

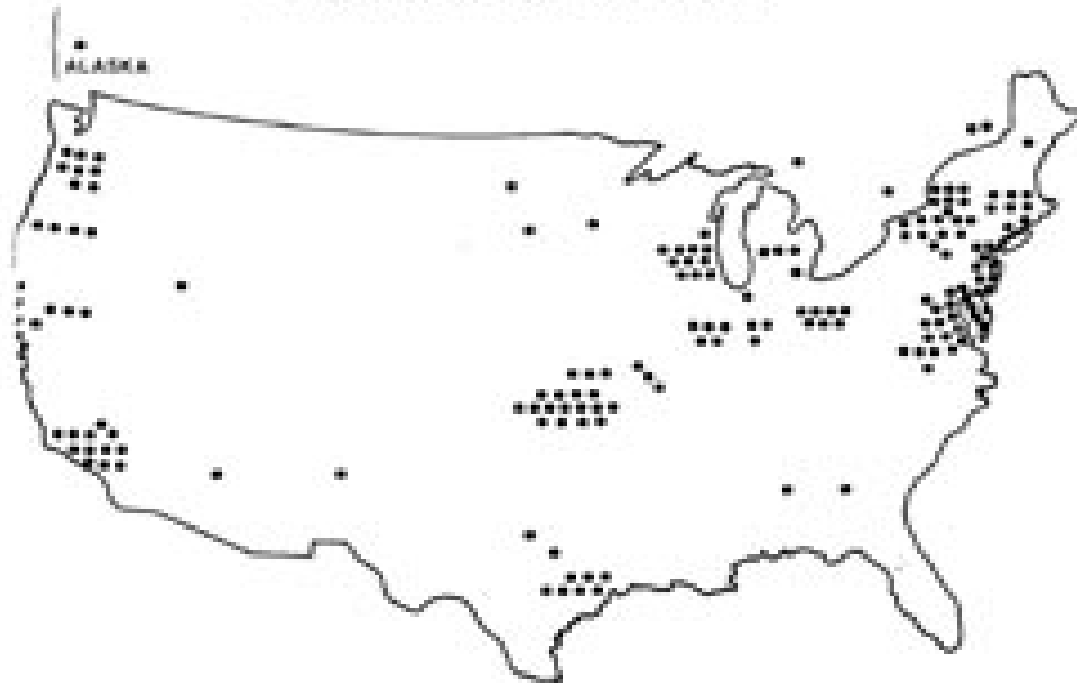
SUPERMARKET



AUTOMATION



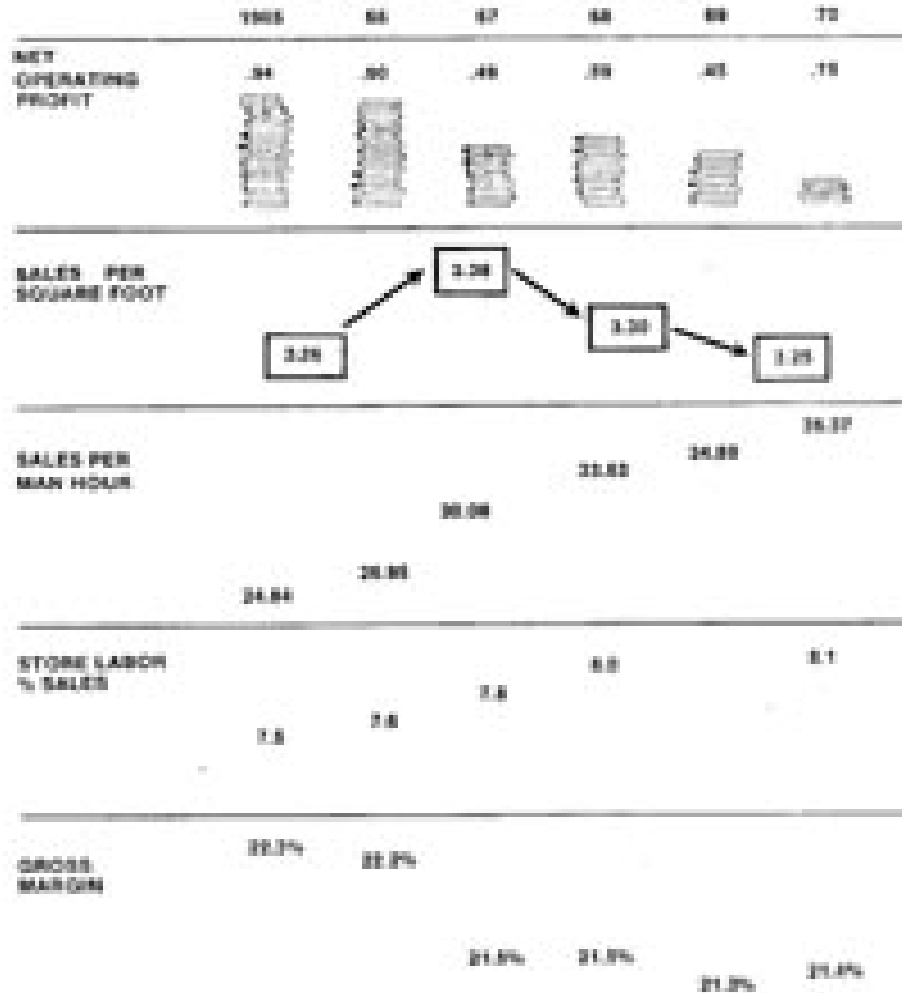
SCANNING UPDATE



- IBM SCANNING STORE
- NON-IBM SCANNING STORE

BALPYS SGC P&C MILGRAMS DOMINICKS
WEGMAN SAFERWAY AG-SEATTLE HE BUTT ALP
AG-NC SHOPSITE WAKEFERN CONTINENTAL GIANT KROGER
LUCKY'S AG-COLORADO BOUNDY'S WEINGARTEN
FOOD FAIR STAR SUPERMARKETS

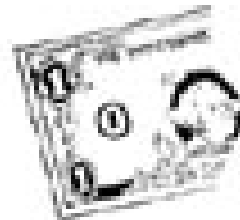
IN THE 60'S WHY?



INDUSTRY REACTION

DISCOUNTING

PRICE EMPHASIS
LESS EXTRAS, STAMPS, GAMES



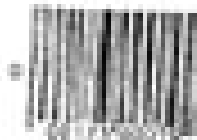
LARGER STORES



EXPAND PRIVATE LABEL



