

Grocery Retailing Payments

Study 2015



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National Grocers Association

Balance Innovations, LLC

Grocery Retailing Payments Study 2015

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National Grocers Association (NGA) is the national trade association representing the retail and wholesale grocers that comprise the independent sector of the food distribution industry. An independent retailer is a privately owned or controlled food retail company operating a variety of formats. The independent grocery sector is accountable for close to one percent of the nation's overall economy and is responsible for generating \$131 billion in sales, 944,000 jobs, \$30 billion in wages, and \$27 billion in taxes. NGA members include retail and wholesale grocers, state grocers associations, as well as manufacturers and service suppliers. For more information about NGA, visit www.nationalgrocers.org.

Balance Innovations is the leading developer of reconciliation and cash office management solutions for the retail industry. Our solutions integrate seamlessly with existing POS technologies to simplify and improve retailers' cash office management operations. Balance Innovations' premier product, VeriBalance, is an easy-to-use software solution that is helping retailers across the United States and Canada increase profitability and improve operations by reducing labor, bank fees and shrink while standardizing and enforcing best practices and corporate policies. Other products include: vbEPIX™, an electronic check processing solution; vbSecure™, an electronic-safe management product; vbScout™, a self-checkout management tool; and vbInSight™, a corporate reporting product. Customers range from independent grocers to Fortune 50 retailers. For more information, visit www.balanceinnovations.com.

Introduction

By popular demand, the National Grocers Association (NGA) and Balance Innovations teamed up once again to provide the industry with an update on benchmarks and best practices relative to payments, including cash, check, debit and credit management; payments automation; e-commerce; loss prevention; and mobile payments.

The payment process is very much part of the overall shopping experience, as demonstrated by the backlash of the numerous credit card data breaches in recent years. Technology innovation and shopper preferences drive an ever-changing payments landscape; and understanding the latest trends helps retailers optimize internal payment mechanisms to improve shrink and inefficiencies and meet the next generation of payment processing needs.

Millennial shoppers have a fundamentally different approach to grocery shopping that very likely will drive accelerated online food sales, decreased use of cash and checks, and increased use of mobile payments, debit and in-store cash back. At the same time, worries about payment security have some shoppers increasingly using cash and credit. All these trends create a lot of uncertainty surrounding payments and affect payment policies and strategies for the company and individual stores.

In addition to sharing industry benchmarks, this report aims to help independent grocery retailers identify consumer trends using numerous shopper insights studies conducted by Balance Innovations and other companies. After all, consumers have the most say in the success or rejection of future payments innovations. However, retailers must also keep a watchful eye on their costs – which in some cases exceed the net profit on a typical grocery purchase. While some cost components cannot be controlled by the retailer, other high-activity costs can be an indication of the need to improve processes and remove inefficiencies, such as the more streamlined handling of cash and checks.

Many of the findings are significantly impacted by company size. Therefore, the report includes detailed insights by company size, sales volume, transaction volume and average transaction size, as appropriate. This detailed information can be used to benchmark against industry peers.

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Key Takeaways

The payments landscape continues to change because of shifting shopper preferences, payment security concerns and new payment technology — making it important for food retailers to periodically review and update payment processing policies. Grocery retailers are faced with quite a few cost components when handling payments, whether cash, checks or credit/debit, and the benchmarks in this report may help identify and quantify areas for more streamlined operations. Some key areas for thought are:

Checkout:

- Cashier-assisted lanes account for 85 percent of transactions. Tracking or setting goals for scans per minute may be an area to improve efficiency while balancing the importance of the human touch.
- Opening till amounts vary widely based on sales, cash-back policies and other variables. Optimizing the opening amount based on the store's need may be a way to reduce the number of loans, change orders, theft-related shrink, and counting/replenishing and pickups in self-checkout.

Data Security:

- Independent grocers take data security extremely seriously, with 89 percent having implemented one or more new processes or systems in the last 12 months alone. However, only 38 percent have a PR/customer outreach plan in case of a breach. Developing an incident response plan may be an important step in minimizing shopper impact.

E-commerce:

- The number of independents with some level of online ordering has risen to 31 percent, with an additional 24 percent expecting to offer online ordering in the next two years. Both consumer and retailer estimates point to continued growth — making it an area of future consideration..

Payment type:

- Cash remains an important form of payment, having the highest share in terms of transactions and the third-highest in terms of dollar sales. Given the high labor costs and shrink risk involved with cash, important considerations are:
 - Setting policies for recycling cash within the store — minimizing armored car service.
 - Reviewing cash back policies.
 - Optimizing safe management with store maximums.
 - Implementing over/short reports and sharing these with various departments within the company.
 - Conducting either surprise or planned cash audits.

Mobile payments:

- About one-quarter of independent grocers are ready to accept mobile payments, and an additional 16 percent plan to add the service in the next two years. While many smartphone owners are staying on the mobile payment sidelines for now, this may be an area to closely track for potential implementation.

Checkout Benchmarks and Trends

The checkout experience can be a key differentiator for supermarket companies by combining expedient and friendly service with technology efficiency. Technological innovation and changing consumer preferences are likely to reshape the front end in the years to come. But checkout technology decisions require being cognizant of shopper technology preferences, consumer privacy, data security, theft-related shrink and more. This chapter covers benchmarks on current practices and future plans for various front-end technologies.

Checkouts per Store Average 10 Lanes

The checkout discussion starts with determining the number of lanes per store. Lane decisions heavily depend on store size, customer traffic and traffic patterns. U.S. independent grocers average 10 checkout lanes, but predictably this figure varies highly by store size and sales. For example, stores with weekly sales per store greater than \$312,000

report an average of 14 checkouts, whereas smaller stores with weekly sales of less than \$180,000 have an average of six. Grocery retailers balance various technologies at the front end to find the best combination of cashier-assisted, self-checkout and express/fast lanes. Across the independent sector, this averages to eight regular cashier-assisted lanes, one express lane and one self-checkout.



Average checkouts per store = 10

Checkout lane by average weekly sales volume per store	All companies	Less than \$180,000	\$180,000-\$312,000	More than \$312,000
Total lanes	10	6	9	14
Regular cashier-assisted lanes	8	5	7	10
Express lanes	1	1	1.5	2
Self-checkout lanes	1	0	0.5	2

Express Lane Insights

- Seventy-four percent of stores have at least one express lane, often used for small baskets of 10 to 20 items.
- Express lanes are more prevalent among larger-volume stores.
- If present, independents tend to have one express lane for every five regular cashier-assisted lanes.

Self-Checkout Insights

- Seventy-eight percent of stores have at least one self-checkout lane, up from 66 percent in 2013.
- Self-checkout is much more prevalent among mid- and high-volume stores, at an average of two versus none for low-volume stores.
- If present, stores average four self-checkout lanes.

Bulk of Transactions Run Through Cashier-Assisted Lanes

Cashiers are responsible for ringing up 85 percent of total transactions among independent grocers, although that share drops as weekly sales rise. Across all stores in the sample, self-checkouts average 5 percent of transactions and express lanes nearly double that, at 9 percent.

Share of weekly transactions by lane type and weekly sales per store	All companies	Less than \$180,000	\$180,000-\$312,000	More than \$312,000
Regular cashier-assisted lanes	85%	88%	82%	83%
Self-checkout lanes	5%	2%	8%	6%
Express lanes	9%	9%	10%	10%
Mobile checkout	<1%	<1%	<1%	1%

If at least one express lane is present, the cashier-assisted share drops to 80 percent, whereas the express lane share increases to 13 percent of transactions. However, self-checkout presence has a strong impact on the use of express lanes. In stores featuring at least one self-checkout, the use of express lanes drops to 8 percent.

Share of weekly transactions by lane type and weekly sales per store	At least one express lane present	At least one self-checkout lane present
Regular cashier-assisted lanes	80%	68%
Self-checkout lanes	7%	23%
Express lanes	13%	8%
Mobile checkout	<1%	1%

As mobile and self-checkout technology advance, and shoppers increasingly integrate technology into their shopping trips, it is likely that stores will need to offer a variety of checkout configurations to meet customer demand. This may risk losing a very effective touch point between the cashier and the shopper, and it is important to start thinking about new and different ways to connect with shoppers across all lane types.

