KEEPING AN EYE ON RETAIL

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Global retailers and brand owners are increasingly looking to science and data to help make better-informed decisions on all aspects of their retail business.

Within the areas of marketing and human resources, we explore two innovations that are at the forefront of this growing requirement to provide deeper understanding and insights. Eye tracking is helping retail leaders make better marketing and merchandising decisions and Job Fit Profiling identifies high performing staff through more focused selection and development.

For the last six months I have been travelling to Europe to work with a large global consumer company, developing and implementing a sales training program for their global sales team with a focus on selling to retail buyers and helping buyers grow their category. This project has afforded me insights from the inside, as to how consumer companies with large marketing budgets of $1 billion plus per annum and product development budgets of $2 billion operate and interact with retail companies like Amazon, Walmart, Dixons, Mediamarkt, Tesco, Best Buy, Carrefour etc. It is obvious that more than ever, marketing initiatives and decisions are made based on science, data and technology.

5 Top Data and Science Retail Applications:

1. Eye Tracking and biometric research
2. Job Fit Profiling
3. Big Data
4. Benchmarking
5. Demographic data for location planning

Increasingly, savvy retailers are working with their suppliers and agencies to better understand their customers and their purchasing decisions. One technology that is complementing and often replacing traditional research is eye tracking and other multi-sensory research such as biometrics and neuroscience. Eye tracking technology allows us to see through the customers' eyes, literally. It measures what the customer looks at, giving us an accurate account of their behaviour. At the same time it is possible to track

heart rate, skin response and, pupil size to score emotion and mood. Then combined with additional software, you get an accurate picture of what your customers are thinking, feeling, seeing, and ultimately, how they are behaving.

Heat Map for a Virtual Supermarket

I met with Dr. Peter Brawn, founder of Gateway Research, who pioneered eye tracking research in Australia and asked how retailers are applying this type of technology. The most common applications include:

- Product launches including optimising pack design and size
- Effectiveness of planograms in supermarkets
- Levering design and placement of point of sale material
- Colour blocking and brand blocking
- Identifying hot spots and dead zones in stores
- Enhancing store design and layout
- Improving price tags
- Website design and user experience
- Advertising effectiveness – TV, Online, Catalogue

Historically, research companies have followed shoppers around using observations, focus groups and interviews to make recommendations to retailers and consumer companies. Dr. Peter Brawn explains, the limitation to this traditional approach is that it relies on the recall of the consumer and doesn't take account their unconscious mind. "We can now measure real responses by combining science and data, making our recommendations much more accurate ".

Cross hair highlighting in a virtual pharmacy a hot spot

Often when retailers implement a new store design, they use their previous experience, personal preference and "gut feel" to make a decision. However, with a cost of $200,000+ to upgrade an average 100 sq. metre store, using this technology substantially reduces the risk on what could be a multi-million dollar investment decision in the roll out of multiple new stores. It is now possible to test concepts in a pilot store or virtually with your customers, enabling optimisation of store design and layout, ticketing, brand, colour pallets, identify hotspots, dead spots and so on before moving to production.

This technology isn't restricted to in-store applications, I asked Dr. Peter Brawn about his work on websites and their effectiveness. He said that through analytics, we can work out at what point and how often potential customers drop off a website or when they fail to finalize a transaction, yet we don't know the reason for cart abandonment. Through the use of eyetracking we are able to look at these transactions at a granular level and find the exact point in the process or the reason for the incomplete transaction. Another application is when content or instructions are ambiguous or simply go unnoticed by customers, Eye tracking can track the user experience, allowing you to make changes to content or design immediately, often saving tens of thousands of dollars in lost sales.

