APPLICATION OF THE CONVERSION RATE AS AN USEFUL TOOL 
FOR ASSESSING AND MONITORING THE MARKETING 
PERFORMANCE OF A WINE SHOP

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Abstract

Starting more than a decade ago, there is an on-going shift towards customer-centric marketing, but the wine market has shown a slower turn into this direction. In order to confer to the customer a superior overall purchasing experience and to increase the performance of the wine shop, an important issue should be finding the right tools for evaluating the purchase and consumption behaviour of these wine consumers. The aim of this study is to assess the indicators used by Wine Shops to evaluate the performance of their physical (bricks-and-mortar) retail shops, the consumers' satisfaction and the factors influencing the purchase decision. The data was collected during 2012 in a bricks-and-mortar wine shop using the method of observation and the conversion rate was analysed along with the involved factors. The results show that, when purchasing wine, a multitude of extrinsic factors have a significant impact on the buying decision and hence on conversion rate. Touching the products, tasting wine in the shop and the amount of time spent discussing with staff have shown a positive impact on the conversion rate. The loyal clients versus new prospective clients and the existence of interaction with staff versus no contact have shown significant differences in conversion rate. As the costs of increasing the traffic into the wine shops is high, a better use of the existing sales opportunity, measured through conversion rate, should be an essential part in analysing the performance of the wine shop.

Key words: conversion rate, purchasing behaviour, wine preferences

INTRODUCTION

Wine commercialization is a business which requires skilled staff and understanding of the particularities of wine consumers. Several surveys were conducted to better understand the preferences of the wine consumers (Gomez et al., 2004; Atkin and Sutanonpaitoon, 2007; Becker, 2013), including in Romania (Antoce and Paduraru 2012; Antoce et al., 2006, Antoce, 2003; Antoce et al., 2002).

A few studies pursued the purchasing behaviour of these consumers (Lockshin, 2003; Johnson and Bastian, 2007; Mueller et al., 2008; Chivu 2012) and revealed that consumers tend to be loyal to price categories, that wine expertise level found to be a factor which defines the model of purchasing behaviour and that the contextual factors inside the wine shop have influence on the purchase decision.

Furthermore there isn’t a strong correlation between attitudes and behaviour or as Lockshin (2003) describe it “consumers will often say they do one thing and then actually do something else in the marketplace”. Therefore this study is based on the method of observation, monitoring the behaviour of the costumers in a retail wine shop, measuring the conversion rate and assessing the marketing performance of the shop based on this indicator.

Retail wine shops, such as the one in which this study was conducted, are facing great competition from the hypermarkets and internet wine shops, needing a special type of communication with their customers (Chis, 2009; Gómez and Morse, 2010). To stay in business, the selection of an effective strategy
is a must, so that, evaluation of the shop performance should be pursued regularly. Retail shops use various key performance indicators (KPIs) to measure their activities (Bharath, 2013; Chivu and Antoce, 2014). There is no particular performance indicator which a retail shop should better use, but it is important to select an appropriate one in order to achieve their strategic goals. Upon an extensive literature research, the conversion rate was selected as the appropriate indicator of performance for wine shops (Chivu and Antoce, 2014) and it is used for several segments of the costumer population. The data was collected using the method of observation. The average conversion rate was calculated and then compared with the conversion rates obtained in the presence and in the absence of different factors. The paper aims to be the first to measure and analyse the conversion rate in a bricks-and-mortar wine shop in Romania, indicator considered to be a useful tool in assessing the performance of the shop and a measure of customer satisfaction for loyal clients.

**MATERIALS AND METHODS**

The study was conducted in a small wine shop in Bucharest and the data were collected via direct observation, using an observation sheet. The wine shop is situated in a premium real estate area in the neighbourhood of Floreasca Market, Bucharest with wines and spirits within the range of 5 to 200€.

Between the 21\textsuperscript{st} of May and the 2\textsuperscript{nd} of June 2012 a panel of 396 customers over 18 years old with interest in high quality wine, clients and potential customers (prospects) of the wine shop have been observed regarding their purchase behaviour.

All the customers who entered the wine shop during that period were included, but from the total gross traffic (403), the net traffic was extracted by excluding suppliers, family and friends of the staff. The sample population should accurately reflect the sub-group of persons with interest in wine, which visits wine shops, being potential customers and considered relevant for analysing the conversion rate in a wine shop and the factors involved.

