



# Grocery Retailing Payments

Study 2013

Presented by: Anne-Marie Roerink

210 Analytics, LLC

# Grocery Retailing Payments Study

- Designed to understand the costs of and industry practices relative to payment processing, automation and other related topics
  - Optimize internal payment mechanisms to reduce shrink and inefficiencies
  - Meet the next generation processing needs
  - Establish payment policies and strategies for the company and individual stores
- Joint study between NGA and Balance Innovations
  - January-March fielding
  - Cross-section of independents and regional chains

# Agenda

- Cover high-level findings from the report in the areas of:
  - Payment types
  - Debit/credit
  - Front-end technology
  - Cash operations
  - Check operations
- The report provides more detailed insights by:
  - Company size
  - Weekly sales volume
  - Weekly transaction volume
  - Average transaction size
- Please see Balance Innovations representative for a free copy of the report

# Sales, Transactions and Transaction Size



## Weekly sales per store

- Average: \$305,105
- Ranges from \$30,600 to \$1,641,000



## Weekly transactions per store

- Average: 11,211
- Ranges from 2,147 to 29,477



## Average transaction size

- Average: \$27.65
- Ranges from \$14 to \$58



## Sales and transactions by checkout

- Weekly store sales by checkout \$29,194
- Weekly transactions by checkout 1,241

# Payment types

- The usage of various payment types has seen tremendous change since 2000

	As a percentage of dollar sales	As a percentage of dollar sales	As a percentage of transactions	As a percentage of transactions
	2000	2013	2000	2013
Credit	14.6%		11.5%	
Debit	15.4%		12.2%	
Cash	<b>17.4%</b>		39.0%	
Check	<b>50.6%</b>		33.0%	
EBT	0.8%		1.3%	
WIC checks	0.7%		1.3%	
eWIC	N/A		N/A	
Proprietary charge cards	0.0%		0.0%	
Other	0.5%		1.7%	
	100.0%		100.0%	



# Payment types

- The usage of various payment types has seen tremendous change

	As a percentage of dollar sales	As a percentage of dollar sales	As a percentage of transactions	As a percentage of transactions
	2000	2013	2000	2013
Credit	14.6%	31.5%	11.5%	25.2%
Debit	15.4%	29.4%	12.2%	23.2%
Cash	17.4%	23.1%	39.0%	38.2%
Check	50.6%	8.4%	33.0%	5.5%
EBT	0.8%	5.1%	1.3%	5.6%
WIC checks	0.7%	0.4%	1.3%	1.0%
eWIC	N/A	0.3%	N/A	0.2%
Proprietary charge cards	0.0%	0.3%	0.0%	0.2%
Other	0.5%	1.6%	1.7%	0.9%
	100.0%	100.0%	100.0%	100.0%

# Payment types also differ by store

- High volume versus low (in transactions or sales)
- Average transaction sizes

As a percentage of dollar sales	All companies	High volume	Low volume	Average transaction	Average transaction
		Stores (weekly sales)	stores (weekly sales)	≤\$20	>\$35
Credit	31.5%	37.1%	26.9%	22.2%	42.1%
Debit	29.4%	28.5%	30.1%	26.4%	29.1%
Cash	23.1%	20.7%	25.1%	34.6%	16.7%
Check	8.4%	5.6%	10.9%	6.7%	4.6%
EBT	5.1%	4.4%	5.8%	8.6%	2.1%
Other	1.6%	2.4%	1.1%	0.5%	3.9%

# Average transaction amount by payment type

- While grocers average \$27.65 per transaction, the average amount varies widely by type



- High-volume stores have higher than average amounts in all category but cash

No one solution that fits all



# Debit and credit

- Swipe fees have taken much time and focus
  - Enormous cost to retailers and increasing given growth of credit/debit
  - For some companies, fees exceed the net profit on a typical grocery purchase
  - No retailers in the survey use incentives for using cash
- In addition to swipe fees, retailers pay processing costs, dues and assessment

	Debit	Credit
Processing fees	0.5%	0.9%
Network fees	0.6%	0.8%
Bank fees	0.2%	0.2%
<b>Total</b>	<b>1.3%</b>	<b>1.9%</b>

