

THE CUSTOMER

A leading North American grocer with hundreds of large format stores. They prefer to remain anonymous.

THE CHALLENGE

Faced with rising labor costs, a lack of available staff, and supply chain shortages, the grocer turned to Focal to help automate and optimize their stores.

THE PROCESS

Focal led the retailer through an in-depth analysis of current store processes to determine where there were opportunities to leverage technology and drive economic impact. Focal and the retailer interviewed store managers and their teams, as well as, observed how the stores functioned today.

THE SOLUTION

Following Focal's proof of economics framework the retailer established the following baseline:

Task	Detail	Avg. hourly rate for this task today	Hours spent per day on this task today	Monthly spend on this task (per store)	Opportunity	Annual economic benefit (100 stores)
Manual OOS scan	Focal automates this completely	\$20	4	\$2,440	100% automation	\$2.9m
Manual POG integrity audit	Focal automates this completely	\$20	1	\$610	100% automation	\$732k
Day crew replenishment	Focal Stocker management suite and gamification increase pick rate	\$20	68	\$41,480	50% increased efficiency	\$24.9m
Night crew replenishment	Focal Stocker management suite and gamification increase pick rate	\$20	32	\$19,520	5% increased efficiency	\$1.2m

E-comm fulfillment	Focal eliminates out of stocks from being attempted	\$20	50	\$30,500	10% wasted labor	\$3.7m
PI Adjustment	Automatic PI adjustment based on Focal out data	\$20	8	\$4,880	100% automation	\$5.9m
Rebinning / Three touch replens	Focal filters what gets ordered, reduction in rebinning, increase in truck to shelf	\$20	4	\$2,440	50% increased efficiency	\$1.4m

Figure 1: Focal's proof of economics framework for determining the economic benefit of FocalOS

The retailer then deployed FocalOS to 100 stores in a phased approach that allowed them to build a foundation and adopt change in a manageable, structured way beginning with using Focal Action Tool for prioritized replenishment. Focal shelf cameras digitize the entire store (sales floor and back room) every hour and feed data into FocalOS which is the engine that powers the Self Driving Store.

Focal installed each store in 1-2 nights and completed all 100 stores in less than 30 days. Each store was live with FocalOS 1 day after installation, and given the intuitive nature of Action Tool, store associates were trained and actively using the system that week.

After one full quarter after install, the retailer compared the 100 stores top line performance compared to the other stores in the chain. By using FocalOS and stocking with more real-time and accurate data, the retailer measured a gross profit lift of \$63m per year across the 100 stores compared to 100 sister stores. Additionally, this was achieved while eliminating tasks in the store, such as the daily OOS scan, manual cycle counting, and searching for ghost inventory, so a reduction in total labor hours.

Store managers and associates in Focal stores reported higher Net Promoter Scores (NPS) due to eliminating mundane, redundant manual tasks like out of stock scans, and freeing them up to perform higher value tasks to serve their customers. Several store associates from Focal pilot stores even **declined transfers** to stores closer to home when they found out those stores didn't yet have Focal. One stocker was quoted saying:

"Now that I have seen the future, I don't want to go back in the past, so I don't want to transfer to a non-Focal store"

