

Measuring Success

Home Decor Outlets uses analytics to track and improve conversion rates

by CRAIG GUILLOT

Retailers have long known that converting more browsers into buyers is one of the best ways to boost the bottom line. The problem is that accurately measuring conversion rates in a bricks-and-mortar store can be a difficult proposition.

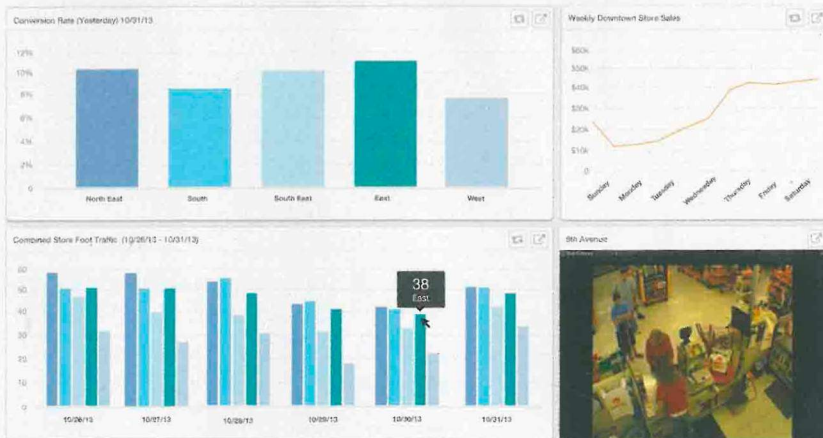
Founded in 2003, Home Decor Outlets has 16 locations in nine states. Stores typically have 8,000-square-foot showrooms featuring the latest name brands in furniture, offering closeouts, buyouts, discontinued and liquidated items. Although the company is headquartered in Atlanta, they have no locations in Georgia.

“We’ve become proficient at gauging our business in stores but a lot of it is ... just reacting to changes in the marketplace,” COO Joel Fulghum says. “You can’t see what is really happening in the store.”

Every percentage point counts in the highly competitive furniture industry. While most expenses are fixed, Fulghum says the highly variable factors of payroll and marketing need to be carefully analyzed for optimal performance. The base of that lies in understanding each store’s true traffic count and conversion rate.

Although Home Decor Outlets had a homemade system in place to track such numbers, “We ... felt the need to better the accuracy of our conversion rate to get a clear view of how many selling opportunities we had on a given day, and needed technology to do that,” Fulghum says.

Last year the company began working with RetailNext, a technology firm that uses a unique solution to provide comprehensive in-store analytics. RetailNext relies on a number

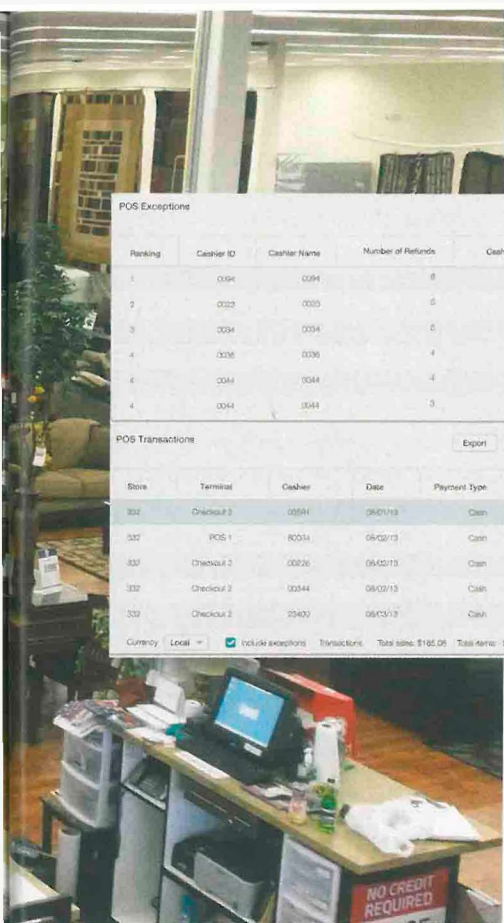


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of data sources, including specialized video cameras, Wi-Fi devices, point of sale and staffing systems, to create a variety of outputs ranging from predictive analytics and real-time alerts to customized reports. The system can help retailers accurately measure the traffic in their stores and identify patterns of shoppers. RetailNext can also help with staffing optimization and increase the effectiveness of displays and in-store merchandising.

LINKING STAFFING AND CONVERSION

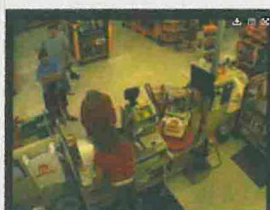
Shelley E. Kohan, RetailNext vice president of retail consulting, says 2014 will be an “action year” as more retailers compete by improving the customer experience across digital and bricks-and-mortar platforms. While most retailers have had the ability to measure traffic and conversion rates online, it hasn’t always been so easy to do in stores.