- Chargebacks appear to be a non-issue in grocery
  - <1 per week/per store

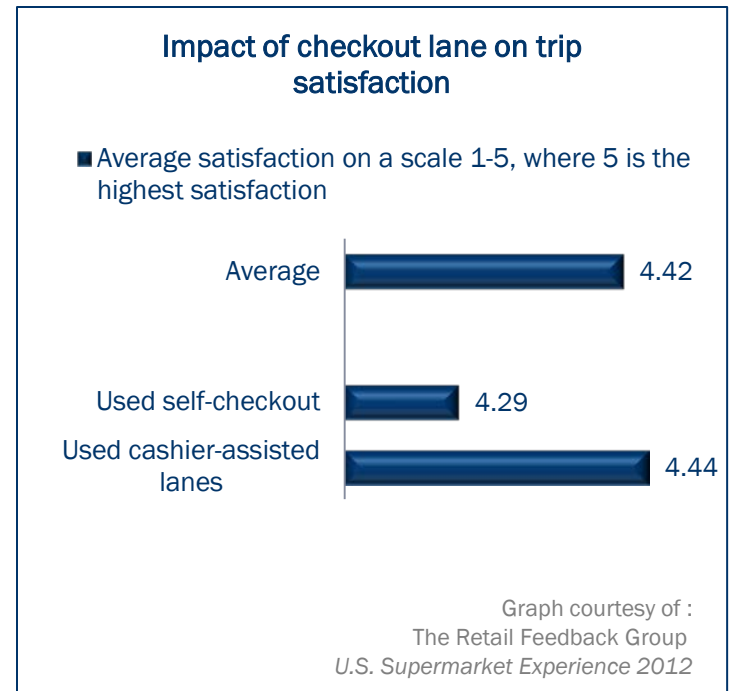
# Front-end technology

- Front-end optimization is key from both a customer experience and operational efficiency point of view
  - Checkout experience (speed and friendliness) key to overall trip experience
  - Operations includes being cognizant of consumer privacy, data security, theft-related shrink, etc.
- Checkouts
  - Finding the right balance of cashier-assisted, self-checkout and express/fast lanes
    - Experimentation with mobile checkout using smartphones or hand-held scanners
    - 66% of stores have self-checkout, with an average of four lanes
    - 64% have express lanes, with an average of two



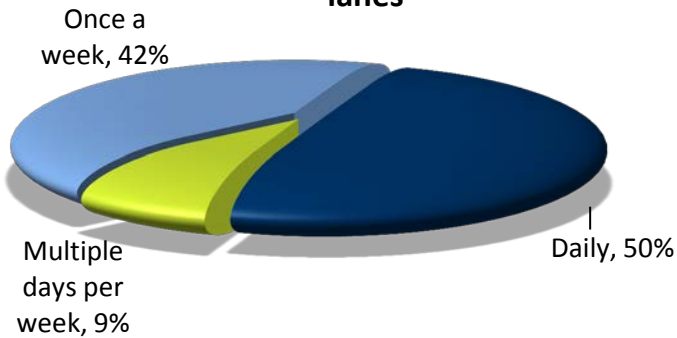
# Self-checkout

- Low-volume stores typically don't have self-checkout at all
- Industry passionately debates cost savings versus human factor
  - 90% of companies do not plan to make any changes to their current self-checkout set-up
  - 10% plan to add more
- Payment processing practices
  - Counting
  - Replenishing
  - Pick-ups

