

Calculating the ROI of Retail Digitalization Technology

Today's consumers expect a seamless and convenient shopping experience. In fact, one study found that by the end of 2020, customer experience will overtake price and product as the key brand differentiator.¹ For retailers, business imperatives demand that they continuously increase sales and profit margin with digital technology solutions that enable them to generate more foot traffic in their retail locations, as well as convert that traffic into life-long customers. Not only must retailers focus on technology that provides a direct and measurable return on investment for each dollar spent, but they must also focus on the return on experience for each of their customers, giving them a reason to come back again and again.



Understanding your foot traffic

People counting software and sensor solutions offer detailed data that can be used to establish a solid ROI that can be measured through a few performance metrics such as promotion testing, customer traffic flow analysis, and optimized staffing levels. Management can understand the traffic levels of each store in real-time to place additional staff where there are spikes in traffic. For example, if it is assumed that Thursday evening traffic levels are low because of sales, but your people counting software shows that there is just one salesperson for every 10 customers on Thursday nights, it may make sense to bring in additional staff to ensure that each customer is getting more individualized attention to help convert them.

Management also has the ability to measure the traffic that is passing by the store to understand how many impressions the store is receiving every day. If you have 5,000 people who pass by the store but only 50 are entering, your window promotions may not be resonating well with your target audience, or you may decide to place a sale banner in the window to encourage more foot traffic to increase your conversion rate.

In addition, people counting sensors can assist with A/B testing. If promotion A and B cost the same amount to run on a weekly basis, but promotion A brings in 20% more foot traffic, promotion A was the better

People counting software and sensor solutions offer detailed data that can be used to establish a solid ROI.

¹ <https://www.walkerinfo.com/knowledge-center/featured-research-reports/customers-2020-a-progress-report>

marketing strategy and there is possibly an in-store variable that prevented a better customer conversion rate. In-store variables could include staffing levels or the product being promoted. Once the variable is isolated, further testing can take place to determine how to increase the conversion rate of promotion A. Foot traffic results from a testing store can be deployed nationwide if promotion A shows to bring in more foot traffic as well as more revenue once the in-store variable is adjusted.



Heat mapping and zone counting

Retailers can ensure that their product displays and store designs are converting customers at a desirable rate. If a large percentage of customers aren't moving towards the back of the store, it may make sense to move the more popular items to this location to ensure that customers are exploring the entirety of the store. You can tell which products are most popular not only by sales but by monitoring the heat maps of the store to understand where customers are aggregating during their visits. Maybe a specific product is getting a lot of attention but isn't converting well. By running a targeted sale on that product, you can determine if pricing was a barrier to conversion.

Exposing customers to a wider range of a retailer's offerings by positioning products based on heat mapping will provide additional opportunities for sales to existing customers. Management can place staff in certain areas of the store where there is a denser population whether that's because of popular products or a specific service that's being offered in that store. You can even understand your conversion funnel analytics by checking customer responses to products by comparing the sales rate to customer traffic during a set period. By adjusting zones based on product placement and staff levels, you can leverage heat mapping and zone counting to optimize your show room floor during seasonal changes and whenever planned promotions are offered.



Measuring digital signage engagement

In the past, measuring the ROI of digital signage technology was difficult due to the lack of data around impressions and interactions with signage. Knowing the cost of digital signage over the course of the display's lifetime can provide an accurate measurement of investment, but without understanding the return, it could be assumed to be a sunk cost of unknown conversions.

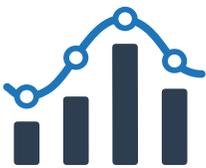
Now, measurability is possible due to the abundance of data that is available from signage analytics. Digital signage can be used with beacons, mobile apps, facial analysis and retail analytics software to provide a complete picture of the customer journey across multiple touch-points.

Measurable digital signage produces data that can be analyzed to develop business intelligence around customer behavior.

Camera sensors in digital signage also collect demographic data and impressions like gender, age range, attention, and dwell time.

Smart digital signage produces data that develops business intelligence around customer behavior. Management can look at the percent increase of sales in a store where digital signage impressions increase but other variables remain the same. In addition, targeted promotions and products can be shown to people of varying age ranges. For instance, by tailoring ad content to the appropriate demographic, management is able to impact sales on key product lines. Often, there will be a clear correlation between the number of well-targeted impressions for a particular product and an increase in the sales of that product.

