CAPITAL EFFICIENCY OF FACILITIES AND EQUIPMENT

by

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Ukrop Supermarkets, Inc.

By telling you about the size and position of Ukrop's in its trade area, you will be better able to relate to the rest of my comments.

Ukrops is an eight store chain with all stores located in the Richmond metropolitan area. With two stores opening this fall, we will soon be a 10 store chain. A well-respected study of food shopping in Richmond gives Ukrop's a 17 percent share of market, making us second to Safeway's 28 percent with 20 stores.

The variation in size and volume of our stores speaks to our continuing effort to keep up to date in the ever-changing market place. Sizes range from 15,000 sq. ft. in our oldest store to 28,600 in the store we opened in 1977, with the two new locations being 30,000 and 31,000 sq. ft., respectively. Annual volume ranges from $5-10 million per store. Because we offer good quality and low prices, among other things, we have high-volume stores that use Courtesy Clerks for bagging and carrying groceries directly to customers' cars. Although customers appreciate this additional service, the use of Courtesy Clerks in this fashion is a necessity to efficiently handle a busy front end.

Having given you this introduction to Ukrop's, I shall cover four specific issues with which we have struggled over the years:

1. Store size
2. Location of service deli
3. Remodeling
4. Scanning

The size of new stores has doubled in 13 years. At the time each was considered to be optimum size, although our older, smaller stores did not have delis. We have kept the same basic layout, but we have tried to correct past mistakes wherever possible. The additional space in the newer stores goes to preparation areas, nonfoods, and bigger spreads on merchandise to accommodate higher volume. Even though I have said this in the past, the present size of our new stores is large enough. If the store is too big, customers might feel lost and may not shop the entire store like most of them do now. Since most of our locations are leased and we pay a set percentage of sales after reaching a certain volume level, the extra square footage in a bigger store is not as costly as it would be if we paid on square footage alone.

The second issue is that of locating the service deli. It does best early in the shopping trip, although the deli is at the end in a couple of our stores. With the deli the last department to be shopped, customers are less willing to wait for service because the only other place to go is the checkout area. Also, deli employees must wait longer to clean equipment and prepare for closing the department because late shoppers hit the
deli last, often after the 9 PM closing time. When the deli is earlier in the shopping trip, customers have a choice---get deli items now or do other shopping and return later to the deli. We often have three to four people working the deli counter to keep customer waiting time to a minimum.

The addition of a service deli and/or pastry shop as a part of remodeling has brought good results. Although sales in these departments may only contribute five to six percent of sales, the additional traffic generated by people who like to shop at a store with a deli and pastry shop has been greater than we anticipated. We are presently adding more than 5,000 sq. ft. to our smallest store and will be including a deli-pastry shop department. By the end of January, we will have nine delis and six Dot's Pastry Shops in our stores. In 1976, we purchased a small retail pastry shop and are working toward getting these top-quality, handmade products in all our stores.

Because we now believe we can save money and increase productivity with scanning, Ukrop's is working toward upgrading our front end systems from a key entry computer assisted system to scanning, with our first installation by the end of 1979. Compared to our present systems, ten percent labor savings at the front end will make scanning a good investment. The other benefits make scanning even more attractive.

Gaining customer acceptance for an innovation like scanning is a vital part of an implementation plan. Our customers must be convinced that such an innovation will ultimately help reduce the cost of food and not just fatten profits for the industry.

I have touched briefly on four issues that Ukrop's has and will continue to deal with and evaluate for the future. The key for us is to properly follow through as we implement whatever decisions we have made or will make in the future.