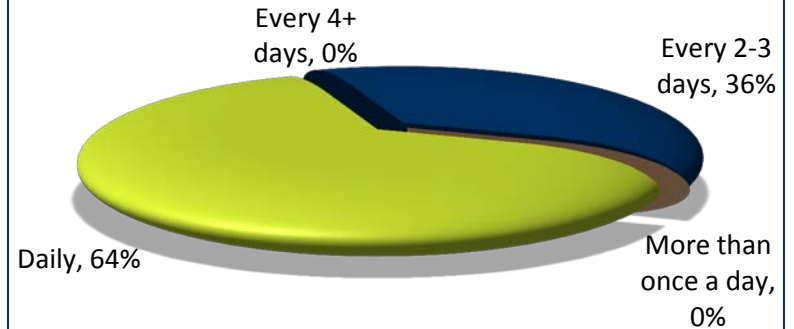


# Self-checkout (cont'd)

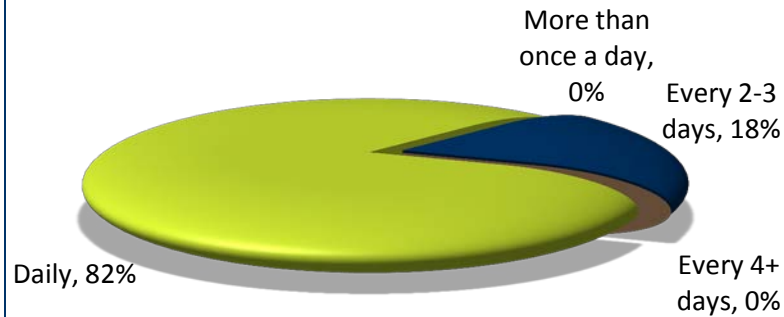
### Frequency of counting the self-checkout lanes



### Frequency of replenishing the self-checkout lanes



### Frequency of self-checkout lane pick-ups



### Type of self-checkout units used by survey respondents

- IBM: 33.3%
- UScan: 41.7%
- NCR: 25.0%

*Note: these numbers are not reflective of market shares*

# Front-end technology choices

	Currently have	Are considering	Neither have, nor considering
POS at service desk	76%	4%	20%
Check cashing	63%	4%	33%
Western Union	56%	4%	40%
Bill payments	48%	8%	44%
Self checkout POS	44%	4%	52%
Coin dispensers	24%	4%	72%
Electronic check conversion in lane (return check to customer)	24%	24%	52%
Check imagers	16%	16%	68%
Mobile payments in lane	8%	32%	60%
Smart safes	8%	34%	58%
Check imaging in lane (Point of purchase)	4%	16%	80%

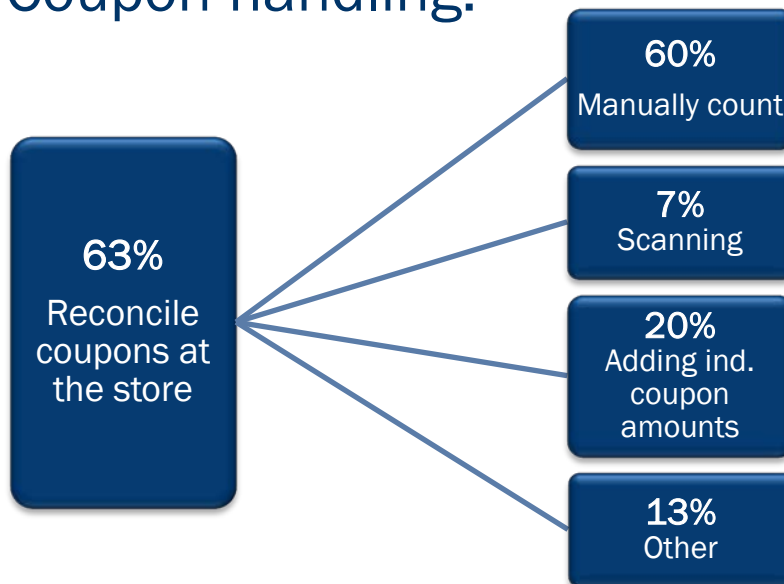
# Coupon handling

## Digital coupons

Check out the guidelines designed to promote model practices in digital couponing and reduce the incidence of coupon fraud. Available at: <http://bit.ly/X4TUQb>