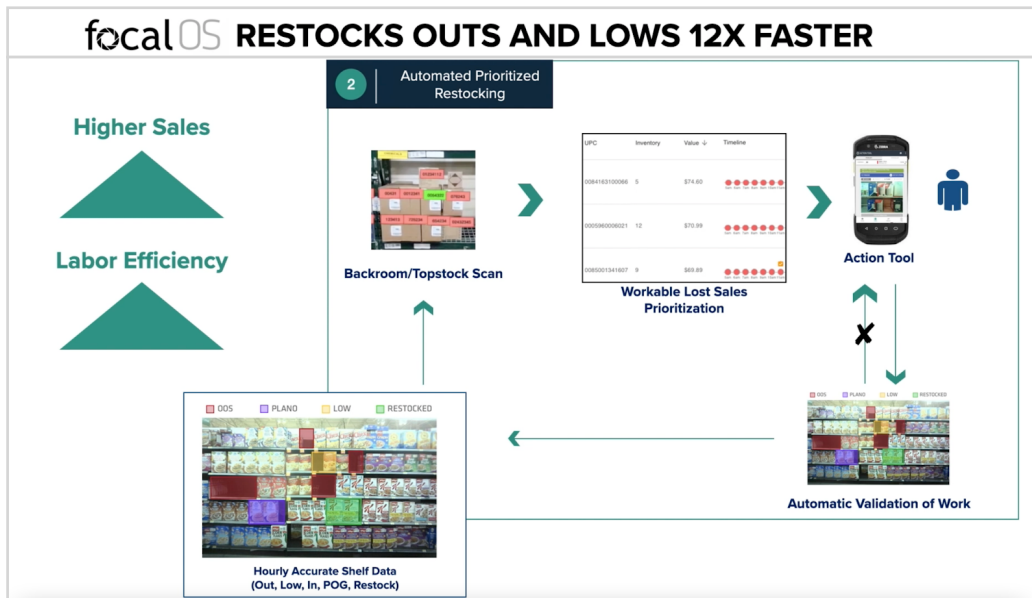


Figure 2: Using FocalOS for prioritized replenishment delivered \$63m per year in increased gross profit across the 100 stores

Additionally, through time-motion studies comparing Focal stores to non-Focal sister stores, the retailer showed that Focal stores were 12x faster in restocking outs and lows when accounting for the time to locate product, fill the shelf and re-bin any incorrect product.

As a result of this increase in productivity, the store also saw a 4% increase in on-shelf availability (OSA) which leads to more satisfied customers.

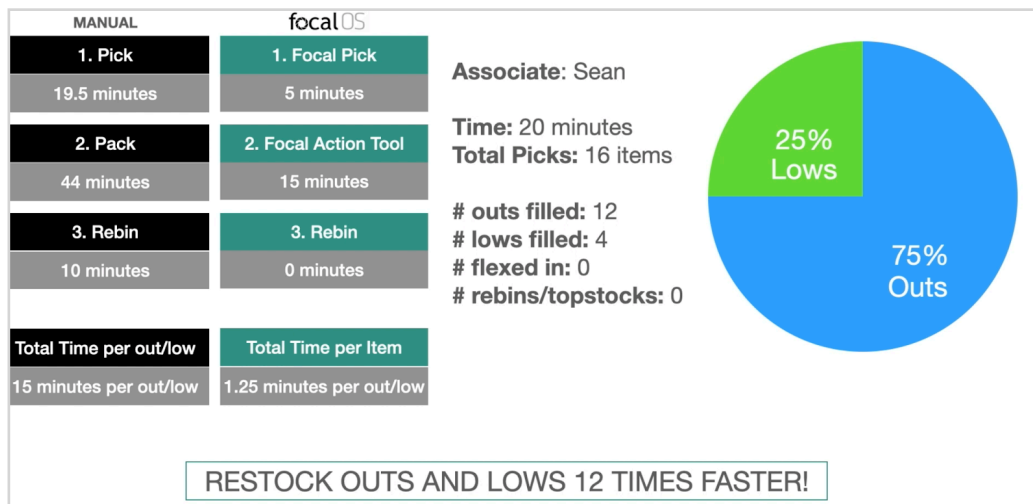


Figure 3: Using FocalOS for prioritized replenishment proved to be 12x faster for restocking outs and lows than their current process

Then in Q2, they applied Focal's Adaptive Planogramming (AdaPog) to automate merchandising decisions in the stores. By using AdaPog to adapt shelf allocation on a per store basis to known supply issues and chronic outs, the retailer measured an additional \$14m in gross profit as

SKUs with known supply issues and slow movement, were quickly replaced, and it reduced labor by saving time on resets and restocking of the items that chronically went out of stock.

Through the use of FocalOS, the retailer's merchants were able to teleport into any of the 100 stores at any given time to observe how new SKUs or promotions were performing.

For the very first time they had the ability to execute per store planograms that were easier to execute and manage than the national averages they used in their old system.

