

# Retail Insights 2022

by Bumbee Labs



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# Introduction

**Retail is changing rapidly today, and so are all industries that depend on retail.**

Understanding what is changing – and how to manage retail businesses successfully in the future – is key to many industries and verticals. Not only traditional retail like chains of retail stores and shopping malls are affected but also for example operators of transportation hubs, entertainment centers, fast food chains, restaurants and whole (increasingly Smart) city centers.

This is a report from Bumble Labs, a leading footfall analytics company from Sweden, summarizing our most important retail insights for 2022. Here key trends in retail are outlined and tips shared on how to survive and thrive in the new competitive landscape.

**This report will take the reader through the following sections:**

- 1 Brands become ever stronger.** Brand loyalty is increasingly important so the brands seek to control the brand loyalty building themselves. Customer/visitor experience is the key to building brand loyalty.
- 2 Total customer experience = instore + online.** Customer experience in an increasingly online world means managing both online and physical (instore) customer experience together in a coherent way.
- 3 The role of physical stores changes.** Instore customer experience and building customer relationships becomes more important than sales alone affecting many things such as performance targets, metrics to track and what rent levels are based on.
- 4 New important Retail KPIs emerge.** Measuring instore customer experience is as important as tracking sales and profit. The best proxy for instore customer experience is dwell time followed by customer behavior, but there are also other relevant metrics that can be useful.
- 5 Footfall Analytics is an increasingly important intelligence tool in Retail.** Only footfall analytics can provide fact-based intelligence on all the most important emerging Retail metrics.
- 6 Bumble Labs provides a unique Footfall Analytics service tailor-made to fit the needs of all Retail related businesses.**

# Brands become ever stronger

Customers are increasingly driven to both short term purchases and long term brand loyalty by their perceived connection and relation to a brand. This means the experience delivered by a brand becomes central, whether delivered online, in marketing campaigns or during a visit to a physical store. As brand loyalty becomes more important **the brands will increasingly seek to be in control of the customer experiences** in all contacts with the brand.



**Sales is not the one and only purpose of stores,** building brand loyalty during store visits is as important or even more so.

As visitor experience is seen as increasingly important brands will present themselves in **more single-brand stores and "flagship" stores.**

**Fewer stores** will be needed, but the layout and design and content of each will be more important as the purpose is to create an experience.



Another effect of brand-led retail is the **increased importance of temporary physical locations.** Similar to how marketing campaigns use media for exposure at the launch of a brand or product, brands can and will use physical locations temporarily in launches as well, sometimes referred to as pop-up stores.

Image Credit: [Racked LA](#)



# Total customer experience = instore customer experience + online customer experience

The main purpose of both online and physical/instore locations will of course still be to provide certain functions enabling business, sales and profit – but increasingly also delivering an experience that connects people to the brand.

**The total consumer perception of a brand consists of the combination of experiences created in the physical world and online.** The perception in both these worlds must be coherent and give the same message/experience to be effective. Therefore the layout, design and functionality of a homepage or online store must play with the design, layout and function of the physical stores of a brand.



Image courtesy of Nike.



## Online

Customer experience and behavior online is relatively easy to measure and analyse. Technology for tracking online visitors and analyzing their behaviour has followed the development of online technology itself. But how can we better measure, analyze and draw conclusions on the instore experience? What metrics should we be tracking and what tools are available for this?

It is perhaps counter-intuitive that our ability to analyze physical visitors in stores trails behind our understanding of digital visitors, but it is a fact.



## Instore

Traditionally, questionnaires have been used to measure customer experience in stores, similar to how people equipped with clickers have been sent out to count the number of visitors at certain times of the day to estimate visitor counts. These manual methods continue to have their (limited) roles. Questionnaires can also take on a new form as an online tool where both the online and instore experience is evaluated by (sometimes gamified) surveys in the brand's app or online store. Neither method is suitable as the main method of collecting data for obvious reasons but can have its place in verifying the output data from other fact-based technologies such as footfall analytics.

Before discussing what we can do to measure the customer experiences and what tools could do such analytics, we will discuss the changing role and function of physical stores. It is the changing function or purpose of the stores that drives the change also in what we need to measure and analyze in order to understand if a store is successful in performing its purpose. So, after discussing how the role of physical stores changes we will then look into what metrics or KPIs become important to measure and understand as the role of the stores change – and only then discuss what tools could be effective for this purpose.

# The role of physical stores changes

The function of stores changes as more product browsing, selection and even purchases happens online. What function should be provided online and what should be delivered by the physical store can obviously differ between different brands as the message and feeling aimed for is different for different brands and different products. However, all functions online and instore need to be delivered in a way that builds the perception and total experience needed to build brand loyalty.

