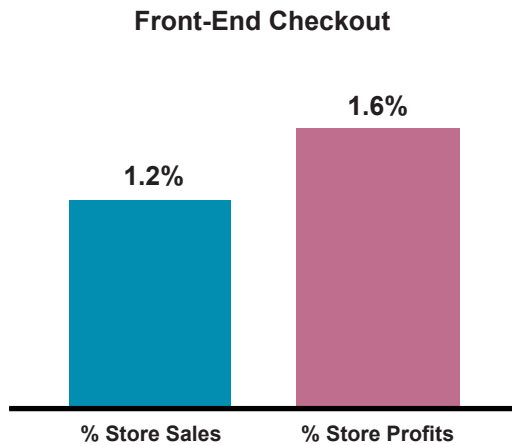
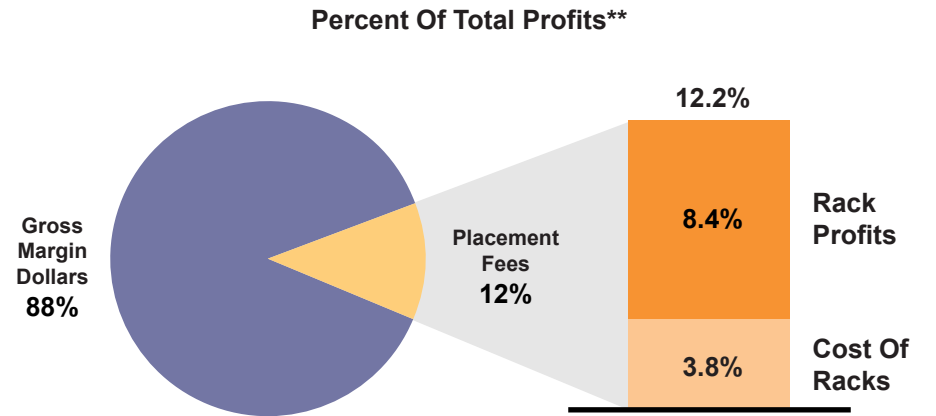


# What Is The Value Of The Front-End And How Profitable Is It?

The Front-End Generates 1.2% of Store Sales and 1.6% of Profits



The Majority Of Total Profit \$ Are Driven By Selling Product, Not Placement Fees



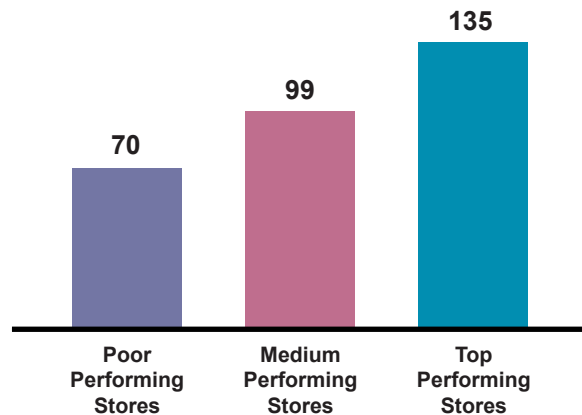
\*\* Includes Gross Margin % & Placement Fees.  
Source: Front-End Focus Study.  
DHC Analysis.

The Front-End should be managed to maximize total profit including both profit from sales and placement fees

# What Is The Opportunity For Improved Front-End Performance?

## Top Performing Retailers Have A 36% Advantage In Performance

Total Checkout Sales Per \$ MM ACV Index



Source: Front-End Focus Study.  
DHC Analysis.