Checkout at the Service Desk

In addition to the traditional checkout lanes, some independents also have checkout service set up at the customer service desk — often to accommodate returns, bill payment, stamp and ticket sales, check cashing and other client services.

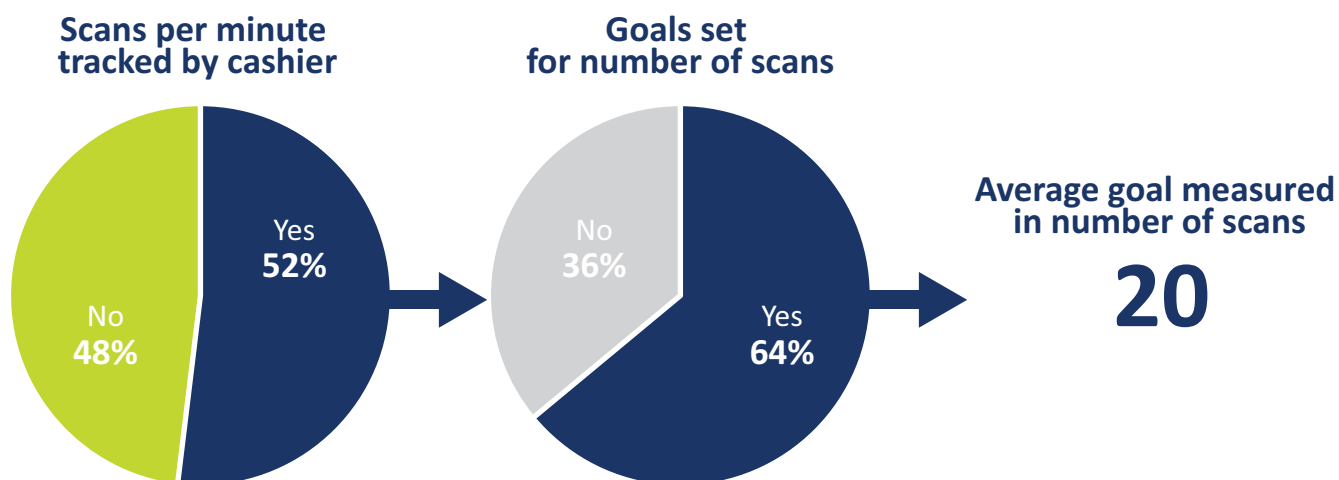
Nearly nine in 10 independents have one or more checkout registers at the service desk. Six in 10 offer check cashing and Western Union services, and about four in 10 have bill payment services.

Customer service desk...	Have	Implementing	Budgeted/planned	No plans
Checkout at service desk	89%	0%	0%	11%
Check cashing	61%	0%	4%	35%
Western Union	58%	0%	0%	42%
Bill payment	42%	0%	4%	54%

Optimizing Cashier-Assisted Lanes Includes Tracking Productivity

Independent grocery companies are well known for their important role in the community and customer service excellence. For many, the people working in the stores are their most important and differentiating assets. While keeping the customer service role in mind, checkout efficiency is pertinent to maximize sales and to keep lanes moving.

A little over half of independent grocers track cashier scans per minute, of whom 64 percent set goals for their cashiers. On average, this is to complete 20 scans per active minute (meaning when cashiers are actively ringing up groceries). While fairly common among larger chains, only 7 percent of independents, all operating more than 100 stores, use automated lane management to ensure a maximum number of customers in line.



Shopper Insight

According to the Retail Feedback Group (RFG), the greatest drivers of an enjoyable grocery trip are receiving good value for your money and a superior checkout experience, particularly friendly cashiers and a speedy process. RFG also found that 65 percent of those who used cashier-assisted lanes on their most recent grocery trips acknowledged that the cashier positively impacted their trip satisfaction, up from 56 percent in 2012.

They point out that to truly capitalize on the personal touch at checkout, supermarket cashiers need sufficient training and compensation to effectively serve in a customer-service role. Training may include speedy scanning and quality bagging, but also how to engage with a customer in a way that leaves a positive impression, starting with basic questions, such as: “How are you today?” and “Were you able to find all items you were looking for?” Following up by pointing out sales promotions and the amount of money saved on the trip drive home the value aspect.

Independents Expect Little Change in POS System Used

Fully 96 percent of independent grocers do not have any plans to change or rebid POS systems in the immediate future, with 4 percent changing in the next year. Considerations for rebidding the current contract may include:

- Recent data breaches
- Integrating a loyalty program
- Accepting GS1 DataBar™ (digital coupons)
- PCI or EMV compliance
- NFC/Mobile compliance

Self-Checkout Strategies Differ Widely

Retailers often use self-checkout out as a way to adjust to the highs and lows in customer traffic throughout the day. With only one employee for four to six self-checkout lanes, it can also generate significant cost savings. The pros and cons of self-checkout continue to be hotly debated, as several chains have removed self-checkout lanes in recent years, while others continue to add more. Cost savings and catering to some shoppers’ preference to scan their own groceries favor the implementation of self-checkout, whereas depersonalization of the checkout process is a powerful counterargument.

Self-Checkout Availability Likely to Remain Stable

As seen earlier, nearly eight in 10 independent grocers have at least one self-checkout lane. If they do have self-checkouts, smaller independents often run two self-checkout lanes versus four among larger independents. Expectations for the next two years among retailers who currently operate self-checkout lanes are mostly to keep the number of lanes unchanged (56 percent). An equal 22 percent expect to reduce or eliminate self-checkout lanes or do the opposite by expanding the number of lanes. The first group tend to be smaller independents whereas larger independents are more likely to consider expanding the number of self-checkout lanes.

Plans in the next two years relative to self-checkout lanes	Among current self-checkout users
No changes	56%
More lanes	22%
Reduce or eliminate	22%

Shopper Insight

According to the Retail Feedback Group (RFG), self-checkout is best determined on a store-by-store basis, taking into consideration local demographics and trip missions. For example, urban areas that tend to have higher traffic but smaller baskets and a younger shopper audience may be perfectly suited for self-checkout technology.

While age and gender influence the propensity to use self-checkout (with younger and male shoppers showing much higher preference), it is trip mission that has the greatest influence on lane choice. Nearly one-quarter of shoppers who stopped in for a few meal ingredients used self-checkout.

Self-checkout is also used more in the evening, after 7 p.m., and for smaller baskets of less than \$25.

Counting Self-Checkout Lanes Occurs either Daily or Weekly, But Is Highly Influenced by Transaction Volume

Among companies with at least one self-checkout, stores typically count these lanes either daily (44 percent) or just once a week (also at 44 percent). Practices vary based on the number of transactions. For instance, in stores with fewer than 8,500 transactions per store/per week, the opening till amount is much lower than average and 75 percent count daily. Among stores with a high transaction volume, the opening till amount is much higher, and counting shifts to every few days and weekly, at 50 percent each.

Frequency of counting self-checkout lanes	All companies	Transactions <8,500	Transactions 8,500-12,000	Transactions >12,000
More than once a day	0%	0%	0%	0%
Daily	44%	75%	33%	0%
Every few days	11%	0%	16%	50%
Weekly	44%	25%	50%	50%
Less than weekly	0%	0%	0%	0%
Average opening till amount in self-checkout lanes	\$1,760	\$1,050	\$1,521	\$2,261

Replenishing Is Done At Slightly Higher Frequency than Counting

About six in 10 companies with self-checkout replenish the lanes daily, with the remainder doing so every two to three days. Companies with a greater number of weekly transactions per store, and a higher starting amount, tend to replenish less frequently.

Frequency of replenishing self-checkout lanes	All companies	Transactions <8,500	Transactions 8,500-12,000	Transactions >12,000
More than once a day	0%	0%	0%	0%
Daily	56%	75%	67%	60%
Every 2-3 days	44%	25%	33%	40%
Every 4+ days	0%	0%	0%	0%

Most Do Daily Pickups of Self-Checkout Lanes

Seventy-three percent of independent retailers with self-checkout lanes do daily pickups. Retailers with a high transaction volume tend to do so every two to three days.

