SPOTLIGHT: CB4'S QUARTERLY RETAIL MAGAZINE

NINE ARTICLES FOR BRICK AND MORTAR RETAIL OPERATIONS AND IT LEADERS

A NOTE FROM THE EDITOR

Welcome to the first edition of CB4's Spotlight magazine. We're so excited that you're here!

The goal of this magazine is to give a comprehensive overview of our perspective on the retail industry and into each vertical that we service: fashion, convenience, specialty, and grocery.

Here we'll reveal how to use technology to improve profit margins, communication, understand local demand, increase sales, and reduce shrink. In addition, we'll discuss some things we've learned about store managers and retail operations & IT teams from our many partnerships.

We hope you enjoy, and as always, thank you for reading.

All best,

Matthew McAlister, Director of Marketing, CB4

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6 WAYS TO IMPROVE GROCERY STORE PROFIT MARGINS WITH TECHNOLOGY

Raising prices used to be the go-to strategy for retailers looking to widen their grocery store profit margins, but this practice is no longer sustainable in today's retail landscape.

With players like Walmart, Aldi, and Lidl constantly offering bargain basement deals, other grocery stores risk losing their customers if they can't match the prices of their competitors. Companies are realizing that to compete, they need to turn a profit in more creative ways.

In this article, we shed light on how you can use technology to do just that. Examine the points below and see how you can use them to increase your grocery store profit margins.

1. Right Product, Right Place, Right Time

The average grocery store has a whopping 40,000-50,000 SKUs. Many of the products on your floor are time-sensitive. Produce and deli goods are highly perishable, while seasonal items like Valentine's Day chocolates need to move within a small window in order to be profitable. When they're not in the right place at the right time, these items can be real drain on margins.

You might think this is a natural cost of being in the grocery business — and that your in-store execution problems are just part of the reality of brick-and-mortar. But today's cutting-edge machine learning tools can crunch your POS-data to better understand local demand and capitalize on that understanding.

At CB4, we notify retail teams when sales for a particular item at a specific location are failing to meet anticipated high demand. We take our insights one step farther, sending alerts to store managers to correct whatever is hindering sales, and then provide feedback to corporate.

Maybe a vendor is failing to stock your beverage case with a new flavor of sparkling water. Perhaps it's one week before Fourth of July and a brand of hot dog buns was misplaced in the stockroom, and hasn't been replenished on the floor since. Maybe there's a markdown on raspberry crumble cake, but the price sticker doesn't match the promotional signage.

These are all issues that CB4 has uncovered and corrected for our grocery store partners. They are also the issues that, in aggregate across your chain, chip away at your gross profits. By helping store teams recognize and correct these issues, CB4 helps grocers deliver the right products at the right time and keeps your customers coming back for more.

2. Tighten Up Your Supplier Policies

Inefficiencies in your supply chain are costing you sales and profits, particularly when they lead to product delays and unavailability. With grocery stores losing $75 billion because of out-of-stocks, it's imperative that you work on tightening up your supply chain.

One way to do this is by implementing on-time, in-full (aka OTIF) policies for your suppliers. OTIF policies compel your vendors to fulfill orders efficiently, so you can get your products on the sales floor when your customers need them.

Both Walmart and Kroger have taken measures to prevent late or incomplete deliveries through OTIF policies. Kroger charges vendors $500 per day for delivers made past a two-day time frame, while Walmart fines suppliers 3% the value of each shipment that comes in late or incomplete.

Consider doing something similar with your suppliers, and for best results, use technology to streamline your processes. In Walmart's case, the retail giant leverages big data to determine which products to stock, and then it shares those insights with its suppliers.

According to the WSJ, Walmart has been sharing key data points with vendors, including "which precise products are on shelves at any given time and why products are out of stock." Walmart also discloses which products it plans to carry in each store and makes that information available to suppliers.

Having the ability to collect — and share — all that information keeps Walmart and its suppliers on the same page, allowing vendors to anticipate demand and fulfill orders efficiently.

3. Improve Your Private Label Strategy

It's a known fact that private label goods are a lot more profitable, with grocery store profit margins being around 25-30% higher compared to branded products. The challenge with any private label strategy, though, is to sell high-quality products at low prices.

It's no easy feat, but it's doable with the right manufacturing process. As CB Insights points out, grocers can win the private label game by keeping their manufacturing lean and in-house.

Take Kroger, which brings in over $20 billion a year through its own brands. Part of what makes Kroger successful at private labels is its investment in its own manufacturing facilities. The company has more than 40 plants to process a variety of its private label items.

Data and analytics also play a key role. Other brands are turning to external partners to help. For example, CPG manufacturers like Mars are turning to Alibaba's AI tool to help brands uncover hidden demand patterns that inform product development to tap into local consumer demand. Grocery Dive reports that Kroger, on the other hand, has its own analytics firm and "collects a lot of data on its customers, helping it figure out which new items to develop and how to hone existing lines."

Kroger's success highlights the importance of systems and technology when it comes to private labels. Having its own manufacturing plants enables Kroger to create quality goods at highly competitive prices, while its data and analytics can surface valuable customer insights to support product development and strategic pricing.

If you're a grocer with a private label operation in place the only thing stopping you from duplicating Kroger's success is mastery of your own data.

4. Consider Meal Kits

In 2018, the industry saw a flurry of meal kit acquisitions and partnerships with grocers: Kroger purchased Home Chef, Albertsons bought Plated, and Gobble teamed up with Walmart.

These shouldn't come as a surprise. From the perspective of increasing grocery store profit margins, selling meal kits makes a lot of sense. In addition to having access to ingredients, supermarkets already have an existing distribution network and a customer base to market to. By leveraging these assets, grocers can get more out of their existing customer base and widen their margins.

That being said, a meal kit program doesn't come without challenges. This space is extremely competitive, and grocers must deliver delicious meals at affordable prices — and do it in ways that are convenient for shoppers.

Making all that happen requires technology to support services such as mobile ordering, subscription management, and automatic fulfillment. Leading meal kit providers (i.e, Blue Apron, Plated, Hello Fresh, etc.) for example, give subscribers the ability to stay on top of their meals on multiple channels, making it simple to select meals and schedule deliveries or pick-ups.

These capabilities are table stakes for meal kit providers. Therefore, if you're looking to offer the service to your customers, see to it that you (or your meal kit partner) have the technology to support such features.

5. Prioritize BOPIS Over Delivery

While free shipping and same-day delivery are certainly gaining steam, buy online, pick up in-store (BOPIS) seems to be a more popular option for consumers. During the 2018 holiday season, Adobe found that BOPIS orders have increased by 46% from the year before and according to Nielsen, Millennials prefer click-and-collect over home delivery.

