RetailNext

THE ART OF THE POSSIBLE

AN IN-STORE ANALYTICS GUIDE FOR STORE OPERATIONS

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An In-Store Analytics Guide for Store Operations

The store is where the "rubber meets the road" for every brick-and-mortar retailer.

Go-to-market strategies have been formulated at the board, through the C-suite, and down to the store's front door.

Marketing, Merchandising, and every other corporate function has delivered input into the plan, and executed where they can.

It all comes together at the store!

The store is the first chance to greet and serve shoppers. It's the first chance to see if strategies are working, and it's the first chance to receive direct feedback from customers.

It's also the first chance to better align store operations to shopper experiences and reactions. The role of the physical store is changing and there is a newfound emphasis on customer experience. Reinvention is an imperative and also an opportunity, and in-store retail analytics provides the data and shopper insights to fuel the engine of change.

CONTENTS

Introduction

The primary goals of Store Operations have always been to boost sales and overall store and staff performance, and are often centered on a balanced scorecard of the following:

- Same store comp sales
- Conversion
- Average Transaction Value (ATV)
- Units per Transaction (UPT)
- Sales per Square Foot

Additionally, Store Operations is often measured on customer satisfaction and secret shopper metrics, and "bottom line" metrics that take into consideration payroll expenses and shrinkage.

So, lots of metrics to manage toward, but very little information as to the "why's," a critical component to best figure out the "how" to improve.

Into this gap leaps in-store retail analytics.

Retail analytics empowers Store Operations professionals to:

- Easily monitor store data and trends — for every location
- Enable real-time, data-driven decisions
- Align staffing schedules to traffic for improved service and conversion
- Monitor and act on localized shopper behavior, improving the shopper experience

No online eCommerce site would dare conduct business without Google Analytics and other measures of shopper activities and behaviors, and no brick-and-mortar store should be expected to either — without in-store retail analytics, physical retailers just couldn't compete.

Traffic Counting & Conversion

How would understanding the complete path shoppers follow through the store influence the in-store changes your Store Operations team would make?

Aside from sales, traffic counting/people counting is the oldest and longest running metric in the retail industry.

Traffic used to be counted by hand, with "clickers," or even pencil hash marks on paper. Technologies like simple light beam counters later systemized it and now video analytics are commonplace.

Through it all though, traffic was not only relatively inaccurate, but limited to describing "how many."

That was it; that was all.

Traffic 2.0, on the other hand, provides incredibly accurate insights into traffic counts (excluding employees) and also so much more than just "how many." Now, retailers can know:
- Percentage of passersby that enter the store
- Shopper gender and age demographics
- Ratio of new and returning customers
- Frequency of visits of repeat customers
- Duration of shopping visits
- Geo-origin of shoppers
- Cross-store spending of shoppers

Understanding who your shoppers are, where they come from, and how they tend to shop empowers Store Operations to better serve at the "first moment of truth," when shoppers actually enter the store, and to provide the shopping experiences today's customers prefer … and demand.

Traditionally, brick-and-mortar stores knew activity at the front door and at POS, and everything else was a black hole devoid of any real data other than subjective, anecdotal evidence.

And, that was just for shoppers who converted! For those who browsed and left without purchasing, nothing was really known — given a conversion rate of 25 percent, that means virtually nothing was known about 75 percent of shoppers who visited.

Understanding where shoppers visited within the store, in what order, and where they stopped to engage with product, displays and/or sales associates are all data points that allow management to:

- Understand the store's unique traffic patterns over time, with an ability to differentiate between shoppers and sales associates
- Determine optimal sales associate/shopper interaction — where, when and for how long
- Identify high- and low-activity areas, and optimize product placement and staff to maximize the value of selling floor space
- Easily test and tweak new floor plans and fixtures prior to a more permanent or more widespread rollout
- Optimize lighting, music, digital signage and other in-store environmental assets based on their impact on traffic, conversion, visit duration, and ultimately sales.

Simply comparing paths of those who converted with those who didn't often delivers eye-opening insights on everything from associate/shopper interactions to placement of promotional merchandise.

