



The Conversion Advantage

Actionable Insights for Retail with Visual Customer Intelligence

By James Tenser, VSN Strategies | 

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Abstract

Traditional traffic counting systems no longer meet analytic and operational needs of the brick-and-mortar retail industry. Retailers are facing increased competition from online stores and from each other. In much the same way that e-tailers use online analytics to improve their conversion rates, retailers need empirical data to gain actionable insights and make better merchandising decisions.

Actionable insights begin with capturing key metrics about shopper behavior: by store, by category, and by product. Visual Customer Intelligence (VCI) systems deliver these key metrics by capturing data on customer movement, browsing behavior, engagement, and shopper demographics. These metrics help retailers increase conversion rates, optimize staffing levels, refine marketing plans, and create winning strategies.

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Introduction

Traditional traffic-counting systems no longer meet analytic and operational needs of the brick-and-mortar retail industry. Retailers are facing competition from online stores and from each other, as convenience stores, big box stores, and even apparel stores and supermarkets diversify their merchandise to compete for a larger share of the shopper's budget.

Online analytics have helped e-tailers increase conversion, increase shopping cart size, improve their websites, validate marketing plans, and analyze business strategy. Retailers need to go beyond just counting people at store entrances to acquire shopper insights similar to those that online stores obtain through analytics; they need systems that measure shopper traffic throughout the store.

Visual Customer Intelligence (VCI) solutions can deliver this much-needed functionality. VCI systems have outpaced traditional counting systems, combining video monitoring with analytics software to capture detailed, empirical information about in-store shopper behavior.

While the notion of measuring store traffic has been around for some time, the ability to track customer behavior in the store is just coming to the market. According to the 22nd Annual Retail Technology Study from RIS News and Gartner Group (2012), only 28% of retail companies have installed, or are in the process of installing, shopper tracking capabilities, while 20% intend to upgrade or install systems over the next 12 months.

With access to more detailed, relevant in-store sensing, retailers can understand traffic patterns and customer engagement by product, by category, and by store. This data can be used on its own or combined with data from point-of-sale, CRM, and workforce management systems to extract actionable insights that improve sales conversion, increase basket size, and optimize staffing levels.

Accurate Intelligence Delivers Actionable Insights

Actionable insights begin with key metrics. New video-based solutions are highly accurate and able to count individual shoppers, even if they move in tight groups. Data about shopper movement, browse time, and demographics all contribute to richer information. This allows store operations, merchandising, marketing, and the leadership team to make more informed decisions.

VCI systems continuously track shopper movement to deliver metrics such as:

Number of shoppers: How many enter/exit each door, floor, or promotional area. The number and location of video cameras define how much data the system collects, and from which zones.

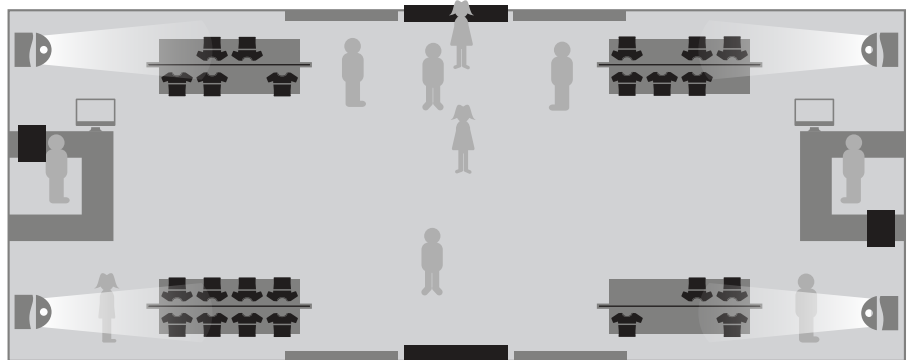
Number of staff: When and how many enter/exit each door, floor, or promotional area.

Shopper directional flow: Where each shopper goes immediately after entering the store.

Browse behavior: Where customers stop to browse, and at which product or category displays.

Heat maps: Visual representations of the store's floor plan that identify the amount of shopper traffic in each area. Heat maps help visualize the effectiveness of entrance layouts and customer transition zones, quantify customer flows and browsing time spent around key areas and store fixtures.