BOPIS can also drive grocery store profit margins through added sales. A study by ChargeItSpot found that the majority of US consumers who opt for in-store pickup end up making additional purchases while they're in the store.

Clearly, BOPIS is a boon for retailers, but it's important to note that your click-and-collect offering will only be as good as the technology that supports it. Successfully implementing BOPIS requires a tight

as good as the technology that supports it. Successfully implementing BOPIS requires a tight integration across your different retail channels.

At the very least, you need to ensure that your retail management system can sync your stores' inventory with your ecommerce and mobile website, so shoppers can get real-time information on product availability.

The success of your BOPIS efforts also hinges on order fulfillment efficiency. Tight processes and adequate staff training are necessary to ensure that in-store pickup orders are processed on time.

The best in class retailers recognize this, and some are even turning to technology to improve BOPIS efficiency.

Consider what Walmart is doing. In 2018, Walmart started piloting a robotics system called Alphabot to streamline how grocery orders are fulfilled. According to a blog post from the company, Alphabot does this "by automatically bringing items from storage to associates who will consolidate the items in the order."

Walmart has found a clever way to scale its grocery BOPIS operations while improving labor inefficiencies — all of which helps protect its grocery store profit margins. Consider following the company's lead when improving your BOPIS initiatives. You may not be able to deploy robots to assist with BOPIS orders, but you could look into other back-end technologies that can streamline your procedures.

6. Rethink Your Loss Leaders

Using loss leaders — i.e., items sold at a loss to drive foot traffic — is a common tactic that nearly every food retailer implements to improve grocery store profit margins. Traditional loss leaders include items like milk and eggs. It's a classic and proven practice, but simply using old staples as loss leaders is becoming ineffective, as shoppers' preferences around health and wellness continue to evolve.

Take milk, for example. FoodNavigator-USA reports that in 2018, cow's milk sales declined by 6% while plant-based alternatives went up by 9%.

Consumers are clearly moving more towards healthier options when it comes to staples like milk and eggs, which means grocers need to keep up and evolve their loss leader strategies to include healthy alternatives.

As RW3 puts it, "while there's still a market for the staples, if you're looking to attract a new crowd—especially among younger people—offering great discounts on the foods people are trying to find may make you the go-to retailer for shoppers."

It's important to bring up the role of technology in a grocer's loss leader strategy. By using big data and retail analytics to analyze trends, you can determine which products to use as loss leaders.

That same data can also inform your pricing strategy. Analyzing POS transactions, basket sizes and shopper-price perceptions will enable you to determine the most optimal price points for your loss leaders.

This is critical, particularly as consumers have more pricing transparency thanks to shopping comparison apps and price matching deals. As a grocer, using technology to analyze data and adjust prices based on trends and consumer price sensitivity will allow you to stay competitive.

Final Words

Shoppers of today don't just want the right products at great prices — they expect those items to be fulfilled efficiently through the right channels.

It's a tall order, but food retailers can meet those demands and improve grocery store profit margins by leveraging technology to identify opportunities and implement the right initiatives.

Kohl's x CB4 NRF Panel: Making Life Easy for Mission-Driven Shoppers

Kohl's VP of Technology, Shweta Bhatia heads up the retailer's in-store learning labs. These labs test innovative technology solutions and then scale them across Kohl's entire chain of 1,000+ stores. Bhatia had this to say about her philosophy:

"We focus on two things: Keeping it simple and making it actionable. Making it simple is the complicated part."

Irad Ben-Gal joined Bhatia for the CB4-hosted Big Ideas Panel at NRF 2019. Ben-Gal is the head of the AI and Business Analytics Lab at Tel Aviv University. He's also the co-founder of CB4. Kohl's is collaborating with CB4 to increase net sales by improving Kohl's customer experience.

Stats Show the Need

According to PwC: 54% of U.S. consumers believe that brands need to improve their in-store customer experience. A shocking 32% of customers will leave a brand they love after just one bad experience.

Tech is Only as Valuable as it is Actionable

Kohl's uses AI to glean actionable insights from otherwise cumbersome reports – and to see things that the human eye can't. Bhatia explains:

"We know that the Kohl's shopper is very mission-driven. Every single time that customer shops with us, we want to make sure that it feels frictionless and that she is able to complete the mission either in the store or on our digital channels."

Kohl's backed up that talk in 2018 by:

• introducing mobile checkout

• increasing product visibility

• identifying 'local favorites' and making sure they're easy to buy

• improving replenishment and inventory management

• optimizing pricing and promotions.

What's a 'Local Top Seller'?

Large retailers typically have a list of chain-wide top sellers. These are popular items that sell in high volumes at most locations across a chain. Store managers and associates take pains to ensure these items are in-stock and easily visible, with clear signage and pricing.

Ben-Gal introduced the concept of a 'local top seller'. A 'local top seller' is an item that often is not on a chain-wide top seller list but is still very popular amongst local customers at specific Kohl's locations. These items sell in high volumes at these locations, but aren't easy to detect because they aren't uniformly oopular across the chain.

CB4's engine can identify a local top seller and detect when a floor execution issue is creating friction in the shopping experience. Some examples include:

• An item that's hard to see because it's on a low shelf

• An item that's hidden behind other items or a large sign

• An item whose price tag or signage around the item is wrong or confusing shoppers

• Anitem that's out of stock or mistakenly left in a back backstock

All of these issues hurt sales by making it more difficult for today's mission-driven shoppers to easily buy what they want. When they affect a local top-seller, the damage to a store's bottom line is significant.

CB4 quickly alerts store managers when floor execution issues are affecting local top-sellers, prompting them to investigate and fix the issue. The store manager will then note the actual issue they find. This feedback helps CB4's engine fine-tune the next set of recommendations. Eventually, this feedback can Kohl's a clear view of any systematic challenges across their chain.

How CB4 Improves Communication in Retail Between Management and Store Teams

Teamwork and communication in retail settings can seem like an unwinnable battle. Your average sales associate or store manager often feels like corporate employees sit in a castle in the sky. Likewise, store managers are swamped with back-office work, and may lose focus on training initiatives that their associates need. Opportunities for relationship-building are few and far between. This can breed skepticism on both ends, which can lead to high employee turnover and negatively affect the way customers view your brand.

At CB4, we like to tout our ability to increase gross margin dollars. Sure, the flashing dollar signs are alluring. But we also created our product to improve communication between management and sales staff. CB4's machine learning solution, delivered to floor teams in a handy mobile or desktop app, uses advanced analytics to turn insights into actions. In doing so we empower store teams, increase productivity, and improve interdepartmental transparency.