INDUSTRY STANDARDIZATION



STANDARDS

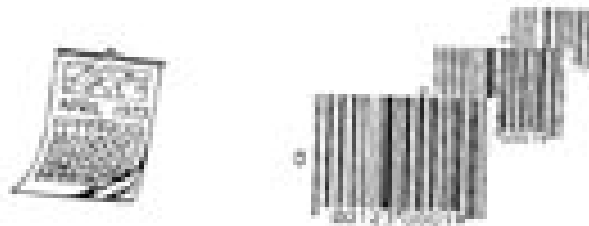


- MCKINSEY ECONOMIC MODEL



HIGH EXPECTATIONS

- ANNOUNCED APRIL 1973



HIGH EXPECTATIONS

<u>BIWEEK SALES</u>	<u>ANNUAL</u>	<u>%</u>
	<u>BENEFIT</u>	<u>SALES</u>
PE PRODUCTIVITY	27000	.88
LABOR SCHEDULE	9300	.3
UNDERBIDDING	7100	.221
PRODUCE SCALES	3100	.10
STORE ACCOUNTING	2600	.08
ROUTINE ORDERING	5100	.168
PRICE MARK/REMARK	8670	.27
REGISTER REPLACEMENT	2044	.065
ORDERING TERMINAL	600	.021
CHECKER TRAINING	700	.023
CHECK AUTHORIZATION	2000	.063
TOTAL	<u>75300</u>	<u>2.428% SALES</u>