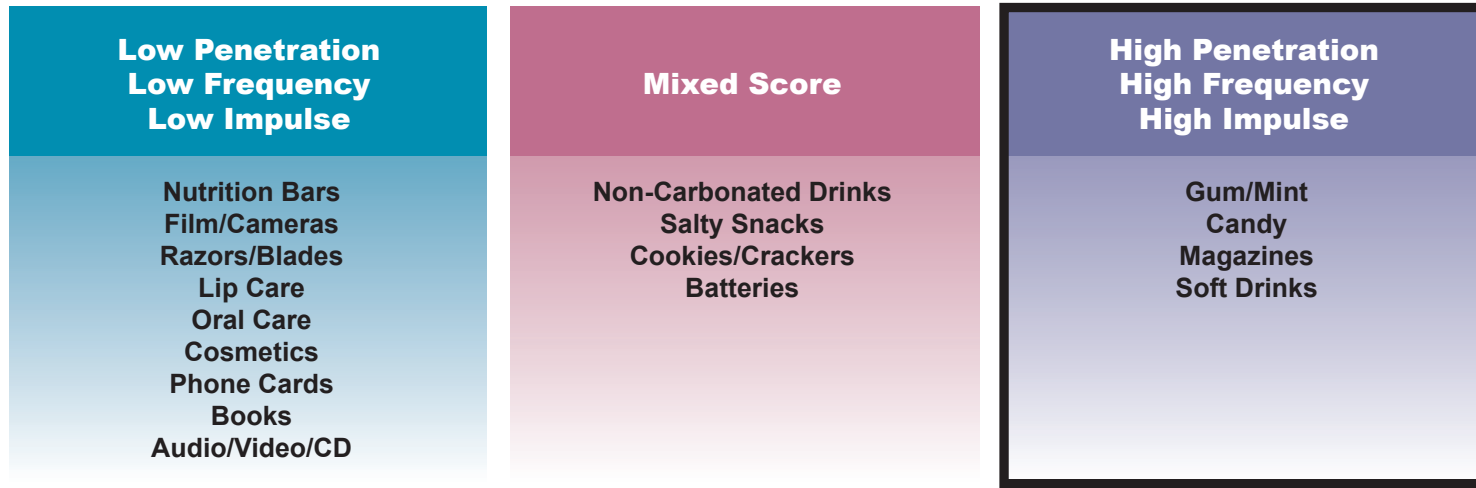
## Key Strategies For The Front-End

- Recognize the value of the Front-End to store sales  
 and profits
- Manage the Front-End as a department with a dedicated  
 manager
- Base decisions on total profits from placement fees and  
 sales revenue
- Focus on the power categories that drive Front-End sales  
 and profits
- Take advantage of the growth opportunity by adopting the  
 Best Practices of top performing retailers

**Take advantage of this opportunity by adopting key strategies for the Front-End and Best Practices of top performing retailers**

# How Should I Decide What Categories To Stock At The Front-End?

**Best Practice:**  Manage the Front-End based on consumer buying behavior. Focus on categories that have high Household Penetration, Purchase Frequency and high Impulse Purchases

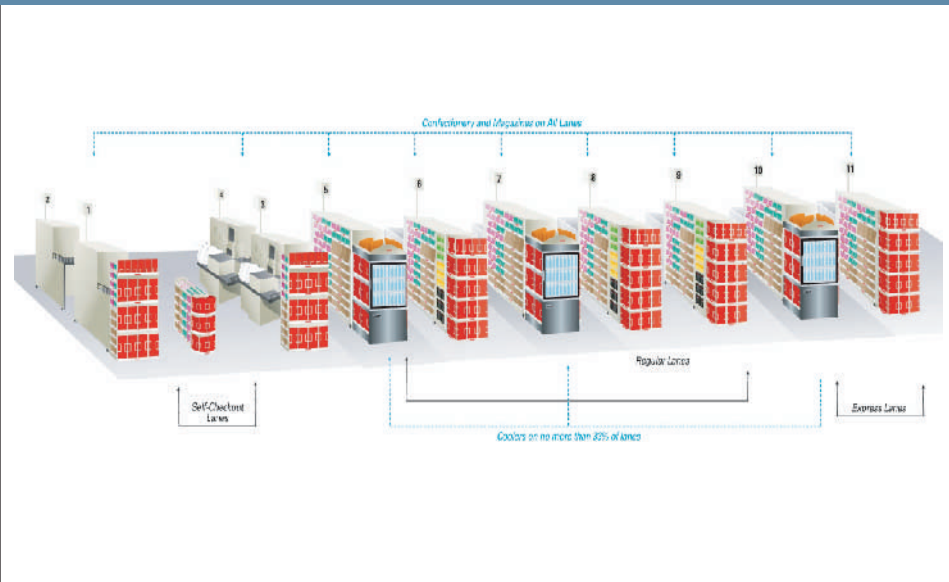


1.  Give broad exposure to the “High” categories: Confectionery, Magazines and Soft Drinks
2.  Provide some exposure to “Mixed” categories, but not a key focus
3.  Limit exposure of the “Low” categories to top sellers. These are usually available elsewhere in the store

Source: Front-End Focus Study. DHC Analysis.

