

A commentary paper by HP

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The outlook for Australian retailers is very bright. Economic indicators show continued retail sales growth with foreign investors confidently spending to build their bricks and mortar presence.

According to the Australian National Retailers Association, based on November 2013's sales figures "the retail sector's performance in 2013 is shaping up to be the best in five years". Not all markets have thrived however with booksellers and music retailers failing to adapt to rapidly changing customer preferences. This is in stark contrast to marketers like JB Hi-Fi who continue to deliver great shareholder returns and outperform analyst's predictions.

Visionary retailers don't fear the onslaught of online commerce but embrace and positively thrive on the opportunities this new channel offers.

Retail

(rē'tā')

The sale of goods or commodities in small quantities directly to consumers.

Reconnaissance

(rī-kŏn'ə -səns, -zəns)

A general examination or survey of a region, usually followed by a detailed survey.

Australia's retail environment*

The Australian retail market generates more than

\$215 Billion

in revenues

140,000

retail businesses operate in Australia

Retail trading employs

10.7%

of the workforce

Online commerce is estimated at

6%

in total

4% (\$8.4Bn) local and, 2% (\$4.2Bn) overseas vendors



The Australian retail landscape – innovating and adapting

Innovation is alive and well in Australian retail with David Jones and Coles Supermarkets awarded for their creativity and re-engineering at the international retail awards held in France in 2013.

The growth in online commerce has spurred a review of the retail environment with critical comparisons of retailer operating costs, most notably high rents and staffing. Bricks and mortar still have one clear advantage over any online relationship: they shape the environment in which their customers make buying choices and control every aspect of the retail experience.

The shopping experience – the retailer's most potent weapon

Retailers still offer their customers a unique experience because competition demands that they must! The layout, lighting, product placement and staff engagement can all be fine-tuned to capture and embrace clients. The retail environment provides customers with the opportunity to share tactile and visual stimulation with others, offering a totally immersive, all embracing experience.

How do you measure the retail environment and customer experience?

Retailing success traditionally depends upon creating a welcoming environment, stocking it with desirable inventory and hoping for the best. Reliance on experience, intuition and "gut feel" provides useful insights but is difficult to measure and benchmark. Until now, technology that provides feedback on retail customer behaviour has been costly, inflexible, and demanded massive investments of time to glean meaningful conclusions. HP Australia, in collaboration with Fortinet and Kiana Analytics have integrated a complete solution that will help you solve this retail dilemma.

*Source: Productivity Commission 2010
www.pc.gov.au/_data/assets/pdf_file/0004/113764/02-retail-industry-overview.pdf

Maximising the ROI on retail floor space – HP’s Retail Reconnaissance is the answer

What does HP’s Retail Reconnaissance measure?

- What is attracting customer attention at street or mall level?
- How many target customers are entering the store?
- Has this customer visited the store before?
- How frequently does the customer visit?
- What is the duration of their visit?
- What area of the store does the customer visit?
- How long do they dwell there?
- What is the duration of time spent browsing sections or product groups?
- Are store layout factors influencing their footfall?
- Did the visit culminate in a sale?
- What insights can be drawn from the customer’s visit?



Maximising the return on retail floor space with smarter customer intelligence

It’s the holy grail of retailing. What do customers browse and purchase when they visit a showroom? The cash register tells part of the story but provides little information about the decisions that influenced the customer purchase. When retailers are able to empathise with their customer’s desires, it increases the opportunity to identify and fulfil the needs of their target customers. *Retail Reconnaissance* allows retailers to track footfall and understand how customers interact with their retail environment.

Measuring customer’s in-store behaviour with retail traffic analytics

Talented retail managers become highly skilled at observing and gauging customer behaviour, thereby increasing the likelihood of closing a sale. Their observational talents set them apart because interpreting the demographics, disposable income and customer buying cues helps them measure the effectiveness of their marketing and promotional activities. It also provides data about the potency of their branding and helps in comprehending how it appeals to their target clientele. Replicating this type of data analytics in store has become practical with recent technology advances.

“Replicating this type of data analytics in store has become practical with recent technology advances”

Observing and tracking customer behaviour – the way they did it in the “olden” days

Traditional retail analytic systems use floor sensors and hidden cameras to correlate customer behaviour with point-of-sale terminals. This technology is inflexible and places huge demands on staff to collate and interpret the information collected. Even worse, this solution offers a dismal return on limited staff resources and is not practical in most real world situations. Retailers need better technology to meet the needs of their stakeholders.

What do retail analyst’s need to know about in-store customer behaviour?

One very important retail metric is conversion ratio: how many customers entering the retail environment make a purchase? Understanding how store layout influences purchasing decisions can deliver healthy improvements to turnover and stock turns. The real deliverable is studying trends in footfall traffic over an extended period of time. Small changes can deliver long term sales increases, or adversely affect shop floor performance. Retail marketers need to understand this data and act proactively to increase their ROI.

Privacy considerations about customer engagement

When a customer enters a retail store they agree to forgo certain rights by forming a tacit contract with the retailer. They accept that their bags may be inspected and video surveillance will monitor their activities during the visit.