EARLY RESULTS

- HIGH COST TO SUPPLEMENTAL MARK

GROC MFG, PKG, PRINTERS



- PRODUCTIVITY NOT APPARENT
CHECKSTANDS, WORK METHODS,
IN-STORE DISCIPLINE,
SYSTEM FUNCTION

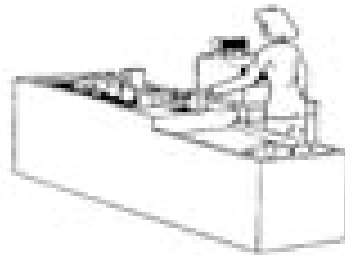
- REACTION TO PRICE REMOVAL
LEGISLATIVE ACTION
SHOPPER EDUCATION

WHERE DO WE STAND NOW?



CHECK OUT PRODUCTIVITY

	% SALES
ORIGINAL PROJECTION	1.185%
EAST	.4 - .607
MIDWEST	.49
WEST	.46 - .63
AVERAGE .43	



CHECK OUT PRODUCTIVITY

SCAN & BAG

- MORE PRODUCTIVE METHODS

▪ KEY ELECTRONIC

- 5-10% INCREASE IN \$ / HR.

▪ LABOR SCHEDULE

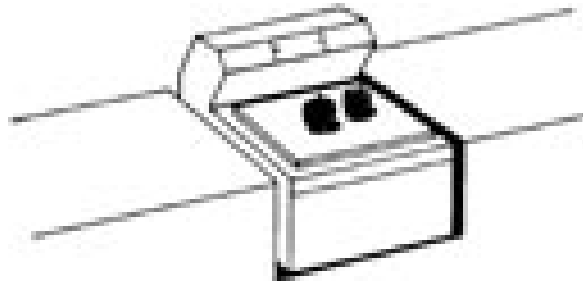
- GREATER IMPACT THAN ORIGINAL ESTIMATE
- ALLOWS ACHIEVEMENT OF PRODUCTIVITY BENEFIT