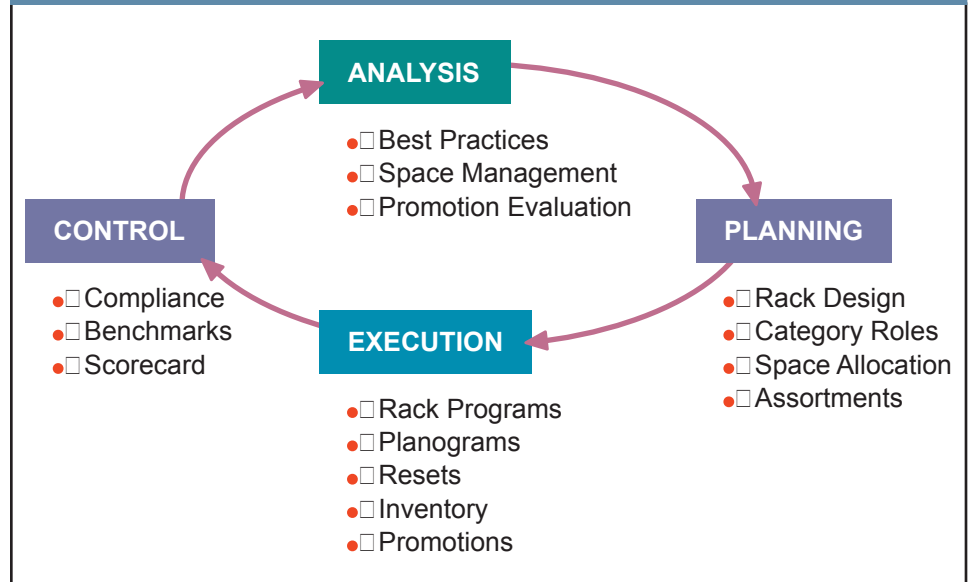
# Management Of The Front-End Can Be Improved Through Dedicated Resources And Objective Standards

## The Front-End Should Be Managed As A Department



Source: Front-End Focus Study.  
DHC Analysis.

## Front-End Department Management

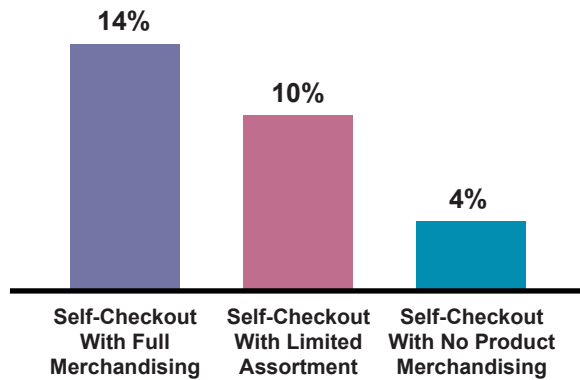


**Leading retailers are adopting the Front-End Manager Concept**

# Merchandising Is A Critical Element Of A Self-Checkout Solution

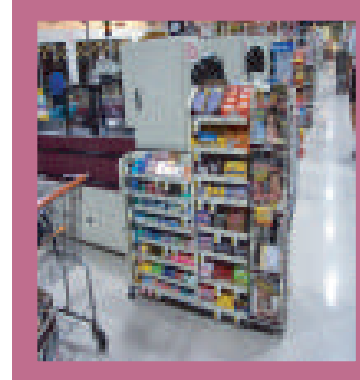
## Merchandising At Self-Checkout Is Extremely Important

% Purchased Product At Checkout Today



Absence of merchandising at self-checkouts can lead to lost sales of \$24,500 per lane

## Merchandising Solutions Are Available For Self-Checkouts



End-cap fixture for self-checkout can recoup \$13,000 per lane



Island display for Pod type self-checkout can generate \$15,500 per unit

Source: Front-End Focus Study.  
DHC Analysis.

**Merchandising solutions have been developed to address various self-scan formats and needs**

# Leadership Council\* Focused On In-Store Marketing Issues And Solutions

## Mission Of The Leadership Council

To work in partnership with retail customers and other stakeholders to improve store performance and enhance consumer satisfaction through:

- New learning and consumer knowledge
- Developing benchmarks and Best Practices
- Innovative solutions to optimize in-store merchandising

## Philosophy Of The Leadership Council

- Retailer/manufacturer partnerships can improve results
  - for all stakeholders
- Leadership is based on an understanding of consumer
  - shopping behavior
- Leadership means turning learning and ideas into
  - in-store solutions

\*Council members are Masterfoods USA, TDS and Wrigley

**In the future, this Leadership Council will address issues such as compliance, out-of-stocks and in-store marketing**