The physical store is not only a point of sales but now a part of a larger omni-channel strategy. Instead of only depending on a well-planned and managed physical store as the only source of sales, a retail operator now must manage the combination of online and instore customer experience.



Image courtesy of Burberry

## Stores can have new (main) functions as, for example:



A place where products can be tried out and handled. For example, fitting rooms could be designed as an experience rather than a function by providing spacious rooms with ergonomic swivel mirrors and neon signs with inspirational quotes for ambiance. Customers could perhaps even book their fitting room online through the brands app.



Showcases to display new products in that might not even be available online yet.



Locations where questions can be asked of staff and relationships built.



Pickup of goods that have been selected or even ordered online. Pickup of goods could be facilitated either as an automated service where the app is used to open a prepared locker – or pick-up could contain a human element to provide a personal experience with the staff.

Whatever the main purpose(s) the physical store is used for, it is crucial to take the opportunity during a physical visit to deliver a brand-building experience in a way that is in tune with the online experience and what the brand stands for. The way the brand manages to deliver experiences in turn produces “halo effects,” including the effects of long term brand loyalty such as add-on sales after the store visit itself.

Different brands stand for different values, messages, experiences and feelings. They also market to sometimes vastly different target groups and customers in a multitude of cultures. Therefore, the ideal way of operating a modern store – by connecting store visitors to the brand – can vary enormously. There is no one best way to do this, rather brands must find a custom approach to fit their strategy.

## Some trends that impact all physical stores, and how they are used, are:



As a result of the changing role of physical stores, the number of needed physical stores typically goes down – but the design, location and importance of each store becomes even more important than before.



There is a potential conflict between the store management and the brand management. The store management will fight to use the area of the store for instore sales but the brand management may want to use the store to increase visitor connection to the brand in general. As an example, the area of a store closest to the entrance is typically the strongest product placement in the store creating sales, but the same area is also crucial in the customer experience of store visitors. Prioritizing between these two can be very difficult as sales are easy to measure – but the effects on customer experience are often harder to quantify.



There will be less focus on the stores displaying a full range of products since the customers browse this online. Stores should move their focus to the experience instead – not only selling products. Adding a “wow-factor” to the physical visit and treating customers more as community members than short-term customers are a few examples of the change of mindset needed.



Visiting physical stores to pick up a product ordered online is becoming an increasingly important reason for people to visit stores. In Sweden 40% of Webhallens visitor traffic is to pick up products and H&M is even allowing competitors like Zara to use their Amsterdam store for product pick-ups in order to drive more traffic to the store. This tactic allows H&M to give Zara customers exposure to the H&M brand, which is now considered more valuable than the disadvantage of helping a competitor sell another skirt.



To integrate the physical visit with online activity, the brand app could for example be designed so that customers can use it when they are in the store to entice them to add-on purchases, promote special deals and introduce new products available only in the store – not yet online.



Image courtesy of Prada

Sales per square meter becomes increasingly irrelevant – customer experience rules the day.

**The primary purpose of the modern retail store is to connect visitors to the brand. There are many ways of doing this and different brands will do it in different ways. The effects of these efforts must be measured and understood.**

**So what should we measure and understand?**



# New important Retail KPIs emerge

Although sales and profits are of course still important to any business, they are not the only important thing anymore when operating a store. Creating brand-building customer experiences emerges as a key purpose of any physical retail store. How this is best done will always depend on a multitude of factors both specific to the product and brand but also dependent on the location of the store and other things.

If brands can improve the customer experience in the physical store then customers will be more likely to stay longer. **Dwell time is the most important indicator of how well-performing the customer experience strategy is instores.** On its own it may not be enough for analytics purposes, but as a proxy for how effectively a store attracts and retains its visitors, dwell time rules. It stands to reason that if a visitor enjoys the visit they stay longer. The new role of physical stores tends to reduce the dwell times of visitors as they are more intentional in their visits, usually only visiting the store only to pick up purchased goods or to buy goods that they have researched beforehand. To bring the dwell time back up because the visitors choose to stay for other reasons is the key.

**What metrics and KPIs to track, however, is the same for all stores and brands in all locations.**

In retail, visit count and dwell times have of course always been important. Customers that could be enticed to stay longer tend to buy more. More customers also tend to naturally increase sales. Conversion rates has therefore always been central to successful retail – understanding how to entice passers-by to enter the store, and how to make visitors into customers.

Although different types of stores have widely varying numbers, the same general metrics apply to all retail. A general retail store may have a 20-30% conversion rate from store visitors to customers, whereas a specialist retail outlet like a pharmacy may have normal levels of 80-90%. Improving the dwell time (by delivering better customer experience) is one way among many to improve this KPI since people that stay longer tend to buy more and they also only stay longer if they are happy with the experience.



