

WHITEPAPER

INTRODUCTION TO THE IN-STORE SALES FUNNEL

MODERN IN-STORE ANALYTICS HOLD
THE KEY TO UNLOCKING THE BUSINESS
POTENTIAL IN BRICKS-AND-MORTAR
RETAIL

TABLE OF CONTENTS

1. Introduction
2. Analytics is driving business performance – What is the edge that e-stores have and bricks-and-mortar does not?
3. In-store analytics technologies allow data collection unprecedented in the physical channel
4. The beauty of turning big-data into actionable information to support fact-based decision-making
5. Introducing the in-store funnel
6. Improved decision-making capabilities have a direct impact on performance
7. Do not wait any longer – start measuring and improving your performance today



INTRODUCTION

Today, people visit physical stores less than before. But when they do visit, they are ready to spend more money than ever¹. This means that retailers have fewer but more valuable chances to interact with their customers.

Customers demand a better and more personalised shopping experience that is consistent through all shopping channels: physical, web and mobile. In this new omni-channel shopping environment, bricks-and-mortar stores are struggling to match the customer experience of other channels.

Through thorough analytics and iterative development, online stores have gathered an unmatched level of knowledge of their customers' buying patterns and habits. With the help of advanced analytics and A/B testing, the shopping experience has been developed and optimised to trigger and maximise buying online.

In bricks-and-mortar retail, fewer tools have been available for analytically enhancing the shopping experience. Retail giants have been

investing a lot of effort into making use of transaction and loyalty card data to gather insight, but specialty retail has often lacked the capability to do so. With advanced in-store analytics, bricks-and-mortar retail can turn a page and truly start to challenge other shopping channels by enhancing the unique experience that actual, physical stores can provide.

Read further, if you wish to:

1. Learn why the ever-growing e-retail is affecting consumer behavior and shaping the business for bricks-and-mortar
2. Understand the advancements in in-store analytics and how this new type of data is refined to enable improved decision-making
3. Learn how this refined information can be utilised to deliver quantifiable business value

¹<http://www.nielsen.com/us/en/newswire/2013/the-global-shift-in-shopping-behavior--fewer-shopping-trips--mor.html>



ANALYTICS IS DRIVING BUSINESS PERFORMANCE – WHAT IS THE EDGE THAT E-STORES HAVE AND BRICKS- AND-MORTAR DOES NOT?

Let us illustrate modern shopping behaviour with the following example:

John is looking to buy a new pair of jeans. He researches online and basically decides on the brand and the model. He chooses to visit his favourite store to make the purchase, but can't find the right model and size combination and realises that the queue for the cashier is quite long. John decides to give up and buy the jeans some other day. Next day, while browsing the web, he comes across a retargeted advertisement of

a webstore offering a small discount for the exact same jeans he was planning to buy. The jeans were also the right size. John is happy to have made the purchase with two clicks.

Specialty retail has been bleeding customers to online channels at increasing rates for the last decade. In the beginning, online stores used to compete mainly with price, but today the web has become the most natural shopping environment for many. Online stores focus on delivering the best possible shopping experience that triggers maximum buying, while physical stores struggle to keep up with the changing customer needs and preferences.

Concepts like show-rooming (browsing in-store, buying online) and web-rooming (browsing online, buying in-store) are used to describe new shopping habits. Today, customers are regularly engaging in different channels, in addition to the actual channel of purchase. When looking at the big picture, customers demand an omni-channel experience where they can seamlessly do



shopping through various channels when it is the most convenient for them. The evidence of multichannel shopping is indisputable. According to PWC, 73% of US consumers research online before buying clothing, footwear or health and beauty products¹.

While online has been growing its presence, physical retail is not disappearing. According to estimates by McKinsey & Company, about 85% of retail value is still expected to be generated in bricks-and-mortar in 2025².

Compared to other channels, the weakness of bricks-and-mortar is that it is currently boxing in the dark. Although, according to Accenture, 72% of retail leaders demand fact-based decisions from their organisations, physical retailers lack the tools to gather actionable insight of their customers' shopping experience³. In order to carry out fact-based improvements, retailers need to understand their customers' shopping patterns in their stores.