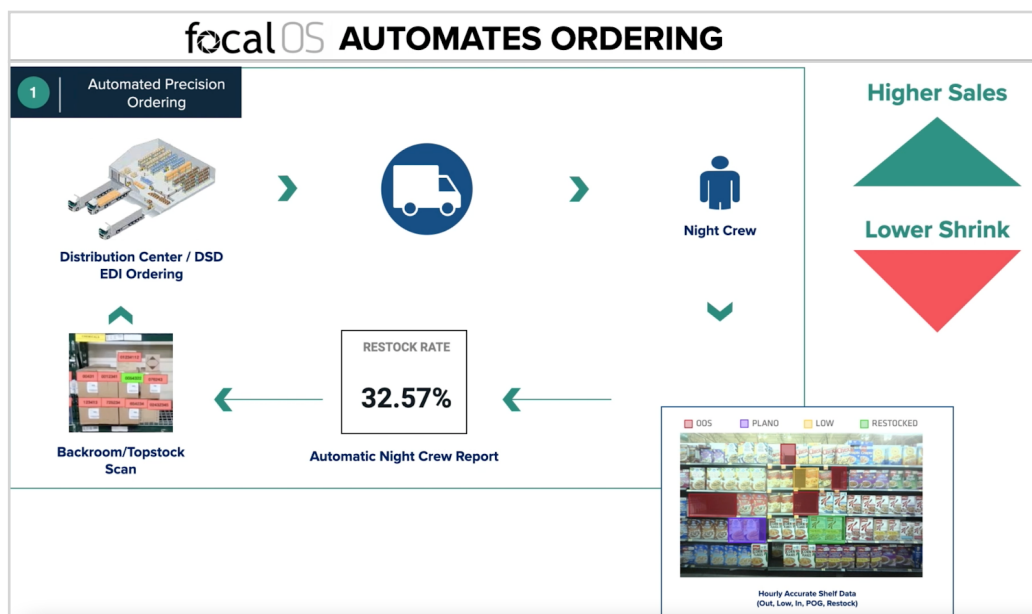


Figure 4: Focal adaptive planogramming (AdaPog) delivered an additional \$14m in gross profit across the 100 stores

In Q3, they rolled out Focal Generated Ordering (FGO), using Focal's shelf data to update their current Perpetual Inventory system hourly. This led to another \$10m in incremental gross profit as Focal ordered more accurately and quickly, also reducing labor spent on IMS maintenance and rebinning excess inventory.

By digitizing the back room of their stores, the retailer also saw a reduction in on-hand inventory that delivered over \$2m in shrink reduction.

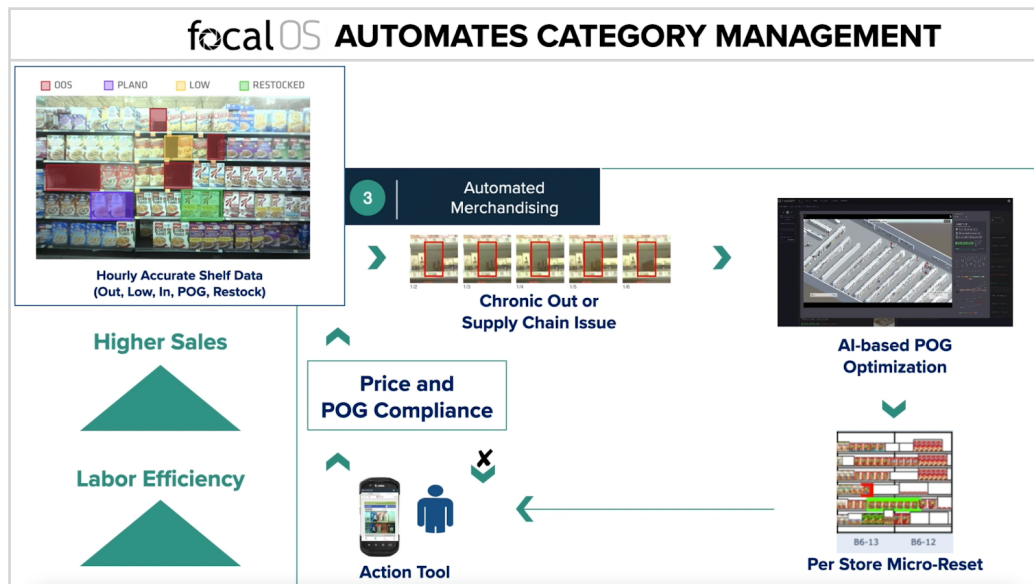


Figure 5: Focal Generated Ordering (FGO) led to \$10m in incremental gross profit while also reducing labor spent updating IMS

Finally, they used Focal to update their e-comm platform automatically the second the cameras detected an out or an in, which reduced substitutions and increased e-comm picker productivity.

They also began selling Focal images and out of stock data to CPGs, bringing in an additional \$5m a year.

