



# Front-End **FOCUS**

Best Practices For Superior **Checkout** Merchandising

## Retailer Presentation



# Agenda

## Front-End Focus Summary

- Current Situation
- Consumer Insights
- Strategic Insights
- Best Practices
- Appendix

# The Front-End Situation

**Front-End checkout is a critical location in the store**

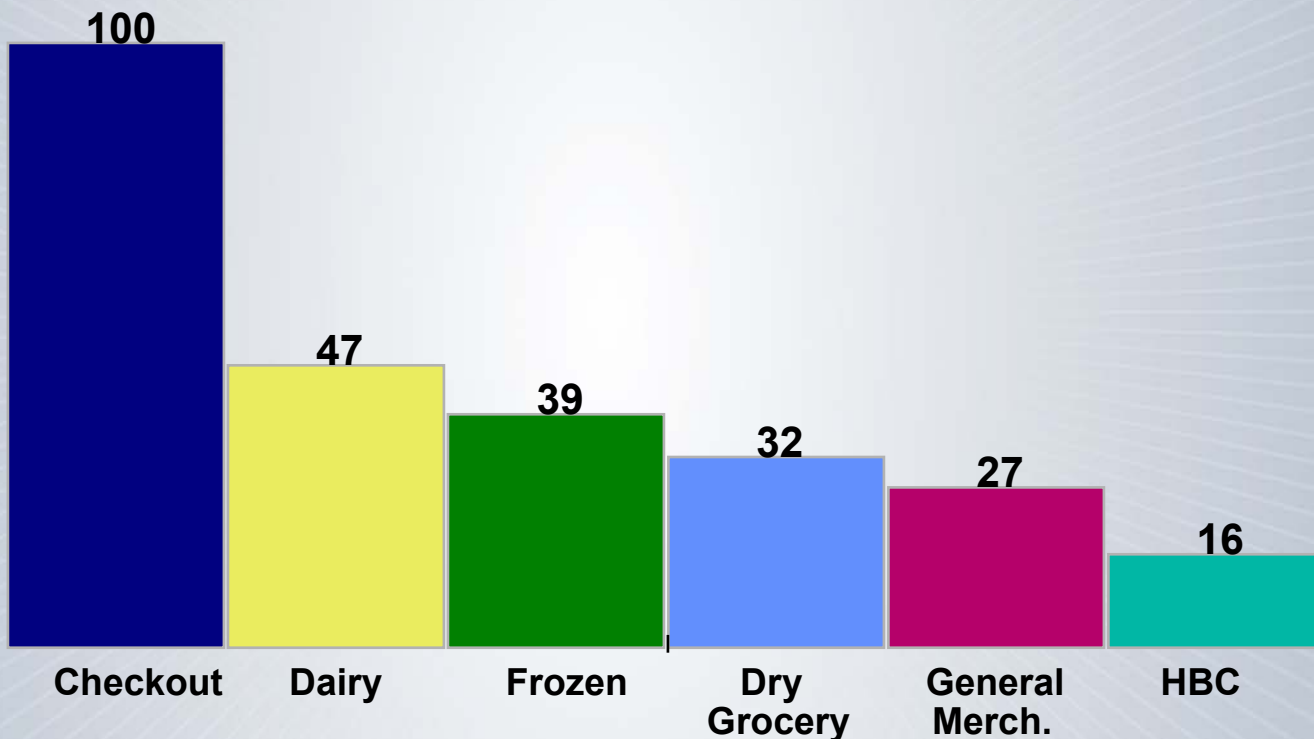
- **The only location everyone passes**
- **Significant source of impulse sales**
- **Critical location to maximize customer satisfaction**

**Retailers are facing a changing landscape**

- **There are more categories available at the checkout**
- **Consumers are changing the way they shop**
- **New technology is changing the transaction**

# The Checkout Is The Only Store Location All Shoppers Visit

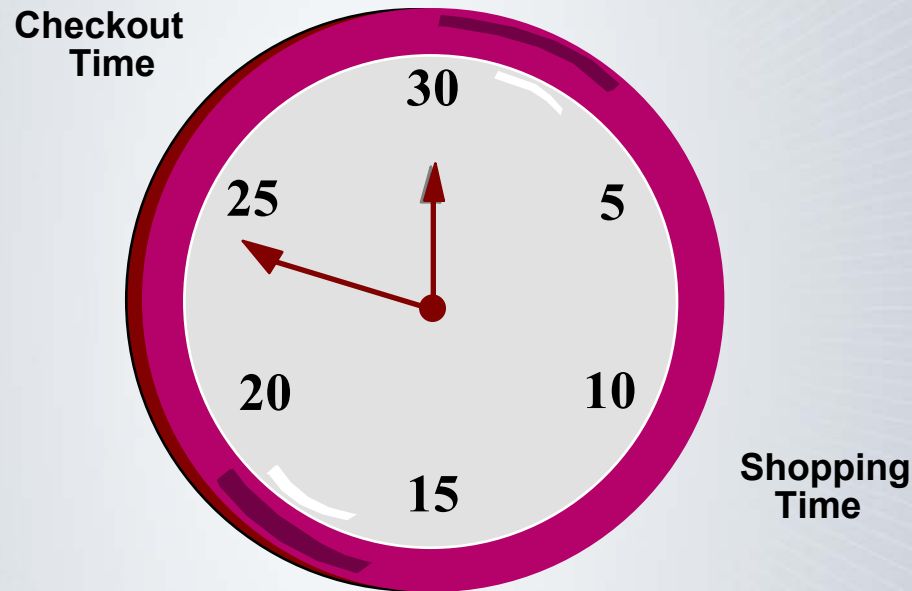
## % Shoppers Visiting By Department



SOURCE: Marsh Superstudy.

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# Consumers Spend Significant Time At The Checkstand

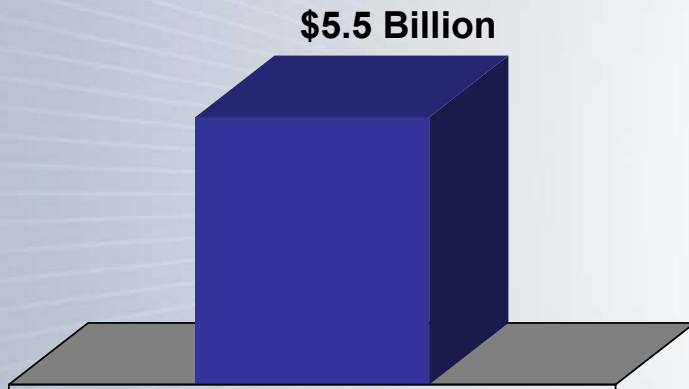


Shoppers spend 5-7 minutes at the checkout

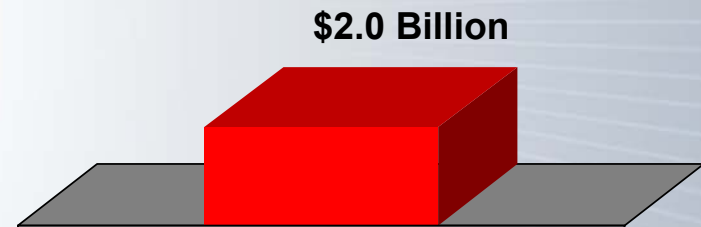
SOURCE: DHC Analysis.

# The Front-End Checkstands Deliver \$5.5 Billion In Sales To Supermarkets, But Significant Opportunities Still Exist

## Dollar Sales Of Products Sold At Front-End Checkstands



## Dollar Opportunity For Improvement Of Front-End Merchandising

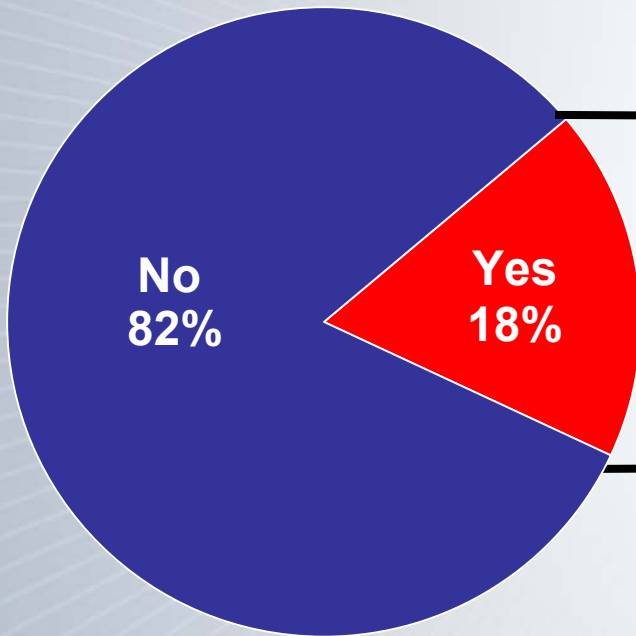


- Improving Front-End Checkout Merchandising could yield an additional \$2 billion

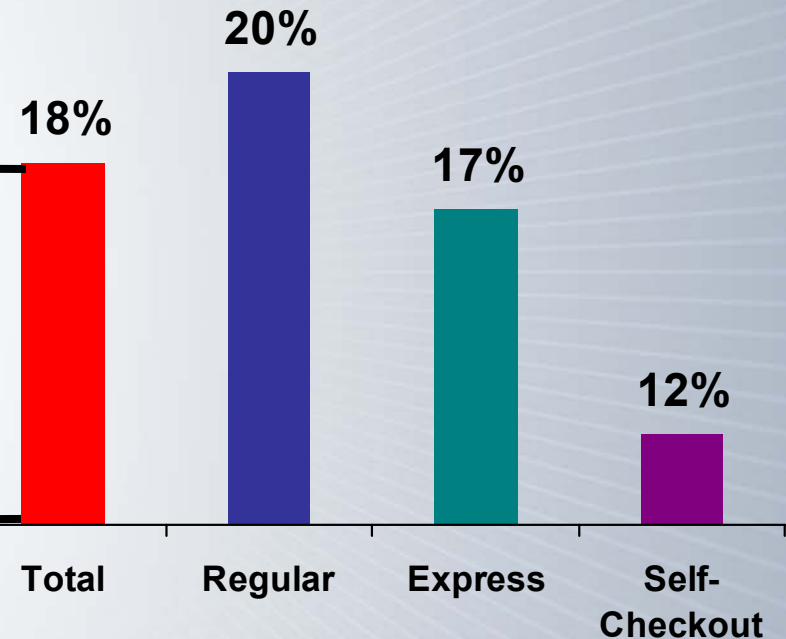
Source: FEF Study, DHC Analysis.