¹http://www.pwc.com/en_us/us/retail-consumer/publications/assets/pwc-us-multichannel-shopping-survey.pdf

²http://www.mckinsey.com/insights/consumer_and_retail/how_retailers_can_keep_up_with_consumers

³<http://www.accenture.com/us-en/Pages/insight-seamless-retail-analytics.aspx>



IN-STORE ANALYTICS TECHNOLOGIES ALLOW DATA COLLECTION UNPRECEDENTED IN THE PHYSICAL CHANNEL

Retail analytics is by no means a new invention. Especially large retailers have been fine-tuning their businesses for years on the basis of the data of their customers' shopping behaviour. Store layouts, staffing, marketing campaigns etc. have been perfected on the basis of heavy statistical analysis of e.g. door counters, loyalty programmes and transaction data.

However, this approach suffers from a few weaknesses. First, the traditional data sources are limited to point-of-sale data and door counters,

while expensive, one-off in-store studies are set aside. In online channels, the continuous analysis of alternative paths to purchase has proven to be an extremely valuable tool for supporting customers' decision-making and for driving more sales¹. Currently, the physical channel is blindfolded when trying to understand what actually happens during the customer's store visit. Second, the current way requires a tailored and often a very expensive approach to data analysis, making it slow to react to changes and often unattainable for specialty retail. In the e-channel, sophisticated, easily deployed and inexpensive tools for data collection and analysis are readily available for everyone. In the physical world, in-store analytics is answering to this call.

The key to understanding the paths of purchase better lies in identifying the customers' in-store behaviour in more detail, i.e. tracking the percentage of the passerby traffic that enters the store, the average

¹<http://www.thinkwithgoogle.com/tools/customer-journey-to-online-purchase.html>





length of the visit, the physical paths within the store and the frequency of repeat visits.

New, advanced technologies enable this level of data collection. The most applicable technology in most situations is Wi-Fi tracking. In essence, Wi-Fi enabled devices, e.g. smartphones, can be anonymously and accurately tracked within a given space. Compared to other passive people counting technologies, Wi-Fi tracking offers a cost-efficient and an effortless way to gather data, as the majority of customers are already equipped with a traceable device when they enter stores¹.

Wi-Fi tracking is just like camera-based surveillance and counting – it doesn't require any actions from the customer, as long as the Wi-Fi functionality is enabled on the smartphone. All Wi-Fi enabled

devices that are within the range of the store can be detected, as the device pings the Wi-Fi network. Even if no connection is established, the unique ID of the device can be collected. Following strict privacy standards, this ID is then scrambled before analysis, which ensures the appropriate consumer privacy.

By combining traditional and new data sources, in-store analytics technologies are currently revolutionising retail analytics. Now it is possible to dig much deeper into customer buying behaviour and to understand the paths leading to buying and non-buying behaviour. The key is to make this data centrally available and to present it in a form that drives real-time, fact-based decision-making.

¹Up to 70% of consumers in-store have a Wi-Fi capable device in their pocket. (source: Retail Touch Points)



THE BEAUTY OF TURNING BIG DATA INTO ACTIONABLE INFORMATION TO SUPPORT FACT- BASED DECISION- MAKING

Walkbase offers an industry-revolutionizing set of tools to manage store performance. Walkbase's cloud-based dashboard combines the data of customer smartphone Wi-Fi & Bluetooth tracking, door counters and point-of-sale systems with patent pending algorithms. Instead of gathering data and presenting raw analysis, Walkbase provides its customers with actionable insights. Walkbase's focus has been on creating a whole new level of business intelligence to support fact-based decision-making.

Walkbase offers a complete platform for managing in-store performance. The dashboard is comprised of three main components:



WALKBASE MARKETING

Walkbase Marketing is a tool which provides comparable levels of marketing metrics for physical stores compared to those experienced online. By providing accurate data and hard KPIs, it enables sound decision-making around marketing spend.

Walkbase Marketing is a solution that is scalable, simple to deploy and easy to use. It provides marketers with a visually compelling set of dashboards to help track performance and measure marketing ROI, whether it's for one branch or thousands of stores.