PRODUCE



	% SALES
ORIGINAL PROJECTION	.10
EAST	.07 - .218
MIDWEST	.15
WEST	.12 - .24
AVERAGE	.16



PRODUCE GAINS

• SCALE ACCURACY



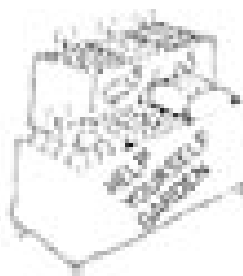
vs **1.39**

1% PRODUCE

• PRICE IN SYSTEM
.3% PRODUCE



• REDUCE PRODUCE DEPT LABOR
.6% PRODUCE



• SHRINK ANALYSIS



WHAT SHIPPED

LESS

WHAT SOLD



WHAT TO ORDER

=



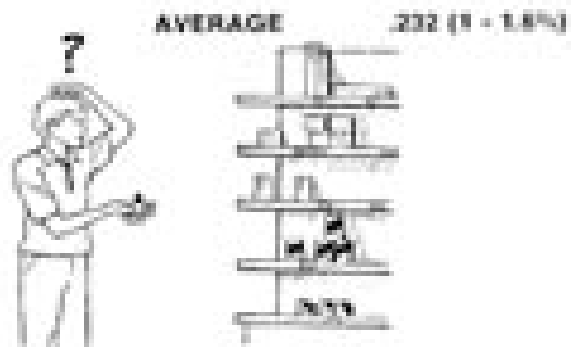
WHERE SHRINK OCCURRED

1% PRODUCE SALES



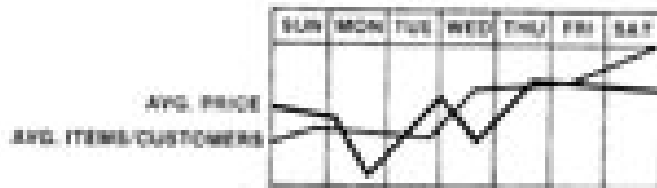
NON-PERISHABLE SHRINK

	ORIGINAL PROJECTION	.231
EAST		.28 - .29
MIDWEST		.25 (1-1.8%)
WEST		.1 - .21

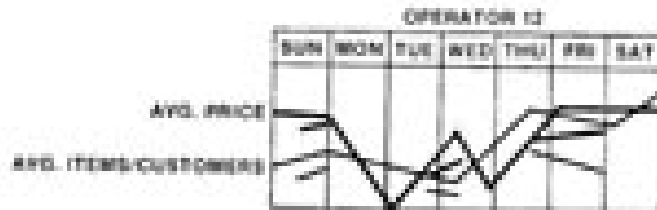


SHRINK REDUCTION

- PRICE IN SYSTEM — "ONCE"
TAX AND TOTAL BY SYSTEM
CHANGE CALCULATED
- TIMELY PRICE CHANGE IMPLEMENTATION
- CHECKER TRANSACTION ANALYSIS
 - DEVELOP EXPECTATION PROFILES



- INVESTIGATE DEVIATIONS



- MODIFIED BY VOIDS, REFUNDS,
BOTTLE RETURNS, ETC.



PRICE REMOVAL

	ORIGINAL PROJECTION	31
EAST		27.140
MIDWEST		18.42
WEST		33
	AVERAGE	31





OFFICE

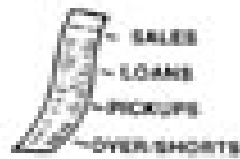
	% SALES
ORIGINAL PROJECTION	.09
EAST	.10 - .30
MIDWEST	.14
WEST	.05
AVERAGE	.147

OFFICE SAVINGS

• DATA COLLECTION

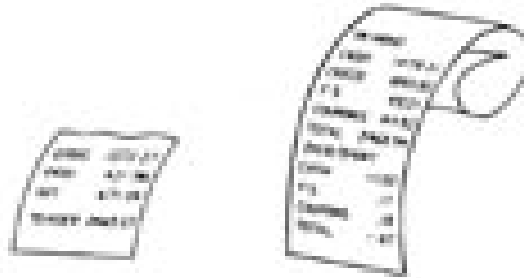


• FORMATTED



• WEEKLY CLOSING

ELECTRONIC SYSTEM



BETTER CONTROL - FEWER CLOSINGS

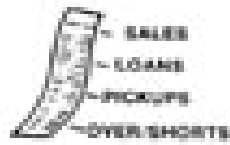


OFFICE SAVINGS

• DATA COLLECTION

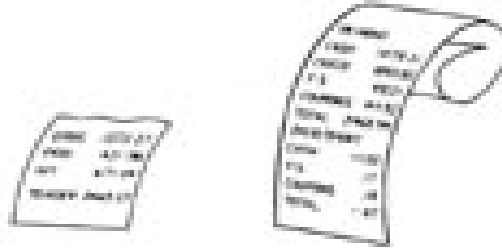


• FORMATTED



• WEEKLY CLOSINGS

ELECTRONIC SYSTEM



BETTER CONTROL - FEWER CLOSINGS

PRICE STRATEGY

DEVELOPING

% SALES

- PRICE ELASTICITY .15
"WHAT PRICE CAN BE CHARGED BEFORE SALES DROP?"
- PROMOTIONAL ANALYSIS
EO END DISPLAY

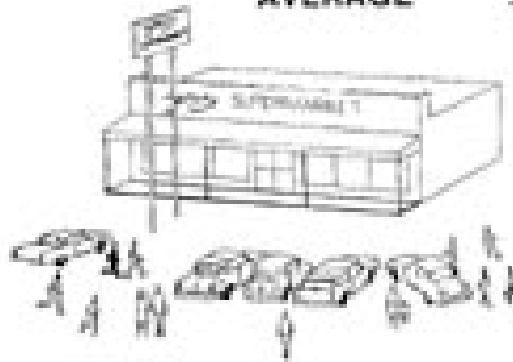
	TREESWEET GRAPEFRUIT JUICE	CHICKEN- OF-THE-SEA TUNA SAME	PETER PAN PEANUT BUTTER
PRICE PROMO MYT POST MYT	-.11 +788% +369%	+247% +50%	-.52 +79% +23%

