



Best Practices For Superior **Checkout** Merchandising

Capture More Check Lane Profits by Creating a Front-End Department

Managing your Front-End as a department will allow you to optimize your merchandising to meet the impulse purchase needs of your customers

Front-end check lanes deliver over \$5.5 billion in retail sales, but significant opportunities for increased sales still exist. A potential of **\$2 billion** in incremental sales has been identified in the Front-End Focus research study conducted by Masterfoods USA, The Wm. Wrigley Jr. Company, and Time Distribution Services. The key to realizing those incremental sales is following front-end merchandising best practices.

Front-end merchandising in retail outlets has historically been poorly managed, with limited rationale for the selection of categories and products that end up on the check lane racks. Numerous buyers and category managers are involved in the process, with each of them trying to maximize the space given to their categories. The result has been competition for space based on the perspective and objectives of each buyer, and the categories they represent. Decisions are also often based on a very limited set of measures, such as the amount of money paid for space, and key measures such as sales volume, turns and gross margin may receive only secondary consideration.

Individual check lane sales data and consumer surveys show that sales are significantly higher when front-end merchandising best practices are employed. As use of self-scan lanes spreads to more stores, following these best practices will grow in importance.

This research study also shows that items merchandised at the front-end share common consumer buying behavior across the front-end categories. This common behavior can lead to common merchandising strategies for most items sold at the front-end.

A new approach to consider would be to *develop a common strategy to maximize overall front-end performance* based upon the goals of the organization. A common set of strategies and tactics will result in optimized merchandising at the front-end.



Recommendation for Managing the Front-End

The Front-End Focus study identified the following key strategies for managing the front-end:

1. Recognize the value of the front-end to store sales and profits
2. Focus on the power categories that drive front-end sales and profits
3. Base decisions of total profits from sales revenue and placement fees
4. Take advantage of the growth opportunity by adopting the Best Practices of top performing retailers, including special merchandising for express and self-scan lanes
5. Manage the front-end as a department with a dedicated manager

One approach to successful implementation of these strategies is to create a front-end department headed by one manager – the *Front-End Director*.

The Front-End Director should have the objective of maximizing overall front-end performance. To deliver on this objective, he or she should have the following responsibilities:

- All front-end selection and merchandising decisions, without having any vested interest in the performance of individual categories, manufacturers or items
- Determine what categories and items will be merchandised on the front-end, and allocate space on the check stand racks to those various categories
- Rack configuration and any promotional merchandising on the front-end, including temporary displays such as clip strips and dump bins
- Accountable for the financial results of the front-end

The concept of placing one individual in charge of the front-end is often accepted, but a number of barriers have prevented implementation:

Barrier	Description	Possible Solutions
Data Availability	There is a need to split out sales data for dual location items such as batteries, film and selected magazine titles. This data is required to develop a financial scorecard for the Front-End	<ul style="list-style-type: none"> Carry only unique items on the front-end – This approach eliminates all data issues, and has been put in place by a number of retailers. Important items, such as batteries, can utilize different pack sizes at the front-end (6 pack AA in-line, 8 pack AA at the front-end), or have unique UPCs. Conduct periodic audits to determine the percentage of dual location items that are sold from the front-end location. The percentage used could be based on industry averages or on retailer specific data.
Split Category Responsibility	Categories that are carried at the front-end are virtually always merchandised elsewhere in the store	<ul style="list-style-type: none"> Most sales of batteries and film/photo finishing occurs at or near the front-end. The Front-End Director should have total responsibility for these categories The Front-End Director would have responsibility for unique front-end items such as confectionery singles/king packs. He or she would share responsibility for 20 ounce beverages with the carbonated beverage Director/Manager. Responsibility for other categories would be shared between the Category Manager and the Front-End Director
Allocation of Manufacturer Programs	Some category promotions and new items impact both in-line and front-end items	<ul style="list-style-type: none"> Manufacturers will need to present new items and promotions to both the Category Manager and the Front-End Director. Both will need to coordinate cooperation. Promotion funds will be allocated between in-line items and front-end items

The Front-End Director Job Responsibilities

Putting one individual in charge of the front-end will lead to optimal merchandising and promotion of front-end items which will result in incremental sales and profits.

The Front-End Director will have “general manager” responsibility for all decisions at the front-end. The key levers for improved performance are:

- **Merchandising** - Responsible for determining the items that will be carried on the front-end, allocating space to front-end categories and developing front-end schematics
- **Promotion** - Control of merchandising of temporary front-end displays, such as battery clipstrips and candy dump bins. Category managers who wish to display products at the front-end must present their programs to the Front-End Director, who must approve all temporary displays.



- **In Store Conditions** - While improvement in store conditions is not directly under the control of the Front-End Director, he or she can significantly influence results. The keys to improvement are optimizing manufacturer and broker retail coverage plans and educating the operations side of the retail organization on the sales and profit contribution of the front-end, and the importance of maintaining in-stock conditions.
- **Store Openings and Remodels** – The Front-End Director will be responsible for the merchandising of the front-end at all new store openings and remodels. This will include determining the types of front-end racks that will be in each store, and the number of alternative racks, such as beverage coolers, that will be placed in each store.

The Front-End Director will need to work closely with other category managers to get their input regarding items merchandised on front-end checkouts.

The **key accountability** for the Front-End Director will be Front-End sales and profit.

A detailed job description can be viewed and downloaded at the Front-End Focus web site: <http://www.frontendfocus.com>

Summary

Research clearly shows that there is an opportunity to improve front-end sales and profits through improved merchandising. Identification of this opportunity has led to the realization that it is necessary to give one individual responsibility for front-end decision making.

A number of approaches have been suggested, including designating one category manager to run the front-end. However, due to the importance of the front-end, the recommendation is to elevate and expand the authority of the position, and give responsibility for the all front-end decisions to a Front-End Director of Procurement and Merchandising.

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