

Retailers Missing Huge Opportunity At Front-End Checkout

*Front-End Focus research profiles consumer buying patterns and defines
Best Practices for retailers to maximize checkout performance*

CHICAGO, Dec.2, 2009 - The findings of a comprehensive new study of the front-end checkout suggest that retailers are missing opportunities for impulse sales. The study, called **Front-End Focus**, was sponsored by **Mars Chocolate North America**, a Division of Mars, Inc., **Time-Warner Retail Sales & Marketing** a division of Time Warner, **The Wm. Wrigley Jr. Company** and **The Coca-Cola Company**. Industry consultants **Dechert-Hampe & Company** were engaged to conduct the study and develop objective conclusions.

The research was conducted in partnership with leading grocery retailers representing over 3,200 stores and 12% of U.S. Grocery volume. The retailers provided extensive data on product sales and merchandising conditions. They also provided transaction data from frequent shopper cards. The study included in-store interviews with over 1300 consumers relative to attitudes and buying behavior at Regular, Express & Self-Scan checkout lanes.

Front-End Focus identified a number of key insights to consumer shopping behavior at the front-end checkout including:

- Some 90% of all shoppers will occasionally purchase items from the checkout, many of them buying on a weekly basis.
- About 15% of the store shoppers will make a purchase from the checkout on a shopping trip. This conversion rate tends to be higher at Regular lanes and lower at the Express and Self-Scan checkout lanes.
- Confectionery, Magazines and Soft Drinks are the key power categories that are purchased by the most shoppers, purchased most frequently, and purchased on an impulse basis.
- Shoppers tend not to switch lanes or shop across lanes. Almost 30% of consumers said that if the front-end item they were looking for was not available, they would not buy anything that trip, resulting in lost sales.

Based on the Front-End Focus research, checkout sales represent over 1% of total store sales. The contribution from front-end checkout sales is larger than all but a few major product categories and even many entire departments. The study strongly suggests that retailers should manage the front-end as a Department with a dedicated manager.

“Leading edge retailers recognize the value of the front-end checkout to their business. We are working to provide them with the knowledge to optimize their results”, said Drew Wintemberg, Executive Vice President for Time-Warner Retail Sales & Marketing.



The study revealed that retailer sales performance at the front-end checkout varies widely based on the merchandising practices followed by the stores. The study defines a set of Best Practices that can help retailers realize up to 30% or more improvements in sales and profits at the front-end. Based on the total Grocery sales volume, this represents an opportunity gap of \$ 2 Billion.

“Working in collaboration with our industry partners, the Front-End Focus initiative provides a touchstone to improve checkout results for everyone,” said Bob Bandel, VP of Trade Development for Mars.

Among the key practices and recommendations to retailers were the following:

- Merchandise front-end checkout displays to reflect shopper buying behavior. Retailers should select items with high penetration (most shoppers buy), that are purchased frequently, and that are commonly bought on impulse.
- Focus at the front-end checkout should be on the “Power Categories” that represent almost 80% of front-end sales and profits: Confectionery, Magazines & Beverages. These categories also represent 83% of the opportunity gap.
- Be sure to merchandise the Self-Scan checkout lanes with a focus on the key Power Categories.
- Carry Confectionery on all the checkout lanes and merchandise Confectionery on both sides of the consumer to generate impulse purchases.
- Maximize Magazine presence at the front-end on end caps as well as in the lane to enable consumer buying opportunities. Shoppers need to browse Magazines.
- Over-The-Belt merchandising should include “Power” categories such as Confectionery and Magazines.
- Make sure the top selling Magazine titles are available on key lanes. It is more important to carry the right titles than a large number of titles at the checkout.
- Make beverage coolers available to shoppers on 80% of lanes including the Express and Self-Scan lanes. Stock an assortment of beverages in each cooler that includes water, energy and non-carbonated as well as carbonated beverages.
- Provide a moderate space for GM/HBC. Remember that most of these items are need driven and many are also located elsewhere in the store.

“The Front-End Focus results have provided us with new insights and led to innovative solutions that benefit all the stakeholders at the checkout,” said Ron Hughes, Director, Innovation and Shopper Experience for The Coca-Cola Company.

Front-End Focus is a continuing program of research and communication about the front-end checkout. The consortium of Mars, Time-Warner, Wrigley and Coca-Cola is dedicated to expanding the knowledge of shopper behavior, defining Best Practices, and identifying new solutions for checkout merchandising.

Headquartered in Hackettstown, NJ, Mars Chocolate NA is a Division of Mars, Incorporated, a private, family-owned company founded in 1911 that employs more than 65,000 associates at over 230 sites, including more than 135 factories, in approximately 68 countries worldwide.

Time/Warner Retail Sales & Marketing, a Division of Time-Warner, is the sales and marketing arm for the popular magazines of Time, Inc., the world's leading magazine publisher. Time, Inc. has 154 titles that are read more than 300 million times worldwide on a monthly basis and account for nearly a quarter of the total advertising revenues of U.S. consumer magazines.

The Coca-Cola Company is the world's largest beverage company, refreshing consumers with nearly 500 sparkling and still brands. Globally, the Company is the No. 1 provider of sparkling beverages, juices and juice drinks and ready-to-drink teas and coffees. Through the world's largest beverage distribution system, consumers in more than 200 countries enjoy the Company's beverages at a rate of nearly 1.6 billion servings a day.

The Wm. Wrigley Jr. Company is a recognized leader in confections with a wide range of product offerings including gum, mints, hard and chewy candies, lollipops, and chocolate. The Company has operations in more than 180 countries. Wrigley is headquartered in Chicago, Illinois and operates as a subsidiary of Mars, Incorporated, based in McLean Virginia.

Dechert-Hampe & Company is a management consulting firm specializing in Sales and Marketing. DHC clients include many of the largest and most successful manufacturers and retailers of consumer goods and services.

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