Frequency of performing pickups for self-checkout lanes	All companies	Transactions <8,500	Transactions 8,500-12,000	Transactions >12,000
More than once a day	0%	0%	0%	0%
Daily	73%	85%	70%	0%
Every 2-3 days	27%	15%	30%	80%
Every 4+ days	0%	0%	0%	0%

Technology Trends and Benchmarks

Technology decisions have major implications, both internally and in connecting with the shopper. Different shoppers have different wants and needs as it comes to checkout and payment technology. Some embrace online ordering or mobile payment, whereas others prefer to shop in store and pay cash. Additionally, efficiency and data security concerns impact technology decisions from the retailer's point of view. This chapter focuses on trends and benchmarks relative to payment technology, including shopper insights on interacting with the various technologies.

Payments and Front-End Technology Implementation

Independent retailers vary widely in their implementation of front-end technology. On the whole, larger companies (in terms of the number of stores operated) are more likely to have a range of technology already implemented. Highest on the list of planned activities are the ability to scan GS1 DataBar™ for coupons and electronic check conversion. NGA strongly recommends that independent retailers implement GS1 DataBar™ by June 30, 2015 to avoid being in a disadvantaged position in the marketplace.

	Have	Implementing	Budgeted/planned	No plans
Scan/read GS1 DataBar™ for coupons	68%	4%	12%	16%
Aggregate data with the wholesaler	58%	0%	8%	33%
Capture GS1 DataBar™ for coupons in T-log	54%	0%	8%	38%
Capture customer-specific data	46%	12%	8%	35%
Electronic check conversion	42%	4%	12%	42%
Coin dispensers	19%	0%	0%	81%
Smart safes	4%	0%	7%	89%

GS1 DataBar™

The move to exclusive use of the GS1 DataBar™ was announced in 2007, with the phase-out period for UPC Prefix 5 barcodes beginning in 2011 and concluding June 30, 2015. Retailers and consumers alike benefit from the GS1 DataBar™. In addition to coupon redemption efficiencies, it can reduce incidences of intentional coupon fraud and unintentional coupon mis-redemption. Specific benefits include:

- Automatic coupon expiration-date check
- Automatically ties double-coupon value limits to exact purchase requirements
- Reductions in cashier intervention with complex offers placed within the code
- Allows for retailer-specific coupons

Failure to transition to the new coupon technology exposes retailers to a number of risks, including:

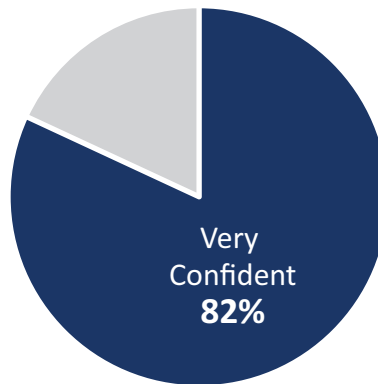
- Processing of expired or fraudulent coupons
- Inability of customers to use coupons at self-checkout kiosks
- Increased cashier labor and time to manually process coupons
- Reduced profitability of promotions

Independent Retailers Take Data Security Extremely Seriously

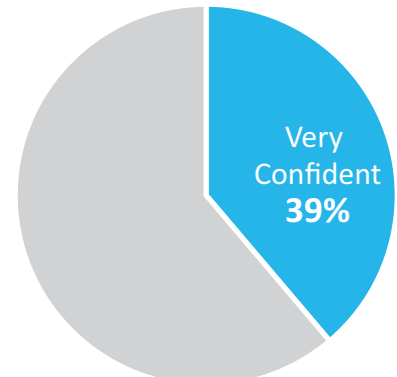
Part of the new technology being implemented is aimed at tightening up data security. In recent years, the retailing industry was shaken up a number of times by mass data breaches that have severely influenced sales and can quickly alter consumers' trust in payment security.

Soon after the mass data breach involving a number of retailers, Balance Innovations surveyed shoppers about their confidence in the safety of using credit cards when paying for groceries. About four in 10 were very confident in the safety of using credit cards, compared with 82 percent of independent food retailers answering the same question. Fully 100 percent of retailers are either somewhat or very confident versus 88 percent of shoppers.

Confidence in the safety of using credit or debit at grocery stores



Retailers' view

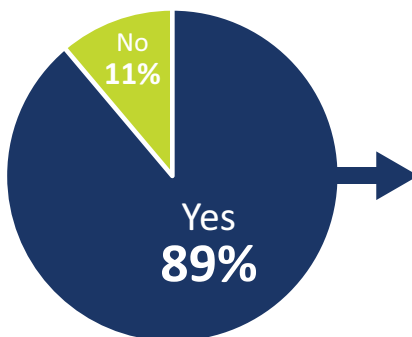


Shoppers' view

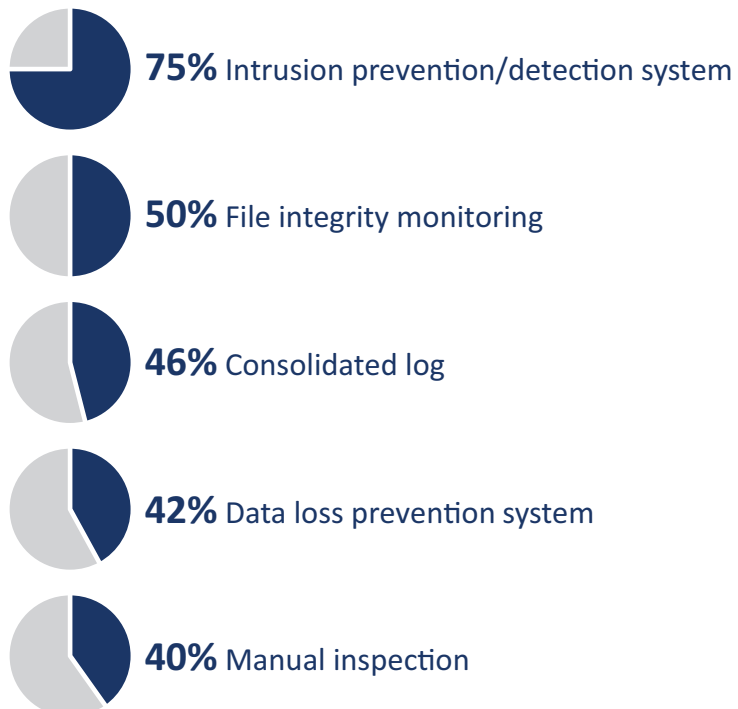
Source: Balance Innovations — Grocery shopper poll, February 2014

Retailers' confidence is likely based on their active approach to managing data security and their understanding of the critical importance of a comprehensive approach to data privacy and network security to limit risk and exposure.

Implemented changes to technologies or procedures to minimize data breach risk



Processes/tools in place to identify compromised data



In the past 12 months alone, nine in 10 have implemented changes to technologies or procedures to minimize the risk of a data compromise/breach.

Most have two to four different processes and tools in place to help identify compromised data, led by intrusion prevention and detection systems, implemented by three-quarters of retailers.

About half have file integrity monitoring and consolidated logs in place to help identify possible data breaches.

Forty percent rely on manual inspection as part of the data security process as well.

A few retailers mentioned PCI DSS Tokenization.

Incident Response Plans

In order to be prepared in the event that data breaches were to occur, 38 percent of independent retailers proactively put a PR/customer outreach plan in place to communicate the compromise to affected customers.

An additional 25 percent are working on drafting an incident response plan.

PR/Customer outreach plan in place to communicate a compromise/breach, should one occur?	All companies
Yes	38%
No	37%
No, but working on it	25%

An Incident Response Plan is the go-to document that identifies the appropriate internal and external resources to properly deal with a data breach. For instance, it may establish an Incident Response Team, which is a group of decision-makers, both within and outside an organization, in legal, IT, risk, human resources, marketing and public relations. The plan would also include the various steps should a breach occur, such as:

- Activating the response team and involving law enforcement.
- Preserving evidence of the breach and securing IT systems.
- Determine whether breach notification letters need to be sent, who should receive them, when they should be sent and what they should say.
- Offering credit monitoring to affected individuals and reporting the incident to credit card companies and credit reporting agencies if applicable.
- Issuing a press release and FAQs regarding the incident so affected individuals are well informed.