"MAXIMIZE PROFITS TODAY WITHOUT
IMPACTING THOSE OF TOMORROW

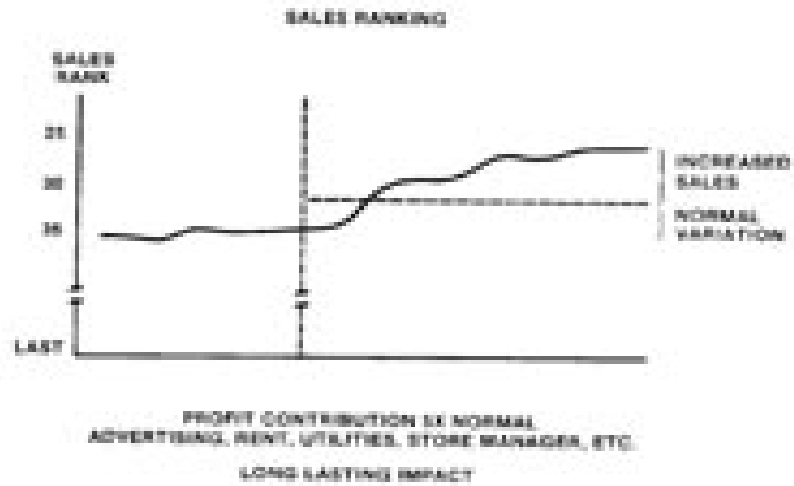


INCREMENTAL SALES

	% SALES
ORIGINAL PROJECTION	—
EAST	.34 - .70
MIDWEST	.54
WEST	.62 - .94
AVERAGE	.631



INCREMENTAL SALES

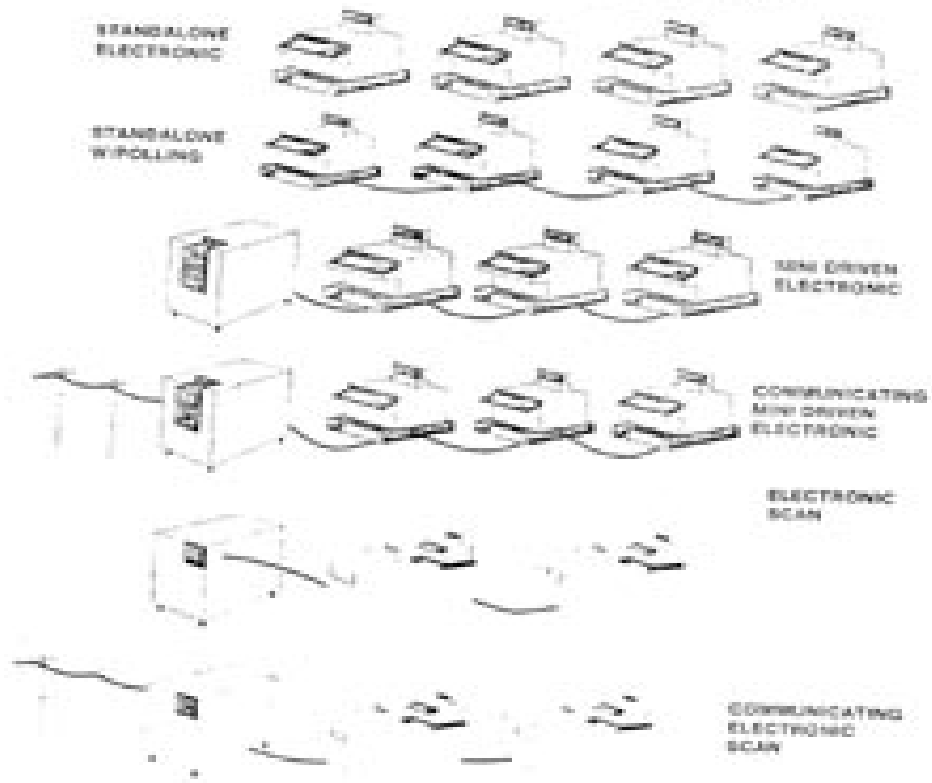


IN-LANE CHECK AUTHORIZATION

	% SALES
ORIGINAL PROJECTION	.083
EAST	.011-.032
MIDWEST	.012
WEST	.015
AVERAGE	.019



LEVELS OF AUTOMATION



NETTING EXPENSES

	STAND ALONE BCR	COMMUNICATING		COMMUNICATING	
		MINI	MINI	SCAN	SCAN
DEPRECIATION	.054	.100	.100	.101	.205
MAINTENANCE	.035	.100	.100	.100	.100
INSURANCE & TAX	.000	.015	.015	.000	.000
HOST DP PROCESSING			.030		.030
T.P. EXPENSE			.015		.025
TOTAL EXPENSE	.089	.285	.290	.201	.460
GROSS BENEFIT	.32	.442	.490	2.001	2.212
NET BENEFIT	.231	.157	.198	1.800	1.752



IMPACT ON PROFITABILITY

$$\begin{array}{c} \text{RETURN} \\ \text{ON} \\ \text{SALES} \end{array} \times \begin{array}{c} \text{ASSET} \\ \text{TURNOVER} \end{array} = \begin{array}{c} \text{RETURN} \\ \text{ON} \\ \text{ASSETS} \end{array} \times \begin{array}{c} \text{EQUITY} \\ \text{RATIO} \end{array} = \begin{array}{c} \text{RETURN} \\ \text{ON} \\ \text{EQUITY} \end{array}$$

