Faster checkout at **Kroger** creates customer loyalty and increased sales

Case Study

Kroger Inc.

Industry sector:	Retail, grocery
Geography:	USA
Service solution:	Intelligent Queue Management
Project size:	Over 2,300 locations

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Organization

Located in Cincinnati, Ohio, USA and established in 1883, Kroger has grown to become the USA's largest grocery store chain, its second-largest general retailer based on revenue and the world's fourth-largest retailer.

Business issue

A key component of Kroger's business strategy is their 'Customer First' commitment, which is central to every decision they make. As part of this, Kroger felt a better checkout service needed to be delivered to reward their loyal customers and to differentiate them from the national discount chains, and other regional grocers. Kroger therefore decided to move from a 1+2 service commitment (1 customer being served, 2 customers waiting) at the checkout to a 1+1 service level. In deciding on this commitment, Kroger also assessed the level of additional cashier labor that would be required in-store to deliver 1+1.

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Solution

Irisys met with Kroger in late 2007 and began trialing with their IS&S Department in 2008 to prove the technology. Once the technology's accuracy and efficacy had been determined, Store Operations engaged in a 4 store trial. Initial results showed that using the Irisys Queue Management system, Kroger could deliver the required 85% 1+1 service level with the existing cashier labor already scheduled. To prove the system further, Kroger progressed to a 19 store regional trial in Toledo, Ohio in Autumn 2009, where the results again showed the Irisys system allowed them to achieve their desired improvement in checkout service commitment, without deploying additional checkout labor. Moreover, the response from customers in Toledo was extremely positive and led to a noticeable improvement in customer satisfaction scores and uplift in sales. As a result, Kroger successfully trialed in two further regions before commencing a rollout to all stores in Summer 2010.

While there was a defined ROI measurement underpinning Kroger's business justification i.e. a single capital investment in the Irisys system versus an ongoing revenue investment in additional cashier labor, the real driver behind deploying the system was to improve checkout service; Kroger had identified from its regional trial improvements in customer loyalty, shopping frequency and overall customer spend, resulting in significantly increased sales. The roll out of the system was accompanied by a marketing campaign both in-store and on TV, radio and in print, advertising a 'Faster Checkout at Kroger'.

Kroger has branded the system internally as 'QueVision' and began publicizing its results during 2013.

Business benefits

"The technology enabled us to execute at the front of the store without that additional [labour] expense. It's remarkable that we've been able to improve execution as much as we have without a big price tag."

Rodney McMullen, Kroger President and COO commented during Kroger's 2nd quarter 2012 earnings conference call:

"Our market share gains are a result of our investments in all 4 keys of our 'Customer First' strategy. People often talk about investments we make in price, but there are many ways we have invested in our non-price keys, people, products and shopping experience, to strengthen our connection with customers in our stores. For example, over the last several years, we've set out to improve the shopping experience by reducing customer wait time at checkout. Customers have told us they do not like waiting in long lines. Based on that feedback, we developed a solution that has reduced the average amount of time a customer waits in line to check out to about 30 seconds today compared to around 4 minutes in the past. Our customers tell us they noticed the difference, and we are delivering a shopping experience that makes them want to return."

Getting shoppers through checkout as quickly as possible is key to building customer loyalty and reported by Kroger as one reason earnings were up 9.6 percent in the three months ending May 25, 2013 compared to the same time a year ago. Kroger Chairman and CEO Dave Dillon cited "inspired, Customer First service" for strong financial results including earnings of $481 million in the quarter ending May 25 - the 38th consecutive quarter of profits for the retailer's continuously operating stores.

Marnette Perry, Senior Vice President of Retail Operations, stated:

"The technology enabled us to execute at the front of the store without that additional [labor] expense. It's remarkable that we've been able to improve execution as much as we have without a big price tag."

"There are 7 million shoppers at Kroger stores today - we'll save them 25 million minutes today."

"Nobody likes to wait in line. If we wanted to develop loyalty from our customers, we really had to respect their time and improve the checkout experience."

Since the technology was deployed, Kroger's score on customer-satisfaction surveys has improved 42 percent on the speed of checkout, Perry said.

"There are 7 million shoppers at Kroger stores today - we'll save them 25 million minutes today," she added.

And Kroger executives said they learned something surprising from 'QueVision' data that helped them boost certain orders. The system showed that there were more customers than Kroger realized buying a small number of items in the morning and during lunchtime, and that the express lanes were backing up. So Kroger added 2,000 new express lanes to its stores nationwide, which it credits with growing the number of those small orders over the last two years.

Kroger cited additional benefits besides happier customers, for example the technology has helped boost sales at smaller urban stores with limited space; because customers get in and out faster, parking spaces free up quickly.

Surprisingly, the cost of staffing did not rise. Company officials had thought they would need – and were willing to pay for – more cashiers if it shaved customer wait time, but it turned out not to be necessary as the technology is so smart, it makes scheduling more efficient.

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