WALKBASE ANALYTICS

Walkbase Analytics empowers retailers to make data-driven decisions and to adapt to best in-store sales performance and loyalty. By utilizing precise store-by-store metrics, retailers are able to understand patterns and to adjust to them accordingly.

Today, e-commerce sites have gathered an unmatched level of knowledge of their customers' buying patterns and use that data to optimise the shopping experience.

Walkbase Analytics brings the same measurability to bricks-and-mortar. Retailers can turn the page and attain the next level of the unique physical experience in store environments.

WALKBASE ENGAGE

Walkbase Engage is a platform for triggering and automating in-store offers and experiences based on rich online/offline customer profiles and smartphone-enabled shoppers' in-store location.

Based on proven beacon technology, Walkbase Engage allows retailers to build brilliant digital experiences in-store. By equipping shoppers with mobile loyalty and shopping apps, Walkbase Engage bridges the gap between online & offline shopping.

It is a platform that is easy to adopt and to use, and it combines a powerful rules engine with integrations to other platforms to trigger purchases and to push consumers forward in their shopping journey through personalised offers and recommendations. This is backed up with rich Wi-Fi based analytics to provide a 360 degree picture of store and marketing performance.



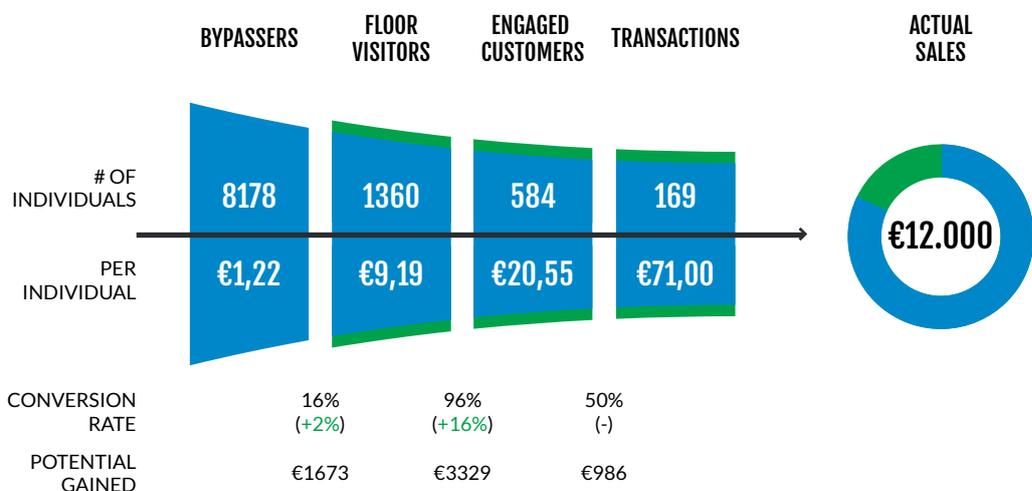
INTRODUCING THE IN-STORE FUNNEL

The sales funnel is one of the most widely used frameworks in sales management. In essence, the funnel is used to understand and to take actions to support customer decision-making at different stages of the buying process and to track the efficiency of these actions.

Following potential customers through the funnel ensures that the whole decision-making process is taken into consideration when aiming at improved performance.

in Walkbase Marketing suite) provides a crisp visualisation of past and present store performance. The dashboard makes it easy to compare current and historic performance or to benchmark stores with each other. Now it is possible to track the actual effects of day-to-day activities (e.g. marketing, store layout, customer service) through gain of potential in the sales funnel and to measure the ability of stores to convert customer potential into sales.

The “in-store sales funnel” (available



PRACTICAL EXAMPLE

The situation

A leading European casino operator was struggling to attract new customers. Customers demanded fresh and frequently renewed interior décor and layouts, but the effect of the changes was hard to measure.

Without relevant data, the decisions about casino layout and advertising were mainly driven by aggregate traffic data. It was, however, difficult to gain an insight of the gamers' gaming patterns, since most of the visitors used cash and thus were not identified at all. Tools to measure the relation between the changes and the business performance were limited.