$\frac{\text{PROFITS}}{\text{SALES}} \times \frac{\text{SALES}}{\text{ASSETS}} = \frac{\text{PROFITS}}{\text{ASSETS}} \times \frac{\text{ASSETS}}{\text{EQUITY}} = \frac{\text{PROFITS}}{\text{EQUITY}}$

BASE CASE

$$\boxed{1.4\%} \times \boxed{5.43} = \boxed{7.61\%} \times \boxed{2.5} = \boxed{19.02\%}$$

IMPACT ON PROFITABILITY

BASE

RETURN ON SALES	×	ASSET TURNOVER	=	RETURN ON ASSETS	×	EQUITY RATIO	=	RETURN ON EQUITY
1.0%	×	5.42	=	7.16%	×	2.6	=	18.62%

5.4

STAND ALONE ECR

1.07%	×	5.25	=	7.23%	×	2.68	=	19.34%
-------	---	------	---	-------	---	------	---	--------

MINI

1.09%	×	5.12	=	7.49%	×	2.66	=	19.92%
-------	---	------	---	-------	---	------	---	--------

MINI WITH COMMUNICATIONS

1.75%	×	5.0	=	8.8%	×	2.71	=	23.86%
-------	---	-----	---	------	---	------	---	--------

7.4

SCAN

2.09%	×	5.68	=	12.82%	×	2.77	=	35.49%
-------	---	------	---	--------	---	------	---	--------

2.7

SCAN WITH COMMUNICATIONS

2.64%	×	5.88	=	14.79%	×	3.01	=	41.51%
-------	---	------	---	--------	---	------	---	--------

3.0



BENEFITS

- REAL
- ACHIEVABLE with

THE NEW STORES

- SCANNING

- COMMUNICATIONS

