

Kelley School of Business  
Indiana University, Indianapolis

# Improving my Conversion Rate at Aldo

## Mini-DMAIC Project

Rachel Hetrick

P429: Operations Processes

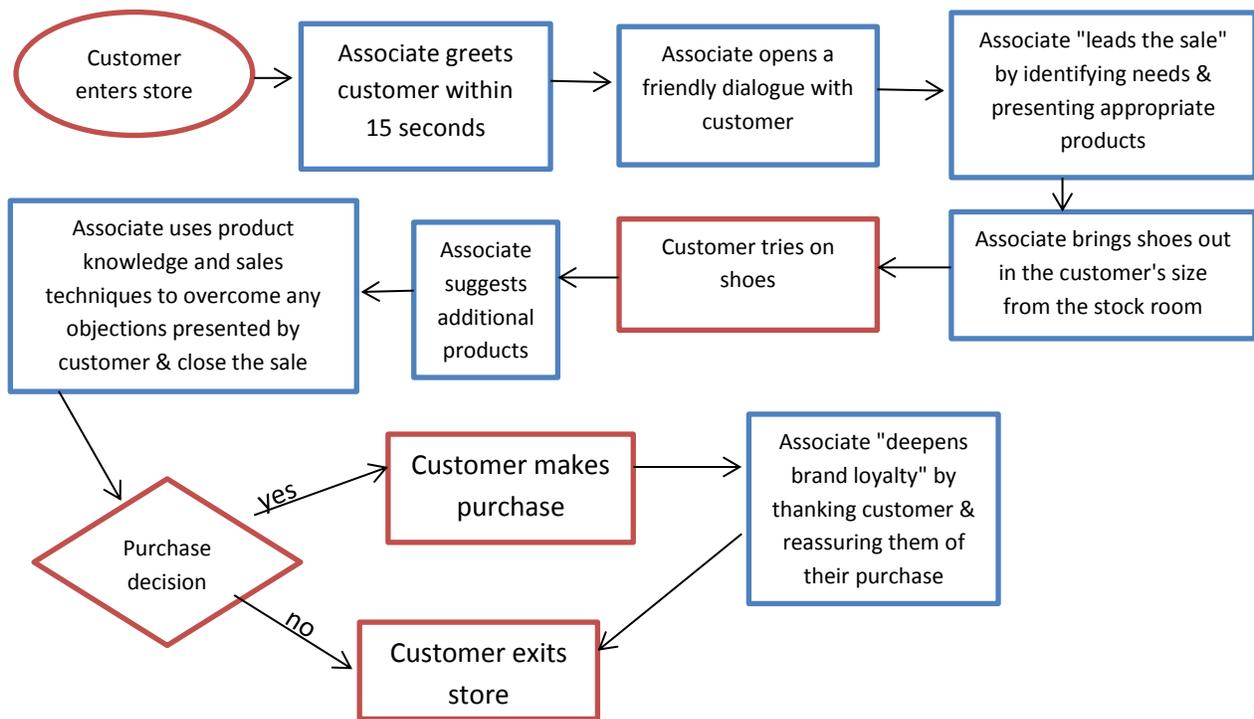
Mark Frohlich

1 April 2014

**Define**

I am the manager of the Castleton location of a specialty shoe & accessory store called Aldo. There are many processes in my store that I would love to improve (and will probably attempt to do so in the future as time permits) but right now my biggest focus in my store consistently lands on improving our conversion rate of customers. Our store has a traffic counter located in its doorway that senses movement to track the number of customers that enter the store. This information links to the POS to figure out the percentage of customers that made a transaction. I want to improve this process because we are a very sales-driven company and conversion is something that this particular location has always struggled with since opening in 2007. Increasing it to meet—or, ideally, exceed—the company’s standard minimum conversion rate goal of 10% would cause significant growth in sales.

