

tech forum

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Retailers should embrace fresh technology

To combat shrink, better serve customers and improve efficiencies in the fresh department, grocers must adopt technology solutions to optimize performance.

Many shoppers choose a grocery store based on the quality of its meat and produce offerings. Retailers that consistently offer the freshest products at a fair price gain a competitive advantage and win customer loyalty. Interestingly, technology solutions in the fresh areas of the store have only recently begun to receive the attention expected for such a critical area.

According to a 2001 National Supermarket Research Group study, 32% of all grocery sales are derived from fresh departments, but almost 60% of a store's shrink also occurs in these areas. To better serve customers and improve efficiencies in the fresh department through technological innovations, grocery chains will first need to address several questions.

What do customers want from their fresh departments?

Today's grocery shopper is looking for fresh, high-quality products at fair prices to meet their lifestyle needs. They expect their favorite fresh products to be in stock and count on nutritional information and serving suggestions. While some customers will choose a grocer based on low prices alone, very few will sacrifice freshness and quality.

What do retailers want from their fresh food areas?

To achieve increased sales and profitability, retailers need to reduce shrink and optimize inventory while building customer loyalty. By developing a fully integrated network system, closely coupled with a grocer's supply chain, retailers will have the right stock in place when their customer is ready to purchase it. In order to accomplish this integration, grocers must leverage technology to simplify processes and improve their efficiencies. For example, touchscreens and graphical user interfaces have made employee training and education much easier, thereby reducing labor costs and creating more knowledgeable associates with more time for customers.

Software solutions, such as Mettler-Toledo and SofTechnics fresh item management (FIM), are designed to optimize product inventory and price, reduce labor, decrease shrink and improve selection. Furthermore, they can integrate production planning, fresh products inventory, supply and ingredient inventory, shrink tracking and analysis for all products in the store. In departments such as meat, data can be collected to provide cutting tests and production waste reports. In addition, data from in-store activities, including product sales, receipts, transfers, mark-

downs and discards, can be collected to update inventories and for shrink analysis. Information from production and other sources can also be used for centralized activities such as maintaining recipes or establishing production standards.

In the fresh departments, customers expect to find accurate weight and price, but now also look for nutritional information, cooking suggestions, health benefits and frequent shopper pricing. Retailers can provide this information and even go a step further, through special marketing messages on scale displays and in-store coupons at the point of purchase. For example, a deli customer purchasing ham can automatically receive a coupon for premium mustard or a loaf of fresh baked bread. Such technology helps retailers build customer loyalty by making the shopping experience more satisfying.

What does it take to get there from here?

According to the November 2002 AMR Research report on retail technology, "Early results suggest that store level FIM systems can pay for themselves within three to 12 months, with a minimum expected shrink reduction on average of 15 percent." Compared to drastic changes in grocery operations or business, IT infrastructure can be modified relatively easily. Technology companies can help retailers develop a migration strategy that achieves their objectives while managing risks from change.

Today's grocery retailers must adopt technology solutions in the fresh areas of the store to accurately manage price and merchandising activities throughout the entire selling cycle and improve process efficiency throughout the value chain. Complete solutions enable retailers to optimize total store performance and turn item information into improved profitability. The good news is that new solutions that intelligently automate decision-making are becoming available, ensuring that retailers can provide shoppers with the freshest products. □

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