A single observer was used, the dimension of the shop allowing observance of the customers at any moment. The observer posed as trainee employee in order to avoid changes in the behaviour of the subjects as a result of being aware that they were observed, also referred as *Hawthorne Effect* (Olson et al., 2004). The observation sheet was structured to record the interaction of the customers with the products (seeing, touching, tasting), the interaction with staff (if occurred, the amount of time spent discussing), demographic characteristics of the customer and group type. Measured Variables regarding demographics: The customers were identified as male or female and classified into the following customer age categories: 18 to 28, 29 to 39, 40 to 50, 51 to 64, 65 and over. The classification of the customers into the age categories was made with approximation, based on the physical aspect, social context and conversation (when in group). Customer group type was noted by classifying them as being either single, with a friend, a group of friends (of 3+ persons), male-female couple and family with children. For the categories *with a friend* and *group of friends*, the male-female couples were not included, as they were noted separately, due to the fact that the purpose of the classification was to investigate the influence of the group on the purchasing decision, hence on the conversion rate. For group of consumers, couple or family, only the age of the member which appeared to be with the most influence in the purchase decision was recorded. The same principle was used regarding the individual's characteristic recorded at gender.

Demographic characteristics of the sample are presented in (Table 1). Each customer was observed during the whole time of presence in the shop and information was gathered in regards to: time spent in the shop, the percentage of time spent speaking with the staff, if they touched and held products, if they tasted wines, if they noticed the wines in promotion and if they purchased at the end. In addition, the sales values were obtained from the shop registry. The amount of time each subject spent in the shop was calculated as difference between the
exact time at which the customers exited the wine shop and the time they have entered.
The final values obtained for the time spent in the wine shop for some of the customers were considered to be higher than normal, after observing that a few of them were spending one or more hours discussing with staff about wine and life in general. This was due to the fact that a number of the loyal clients developed a social relation with the staff and some of their visits and the time spent inside the wine shop were not specific to the purchasing context. As later to be discovered in our study, this type of clients proved to have a positive impact on conversion rate, but this situation was considered to generate bias regarding the average visit time of the customers, hence this was not analysed further as a factor.

Table 1. Demographic characteristics of the sample (n = 396)

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Range</th>
<th>Complete sample (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>male</td>
<td>71%</td>
</tr>
<tr>
<td></td>
<td>female</td>
<td>29%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>18-28</td>
<td>7%</td>
</tr>
<tr>
<td></td>
<td>29-39</td>
<td>48%</td>
</tr>
<tr>
<td></td>
<td>40-50</td>
<td>36%</td>
</tr>
<tr>
<td></td>
<td>51-64</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>over 65</td>
<td>1%</td>
</tr>
<tr>
<td>Customer group type</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>single</td>
<td>86%</td>
</tr>
<tr>
<td></td>
<td>with a friend</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>group of friends</td>
<td>(3+ persons)</td>
</tr>
<tr>
<td></td>
<td>male-female couple</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>family with children</td>
<td>3%</td>
</tr>
</tbody>
</table>

The percentage of the time spent for conversation between customers and personnel, from the total time of the visit, was recorded and analysed as a factor able to influence the purchasing decision and the conversion rate. This factor was approximated and recorded into four level groups, as presented in (Table 2). The values of 0 and 100% were not included, as zero means no conversation and the absolute value of 100% is difficult to define for this factor.

The factor interaction with staff (Table 2) is referring to the occurrence of any dialogue customers and staff, except greetings and formulas conventionally used in a purchasing contexts (e.g. I would like to buy this, I want to pay for this). Any polite conversations like small talk, amusing remarks, dialogue about the weather or other unimportant matters, where to be considered as presence of interaction and marked yes.

Table 2. Factors with levels and coding

<table>
<thead>
<tr>
<th>Factors</th>
<th>Level 0</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interaction with staff</td>
<td>No (0)</td>
<td>Yes (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time spent discussing with staff*</td>
<td>&lt;25%</td>
<td>&lt;50%</td>
<td>&lt;75%</td>
<td>&lt;100%</td>
</tr>
<tr>
<td>Wine tasting</td>
<td>No (0)</td>
<td>Yes (1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Touching factor</td>
<td>No (0)</td>
<td>Yes (1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*In relation with the total amount of time spent inside the wine shop (percentage), to be read: < 25% = 0.01-24.99%; <50% = 25-49.99%; <75% = 50-74.99%; <100% = 75-99.99%.

The ‘touching factor’ (Table 2) refers to the occurrence of direct contact of the prospective customers with the products, the layout of the shop allowing the majority of the products to be in the reach of customers. The touching factor was recorded yes when an item have been pulled from the shelf and held in hands by the customer.