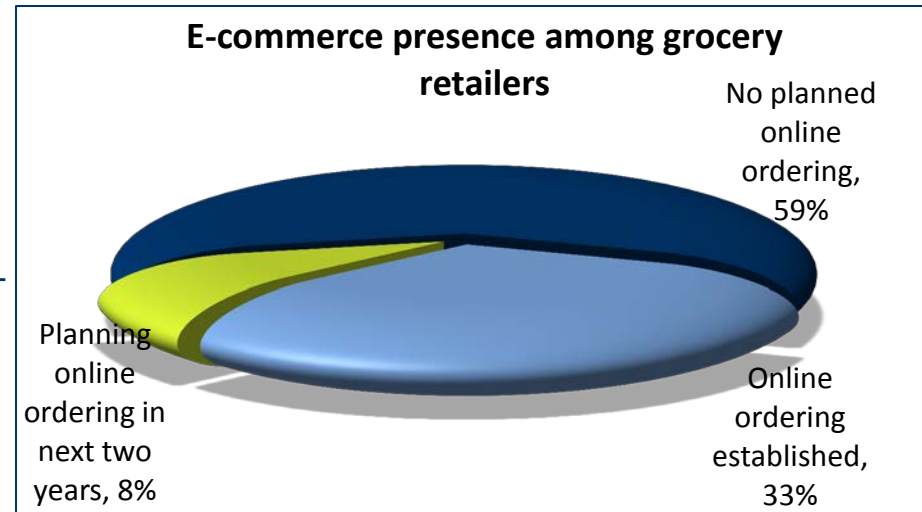
- Coupon redemption increased 6.1% in 2012 to 3.5 billion
  - Continuing habits formed during recession and despite decline in distribution
  - Freestanding inserts account for 88% of coupon distribution
  - Redemption rate FSIs 0.5% vs. 7.7% for online coupons
  - Internet print-at-home coupons account for 5% of coupon redemption

- Coupon handling:



# E-commerce

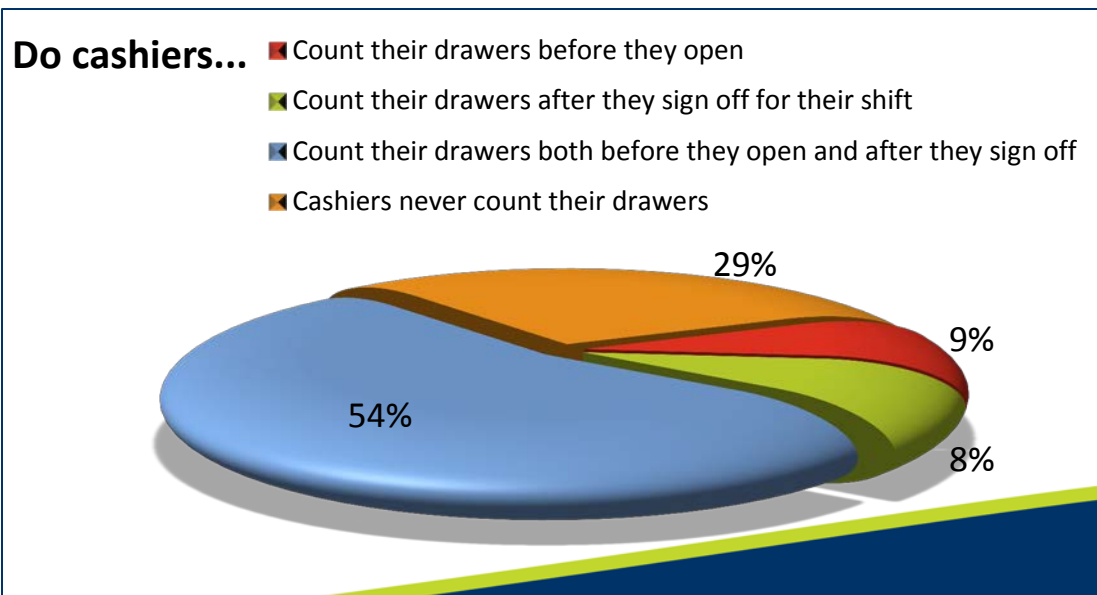
- Online-only grocers
  - Growing number of players in niche segments, such as gluten-free or organic
- Online presence of brick-and-mortar grocers
  - Renewed interest in exploring online purchases or list making
- Nationwide mass merchants beefing up food SKUs
  - Amazon.com; Walmart
  - Niche segments, such as diapers.com



