

## The Self-Service Imperative

**Bi-Lo wins over customers with self-checkout upgrade that avoids rip and replace**

By Dave Kelley  
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WITH ITS EYE ON THE IMMEDIATE FUTURE, Bi-Lo knew a self-checkout system upgrade was necessary to keep the company on the cutting edge of customer service. "We needed to address the way coupons, gift cards and phone cards were being handled," says Steve Methvin, director of store systems for Bi-Lo LLC. The technology also had to be flexible enough to work seamlessly throughout the company's banners. "We needed the ability to use multiple formats to move from Bi-Lo to Bruno's/Food World to Super Bi-Lo."

Founded in 1961 by Frank Outlaw, Bi-Lo operates approximately 450 stores in the southeast U.S., under the names Bi-Lo, Super Bi-Lo, Foodworld, and Bruno's. The company reported sales of \$3.92 billion in 2003. Upgrading its checkout systems presented a number of unique challenges for Bi-Lo. "When you start ripping out self-scans that customers have learned to love over the years and replace them with another unit the customer gets nervous," Methvin explains. When customers are nervous, retailers get nervous, too.

To ease the tension, Bi-Lo searched for a solution that would recapture and extend its existing hardware investment by creating and deploying self-scan software that would operate on any hardware platform. The successful solution was created in partnership with ECR Software (ECRS). With the implementation of this system, Bi-Lo found itself on the cutting edge, becoming the first major retailer in the U.S. to install a third-party application onto an existing self-checkout environment.

### Bi-Lo by the Numbers

- \* Sales in 2003 = \$3.92 billion
- \* Amount that Lone Star Funds paid for Bi-Lo in April 2004 = \$660 million
- \* Associates employed = 34,500
- \* Total number of retail facilities operated = 450
- \* Number of stores with self-scan = 150
- \* Number of self-scan terminals in place = 600
- \* Years in business = 44

"We wanted a self-scan platform," explains Methvin, "that could be used on our different platforms: Bi-Lo, Super Bi-Lo or Bruno's. We already had more than 150 units sitting on different pods." The pilot, in which the Windows-based software is running on Fujitsu U-Scan hardware, began in 2004 at a single Bi-Lo store, before expanding to include a Super Bi-Lo in spring 2005 and a Bruno's in June 2005. The plan is to have the new software in operation in 14 stores by the end of summer 2005 and then systematically add more.

### Unexpected obstacles

As challenging as the solution overhaul was for Bi-Lo, the situation became even more difficult when two larger business issues came into play. First, Bi-Lo's original hardware/software provider (Optimal Robotics) was in the process of being sold, leading to internal problems. Second, and more importantly, Bi-Lo itself was on the auction block.

As a result, few vendors were anxious to get involved with an upgrade. "They didn't know if we'd be purchased by



a competitor that already had a self-scan system in place,” explains Methvin. If that were the case, the vendor’s product might never be used. But ECRS elected to “take a chance” on the Bi-Lo project, “even though there were no guarantees that the work they put in would get us to where we are today,” he says. A fierce proponent of self-service, Bi-Lo is counting on a successful pilot phase of the project. “It’s absolutely vital,” insists Methvin. “Without self-scan, you automatically close yourself off from 20 percent of the population. Self-scan is becoming the way consumers want to check out.” But as the buyout moved forward, pilot plans were temporarily put on hold. Although Bi-Lo did complete a relatively successful initial pilot, a second pilot was postponed until the new Bi-Lo store where the pilot was planned held its grand opening in March 2005. In addition, the pilot for the Bruno’s stores had to wait until the purchase of Bi-Lo was complete (Lone Star Funds purchased Bi-Lo and Bruno’s from Royal Ahold NV for \$660 million in April 2004) and the ultimate organizational plans had been finalized.

“As soon as we knew what the future was for the Bruno’s stores,” Methvin says, “we pulled out our timeline and nailed our pilot date. Now that we’re on the ground in Bruno’s, we’ll complete the rollout to the rest of the stores in this initial introduction by early summer.” “If it hadn’t been for the sale (of the company),” adds Carol deWitt, Bi-Lo CIO, “the self-scan rollout would have gone more smoothly. It was just a matter of difficult timing.”

“It’s been a really interesting year,” adds Methvin, “because we went from being a part of a global grocery company to being a regional supermarket.

### Customers applaud self-scan

Even with all the delays and complications, the self-scan rollout showed positive results, both in stores that already had an initial version of self-scan and other stores that were experiencing self-scan for the first time.

The new software boosted customer satisfaction even further. “Because some modifications included new customer service techniques, we saw an increase in customer satisfaction, even in the stores that already had self-scan,” according to Methvin.

Bi-Lo’s research already had shown that stores offering self-scan consistently scored higher on customer service assessments than stores without self-scan. “Because the customers check themselves out they always rate Bi-Lo very high because they are (in effect) rating themselves,” Methvin explains. “As soon as we add this service to a store, we consistently see customer service ratings increase.”

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Methvin ascribes much of the rollout’s success to the software’s ability to work on existing hardware that customers are already familiar with. “We had to be very careful to choose software we could integrate into our current self-scan experience, with

differences but without drastic change,” he notes. Training customers to use new equipment can be much more difficult than training the staff, adds Methvin. “You can bring in your staff for a four-hour training session but you can’t ask your customers to do the same,” he explains. “Their training is on-the-job, and if they decide they don’t like the new technology, they might not come back to the store.”

### Other Bi-Lo upgrades

While the self-scan systems are rolling out, other business processes are being reformatted at Bi-Lo. For instance, Bi-Lo is standardizing its POS system to IBM 4690. That rollout began in May 2005, and will involve 155 Bi-Lo stores at the rate of 30 stores per week. “We go into every store,” explains deWitt, “and replace its info processor and its controller for POS and scales.” Agilysis is a key reseller partner in the POS project, while ECRS is providing critical support for the self-scan rollout, with Asset Enterprises.

As the POS rollout continues, the company is integrating a kiosk deployment in partnership with Agilysis and St. Clair to help customers with product information and directed selling. In addition, “We’re migrating from a central data center to our own data center,” says deWitt. And distribution and transportation systems are now being

outsourced to CNS.

### **A long-time innovator**

The self-scan upgrade was not the first time Bi-Lo has led the industry in technology innovations. Over the years, Bi-Lo has been on the leading edge of technological adoption. In 1995, Bi-Lo became the first in the southeast U.S. to introduce a customer loyalty card, the novelty of which not only drove customers through the door, but led to astronomical usage rates. “Customers were standing in line to get one,” Methvin recalls. The loyalty card has proven to be a long-term success. Ten years later, according to deWitt, the percentage of Bi-Lo shoppers using the loyalty card is “the highest in the southeast.”

On the heels of the loyalty card success, Bi-Lo again positioned itself on the technological cutting edge by deploying the southeast’s first self-scan checkout systems in 1999.

Methvin and deWitt agree that Bi-Lo’s past and current initiatives — the self-scan innovations, the company buyout, the POS standardization and kiosk solutions — each qualify as major projects on their own, but they believe the sweeping effort will be worthwhile for the return in customer satisfaction. “Our biggest driver is customer service,” Methvin comments. “That’s our biggest win.”