# Improving Conversion Rates Of Consumers Purchasing Off The Checkout Is A Key Opportunity For Retailers

**% Grocery Shoppers Purchasing At Checkout Today**



**% Grocery Shoppers Purchasing At Checkout Today By Checkout Type (Each Lane = 100%)**



- **Purchase Penetration is lower on Express & Self-Checkout Lanes which is influenced by limited or no merchandising**

Source: FEF Study

# Front-End Focus Sponsors

**Front-End Focus is a major initiative sponsored by:**

- **Masterfoods USA**
- **The Wm. Wrigley Jr. Company**
- **Time Distribution Services (TDS), a division of AOL Time Warner**
- **In partnership with Dechert-Hampe & Company, an independent consulting firm.**

# Front-End Focus Elements

Through a comprehensive study of:

- Consumer research
- Retailer data analysis
- Store testing

The study defines:

- Best Practices in merchandising
- Ways to improve consumer shopping satisfaction
- How to maximize Front-End performance

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# Front-End Focus Objectives

Front-End Focus is designed to help retailers & manufacturer work together to

- Gain new insights on consumer attitudes & buying behavior relative to the Front-End checkstand
- Determine the impact of new developments such as self-checkout on consumer buying behavior & product sales
- Identify opportunities to maximize sales & profit performance through implementation of Best Practices
- Improve the overall productivity of the Front-End through collaboration among all the major stakeholders

# Scope Of The Front-End Focus Study

- Research was conducted in partnership with eight leading retailers representing over 5,500 stores & 20% of U.S. Grocery Volume
- Retailers provided SKU level data for almost 500 stores over a 6 month timeframe of January 1, 2002, through June 30, 2002
- Checkout planograms were collected & all stores were audited at the lane level to identify merchandising conditions
- In-Store research with 1,326 consumers was conducted relative to checkout attitudes & purchase behavior at Regular, Express & Self-Checkout lanes
- All research & analysis was performed by Dechert-Hampe & Company in order to ensure objective conclusions

# The Study Includes Data On Over Twenty Major Categories

- Candy
- Cookies/Crackers
- Salty Snacks
- Batteries
- Film/Cameras
- Oral Care
- Magazines
- Phone Cards
- Carbonated Beverages
- Non-Carbonated Beverages
- Gum
- Mints
- Nutrition / Granola
- Meat / Other Snacks
- Razors / Blades
- Cosmetics / HBC
- Lip Care
- Audio / Video
- Other General Merchandise

Source: FEF Study. DHC Analysis.

# Front-End Focus Average Store

Front-End Focus Average Store	
Store Volume (MM ACV)	<b>\$22.3</b>
Checkout Sales (Per MM ACV)	<b>\$11,745</b>
Checkout Items Carried	<b>310</b>
Checkout Square (Facing) Footage	<b>50</b>
Checkout Linear (Shelf) Footage	<b>76</b>
Checkout Lanes	<b>10.7</b>
Express	<b>1.9</b>
Regular/Self-Checkout	<b>8.8</b>
Coolers	<b>4</b>
Sales Of A Typical Checkstand	<b>\$24,531</b>
Profit From A Typical Checkstand	<b>\$8,316</b>

Source: FEF Study; DHC Analysis

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# Interviews With Grocery Retailers Identified Key Questions Regarding The Front-End

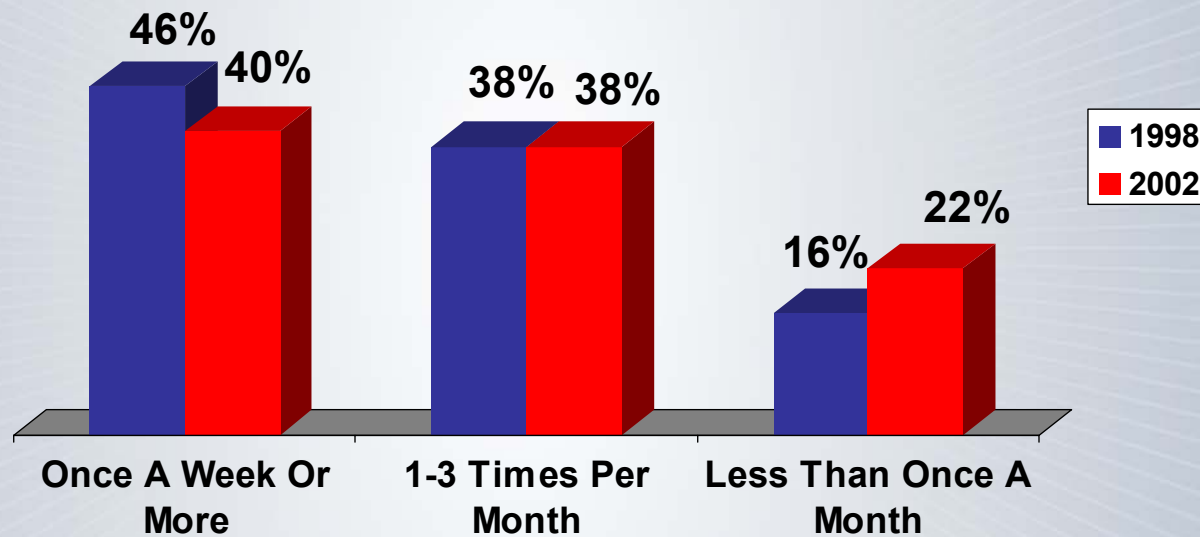
- What is the value of the Front-End? How profitable is it?
- What categories are driving Front-End sales & profits?
- What categories should I stock on the Front-End?
- Should I merchandise Self-Checkouts & Express Lanes?
- What is the right amount of merchandising space to allocate to the check lanes?
- How many Beverage coolers do I need in my stores?
- What is the value of following Best Practices?"
- How many items should I carry at the Front-End?
- How much space should I provide to Confectionery, Magazines & GM/HBC?
- What does an optimum Front-End look like?

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# Consumer Learning

# Retailers Need To Increase Purchase Levels At The Checkout

## Frequency Of Purchase At Grocery Checkout



- Retailers must focus on Front-End categories/items that are purchased frequently by many consumers

Source: FEF Study

# Candy, Gum/Mints, Magazines & Soft Drinks Are The Categories Most Commonly Purchased At Checkout

% of Shoppers Buying At Checkout – National Sample		
Category	Within Last Year	Once a Month Or More
Gum/Mints	72%	63%
Candy	69%	58%
Magazines	48%	34%
Soft Drinks	35%	29%
Batteries	28%	11%
Non-Carbonated Drinks	18%	15%
Film/Cameras	15%	5%
Cookies/Crackers	13%	10%
Salty Snacks	13%	11%
Lip Care	13%	5%
Cigarettes/Tobacco	11%	9%
Razors/Blades	10%	5%
Nutrition Bars	6%	4%
Oral Care	5%	3%
Books	5%	5%
Phone/Gift Cards	5%	2%
Cosmetics	3%	2%
Audio/Video/CD	3%	1%

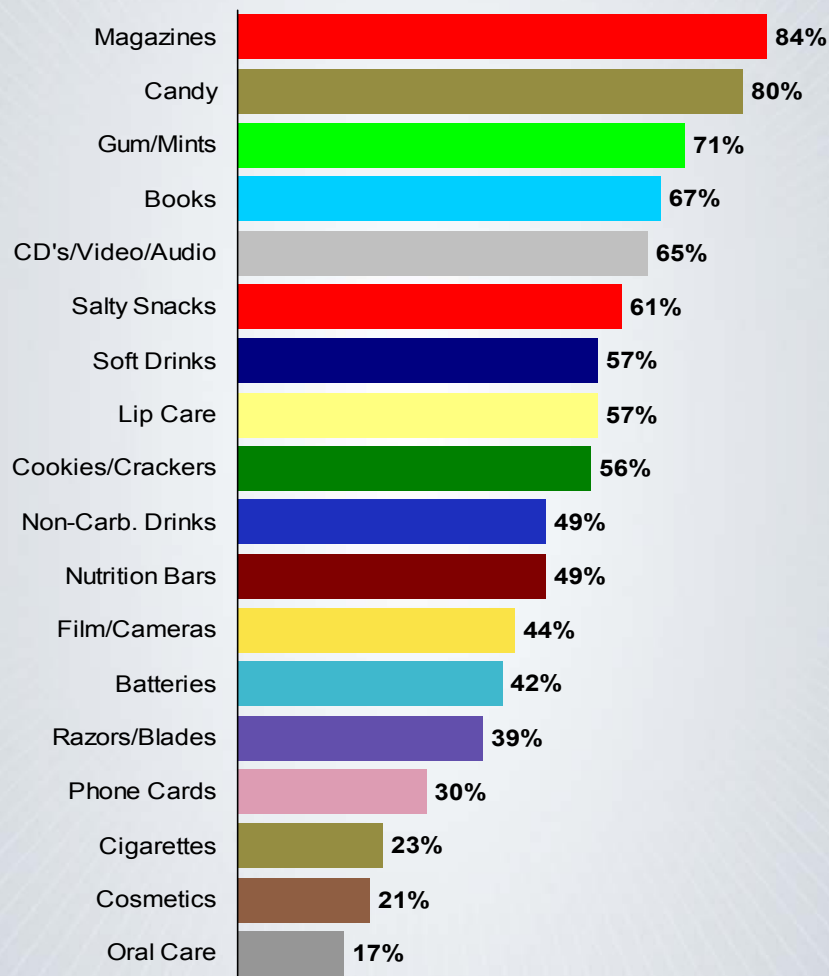
- Retailers must question the value of having a significant number of low penetration categories/items represented at the checkout

Source: FEF Study

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# Magazines & Confections Are Also The Highest Impulse Purchases

## % Impulse Items



Source: FEF Study

# Key Categories To Carry At The Checkout Score High On Penetration, Frequency & Impulse

**Low Penetration  
Low Frequency  
Low Impulse**

- Nutrition Bars
- Film/Cameras
- Razors/Blades
- Lip Care
- Oral Care
- Cosmetics
- Phone Cards
- Books
- Audio/Video/CD

**Mixed Score**

- Non-Carbonated Drinks
- Salty Snacks
- Cookies/Crackers
- Batteries

**High Penetration  
High Frequency  
High Impulse**

- Gum/Mint
- Candy
- Magazines
- Soft Drinks

- FEF needs to highlight the value of having high penetration, high frequency, and high impulse items at every checkout

Source: FEF Study. DHC Analysis.

# Consumers Do Not Generally “Shop” Across Checkout Lanes

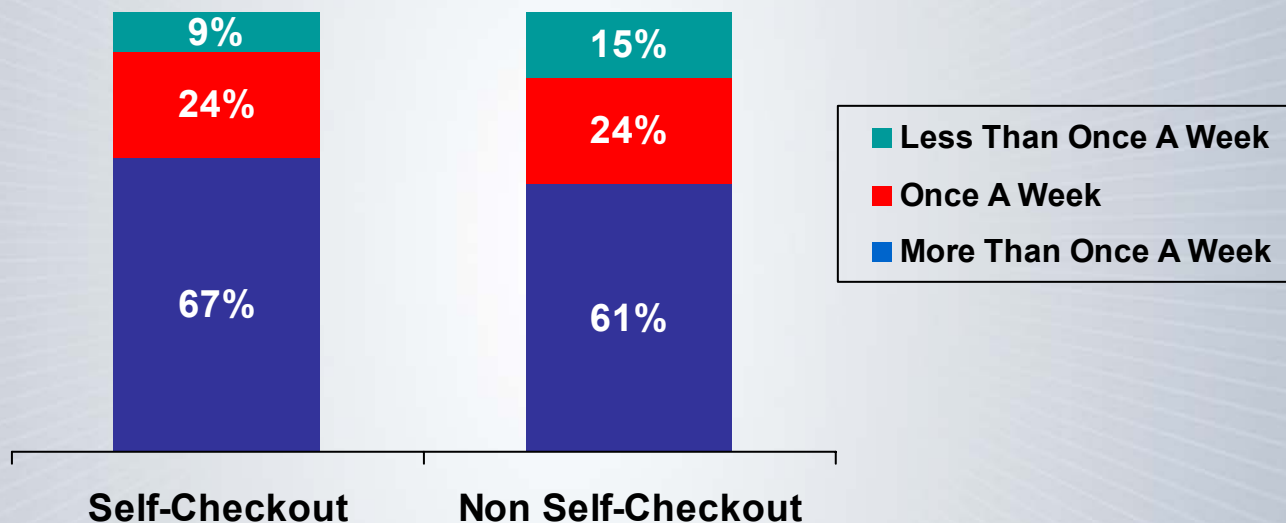
% Agree Completely/Somewhat	
	National
You sometimes select an item from one checkout counter and then go to another lane to check out	32%
Sometimes you have to look at all of the checkout counters in the store just to find an item you want	18%
You often select a certain checkout lane because of the particular items displayed there	16%