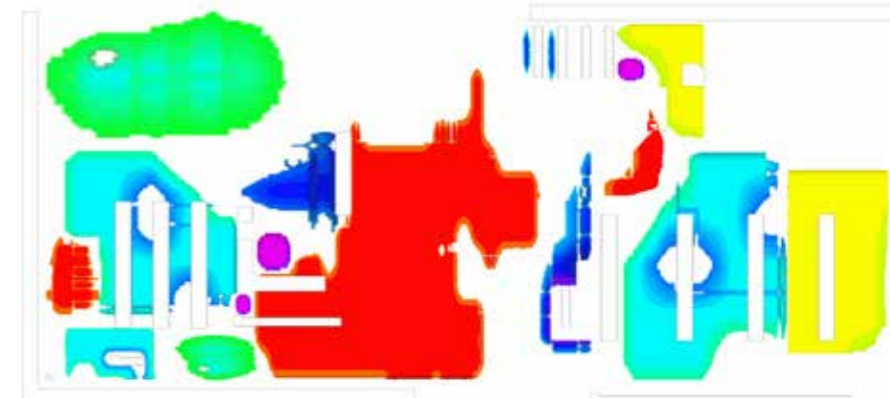
HP’s basic *Retail Reconnaissance* implementation is non-intrusive and only tracks data that’s freely available. Advanced analytics are available for opt-in customers who consent to sharing additional data.

Please discuss this issue with an HP *Retail Reconnaissance* consultant.

Our Solution Retail Reconnaissance

Retail Heat Map

Retail floor plan showing how a customer enters the store and interacts with the retail environment – stopping to browse (dwell) and purchase.



Footfall Analytics – Goals to help improve retail performance

- Enhance customer service levels
- Boost sales revenue
- Increase stock turns ratio
- Improve cash-flow
- Identity “hot” zones
- Remediate “dead” zones
- Tie in products with customer traffic flows
- Track browse and dwell times – map these to specific shelves, racks or in-store displays
- Align staff KPI’s with customer traffic – not transactions
- Use diagnostic and forensic tools to leverage better sales performance

HP’s Retail Reconnaissance Analytics Solution – a better solution for a very old problem

The ubiquitous use of wireless enabled smartphones offers retailers a new way to track footfall traffic in their showrooms. Modern phones are fitted with optional networking capabilities that enable easy connection to a Wi-Fi network. Consumers can choose whether this feature is enabled or switched off, depending on their location or need. Many users leave this communication channel permanently enabled, providing observers with the means to track their movements using off-the-shelf commercial technology. This forms the framework for HP’s *Retail Reconnaissance* solution.

Measure retail footfall metrics to deliver better returns on every square metre of floor space

By correlating data acquired from customers traversing the retail shop floor, heat maps can be built that show detailed analytics of how customers interact with displays and inventory. Customer’s movements and dwell times within the store are triangulated and hot and cold spots are identified in real-time. Merchandising that delivers excellent results can be replicated while under-performing assets either remediated or replaced. For retailers with multiple outlets, trends and changes in customer behaviour can be modified almost instantly and the merchandise mix or stock placement changed to increase yields per square metre.

Retail analytics that are expandable – begin with a modest investment

There is no need to equip all outlets with the HP’s *Retail Reconnaissance* solution. Target new markets or identify niche customer types with greater discretionary spending power that deliver a quick profit lift. Prospective customers are easily identified but the payoff is in responding quickly and fulfilling their needs efficiently. Are marketing initiatives delivering the results expected? Establishing a modest pilot program enables in-depth market testing at a fraction of the cost of a branch wide rollout.

Collaborate with suppliers aided with a justified and measurable business case

Analysing customer behaviour better than competitors often delivers a commercial advantage. The ability to dynamically improve conversion rates, sales per square metre and a myriad of other metrics demonstrates to suppliers the importance of their relationship with innovative retailers. By providing the means to measure and analyse in store sales stimulants, tangible proof that investing more in advertising and promotional budgets is justified.

HP's Retail Reconnaissance provides a roadmap to the future of retail marketing



Setup a pilot program and prototype a concept store

Retailers can't afford the luxury of taking risks without factoring in an acceptable return on their investment. Eliminating guesswork and replacing it with well formulated, evidence based strategies will help build a better business case and increase the likelihood of success.

Build a pop-up department or validate a business case

The ability to quickly build a testing environment offers retailers the opportunity to increase the chance of successfully marketing the next hot trend. Constructing a purpose built, self-contained environment with pre-configured retail analytics reduces the costs and risks associated with gauging consumer acceptance.

Measure the effectiveness of supplier co-funded initiatives

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Audit high-performing or low yield departments and stores

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Test innovation programs and track customer interaction

New in-store technology that engages with customers can stimulate purchasing. Whether it's digital displays or information kiosks, the bottom line could be enhanced by bridging the gap between traditional and emerging online channels.

Start planning advanced technology programs that drive down costs

Technology is a proven driver in reducing supply chain costs. The market has validated Wireless and RFID tracking in reducing the cost of managing inventory and cutting shrinkage. Typical usage scenarios include asset oversight and improved stock control.

Embrace new Omni-channel engagement models

HP's Retail Reconnaissance solution forms the framework for initiating new methods of customer engagement. Online customers could access free in-store Wi-Fi, accrue loyalty points or receive privileges to participate in exclusive promotions or events. Online commerce is not a competitor, but a new opportunity that must be grasped by innovative and forward looking retail entrepreneurs!

HP can provide a complete suite of Retail Solutions that will increase staff productivity and add excitement to your retail environment.

Here is an overview of our solutions;

HP Retail Product Suite

www8.hp.com/us/en/campaigns/retail-solutions/overview.html

Digital Signage

www8.hp.com/us/en/campaigns/retail-solutions/digital-signage.html

Self Service

www8.hp.com/us/en/campaigns/retail-solutions/self-service.html

Point of Sale

www8.hp.com/us/en/campaigns/retail-solutions/point-of-sale.html

Mobile

www8.hp.com/us/en/campaigns/retail-solutions/mobile.html

Barcode Scanners

www8.hp.com/us/en/campaigns/retail-solutions/barcode-scanners.html

