



WINNING AT RETAIL: DRIVING FOOTFALL IN AN OMNICHANNEL WORLD

"If you can't measure it, you can't improve it."

Peter Drucker,

Austrian-American management consultant, academician,
author and a self-defined "social ecologist"

Fall 2018 research survey for Retail Ascendant, sponsored by Cuebiq





OVERVIEW

As the retail world continues to push toward an omnichannel future, substantial change is being driven by online-only retailers and direct-to-consumer (DTC) brands. These companies have told consumers that anything they want — from furniture to flip-flops — can be found, bought and delivered in a few clicks. Some of these new brands, such as Dollar Shave Club, Allbirds and Casper, were built solely through digital channels. Others, like Burrow, Warby Parker and Bonobos, are now building physical storefronts to drive awareness, hands-on experiences and incremental sales.

The future is not multichannel, it is omnichannel. All channels need to be all-knowing at all times.

While this shift to omnichannel retailing is substantial, consumers still value a physical retail presence:

- The **National Retail Federation** reported that in 2017 more than 174 million Americans shopped over Thanksgiving weekend (from Thanksgiving Day to Cyber Monday)
 - 51 million did so in-store only
 - 64 million purchased both in-store and online
 - 58 million exclusively shopped online
- Meanwhile, the number of touchpoints has tripled: 15 years ago, the average consumer typically used two touchpoints when buying an item and only 7% regularly used more than four. Today consumers use an average of six touchpoints with 50% regularly using more than four. **(Marketing Week).**

Traditional store-based retailers struggle to handle this new omnichannel mandate, but being an omnichannel marketer is no longer optional to stay competitive. This report explores the ways established and emerging retailers measure shifts in touchpoints and shopping behaviors, how that impacts decision-making and the business implications that result.

METHODOLOGY

In June and July 2018, we surveyed members of Retail Ascendant to gain their perspective on how they react to new sources of competition, how they measure traffic to physical stores, and what insights they have across digital and physical footprints. We also conducted in-depth interviews with five retail executives operating digital and physical channels to get a deeper understanding of the strategies and actions supported by their footfall data. **(SEE FIGURE 1)**

FIGURE 1:
Profile of survey respondents

Retail footprint: (% of those with physical stores)



Sales channels:



My title:



Annual revenues:





EXECUTIVE SUMMARY

From our survey and research, senior retailers tell us:

- **Digital shopping data dominates shopper traffic analytics.** When companies launched in the digital channel, they learned to use data and science to optimize their efforts. As a result, they hired large teams of analysts to measure every online click. Data from physical storefronts remains more rudimentary and is often an analytical afterthought.
- **Footfall data is focused on broad optimization of marketing and merchandising.** While retailers commonly measure footfall traffic to physical stores and widely distribute it, they mostly leverage it to understand and validate broad promotion and assortment decisions, not to drive increases in traffic to specific stores or deepen their understanding of customer behavior.
- **Despite operating in an omnichannel world, footfall remains a channel-specific measure.** The methodologies for managing “footfall” traffic — online or in-store — depend on the type of retailer and level of channel sophistication. Today, insights into which individuals shop in more than one channel are more often inferred rather than explicitly linked.