Payment method	Accepted for online grocery orders
Discover	100%
VISA	100%
MasterCard	100%
American Express	89%
Gift cards	67%
Signature debit	33%
Prepaid credit	33%
PayPal	22%
PIN debit	11%

# Cash operations

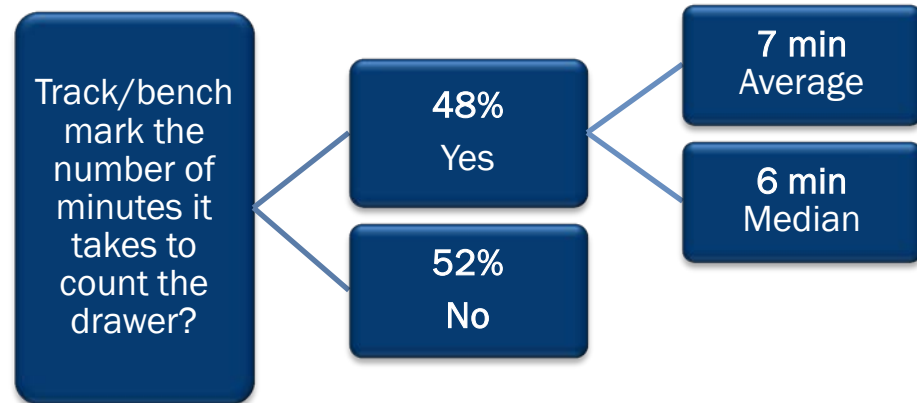
- Number three form of payment
  - More important for lower-volume stores
- Running efficient cash operations can reduce shrink, improve accuracy, reduce labor costs and improve productivity





# Drawer practices

- An example of potential savings: counting drawers
  - At 71% of companies cashiers are involved with counting tills
  - Among those, 94% has a second layer of checks and balances built in
    - Bookkeeper
    - Front-end manager
    - Etc
  - Most don't track the time this takes



- Monetizing
  - Average hourly salary for cashiers: \$9.40 → \$1.09 to \$2.19 per drawer
  - Average hourly salary for front-end managers: \$16 → \$1.86 to \$3.73
  - Times the number of drawers per day

# Over-short reporting

- 60% of grocers have automated over-short reporting
  - 100% of companies >50 stores
- Most distribute these reports to at least one department
  - Store operations
  - Loss prevention
- Annual cashier over/shorts losses
  - \$632 per store
  - \$900 in high-volume stores

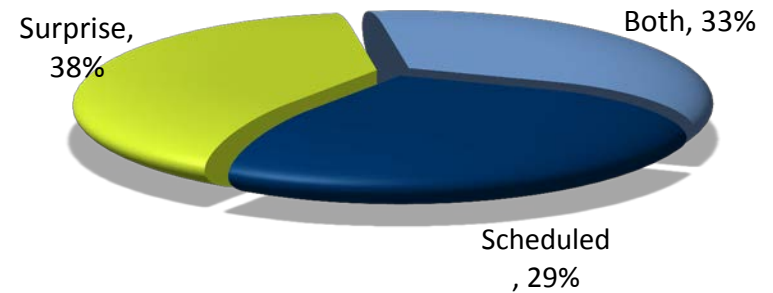


# Store cash audits

Frequency of store cash audits	All companies
Daily	8%
Weekly	20%
Quarterly	28%
Twice a year	4%
Annually	12%
As needed	16%
Never	12%