Shopper Insight

Balance Innovations found that the extensive and ongoing media coverage of the mass credit and debit card data breach, including nationwide retailers, has led to very high consumer awareness of the credit card data breaches, at 95 percent of the population.

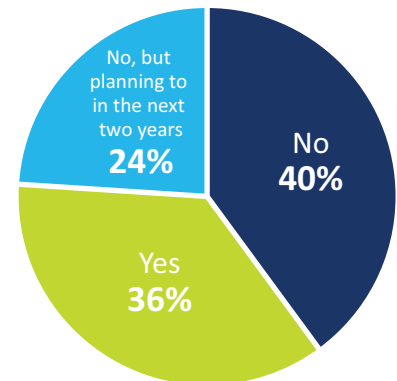
Immediately following the data breach that took place over the 2013 holiday season, 41 percent of shoppers changed up their preferred payment method at retail locations as a result. While these changes may not affect all purchases, nor be long-term changes, 32 percent of shoppers indicated they are using cash more frequently now. This is distantly followed by using credit more often, at 8 percent of the population.

E-Commerce

Up from 31 percent in 2013, 36 percent of independent grocery companies offer some type of online ordering. Over the next two years, another 24 percent expect to enter the world of e-commerce. This is up from 8 percent in the 2013 study — indicating the accelerated speed of making online ordering available to shoppers at independent retailers.

The remaining 40 percent (down from 61 percent) do not have plans to take their grocery business online.

E-commerce presence among grocery retailers



Rising Share of Sales for Online Sales

In addition to a rising number of independent grocers getting on the e-commerce bandwagon, online sales as a percentage of total sales is rising as well.

Share of total sales among independents:

- 2013: 1 percent
- 2015: 4 percent

Independents Mostly Outsource Hosting to Third Parties

Nine in 10 independent operators use third-party hosting for their shopping sites. This is virtually unchanged from the last survey.

- 2013: 88 percent
- 2015: 90 percent

Independents Are Split on Home Delivery

A little more than half of retailers offer home delivery with their online ordering service.

- Home-delivery availability: 55%

Accepted Online Payment Methods

While all responding companies with online ordering accept Visa, MasterCard and Discover, the acceptance of other methods of payment, including gift cards and prepaid credit cards, drops to three and four in 10 independents.

Payment method	Accepted for online grocery orders
Visa	100%
MasterCard	100%
American Express	89%
Discover	78%
Gift cards	44%
Prepaid credit	44%
Signature debit	33%
PayPal	33%
PIN debit	33%

A Bit of Crystal Ball on Mobile and Online Grocery Sales

Online and mobile purchase research, sales and payments are growing, but at what pace? Independents offered their best guess on the speed of adoption for ordering groceries using the web, smartphones and tablets by 2020 and 2025.

2020

- Five years from now, independents guess that 8 percent of total grocery sales in the U.S. will be ordered using mobile devices.
- They give a slight edge to online ordering, at an average of 11 percent of total grocery sales.

2025

- Another five years into the future, independents foresee continued growth and take the mobile share of the grocery market up to 22 percent and the online market to 19 percent — indicating faster growth expectations for mobile.

Shopper Insight

E-commerce accounts for less than 2 percent of the food and beverage industry's \$600 billion in sales due in part to complex logistics and a struggle to guarantee freshness, according to a report from BI Intelligence. While a small share today, market research firm IBIS World found that online grocery sales grew at an annual rate of 14.1 percent over the last five years, and they are expected to grow at a rate of 9.6 percent between 2014 and 2018. By 2018, online sales are expected to equal 2.9 percent of total grocery sales. IBIS World estimates that the online grocery business collectively brought in \$10.9 billion in sales in 2014. Profit, it estimates, was just \$927.1 million, or 8.5 percent of total revenue. By 2018, IBIS World projects that profit margins will slip to 6.9 percent of sales, in part because operators will continue to contend with the high distribution costs associated with getting perishable items to customers.

There are many different models of online ordering in play, as outlined by the Retail Feedback Group (RFG).

Online Order & Shipment

This is the most established type of online ordering with shipping using the postal system, or companies like FedEx or UPS. Netgrocer.com and AviGlatt.com (kosher foods) illustrate the types of companies using this method.

Online Order & Delivery from a Distribution Center

This approach fulfills items that are ordered online by delivering them from a distribution center. Some companies currently engaged in this method include Amazon Fresh, Fresh Direct and Google Express.

Specialty Online with Delivery

Certain providers mostly emphasize local, organic or specialty products. Companies like Relay Foods, Farmigo and goodeggs.com operate in this space. RFG found that the predominant reason for shoppers who occasionally buy food online is exactly these hard-to-find items.

Online Order & Store Pickup or Delivery

Many traditional supermarket retailers provide a service whereby shoppers can order online and either pickup at the store (click & collect) or have the items delivered to their home (click & deliver). Some retailers offer both while others only offer one of the options. Some examples are Safeway, Coborn's, and Lowes Foods to name just a few.

Other Options

There are many other models being tested in the food space. For example, the drive-through model being tested by Walmart in the U.S. and in use by Chronodrive in France uses a small fulfillment center coupled with a drive-through to pick up grocery items. Another example is Instacart, which uses personal shoppers that visit stores, shop for items and deliver them to the customer. Finally, there are other concepts like Blue Apron and Plated that deliver integrated meal ingredients and let the shopper cook a specific meal.

Payment Benchmarks and Trends

The last decade has seen enormous change in the use of cash, checks, credit and debit. Just as a new status quo appeared to be forming, numerous mass credit card data breaches are causing consumers to reconsider their preferred methods of payments yet again. Keeping up with consumer preferences, along with changes in payment processing technology, can be a major source of concern among independent food retailers given the scope of the investment. This chapter provides a range of payments benchmarks to help retailers understand the latest trends.

Respondents' Sales, Transactions and Transaction Size

To get a sense of the size and scope of the respondents, the survey asked for a number of benchmarks relative to sales. Weekly sales and transactions are important drivers behind front-end technology decisions, including the availability of express and self-checkout lanes and payment processing related technology.

- **Weekly sales per store** — Survey respondents average slightly more than \$300,000. This reflects the full mix of one-store operators and regional chains.
- **Weekly transactions per store** — Respondents average slightly more than 10,000 weekly transactions.
- **Average transaction size** — The average amount spent per customer regardless of payment type stands at \$28.38.
- **Weekly store sales by checkout** — Respondents average slightly less than \$30,000 per checkout every week.
- **Weekly transactions by checkout** — The number of weekly transactions by checkout averages to just below 1,200.



Weekly sales per store

- Average: \$260,890
- 33rd percentile: \$180,000
- 67th percentile: \$312,000



Weekly transactions per store

- Average: 10,300
- 33rd percentile: 8,500
- 67th percentile: 12,000



Average transaction size

- Average: \$28.38 Median: \$26.18
- Ranges from \$16-57
- 33rd percentile: \$24
- 67th percentile: \$28



Sales by checkout

- Average: \$28,514
- 33rd percentile: \$23,708
- 67th percentile: \$31,848



Transactions by checkout

- Average: 1,194
- 33rd percentile: 1,094
- 67th percentile: 1,318

Will That Be Cash or Credit?

The days of carrying wads of cash and paper check books are quickly fading. Today, it's not uncommon to see consumers swipe debit cards for cups of coffee and use pay-by-phone apps to split large dinner tabs. However, a Balance Innovations consumer poll found that shoppers don't like leaving the house cashless either and 91 percent still carry and use cash, particularly for small purchases.

Shopper Insight

An August 2014 Balance Innovations consumer poll found that while 15 percent of Americans make a conscious effort to pay with cash as much as possible, the majority only use it for small amounts or when they happen to have a lot of cash on them. However, the largest share, at 39.3 percent, describe their frequency of using cash as “hardly ever.”

