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Driving Grocery POS Sales

Genesis expects 50% sales revenue growth this year in the grocery POS (point of sale) vertical. What does this integrator know that you don't?

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Written by: [Mike Monocello](#)

If you think margins are slim with POS hardware, try selling rib eyes. In the grocery/food retail market, success is measured by the penny, and a 1.5% end-of-year profit margin is about as good as it gets. Therefore, you've got a tough job ahead if you plan on pitching POS equipment and services to this cost-conscious group. But despite tight purse strings, there is still a huge opportunity in this market, particularly if you know what Terry Selkirk knows.



Selkirk, VP of sales and co-owner of integrator Genesis, avoids pursuing medium to large grocery chains (more than 20 stores), since most have existing contracts with equipment manufacturers and commonly have an IT department. Instead, Selkirk sees the greatest food retail opportunity in single grocery and specialty food stores such as bakeries, meat markets, and corner store delis. "We believe there are 50,000 potential customers in the United States that could use our services," says Selkirk, who has come to this conclusion by collecting industry data, including membership numbers from local and regional associations such as the Associated Food Dealers. His research also indicates there is a lack of advanced technology in stores which have been in business for more than five years. "Historically, it's been the multistore groups that have been demanding technology, while single stores have lagged behind," explains Selkirk. "It's our job [as integrators] to go in and show the single-store market what technology can do for their business." By focusing on such a narrow target, Selkirk has been able to learn the nuances of the market and create specialized solutions to address the pain points of the store owners.

The Grocery Vertical Needs Your POS Expertise

You'll be happy to know that, according to Selkirk, you should have no trouble finding a pain point to relieve in this market. "Most of the businesses in this market are using ECRs [electronic cash registers] and maybe hand scanners that might connect to computers for simple sales reporting [often manipulated with Excel]," says Selkirk. "There is a definite need for Windows-based POS systems." Today, companies are moving to Windows-based POS systems, which can provide more detailed reporting to better

What Value-Adds Does Your Distributor Offer?

Integrator Genesis specializes in solutions for single-store grocery and specialty food retailers such as bakeries, meat markets, and corner store delis. Terry Selkirk, VP of sales and co-owner of Genesis, believes that these specialty retailers have a need for current Windows-based POS (point of sale) systems, up-to-date scanning functionality, as well as the added benefits of an in-store network. An installation at Sullivan's Foods provides a clear example of the benefits Selkirk promotes to his prospects.

Sullivan's problems included a legacy bar code scanning system, which could not read bar codes on imported food items. In addition, Sullivan's was growing and wanted a method to view and manage its sales information.

Genesis worked closely with value-added distributor (VAD) BlueStar to provide a complete POS upgrade to Sullivan's. The integrator installed custom-built PCs, Epson receipt printers, APG cash drawers, GVISION touch screens, PSC Magellan 8500 scanner/scales, and VeriFone payment terminals, all sourced through BlueStar. Sullivan's receiving department was tied into the retailer's back office with PSC Falcon Windows-based mobile computers.

Auto-Star Star-Plus software was used to drive the POS touch screens, manage inventory and promotions, and generate financial reports. Because Genesis didn't have extensive experience with the Auto-Star software, the integrator relied on the installation and training services BlueStar provides.

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analyze sales data. Selkirk also notes that Windows-based systems are easier than ECRs to troubleshoot, as VARs can connect through the Internet and provide immediate remote support. Additionally, advances in scanning systems, such as a 360-degree scan radius and higher scan accuracy, make the checkout process quicker.

Selkirk also points out that many smaller stores don't have in-store networks and therefore are most likely lacking visibility of their entire organization. Here is an opportunity for VARs to offer solutions that connect back office functions with the POS. With an in-store network in place, Selkirk says VARs can take advantage of what he calls the "onion effect," or looking at the different processes in the store as layers, figuring out how systems and departments can interact, and then building and selling solutions that help the entire organization. Selkirk did this when he studied a single aspect of food retail — how the perishable (i.e. deli, bakery) departments use weight scales.

Sell Your Grocery POS Solutions On Added Efficiencies

Most of the grocery stores Genesis targets have at least two scales per perishable department. Traditional thinking is that a deli's scale is simply used to weigh something — a true but shortsighted observation, since the prices stored inside the scales can greatly affect revenue. Just as a clothing retailer can lose money due to pricing errors on pairs of dungarees, food retailers can lose money if incorrect perishable prices are set at the scales. According to Selkirk, scale pricing errors are very common, and therein lies an opportunity. While older weight scales were sold and installed by the manufacturer, installation and configuration of today's network-ready scales can require the technical knowledge of a VAR. Once networked, weight communication software can be used to reduce pricing error problems by sharing costing information across networked scales at a single- and even multiple-store level.

Despite the existence of weight scale communications software packages, Genesis developed its own software, called Gware. Selkirk explains that Genesis designed its own software because existing packages were priced for medium to large grocery chains and out of reach for single stores. Additionally, Genesis created a recipe-costing component for Gware, which can be used to take the ingredients that go into a 'many-to-one' item (e.g. a sandwich) and generate an accurate price based on the actual costs of the ingredients. Without this ability, delis commonly charge a static fee for such items, regardless of changes in ingredient prices.