Here are three stories of CB4 users who were able to improve communication in retail stores by using the CB4 app.

With CB4, Store Managers Correct Issues Before Corporate Visits

Store managers typically view store walks with apprehension, and this can hurt communication in retail. In the days before a visit from corporate, a proactive store manager might scour her selling floor, trying to ensure merchandise is properly displayed and promotions visible. In some cases, an executive may unexpectedly pop in, taking the store manager off guard and sending her heart racing as she wonders what issues will be revealed. Thus, these visits can be a source of stress when they should really be used to build trust and promote team building between corporate level staff and the boots on the ground.

CB4 gives store managers a leg up by alerting them to on-floor execution problems before corporate even walks through their doors. In one instance, CB4 detected that sales of a specific flavor of ice cream at a convenience store were far below predicted high demand. It was costing the company in revenue, and probably disappointing customers, too. CB4 deployed a recommendation to the store manager to have a closer look at the item. He checked the case and at first, everything looked sufficiently stocked and properly displayed.

But when the manager, bolstered by CB4, looked closer, he saw that the entire SKU had been labeled with the wrong price. On further inspection, he realized that the entire freezer case was mislabeled! What would have turned into an embarrassing debacle and damage control situation was nipped in the bud before corporate set foot in the store. The store walk planned for the very next day was a success, and everyone celebrated the store's strong sales, having averted a costly issue before it became a major problem.

CB4 Helps Store Managers Train Sales Teams

Store managers are notoriously crunched for time. Between keeping customers happy and putting out every day fires, they don't always have time to invest in their teams and improve communication in retail stores. In these circumstances, CB4 steps up and helps store managers understand where their teams need an extra assist.

This happened recently, when CB4 detected low sales in a high-demand item at a store in a major fashion apparel chain. Their newest pants came in black, navy, and army green. CB4's algorithm detected that the navy color was underselling. It turned out that black and army green pants had shipped together and arrived in-store on time. The stock team placed them on the floor together. Production was slightly delayed for navy and the pants arrived in-store late. At the time, the navy pants looked similar to the black, and the stock team mistook the newly arrived navy colorway as extra stock of the black pants that had arrived earlier. As a result, the stock team put the navy pants directly in back stock instead of on the floor!

Thanks to CB4's recommendation, the store manager corrected the oversight before losing more sales. After the issue was resolved, the manager saw an opportunity to provide further training. She met with the stock team to emphasize the importance of reviewing seasonal visual directives every time a new shipment arrives. After all, it's not unusual that different products (i.e. flavors of a soft drink or washes of a jean) look similar to the untrained eye. In this instance, and in others like it, CB4 serves as an educational tool to help stores reinforce general best practices to avoid in-store execution problems that could affect future sales.

CB4 Helps Store Teams Uncover Vendor Issues

In the convenience store setting, your category managers have a full plate and can't always pay attention to what's going on with a specific SKU in an individual store. In these circumstances, vendors may have a good deal of latitude when it comes to restocking the shelves. But vendors often come in and do as they see fit without necessarily taking individual district managers' requests into account. This can lead to out-of-stock problems that never see the light of day.

When items on a chain-wide top sellers list are out of stock, store managers are quick to remedy the issue. However, every store has items that have very high demand locally but not uniform high demand across the chain, which means they don't show up on the chain-wide top sellers list. Store teams typically don't have alerts set up for these situations. Often, this means customers are unable to easily find what the want, resulting in disappointment and missed sales opportunities.

This recently happened at a store in a convenience chain that uses CB4. CB4's algorithms detected low sales in a Pepsi product that should have been in high demand and sent the store manager a recommendation to correct the issue. The manager noted that the item was out-of-stock. As the issue continued to go uncorrected over time, CB4 continued to send recommendations for the product. As the issue continued to go unchecked, CB4's persistently sent recommendations prompting the store manager to escalate the issue up the corporate ladder. With the support of the corporate office, the store manager was able to get the vendor to restock the desired product in her store. Corporate, in turn, recognized a hard-working store manager who proactively addresses issues as they happen.

Conclusion

With CB4, store managers aren't left to rely on corporate for specific directives about their business. They can resolve issues proactively before corporate even becomes aware or gets involved. CB4 creates in-store detectives attuned to the potential issues they might uncover if they take a critical look at their selling floor. In-store users of CB4 are empowered to solve issues beyond those that CB4 detects. Finally, CB4 legitimizes challenges related out-of-stocks, empowering managers to act and obtain the merchandise their stores need most. All of this is how CB4 can improve communication in retail.

Interested in learning more about how CB4 works in action? Watch Wilsons' Director of Operations talking about CB4's impact on his c-store business:

It's been a really easy way to get our store managers involved more in the business and realizing opportunities to grow our business, and at every one of our stores the execution has been really easy."

Three Examples of Convenience Store Software that Increase Sales

IT teams evaluating convenience store software already have a lot of options to weigh—from POS systems to traffic monitoring systems and more. But these systems come with a high price—a long rollout period and expensive in-store hardware.

ROI is easy to promise but difficult to deliver. In this article, we'll list the three convenience store software solutions that deliver on that promise.

Software for Operations Teams: ThinkTime

Seasoned operations leaders understand the biggest threat to meeting monthly and quarterly sales goals is a lack of consistent execution. From a single store to an entire region or chain, consistency falls victim to poor communication. Standards are left unclear, and tasks are pushed to the side, forgotten about, or never followed up on.

Enter ThinkTime, a modern cloud-based tool that improves performance and communication at every level by providing a clear, consistent and user-friendly platform for tasks. This convenience store software works because ThinkTime fundamentally understands that each chain's operational workflow is completely different. Customization options are endless: from prioritization and distribution to requirements and automation. All data collected then feeds into a centralized top-down dashboard to analyze problem tasks or stores.

It should go without saying, but this software dramatically helps teams increase sales by ensuring promotions have been rolled out across the chain, that staff remembers to restock shelves, that planograms are updated consistently, and more. The true cost of a lack of execution can't be measured by one task, but taken holistically, execution is responsible for literally every sale you make. It's important that you focus your efforts on getting it right.

If any of the following is a concern for you, maybe ThinkTime is the right software for your team to evaluate:

• Adherence to deadlines

• Onboarding

• Task completion

• Task distribution

• Project rollouts

• Uninformed/ out of loop staff

You can learn more about ThinkTime at www.thinktime.com.