Which best describes your use of cash for purchase?	All	Ages 18-29	Ages 30-44	Ages 45-60	Ages 60+
Hardly ever use cash	39.3%	40.5%	40.1%	39.8%	37.7%
Mostly only for small amounts	24.2%	17.6%	22.8%	24.4%	30.6%
Try to pay cash as much as possible	15.4%	13.3%	15.2%	18.3%	13.0%
Only when I happen to have a lot of cash on me	12.2%	18.6%	14.2%	9.2%	8.8%
Never use cash	8.9%	10.0%	7.7%	8.1%	9.9%

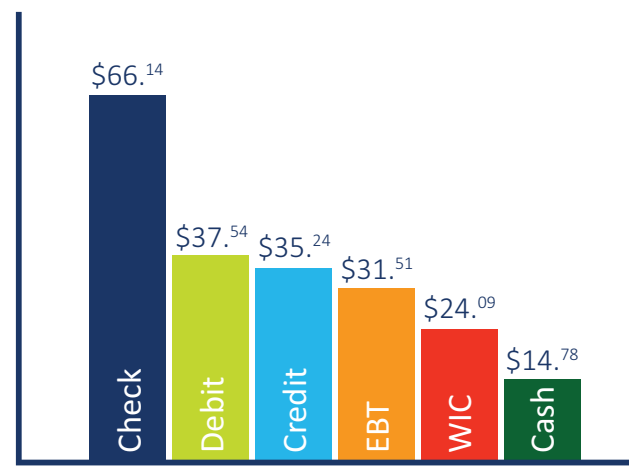
Cash use varies widely by demographic, most notably age. Whereas Millennials are more likely to use cash when they happen to have a lot on them, older shoppers are more likely to pull out cash for small purchases. In addition to age differences, regional variations are quite strong as well. The study found much higher cash usage among shoppers living in the Northeast along with a higher trip frequency to grocery and other retail outlets compared with shoppers living in the Midwest and South.

Seven in 10 shoppers foresee no changes in their cash use in the coming year. The remaining 30 percent is nearly equally split between using cash more (14.4 percent) and use it less (15.5 percent).

Cash Transactions Used for Small Baskets; Checks for Large Ones

With many options available to them, shoppers have different payment preferences based on the type of purchase. With an average transaction size of \$28.38, amounts vary widely by payment type. As corroborated by the consumer study data, cash purchases tend to be small and check purchases are the highest, at an average of \$66.14.

Additionally, weekly sales also significantly impact the transaction amount by payment type. In mid- and high-volume stores, transaction sizes tend to be much higher for all payment types, especially checks and debit.



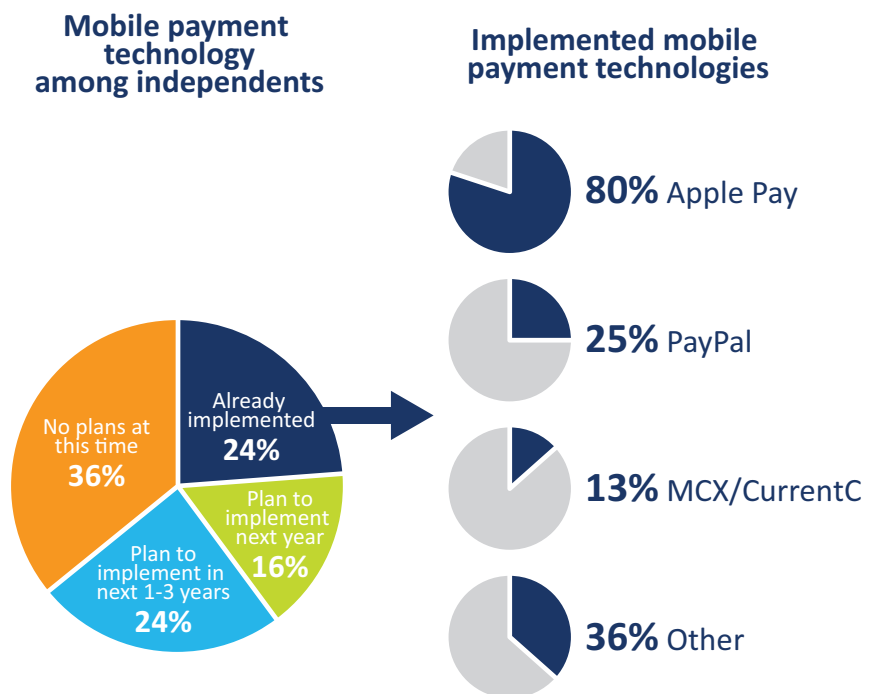
Average basket size by payment type

Average transaction size by weekly sales/store	All companies	Less than \$180,000	\$180,000-\$312,000	More than \$312,000
Across payment types	\$28.38	\$25.86	\$26.10	\$31.32
Cash	\$14.78	\$10.65	\$16.64	\$15.22
Check	\$66.14	\$46.40	\$62.34	\$79.33
Debit	\$37.54	\$26.85	\$37.12	\$43.27
Credit	\$35.24	\$26.52	\$34.97	\$39.83
EBT	\$31.51	\$25.81	\$35.91	\$30.51
WIC/e-WIC	\$24.09	\$22.31	\$25.12	\$24.08

Independents Ready to Accept Mobile Payments

Mobile shopping is growing, right in step with the growing group of smartphone and tablet owners. Many shoppers use their smartphones from the time they pull up to the store to when they are checking out. This connectivity is impacting the retailers' decisions in how and when to integrate mobile and e-commerce with their shopper base.

For some smartphone owners, the ever-rising connectivity and use includes using their phone to pay for their groceries. Mobile payments using smartphone technology are not new. Google, PayPal, Square, Visa and MasterCard all have mobile payment systems in place with limited success. Apple is hoping to be the game changer with the launch of Apple Pay with its iPhone6. While the launch of new online and mobile wallet services will likely see use among affluent Millennials, older generations in the same tax bracket might not be as quick to adopt.



Shopper Insight

According to a usage study by Millward Brown Digital on behalf of Facebook, 64 percent of shoppers use their smartphones while in the store aisles, 44 percent in the parking lot and 28 percent in the checkout line (though not necessarily to pay). While in store, shoppers use Facebook four times more frequently than any other social media app or search engine.

One-Quarter of Independents Accepting Mobile Payments

To accommodate, or perhaps anticipate, growing shopper adoption, 24 percent of independents have started experimenting with mobile payment at checkout using the customers' smartphones. An additional 40 percent expect to implement mobile payment technology in the next three years, with the remaining 36 percent sitting on the sidelines for now.

Apple Pay is by far the most accepted payment system, accepted by 80 percent of the retailers with mobile payment availability. This is followed by PayPal, at 25 percent. It is important to note that along with the growth of mobile payments, consumers will likely continue to carry cash and credit cards as a backup solution to smartphone battery life and connectivity issues for a long time to come — requiring retailers to have carry solutions for all current payment types.

Shopper Insight

Nielsen found that as of Q1 2014, for the first time, a majority of Americans of all age groups own smartphones. In fact, 51 percent of adults over the age of 55 now own smartphones, up 10 percent from Q1 2013 — driving the growth in smartphone penetration to 70 percent of Americans overall. And smartphone penetration continues to grow every day, with 85 percent of recent acquirers picking smartphones when purchasing new handsets.

The majority of smartphones in the U.S. run Android OS (52 percent), but Apple remains the largest smartphone manufacturer, whose handsets are used by 42 percent of smartphone owners in the U.S.

Nielsen's mobile wallet research shows there is little gender difference among mobile payment users, with 47 percent being men and 53 percent being women. Mobile users age 18 to 34 account for the majority of users (55 percent) and 35 percent are ages 35 to 54. Interestingly, mobile payment users span all income levels, with the highest usage among those making less than \$50,000 (32 percent; with a high correlation to the younger shoppers) and more than \$100,000 (29 percent). And for consumers using mobile payment technology, digital rapidly becomes the norm. In fact, Nielsen found that 40 percent of mobile wallet users say they use mobile methods as their primary mode of payment.

Which methods are mobile payers using when on their smartphones, according to Nielsen?

