

Retailers Counting On Conversion Analysis To Drive Store Metrics

By Amanda Ferrante, Assistant Editor

With physical expansion slowing, many leading retailers are taking a harder look at the performance metrics of their existing locations. Given the more intense focus on metrics, forward-thinking retailers are adopting sophisticated **traffic counting** systems and developing **conversion rate** analytics to precisely track how many shoppers are actually making purchases.

"Knowing your conversion rate lets retailers see how well they are doing, how much the shopper felt the promise of your brand at the door, delivered on the rack, and how much money you might be leaving on the table," says Bob Phibbs of [The Retail Doctor](#), a sales training consultancy specializing in the retail sector, who has worked with organizations such as True Value Hardware.

Given the economic slowdown and increased pressures to show top and bottom line growth, missing out on capturing customers while they are in a store is becoming an opportunity retailers can no longer afford to miss. Major retailers such as Virgin Megastores, Marks & Spencer, and Crabtree & Evelyn have served as a few of the early case studies for the benefits of measuring and improving conversion rates.

Virgin has credited the analysis with uncovering variations of up to 20% in **average transaction values** between stores, as well as a **15 point difference** in conversion rates between its highest and lowest performing stores. Jason Toy, a division manager for Virgin Retail, said the analysis has been beneficial in highlighting store level performance, as well as regional customer profiles. "From the outset we linked the FootFall information to our store customer service program which has been extremely effective in creating a clear understanding of how service drives conversion," he said.

Once retailers start collecting the performance analysis from individual stores, they are often surprised by the results. "If you were to ask a retailer how many shoppers they convert, the assumption is typically north of 50%," said David Smyth, Vice President of sales operations for [Experian FootFall](#). "In reality, the average conversion rate ranges **between 20% and 40%** for most retailers. Using that average, that means about **70% of shoppers** are leaving the store without buying anything. That means retailers are leaving an awful lot of money on the table."

With major retailers realizing that even a **1% improvement** in conversion rates can equate to millions of dollars dropping to the bottom line, more and more are utilizing traffic counting analysis-- not only at the headquarters level, but also providing the analysis directly to store managers and other personnel. For example, Marks & Spencer has used its visitor count system to build staffing plans that better match the customer to each department within a store. "By making small, simple, sustainable changes in staffing, product availability and service based on our findings, Marks & Spencer has been able to drive measurable improvements in conversion, units per transaction and basket size," said Bill Donald, a manager with Marks & Spencer.



TRACKING AD IMPACT

In addition to highlighting operational opportunities for staffing and merchandise adjustments, industry analysts point out that traffic counting and conversion rates also help to measure the effectiveness of a retailer's marketing efforts. "You can see if your advertising creates more traffic or more sales from the existing traffic," says Mark Lilien, Consultant with [Retail Technology Group](#), which has worked on strategic initiatives with clients including Circuit City, KB Toys, and Coach.

Laura Davis-Taylor, Founder and Principal with [Retail Media Consulting](#), suggests that the bigger opportunity for retailers is learning more about the **in-store behavior** of shoppers. "Frankly, any retailer that is interested in shopper insights that unveil the desires and causal triggers for the human behaviors of the people in their aisles benefit from conversion rates," Davis-Taylor says. "What we are doing is finally bringing the **best practices of marketing** into the store environment. It's interesting that it's taken so long, as those insights lead to the knowledge on what works and does not work to positively affect these valued people."

She adds that in order to gain better insights into moving a shopper from an exposure to a purchase, retailers need to move from a "Find Me/Sell Me" approach to a "**Know Me/Help Me**" strategy that applies to "every touch" to customers. "We can't know and help people if we don't know what they want to make their shopping experience better and deliver on this with relevant, welcomed communications. It's just that simple: give people what they want and we are much more likely to turn them into purchasers."

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