

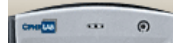
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April 2008

## Empowering Customers

By Howard Riell

**While c-stores have been slow to embrace self-service checkout, experts predict this technology could change retail operations.**

Will self-service checkout prove a viable solution for convenience stores? It just may, for some. At least a couple of the larger operators are already testing it, and smaller operators are waiting for word on exactly how the cost/benefit ratio will eventually work itself out.

Obviously, self-service checkout works for supermarkets. Indeed, British retailer Tesco has opened dozens of its Fresh & Easy grocery stores in the U.S., and all of the lanes offer assisted self-checkout. Motorola is even making a handheld scanner that grocery customers carry around to ring up purchases as they go.

In Time magazine's March 24, 2008 cover story, "10 Ideas That Are Changing the World," reporter Barbara Kiviat pointed out that, "Only now are technology and public sentiment aligning to truly shift the responsibility of collecting goods and services to the consumer. Companies love self-service for the money it saves, and with consumers finally playing along, the need to interact with human beings is quickly disappearing."

Perhaps the question for c-stores with smaller stores and fewer employees isn't whether self-service checkout technology can reduce labor costs, but how it can help operators allocate labor more efficiently.

### Industry Lagging

Self-service checkout in convenience stores across America is "almost nonexistent," said Paul Burel, director of marketing strategy for U-Scan, Fujitsu Transaction Solutions Inc.'s self-checkout line. "In the States it's not hard to get cheap labor, especially in (the c-store) industry. They tend not to be at the higher end when it comes to the cashiering function."

Because store staffs are small—one or two people can run an entire store plus fuel pumps—the ROI on checkout systems "has been really hard," Burel said. "There really hasn't been an ROI, unless you take customer service out of play completely as a factor to drive the decision. It's a pure cost to put self-checkout in."

Perhaps the most obvious reason for the resistance by c-store operators is the space needed that could be used to stock additional products. Self-checkout systems, however, could be configured as pedestals that take up less space.

"The real question is, 'Would the convenience store feel that it is going to increase its sales because the customers will get in and out that much more quickly?'" said Mark Lilien, a management consultant and partner for Retail Technology Group in Stamford, Conn. "I don't believe most convenience store owners would be easy to convince of that."

No matter what management's judgment, testing such devices remains a simple matter for larger chains. "The fact that so few chains have even tested it in a couple of stores indicates to me that the interest is hardly there at all," Lilien said.

John Saccomanno, director of industry marketing for NCR Corp., said there is "no retail segment that is more dependent on consumer self-service for its revenue than a convenience store. It is, by all practical means, a self-service environment. People go to a convenience store not really anticipating a lot of service from the store personnel, so in a sense consumers are acclimated to self-service."

The challenge to c-stores, then, is "operationalizing the systems making sure you are easing the customer transaction and not causing more headaches," said Saccomanno. "It's difficult to implement a self-checkout solution if you're not accommodating all customers. For example, if it doesn't handle the gasoline purchases is that really worthwhile? If it doesn't handle on-line lottery, is that really much value?"

### Assisted Checkout

Brendan Wonnacott, a spokesman for Tesco's 59-unit Fresh & Easy Neighborhood Market chain, told CSD that while his parent company operates almost a dozen different formats in Europe, including what Americans would consider c-stores, the El Segundo, Calif.-based Fresh & Easy is a grocery concept. There is, Wonnacott confessed, "sort of a disconnect between Europe and America when it comes to the phrase convenience store and what that means here."

### Self-Service Gift Cards

Paul Burel, director of marketing strategy for U-Scan, Fujitsu's self-checkout line, said gift cards are a good option for c-store operators "because it's convenient. It's the kind of point-of-presence transaction to generate that last-minute gift that someone needs to get."

Going with a self-service gift card program is "really not an add-on," Burel explained. "From a technology standpoint, it's a function of their POS. If the retailer says, 'I want to be able to do gift cards through the integration of self-checkout,' it's just one more requirement in the software integration. There is a separate cost for them to sign up with a processor like Blackhawk and get the displays and all that stuff into place, but that's outside the scope of what we do."

NCR offers multiple solutions. One of its kiosks dispenses cards, "but in an environment where you have multiple cards that can be very, very expensive," said John Saccomanno, director of industry marketing for NCR Corp. Another option calls for simply swiping or scanning the card to activate it, then accepting payment. Saccomanno said his company has introduced a new gift card solution on a kiosk. Customers are guided through a sequence of questions asking which card they would like and the dollar value. The unit then asks for payment options. The technology allows operators to automate the process "so that they are not tying up the front end on authorizing cards and taking payment," he said.



Fresh & Easy stores, like c-stores, are "designed to be a neighborhood market that is quick and easy to shop," Wonnacott said, "and these checkouts fit that mold very well. They are easy and fast, and by and large people have been very pleased with the experience."

Fresh & Easy stores average about 10,000 square feet, about the same size as a Trader Joe's or a Walgreens. Tesco, when it opened in the U.S. in November, decided to go with what executives refer to as "assisted checkout." The self-checkout area is manned by employees who can either ring up a transaction, help shoppers pack or just answer questions.

Other companies quickly noticed Tesco's set up. "Last fall, we quite surprisingly had a few of the very, very large oil companies who run convenience stores come to us asking for us to come in and do presentations," Burel said. "It came pretty much out of nowhere."

After asking lots of questions, he said, it seems those operators "are changing their viewing position. Maybe it's competition. I think what it's that they are looking at changing their inside-the-store format and trying to drive more sales from inside. They're making themselves over by upscaling stores. Some of the experiments I've seen are breathtaking in terms of what you would think a convenience store is."

Operators are less concerned with ROI than with "the traction of customers. The issue is getting out of controlled queues," Burel said. "Traffic spikes throughout the day. If they are selling money grams, if they are managing the pumps, if they have to deal with a check, ID verification or lottery tickets, a single transaction can end up taking several minutes and backing up the line. They want to be able to have two or three customers who can self-serve and not need assistance of the counter, while the counter is dealing with more complex transactions."

#### **Growing Trend**

Saccomanno believes self-checkout is only "in its infancy. I would expect that growth in the convenience stores will come at a tepid pace for a little bit until you really get a market maker. Then, everything can flash real fast. One thing about the convenience store industry, unlike some other retail industry segments, is that once a concept is accepted they can roll out very quickly."

The future will see smaller operators going to self-service checkout, Burel added. "Ultimately, customers are going to demand it. I don't think it's isolated to any industry. I'm seeing it everywhere. It doesn't matter what business you're in," he said. "We are in the hypermarkets and home improvement centers around the world. It has caught on." **CSD**



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