The choices are plentiful. Bar codes and quick response (QR) codes, which consumers simply display on their device so cashiers can scan them, are the most popular mobile payment methods among smartphone payers:

- 45% — Pay for goods and services at a store by presenting a barcode (or QR code) on my device's screen for the cashier to scan.
- 37% — Pay for goods and services by tapping my device on payment reader using Near Field Communication (NFC), such as Google Wallet, Isis, etc.
- 29% — Pay for goods and services at a store by scanning a barcode (or QR code) using my device's camera.
- 24% — Pay for goods by attaching a device such as a credit card reader to my mobile device (e.g. Square, Leaf, GoPago).
- 22% — Peer-to-peer payment via a mobile app (e.g. Venmo).

Check Usage Drops to One-Fifth, Credit and Debit Double in 15-Year Period

The major payment types available have been relatively unchanged for many years, with the last big additions being direct debit that was introduced in the 1960s and more recently mobile payments, which ultimately are debit or credit. However, while the types may not have changed much, the usage across payment types has seen tremendous change:

- In the 15-year time comparison period, credit and debit payments have doubled, both in transactions and in dollar sales.
- Cash has dropped some as a percentage of transactions, but remained stable as a percentage of dollar sales as shoppers continue to pay cash for small purchases.
- Checks have seen the most striking change in the 15-year period — dropping to roughly one-fifth of the volume in both transactions and dollar sales.
- Electronic Benefits Transfer (EBT)/Supplemental Nutrition Assistance Program (SNAP) saw a tremendous increase in both transactions and dollar sales as participation in SNAP across the nation has grown to more than 47 million people in 2014.

	As a percentage of transactions		As a percentage of dollar sales	
	2000	2015	2000	2015
Credit	12%	25%	15%	29%
Debit	12%	22%	15%	30%
Cash	39%	32%	17%	18%
Check	33%	6%	51%	11%
EBT/SNAP	1%	8%	1%	9%
WIC/eWIC	1%	4%	1%	2%
Other	2%	3%	<1%	2%

Given the enormous changes in the payment landscape that have already taken place, and continue to take place, it is important to evaluate company and store-level policies with regard to processing each to ensure optimized efficiency.

The mix of payments used differs widely by store sales, with higher-volume stores more likely to have shoppers use credit and debit and less likely to use cash or checks. EBT/SNAP is also a much smaller share of total dollar sales for high-volume stores.

As a percentage of dollar sales — 2015	All companies	Less than \$180,000	\$180,000-\$312,000	More than \$312,000
Credit	29%	20%	31%	36%
Debit	30%	24%	30%	35%
Cash	18%	21%	18%	15%
Check	11%	17%	11%	6%
EBT/SNAP	9%	15%	7%	5%
WIC/eWIC	2%	2%	2%	2%
Other	2%	1%	1%	4%

Shopper Insight

The number of beneficiaries on SNAP (food stamps) — has topped 46 million for the 38th straight month, according to data released by the Department of Agriculture (USDA).

In October 2014, the latest month reported, there were 46,674,364 Americans on food stamps.

- With the nation's population at 318,857,056 at this same time, according to the Census Bureau, food stamp participants equaled 14.6 percent of the population.
- In terms of households, food stamp participants make up 19.7 percent of the estimated 115,831,000 American households in October, according to the Census Bureau.

Households on food stamps received an average benefit of \$261.44 for the month.

Debit and Credit Continue to Be a Significant Expense to Independents

As shopper usage of debit and credit cards continues to rise, retailers are faced with the growing tab of interchange fees to process electronic payments. In addition to interchange fees, retailers are charged other fees including processing costs, dues and assessments in order to accept credit and debit cards. Our survey found the following averages for monthly fees as a percentage of sales.

Fees as a percentage of sales	Debit	Credit
Processing fees	0.4%	0.6%
Interchange (network and bank fees)	1.3%	1.4%
Total	1.7%	2.0%

Implementing EMV: Implemented or Working on It

EMV payment technology, commonly known as “chip and pin” payment technology, has important benefits in fraud control and multi-application support for value-added functions (such as loyalty programs or vouchers).

The deadline for implementation is set for October 2015, and independents are well on track to meet this deadline.

- 21% — Already implemented
- 67% — Working on it, will meet the deadline
- 13% — Working on it, but will likely miss the deadline.

Cash Operations

Cash continues to be the most prevalent method of payment in terms of transactions, and the third highest in dollar share. Consumers use cash in particular for small basket rings and at stores catering to quick trips. The continued importance of cash drives the need to optimize processing policies at the company and store level. Running efficient cash operations can improve the bottom line by reducing shrink, improving accuracy, reducing labor costs and improving productivity. This chapter focuses on a variety of benchmarks relative to cash operations to help retailers compare their practices against those of industry peers.

Ordering Cash Mostly Handled at Store Level

The vast majority of independents leave the ordering of cash to the individual stores, at 80 percent. About one in 10 work through standing cash/change orders. Mentioned under other are mixed systems in which stores work with standing cash orders, but allow stores to make adjustments as needed.

Ordering cash	All companies	Companies with < 10 stores	Companies with > 50 stores
Standing cash/change order	11%	20%	5%
Ordered by the store, as needed	80%	60%	93%
Ordered by corporate, as needed	0%	0%	0%
Other	9%	20%	2%

Armored Car Service

Four in 10 independents do not use armored car service for cash pickup and deliveries at all. However, those who do use armored car service tend to have five to six visits per week.

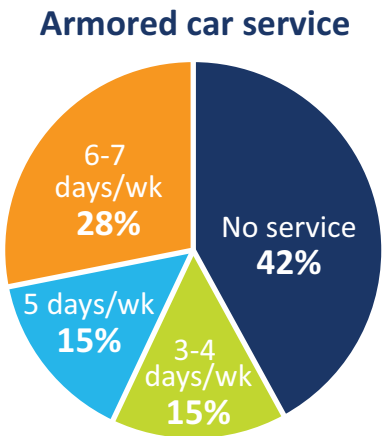
Recycling Cash Within the Store

The need for cash delivery or pickups much depends on the store’s ability to recycle cash within the store.

Six in 10 independents already have procedures in place to recycle cash within the store and 4 percent are working on establishing guidelines. Generally, the larger the company, the more likely they are to have a plan in place. This helps optimize the number of armored car visits.

Procedures in place to recycle cash within the store	All companies
Yes	63%
No	33%
No, but working on it	4%

But even when the cash is recycled optimally, cash back may throw supply and demand off balance. Interestingly, some stores are having armored cars deliver cash, instead of doing pickups, or a combination thereof.



Armored cars typically...	All companies
Pick up cash	65%
Deliver cash	12%
A mix of pick up and deliver	23%

Armored Car Statistics

Cash deposits range from \$5,000 to \$95,000 per pickup — heavily influenced by store sales, as can be seen in the chart below. There is little variation in the fee per visit, however, with most responses falling between \$20 and \$30, for an average of \$25.

The average change order per visit also varies widely by sales volume, at less than \$1,000 for smaller stores and more than \$3,000 for high-volume stores. Nearly three in 10 independents said there were no fees at all for change orders. Among those who do pay, the average was \$15.

	All companies
Average cash deposit per pickup — All companies	\$30,834
Sales <\$180,000	\$25,000
Sales >\$312,000	\$37,800
Average fee per pickup	\$25
Average change order per pickup	\$3,305
Sales <\$180,000	\$800
Sales >\$312,000	\$3,500
Average fee per change order	\$15
No charge	29%

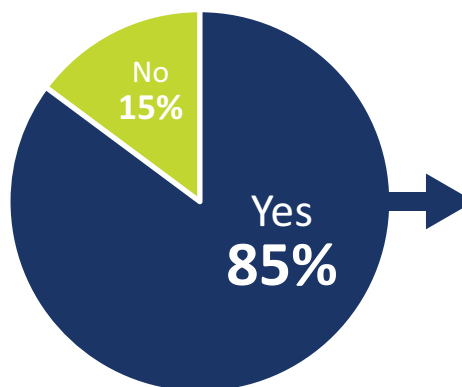
Offering Cash Back Is a Common Service Among Independents

Eighty-five percent of independents offer their customers the opportunity to get cash back when paying for groceries. Ones that don't are primarily one-store grocers, with weekly sales per store that are well below average.

Maximum Amounts for Cash Back Vary Widely Across Stores and Lane Types

Ranging from \$20 to \$200 per transaction, the amount of cash back varies widely across stores. The average amount is \$50 for cashier-assisted lanes and \$40 for self-checkout lanes. Others said they allow withdrawals up to the bank's maximum.