Measure In-store shopper behavior to gain actionable insights



Getting to Actionable Insights

A store can seem like a “black box” when it generates sales results but provides no visibility into shopper behavior behind those results. Was a promotion display viewed by many shoppers with a low rate of conversion or by a few shoppers with a high rate of conversion? Did an online promotion for a new item drive more shoppers to that department or was it business as usual?

$$\text{\$Sales per store} = \text{Store Traffic} \times \text{Conversion Rate} \times \text{\$Transaction Value}$$

Retailers invest significant sums on marketing to drive traffic through the doors. However, capitalizing on that traffic is what delivers revenue and ROI. VCI allows retailers to address the challenges of increasing conversion rates and basket value –challenges that hinge upon measurement of store performance against potential opportunity. VCI links key retail business practices to sales results in a timely manner. Best-of-breed VCI systems include analysis tools with charting and reporting capabilities that aggregate data both in-store and across multiple stores. Most important of all, this data can be integrated with POS, workforce, and other enterprise data to reduce uncertainty and deliver actionable insights that improve store operations and increase conversion.

\$ Sale =	Shopper Traffic X	Conversion Rate X	Transaction Value
	Measure customer traffic to store, departments, category locations, promotional displays. Analyze patterns and adjust tactics.	Track take-away rates by product, category, item and event. Analyze patterns and adjust tactics.	Merge traffic and conversion data with shopping basket size and composition. Analyze patterns and adjust tactics.

Fig. 1. VCI solutions can positively impact sales volume by improving performance across multiple factors:

Actionable insights for operations

- Align workforce levels with customer demand: Maintain proper service levels based on traffic in-store and on each floor or department, while avoiding excess staff hours.
- Adjust workforce assignments to optimize conversion: Use empirical data for analysis that helps determine the optimum balance between staffing costs and conversion rates.
- Get rid of dead zones: Plan signage, communication, store layout, and product placement based on accurate information from heat maps, browse times, and shopper traffic.

Actionable insights for merchandising

- Get more out of high-traffic areas: Identify new high-traffic areas or validate existing ones. Increase their revenue potential with high-velocity or high-margin products.
- Address merchandising and product issues: Identify areas where customers demonstrate long browse times but low buy. Test alternative products or staffing levels and monitor results.
- Maximize location potential: Track comparative performance of displays at different store locations. Monitor conversion rates based on display locations as well as total traffic. Use locations more effectively through promotional displays, or more intimate customer support. Sell the most desirable end-cap and display locations for more when you have objective data that proves value.

Actionable insights for marketing

- Measure the impact of off-site marketing campaigns: Monitor and analyze whether advertising campaigns and promotions alter shopper traffic and behavior. Are shoppers coming directly to the promoted item, category, or brand?
- Measure the impact of in-store marketing campaigns: Monitor and analyze shopper response to promotions, planograms and in-store media. Do they engage with the display, move immediately to the promoted item, or ignore?
- Compare success of campaign variations: Conduct A/B testing and obtain quantifiable data on traffic, browsing, and conversion data to prove which variation delivered more conversions.
- Compare data across stores: Aggregate data across the chain to help identify exceptionally high-or low-performing stores during store-wide campaigns; allows marketing to diagnose and repeat successes or fix problems. Track performance of a display promotion deployed at comparable stores.

Actionable insights for the leadership team

While VCI systems provide insights on individual stores, the data also rolls up to give the leadership team a consolidated picture of business performance across the chain. It's easy to distinguish high- and low-performing stores but VCI takes the analysis deeper:

- Apply effective practices across the chain: Compare apples to apples. Define "peer groups" of stores that meet similar criteria for: floor space, demographics, shopper traffic, or merchandise mix. Drill down to discover why one store outperforms the rest and obtain solid data to back up the analysis. Test and refine: apply lessons learned within the peer group and monitor the results.

Talking Traffic and Conversion

Terms from retailers who live by sales conversion

Visual Intelligence— relevant information extracted from real-time video streams.

Visual Customer Intelligence—relevant information about customers and their behavior in retail stores extracted from real-time video streams.

Store Conversion— the ratio of customers who make a purchase versus all who walk in your door.

Product, Category or Display Conversion— the ratio of customers who make a purchase versus all who browse a product, category or display.

Sales Associate to Conversion Ratio— compares the number of sales associates working to the percentage of customers who purchase over a given time period.

Peer Stores— stores with similar measured characteristics or variables, such as floor space, demographics, shopper traffic, or merchandise mix, used to make valid comparisons for A/B testing and to identify mentor and opportunity stores.

Mentor Stores— stores with higher conversion rates than comparative, or peer, stores. Retailers can learn what is working by examining these stores.

Opportunity Stores— stores with lower conversion rates than comparative, or peer, store. Retailers can increase revenues by investigating the reasons for lower conversion and addressing them.