- This underscores the importance of stocking key items at every lane

Source: FEF Study

# A Higher Percentage Of Self-Checkout Users Shop More Frequently

## Frequency Of Grocery Shopping

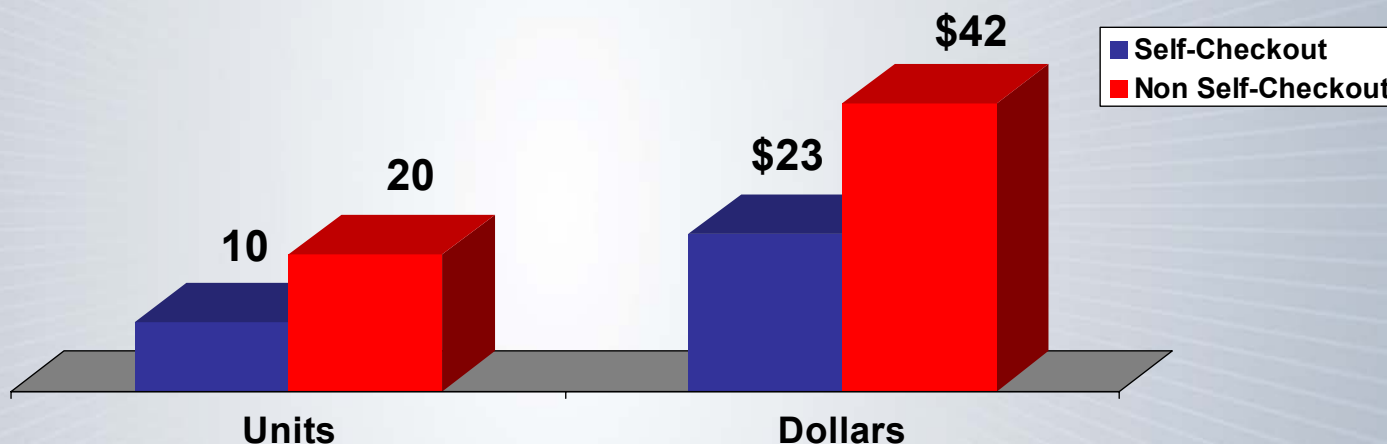


- Merchandising self-checkout lanes can result in more frequent purchases

Source: FEF Study

# Self-Checkout Users Purchase Fewer Items Per Shopping Trip Due To The Express Nature Of These Shopping Trips

Purchases Per Trip - National



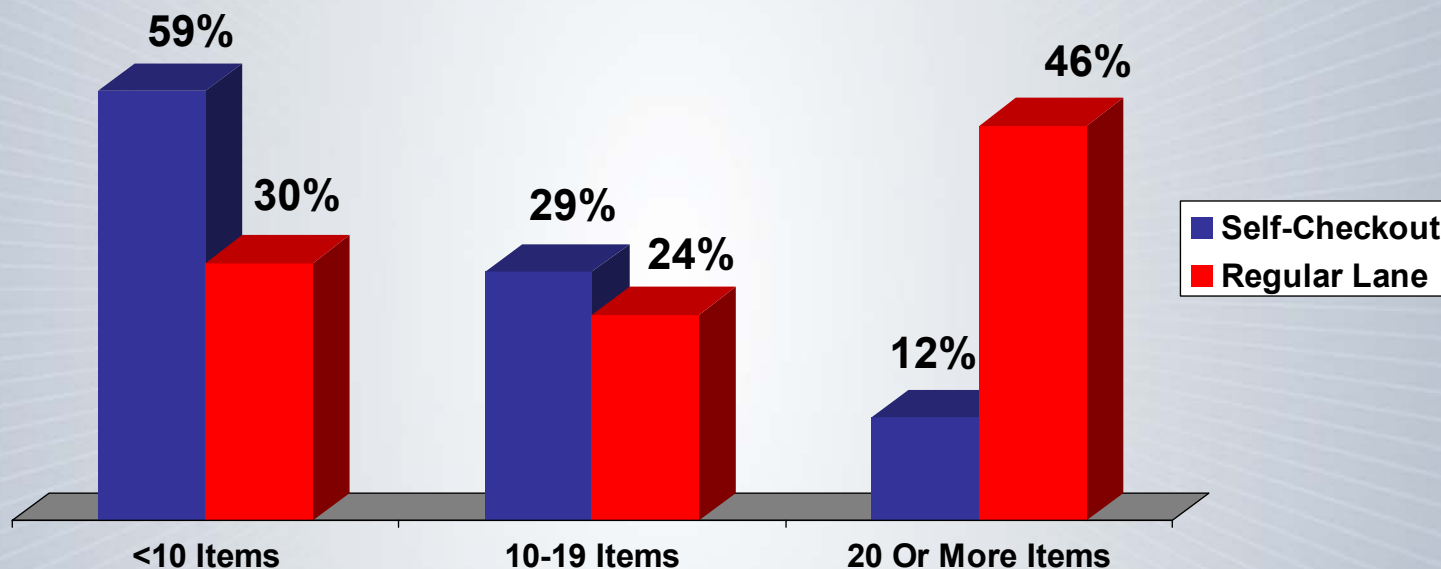
- Getting self-checkout shoppers to purchase additional items from the checkout can be a key strategy for retailers

Source: FEF Study

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# Still, Some Self-Checkout Users Purchase Larger Numbers Of Items

% Of Shopping Trips By Number Of Items Purchased

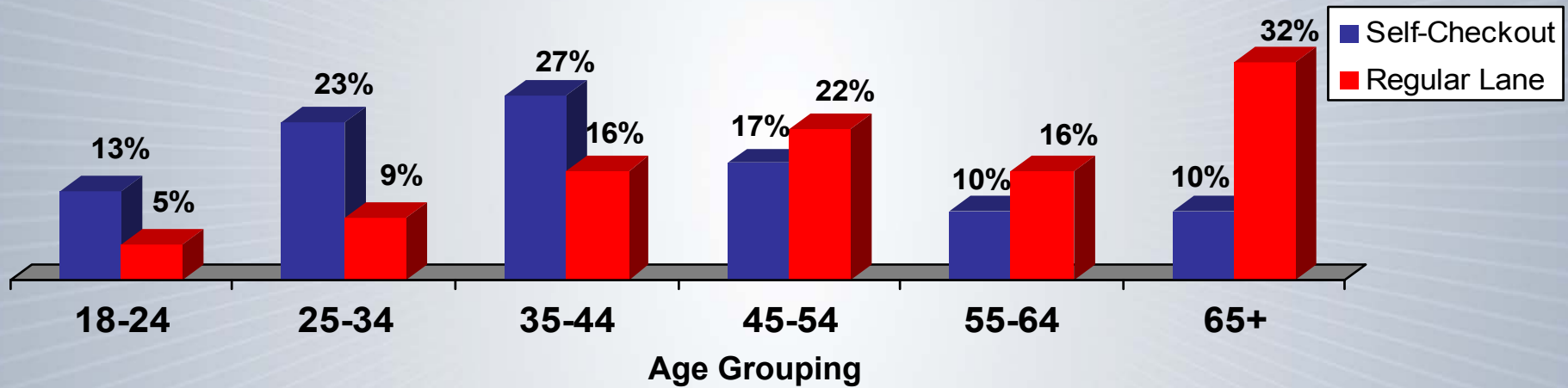


- Over time self-checkout lanes will become more mainstream with mainstream purchase habits

Source: FEF Study

# Self-Checkout Usage Is Skewed Toward Younger Shoppers But There Are Some Older Users

% Shoppers Using Self-Checkout By Age



- Current merchandising of self-checkout lanes should be geared to the younger shopper

Source: FEF Study

# Front-End Focus Strategic Insights

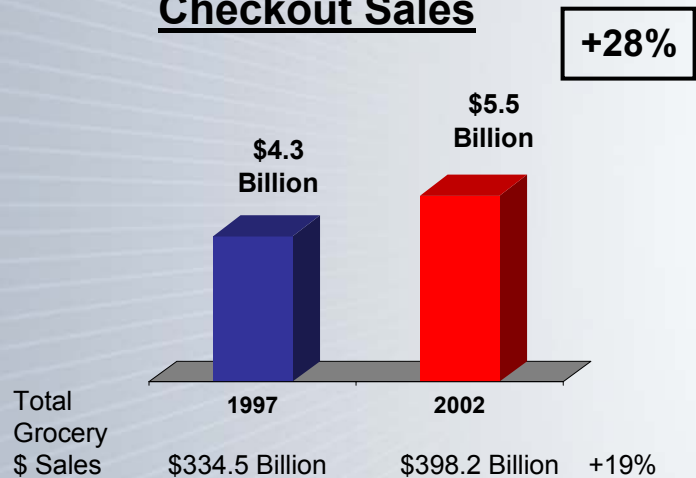
# Key Strategies For The Front-End

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

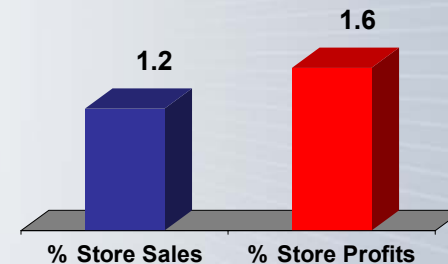
# What Is The Value Of The Front-End In Retail Sales Dollars & Profits?

- The Front-End generates \$5.5 Billion in sales & represents 1.6% of store profit

## Total Front-End Checkout Sales



## Front-End Checkout

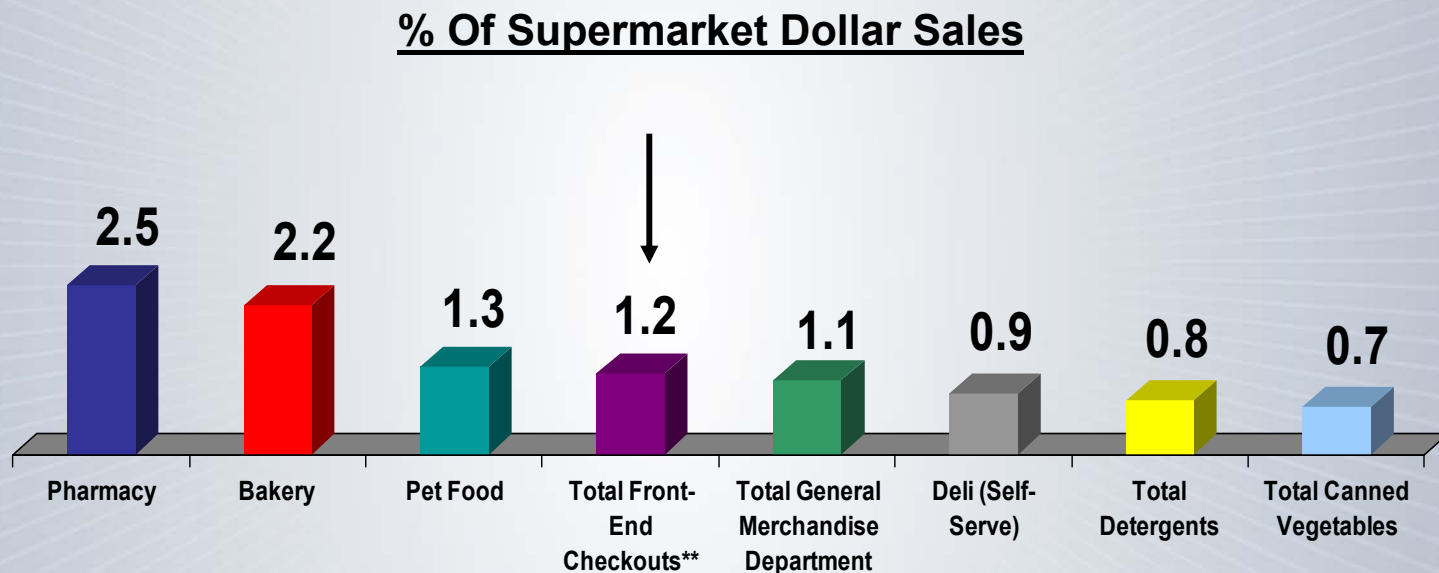


**Strategy:** Recognize the value of the Front-End in sales & profits

Source: FEF Study, Progressive Grocer.