DIGITAL “FOOTFALL” GETS THE MOST ANALYTICAL ATTENTION

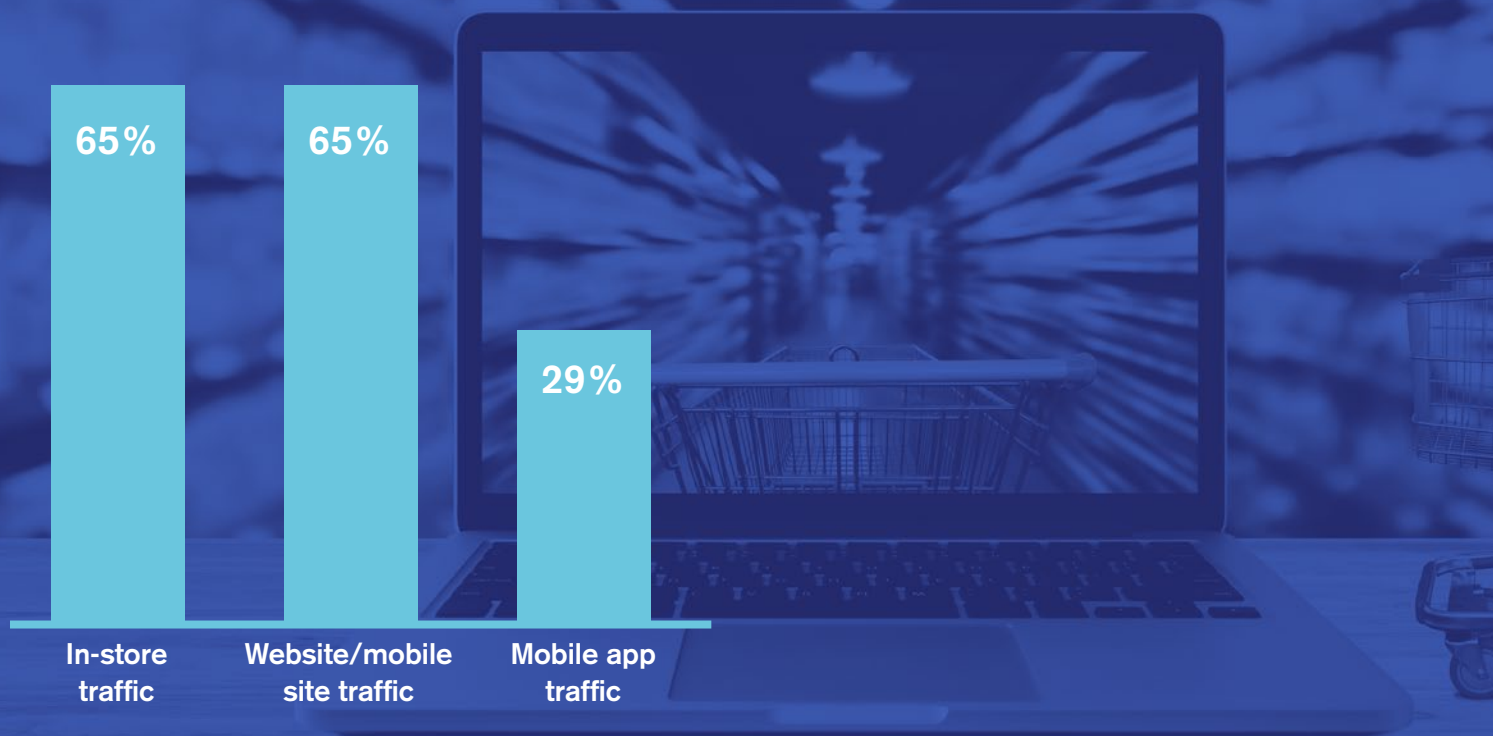
In this omnichannel era, consumer expectations determine touchpoints, not how the seller wants to sell. Retailers in Ascendant Network understand footfall refers to all store traffic (online, mobile, in-store) that leads to sales.

When we asked members of Retail Ascendant which channels they include in their definition of footfall, most include both online and offline visits (**see Figure 2**). However, as we pull back the curtain on the use of this data, online traffic is more actively analyzed, and physical store footfall is an afterthought.

FIGURE 2:

Footfall measurement applies to both feet and fingers

What do you define as “footfall” for your company (check all that apply)?