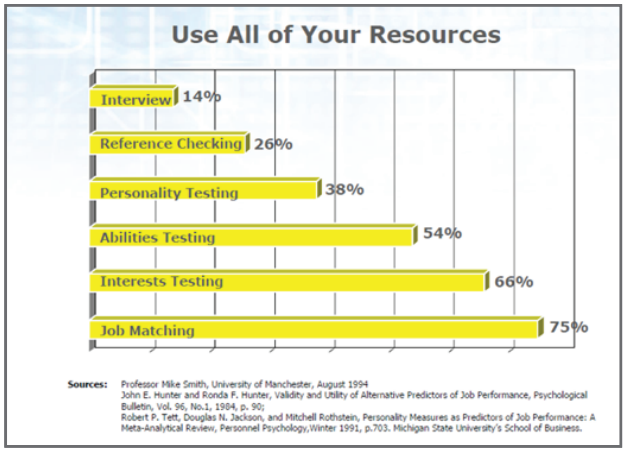
I recently read the New York Times Bestseller, "**Drunk Tank Pink**" by Adam Alter, it states that, when people loaded web pages with a red or yellow background they felt more agitated than if the web page had an alternate

colour background, such as blue. This agitation made them more impatient and, as a result, they felt they were waiting longer to load a red/yellow page even though different colours had the same load time. A red or yellow background also meant users felt less likely to recommend the site. Eye tracker technology can accurately track colours and symbols that perform at a higher level, therefore informing designers and avoiding costly design errors, according to Dr. Peter Brawn.

Another innovation is in the use of **"JobFit" Assessments** in the selection and development of talent (especially in-store management and more senior roles with retailers).

We have been working on a project with a global retailer with 250 stores, transitioning their store management team to be customer centric and creating a point of difference against a dominant competitor.

We used a "Jobfit" Assessment for creating a Store Manager High Performance Benchmark. Using their individual financial results, we assessed 15 top store managers to measure their cognitive (the mental demands of the role), behavioural (the role environment, organisational culture etc.) and occupational interests (employee engagement). We were then able to benchmark all store managers (plus new recruits) using their own assessment results to determine the number of proven high performers (this normally is less than 25% of store manager population).



For the retailer concerned, it was a reality check on the strength of the store management team and the number of managers unsuited to the role of running a store (often 50% of the team). It also allowed them to refocus training and development on key skills and incorporate the assessment into their recruitment process.

Typically, when retailers recruit for a store management role, experience is a principle criterion for making hiring decisions. Yet research has found little difference in performance between those experienced individuals and those with no experience. In addition, a high percentage of resumes these days are "embellished" and it is difficult to obtain an "honest" assessment of an individual through reference checking, resulting in a high failure rate in staff selection.

It is important to use all your resources from subjective criteria with a low reliability to "JobFit" Assessments with a 75% + reliability. Job Matching/Job Fit originated when Harvard Business Review released findings by H & J Greenberg about the importance of establishing JobFit. JobFit is the ability to match people to roles based on the critical success attributes of the role, not on the individual's experience, educational qualifications, age, gender or race. The findings were based on a 20 year study of 360,000 individuals in multiple countries.

According to one of our fashion clients, the loss of a high performing store manager costs on average $50,000 to replace in terms of lost sales and hiring costs in the first three months after they leave. Using "JobFit" Assessments provides a high return when recruiting and developing store management talent.

CONCLUSION

Retailers will often seek proof of return on their investment before committing to spending their budgets. Using science and data to make informed decisions, while not a 100% guaranteed, is as close as you will get in minimizing risk and maximizing return.

For too long, retailers have relied on instincts, experience and gut feel to make major investment decisions. While these factors play a role, they need to be backed by more reliable and accurate analysis. Utilizing techniques tried and tested by global consumer and retail businesses is a good place to start.

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This article has been written by 6one5 Retail Consulting. 6one5 specialises in retail strategy, consulting and training. We have worked with companies all over the globe including Asia, China, Europe, Middle-East, Canada, USA and South America.

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DR PETER BRAWN, Founder of Gateway Research. Peter Brawn has a PhD in Cognitive Psychology and is a fellow of Harvard Medical School. In 1998, he set up an eye-tracking lab at Harvard Medical School before moving to Australia to establish the country's first commercial eye tracking research agency. Gateway's client list boasts some of the countries largest brands, which recognise the importance of understanding true customer behaviour.

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LHR Retail is the Canadian partner who is also a distributor of 6one5 retail online training courses. This partnership is focused on delivering training courses to the retail industry, including head office, store manager and sales person training.

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