THE VALUE OF EVALUATION

IT'S A COMMON OCCURRENCE.

A retail program finishes its life cycle, and everyone quickly moves on to the next project — without looking back to evaluate the effectiveness of the one just completed.

But with upper management increasingly requesting ROI for retail environment expenditures, now is a good time to look at how it pays to cast a critical eye on your efforts and related spending.

Were the original program goals met? Challenges solved? Processes effective? Was execution smooth? These questions and more can be answered after, or better yet during, the life of a program. But they shouldn't be left to subjectivity. Instead, strategically grounded measurement and application of lessons learned will serve you for the long haul — proving your spend makes sense and building a strong business case for program expansion, enhancements and future projects.

"You can't manage what you can't measure."

— Peter Drucker

INTRODUCTION

Performance transparency comes down to being smart about how you do business. At the end of the day, retail environment expenditures are about far more than design aesthetics; they're about increasing the consumer experience, selling velocity of product, and building brand loyalty. Program evaluation focuses your eyes on the prize.

Then why do many brands and retailers fail to incorporate ROI and evaluation methods into their programs? We'll take a look at the biggest perceived obstacle, as well as the opportunities missed when you skip this critical step.

WHEN: EVALUATION, FROM START TO FINISH

Sure, evaluation would happen in a perfect world, but the one I operate in barely allows time to get my program in the stores.

Sound familiar? You're not alone.

The good news is that evaluating ROI shouldn't cut into already compressed timelines. It's not something you tack on to the backend. Rather, it should be inherent through the whole process of planning, designing and executing your retail program. Think of it as an ongoing cycle of small decisions, testing and progress evaluation, and then tweaking so that you're constantly improving. You may even save time in the long run, because what you learn can inform your next round of strategy and help eliminate the need for a "catch up phase." From the start, you'll be able to make quicker, smarter decisions for everything from design to spending and execution.

Here's what building evaluation into each phase of your program could look like:

STRATEGY

You would set benchmarks ahead of time — parameters that will define success for your program. What customer experience outcomes are you designing to? What are the key objectives and priorities? For example, do you want to be sure people can locate product? Perhaps increase dwell times? Or facilitate more shopper interaction with store personnel?

DESIGN

At this point, you would start measuring all of your plans against the benchmarks established during the strategy phase. Design evaluation is best achieved by having alignment from all stakeholders on the key strategic objectives. Design also incorporates consumer insights — how do they impact your design goals? From prototype, to fit and finish, and how long it takes to assemble a fixture, you'll always want to tie back to your original strategy and keep customer experience as your overarching goal.

EXECUTION

Many steps fall under this process — production, distribution logistics, installation services, and more. Ideally you'll work with a partner that can do it all, while helping you build evaluation into each step. Making the process seamless will save you time and money.

WHY: THE VALUE OF EVALUATION

Integrating evaluation into your total program isn't just efficient. It's smart, for many reasons:

- **A CHECK AGAINST STRATEGY**
  Evaluation goes hand-in-hand with your strategy. It keeps you honest by revealing if you truly achieved what you set out to do. Short-term program objectives and goals are important, and so are long-term ones. In fact, the earlier everyone knows what they're ultimately shooting for, the more targeted the measures can be.
- **NO MORE SECOND GUESSING**
  Well-conceived design can affect shopper experience and emotion, but are you also looking at sales lift? A program may be costly, but do you truly know its full value? Objective measurement eliminates second guessing and subjectivity. It changes the conversation from what you liked (or didn't) to what worked (or didn't).
- **ALLOWS FOR LONGEVITY**
  In today's rapidly changing world, it's an advantage when you're able to proactively evolve your program over time. Continuously identifying areas of opportunity and improvement enables you to always tweak and improve, so you stay ahead of market changes and are always keeping things fresh.

HOW: CHANNELING EINSTEIN

All evaluation methods are not equal, but that doesn't stop many from employing badly designed programs that violate all test and control best practices, according to Bill Romania, Senior Vice President, Retail Industry, at GfK.

The art of a retail program must be balanced out by a quantitative approach that accurately measures a program's success. For example, lift can come from many sources, all of which can distort the picture when evaluating a new retail environment:

- Economy
- Competition
- Weather
- Couponing and promotions
- Timing (grand opening, etc.)
- In-store demos
- Inherent strength of the product
- Shopper purpose

Fortunately, Bill points out, there are techniques to model out variables and audit very carefully how the environment performs, so you have as clean a test as possible. Think of the classic scientific method that requires set up of a control group to eliminate variables. Hence, the importance of testing before mass rollout. You can watch the data in a small set, then apply what you learn to mass production. Likewise, you can create a lead market of test stores, correct issues prior to wider roll-out, and continually improve the program with incremental changes.

When your data is positive and solid, revenue will follow — just not always with product sales. That's why it's important to also keep an eye on the bigger picture:

- **CUSTOMER EXPERIENCE** - Are you reaching shoppers in an emotionally engaging way by creating a unique and differentiated shopping experience?
- **LOYALTY** - Did the program spur more return visits? Customer experience directly correlates to customer loyalty.
- **LOOK AT THE BASKET** - Did shoppers buy other things they didn't plan on buying? Perhaps high-margin items?

For example, Dick's Sporting Goods saw a number of positive outcomes from a new shared service footwear program. Reduction in shrink was one, thanks to elimination of blind spots in the store as well as multiple display facings of product. At the same time, overall basket size was larger, sales of high-margin socks and other accessories went up, and consumer complaints dropped.

Likewise, when Cabela's Inc. employed test stores to evaluate a new merchandising program, performance at stores with the program versus those without provided a clear path for the future. One outcome was a significant increase in margin basis points relative to comparable margin rate for the chain. Moreover, total category sales penetration was significantly higher in the test location. With "stretch" sales and turn goals all met, performance per square foot in the division set a new threshold for the company. As a result, Cabela's implemented the fixture program into additional stores the following year.

While numbers do tell a story, there's still a place for more qualitative measurement as a means for measuring less tangible benefits and tangential cost savings. Shopper observations, interviews, focus groups, etc. still provide unique and valuable insights about real-world success. How long did it take to find the item? Was the signage confusing? Was the shopping experience helpful? Were accommodations appropriate for trying on the product? Striking the right balance between qualitative and quantitative measures will always yield the best insights.

CONCLUSION

1. Measure, learn and apply — they're the bedrock of a rock-solid plan to evaluate the success of your retail program and see if you truly achieved what you set out to do.
2. The Carlson Group's approach to retail solutions is based on a process that delivers Total Program Value (TPV), which takes a comprehensive view of retail implementation, from Discovery and Development through Execution and Evaluation.
3. Of those four phases, evaluation requires a relatively smaller investment in time and resources than the other three. Think of it as spending 5% to be sure you're being smart with the other 95%.
4. The brands and retailers with the best retail presence are the ones that pay the most attention to evaluation. They're able to bring a program full circle and improve, year after year. They're the ones you want to emulate.

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As a strategic partner, The Carlson Group incubates, builds and sustains smart custom programs that deliver value across consumer retail experiences.