Average of 3 hours per audit

Nature of store cash audits

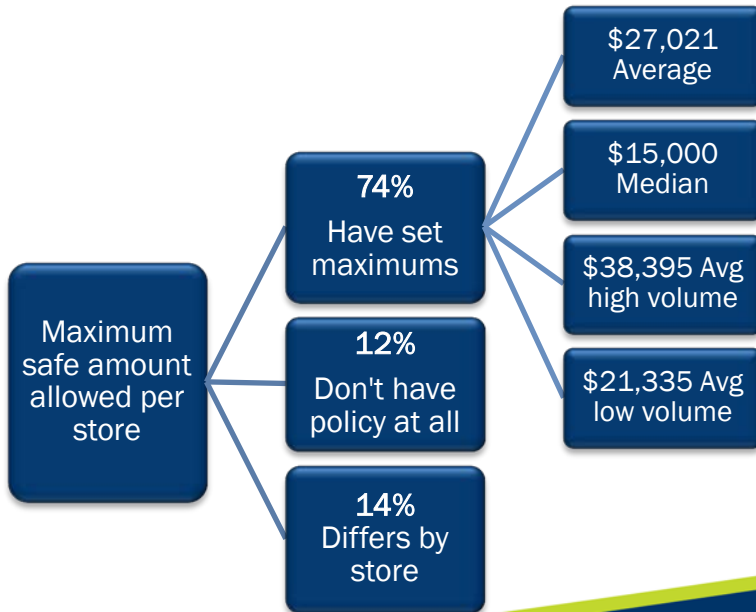


# Cash management at the store level

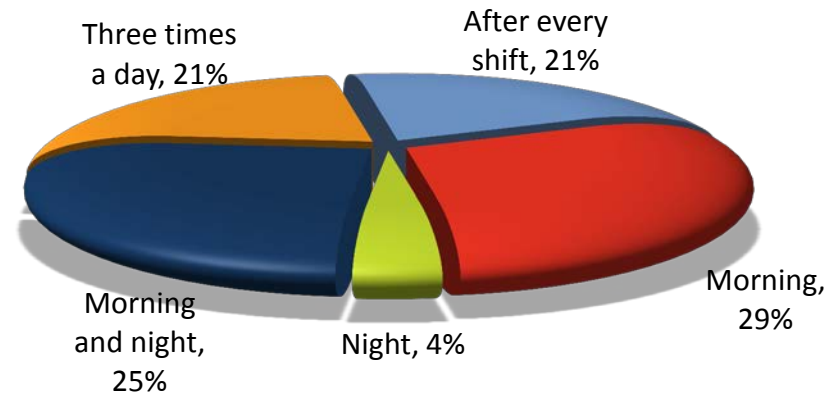
- Change orders and cash deposits



- Safe management



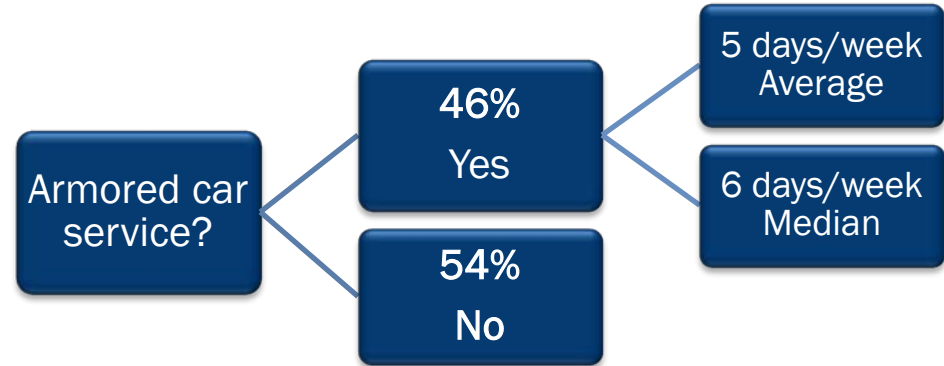
Frequency of counting the safe



# Cash management at the store level (cont'd)

- Armored car service

- \$23 average fee per pick up



- Reconciliation

- Average of 4 bookkeeper hours for daily close, reconciliation and deposit

- Reconciliation of non-integrated POS transactions

- 52%: manual entry into the store POS
- 33%: Entered into program that feeds the general ledger