Aldo trains its associates on a standardized sales approach called “Stay GOLD.” GOLD is an acronym representing the four steps to the approach: Greet the customer, Open dialogue, Lead the Sale and Deepen brand loyalty. To aid in conducting a thorough analysis, the following flowchart models the standard customer experience and process that leads up to the purchase decision, following the GOLD philosophy.



While the purchase decision is the step that I am ultimately attempting to affect (increase number of “yes” decisions), there are a number factors relating to that decision. The following data and its analysis will provide some more insight as to the point(s) of concern.

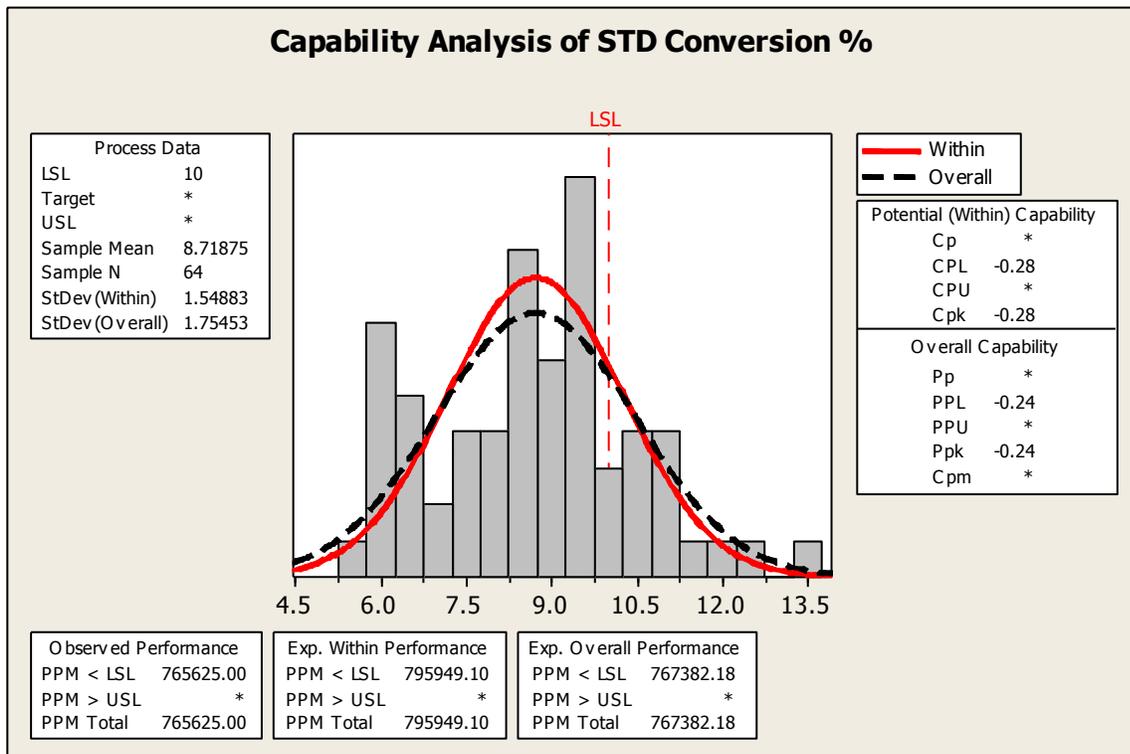
**Measure**

The data for this process is automatically collected and stored in the POS system located in the store. I chose to draw the data from the daily conversion rate totals, sub grouped by week, for the company’s current season-to-date (STD) which is eight weeks in. As stated previously, the company’s set minimum conversion rate goal is 10% of the traffic counted entering the store. Therefore, 10 is the set lower limit and since we are ideally converting at the highest rate possible, there is no upper limit.