Software for Merchandising Teams: Scorpion Planogram

According to our most recent survey of the convenience space, the majority of c-store chains are focusing on the customer experience to drive sales this year. We don't expect this trend to change as brick and mortar retailers continue to look for ways to differentiate themselves from their online competition. Advances in convenience store software make it possible for merchandising teams to use the planogram more effectively to drive new sales while leveraging brick and mortar's best asset: the store itself.

The planogram design process can be time consuming without the right tools in place. Scorpion Planogram helps merchandising teams better understand shelf look and feel before placing a single product. They do it through patented technology that allows users to create a 2D planogram, add in product sizes and photos, and then render the entire display in 3D. This allows teams to do 'walkthroughs' of the space, allows customer polling, and ensures teams are aligned before any changes are made. On top of that, Scorpion Planogram has a robust support feature that puts merchandising teams in touch with planogram experts who can help the decision-making process by weighing in on assortment, fronting, and display decisions.

With customer experience as the new king of convenience, it's essential that stores are designed with the customer in mind—modeling and testing your planograms to ensure they're in line with customer expectations is a vital step to increasing sales in your chain.

If you have issues with any of the following, Scorpion Planogram might be the right software for your merchandising team to evaluate:

- Planogram consistency
- Localizing assortment
- Visual directive
- Product presentation
- Seasonal stock transitions

You can learn more about Scorpion Planogram at www.scorpionplanogram.com.

Software for Fresh and Prepared Foods: Jolt

The final software on our list is for the folks in the fresh and prepared foods department. Historically, you wouldn't associate these departments with technology. However, it's these technologically under-served areas where convenience store software makes the biggest impact. Benefits include workforce optimization, the reduction of expired or spoiled merchandise, and a lower overhead on some of the industry's most profitable items—ready-to-eat foods.

Jolt helps prepared food departments by improving labeling, pricing, and dating practices through an easy-to-use software. According to their website, their average customer reports saving each of their locations $70 a month after adoption. For a 300-store chain, that means savings of $250,000 a year. By reducing the time spent hand-labeling, Jolt lowers the likelihood of costly mistakes. All label organization, calculation, and printing is done for you consistently across all your locations.

In addition, Jolt leverages a powerful built-in reporting tool that helps managers find opportunities to reduce waste, liabilities, and labor costs. Teams save money, sell more products, and reduce unnecessary spend.

If you're experiencing any of the following pain points, perhaps Jolt is a great convenience store software for your team to evaluate:

- Food waste
- Labor costs
- Spoiled or expired products
- Missing/ unclear dating
- Inconsistent labeling and dating practices

You can learn more about Jolt at www.jolt.com.

Chains looking to save money and increase sales in 2019 have a lot of choices when it comes to convenience store software. Every team in the c-store space can use technology to radically improve their workflow and stay under budget. The three convenience store software above come highly recommended from our clients and prospects, but it's important to note that no single software is a one-size-fits all solution. In order to effectively roll out a new technology, you need the buy-in of your staff and the other key decision makers. Software only works when your staff is trained and involved.

How Alibaba & TMIC Help Retailers Understand Local Demand to Turn Big Profits

In today's competitive landscape, an innovative product development strategy hinges on a retailer's ability to uncover hidden consumer demand patterns. Machine learning algorithms are the conduit through which retailers process consumer purchase data to uncover critical insights about what products customers in a specific market want most.

Chinese e-commerce giant Alibaba is at the forefront of "New Retail", a term used by Alibaba's founder, Jack Ma, in 2016. Ma envisions retail's evolution as the synthesis of the worlds of brick-and-mortar and e-commerce. In his vision, sellers understand and can even deliver the exact products and services their customers want in near-real time.

At the essence of this philosophy is that brands must find innovative ways to meet consumer needs. In this customer-to-business (C2B) approach, consumers are co-creators defining a brand's product development strategy. C2B is the antithesis of the traditional top-down approach whereby shoppers are passive to the products brands offer.

Alibaba has a massive consumer base. Their machine learning tool helps brands gain deeper insight into the consumption patterns of these customers and delivers actionable recommendations guiding brands on how to meet consumer needs. This has major implications for brick-and-mortar retailers' product development strategy.

Alibaba's TMall Innovation Center: The Birth of New Retail

In 2017, Alibaba created the TMall Innovation Center (TMIC) as the dedicated research and development arm of its highly successful e-commerce platform, TMall. TMall has more than 600 million users. This means that TMIC knows what 600 million consumers are searching for, which searches lead to what purchases, which products are returned and at what rate, and what common selling prices are for highly desired products.

TMIS shares this data with sellers. There are 81 brand working with TMIC in a variety of verticals. Electronics (Samsung), beauty (L'Oreal), toys (Mattel), and food (Mars) are all covered.

What does TMIC get out of this?

When one of these brands uses TMIC's data to develop a product, that product is sold exclusively at (you guessed it) TMall for the first 6 months.

Welcome to what many are calling "new manufacturing," a product development strategy in which consumers tell companies what to make. A focus group of 10 people talking it out in a room has been replaced by a focus group of 600 million speaking with their actions and voting with their wallets via TMIC and TMall.

It's worth noting that this is a very different model than the one used by Amazon. Amazon uses their enormous repository of content to decide what to produce for its Amazon Basics line. Amazon Basics, however, cannibalizes sales from other brands who sell on Amazon.

Helping Brands Develop New Products for Local Consumers

The recent collaboration between TMIC and Mars demonstrates how machine learning helps merchants hone in on local consumer tastes. TMIC's data-crunching tools process purchase information and survey insights from its millions of users.

Recently, their multimodal research revealed that a chili-infused Snickers bar would spark local Chinese consumers' desires. The "idea-to-shelf" process took a year. When the product launched, sales of the spicy Snickers bar surpassed $1.43 million within six months. 92% of consumers gave the treat a glowing review.

TMIC also helped Johnson & Johnson discover that one of their target markets, young women in China, prefer mouthwash with flower and fruit flavors. The brand was able to launch a Listerine product for that market segment in only five months as a result. Working with TMIC has helped other vendors speed up their product incubation, slashing lead time by more than half of what they could previously achieve. Consumer tastes can be fickle and change seasonally. It's critical that CPG companies understand and meet that demand swiftly to stay competitive.

Helping Brands with SKU Rationalization

SKU Rationalization, the decision-making process to determine if a particular product should be kept or discontinued, is another key benefit of TMIC. As part of an effective product development strategy, SKU rationalization helps retailers maximize inventory and decrease logistics costs.