The solution

Walkbase's solution provided the company with the means to segment customers to regulars and to casual gamers based on the frequency and the length of the visit. In addition, the solution provided real-time information on average dwell times and bounce rates for the different casino floors. This enabled the casino to benchmark its multiple sites to attract and to engage gamers.

The "in-store sales funnel", offered by the Walkbase Marketing suite, proved to be particularly useful.

The result

After a layout change in one of the casino floors, the average amount of visitors remained constant, but with Walkbase analytics the average dwell time was noted to have decreased from around 20 minutes to 10 minutes and the visitor bounce rate¹ to have increased from 5% to 20% compared to a reference period. It was quickly discovered that gamers did not find this layout engaging and the revenues saw a sharp decline.

A quick decision regarding a corrective change in layout was initiated within a week, due to the evidence provided by the Walkbase solution.

"Previously, about 3 weeks would have passed before actions had been taken based on actual sales figures", said the manager of casino operations. "We even considered investing in local campaigns marketing to increase footfall – clearly a wrong and expensive approach."

The new layout was designed according to one of the company's casino floors that had the highest conversion rates and dwell times according to Walkbase analytics.

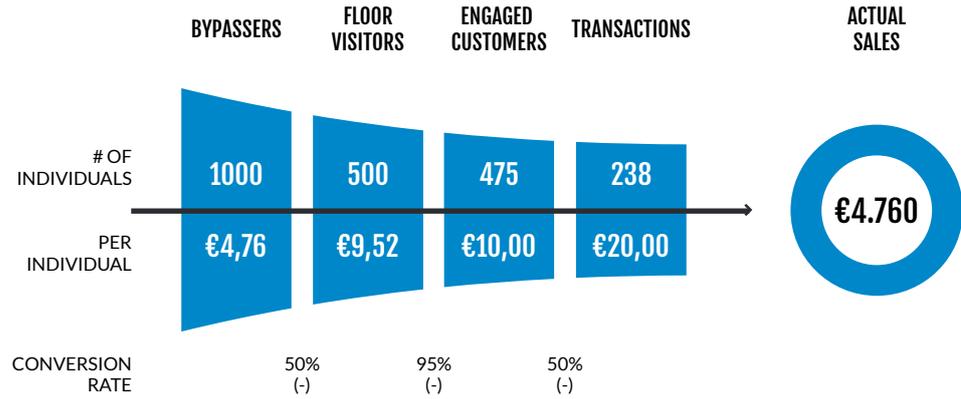
As a result, the dwell time increased to 25 minutes and the bounce rate declined to 4%. Due to the improved layout and faster reaction, significant cumulative revenues were attained.

¹ Bounce rate is defined as the percentage of visitors spending less than 1 minute in the area.

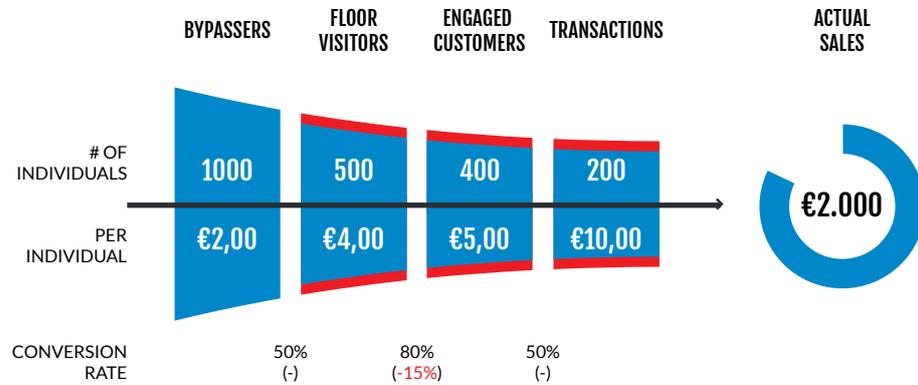


To illustrate the effect, let us assume a constant stream of 1 000 bypassers over the reference periods.