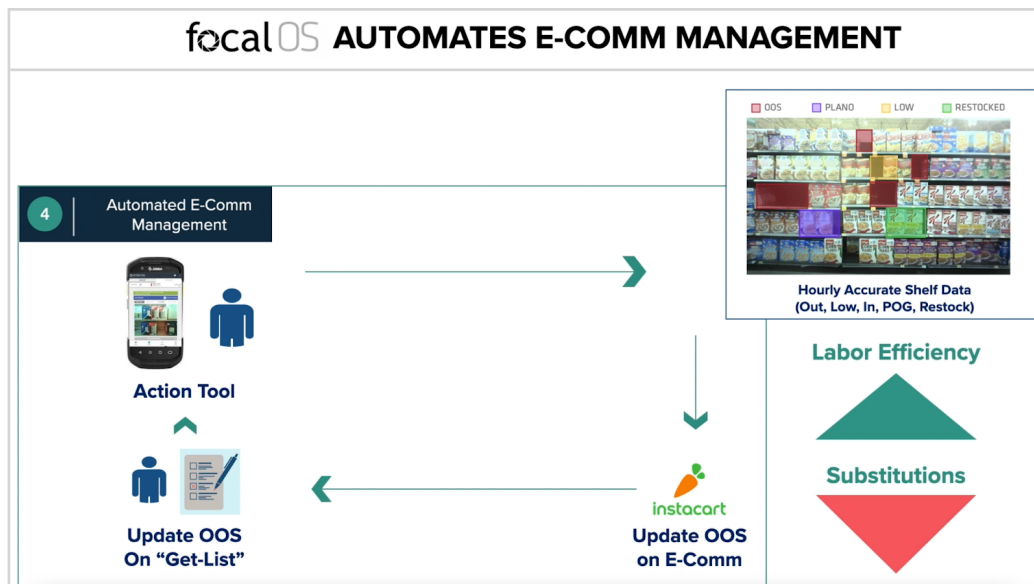


Figure 6: Using FocalOS to update their e-comm platform eliminated substitutions and labor spent searching for product that wasn't available in the store

Overall, the retailer proved FocalOS delivers a 50x ROI or a \$140m annual economic benefit to the 100 stores. As a result of that, they are in the midst of deploying the rest of their stores as we speak!

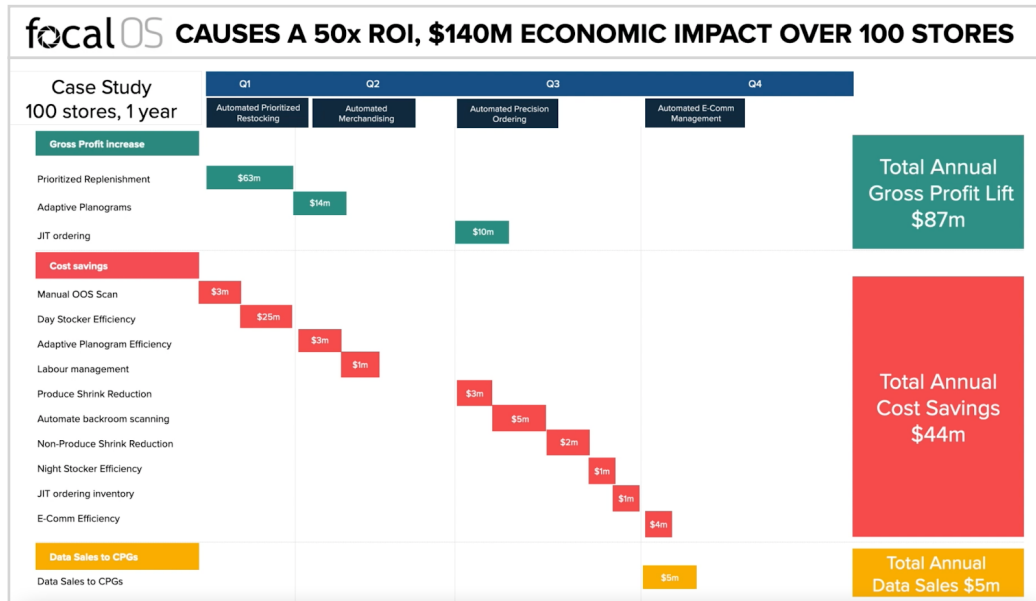


Figure 7: All in FocalOS delivered a 50x ROI with \$140m in annual economic benefit