Digital-To-Digital Scores the Highest Marks for Driving Retail Traffic

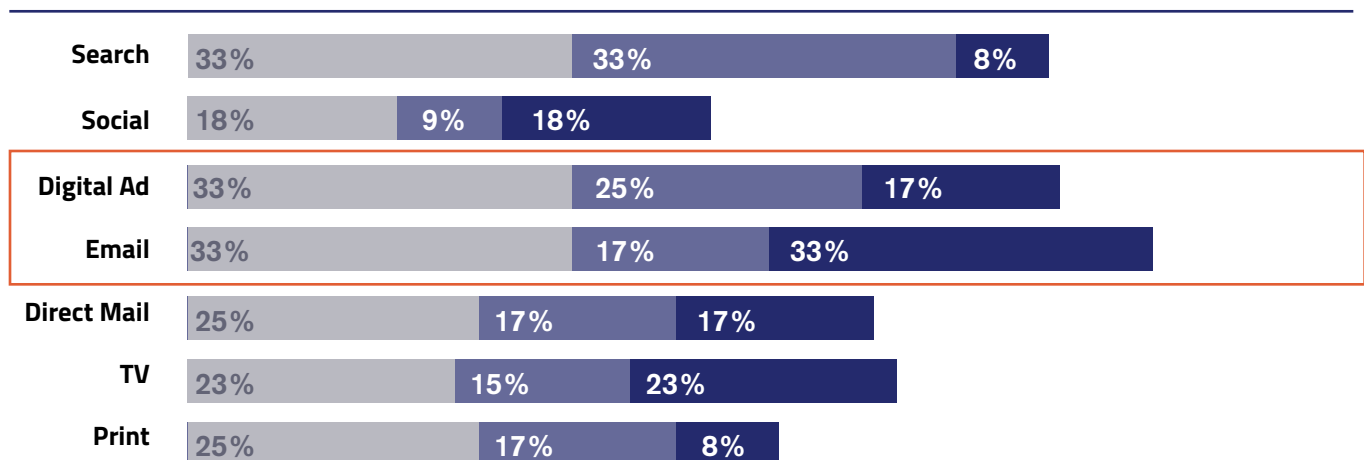
For retailers, email and search remain the two most powerful channels to drive traffic. Retailers we surveyed ranked email and search high for **both** online and in-store traffic. Surprisingly, offline marketing channels like direct mail and print both rated well with marketers to drive online efforts, especially if the computer or smartphone is nearby. Additionally, TV still scores well as a medium for driving physical store visits (**see Figure 3**).

FIGURE 3:
Marketing channels that drive online and offline traffic

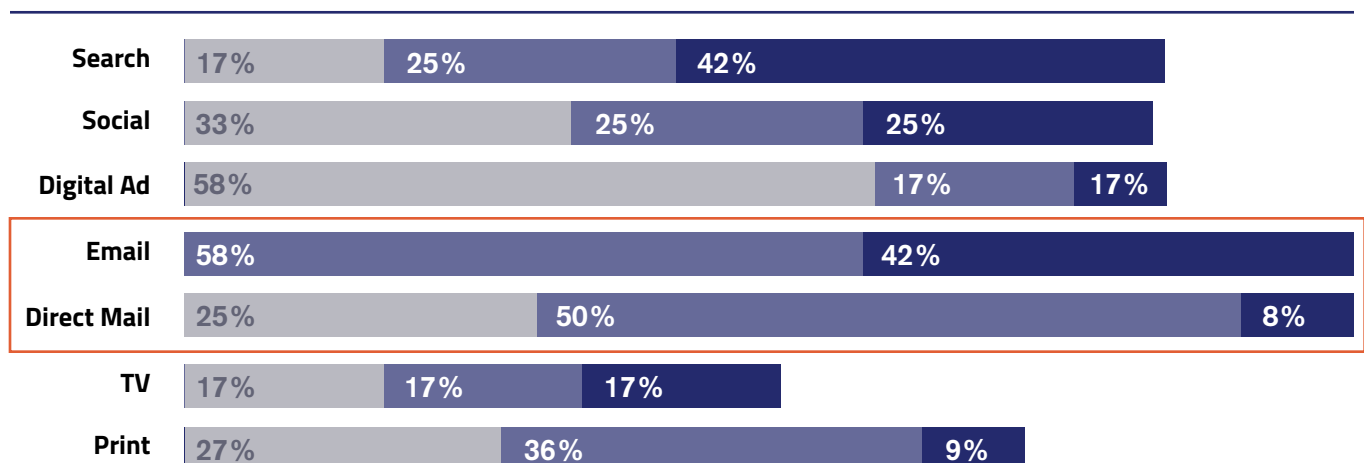
Please rate each marketing tactic as to their impact on online and offline footfall.