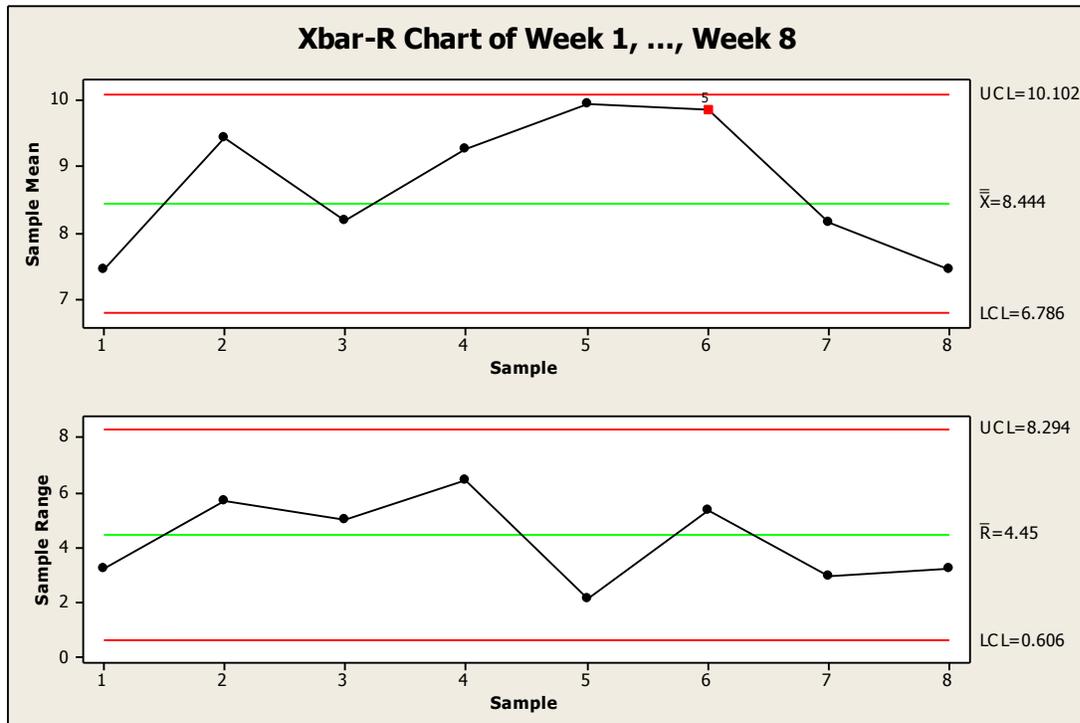
*Daily Conversion % by Week, STD*

| Week      | 1    | 2    | 3    | 4    | 5   | 6    | 7    | 8   |
|-----------|------|------|------|------|-----|------|------|-----|
| Sunday    | 6.2  | 9.1  | 6.2  | 7.4  | 8.3 | 6.7  | 6.2  | 9.4 |
| Monday    | 9.3  | 10.9 | 10.7 | 12   | 8   | 6.3  | 10.1 | 8.3 |
| Tuesday   | 7.5  | 8.4  | 8.4  | 10.6 | 8.9 | 9.7  | 5.6  | 6.3 |
| Wednesday | 11.6 | 8.4  | 6.1  | 12.5 | 9.3 | 7    | 9.3  | 10  |
| Thursday  | 10.5 | 9.7  | 10.8 | 9.3  | 8.7 | 10.8 | 10.4 | 9.4 |
| Friday    | 8.6  | 9.7  | 11.1 | 8.2  | 8.7 | 10   | 13.5 | 9.2 |
| Saturday  | 8.1  | 7.2  | 6.7  | 7.6  | 9.6 | 7.9  | 9.2  | 8.9 |

**Analyze**



The capability analysis shows a Cpk of -0.28 and Ppk of -0.24. This signifies that the process is presently very incapable of meeting the minimum goal of a 10 % conversion rate.



The X-bar and R charts reveal that the sample range of the process is in control. However, the sample mean is out of control, having failed three tests at one point. This means we need to search for potential special causes of variation that would affect the process as a whole. Given the nature of a sales process, the special cause of variation at a point above the average suggests that my team and I were going an unusually good job selling during this time period, so I will try to determine what specific point(s) of the process might have had a change from other weeks.