# How Should The Front-End Be Managed?

- The Front-End is larger than many other retail categories/departments

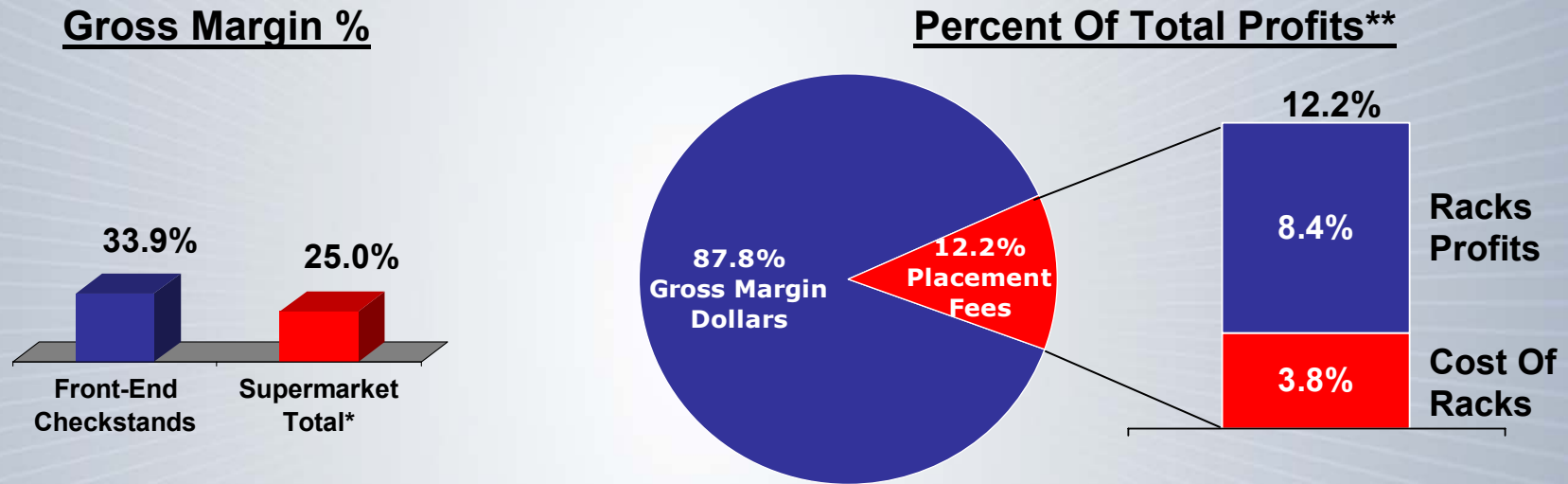


**Strategy:** The Front-End should be managed as a department with its own Category Manager

Source: DHC Analysis. A.C. Nielsen 52 weeks ending 12/28/02. Progressive Grocer, \*\*FEF Study.

# How Profitable Is The Front-End?

- Gross Margins are much higher on the Front-End checkstand generating greater Profit Dollars



- The majority of Total Profit Dollars are driven by selling product, not product placement fees

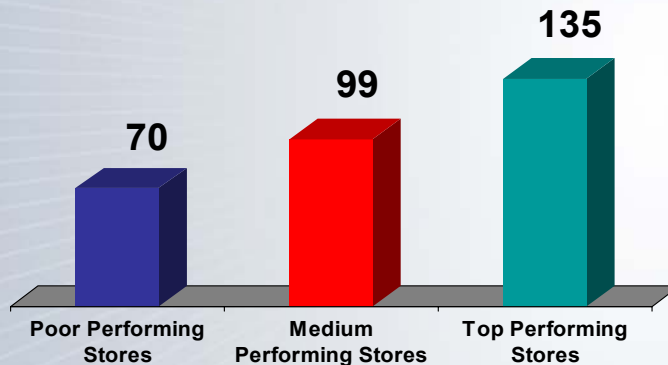
**Strategy:** The Front-End should be managed to maximize total revenue including both profit from sales & placement fees

\*- Source: Progressive Grocer 9/15/2002.  
 \*\*- Includes Gross Margin % & Placement Fees.  
 Source: FEF Study. DHC Analysis.

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

Top Performing Retailers have a 36% advantage in performance  
A \$2 Billion opportunity for the industry

Total Checkout Sales  
Per \$ MM ACV Index



+ 36% opportunity  
between average & top  
performing stores

- Moving Poor & Medium performing stores to Top performing stores could yield an additional \$2 Billion in sales

**Strategy:** Take advantage of this opportunity by adopting the Best Practices of Top Performing Retailers

Source: FEF Study. DHC Analysis.

# What Categories Drive Front-End Sales & Profits?

- Magazines, Confectionery & Beverages generate 80% of sales profits

Category	Share of Checkout Dollar Sales	Share of Checkout Total Profits <sup>1</sup>
Magazines	33.7%	30.0%
Confectionery*	31.7%	33.8%
Beverages**	14.6%	16.2%
Film/Cameras	4.5%	3.6%
Snacks***	3.9%	3.0%
Batteries	3.4%	4.7%
Razors/Blades	3.4%	2.9%
Other GM/HBC	2.0%	2.2%
Cookies/Crackers	0.8%	0.6%
Oral Care	0.7%	0.8%
Phone Cards	0.7%	0.6%
Lip Care	0.6%	0.9%

**Strategy:** Focus on the key categories to maximize checkout performance

\*- Includes Candy, Gum, Mints.

\*\* - Includes Carbonated & Non-Carbonated Drinks.

\*\*\* - Includes Salty, Meat, Nutritional.

<sup>1</sup> - Includes Gross Margin & Placement Fees.

Source: FEF Study. DHC Analysis.

# What Categories Provide The Greatest Opportunity At The Front-End?

- The largest opportunity gap exists with Confectionery, Magazines & Beverages

Sales Per \$ MM ACV Difference Between Medium & Top Performing Stores		
Category	Growth Opportunity Per \$ MM ACV	% Of Total Growth
Confectionery	\$1,501	36.0%
Magazines	\$1,262	30.3%
Beverages	\$577	13.9%
Film/Cameras	\$150	3.6%
Razor/Blades	\$130	3.1%
Batteries	\$89	2.1%
All Other	\$456	11.0%
Total	\$4,165	100%

80%

**Strategy:** Focus performance improvement on the key categories that offer the greatest opportunity

Source: FEF Study, DHC Analysis.

# Best Practices

# 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 & provide impulse purchases

**Low Penetration  
Low Frequency  
Low Impulse**

**Nutrition Bars  
Film/Cameras  
Razors/Blades  
Lip Care  
Oral Care  
Cosmetics  
Phone Cards  
Books  
Audio/Video/CD**

**Mixed Score**

**Non-Carbonated Drinks  
Salty Snacks  
Cookies/Crackers  
Batteries**

**High Penetration  
High Frequency  
High Impulse**

**Gum/Mint  
Candy  
Magazines  
Soft Drinks**

1. Give broad exposure to the “High” categories: Confectionery, Magazines & 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: FEF Study, DHC Analysis.

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

**Best Practice: Focus on Confectionery & Magazines to drive consumer buying at the Front-End**

Percent of Front-End Shoppers that				
Category	\$ Share Of Checkstand	Purchased At Checkout Within Last Year	Purchased At Checkout Once A Month Or More	Percent Of Purchases That Were Impulse
Magazines	33.7%	48%	34%	84%
Gum/Mints	17.3%	72%	63%	71%
Candy	14.4%	69%	58%	80%
Carbonated Beverages	11.1%	35%	29%	57%
Non-Carb. Beverages	3.5%	18%	15%	49%

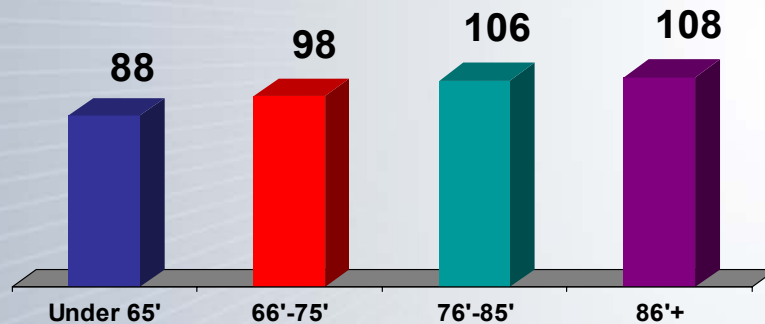
Source: FEF Study. DHC Analysis.

# How Much Space & How Many Items Are Needed At The Checkout?

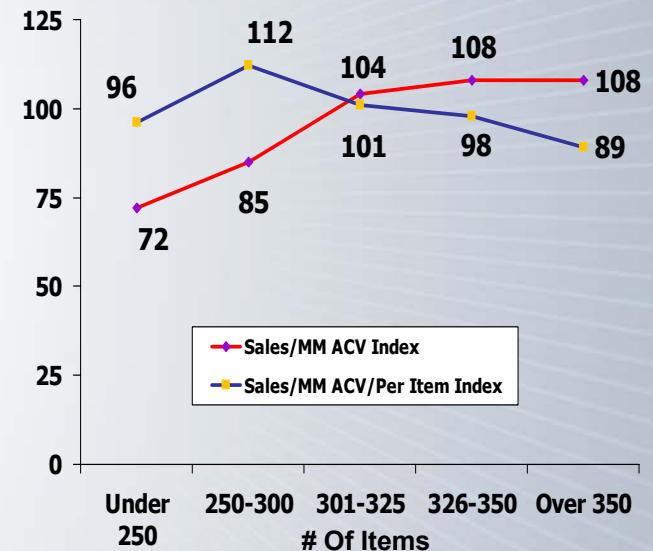
**Best Practice: Allocate at least 76 linear feet to each checkout & carry 301 to 350 items, at the Front-End**

## Total Checkout Sales Per \$ MM ACV Index

### By Linear Feet/Lane



### By Number Of Items Per Store



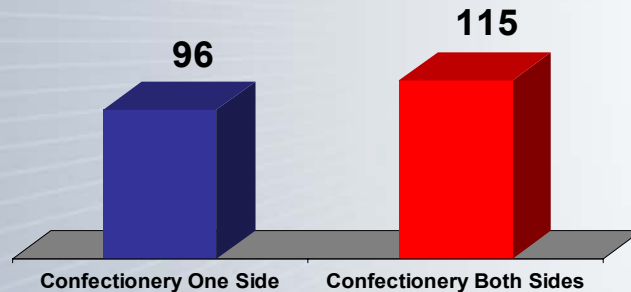
- The typical store had 76 linear feet per lane & carried 310 items across all lanes on the Front-End
- Top Performing Stores dedicated more space & carried up to 350 items

Source: FEF Study, DHC Analysis.