TO PHYSICAL STORE

Good Better Best



TO ONLINE STORE





“ Our expansion into physical stores is to build a true retail channel, not just a marketing expense. We’ll analyze average order value, average unit sales and compare online to physical store sales per week per item. Beyond that we’ll be looking at broad measures like brand awareness and ecommerce sales in the store’s vicinity. Qualitatively, we’ll be assessing what our customers are asking for and saying about color, fabrics, prices, assortment.”

CEO

Children’s Apparel Retailer

FOOTFALL DATA'S VALUE NEEDS TO RISE TO MEET DIGITAL DATA

Online channels continue to capture an increasing share of revenue, along with mountains of data to analyze and continuously optimize those channels. Physical retailers are now feeling pressure to understand and optimize the offline channel or risk being shuttered.

The Impact of Offline Footfall Data is Recognized by Most

Of course, counting the number of people that come into a store is not new. Clickers and threshold detectors have watched customers going in and out of stores for decades. And three-quarters (77%) of retailers know that footfall measurement helps drive revenue growth.

Many retailers view footfall traffic measurement as a priority (**see Figure 4 & 5**). But unlike the data scientists who study and optimize every click of an email or link on the site, offline store traffic patterns are not as closely monitored.

FIGURE 4:
Footfall traffic analysis is on the rise

How do you weigh footfall vs. other analytics?

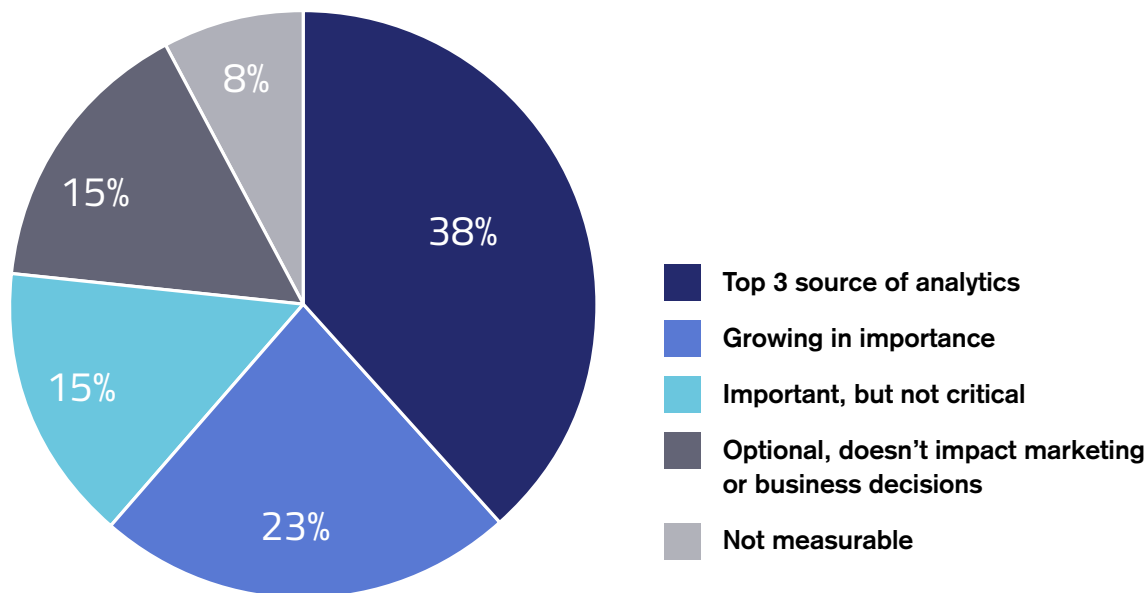


FIGURE 5:

How do you use footfall traffic data?

“ We look at relationships across channels on a multi-touch basis to credit the original source of the sale. If a retail location initiates a relationship and it drives online sales for that customer, that retail location gets credit.”

“ Understanding declines in store traffic and when the declines are occurring (i.e. mid-week vs. weekend).”

“ We look at all the ways the consumer is interacting with the brand, from store traffic to web traffic to mobile traffic.