Cash back with grocery purchases



Cashier lanes

- Average: \$50
- Range: \$20 - \$200
- <10 stores: \$40
- >50 stores: \$60

Self-checkout lanes

- Average: \$40
- Range: \$20 - \$200
- <10 stores: \$20
- >50 stores: \$60

Shopper Insight

A Balance Innovations consumer study found that when needing cash, 54.8 percent of consumers typically visit an ATM at either their own banks or other locations. Getting cash back during the checkout process at grocery stores or other retailers is the second most popular method, cited by 25.8 percent.

When needing cash, do you most often...	All respondents
Get cash from an ATM (your own bank or another location)	54.8%
Get cash back during the checkout process at the grocery or other stores	25.8%
Get cash at your bank/teller	12.7%
Couldn't tell you the last time I carried cash	4.1%
Cash a check, including payroll checks	2.6%

Some further insights:

- Women, often still the primary grocery shoppers, are more likely to use cash back.
- The use of cash back steadily declines as age rises. Millennials use cash back more than any other age group. In contrast, among shoppers 65 years or older, only 21 percent typically use cash back. These findings indicate a likely increase in popularity of cash back versus a separate trip to the bank or ATM as shoppers grow more familiar and confident with using cash back.

Whether they use it or not, more than nine in 10 consumers agree that cash back is a great convenience by avoiding trips to the ATM (of whom 58.8 percent are in total agreement). Nearly as important is the ability to withdraw just small amounts of cash. Relative to safety, 35.5 percent totally agree that cash back is safer than using ATMs from a personal safety point of view and a slightly lower 24.8 percent believe it's safer from a payment safety point of view.

	Totally agree	Totally + somewhat agree
It's a great convenience; saving trips to the ATM	58.8%	89.0%
It's a great way to get just a small amount of money	56.1%	89.6%
It's a great savings; helping avoid ATM fees	49.4%	79.7%
It's safer than using an ATM, from a personal safety point of view	35.5%	73.4%
It's safer than using an ATM, from a payment point of view	24.8%	63.2%

Generally...

- Companies operating fewer stores have lower cash back amounts.
- The maximum amount in the self-checkout lane is lower than that of regular cashier-assisted lanes.
- If cash back is offered, the average opening till amount is higher than among stores where cash back is not available, at \$375 versus \$223, respectively.

Cash back may be a great convenience for the shopper, but it can create challenges to balance cash supply and demand, and consequently affects a number of cash management areas. Proper planning and recognition of individual store trends can help ensure that customers are able to get the cash they need without keeping

unnecessary reserves. Among the reasons they cited for creating cash back limits:

- The cost of carrying extra cash on hand (armored car fees, bank fees, diverting funds from other areas/projects).
- Loaning funds to tills more often as cash back requests deplete till contents.
- Can result in cash deliveries rather than cash pickups driving armored car service.

Reporting Cash on Hand Is Mix of Manual and POS Reports

Practices surrounding the reporting of cash on hand vary much more widely. The most common way is through manual reports generated by the store, at 40 percent overall. This is especially common among smaller retailers, at 50 percent. Larger retailers are more likely to use POS reporting for cash on hand, done by 73 percent. Some companies said they use a mix of manual reports and bank deposits or POS reports. Examples of ways companies report cash on hand mentioned under “other” include using Balance Innovations’ VeriBalance and proprietary back office systems developed in house.

Reporting cash on hand — Check all that apply	All companies	Companies with < 10 stores	Companies with > 50 stores
Manual reports received from the store	40%	50%	21%
Reporting from the POS	36%	30%	73%
Bank deposits	12%	0%	4%
Other method	12%	20%	2%

Sales and Payment Practices Influence Opening Till Amount

Best practices relative to the opening till amount vary widely based on:

- Sales and transactions per store per week
- Lane versus cashier accountability
- The availability of cash back
- The availability of payroll check cashing (in the customer service checkout)

Opening drawer \$	Cashier lanes	Self-checkout	Service desk
All companies — Average	\$228	\$1,760	\$450
All companies — Range	\$100-\$1,000	\$1,000-\$2,900	\$250-\$1,500
Don’t offer cash back	\$223	\$1,500	N/A
Offer cash back	\$375	\$2,000	N/A
Weekly sales/store < \$180,000	\$176	\$1,050	\$500
Weekly sales/store > \$312,000	\$239	\$2,580	\$1,500
Do not cash payroll checks	N/A	N/A	\$250
Cash payroll checks	N/A	N/A	\$1,542
Transactions per store/week < 8,500	\$192	\$1,275	\$220
Transactions per store/week > 12,000	\$250	\$2,580	\$1,500
Lane accountability	\$250	N/A	N/A
Cashier accountability	\$200	N/A	N/A

Drawer Management May Be Area to Improve Efficiency

Among independents, the average number of drawers counted every day is 11. Obviously, this number highly depends on the number of total lanes, open lanes, total sales and transactions, and whether stores change drawers with each cashier (cashier accountability) or whether one drawer stays with the lane and may be used by more than one cashier (lane accountability).

With few exceptions, most independent grocers count drawers multiple times per day — frequently with every cashier change. As seen later, six in 10 independents run cashier accountable till practices. While lane accountability may provide more opportunity for theft-related shrink, cashier accountable systems involve more manual labor and thus personnel costs associated with counting drawers. The 2013 study showed that the average number of minutes it takes to count a drawer is seven, with most cashiers counting the tills before and after their shifts. If not carefully monitored already, this may be an area to improve inefficiencies.

Daily	Number of drawers counted
Per company — Average	11
Range across companies	5-25
Number of tills divided by total lanes	1.4
Average for companies with lane accountability	10
Average for companies with cashier accountability	12
Average for stores with weekly sales < \$180,000	9
Average for stores with weekly sales > \$312,000	13
Opening amount < \$200 (average is \$228)	12
Opening amount > \$300	10

Pickups and Loans

On average, food retailing companies do 16 drawer pickups and loans per store, per day. Again this number is highly related to sales, transactions and the opening amount. A starting till amount optimized to the store based on traffic and sales patterns will help minimize pickups and loans and associated expenses in labor costs.

Daily	Number of pickups/loans
Per company — Average	16
Range across companies	0-58
Number of tills divided by total lanes	2.0
Average for companies with lane accountability	15
Average for companies with cashier accountability	12
Average for companies with mixed accountability	18
Average for stores with weekly sales < \$180,000	10
Average for stores with weekly sales > \$312,000	24
Opening amount < \$200 (average is \$228)	15
Opening amount > \$300	22

Daily Balance Takes Two to Three Hours

All independent grocery companies in the sample balance their stores daily. Across food retailing companies, it takes an average of 2.5 hours to complete the daily balance — but the time is influenced by the transaction volume and the average rises to 3.5 hours among companies generating more than 12,000 transactions per store per week.

Number of hours for daily close	All companies	Transactions <8,500	Transactions 8,500-12,000	Transactions >12,000
Do daily close?	100%	100%	100%	100%
Average number of hours	2.5	1.7	3.2	3.5
1 hour or less	27%	44%	14%	17%
2-3 hours	41%	66%	29%	33%
4-5 hours	32%	0%	57%	50%

Optimizing Safe Management Mix Between Corporate and Stores

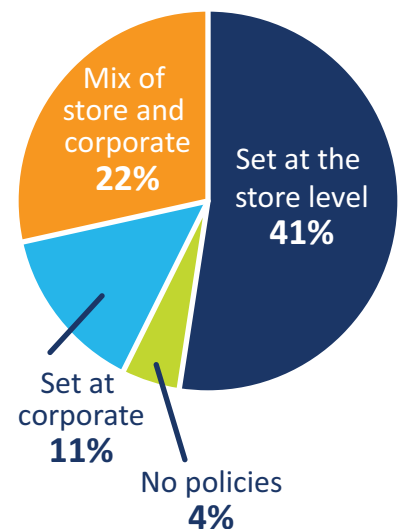
Down from 12 percent in 2013, 4 percent do not have a set maximum for the amount of money held in a store's safe. While the other respondents have policies in place, they are quite divided in their practices as to who determines the maximum amount and what the amount is.