A very likely cause of variation at this time in the season is in the staff working in the store, as I have undergone major staffing changes over the past month. The “open dialogue” step is generally strongly correlated with conversion rate, and none of the three members of my management team who left over the past several weeks were particularly strong in this step. Different promotions being offered by the company during different weeks could also be a special cause for variation.

**Improve**

I see a number of ways that I can work to improve this process. Regarding the staffing changes previously mentioned, there is an opportunity for improvement in training new associates. We are a very small staff so every employee needs to be strongly trained in the company’s selling approach to achieve a consistent increase in the conversion rate. Another important factor has to do with scheduling and having not only enough staff, but having the right people in the store at the right time. Being understaffed makes converting customers much more difficult because it can be hard to get to each customer & moving each one through the full sales process. It also helps to have the strongest sellers working on weekdays when traffic is the lowest. The most aggressive sellers are best at converting customers when traffic is slow because less traffic in the store means fewer opportunities to make sales.

Looking at the actual selling process, there are two major points that most directly affect conversion: opening dialogue and closing the sale. Ultimately opening dialogue is the most instrumental step to the sales process because it gets customers interested and gets them to open up about what they are shopping for. Many times without opening dialogue with a customer, someone who may have hundreds of dollars to spend on shoes could spend a few minutes browsing, miss the item they are looking for, and leave empty-handed. It is up to sales associates to engage the customer and use the knowledge of the products that they have received in training to help the customer find what they need. Opening a dialogue can also put shoppers at ease and can turn those who are just browsing into buyers just by getting them interested in the product and keeping them in the store longer. This step of the sales approach does not require much training as it is really just talking to people. However, sometimes it takes work to get new employees to be comfortable talking openly with customers. Improving the open dialogue step really relies on constant coaching with the staff to push them to improve the quality of the dialogue. For example, we want to ask only open-ended questions that will get the customer talking. Leading by example also plays into this step for the management staff.

Independent conversion studies that my district manager has conducted have shown that on average, about fifty percent of customers who try on shoes will purchase them. They are over twice as likely to purchase a pair of shoes once they try it on. So, opening dialogue and getting them to try something on is really more than half the battle. However, being able to apply knowledge about the products and persuade customers to make the decision to purchase are also very important steps to the process. This is where training is heavily applied; closing a sale comes down to being able to speak knowledgeably about the different styles of shoes, trends, and communicating features and benefits. This information needs to be applied to overcome any objections the customer might offer. It also includes offering alternate styles if the style a customer requests is not available, and offering other solutions like ordering the product and shipping it to the customer. So to improve this step in the process I really need to focus on intensive training not only on product knowledge such as materials used and terms for different styles, but also on general fashion trends and being able to identify specific features and benefits quickly and articulate them effectively with customers.

## **Control**

The company already has metrics in place that are used to control this process. However, I am going to implement requirements with my management staff that the conversion numbers are being checked every hour for the updated rate (our POS updates transaction quantity in real time and traffic every thirty minutes). I am going to have them begin writing out the conversion rate each hour when they check it to keep close track throughout the day.

While increased consistency in my training for new associates will help, it's also important to continue training associates no matter how long they have worked for Aldo. I will also work to be more consistent in continuing "coaching in action" on the sales floor with all of my employees—this entails looking back on interactions with customers just after they happen and reflecting on what went well and where opportunity remained. If they made a purchase, how did the associate seal the deal? If they did not, what were we missing? I am also considering starting to do retraining with associates every six

months, during which time I would take them back through the company's orientation that is used as the initial training program for new hires.

Lastly, I will closely look at traffic history reports from previous weeks and from the previous year at the same time when creating schedules in order to keep developing my schedules to meet the fluctuating flow of traffic in the store.