“ Multi-touch and multi-device attribution have become really important; Bots, fraudulent traffic and the growing ‘dark pools’ of data make it more critical to stitch data together vs. just capturing inputs.

“ Understanding the relationship of digital and in-store traffic as it relates to customer engagement and CLV (customer lifetime value).”

“ It’s the quality of the interaction that matters most. You need to have the product they want at the price they want. The experience needs to be consistent everywhere. If you have an amazing in-store experience (quality product, great service) in the physical store, but the site is horrific, you will lose customers. The same is true in reverse.”

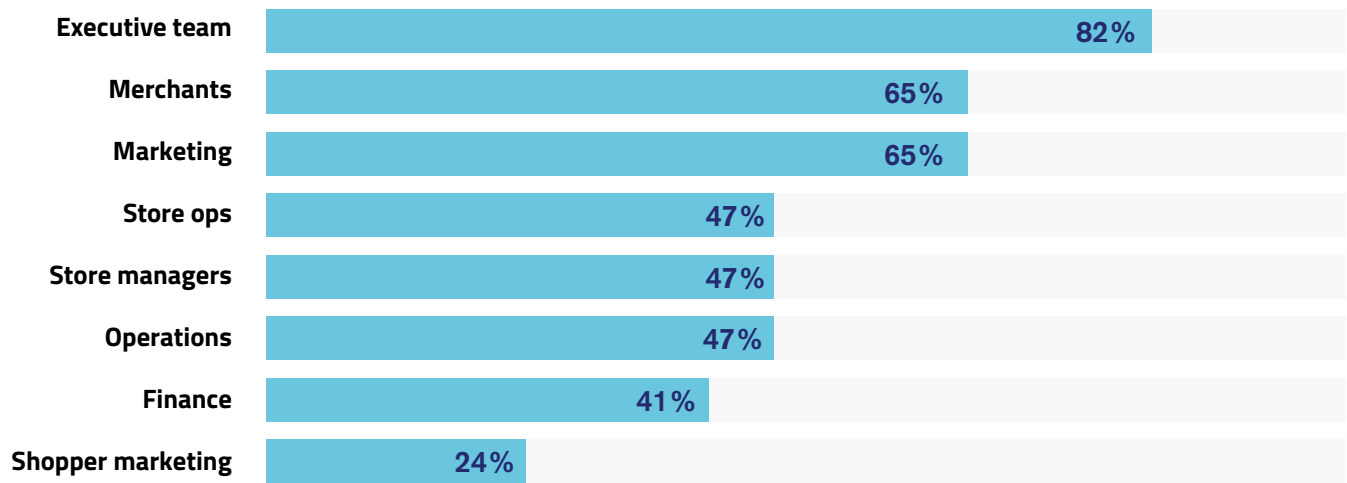
SVP Marketing
Hardware Retailer

Footfall measurement in offline stores is widely viewed but gets limited use.

Footfall data is widely distributed across the company (see Figure 6). Despite the visibility this data gets across the organization, no department ties their success directly to its use. And despite the importance of footfall as a leading indicator of sales, 64% of retailers who responded say teams are not compensated for driving more people into the physical store.

FIGURE 6:
Traffic data gets reviewed across the enterprise

Who gets footfall stats? (Check all that apply)



No retailer surveyed measures footfall data’s direct impact on revenue. Nearly half of retailers (46%) link foot traffic to revenue solely by using estimates; one-third (33%) use analytics and statistical modeling.

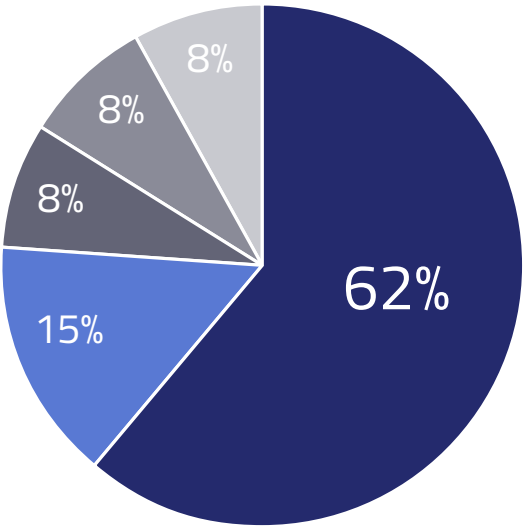
Today, attribution models and channel-centric traffic data remain the leading ways to tie digital to physical for 33% of survey respondents. Footfall data is not currently correlated across channels to understand consumer touchpoints or shopping patterns. Two-thirds (67%) measure traffic to each channel individually, but do not compare results across channels. The few that do correlate across channels (a mere 7%) only do so in the aggregate across the company, not at the store or customer level.