As an important complement to dwell time we need to understand what parts of the store visitors spend time in to see what functions of the store pull in and retain visitors, what part of the store makes people enjoy their overall visit. **Visitor Behavior is the second most important metric for Retail.**

A happy customer will not only often stay longer but also tends to be in a better mood to purchase more. However, it is also important to understand where the dwell time is spent, to see if the visitors are spending

time in sales areas or in more dedicated customer experience areas. Only if this is understood will we know how successful we are in balancing the different purposes of a store in the new world. For example, visitors coming into the store and generally moving straight to the pickup counter, paying, and leaving are likely not very influenced by the brand-building effort. Only if they move around the areas where such efforts are made and spend time looking around can we assume that our brand-building activities at least have a chance to do their job.

## An overview of the most important new KPIs of Retail in 2022:

01

### Dwell times

A proxy measure of customer satisfaction and one of the main factors driving spending per visit. It is crucial to know how long your visitors stay and increasing dwell times is arguably even more important than increasing visitor counts. Dwell time has always been an important KPI as a driver of increased sales but now has a new important role as a way to measure customer experience – i.e. customers usually stay longer if they are happy with their instore experience.

02

### Visitor behavior

Also called visitor journey and zone correlations. Knowing how visitors move around in the different parts of a store (and how long they stay in each zone) gives the ability to analyse how successful different parts of the store are in adding to the total customer experience of the visitor. Knowing the details of the visitor journey is secondary only to total dwell time in importance when it comes to the future of retail.

03

### Passers-by

This measures the raw number of people exposed to the shop window, defining the potential of spontaneous visitors. This serves as the basis of potential new brand exposures as opposed to those already having the store as a destination, who are already members of the brand community.

04

### Bounces

This is defined as the number of people entering the store but exiting very soon thereafter. If the bounce rate is higher than expected then further analysis is needed of the reasons why the visitors leave so soon so this can be fixed, converting bounces into visitors with the potential of becoming customers (i.e. spending money) or members of the brand community (with the possibility of positive halo effects).

08

### New members

This is measured as people joining the brand community (via the online store, app, customer loyalty program, or channels) as a result of the combined online and instore experience.

07

### Search traffic

This represents the number of new people looking up the brand online, possibly as a result of seeing or visiting the physical store, or hearing about the brand from others who did.

06

### Customers

The number (or % of visitors) buying something is still important but not as important as it used to be. Instead, dwell time is the most important indicator of store success.

05

### Visitors

This is the number of people entering the store and staying for more than a few minutes. Or, the number of people enticed into staying further rather than just popping in to look around then leave – or to stay longer than just picking up ordered goods.





**So how can we  
measure these  
things and  
create useful  
intelligence  
from the data?**

**A retail business in 2022 needs to understand how the business works at a deeper level than just by knowing sales, costs and profits.** It is no longer just about maximizing the sales per visit – it is more about maximizing sales over a long period, including add-on sales and other halo effects. Brand loyalty and customer experience become more important as the focus shifts, and therefore the ability to measure and manage these more complex success parameters becomes more important.



# 05 Footfall Analytics is an increasingly important intelligence tool for Retail

Retail companies need a dynamic, fact-based tool to support experimenting and learning. A tool that shows the real effects of marketing, branding and other activities in order to understand their real effects and to improve and optimise instore customer experience creation.

## This is what footfall analytics does.

Footfall analytics is essentially a tool for analysing and developing an understanding of instore visitor and customer behavior by measuring instore foot traffic and patterns. This data is computed into insights and intelligence that can be used to understand visitors behavior and how effective the instore customer experience creation is. Simple and intuitive dashboards display changes in visitor count, dwell times and behavior, enable predictions and help managers to learn how their business really works. From this understanding and fact-based intelligence we can optimize the operations by quickly learning what works to improve business, brand building and customer experience – and what doesn't.

Footfall analytics can be based on several technologies, each with its advantages and disadvantages. Analytics based on data from the mobile (4G) network is well-placed to provide intelligence in the macro-scale, with a resolution or accuracy of +/- a few hundred meters. Cameras, laser systems, pressuremats and the like are great for real-time updates on how many visitors are in a location. Log-in based Wi-Fi systems can keep track of recurring visitors and integrate customer loyalty programs and the brands own apps into the visit – but require the visitor to approve and actively log in.

Wi-Fi-based footfall analytics has historically suffered from accuracy issues, both due to the hardware (routers) used and because the analytics of this data requires highly sophisticated filtering and processing algorithms to produce reliable data output. Also complying with privacy regulations such as GDPR is crucial when pulling data from visitors who have not actively consented to this.

