GENERAL NEWS

It Won’t Be Easy Making Money Off of Cherry-Picking Shoppers

Successful Retailers Must Create a Better, Memorable Customer Experience

Consumers are more informed and discerning, and their behavior is quite different from previous decades. DARREN HAUCK FOR THE WALL STREET JOURNAL

By RAJEEV SHARMA

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Brick-and-mortar retailers face two big challenges: competition from the Web, and the homegrown problem that too many stores are now chasing the same customers.

The result is shoppers—well-informed and spoiled for choice—have become cherry pickers who won’t be very lucrative unless stores adapt.

Retail square footage has consistently outpaced population growth over the past two decades. This overbuilding of retail space means less traffic into individual stores and greater pressure to sell more to fewer people.

Meanwhile, consumers are much more informed and discerning about their choice as it relates to price or features. Information is readily available on the Web, and shoppers
have plenty of choice over where to buy.

This means when they enter the store, their behavior is quite different from previous decades. Shoppers are more directed or deliberate and far less impulsive, grabbing mainly those products that appeal on the basis of price or quality. The result is less loyalty to stores or product brands.

VideoMining tracks these behaviors using software that converts in-store video into large volumes of anonymous data on the shopping process. Our analysis of behavior across multiple channels confirms that shopper visits are getting shorter and tend to cover a smaller portion of the store. Our data from over 250 product categories show that a significant number of people spend time checking pricing and interacting with products, and then walk away without buying on a given store trip. The walkaway rate is as high as 75% for diapers and 40% for breakfast cereal.

In supermarkets, the aisles in the center of the store account for three quarters of total store sales. But shoppers on average spend only 18% of their trips interacting with products there. They spend the bulk of their time on the store perimeter, as well as navigating the store and at checkout. In drugstores and convenience stores, shoppers tend to make a beeline to the location of the key trip driver—dropping off a prescription or picking up a cold drink—and don’t notice anything else until they pick up that primary product.

These tracking technologies mean we can now analyze in-store behavior much as online retailers mine data on their shoppers, so physical retailers can now better understand shopper behavior and respond accordingly.

Successful retailers are responding aggressively to hyper-competition and changing shopper patterns by targeting of store offerings to match local demand. They are expanding into new offerings—such as putting in lunch delis, salad bars, coffee bars and so forth to give shoppers more reasons to stop in.

This has resulted in channel blurring, with much less clarity of purpose for each store format. Convenience stores now feel like fast-food restaurants; drugstores carry more household products at attractive prices; dollar stores carry grocery products; and so forth.

Successful retailers also are investing in creating a better customer experience so that the visit is more distinct and memorable. In addition, retailers are moving to integrate
online and offline marketing strategies and experiment with ways to use mobile phones to augment the store shopping experience.

One thing is clear, brick-and-mortar stores aren’t going away. All you have to do is look at the people fighting for spots in the store parking lots on any give Saturday to realize that there is a deep-rooted need that stores satisfy. Stores provide the key touch point with the product—to learn and directly interact with new features, new technology, new foods.

Apple’s success with retail locations has sparked more interest in physical retail among traditional online retailers, with even Amazon reportedly planning to open a physical store. The format of stores and shopper behavior may change with the evolution of technology, but stores are definitely here to stay.

—Dr. Rajeev Sharma is founder and CEO of VideoMining Corp., which analyzes in-store behavior by tracking shoppers.