

Converting retail browsers into buyers

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Financial Post

Saturday, June 30, 2007

The point at which a browsing customer turns into a buying customer is a puzzle that retailers and technology companies are continually trying to decipher.

Retailers are aware of how many people linger on their Web sites or pass through the doors of their store, but how much of that traffic results in a sale, known in the industry as the 'conversion rate', differs vastly from business to business.

Online, customer conversion rates can be particularly low. Some consumers still have lingering doubts about the security of online shopping. Others, particularly those shopping for big-ticket items such as electronics and major appliances, do research on the Web and end up buying in the store.

"Conversion rates in the [Internet retailing] industry are less than 3%, so there is a lot of browsing going on," said Oakville, Ont., native Todd Humphrey, chief executive of Seattle-based CleverSet, which has developed a new type of product recommendation service for online retailers. "[Retailers] need to get better at giving consumers the information they are looking for rather than trying to continually sell them something."

CleverSet attempts to present a more evolved response to Web browsing beyond the Amazon.com-style of recommendation service, known as collaborative filtering: "People who looked at this yoga mat also liked this sitar music."

Mr. Humphrey views collaborative filtering -- a statistical compilation based on an analysis of merchandise groupings and customers' past behaviour -- as archaic and inaccurate because it does not account for gift buying and often incorrectly assumes a person is in the mood to buy a product rather than do research.

A customer doing research on digital SLR cameras might start by looking at a Nikon D70, for example, and then want to see a variety of cameras in that price and technology range, Mr. Humphrey said. But most online electronics retailers would begin suggesting customers look at accessories for the Nikon D70, such as flashes or camera cases.

Repeat customers who have made previous purchases can be more frustrated by collaborative filtering, he added, because after buying a gift for a friend's child they can be inundated with toy recommendations when they return to a site to look for something completely different.

Getting recommendations right is important for sales, analysts say. Sucharita Mulpuru, senior analyst at Forrester Research, has estimated 10% to 30% of an online retailer's sales come directly from suggestions they give to consumers.

Online consumers would be more likely to buy, Mr. Humphrey reasons, if they were given more information and shown products. CleverSet's technology also tailors Web pages for different consumers based on their location. "If it's 30 degrees in Toronto, what you want will be different than what a customer in Greenland wants."

At the retail-store level, Shoppers Drug Mart Inc. has been using a device that could

encourage customers waiting to fill prescriptions to browse more throughout the store while they wait -- a pager, which vibrates when their medicine order is ready.

The pagers, now used at stores across the country as part of the retailer's HealthWatch program, "saves people from having to stand in front of the pharmacy and it allows them to spend the time they would have spent waiting in the way they want to spend their time," said Rose Patodia, the company's manager of pharmacy, marketing and professional services. "One of the biggest needs this addresses is respect for [customers'] time."

Retail studies have found that people standing in a line perceive that they spend more time waiting than they actually do. At Shoppers, according to one pharmacy employee, people using the pagers "love them ... and they can get lots of shopping done" when they are not waiting beside the dispensary.

Pagers of a different variety will help improve customer service at big-box home-improvement retailer Lowe's Companies Inc. when it opens its first Canadian stores later this year, said Doug Robinson, president of Lowe's Canada. The retailer is installing help buttons throughout the store so customers can summon an employee for assistance or find out more information about a product, an asset when stores are busy.

But even when retail stores are full of customers they too can have problems converting browsers into buyers, according to Mark Ryski, chief executive of Edmonton-based HeadCount. Mr. Ryski's company aims to determine why sales are stronger during some periods of the day than others by analyzing the traffic flow -- essentially the number of customers coming in to stores, the time spent and whether they made a purchase.

"Every store is different and stores often in close proximity have very different peaks in traffic patterns," Mr. Ryski said. "It's important to find out why rather than relying on a manager's instinct about [customer traffic and sales]."

A busy store, which managers might interpret as a positive indicator for sales, in fact means just the opposite.

"In general, conversion rates sag as store traffic goes up, because the ability of staff at that store to deal with those prospects effectively decreases."

HeadCount, used by retailers including Home Depot, Lululemon and Sleep Country Canada, has been called in to solve issues such as why some retailers' sales have suffered on Sundays.

"One retailer was able to determine that the fact that no senior sales people were working on Sundays was hurting sales. It was often a much busier day in terms of traffic than Saturday, but they could see that the conversion rates were really bad."

Mr. Ryski said analyzing customer traffic is important because retailers often assume they need to advertise more to remedy a sales problem.

"If your conversion rate is poor, advertising could make it even worse," he said, as stores could increase store traffic without addressing what made their sales lower in the first place. "You could be fundamentally under-performing, but you would never know it if you only looked at same-store sales, that irrefutable metric that the industry lives and dies by."

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