



EAS in Supermarkets

▶ Myths and Realities

Checkpoint 

EAS in Supermarkets: Myths and Realities

Electronic Article Surveillance (EAS) has been protecting against retail shrink for over 40 years. So it may seem like nothing new.

Yet many retailers today are rolling out EAS technology for a variety of reasons other than loss prevention, and newer retail formats, like dollar stores, are rolling out EAS for the very first time. As pharmacies, limited assortment stores, club stores and dollar stores provide a wider selection of grocery items, consumers have more choices where to do their weekly shopping. Supermarkets are shifting business and technology strategies to engage customers and keep them coming back.

EAS technology can play a key part in increasing sales, profits and customer loyalty. But myths about EAS abound. This white paper seeks to clarify some of the misconceptions about EAS and provides examples of how retailers are incorporating the technology into their merchandising and customer engagement strategies.

5 Common Myths about EAS in Supermarkets


1

Myth: EAS Technology hasn't kept pace with the Supermarket Industry

Reality: EAS is right in step with today's merchandising and customer experience initiatives


2

Myth: EAS is just for Loss Prevention

Reality: EAS reduces out of stocks, improves customer satisfaction and increases sales


3

Myth: EAS detracts from the Customer Experience

Reality: Today's EAS systems help ensure quality, safety and convenience. Visible deterrence reinforces everyday low prices for shoppers.


4

Myth: EAS is too labor-intensive for Store Associates

Reality: Tagging and deactivation are simpler than ever


5

Myth: EAS ROI is Hard to Quantify

Reality: EAS-enabled stores show demonstrable increases in shelf availability and increased sales

1 MYTH: EAS Technology hasn't kept pace with the Supermarket Industry

REALITY: The Supermarket industry has changed dramatically in the last decade, with renewed competition from dollar stores, superstores, pharmacies and small format grocery stores. To keep customers engaged and to increase the transaction value of each visit, supermarkets have broadened merchandise assortments to favor more profitable categories such as fresh meat, health & beauty and pharmacy. In line with improving the customer loyalty, supermarkets have invested heavily in store remodels and in "green" initiatives. EAS technology is well aligned with these new objectives. A few examples are illustrated below:

HIGH-MARGIN MERCHANDISE - ENHANCED BY EAS



MEAT, DAIRY AND SEAFOOD

EAS protects quality and safety with tamper-proof packaging. TUV-certified labels for meat packaging may be safely used in a microwave oven.



HEALTH AND BEAUTY

EAS protects quality and safety with tamper-proof packaging, improves shelf availability of hard-to-stock items.

STRATEGIC INITIATIVES - ENHANCED BY EAS



STORE REMODELS

EAS provides a modern, quality, safe shopping experience that seamlessly melds with store design.



SUSTAINABILITY

EAS protects new store formats, higher shrink areas using significantly less energy, decreases product waste.

2 MYTH: EAS is just for Loss Prevention

REALITY: EAS technology is often equated with Loss Prevention, but shrink reduction is not an end in itself. Most supermarkets invest in EAS to improve the customer experience, and ultimately to increase sales and profits. Supermarkets have found that when EAS is visible within a store – systems are operational, security labels show a product is authentic and not tampered with – shrink goes down, products stay in stock and sales of high-profit items go up.

Recent studies at supercenters and pharmacies show that customers feel much safer and are more likely to frequent stores with visible loss prevention measures in place. More than any other store format, supermarkets serve the local community. And the more comfortable customers are, the more they'll make their weekly shopping trip at the local supermarket, instead of the growing number of outlets that are expanding their grocery aisles.

The following diagram illustrates the impact of reduced shrink on customer experience and sales:

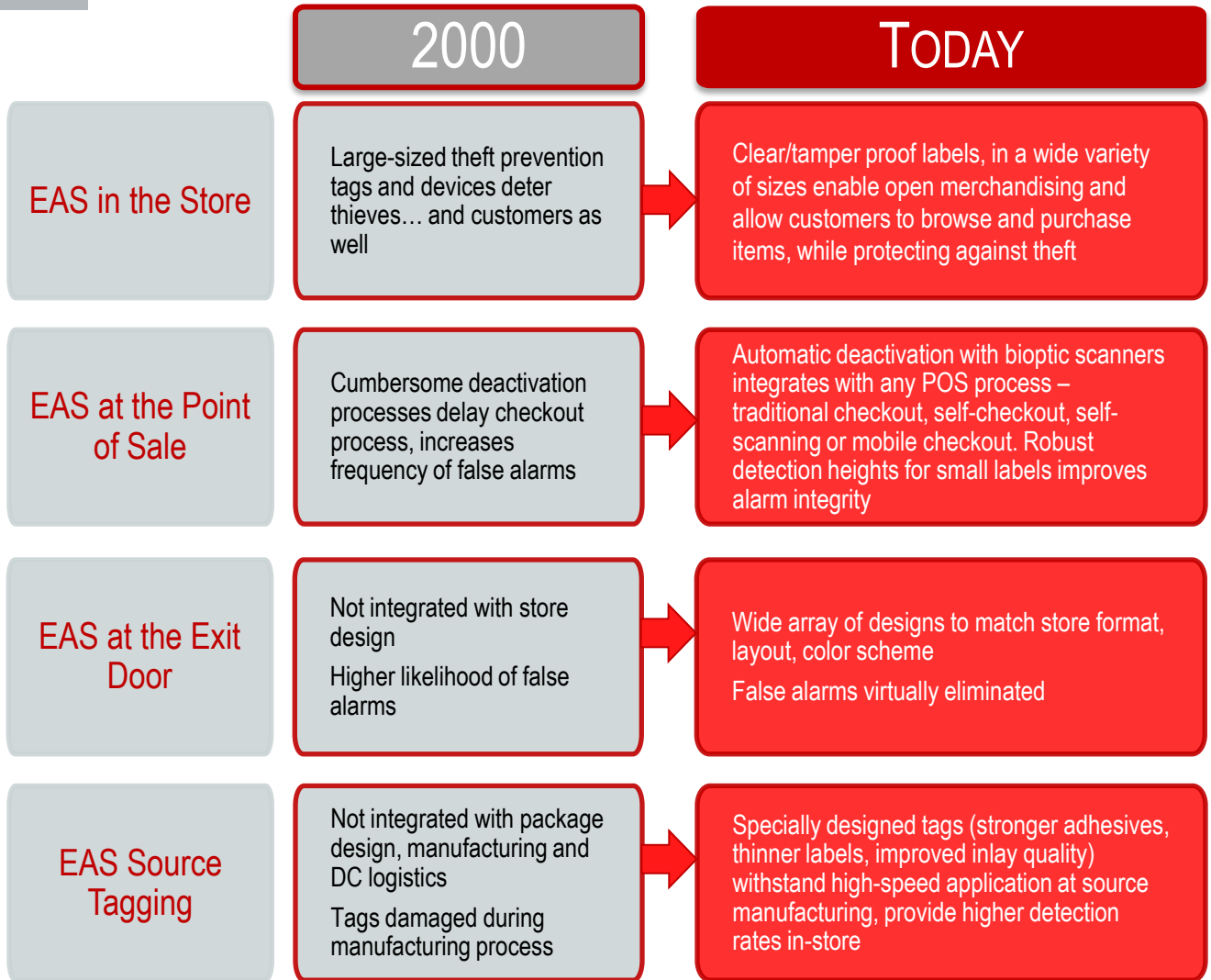


Reducing Shrink is no longer the primary driver for EAS systems. It's improved profits resulting from happier customers, increased sales, and decreased loss.

3 MYTH: EAS Detracts from the Customer Experience

REALITY: A common myth about EAS technology is that it gets in the way of the sale, from a false alarm at the exit door to cumbersome deactivation at checkout. EAS technology has evolved over the past decade to enhance the customer experience, versus detracting from it.

The impact of EAS on Customer Experience has changed dramatically since 2000, as detailed below:



Tamper-proof labels serve as an assurance to the customer that products are genuine and protected against loss.

Newer-generation adhesives enable EAS labels to bond with plastic surfaces. Small format clear labels protect tiny cosmetic items without obscuring barcodes.

4 MYTH: EAS is too labor-intensive for Store Associates.

REALITY: Today's EAS systems can assist store associates in providing a better customer experience.

By streamlining product tagging, providing smart deactivation at checkout and eliminating false alarms, EAS systems keep merchandise visibly protected which simplify store operations for retail personnel.