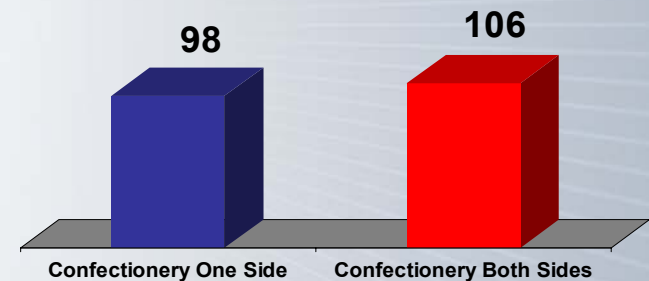
# What Is The Best Way To Merchandise Confectionery?

**Best Practice: Stock some Confectionery on both sides of the lane**

**Confectionery  
Sales Per \$ MM ACV Index**



**Total Checkout  
Sales Per \$ MM ACV Index**



- Increased consumer exposure to Confectionery drives checkout purchases
- Stores stocking Confectionery on both sides realize greater Confectionery & Total Checkout Performance

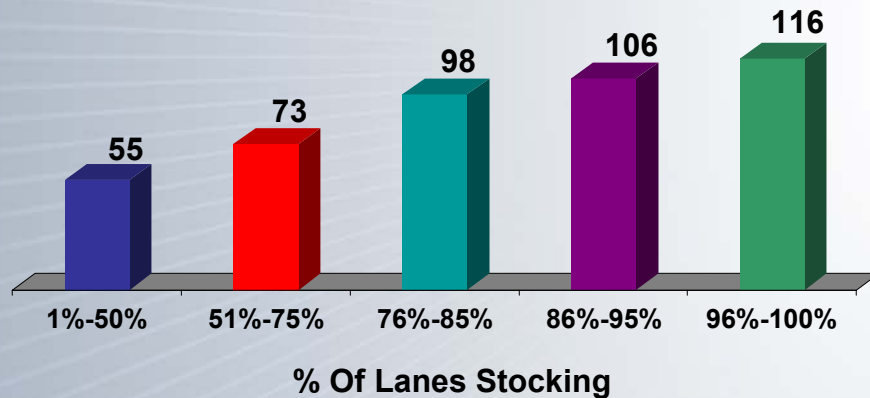
Source: FEF Study. DHC Analysis.

# Do I Need To Stock Confectionery On Every Lane?

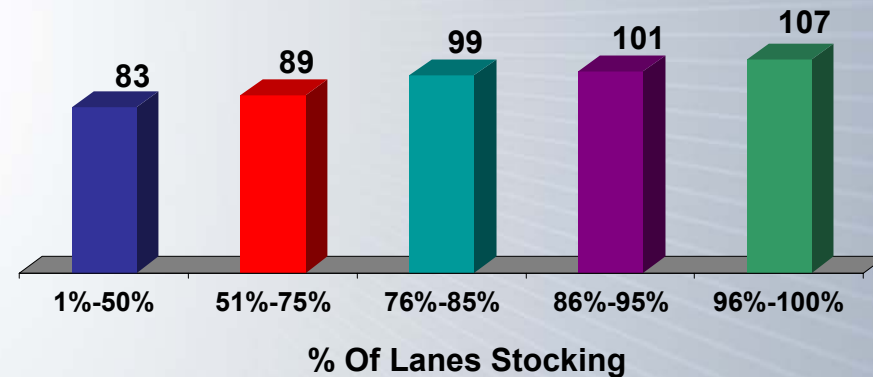
**Best Practice: Stock a selection of Confectionery items on every lane**

## Sales Per \$ MM ACV Index

### Confectionery



### Total Checkout



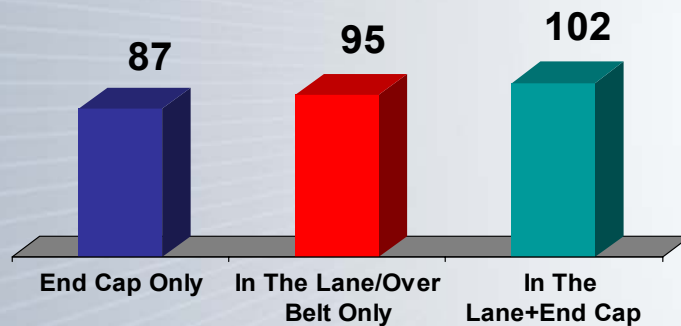
- **Retailers that stock Confectionery on every lane enjoy greater performance**

Source: FEF Study. DHC Analysis.

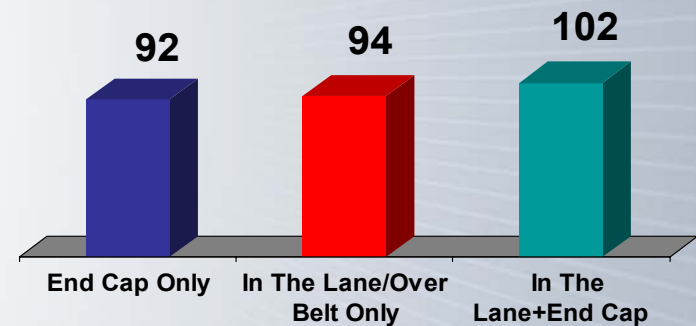
# How Should Magazines Be Merchandised At The Front-End?

**Best Practice:** Magazines should be merchandised both in the lane & on end caps

**Magazine  
Sales Per \$ MM ACV Index**



**Total Checkout  
Sales Per \$ MM ACV Index**



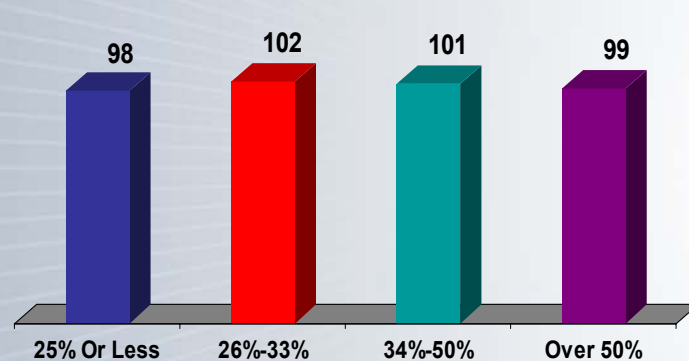
- This provides for an enhanced consumer purchasing opportunity
- Both Magazine & Total Checkout performance is improved

Source: FEF Study. DHC Analysis.

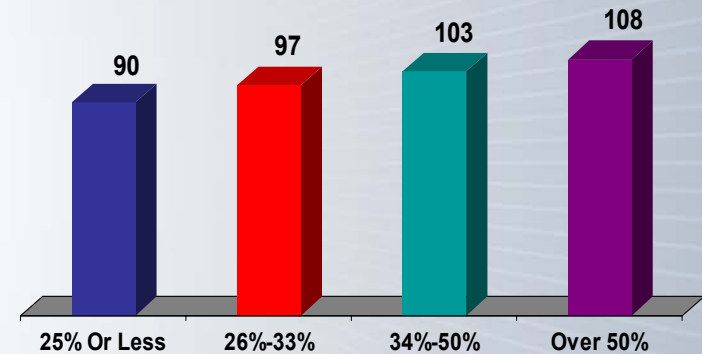
# How Many Beverage Coolers Do I Need In My Stores?

**Best Practice: Beverage Coolers should be located on 26 to 33% of lanes**

**Beverage Sales Per \$ MM ACV Index  
By Percent Of Lanes Stocking**



**Total Checkout Sales Per \$ MM ACV Index**



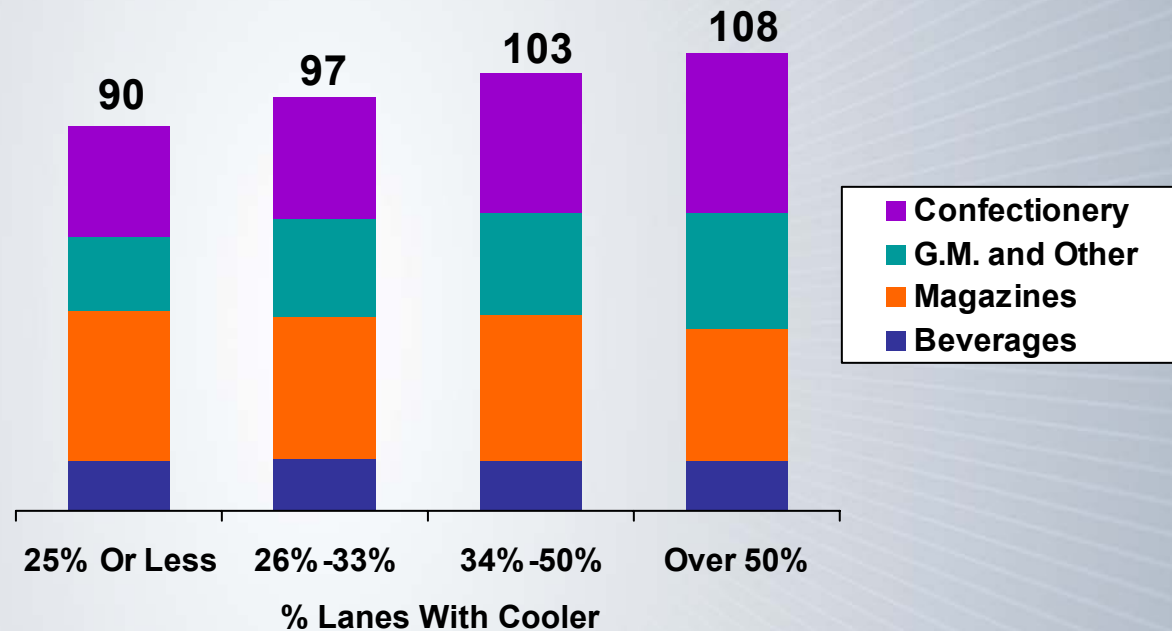
% Lanes With Cooler

- Beverage sales do not increase significantly by simply adding coolers
- Total checkout sales are higher, but this is driven by other factors

Source: FEF Study. DHC Analysis.

