight and dimension verification capabilities—and perform checks against a store's database—help to ensure that the item scanned is the item bagged, delivering exceptional security. It's important that these security features do not hinder ease of use or a quick checkout time for the shopper. Self checkout also can help reduce the risk of front-end cashier theft, and because cashier error is often a major contributing factor to inventory shrink, self checkout may actually provide some protection against loss. Self checkout systems that are retail hardened also offer retailers the ability to provide consumers with reliable checkout options.

“A typical supermarket transaction needs to be US\$15 to get enough margin to break even on the labor of a checkout cashier. By offloading these transactions to self checkout, [retailers] reduce this dollar figure considerably. In a segment where every penny counts, that reduction is pretty compelling, particularly when it allows your trained cashiers to spend the most time with your highest margin customers.”

—IHL Consulting Group, 2003⁷

Self checkout for retailers: the big-picture payoff

Self checkout capabilities can help satisfy customers' desires for self-service. Retail organizations, similar to yours, that offer self checkout are enhancing the consumer shopping experience and improving customer loyalty. There is universal appeal to self checkout across a broad spectrum of retail environments, including grocery, mass merchandise, category killers, department, pharmacy, do-it-yourself and even convenience. Retailers have the ability to use self checkout technology to offer new forms of service that can help create a competitive advantage in a crowded marketplace, in the form of a more interactive, convenient customer shopping experience. And with user-friendly self checkout technology and access to a turnkey solution, your organization can expect easy implementation and quick time-to-value.

The right provider for your self checkout needs

A leader in the retail industry, IBM has enhanced its retail-optimized solution portfolio with exceptional self checkout options. IBM self checkout products provide a fast, convenient self-service alternative for consumers and offer you a productive and cost-effective approach to optimizing front-end resources while improving responsiveness to customer demand. Our modular self checkout product line, including

both conveyer-based lane configurations and "scan-and-bag" solutions, is designed to help meet the needs of all store formats and sizes, regardless of transaction volumes. And our self checkout solutions integrate with a wide variety of software platforms and hardware peripherals, and are retail-hardened for proven reliability. Part of a portfolio of innovative retail products such as the powerful, sophisticated personal shopping assistant tool, IBM self checkout systems are designed to help provide shoppers with the self-service options they demand in a variety of environments.

IBM has established a proven track record through 30 years of global experience—and nearly two million point-of-sale terminal installations worldwide—in the retail sector. We have helped revolutionize the retail industry through more than 60 patented innovations, including the barcode. And with a global network of over 1,500 IBM Business Partners in the retail industry, we provide a vast services organization that includes consulting, planning, design, implementation and integration designed to deliver end-to-end self checkout solutions.

For more information

To find out more about IBM self checkout technology and solutions, contact your IBM representative or visit:

ibm.com/industries/retail/store



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Research Triangle Park, NC 27709
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Printed in the United States of America
05-04

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Printed in the United States on recycled paper containing 10% recovered post-consumer fiber.

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