EAS PROCESSES HAVE CHANGED OVER THE PAST DECADE

	2004	TODAY
TAGGING MERCHANDISE	Manual tagging in-store	Many products tagged in DC or by Supplier Over 1/3 of non-food products are supplier-tagged in source manufacturing Typical categories include: <ul style="list-style-type: none">• Health and Beauty• OTC Medication• Household Goods
DEACTIVATION	Slow or manual deactivation	New technology enables merchandise to deactivate smaller labels at high speeds during checkout, concurrent with barcode scans
RESPONDING TO ALARMS	Pedestals at exit door, far away from checkout, customer service	Clear, in-lane pedestals flag errors at checkout, drawing attention to potential issues when store associates are nearby Proactive Smart Alarm Management and EvolveNet tools for ORC detection and analytics to detect patterns of theft



EAS Pedestals



Automated Deactivation at Checkout

5 MYTH: EAS ROI is Hard to Quantify.

REALITY: EAS ROI can be quantified in reduced shrink, decreased out of stocks, and increased sales

In benchmark tests run by IDC Research, PWC and Independent Auditors, retailers selling grocery and non-food items have experienced the following hard benefits from EAS systems:

- Decreases in SKU shrink from 79% to 55%
- Increases in sales from 2.5% - 9.2%
- Payback from 6 months to 18 months

Every supermarket chain, and retail location experiences shrink and inventory availability at different levels. EAS pilots that measure control stores against EAS test stores, selecting stores that are characteristic of the entire chain and focusing on high-risk SKUs, can determine the specific value of EAS in a retailer's environment. ROI calculators based on composite data from supermarkets, dollar stores, club stores and superstores can provide metrics for initial pilots and for ongoing chain-wide rollouts.

Chainwide Assumptions ▼

EAS Assumptions ▼

EAS Benefits ▲

Total Store Shrink: \$ 573,599

% of Shrink Attributable to Theft: 36.00%

EAS Shrink Reduction: 30.00%

EAS \$ Value Shrink Reduction: \$ 61,949

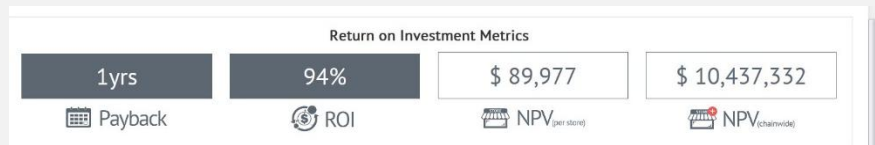
Sales Uplift Tagged Items: 2.00%

Previous Next

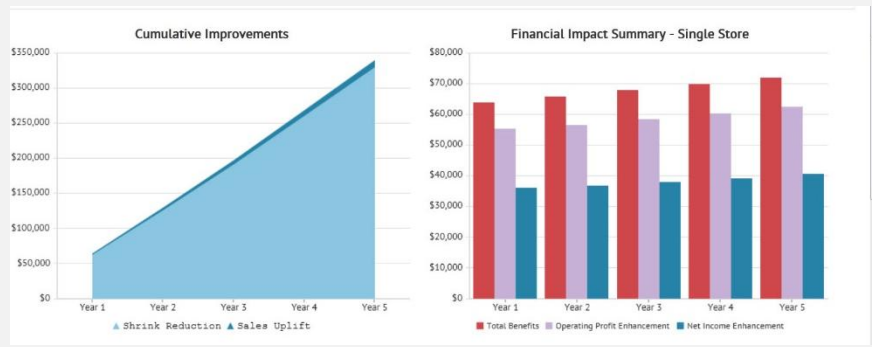
Tagging Assumptions ▼

In Store Labor Assumptions ▼

Clear Calculate



Calculating ROI and Net Present Value



Calculating Cumulative Improvements as well as Financial Impact by Single Store

Factoring in Sales Uplift as well as Shrink Reduction

About Checkpoint Systems.

Checkpoint Systems is a global leader in merchandise availability solutions for the retail industry, encompassing loss prevention and merchandise visibility. Checkpoint provides end-to-end solutions enabling retailers to achieve accurate real-time inventory, accelerate the replenishment cycle, prevent out-of-stocks and reduce theft, thus improving merchandise availability and the shopper's experience. Checkpoint's solutions are built upon 45 years of radio frequency technology expertise, innovative high-theft and loss-prevention solutions, market-leading RFID hardware, software, and comprehensive labeling capabilities to brand, secure and track merchandise from source to shelf. Checkpoint's customers benefit from increased sales and profits by implementing merchandise availability solutions to ensure the right merchandise is available at the right place and time when consumers are ready to buy. Listed on the NYSE (NYSE: CKP), Checkpoint operates in every major geographic market and employs more than 4700 people worldwide.

Twitter: @CheckpointSys
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For specific information on EAS applications for Supermarkets, visit
<http://www.checkpointsystems.com/en/industry-solutions/Supermarket-Hypermarket.aspx>

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