# Increased Checkout Performance Is Driven By Confectionery, Not Coolers

Total Checkout Sales  
Per \$MM ACV Index

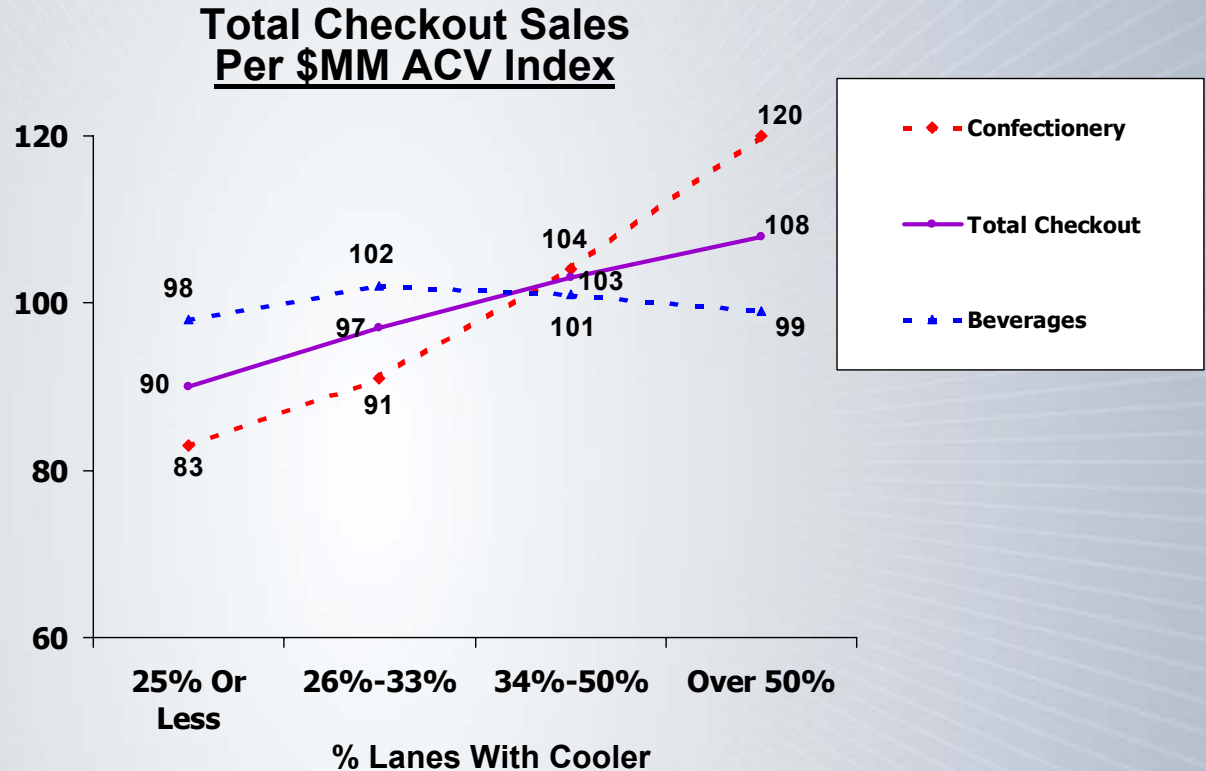


	25% Or Less	26%-33%	34%-50%	Over 50%
% of Lanes With Confectionery	72%	79%	92%	96%
# of Confectionery UPC's Carried	112	118	121	131

- **Stores with more Coolers also stock and sell more Confectionery. It is this, not the Coolers, that drives total performance.**

Source: FEF Study, DHC Analysis.

# Increased Checkout Performance Is Driven By Confectionery, Not Coolers



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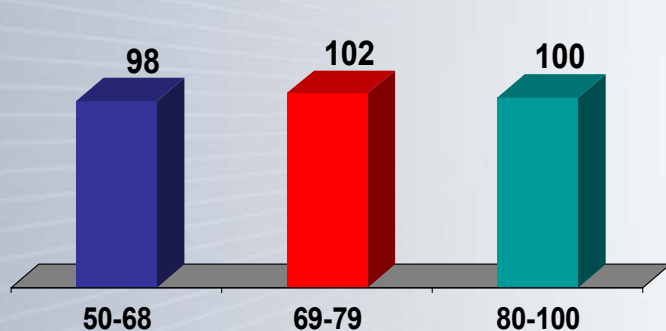
- **Stores with more Coolers also stock and sell more Confectionery. It is this, not the Coolers, that drives total performance.**

Source: FEF Study. DHC Analysis.

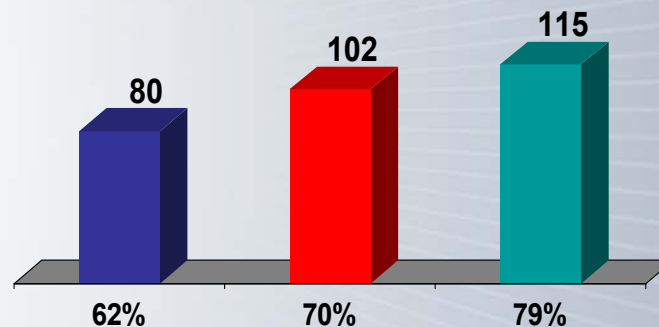
# How Many Magazine Titles Should I Carry?

**Best Practice: Maximize Magazine sales by focusing on best selling titles**

## Magazine Sales Per \$ MM ACV Index



Number Of Titles



% Best Sellers

- **Stocking more Magazine titles is not as important as carrying the right assortment**

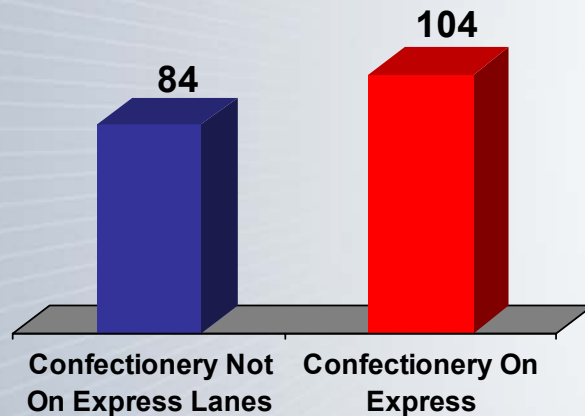
Source: FEF Study. DHC Analysis.

# Should Confectionery Be Stocked On The Express Lanes?

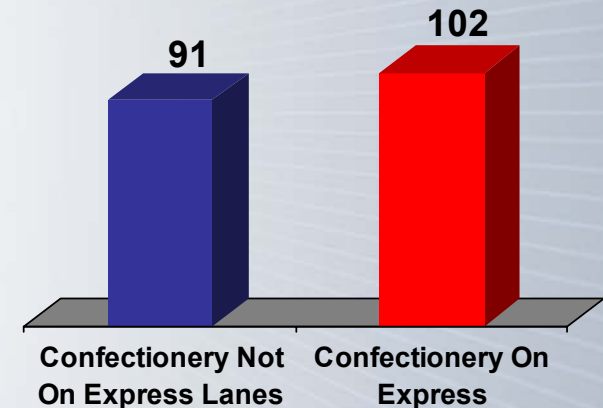
**Best Practice: Stock Confectionery on Express as well as Regular lanes**

## Sales Per \$ MM ACV Index

### Total Confectionery Sales



### Total Checkout Sales



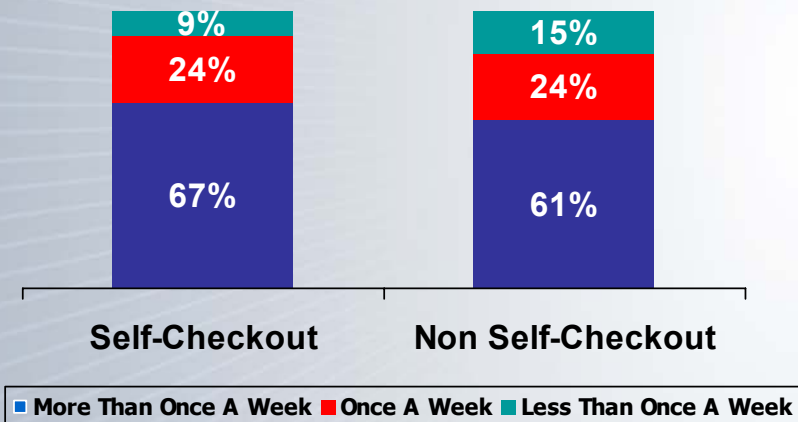
- Confectionery is the most common purchase at the express lane
- Stores stocking Confectionery on express lanes outperform stores that don't

Source: FEF Study, DHC Analysis.

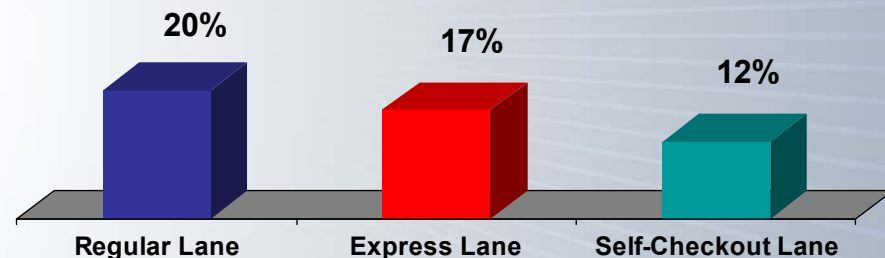
# Should I Merchandise Self-Checkout Lanes?

**Best Practice: Be sure to merchandise self-checkout lanes to avoid lost sales**

Frequency Of Grocery Shopping



% Of Grocery Shoppers Who Purchase At Checkout Today (Each Lane = 100%)



- **Self-checkout shoppers shop more frequently but fewer shoppers actually purchase at the checkstand**

Source: FEF Study. DHC Analysis.

# How Should I Merchandise My Self-Checkout Lanes?

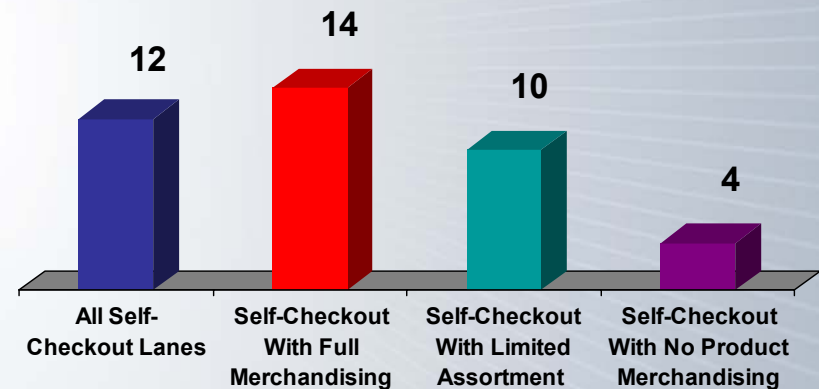
**Best Practice:** Merchandise self-checkout lanes with “High Penetration” & frequently purchased categories such as Confectionery & Magazines

## Consumers % That Agree Completely/Somewhat

You often select a certain checkout lane because of the particular items displayed there **16%**

You sometimes select an item from one checkout counter & then go to another lane to check out **32%**