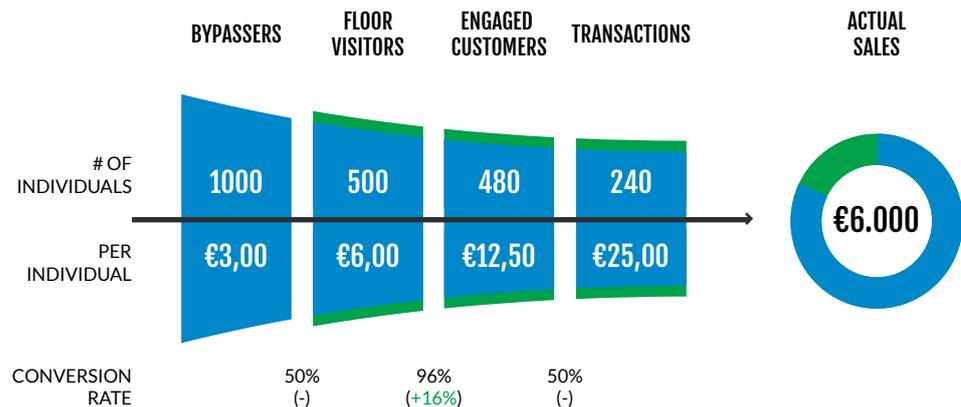
Intial layout



New layout

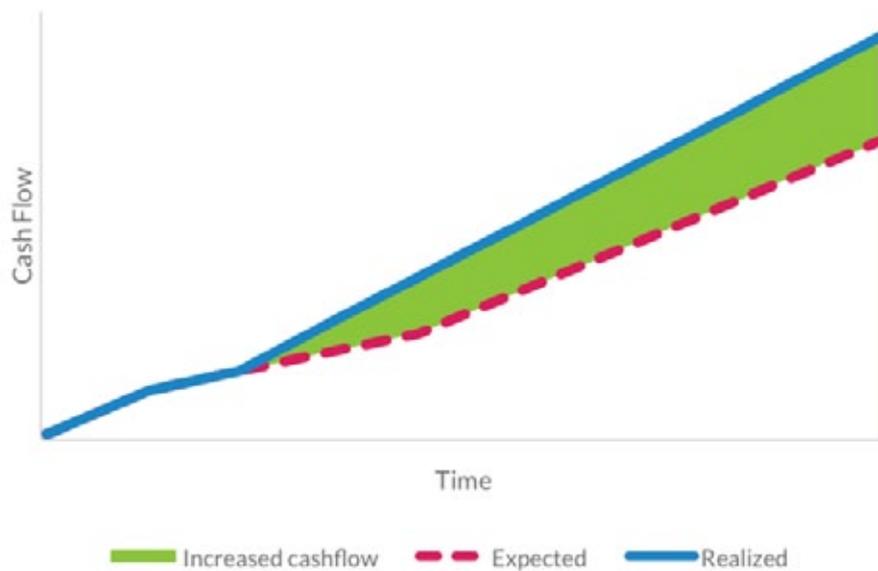


Revised layout



In January, the revenue was 52% higher than the revenue expected without a fast reaction to change. In the long-term, a 25% revenue increase was achieved by employing the best-practice layout.

Revenue of Casino floor



IMPROVED DECISION-MAKING CAPABILITIES HAVE A DIRECT IMPACT ON PERFORMANCE

The benefits of in-store analytics depend heavily on the environment where it is deployed. The possibilities are countless and the old saying – “You can’t manage what you can’t measure” – is valid.

According to Walkbase’s experience, the benefits of in-store analytics build up over time. A typical scenario follows roughly the following steps:

1. Measure & collect data

In-store analytics sheds light on issues that have previously been in the dark. The fact that bricks-and-mortar retailers gain the possibility to understand their customers better, and in-store performance becomes measurable, has value in itself. It often results in eureka moments, as people finally get answers to obvious problems they have been struggling with for a long time.

2. Improve the shopping experience

In online environments, the rapid A/B testing has for a good time been the best practice for improving operations to better match customers’ buying patterns. In physical environments, similar approach has been a laborious, if not an impossible, task.