POS Exceptions						Receipts			
Ranking	Cashier ID	Cashier Name	Number of Returns	Cash Returns	Amount of Sales	SKU	Description	Qty	Price
1	0094	0094	8	\$1,130	\$29,919	KUSDF028LY0000	Womens Outlet X Dress	1	\$76.00
2	0023	0023	5	\$959	\$22,970	208H4008ALY0000	Men's Casual Shirt	1	\$185.00
3	0034	0034	5	\$854	\$19,910				
4	0036	0036	4	\$873	\$15,912				
4	0044	0044	4	\$467	\$15,919	Receipt #:	123884	Subtotal	\$110.00
4	0044	0044	3	\$412	\$12,563	Sales Associate:	05881	Tax	50.78
								Total	\$118.78

POS Transactions						
Store	Terminal	Cashier	Date	Payment Type	Item Count	Total
332	Checkout 2	0094	08/01/13	Cash	0	\$118.78
332	POS 1	0034	08/02/13	Cash	0	\$112.41
332	Checkout 2	0036	08/02/13	Cash	0	\$114.32
332	Checkout 2	0044	08/02/13	Cash	-1	\$115.52
332	Checkout 2	0040	08/03/13	Cash	0	\$288.15

Summary: Total sales: \$195.09 | Total items: 1 | Avg sales: \$20.65 | Avg items: 0.16



stand still, die,” he says. Small, incremental improvements and adjustments at each store location can add up to a big difference on the corporate level. “This gives us the power to continually move forward.”

Home Decor Outlets plans to expand the use of RetailNext in the coming years. By tracking customer movement within the stores themselves, it will be able to understand where consumers spend their time and what their top interests are. If customers are spending 30 percent of their time looking at a category of merchandise that only makes up 20 percent of sales, for instance, it implies floor staff needs to do a better job of selling the category.

Information like that “helps me find opportunities in the store to increase sales and do a better job of selling in certain areas,” says Fulghum.

Kohan says the real power of RetailNext is the ability to capture data and turn it into quantifiable measurements that can provide a clear picture of the retail environment. Dashboards and reports can provide real-time or comprehensive information about customer behavior; the open interface can be customized to meet the needs of any user.

The solution can also help retailers learn how staff is contributing to store success and how the location is performing against key performance indicators. In addition, Kohan says RetailNext offers a large loss prevention component by using in-store analytics to reduce theft. The system can use information to cut video review time and cut shrinkage by 10 percent by making information a weapon against theft and fraud. When the system is fully deployed in Home Decor Outlets, Fulghum expects it to be a valuable loss prevention tool.

“Because you have streaming video that records, I can tie a salesperson to a transaction [with] a customer from three months ago and watch it happen with my own eyes,” he says. **STORES**

the wheels started turning at a higher degree.”

At press time, Home Decor Outlets was using RetailNext to determine true conversion rates and at what times stores experience the highest and lowest customer traffic levels. Fulghum says the company is still learning how to use the analytics provided, and that using the accurate conversion rates and sales data has been valuable in finding the most efficient allocation and use of staff. When the traffic rate goes up and the conversion rate goes down, for instance, Fulghum says it is a sign that they need “more bodies on the floor.”

RetailNext also allows managers to look at staff and managerial makeup to optimize scheduling. Fulghum says it’s possible to find that on a manager’s day off there may be an overall reduction in floor sales, or that one team is underperforming.

“Prior to this technology, you couldn’t know things like this,” he says. “You might have been able to speculate but now you can get the facts right there on your screen. It’s a whole different level.”

MORE USES IN THE STORE

Fulghum says the analytics give store managers and corporate users a clearer picture of how to drive sales and boost revenue. “In retail, there is no such thing as standing still ... Every day you’re better or worse. Those who

“We can see exactly how many people came into the store and marry that with transactional information for all the [relevant analytics],” says Kohan.

RetailNext uses specialized cameras that can identify consumers as they enter a store to help provide an exact count: The technology can even eliminate children in the count through height measurements. Kohan says RetailNext’s research shows that retailers can experience a 5 to 7 percent increase in sales simply by understanding traffic and conversion rates and aligning staff based on when customers come through.

Fulghum says Home Decor Outlets initially tested the RetailNext solution in two locations for 90 days. It was so pleased with the results that it moved forward with deployment in five more stores, and has authorized deployment for the remaining stores. Fulghum says it was an instant benefit to have daily automatic reporting.

“It really gave you something you could sink your teeth into and became a daily discussion,” he says. “We could feel pretty quickly that