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"FOOD INDUSTRY RESEARCH AND EDUCATION: RESULTS AND CHALLENGES FOR THE 1980's"

Chairperson: Paul Canavan, Stop & Shop, Inc.

THE INDEPENDENT GROCER AND THE COMPUTER

by

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Our interest in scanning started in 1975 by its introduction in our area by a major chain store. At the time, I could not justify its cost by the information then available.

Our attention was diverted at that time by other plans to remodel our store to enable us to remain competitive in our area - Anne Arundel County. By January of 1980, we had finished giving our supermarket a new look. We were now ready to remodel our front-end with computer assisted checkouts and scanning.

After exploring in great detail three major companies selling this type of equipment in our area, we decided to use the Data Terminal System 540 with micro-processor for the following reasons:

1. It was at that time the least expensive available that would enable us to present scanning to our customers.
2. We could go from mechanical registers to scanning in various stages. This enabled us to train our employees in the use of electronic equipment in a gradual process rather than all at one time.
3. We could have an updatable system with which we could grow as our knowledge increased and our expertise developed in handling the equipment.

I would like to expand on these reasons in more detail to create a better understanding of the small independent's venture into the new world of the computer and its various applications to the supermarket.

Our purchase of computer-assisted checkouts with scanning was accomplished financially out of operating revenue without the need for borrowed capital. We did not have to establish a computer room with a controlled environment to accommodate 2 large disc computers nor did we have to put in an emergency generator. The Data Terminal System with the use of the micro-processor enabled us to have 2 files for memory and scanning at 66% of the cost of other equipment. I would be misleading you if I said they were equal in all respects. They were not equal, but the system used by Data Terminal enabled us to accomplish our goals without incurring additional expenses. We were willing to do without a full grown computer with all of its sophisticated equipment to achieve scanning at the lowest cost. The change from mechanical registers to electronic registers involved many opportunities pertaining to the adjustment of people to the new equipment.

We had to create our own file from scratch because our wholesaler was not in a position to host our going into scanning. It took us 4 weeks to develop our file. This required us to take one

of each item with a UPC code and scan that number into the file and write a descriptor for the item and then record the price. We built a file of 12,866 items. The file was verified with the assistance of help from the wholesaler and salesmen in 2 days with only a 10% error. This verifying required the scanning of every item for correct UPC number, descriptor and price. All of the file building and coordination involved in being ready to go scanning was handled by my daughter, Bernadette Snoops. It is paramount that one person with some knowledge of a computer be in full charge of the computer operation. This advise was given to us by others who had already ventured into scanning and is of utmost importance.

The updatability of Data Terminal's system enabled us to afford scanning and then add a 740 computer with a CRT floppy disk drive and printer a year after we had gone to scanning and bagging at the checkouts. We were able to develop our knowledge and versatility in the use of the equipment with the least amount of confusion in our operation. We are now at the stage of going to scanning at the second store. This will require us to update our computer from a 15K memory to a 24K memory.

The information library created by a scanning system is most helpful in operating a store and it forces us to develop new skills on how to use the equipment to operate our business more profitably.

We added an additional checkout in our Mountain Road store in the spring of 1981 which required the elimination of a 4-foot gondola. The movement information made this possible by discontinuing slow movers and elimination of different sizes. In the area of soft drinks we were able to eliminate 52 linear feet of shelving devoted to soft drinks and use the space for other merchandise. It became evident in this resetting that the 2-litre bottle was the up and coming item in the soft drink

section of our store. We discontinued only sizes of soft drinks or container types in resetting and did not discontinue any kind or flavor of soft drink.

The greatest benefit from computer assisted checkout operation is price maintenance. The system forced us to develop the people and store systems to assure correct pricing of merchandise. We are still pricing all of our regular shelf merchandise and will continue to price mark shelf items. We feel that the customer is not ready for a small individual store to go to non-pricing of shelf stock. The pricing and repricing of sale items has been eliminated in our store without any consumer resistance. The savings in manhours is 16 to 20 hours per week. Future non-pricing will depend on our ability to offer more readable shelf tags for the customers.

Scanning has improved our checkout speed by about 9% to 10%. The customers have developed the use of the itemized detail receipt tape to reassure her that she is correctly charged for her purchases and all other transactions are correct.

We recently purchased our second store in August of 1982 and had the opportunity to set the store with a quarterly movement report ending 7/12/82 from the wholesaler and an 8-week scanning report from the store on Mountain Road. The ability of people in the trade to work with this type of information from our experience in August is limited. The information requires more time to properly allocate space on shelves and determine location.

We have combined computer information and computer ordering equipment to enable us to order all merchandise for direct shelf placement to a degree of about 95% perfection. If we order merchandise it will go to the shelf with very few repacks, very few out-of-stocks due to ordering and inventory turns of 27 times per year.

As an independent supermarket owner
I believe we have only started to use
the information the computer assisted
checkouts give us and that we must set

goals to develop new skills to use the
information to remain competitive in the
most competitive business in America.