

SCANNER CAPABILITY ASSESSMENT OF THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)-AUTHORIZED SMALL RETAILERS (SUMMARY)

Background

The U.S. Department of Agriculture’s (USDA) Supplemental Nutrition Assistance Program (SNAP) is the Federal nutrition assistance program supporting low-income households’ ability to purchase food through electronic benefits transfer (EBT) cards. Participants pay for eligible food items by swiping their EBT card at point-of-sale (POS) devices in over 250,000 authorized retailers. More than half of these retailers are small, independent stores.

The Agricultural Act of 2014 (2014 Farm Bill) requires all SNAP-authorized retailers to use scanning technologies that are able to distinguish between SNAP-eligible items and ineligible items when redeeming SNAP benefits. The law permits exceptions for retailers located in a geographic region that has severe food access limitations.

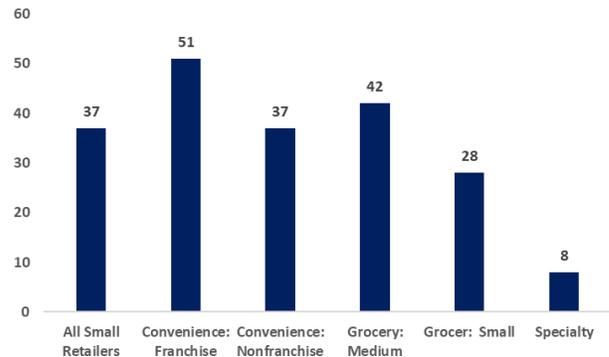
POS systems need specific hardware and software to identify SNAP-eligible products. While large retailers and retail chains generally use integrated electronic cash registers with scanners to determine product eligibility, process transactions, and manage inventory, a high proportion of small retailers do not have such systems in place.

This study provides current information on adoption of scanning technology among small SNAP-authorized retailers to assess readiness for meeting the Farm Bill requirement, barriers and benefits to adopting scanning technologies, and costs for nonadopting retailers to comply with this requirement.

Findings

Most small SNAP-authorized retailers do not have the equipment needed to comply with the Farm Bill requirement. Nearly two-thirds (63 percent) do not have the equipment required to identify SNAP-eligible items. Forty-two percent do not have any scanning system, and 21 percent have a system that cannot identify SNAP-eligible products.

Percentage of Small SNAP-Authorized Retailers* Meeting the Farm Bill Requirement, by Store Type



SNAP = Supplemental Nutrition Assistance Program

* Note: Excludes supermarkets and superstores.

Adoption of scanning technology varies by store characteristic. Adoption is highest among franchise convenience stores (51 percent) and lowest among specialty stores, such as bakeries, fruit and vegetable markets, and seafood markets (8 percent). Stores with higher monthly sales, stores stocking a larger variety of food products, and stores with multiple locations are more likely to be ready to comply with the Farm Bill requirement. Conversely, stores carrying a variety of random-weight products (such as cheese or produce sold by the pound without a barcode) are less likely to be adopters. Because of the nature of their inventory, these stores have less to gain in efficiency from using a scanning system with a SNAP flag.

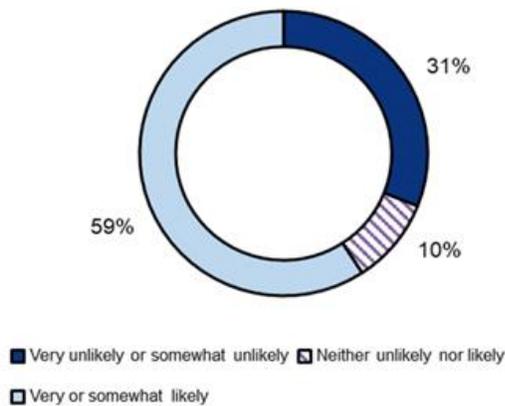
Cost was identified as the most important barrier among nonadopters. Adopting scanning systems requires an investment in capital equipment, training, and ongoing maintenance of an inventory database. Because POS systems over 10 years old generally do not have the capability to identify SNAP-eligible products, retailers with older systems would need to purchase a new system to comply with the law.

Some stores identified low SNAP sales volume as a factor that made purchasing scanning systems less worthwhile. Other barriers included a lack of staff

who could assist with system failures and troubleshooting, staff time to maintain the product database, and lacking upfront time to evaluate which type of system to purchase.

Over half of nonadopting stores reported they would adopt scanning systems to remain SNAP-authorized. About 59 percent of stores reported that they would be very or somewhat likely to purchase new equipment to comply with the Farm Bill requirement.

Retailers' Likelihood To Adopt a Scanning System



Adopters believe that scanning systems are a worthwhile investment. Interviewed adopters cited cost savings, access to inventory tracking and sales data, improved transaction accuracy, and better customer service as benefits of such an investment. Cost savings reflect reduced labor costs, reduced food waste, and a reduction in errors, fraud, and theft, among other causes. Nearly all adopters indicated that the installation process was easy.

Meeting the Farm Bill requirement would be costly for retailers. The initial average cost to purchase and install a scanning system ranged from about \$7,000 to \$10,500, depending on the store type. If all nonadopters were to install a scanning system, the total cost for the current group of authorized retailers is estimated at \$808 million. If only stores that indicated they are likely to purchase a scanning system in order to remain SNAP-authorized adopted scanning technology, the cost would be lower, about \$460 million.

Methodology

The study included three data collection methods:

- **Telephone interviews with nine vendors of scanning equipment and POS technologies**, which provided information on POS scanning technologies available to small retailers and the costs of installing and operating these technologies.
- **A nationally representative survey of 1,040 small SNAP-authorized retailers**, which provided a reliable national estimate of the extent to which scanning systems are used by small SNAP-authorized retailers. The small retailers were divided into five groups – franchise convenience, nonfranchise convenience, medium grocery, small grocery, and specialty stores.
- **Follow-up in-person or telephone interviews with 50 survey respondents**, 25 adopters and 25 nonadopters, to collect information on the cost to purchase and install scanning systems and perceived barriers and benefits to adopting scanning systems.

The study included a cost analysis, which used data from the vendor interviews, the retailer survey, and the follow-up interviews with adopters, as well as secondary data on labor rates and interest rates, to estimate the potential costs of adopting scanning technology.

For More Information

Cates, Sheryl, et al. (2019). *Scanner Capability Assessment of SNAP-Authorized Small Retailers*. Prepared by RTI International for the USDA Food and Nutrition Service, August 2019 (available online at [the FNS Research website](#)).

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