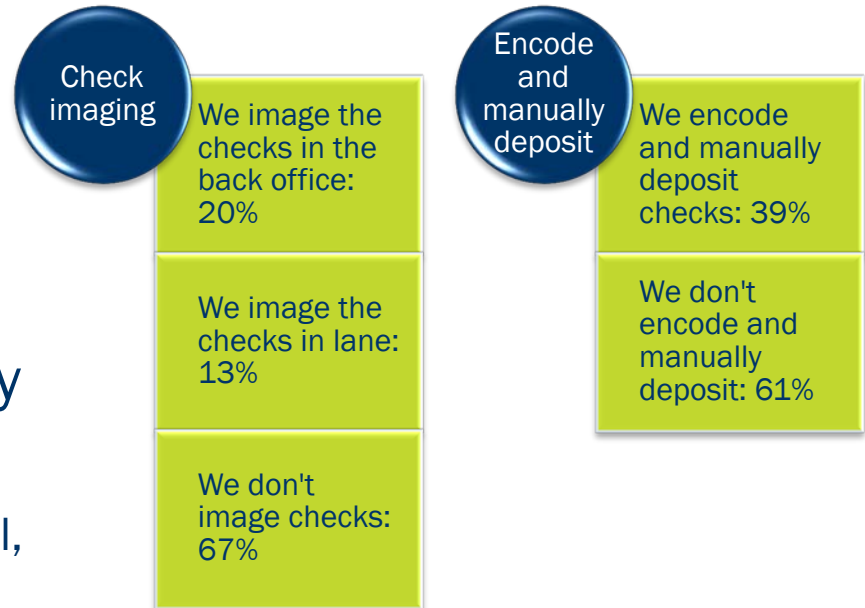
Average hourly of \$16-\$20 x 4 hours = \$72 per day

# Checks

- While decreasing as a form of payment, still an opportunity to drive traffic
  - WIC, payroll checks, Traveler's checks, etc
- Check volume varies greatly by store volume
  - 950 personal checks; 258 WIC and 94 payroll
  - 22% of companies do not process payroll checks at all
  - $\pm$  72% ACH (personal checks) and 28% WIC, payroll and other checks
- 48% handle check collection in house
  - 57% of larger companies (>50 stores)
  - Returned checks per store, per week: 1-2
  - Collection percentage: 70%
  - Returned check fee: \$22

# Check imaging and encoding

- 67% of grocers do not yet image checks
  - Reduced risk
  - Improved response time and accuracy
- Back-office imaging slightly more popular than in-lane
  - In-lane does not process payroll, WIC or money orders
  - Added time at checkout



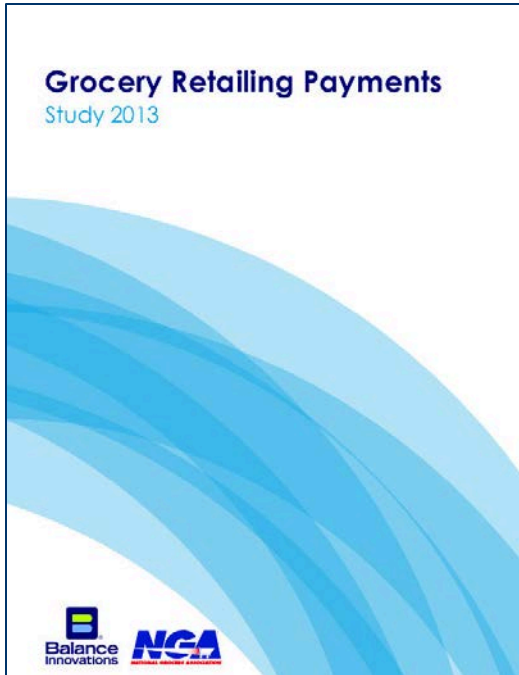
# Conclusions

- Customer preference has driven the increased usage of credit and debit
  - Now exceeding 60% of total dollars
  - Swipe fee battle continues
  - Consider potential savings across payment options for optimized payment processing
- Wide range of cost components when handling payments
  - The benchmarks help identify and quantify areas for more streamlined operations and cost cutting when processing payments
- Gathering accurate data is the first step in identifying and improving inefficient processes
- In general, larger stores (and often larger companies) have higher transaction volumes for all payment types and therefore are more cost efficient than smaller retailers.
  - Regional chains spend a lower percentage of total revenue on payment processing than independent operators



# Free copy for all attendees

- See Joy Nicholas for your free copy
- Or email Joy at [jnicholas@balanceinnovations.com](mailto:jnicholas@balanceinnovations.com)

A hand-drawn "Thank you" message in a cursive script, written with a grey marker. The marker is positioned at the end of the word "you", and the entire message is set against a white background.