Designing an optimal customer experience requires agile and iterative development over time. It is close to impossible, without tremendous luck, to get it right the first time. A continuous improvement philosophy is the key. In-store analytics allows physical stores, similar to online, to rapidly learn from their actions and to perfect their operations over time.

3. Optimise bricks-and-mortar layouts and zones

In-store analytics provides deep insight into customer behaviour within the store. Tracking of shopping patterns and dwell times opens up countless of possibilities for improving in-store operations.



Shopping malls can track overall people flow, optimise store locations and base their rent pricing on exposure to potential customers. Individual stores can plan the store layout to support optimal zone-to-zone transitions and to increase dwell times in desired parts of the outlet by using in-store marketing to manipulate traffic flows.

4. Manage by exception

The simple truth is that if you can't measure performance, benchmarking and best practice sharing becomes impossible.

By constantly monitoring store performance over time, in-store analytics provides great capabilities to react to changes. Also, benchmarking becomes possible on a much deeper level than before, detecting both positive and negative deviations from standard performance. For example, in-store analytics can reveal reasons for differences in performance, even if the operations in different stores seem identical on the surface.

5. Improve marketing ROI

Accurate analysis of in-store impacts allows marketers to focus on effective campaigns. By following the impacts on footfall and dwell times, for example by utilising the in-store sales funnel feature, marketers are able to cut unnecessary spending and to

focus on the best opportunities with the highest marketing ROI.

Case example:

BMW Showroom in London faced difficulties in analysing the performance of marketing events and window marketing.

Walkbase provided the showroom with a solution that allowed BMW to measure the effect of offsite events and window marketing in attracting new and recurring customers. BMW was able to use Walkbase sensors also on offsite events and therefore to identify how many event visitors were converted to actual showroom visitors and engaged customers.

As a result, BMW has been able to compare and over time optimise the value created by offsite events. In addition, it has been possible to measure the performance of window marketing very quickly due to analytics by Walkbase, as it is also possible to measure the dwell time outside the shop window. This has helped BMW to optimise their marketing activities significantly.



DO NOT WAIT ANY LONGER – START MEASURING AND IMPROVING YOUR PERFORMANCE TODAY

We believe that the future of bricks-and-mortar retail lies in the innovations that will dramatically improve the shopping experience and bridge the gap between online and physical channels.

Our solutions are designed for easy and fast implementation. In many cases, existing infrastructure (e.g. WiFi stations) can be utilised to simplify the installation further. In essence, learning, improvement and tangible business benefits are achieved in three simple steps:

- 1. Set-up** – Walkbase will have your system up and running in no time with minimal installation costs.
- 2. Collect data** – As soon as the system is installed, it starts to collect valuable data. It's crucial to start immediately, as this database is the foundation for an analytics-based improvement.
- 3. Learn and optimise** – As you get a totally new level of real-time visibility to your operations, you will be able to understand your business in a new way and to measure improvement efforts faster and more accurately than before. This will over time enable your business to take the next big leap into the new world.

Do not hesitate to contact the experts at Walkbase for more details:

Juha Mattsson
VP of Sales and Marketing
Walkbase Ltd
Keilaranta 1
02150 Espoo
Finland



WALKBASE IN BRIEF

Founded in 2010, Walkbase develops an in-store solution for retailers to measure brick & mortar stores, just like web stores, and engage smartphone enabled customers with personalised in-store marketing.

Think of our solution as a combination of Google Analytics, marketing automation software and an ad retargeting engine for in-store retail. It's an enterprise grade platform for analysing in-store customer patterns, measuring & optimising the impact of marketing on physical stores, engaging in-store customers with personalised location based marketing, and linking the online and offline customer journeys together. We work with large retail chains including high-end retailers, groceries, automotive, restaurants & cafes, shopping malls, department stores, and airports all around the world.

Our cloud based solution is based on WiFi and Bluetooth beacon technology, with patent-pending indoor positioning & industry-leading analytics.

For more information, please visit:

www.walkbase.com

Symbioosi Partners is a Helsinki-based sales development powerhouse in Finland. Symbioosi has prepared this whitepaper in cooperation with Walkbase.

For more information, please visit:

www.symbioosi.fi



To learn more, visit

www.walkbase.com