- Measure customer traffic and conversion rates: Track by store, or across the chain. Track by product, category, or department. Identify exceptional results, both good and bad. Identify positive trends that can be leveraged to improve business results. Spot negative trends as they happen and deal with them in a timely fashion.
- Make decisions in a timely fashion: Gain actionable insights that are valuable across all functional areas each day, in near real time. VCI delivers data as it happens, so managers don't need to wait for a week to correct problems or capitalize on emerging trends.

Leverage Existing Store Traffic for Increased Sales

Marketing campaigns that bring shopper traffic to the store are challenging to create and expensive to get right. Once customers enter the store, it's critical to capitalize on each opportunity and get the best possible ROI from marketing efforts.

Consider the financial impact if a small, incremental change in merchandising, promotion, or operations in one store were to increase the sales conversion rate by just 1%; consider the impact of a 1%, 2% or 5% increase in conversion rates across the entire chain.

When retailers deploy VCI systems, managers can make incremental or major changes with greater confidence, using actionable insights derived from empirical data.

Conversion Advantage Checklist

Retail leaders should evaluate these points when considering a new traffic and sales conversion solution

- Easy to deploy—how fast can the system be implemented*
- Easy to integrate—how does it obtain POS, workforce management, Marketing data*
- Continuous coverage—how reliable is the system, what does it take to manage it?*
- Data integrity—how accurate is the data? Can it be audited? How are gaps dealt with?*
- Scalability—can the system handle your whole chain?*
- Insight access—how will your team access reports and insights?*
- Projected system life—will the supplier add new features?*
- Vision technology—can the system work with a range of cameras? Can it be easily upgraded as cameras evolve?*

Components of a Visual Customer Intelligence Solution

VCI solutions consist of video cameras linked to a dedicated, pre-configured computer in each store and a central server that runs the database. The system collects digital video streams from each camera and converts video streams into statistical data. These are aggregated to the central database, and can be integrated with data from POS, CRM, workforce management and other enterprise systems. Users can access reports and analysis through a browser-based interface (dashboard).

Key requirements of a VCI solution include:

Continuous Tracking and Data Capture

The latest VCI solutions support full, chain-wide coverage to deliver more insights in a timely manner. Live video streams allow for continuous data capture, forwarded to the centralized database.

Integration with POS, Workforce, CRM

The system should be able to exchange data with enterprise systems such as POS, Workforce management, campaign management and frequent shopper CRM. Analytics and reporting that incorporate this data accommodate the influence of seasonality, ongoing external events, weather, competitor actions, and other activities that take place outside the store.

Extensible, Scalable, Repeatable

The ability to add system capabilities in repeatable and reliable increments is critical. This allows retailers to deploy VCI in stages, whether by rolling out to stores according to a schedule, implementing more features in VCI analytics, or both.

Getting Started with VCI

Retailers who are ready to adopt VCI systems typically begin by defining the practices and goals they wish to impact. They also need to determine how traffic and conversion insights can enhance their decision-making processes.

A good way to start is with a pilot system. This pilot should begin with enough stores to deliver statistically significant data; the goal of the pilot is to acquire insights and incorporate them into management decision-making.

By starting with a focused set of objectives, retailers have the opportunity to assess the value of the business insights they receive, incorporate best practices into daily operations, and gain more experience with VCI.

Once the pilot has demonstrated how the retailer can extract full value out of the VCI solution, the retailer can develop a plan for wider deployment.

Depending on the retailer's experience with shopper tracking solutions, a pilot system could include one or more of the following elements:

- Door counting: Track customers at entry/exit points
- In-store measurement: Track customer traffic and engagement in key areas and display locations
- In-store and shopper insights: Combine in-store data with POS, workforce, and frequent shopper CRM data
- Store management dashboards: Make actionable insights selectively available to the staff whose decisions benefit the most from the data

Once deployed, VCI is most effective when used by organizations that continuously refine their processes to incorporate actionable insights that increase conversion rates, optimize staffing costs, refine marketing plans, and create winning strategies.



About the Author

James Tenser is an analyst and advisor focused on the retail industry. His consultancy, VSN Strategies, provides clients with marketing counsel and thought leadership communications. He is founder and Executive Director of the In-Store Implementation Network. Contact: jtenser@vsenstrategies.com.

About Lighthouse VCI

The LightHaus VCI solution enables retailers to increase revenue, reduce costs, and realize profits by extracting actionable customer insights and business intelligence from video cameras.

LightHaus works with retailers throughout the project to ensure successful deployment; it begins with designing the system configuration for each store to translating business goals into data capture and analysis requirements, and delivering insights.

Companies who use the LightHaus VCI solution include leading retailers in the Global Top 250.

To learn more about LightHaus VCI Solutions go to www.LightHausVCI.com or call: **1.877.618.4275**.