The ability to make targeted local adjustments to distribution enables brands to drive sales, increase per SKU productivity, and reduce waste. A case in point is that of Mattel. The toy-maker wanted to sell toys in China, but faced resistance. According to Forbes, Chinese parents purchase fewer toys than other countries based on the belief that play hurts academic performance. Alibaba will therefore help Mattel advance toy sales by using that data-driven insights to tailor their Chinese assortment, aggressively emphasizing educational offerings.

Skinceuticals, a L'Oreal-owned skincare brand,collaborated with TMIC to win over the Chinese market. The brand had assumed that their Chinese customers would match the age range (35 years+) of their US and European markets, but were surprised to learn that 47% of SkinCeuticals' Tmall customers were in the 19-to-30 age group. Data showed these customers are more interested in anti-blemish products than anti-wrinkle reducing ones

SkinCeuticals used the insights from TMIC to successfully optimize their assortment. Their TMall sales more than doubled. Conversation rates 71% in the month following the launch of the new marketing strategy shaped by TMIC data.

Big Data, Niche Markets

Alibaba's new model of partnering with brands to develop and sell products is a big deal with major implications for US retailers large and small.

Gone are the days when you could just push out chain-wide bestsellers to a captive audience. Your customers have an infinite number of product choices. Local tastes shape demand at each door in your chain. The successes of Mars, L'Oreal, Johnson & Johnson, and Mattel are evidence that retailers can reach niche audiences by gaining actionable insight from big data. It's about being able to predict and deliver the products your customers want when and where they want it.

This isn't something that only the big brands can aspire to. CB4 helps retailers of all sizes understand local demand and how to profit from that understanding. Learn how our advanced machine learning tool helps store teams ensure that local customer favorites are in stock and ready to sell by visiting www.cb4.com.

How to Cut Costs Without Sacrificing Customer Experience in Retail

With increasingly slim profit margins, brick-and-mortar retailers are searching for ways to cut costs. While upping your prices and shedding employees are some obvious cost saving ideas in retail, doing so puts you at risk for disappointing customers and sending them into your competitors' loving arms. According to a recent study by McKinsey, the most costly in-store operating expenses are: (1) labor, (2) rent, (3) marketing, and (4) energy, so why not start there? This article will show you how to slash expenses in those four key areas while keeping your customers' affection.

Reducing Labor Expenses in Retail

Let's assume your workforce is already as lean as necesssary to provide your customers with the service they deserve. If that's the case, turn your attention to workforce management. Off-the-shelf software and solutions can help with important tasks like monitoring employee attendance and managing payroll. But today's operations executives are taking a data-driven approach and turning to machine learning tools that reveal what's happening in individual stores. This allows them to decrease labor costs, improve customer service, and keep employees happy.

Specifically, some retailers are turning to advanced workforce optimization tools to reduce labor expenses. The first step in that battle is simply having an easy way to understand what exactly your costs are. We've discussed platforms like WorkJam, which provides a top-down overview of labor costs, and Jolt, which helps food retailers track labor spending. Once you understand what areas are hurting your bottom line, you'll have a better idea of the cost saving ideas in retail that work best for your business.

Other retailers are innovating by using AI tools to ensure that their store teams are focusing on the most important tasks to drive profits. At CB4, we crunch retailers' POS data to reveal high demand for specific SKUs in individual stores. When an operational issue is holding back sales of a high demand SKU, we send the store manager a recommendation to fix that issue. Once the problem is resolved, we'll report back to you on how sales have grown as a result of your floor team's actions.

We're just beginning to uncover the range of machine learning and AI applications in retail. If cutting labor costs is at the top of your to-do list, be sure to invest in software that delivers swift ROI with an inspiring, user-friendly interface that your store teams will embrace.

Lowering Your Rent Costs in Retail

For more cost saving ideas in retail, you'll want to take a close look at your retail leases. There are two primary methods to consider for lowering rent costs across your brick-and-mortar chain. First, you can renegotiate your commercial lease. Second, you can close underperforming doors to preserve customer experience in the doors with higher sales volume.

Of course, it's not easy to renegotiate a commercial lease. But "the terms of your lease can act like a slow leak in your tires or can leave the door open to incur huge expenses when the unexpected happens," according to Forbes. The risks of keeping a problematic lease are something you can't take lightly.

In a recent interview, Dale Willerton, CEO and founder of The Lease Coach, reveals how to successfully renegotiate your lease, even before it's set to expire. To renegotiate mid-term, you must communicate about the current health of your business with your landlord. If you hope to have a future at your current location, don't just tell the landlord that you need rent abatement. Be up front and show them whatever proof is reasonable.

When your lease is about to expire, Willerton recommends you take the mindset of the customer. In this transaction, you are. Don't let your landlord assume you're going to renew. Let them come to you and make them "work to re-earn your tenancy." Ask them what they're prepared to do to keep you. What types of incentives are they willing to provide? Assuming you've been a good tenant, the landlord will be motivated to have you re-sign your lease, and perhaps be a good source of additional cost saving ideas in retail for you.

If you're a stellar negotiator who's already gotten the most favorable rental agreements possible, then you might consider the next option: closing underperforming doors. Although it may sound unpalatable, leading retailers are opting to take this route in order to maintain an excellent customer experience at their most promising locations.

Gap, for instance, recently announced plans to shutter its weakest stores. Gap revealed the plan just about a year after Banana Republic, which falls under Gap's umbrella, also shuttered a large handful of underperforming stores. Since closing their weakest stores, Banana Republic has reported four straight quarters of same-store sales growth. Closing weak stores frees up valuable resources and energy to enhance customer experience in doors where business is more promising.

Decreasing Retail Marketing Costs

When your marketing budget is lean, you've got to focus on the customers you already have over acquiring new ones. That's because it's five to 25 times more expensive to reach a new customer than it is to retain an existing one, according to Harvard Business Review.

Return customers buy more over time, as your operating costs to serve them decline. Furthermore, they refer others to your company and may even pay a premium to continue to shop with you rather than switch to a competitor. Bain & Co. finds that increasing customer retention by 5% produces over 25% more profit, thus making consumer loyalty one of the most effective cost saving ideas in retail.

To build retention, you'll want to focus on customer experience. This can include:

- offering a loyalty program
- featuring amenities like beverages, free WiFi, and comfortable seating
- providing complimentary services like free, in-store events
- training your employees extensively so they can serve customers and spread brand love.

The most innovative retailers aren't thinking of customer experience as merely an add-on to bigger plans—they're building the customer into their DNA by hiring senior level executives whose sole goal is to focus on customer experience. Just 39% of companies either have one or more senior-level executive leading the charge on customer experience or have a similar "customer-first" mandate. For brick and mortar retailers, that number should be 100%.