## % Purchased Product At Grocery Checkout Today (Each Lane = 100%)

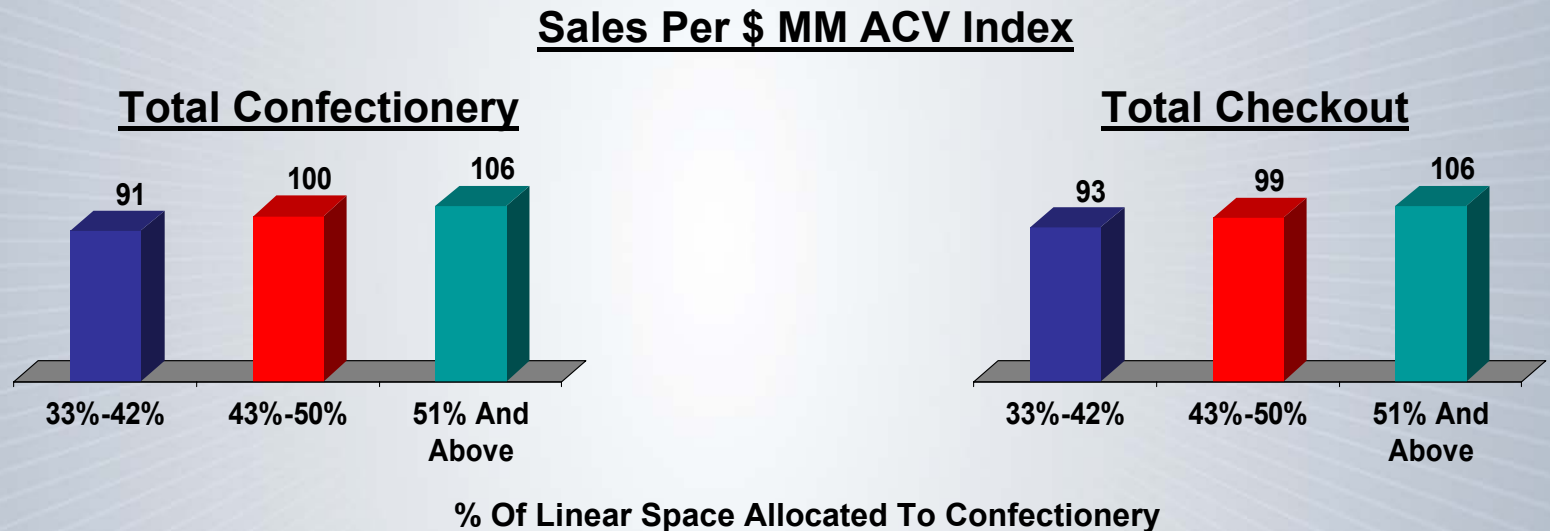


- Consumers do not generally “shop” across checkout lanes
- Merchandising at a self-checkout checkout is extremely important

Source: FEF Study. DHC Analysis.

# What Percentage Of My Space Should I Allocate To The Confectionery Category?

**Best Practice: Allocate at least 51% of the linear feet available to Confectionery to drive higher sales**



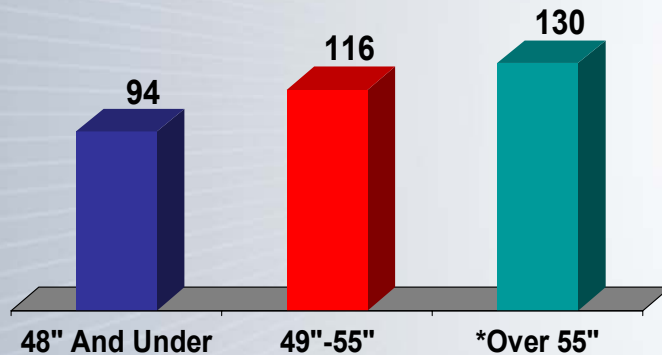
- Providing adequate space to Confectionery drives both Confectionery & Total Checkout Sales

Source: FEF Study, DHC Analysis.

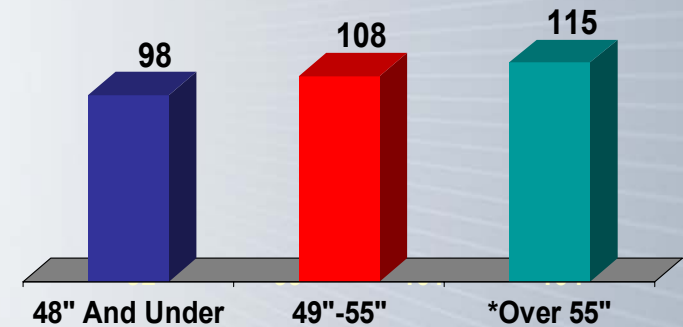
# What Size Confectionery Rack Do I Need?

**Best Practice: Where space allows, use a Confectionery Rack of 49" or more**

Confectionery  
Sales Per \$ MM ACV Index



Total Checkout  
Sales Per \$ MM ACV Index



Width Of Confectionery Rack

- **A wider Confectionery rack can result in greater sales & total checkout performance**

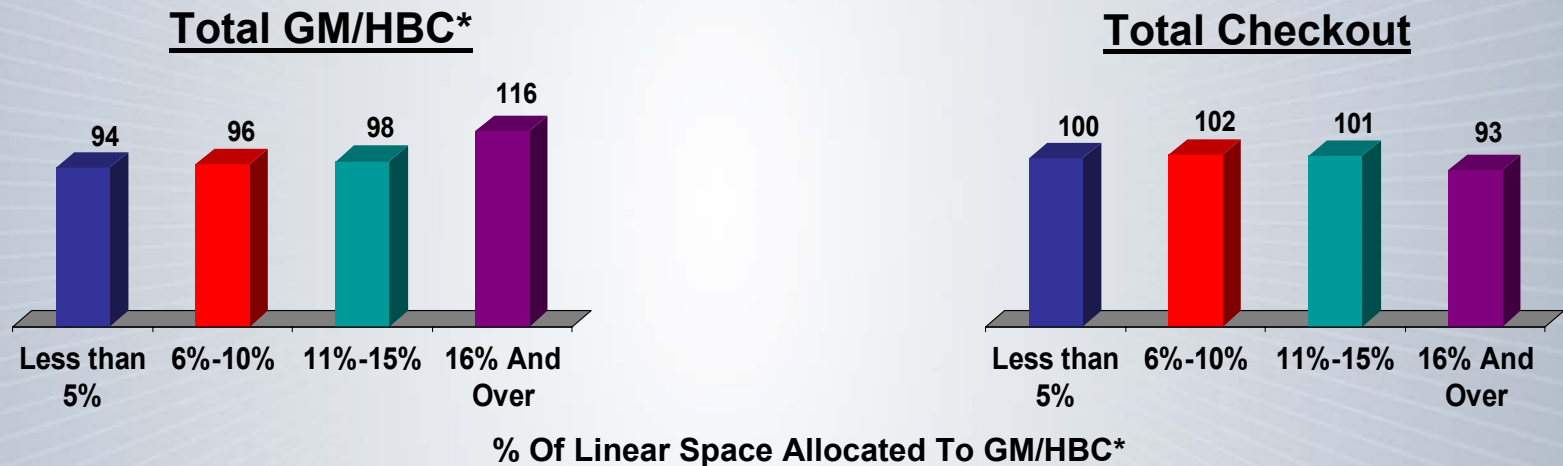
\*- Limited store count.

Source: FEF Study. DHC Analysis.

# How Much Space Should I Allocate To The GM/HBC Categories?

**Best Practice: Provide GM/HBC with no more than 15% of the linear feet available at the checkout**

## Sales Per \$ MM ACV Index



- At 16% of space & over, GM/HBC\* sales increase but total checkout sales suffer

\*- Includes Batteries, Razors/Blades, Cameras/Film, Lip Care, Oral Care, Lighters, Phone Cards, Hair Care, Analgesics, etc.  
Source: FEF Study. DHC Analysis.

# How Much Space Should I Devote To Each Major Group Of Products At The Front-End?

**Best Practice: Allocate space to optimize the total checkout performance**

Recommended Space Allocations		
Category	% Linear Feet	What Does That Mean?
Confectionery	50%+	Confectionery on every lane with at least a 48" wide rack
Magazines	30-33%	Magazines on every lane with placement over the belt and on end caps where coolers are not in place.
GM/HBC*	7-10%	18" to 24" rack on lanes where coolers do not exist. No more than 75% of the lanes.
Beverages	2-4%	Coolers no more than every 3 lanes.
Snacks**	2-3%	Carried on top of Beverage coolers.
Cookies/Crackers	1-2%	Carried on top of Beverage coolers.

- **Leading retailers balance space to profits within the suggested ranges**

\*- Includes Batteries, Razors/Blades, Cameras/Film, Lip Care, Oral Care, Lighters, Phone Cards, Hair Care, Analgesics, etc.  
 \*\*- Includes Salty, Meat, Nutritional.

Source: FEF Study. DHC Analysis.

# Take Advantage Of The \$2 Billion Opportunity By Implementing The Best Practices At The Front-End

- Top performing retailers have at least 76 linear feet of merchandising space on a lane & carry 301 to 350 items at the Front-End
- Products merchandised at the checkout should be driven by consumer buying behavior. Select items with high penetration, high frequency & impulse appeal
- Focus should be on the top categories that represent 80% of sales & profits: Confectionery, Magazines & Beverages
- Carry Confectionery on all the lanes including express. Merchandise it on both sides of the consumer. Where space allows, use at least a 49" rack
- Maximize Magazine presence at the Front-End. Merchandise Magazines on end caps as well as in the lane to enable consumer buying opportunities

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# The Best Practices At The Front-End (Cont'd)

- **Make sure top selling Magazine titles are broadly available. It is more important to carry the right titles than a large number of titles at the Front-End**
- **Place Beverage coolers on end caps at 26% to 33% of the checkout lanes. Unlike other categories, the majority of Beverage sales are in a few key items**
- **Provide up to 15% of linear space for GM/HBC. Remember that most of these items are need driven & located elsewhere in the store. Focus on just a few key items in each category**
- **Be sure to merchandise the self-checkout lanes. Most consumers do not shop across the lanes. At a minimum, carry an assortment of popular Confectionery & Magazines**

# Best Practices Checklist

## BEST PRACTICES

### CHECKSTAND

- Devote at least 76 linear feet
- Stock 301 to 350 items
- Generate at least 80% of sales from power categories of Confectionery, Magazines, Beverages
- Merchandise self-scan lanes with Confectionery and Magazines

### CONFECTIONERY

- Stock on all lanes
- Allocate 51% or more space
- Rack size at least 49"
- Stock on both sides of aisle

### MAGAZINES

- Merchandise end-cap and in-line
- Allocate at least 30-33% of space
- Focus on best sellers – 79%

### BEVERAGES

- Beverage coolers on 26-33% of lanes

### GM/HBC

- Allocate 11-15% of space

# Contact Information

For more information, call Bill Dusek or  
Ray Jones at 847-559-0490

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# Appendix

# Consumer Findings

# Magazines, Confectionery, And Beverages Are Impulse Categories That Have High Household Penetration And Are Purchased Frequently

## Percent Of Front-End Shoppers That:

Category	Purchased At Checkout Within Last Year	Purchased At Checkout Once A Month Or More	Percent Of Checkout Purchases That Were Impulse
Magazines	48%	34%	84%
Candy	69%	58%	80%
Gum/Mints	72%	63%	71%
Carbonated Beverages	35%	29%	57%
Non-Carbonated Beverages	18%	15%	49%
Batteries	28%	11%	42%
Film/Cameras	15%	5%	44%
Razors/Blades	10%	5%	39%
Salty Snacks (Salty, Meat, Nutritional)	13%	11%	61%
Cookies/Crackers	13%	10%	56%
Oral Care	5%	3%	21%
Lip Care	13%	5%	57%
Other GM/HBC	3%	2%	21%
Phone Cards	5%	2%	30%

Source: FEF Study

# Shoppers Like The Convenience Of Self-Checkout

% of Shoppers			
Likes about Self-Checkout		Dislikes about Self-Checkout	
Convenience	88%	Need Attendant help	13%
Quick/Save Time	62%	Codes don't checkout	11%
No or shorter line	35%	Need for lookups	10%
Do not deal with store employees	14%	Payment issues	4%
		Hard to use coupons	4%
		Slow	4%
		Need to use instructions	4%
		Limit on number of items	4%
		Bag own groceries	4%

- There are a few common concerns, but none are major

Source: FEF Study

# Ethnic Consumers Tend To Be Heavy Buyers At The Front-End Checkout

## FRONT-END PURCHASE FREQUENCY INDICES

Index Of African-American & Hispanic Consumers To All Consumers		
	African-American Consumers	Hispanic Consumers
Heavy (Once a Week or More)	128	150
Medium (1-3 Times Per Month)	105	92
Light (Less Than Once A Month)	41	23

- Ethnic consumers purchase products carried at the checkstand more frequently

Source: FEF Study. DHC Analysis.