"In this market, the cost savings are most important, followed closely by projected life expectancy of hardware and whether or not the product is labor saving," explains Selkirk. For this reason, he makes sure his sales pitches include a payback based on the percentage of added profit or reduced loss. Genesis has one client experience that drives home this point. "We worked with a grocery chain to download the deli scale database files from 10 of its stores at the end of a week," says Selkirk. "We studied the sales data for the seven days prior and noted the pricing differences, due to human error, across the scales' databases at each location. With the help of the company CFO, we calculated revenue lost due to the scales not having equal pricing. The chain suffered a 3% loss of revenue that week by not having the same price in every scale, which meant that the company could be losing \$78,000 a year! Proof like that makes selling a networked scale solution a lot easier."

Additionally, Selkirk points out that oftentimes retailers simply are missing opportunities to increase sales. "Industry research shows that the average redemption rate of the coupons you sometimes receive with your receipt on the parking lot side of the POS is 3%," says Selkirk. "However, the redemption of coupons received prior to the POS approaches 30%." To take advantage of this, Genesis worked with Star Micronics to create a printer solution at the deli counter that replaces the old 'Please take a number' ticket dispensers. The Genesis printer solution, which the company calls You're Next In Line, prints a coupon along with a queue number. Selkirk uses the industry redemption rate statistics to sell food retailers on the idea of a ticket printer that can generate additional sales.

Finally, in some cases, it's not human error or missed opportunities that are losing the store money, but rather undercharging by not reacting to the market. Selkirk's experience has shown that bakeries traditionally are underchargers. "Bakery owners will tell you that their prices change only once a quarter when the price of flour is set on the commodities market," says Selkirk. "However, if you can sit down and study their recipes with them, you can show them where the losses can occur." With bakery owners, Selkirk has studied the changing costs of eggs, milk, yeast, and butter over a three-month period, entered this information into the Genesis Gware program, and recalculated recipes to show what can happen. Selkirk says the owners are shocked when they see how great an

In fact, Selkirk credits a large part of Genesis' success (the company expects 50% sales revenue growth this year) to his relationship with BlueStar and his participation in the VAD's FUSION program. "In the FUSION program, our company has the ability to put together booklets and other promotional materials to use as marketing collateral with BlueStar's direct mailer service," says Selkirk. "Also, with each project our sales representative at BlueStar ensures that all of the components we purchase will work together. For instance, before I went to Sullivan's Foods with a quote, BlueStar made sure I had included data cables, power supplies, and anything else I may have overlooked."

The installation at Sullivan's supports Selkirk's contention that single stores have much to gain from a technology upgrade. The new scanners can read all of the current bar code symbologies and are more aggressive and accurate, meaning cashiers can scan faster with the knowledge that the correct products are being registered. Of greater importance to Sullivan's is its new Windows-based POS system, allowing the store owner to create custom reports of inventory and revenue to monitor the financial status of the store.

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effect just a 20-cent increase in butter can have on long-term costs. In one case, a bakery saw a 2% gross profit increase, equating to a \$10,400 yearly increase in profit.

In a market where the average sales cycle is between six months and one year, being able to show detailed payback metrics can help to quell objections and move the sales process forward. "Food retail is one market where you can quickly hemorrhage a tremendous amount of money if you're not on top of the costing," says Selkirk. "However, when you know you can save a client money, you have to be careful not to offend them. You can't say, 'Hey, what's wrong with you? You're leaving 2% of gross profit on the table.'" Instead, Selkirk couches his cost savings in the phrasing of "here's how we can help you be more efficient."

All great information, but you're probably wondering how to get in front of a store owner to make your pitch. Selkirk and his staff rely on old-fashioned networking and relationship building. "A VAR needs to make as many relationships as it can with other noncompeting equipment sellers in this market," says Selkirk. "In fact, you have your head in the sand if you don't walk around a store and look at the brand names of every piece of equipment." To Selkirk, those equipment manufacturers are potential partners. He has numerous stories about times he has been installing a POS system and overheard the owner talking about needing to buy a new piece of deli equipment. It's been his practice to pass those leads on to the sales reps of manufacturers he's building or maintaining relationships with. However, Selkirk warns that, at the beginning, you might be received with some skepticism. "You need to be the one who passes the first two or three leads through without any response," says Selkirk. "If you're the one who takes the initiative and passes leads, the quicker they will say, 'I should work with this company, because if I don't start passing him leads, he's going to stop passing me leads.' Be the one extending your hand first." After 11 years of building this sort of relationship, Selkirk is confident that when, for instance, someone walks into a store to sell a slicer, they're going to think, "How can I get Genesis involved?"

Perhaps now it's time for you to get involved. Genesis projects 30% to 50% revenue growth in 2007 by offering food retail solutions — hardware and software — to just a handful of its 50,000 targeted stores. Take Selkirk's advice to heart. The next time you're walking through a grocery store, look at all the equipment and think, "What can I do to increase this owner's sales or reduce loss?" If you can figure that out, you're on your way to double-digit growth.

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