Online Teams Are In The Analytical Hot Seat.

The physical retail footprint still dominates most retailers’ fixed investments. Nonetheless, the digital analytics team provides the understanding of why consumers buy, which products sell well to different customer groups, and where there is sales growth or decline (see Figure 7).

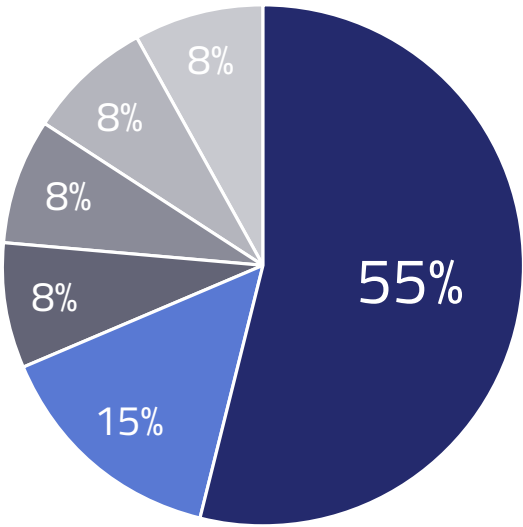
FIGURE 7:
Business intelligence manages footfall data

Who is primarily responsible for collecting footfall data?



- Business Intelligence
- Marketing
- Customer Strategy
- Store Operations
- IT


Who performs the analysis that drives decisions?



- Business Intelligence
- Marketing
- Customer Strategy
- Data Analytics
- Finance
- GM / Executive Team

This is true whether the retailer owns a big footprint, has a large digital presence, or is an upstart launching an offline location for the first time. The volume and granularity of digital data is massive and deterministic, while physical footfall data is regarded as just another input. Here are some examples:

- One newcomer to high street retailing got started by using digital data to determine store location. They looked at where they had a gap between digital sales and demographic data and then opened a store in an area that they felt would benefit the brand and would be incremental to online sales.
- A more established enterprise already has a large team of data scientists who manage the insight from their online efforts. When they do analysis, they refer to in-store data to understand where there is a sales or support opportunity that might get the customer into a store. If there is a location nearby, they encourage the customer to get a hands-on experience with the products and direct them to the right location.



“ Our physical store analytics team and digital analytics team are currently separate teams that may get combined. The digital folks have more data science behind them. Since it’s the same consumer, we need them to merge. Right now, the data collection mechanism is misaligned – the store pivots off of the email address while online uses the MSA for correlation.”

**General Manager
Strategy and Insights**
Consumer Electronics
Retailer

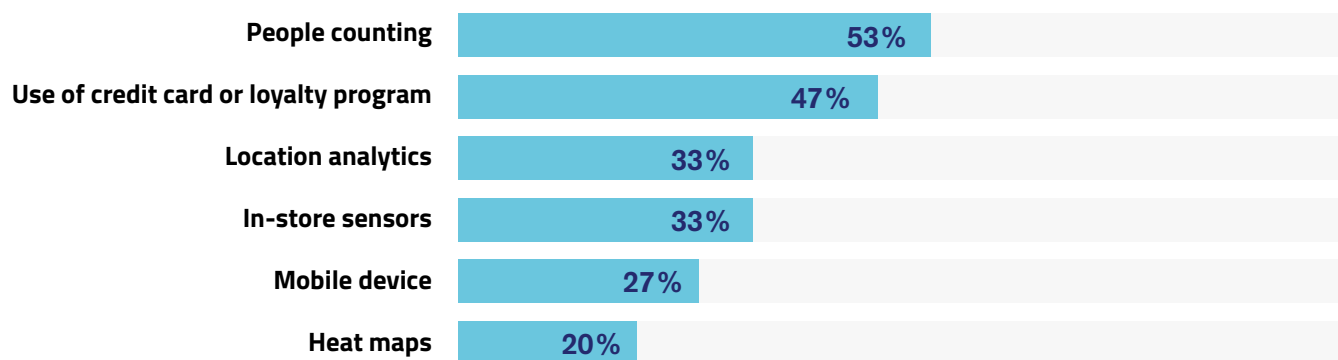
Footfall Data Needs A 21st Century Update