Lastly, related to traffic and conversion, in-store retail analytics enable Store Operations and other functions to quantify the impact of showrooming in the store, providing insights into how mobile devices are used, what sites are browsed, and what, if anything, is placed in shopping carts. With that information, stores uncover low-hanging opportunities in staff training, signage and pricing.

Staffing Optimization

How do you measure the productivity of store staff, and how would better aligning staffing to traffic peaks impact both staff productivity and store performance?

There's an age-old truism in retailing: As traffic goes up, conversion goes down.

It's lost opportunity for stores, and once lost, it's often lost forever.

In-store retail analytics provide accurate traffic count reporting down to any time level desired by management. Armed with accurate traffic counts over time, managers then allocate staff accordingly, and the results can be staggering — RetailNext has found that retailers experience a 6-8 percent growth in sales the first year of deployment, with another 4 percent growth in sales the second year.

Staffing optimization also works by department too. An easy look at metrics can determine if a resource-heavy departments like shoes is dragging down overall performance in other department, and with it, the overall store.

Staffing optimization is not only about re-allocating shifts to align with traffic patterns. In-store analytics provides the insights to make a fact-based decision on when and where to decrease or — in many cases - add labor hours into a store to improve service levels and maximize conversion, sales, and profit.
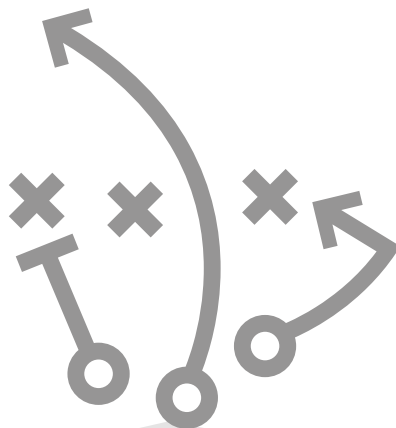
Sales Associate/Shopper Interactions

How would insights into how, where, and for how long your staff interacts with shoppers in-store help your stores achieve their goals?

Staff exclusion is important for accurate traffic counting but to exclude employees one must be able to first identify employees. And, when that is possible, so many more possibilities are opened. Management can study employee paths throughout a store, monitor areas where employees "dwell" versus where shoppers do and, most importantly, measure and optimize interactions between associates and shoppers.

Interaction analysis focuses on when, where, how long and how often associates interact with shoppers, and, at scale, it provides valuable insights into the differences between shoppers who convert and those who don't.

How could Store Operations benefit by understanding which interactions result in ringing a sale and which don't?

Real-Time Alerts

The store is the front line, where action needs to lead to results.

But, so many retail analytics data are lagging metrics.

What Store Operations needs to maximize effectiveness are real-time alerts from the data being acquired.

Real-time alerts allow management to stay on top of store-traffic related events with notifications through in-store communications systems or email, enabling proactive service around peak demand and unusually high traffic, such as:

- Opening another POS terminal if queues are long
- Straightening out fitting rooms after shopper use
- Re-allocating staff to busier departments

Real-time alerts can also trigger marketing activities, like proximity marketing campaigns to drive traffic on slow days, take advantage of inventory opportunities, or cash in on localized opportunities — after all, who doesn't need an umbrella on a rainy day?

Queue Analytics

The check out queue represents the final few feet of the pre-purchase shopping journey, yet is frequently over-looked by many retailers – despite the fact it is rife with both opportunity and threat.

The opportunity lies in impulse buys and other upsell opportunities.

The threat lies in cart abandonment.

Imagine - all that work in creating and delivering the right shopping experience only to lose the sale at the last possible moment!

Queue analytics allows for an understanding of queuing behavior in stores, leading to reduced bottlenecks and the best possible checkout experience, with the final result being maximum conversion and customer satisfaction.

Queue length, queue wait time and service time are all important KPI metrics, and each can lead to improvements in store design, staffing and staff trainings.

At RetailNext, we're passionate about retailing and how to empower retailers to become better retailers, growing comp store sales and improving bottom-line profits.

Do you have a point of view to share, or questions about retail analytics and how it's used to better Loss Prevention practices and other retailing functions?

Please join the #retail conversation on Twitter @RetailNext and at www.facebook.com/retailnext, and visit the RetailNext site at retailnext.net.