Retailers looking to re-leverage their marketing budgets should think lean and focus on deepening their relationship with existing clients before targeting new ones.

Saving on Energy in Retail

Executives searching for cost saving ideas in retail find that conducting energy audits at all locations across their chain pays off. According to McKinsey & Co, energy audits can identify opportunities to reduce energy consumption by 20 to 30 percent, and by as much as 50 percent.

That said, if you're determined to spend less on energy, you should be prepared for a long and detail-oriented battle. McKinsey states that the process relies on small, accumulated changes in equipment, operating parameters, and policies throughout your chain. You'll also have to be cautious of how these changes affect store operations and customer experience.

For a deeper exploration of this topic McKinsey & Co's "Turning Down the Cost of Utilities in Retail" is a comprehensive resource. It will tell you how to make the right demand reduction choices and show how you can measure your efforts' effects on customer experience. More importantly, McKinsey demonstrates how you can use ROI modeling to plan different rollout scenarios and provides guidance on embedding new energy-saving processes into your operations and purchasing organizations.

The Last Word

It's not easy to uncover effective cost saving ideas in retail while focusing on customer experience. Target the costliest areas by reducing labor costs, lowering rent, decreasing retail marketing spend, and getting savvy with utilities.

Go for the low-hanging fruit first—take advantage of a data-crunching workforce management tool to target challenges at store-level. Next, rethink your marketing agenda and eliminate initiatives targeting new clients. Then, set your sights on utility consumption at all locations across your chain, understanding that the process may be long and arduous, but will ultimately pay off. Finally, don't disregard the power you have to negotiate with your landlord or leasing company. They want you to keep your lease as much as you do. Rest assured that done smartly, none of these things will negatively affect the way your customers perceive your brand.

3 Things We Learned Working with Convenience Store Managers

No matter what your role or industry, you probably use some kind of software at work. At CB4, we're no different. And like you, we've used our share of great and terrible software, and learned a lot from it. The most important thing that we learned—great software companies understand their audience and build their software from the ground up for the people who will be using it.

While we're partnered with some of the biggest names in retail across the grocery, department, specialty, big box, and drugstore verticals, we began in the convenience store space, and it's there that we have the most customers. Over the years, we've met with hundreds of store managers to better understand their role, their pain points, and how our software can best assist them.

In this article, we'll cover three critical things we've learned from working with convenience store managers that drove our product development to where it is today.

Convenience Store Managers are Constantly Multitasking

In c-stores, speed and execution are everything. Every minute spent on a task is a minute not spent on another. That's why convenience store managers are the busiest multitaskers in the industry.

From serving customers to checking deliveries to scheduling shifts, convenience store managers have a wide range of responsibilities and are accountable for day-to-day execution. They don't have time for a software company giving them long and time-consuming lists to check off.

"Whenever upper management tells us we're bringing in a new software or task management system, we groan. There always seems to be a disconnect between what helps us save time and what makes it harder to do our jobs." —Store Manager

This is why, when building out CB4's technology, we focused not just on solving in-store operational issues but solving only those issues that most affect customer experience. We use machine learning to identify the individual SKUs in each store that customers love most, and only send recommendations for those items. This allows us to make a huge impact with only a few recommendations a week, freeing up the store manager's time and focusing their effort.

They're Afraid that Software Will Make Them Look Bad

Because they're constantly multitasking, the best convenience store managers don't have a lot of time to put into each area, and that includes floor execution. Any employee who has ever completed a store walk with a district manager knows how anxiety-inducing they can be. Expectations are not aligned, because upper management's expectations feel unrealistic.

As such, the store managers we spoke with were worried that new software could make them look bad. It's easy to see how they can often perceive business intelligence tools, inventory management systems, and other software to be "big brother" brought in to rat them out.

We begin with this assumption: no matter how vigilant you and your store managers are, no store is perfect and there are dozens of in-store operational issues impacting sales at your stores. From there, it's a matter of finding and uncovering these issues. When we deploy recommendations, we ask the store managers for their help, their expertise, and their attention to detail, and give them credit for being the experts that they are. We make it fun for them through gamification. When we send reports to management, it's not 'look how bad your store managers are,' it's 'look how awesome your store managers are.'

"CB4 is like a treasure hunt—it's fun like that. Every time we get our recommendations, we head out to the floor to find the issues. Each time we uncover one, it's like hearing a cash register—'cha-ching!'" —Store Manager

CB4 gives you more reasons to celebrate the hard work of your store managers, show you how many issues they've resolved, and how much they're adding to the bottom line. We have learned that for software to be successful with c-store managers, it has to support them and provide positive reinforcement.

Overachievers Affect Every Area of the Business

There's no way around it—for every overachieving employee, there's a happy one simply performing at baseline. This is true in any industry. At c-stores, it's impossible to hire an entire chain of overachievers, and some team members are difficult to motivate.

When an exceptional convenience store manager executes with CB4 in their stores, it's pretty obvious. You'll see 100% task completion, recommendations executed on the day they're delivered, and higher ROI for those stores.

But what about those who aren't? How can baseline employees perform more like outstanding ones? In creating CB4, transforming average performers into go-getters was our mission. Here are some ways we did that.

CB4 is Fun to Use

We use gamification to motivate store managers to open the app and find issues. Every time they complete a task, an inspiring message appears on the screen. Store managers can earn stars and ribbons that add up over time by executing tasks, and management can reward the top stores.

CB4 is Simple to Use

CB4's Store Manager View is a simple list of tasks that need to be completed. Store managers usually receive about ten tasks, which can take 8-15 minutes depending on the size of the store. The store manager clicks the task, finds the item in the store, fixes the issue, and checks the box with the issue they found.

CB4 Should be Easy to Onboard

It usually takes just one session for a store manager to be up and running with CB4. We take a train the trainer approach, and our customer success associates come to your store and show you how to use the app. Employees who learn directly from CB4, then train the rest of the store staff. In total, it takes 1-2 days to onboard an entire chain.

Whether CB4 is successful is in the numbers. Across our client base, we see a 95% compliance rate among store managers. In a recent in-app survey we conducted, 78% of store managers reported enjoying using the app. Every store manager who uses CB4 is driving revenue by fixing important issues in their stores while gaining deeper insight into which items their local customers love most. At the end of the day, store manager who use CB4 have a better understanding of their own customers, their own store, and the tasks they need to complete to provide the greatest ROI.

These are just three of the dozens of things we've learned about convenience store managers in the last few years, but they're three important discoveries that fuel our innovation. As we continue to learn and grow, our software will keep evolving, and we will continue to make serving store managers a top priority.