Retailers have to change their approach to understanding the offline consumer, and they started by adding in new ways to measure store visits. While most retailers still count people directly using clickers and counters, almost half of our survey respondents use credit card or loyalty card data to support in-store activity. Use of location analytics and digital sensors like beacons has risen to one-third of surveyed retailers **(see Figure 8)**.

FIGURE 8:

In-store traffic measurement is evolving

What techniques do you use to measure in-store traffic? (check all that apply)



“Footfall has always been critical – it just needs to be looked at in total. We are looking at gathering the same sort of data that exists online for offline. Can you watch their path to purchase? You should be doing that at the store level. If the store is more convenience oriented, then the experience needs to get them in and out quickly, so we use the data to optimize the efficiency of the store team and make sure there is no line.”

Senior Director
Retail Consultancy

PUTTING FOOTFALL TO WORK

Footfall Impacts Marketing and Merchandising Decisions

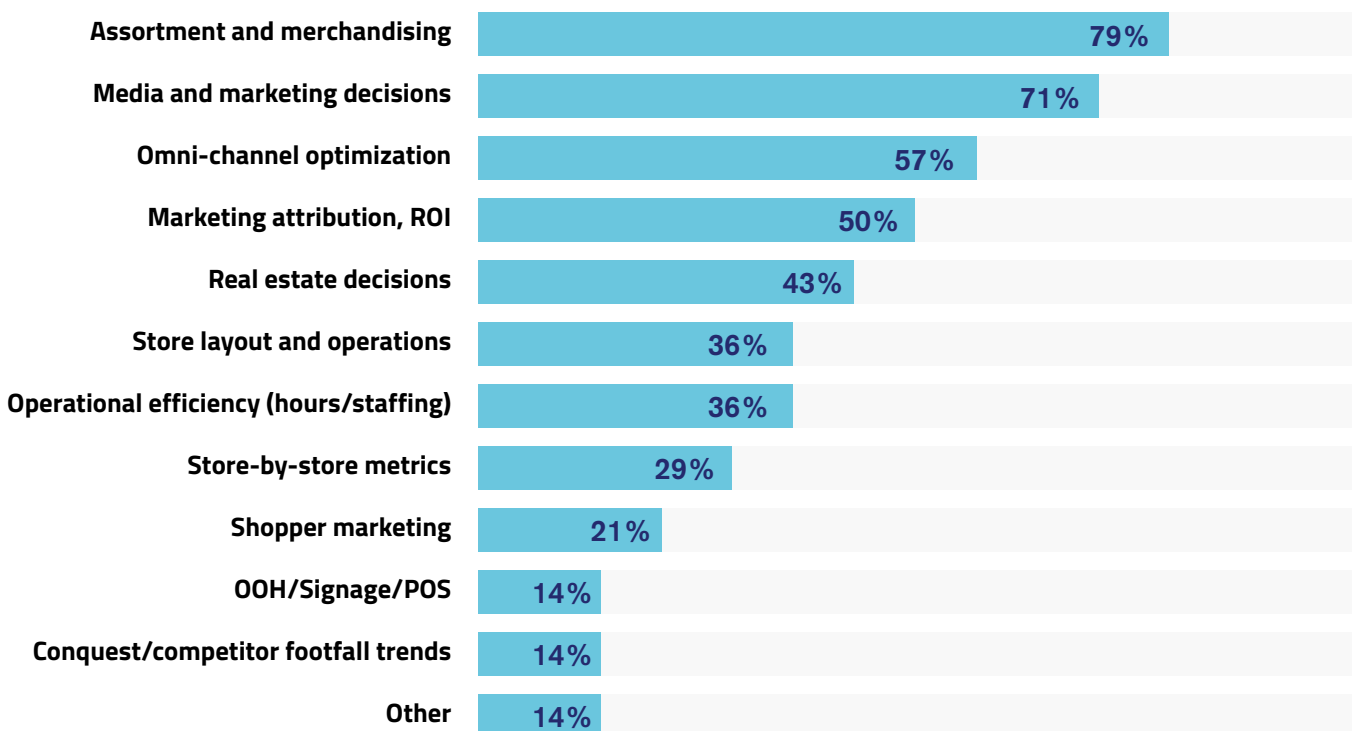
Over 70% of retailers use footfall data primarily to optimize the biggest variable costs of their businesses: assortment and merchandizing, followed by media and marketing decisions (see Figure 9).