About four in 10 independents allow the stores to set the maximum and an additional 22 percent cited a mix of corporate and store policies.

Optimizing the money held in the safe to cover store and customer needs, but avoid unnecessarily tying up cash, may be another area to review to remove inefficiencies from the cash management process.

In dollars, limits reported by survey respondents range from \$2,000 to \$80,000, however, when calculated as a percentage of dollar sales, the range narrows and averages 10 percent of weekly sales per store.

Maximum safe amount allowed per store



Cash limit in safe	Amount
All companies — Average	\$25,000
All companies — Range	\$2,000-\$80,000
As a percentage of sales* — Average	10%
As a percentage of sales — Range	4%-25%
Weekly sales < \$180,000 — Average	\$19,800
Weekly sales > \$312,000 — Average	\$30,500
Weekly sales < \$180,000 — % of sales	8%
Weekly sales > \$312,000 — % of sales	15%

* Maximum safe amount divided by the weekly sales per store.

Over/Short Reports Still Not Common Practice

Unchanged from 2013, 59 percent of responding food retailing companies have automated over/short reports. This goes up to fully 100 percent among companies with more than 50 stores. An over/short reading indicates the difference between the amount of cash that was reported to the software during the end-of-day or drawer-closing process and the amount the software thinks you should have based on sales. A positive amount points at having more cash than you should (over) and a negative amount is a short.

All companies distribute these over/short reports to one department, but often two or three. These most commonly are store operations, loss prevention and internal audit.



Most Opt for Surprise Cash Audits

While 8 percent of companies (mostly small independent operators) never conduct cash audits, the types and frequency of cash audits among stores that do vary widely.

Nearly six in 10 do surprise audits, but two in 10 do either scheduled audits or a mix of surprise and scheduled visits.

In terms of frequency, audits span the full range from daily to annually, with “as needed” being the most frequent answer, at 31 percent, followed by weekly at 23 percent.

Independents average three incidents of front-end/cashier theft per store per year.

Type of audit	
Surprise	57%
Scheduled	22%
Both	21%

Incidents of front-end/cashier theft?	
Average	3
Less than one	33%
2-5	39%
6 or more	28%

Frequency of store cash audits	All companies
Daily	15%
Weekly	23%
Monthly	8%
Quarterly	7%
Annually	7%
As needed	31%
Never	8%

Hours per Audit

Companies spend an average of 2.8 hours per audit, but audit time ranges from half an hour to five hours.

Time spent per audit	All companies
All companies — Average	2.8
One or fewer hours	18%
2-3 hours	46%
4-5 hours	22%
More than 5 hours	14%

Cashier Accountability Is Most Common System

Six in 10 independent retailers run their tills following cashier accountability. Among the 20 percent who opt for lane accountability, the vast majority isolate suspect cashiers to certain lanes or do surprise audits to prevent shrink.

Type of system used	
Cashier accountability	60%
Lane accountability	20%
Mix of the two	20%

If lane accountable, how do you prevent shrink?	
Isolate suspect cashiers to certain lanes	91%
Surprise audits	63%

Lane accountability helps retailers reduce their cash on hand and labor associated to balancing the extra tills. However, lane accountability reduces knowing where the shortage or loss came from, which increases the risk of shrink. Cashier accountability provides stores with the ability to manage and report on each cashier individually.

Checks

Checks are decreasing as a form of payment, but they continue to generate the largest basket ring for independent grocers. Additionally, checks are an opportunity for food retailers to drive traffic by offering payroll cashing or travelers’ checks. Check processing practices in the U.S. have largely moved to electronic clearing — reducing risk and improving response time and accuracy.

Check Volume

While the number of checks per store can vary highly on factors such as weekly transactions, region, local economy, local industry and neighborhood household income, the majority of grocery stores process around 1,000 personal checks per store, per month. This is relatively stable from the 2013 report.

The number of WIC checks per store per month averages 369. This constitutes an increase over the 2013 average of 258. According to the USDA, WIC participation has risen across states in recent years as a result of the economic conditions. Participation rates by state can be found at <http://www.fns.usda.gov/pd/26wifypart.htm>.

As to payroll checks, 37 percent of companies do not accept those at all. This is up from 22 percent in the 2013 report. Those that do accept them, handle an average of 100 payroll checks per store per month — unchanged from the 2013 average of 94.

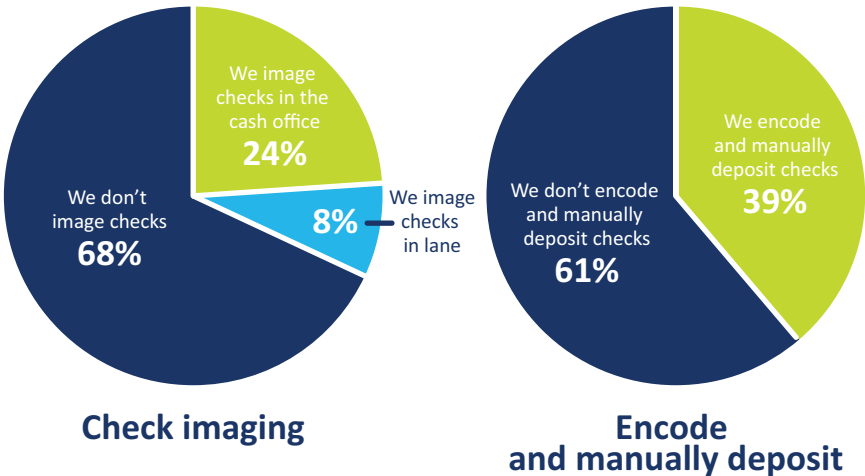
This translates into an average of 68 percent of checks being ACH and 32 percent being WIC, payroll and other checks.

	Personal checks	WIC checks	Payroll checks
Average number per store, per month	1,003	369	100
Average check amount	\$74	\$22	\$256

No Change in Check Imaging and Encoding Practices

Among independent grocery retailers, 68 percent do not yet image checks — unchanged from 2013. One in five images the checks in the cash or back office and 8 percent do so in lane. Among retailers operating fewer than 10 stores, fully 83 do not image checks.

While in-lane imaging may deliver savings on handling and processing, it is also more expensive than back-office check conversion, which typically averages \$0.02-\$0.04 per check, according to Balance Innovations. Additionally, in-lane imaging requires a check guarantee program, nor can retailers process payroll, WIC



or money orders in lane. One last consideration is the added time to the checkout process — a metric that most customers want to see minimized.

On average, 48 percent encode and manually deposit checks. This share is much larger among companies operating fewer than 10 stores, at 58 percent. Among companies with more than 50 stores, a much lower 33 percent do so.

Shopper Insight

According to the Federal Reserve’s Check Imaging and the Check Conversion Process Study, consumers write 37 billion checks each year, of which 13 billion are written by consumers at the point-of-sale to pay for purchases at retail locations.

Check Collection Services

Across company sizes, 68 percent of companies handle check collection in-house versus outsourcing this task. This is up significantly from the 2013 study, when 48 percent did their own check collection. There is little difference based on the number of stores operated or other factors.

Check collection...	All respondents	Companies with < 20 stores	Companies with > 50 stores
... is done in house	68%	68%	67%
... is outsourced	32%	32%	33%

Methodology

The data included in this report was compiled from a three-page questionnaire that was sent to the NGA membership and additional grocery retailing and wholesaling companies in November and December, 2014. Data entry, data cleaning, statistical validity testing, analysis and reporting were done by Anne-Marie Roerink of 210 Analytics, LLC.

Data outliers were checked and, if needed, removed from the sample. Likewise, data for company sizes, sales, transactions, etc. were checked for accurate representation. Due to rounding, percentages may not add to 100 percent.

The study is based on 28 independent grocery retailing companies located throughout the country.

Size:

- One-store grocers: 14 percent
- Small regionals (2-50 stores): 71 percent
- Large regionals (51-150 stores): 15 percent

Operations

- 24-hour operation: 15 percent

Frequent shopper program

- Loyalty program in place: 41 percent

For any data analysis or methodology questions, please contact Anne-Marie at aroerink@210analytics.com.