How to Increase Convenience Store Sales by Converting Fuel-Only Customers

According to the most recent data from the US Energy Information Administration (EIA), Americans purchase 140.43 billion gallons of gas in a single year. That's a lot of trips to the pump—but not necessarily to the convenience stores they're attached to. In fact, despite all these fuel purchases, nearly 75% of customers aren't venturing past the pump. That's a lot of missed opportunity for retailers to increase convenience store sales.

A recent survey published by NACS provides compelling insight on why this is happening. Surprisingly, over 50% of respondents said that they didn't need anything from the store and over 23% said that they felt they didn't have time.

The typical fuel retailer averages about five cents in profit per gallon. In-store purchases provide much higher margins and are a critical source of gross profit for c-stores. To that end, this article will highlight how innovative convenience retailers are overcoming the challenge of getting drivers to leave fuel island.

Getting Your C-Store Assortment Right

Drivers aren't leaving the pump because they think they don't need what you're selling or don't have time to shop. To attack that issue head on, make your c-stores live up to their name by upping the convenience factor. The memory of one experience, when it was a hassle to get in and out of your store, or when your store failed to have one desired item, can last a long time. Thus, it's critical to ensure that whenever drivers ventures beyond the pump, they easily find what they need.

One way to accomplish this is by marketing-by-daypart. Put simply, this refers to the practice of changing the food you sell and your messaging according to the time of day. For instance, 7-Eleven and Wawa both do a fantastic job of driving customers into their store for breakfast by utilizing in-store and on-pump promotions of fresh pastries and coffee.

Given that breakfast is the most important meal of the day, it's no surprise then that a recent VideoMining study found that breakfast was responsible for a whopping 28% of c-store foodservice traffic. Though popular for many, breakfast is a small-ticket daypart with the smallest average ticket size at $6.47. Conversely, late-night snackers had the largest appetites ($7.79 average ticket size), but made only 9% of stores' total purchases.

Once you uncover your own customer demand patterns, you can use in-store and on-pump promotions to market towards your unmet customer demand. For example, Nittany Minit Mart recognized an opportunity to increase lunch sales of fresh pizza. To do so, the stores promoted inside and outside of their locations, and went directly to customers—after each purchase, a cashier placed a promotional stuffer in the customer's bag highlighting pizza and other fresh offerings.

These examples shows that businesses can't be satisfied with general industry trends. Convenience retailers must utilize their data to understand how their non-fuel products sell and strategize accordingly. Mark Harrington, VP of Marketing at Clutch, a customer marketing platform agrees: "Statistics and demographics vary by store brand and even location," Harrington said. "Too many businesses rely on industry wide statistics that don't end up actually applying to their own locations."

It's one thing to understand that each store in your chain is unique. It's another to understand how to take advantage of that. Convenience retailers use CB4's machine learning technology to uncover hyper-local demand for specific SKUs at individual locations throughout their chain. The benefits are twofold:

Store managers discover products that are popular with the customers who visit their specific locations. These products can be overlooked when they're not top sellers across your entire chain.

Store managers receive notifications when a floor execution issue prevents customers from easily purchasing one of these local favorites. Remember this is the exact type of situation that can drive a decision to not leave fuel island the next time someone pulls in.

Technology for At-Pump Shopping

Assuming you've made your assortment as smart as possible, what else can you do to make your offerings more convenient? Why not bring the store to the car?

To achieve this, some c-stores are undertaking initiatives for digital pump displays, along with bringing vending and ordering to the pump. One such offering, Vendgogh, provides at-the-pump technology that allows customers to select, purchase, and pick up products right next to the pump. The machines integrate with POS systems to streamline reconciliation and accounting.

It's not just smooth from the c-store side, either. For customers, this allows them to refuel their car and get their hands on tasty snacks without ever having to leave the pump. Thus, no taking crying children out of car-seats, no wandering around in-store looking for products, and best of all, no having to look presentable to purchase from in-store attendants.

Despite the operational challenges of installing a display at-the-pump and the high price tag (vending technology can cost up to $10,000), the goal is for machines to pay for themselves and increase convenience store sales. C-stores that sell fuel serve an of 1,100 customers per day. Given that 73% of those people aren't buying anything but gas, this may be an attractive proposition if you want to increase convenience store sales. That said, the decision to invest here does necessitate an in-depth cost/benefit analysis.

Technology for At-Pump Promotion

Signage will always help to drive promotion, product, and brand awareness. In order to be more agile, however, c-stores are installing at-pump media stations to promote in-store offerings. This can help increase convenience store sales by immersing a captive audience in a brand-driven narrative. The average time it takes to refuel a car is 2-3 minutes. Why not use that to your advantage?

To hone in on fuel customers, companies such as Gas Station TV and All Over Media go as far as creating original content to entice customers. Interspersed with this content are ads and promotions that can be localized and set for different times of day—further enhancing the promotion by daypart opportunity. On its site, Gas Station TV references a quick service restaurant attached to a gas station that utilized its technology to increase store visits by 15%. It's unclear what results you could if your c-store does not have a restaurant attached.

Conclusion

Gas will always be a low-margin, high volume product. But technological advances now provide innovative ways to entice your customers beyond the confines of the pump and increase convenience store sales. Marketing-by-daypart, crafting smart promotions, and bringing the store to the customer are just a few methods to make this happen.

All these methods tie back to having the right product in-store at the right time. Machine learning helps you crunch your POS data to better understand what's happening at individual doors and capitalize on hyper-local demand. Winning tools take this a step farther by putting power in the hands of store managers to ensure customers' desired products are on hand and ready to sell.

Learn how CB4 delivers recommendations that empower store teams to fix costly in-store operational issues and increase convenience store sales at each location in your chain by visiting www.cb4.com.

The High Cost of Grocery Store Shrink and What to do About It

Shrinkage in retail comes in many forms; thefts, markdowns, and human error all eat into profits. Grocers, however, put out a full-scale buffet, when the perishability of products is taken into account. Historically, grocers have some of the lowest margins at 2.5%.

Those low margins are colliding head-on with a massive shift in consumer taste preferences for more fresh food—piling up the plate when it comes to opportunities for additional shrink. A 2018 survey found that 60% of retailers are stocking more refrigerated and fresh products than in the past, and 48% are expanding their refrigerated section to meet demand.

Add in declining grocery profit margins, and it's clear that getting a handle on this issue may be the difference between surviving and thriving in the competitive grocery landscape.

Identify the Root Causes of the Problem

As with any other type of shrinkage in retail, each grocer will have its own issues and root causes. Broadly speaking, retailers tend to see shoplifting as the biggest source of shrink, with six of the nine most frequently boosted items found in grocery stores. Yet fresh food spoilage and other problems play a significant role.