# Ethnic Consumers Purchase More Impulse Categories Such As Confectionery, Carbonated Beverages, And Cookies

## FRONT-END PURCHASE FREQUENCY INDICES % Purchased In Last Year

Index Of African-American & Hispanic Consumers To All Consumers		
	African-American Consumers	Hispanic Consumers
Gum/Mint	114	106
Candy	114	103
Carbonated Beverages	134	140
Batteries	118	114
Non-Carbonated Beverages	144	56
Film/Cameras	113	147
Cookies/Crackers	161	154
Lip Care	138	115
Phone/Gift Cards	180	200

- Phone Cards are also a category that a higher percentage of African-American and Hispanic consumers purchase

Source: FEF Study. DHC Analysis.

# Consumers Tend To Switch Lanes For Need, Not Impulse

- Only 33% of consumers said they would switch lanes to buy something at checkout

## Switching Index By Category

Gum/Mints	64	↑ <b>Impulse</b>
Magazines	67	
Candy	75	
Film	103	↓ <b>Need</b>
Soft Drinks	125	
Batteries	125	
Razors	180	↓ <b>Need</b>
Cigarettes	278	

Source: FEF Study

# Other Findings

# Confectionery And Magazines Contribute Almost 2/3 Of Front-End Sales And Profits

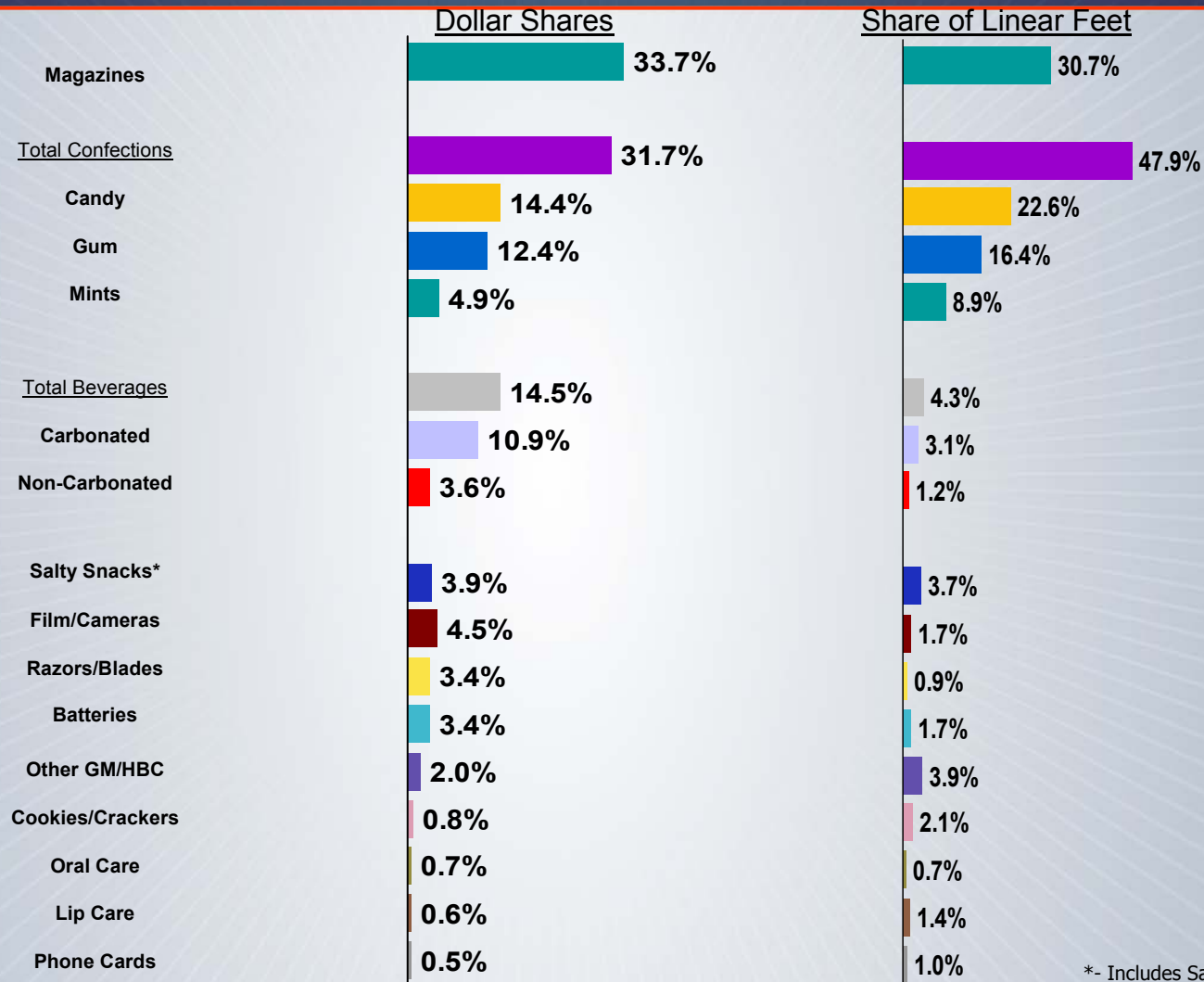
Category	Dollar Shares	Share of Total Profits*
Magazines	33.7%	30.0%
<u>Total Confections</u>	<u>31.7%</u>	<u>33.8%</u>
Candy	14.4%	14.7%
Gum	12.4%	13.6%
Mints	4.9%	5.5%
<u>Total Beverages</u>	<u>14.5%</u>	<u>16.2%</u>
Carbonated	10.9%	NA#
Non-Carbonated	3.6%	NA#
Film/Cameras	4.5%	3.7%
Salty Snacks**	3.9%	3.1%
Batteries	3.4%	3.9%
Razors/Blades	3.4%	3.0%
Other GM/HBC	2.0%	2.6%
Cookies/Crackers	0.8%	1.0%
Oral Care	0.7%	0.8%
Phone Cards	0.7%	1.0%
Lip Care	0.6%	0.9%

\*- Includes Gross Margin & Rack Fees.  
 \*\*- Includes Salty, Meat, Nutritional.  
 #- Cooler fees not broken out by Carbonated vs. Non-Carbonated.

Source: FEF Study

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# Magazines And Confectionery Generate 66% Of Front-End Sales And Occupy 78% Of The Front-End Space



Source: FEF Study

\*- Includes Salty, Meat, Nutritional.

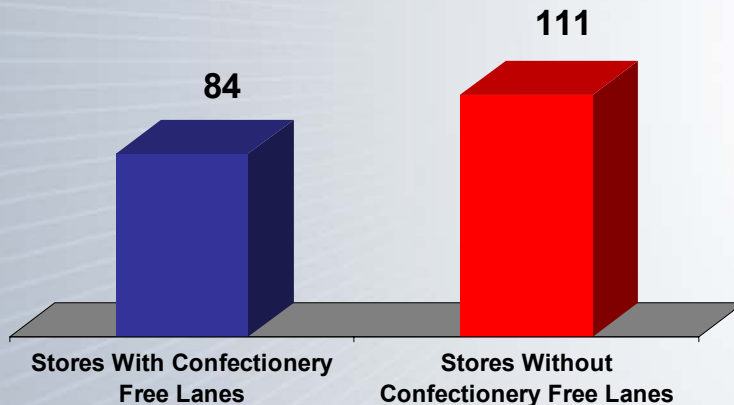
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# What Is The Impact Of Having Confectionery Free Lanes?

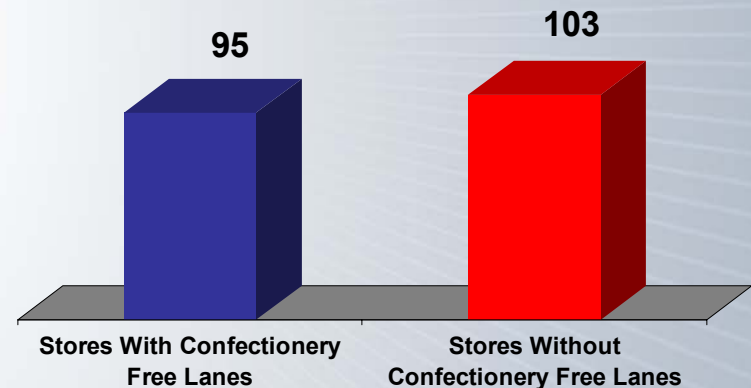
**Best Practice: Stock a selection of Confectionery items on every lane.**

## Sales Per \$ MM ACV Index

### Total Confectionery Sales



### Total Checkout Sales



- Retailers that do not have Confectionery free lanes enjoy a greater performance for Confectionery and the total checkout

Source: FEF Study. DHC Analysis.

# Miscellaneous

# Profit Assumptions Were Generated With The Assistance Of Alliance Retailers And The Source Interlink Companies

Category	Gross Margin*	Rack Fees#	Commitment*
Magazines	30%	\$22.28 Per Pocket	3 Years
Candy	36%	\$2.00 Per Inch	3 Years
Gum	40%	\$2.00 Per Inch	3 Years
Mints	40%	\$2.00 Per Inch	3 Years
Carbonated Beverages	40%	\$500 Per Cooler	1 Year
Non-Carbonated Beverages	35%	\$500 Per Cooler	1 Year
Batteries	35%	\$17.50 Per Peg	1 Year
Film/Cameras	25%	\$13.50 Per Peg	1 Year
Razors/Blades	30%	\$13.50 Per Peg	1 Year
Salty Snacks (Salty, Meat, Nutritional)	28%	\$2.00 Per Inch	3 Years
Cookies/Crackers	40%	\$2.00 Per Inch	3 Years
Oral Care	30%	\$13.50 Per Peg	1 Year
Lip Care	30%	\$13.50 Per Peg	1 Year
Other GM/HBC	40%	\$13.50 Per Peg	1 Year
Phone Cards	35%	\$13.50 Per Peg	1 Year

Source: \*- Retailer Input.  
#- Interlink Companies.

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# Other Categories Have Invaded The Checkout Lanes

- Candles
- Match Box Cars
- Work Gloves
- Bagged Candy
- Walkie Talkies
- Plastic Table Clothes
- Charcoal Lighter Fluid
- Maps
- Greeting Cards
- Small Dolls
- Paper Cups
- Eye Glass Repair Kits
- Analgesic Rubs
- Pizza Cutters
- Rotisserie Chicken
- Children's Toys
- Coloring Books
- Dieting Aids
- Cotton Balls
- Facial Tissue
- Ribbons
- Long Neck Lighters
- Playing Cards
- Children Stickers
- Rubber Gloves
- Scotch Tape
- Scissors
- Bakery
- Lint Traps
- Foot Stones
- Stuffed Animals
- Fireplace Logs
- Ear Plugs
- Trading Cards
- Canned Cookies
- Air Fresheners
- Remote Control Cars
- Hair Brushes
- Crayons
- Scouring Pads
- Balloons
- Vitamins
- Doughnuts
- Windshield Solvent
- Blowing Bubbles

Source: FEF Study