In addition, if digital signage is converting better in certain locations based on impressions and respective sales, additional focus should be aimed at those locations and promotions can be de-emphasized or changed in locations where the return is not as high. The promotional changes can focus on a different product or service that might better fit that region's demographics.



Calculating the ROI of your investment

In order to understand the effectiveness of a retail technology investment, management can look at performance in three ways: ROO, ROE, and ROI.

Return on objective: ROO or return on objective is a metric that enables retailers to evaluate the efficacy of a campaign that is running during a finite time period.

Return on experience: ROE or return on experience is typically a byproduct of your investment in digital retail technology. While it is difficult to measure directly, customer behavior, feedback and trends often provide insight into how the customer experience evolves as retailers invest in more engaging, digital-focused experiences.

Return on investment: Lastly, there is the classic calculation of ROI or return on investment that will help marketing and operations managers get sign-off by upper management to deploy technology that will directly affect the bottom line.

Both return on objective and return on investment can be measured by sales lift. To bring this to life, we can use an example of a company that invested \$100k into a digitalization project that consists of people counting software, heat mapping and zone counting, digital signage, and a content management system. Historically, their testing store's average quarterly sales totaled \$1M. After their digital technology implementation, management saw a sales increase of 25% YoY yielding quarterly sales of

In order to understand the effectiveness of a retail technology investment, management can look at performance in three ways: ROO, ROE, and ROI.

approximately \$1.25M. Richer insight into foot traffic and customer behavior enabled them to:

- Drive more foot traffic to the store with state-of-the-art semi-outdoor digital signage and timely, targeted content
- Assign more staff to targeted areas of the store to encourage more customers to try on clothes
- Extend a window promotion due to a low (1%) walk-in conversion rate
- Place a popular item on sale by 10% after heatmap analysis demonstrated customers were gathering around the product rather than purchasing it, increasing the sale of that product by 30%

Q1 Sales before Digitalization	\$1,000,000
Digitalization Investment	\$100,000
Q2 Sales after Digitalization	\$1,250,000
Sales Lift	\$250,000
ROI	150%

In addition, the store was able to pay off their \$100k digitalization investment within the next quarter and increase sales by \$150k, pleasing management enough to deploy these digitalization efforts in 10 other stores to measure whether a similar return was feasible. Even though this is a simple example to explain how digitalization technology can directly impact the top line and bottom line of a retailer, it shows how data analytics can be used to transform how retailers are calculating their ROI to provide an incredible shopping experience for their customers and drive more revenue.

Gain insight into customer behavior with Samsung SDS Nexshop

Samsung Nexshop anonymously gathers customer activity as consumers walk through the store to allow retailers to continuously improve operational efficiency, enhance customer engagement, and bolster revenue. Our digital experience solution enables retailers to deliver an intelligent, interactive in-store shopping experience that exceeds customer expectations to increase engagement and drive revenue.



Optimize store layouts based on aggregated data

Enhance your store management and position products strategically by analyzing in-store customer movement and dwell times in each zone to bolster revenue.



Improve marketing campaign effectiveness

Develop effective marketing strategies using comparative analytics of customer flows within stores to ensure that your digital signage is reaching the target audience.



Allocate staff optimally based on heatmaps

Leverage real-time heatmaps to determine precisely how many associates you need at what times and where they should be stationed to improve customer experience.



Continuously improve in-store operations

By leveraging data and insight, retailers can continuously improve operational efficiency, enhance customer engagement, and boost their bottom line.

ABOUT SAMSUNG SDS AMERICA, INC.

Samsung SDS America (SDSA) is the U.S. subsidiary of Samsung SDS, a \$9 billion global leader in digital transformation and innovation solutions. SDSA helps organizations optimize their productivity, make smarter business decisions, and improve their competitive positions in a hyper-connected economy using our enterprise software solutions for secure mobility, retail, DOOH, advanced analytics, and contextual marketing.

CONTACT US

To learn more about Samsung SDS America retail digitalization solutions, please visit www.samsungsds.com/us/en or email us at bd.sdsa@samsung.com.