For grocers, combating shrinkage in retail requires insight into the actual cause of the problem. It may be something other than theft. Perhaps it is simply an accounting or paperwork error, known as "paper shrink." As Mark Sullivan, a former accounting forensic manager at Deloitte, put it: "If the company cannot identify its paper shrink, then it does not have an accurate handle on its real shrink."

Identifying the causes of shrink may mean diving down to the store level. Dan Faketty, vice president of loss prevention for Southeastern Grocers, notes how he used data and detective work to identify shrink sources at one store. The store in question had losses of about three or four times the corporate average. As Faketty observed:

"Nothing is more eye-opening than visiting stores, especially for the first time. Within an hour or two, one immediately gets a sense of how a store is run, the controls (if any) that are in place, and how actively engaged the staff is or isn't in managing retail shrink and other loss prevention processes."

Thanks to technology, much of this insight is available without an in-person visit. Predictive analytics tools can provide timely insight on what's not moving from store shelves. CB4's machine learning tool uses POS data to uncover persistent in-store operational issues that hurt your bottom line and, when they affect fresh foods, contribute to shrink.

If items with short shelf lives aren't properly displayed on your floor, they'll expire before they sell to their potential. With over 40,000 SKUs—more and more of which are fresh—in your average grocery store, the potential for loss is great. Incorrect signage, products left in back stock, or products hidden behind others are common contributors to shrinkage that also eat into your profits.

But how do store teams know when in-store operational issues are affecting important SKUs? Items in high local demand don't always appear on your chain-wide bestsellers list and are liable to go unchecked. And even your most eagle-eyed store manager can't catch every execution problem on the floor.

In a recent instance, CB4 sent an alert to a grocery store manager to check on fresh gourmet mussels. The item was persistently underselling at one store in our client's chain. When the manager went to check on the mussels, he discovered that the problem was due to an incorrect price label. The seafood display case had two overlapping price tags—$7.99 and $5.99—which created confusion. Mussels were the lesser price, but customers believed they were overpriced due to the signage and left them forsaken in the case.

The issue was fixed and sales recovered. A source of shrink was eliminated. Seafood departments are known to have the greatest health risk, the greatest product shrinkage, and the shortest shelf life of all supermarket products. The store manager took the opportunity to further train his staff on proper labeling. Bolstered by CB4, he continued to look out for the SKU as a source of revenue and of potential shrink.

Revamp Your Ordering System

As perishable items sit on grocery shelves, each passing day increases the likelihood of shrink. Need proof? Just watch that banana ripen. Sometimes the problem isn't an in-store execution problem, but an excess of inventory or a suboptimal pricing strategy.

For Roche Brothers, a small Massachusetts chain, an understanding of its daily bread made the difference. The company noted that its most popular items had some of the highest shrink rates. A popular fresh dinner roll often was tossed at the end of the day, because bakery managers overestimated demand. Two sizes of fresh baked breads included a high level of waste. The larger size was being thrown out at the end of the day while the smaller size was a sellout. While not technically "shrink," a sell-out indicates a missed opportunity for a sale—and a disappointed customer.

Fact-based ordering can take the department manager's guesswork out of the equation. Sophisticated ordering systems take into consideration current stock, anticipated sales based on the day of the week, store promotions, and other factors. The end result is a trifecta of reduced shrink, increased availability, and fresher products.

Dynamic pricing—a strategy employed by online retailers to change prices multiple times throughout the day based on certain factors—maximizes movement of perishable products. For instance, a warm day might mean markdowns on hot soups. A slow afternoon might cause rotisserie chickens to see an unplanned price break. Retailers have relied on a manager's discretion to employ this technique in the past, but POS data and predictive analytics software can automate this process.floor.

Train Your Floor Teams

Relying on human judgment is not just the standard operating procedure for ordering and markdowns. Grocers allow department managers to determine the amount of shelf space per product or category. Insight into what is selling—and what is spoiled—can guide the department manager in allocating space. But the responsibility is not the manager's alone. Properly trained employees can make a sizeable difference in the department's success reducing shrinkage in retail. One European chain found a 20% reduction in shrink levels by simply training employees that items that mature at different rates—like stable carrots and fragile peaches—should not be stocked on the same shelf.

All facets of shrinkage in retail can be positively influenced by well-trained staff who interact with customers. "The best shoplifting prevention method hasn't changed over the years," says Chris E. McGoey, president of McGoey Security Consulting, Los Angeles. "Provide good customer service. Greet people as they come into the store and look them in the eye. Offer to help when person is wandering aimlessly."

A heightened presence means employees can be available to assist customers while reducing shoplifting. They may be alerted to problems by a secret code announced over the loud speaker. An added bonus: A tidy store makes it easier for shoppers to find what they need, improving the customer experience.

Mind Your Self-Service Checkouts

OK, so we have insight into what needs to be on the shelves, and we have a well-trained staff looking for shoplifting. So why is shrinkage in retail still occurring? In some cases, it may just be walking out the door. Self-service checkouts can be a blessing and a curse. They boost business, yes. They increase consumer perception of your store and they reduce workforce.

But they also provide an easy opportunity for theft. One of the most widely used techniques is ringing up an expensive item with a code for a cheaper alternative. The organic avocado may cost twice as much but doesn't look all that different than the conventional one. Shoppers may peel stickers off cheaper items and place them over more expensive versions, like a meat label for a pound of on-sale ground beef swapped for an equal-size steak.

These techniques are not unique. A 2018 article in The Atlantic found that 20% of shoppers admit that they've done this, according to an anonymous online questionnaire. Some chains have scaled back or removed self-checkout altogether. Technology plays a role in the solution, with video analytics used to monitor self-checkout areas. Staffing and training also can help, but additional staff to oversee the self-checkout negates the main benefit.

Meticulousness and Technology Shrink Shrink

Successfully reducing shrinkage in retail requires a careful balance of ingredients. Corporate must act as chef, enacting policies and employing techniques in each location, each product, and each supplier in the chain. Machine learning technology is a key ingredient in fine-tuning your ordering system and correcting in-store execution problems. Add a dash of empowerment, by training department managers and cashiers. Keep an eye on the self-service checkouts to ensure that you don't get burned. The end result may not be a recipe to make Julia Child proud, but it might just keep your grocery store from being eaten by shrink.

Learn how CB4's machine learning tool helps brick-and-mortar stores reduce shrinkage in retail, meet local demand, and solve in-store execution problems by crunching POS data to turn insights into action by visiting www.cb4.com.