Retailers that put new measurement techniques to work — like beacons or location analytics — put a digital-style spin on what happens in stores. Fourteen percent of retailers use footfall or location data for competitive conquering, using the data to go beyond in-store measurement and understand the full customer journey. When retailers match location data to credit card data, for example, they learn how much wallet share they are getting from their “loyal” customers.

FIGURE 9:

Marketing and merchandising are the leading users of footfall data

What business decisions are impacted by footfall measurement? (check all that apply)





RECOMMENDATIONS

Winning Retailers Must Raise Physical Footfall Data To Online Standards

Traditional retailers historically built their businesses brick by brick. But the foundation is changing for all retailers. Witness Amazon becoming savvy at physical store management with Go and Whole Foods, while Walmart's multi-billion-dollar digital acquisition bets are showing success. For everyone else, it's time to:

Invest in building better offline analytics. Mandate analysts and data scientists assess offline patterns in conjunction with online efforts. Building models to understand the omnichannel impact and tradeoff will help make the whole company more successful.

Learn from competitors' traffic patterns. One advantage of selling online is competitor traffic data from ComScore and Nielsen. As location analytics enables more rigorous footfall pattern analysis, retailers should use it to measure where people go when they are not in store. That competitive intel deepens the understanding of where consumers spend time and money.

Optimize for the enterprise not just the channel. The depth of data available from web, mobile and other digital channels serves to highlight the limitations of today's offline traffic measurement. Retailers are increasing their investment in location data and beacons, which gives them greater depth of measurement and the whole company better ways to correlate visits.

Set internal performance metrics within and across channels. Cross-channel attribution is important to the organization. When measured and incentivized together, it incents internal teams to encourage cross-channel traffic to online and offline properties. Insight from both channels ensures that the heavy fixed investment in physical retail is both optimized and recognized for its contribution.

Reward consumers for engaging and buying across channels. Knowing when a loyal online shopper visits the store, or vice versa, helps solidify the relationship. Insight about omnichannel consumers will further optimize expensive marketing and merchandizing decisions, and allow for progressive, rather than conflicting or impersonal, messages and offers.



About Ascendant Network

Ascendant Network runs two networks for marketing professionals, Retail Ascendant and Digital Ascendant. Each is home to twice-yearly events and a selective community (invite-only via nominations) of senior change agents (VP, SVP, and C-level) spearheading today's digital transformation and retail r/evolution. Each gathering brings together 100 transformative retailer + marketers from the nation's most progressive brands to share + connect + tackle industry problems. Our closed-door/no press forum is deliberate — it supports candid sharing and relationship-building among the industry's "who's who".



About Cuebiq

Cuebiq is a leading location intelligence and consumer insights company leveraging the largest database of accurate and precise location data in the U.S. Its data intelligence platform analyzes anonymous location patterns to allow businesses to glean actionable insights and better understand the offline consumer journey. Cuebiq's SaaS platform provides clients offline location analytics, real-time campaign optimization and footfall attribution, as well as geo-behavioral audiences for cross-platform ad targeting. Cuebiq is headquartered in New York with offices in San Francisco, Chicago, Italy, and China.