Today, all these issues are possible to overcome by specialist footfall analytics companies such as Bumble Labs, **making Wi-Fi based footfall analytics one of the most powerful intelligence tools available to the retail industry.**



Image courtesy of Superdry



## Footfall analytics and the intelligence it makes available have a wide range of uses, such as:

- Analysing the behavior of visitors that come in with an intentional purpose, such as picking up products browsed online first, to see what efforts are efficient at making these visitors stay longer and move around in the store instead of leaving directly after completing the purpose of their visit.
- Dwell times and visitor behavior are excellent metrics for measuring the efficiency of brand building through customer experience, but footfall analytics is also a great tool for measuring and tracking the long list of other new KPIs important to Retail.
- Dwell time in specific zones (or departments) will be a key KPI, as well as correlation between various zones in the physical store.
- Evaluating the effectiveness of marketing activities such as branding events, ads and campaigns.
- Measure the effects of instore changes such as adjusting window displays, changing the location of products or the location of cashiers.
- Supporting rent levels and negotiations with tenants of shop locations (as store rent levels are increasingly based on visitors, not sales) and renters of marketing spaces such as digital marketing signs where the rent levels should be based on actual exposure, not guesswork.

Image courtesy of Hamleys

Traditionally, **surveys and questionnaires** were used to gauge and measure customer and visitor satisfaction. There is always a difference, however, between what people think and what they actually do – and this is also the difference between the traditional methods and footfall analytics. People tend to not always say what they feel – it is better to instead watch what they do as an effect of what they feel and think, part of which they may not be aware of themselves. Questionnaires and surveys are still important, but not on their own. They should be used in addition to footfall analytics to put together a holistic picture of how the customer experience is performing. The best way to use interview-based methods today is to, for example, validate footfall analytics findings, calibrate the AI algorithms, or to delve deeper into visitor opinions and reasoning that is not quantifiable or evident in their behavior such as the reasons why they behave in a certain way.

As stated earlier, Wi-Fi-based footfall analytics are of course not a cure-all for all intelligence needs of Retail.

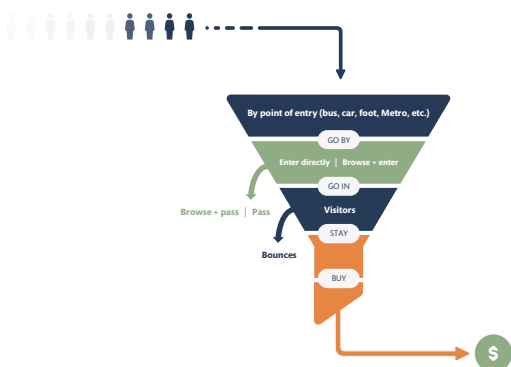
All methods and technologies have their strengths and weaknesses. The weaknesses of Wi-Fi-based footfall analytics can be compensated for using **other technologies and data streams**, such as camera systems and other people counting technologies, log-in customer loyalty systems, 4G mobile networks and many others. The data from a wide range of other technologies and analytics can be integrated into the same customer dashboards improving both accuracy and the breadth and depth of intelligence available. In footfall analytics, technologies typically do not compete with each other but complement each other.

The recent covid pandemic has highlighted the importance of knowing the effects of changes in the way you operate a business. In order to bring back visitors to city centers, shopping malls and many other industries, operators have had to really make an effort in finding out what can attract visitors in a post-covid world to compensate for the losses due to the pandemic. **Footfall analytics can give the answer as to what works and what doesn't.**

# Bumbee Labs provides a unique Footfall Analytics service tailormade to fit the needs of all Retail related businesses

Bumbee Labs has been a leader in footfall data since 2015, providing analytics to top retail brands as well as to well-known transportation hubs, shopping malls, and city centers in Scandinavia. The range of output metrics made available by Bumbee Labs include most of what is important to track in order to run a retail based business successfully, or example:

- Dwell times
- Visitor counts
- Conversion rates in different steps of the conversion funnel



- Customer journey (flows)
- ...and more.

Using Bumbee Labs analytics, customer journeys can be illustrated and analysed in an 'Area Flow' tool where we measure not only how often a zone is visited by customers and how long customers stay in each zone, but also what zones are visited next and previously. By understanding the placement of products in these zones or the effects of marketing activities, companies can understand which areas are well used and which need improvement. Also, we can understand which attempted improvements actually work – and by how much!



Bumbee Labs have developed their service in order to be as easy to use as possible for both new customers and for new partners. Most major hardware brands (such as Ruckus, Cisco, Aruba, Extreme and others) are plug-and-play, so a new installation can be set up remotely in a matter of hours using existing Wi-Fi infrastructure. The resulting metrics or KPIs are made available in a very open and easy to use API, making dashboard creation simple in all of the available dashboard systems today – whether large 3rd party brands like Tableau or Microsoft Power BI, and even with proprietary customer business intelligence/dashboard systems.





**Bumbee Labs have spent the last 8 years developing and refining an analytics service that no Retail-based business should do without.**

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**To learn more about how our services can help you, contact our sales team:**

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