Another factor recorded was identifying the customers as loyal clients (repetitive factor marked “yes”) or new prospective customers (repetitive factor marked “no”). This classification was made interviewing the personal of the wine shop in regards to recollecting each customer as repetitive or not remembering at all seeing the particular customer. Answers under uncertainty were registered as unknown information. This can be regarded as biased samples, but the findings in this classification are considered useful for identification of general trends only.

The collected observations were introduced into an Excel database and the conversion rate was analysed along with the factors.

The average conversion rate was calculated as the total number of the customers that have bought, divided by the total number of customers that have entered the wine shop. This average was then compared with the conversion rate calculated for each level of the recorded factors.
RESULTS AND DISCUSSIONS

The evaluation of the collected data indicated a 84.60% conversion rate for the entire period analysed (Figure 1). This shows that from the total customers that entered the shop, approximate 85% have purchased (became paying customers).

![Conversion Rate Graph]

Legend: Conversion rate marked with blue

Figure 1. Daily variation of the conversion rate (%) over the period of 2 weeks

Compared with the averages provided as general guidelines by Mark Ryski (2011), the conversion rate for this wine shop is positioned above the interval for the category, Speciality/Gift Retail having a range of 20-50% conversion rate, and even above the level of the indicator for General Mass Merchandise, retail format with conversion rate in the range of 40-80%. In regards to the figures released by Atlanta Retail Consulting (2007) and Deloitte (Conroy and Bearse, 2006), the average conversion rate of the wine shop analysed is situated in the higher range, typical for Grocery shops and Pharmacies, which is a positive indicator, as usually retail offering necessity goods register the highest conversion rate.

In conclusion, when compared to the available ranges for conversion rate for different retail formats, the wine shop is high performing in regards to converting the prospective customers into paying customers and is using a very high part of the sales opportunity (considering that every customer who enters the shop is a sale opportunity).

However, these averages per industry are not absolute values; they represent guidelines, based on the figures recorded in USA by different retail consultants, and, as the above authors mention, the averages represent general guidelines, as insufficient data was recorded to have a clear image for different retail specific and for different formats.

The results of the present study could seem to indicate higher conversion rate compared with other figures available, but there aren’t relevant data to compare with in the wine industry. There couldn’t be found data regarding the consumer behavior in the wine shops in Romania which measure this indicator or about average conversion rate in bricks-and-mortar (physical) wine shops in general.

And as wine tend to be a more complex product from the purchase decision perspective (Lockshin 2003) and imply higher involvement than other products, most probably the conversion rate in wine shops will reveal different ranges than for other types of products. Furthermore, in this case, the dimension of the wine shop, the location and the staff facilitated a more personal relationship of the customers with the shop, which became more than a shopping destination, being a social hub. This situation could generate different results compared to a larger and more impersonal retail wine shop.

The principal utility of the conversion rate indicator is actually the opportunity to analyse the evolution of the wine shop in time, understanding the factors involved, the trends and identification of changes, in order to develop new strategies for increasing the performance of the business.

Investigating the factors influencing the conversion rate, a direct correlation can be identified between the traffic and the number of transactions, up to a peak of the traffic, above which, the number of transactions and the conversion rate, tend to stagnate (Figure 2). Correlating Figure 1 and Figure 2, it could be observed that the traffic has positive influence to the conversion rate up to a point, above which the conversion rate decreases. This indicates the insufficient number of personal at the peak of the traffic, which, along with the limitations of the space, generates customers’ dissatisfaction and makes them leave without purchasing.
Analysing (Figure 1) and (Figure 2), one can understand that the most of the decrease in conversion rate is generated by higher values of traffic and the highest sale opportunity loss consequently occurs on Saturdays. This simple analyse would allow the management to identify the cause for the loss of sale and prevent it by supplementing the staff on Saturdays.

The conversion rate level was further analysed for the segment of loyal (repetitive) clients of the shop and compared with the conversion rate for the segment of new customers, as show in (Figure 3). The conversion rate in this case was calculated as the sum of the repetitive clients who purchased divided by all the customers who entered the shop and were identified as repetitive clients.

The evaluation showed a conversion rate within the new prospective customers (first time in the shop) of 67.42%, which is situated above the averages of the category (based on the guidelines of Mark Ryski, 2011), which could be a positive indicator of the performance of the shop in relation with the new customers if compared to empirical figures of the category, but situated below the average of the shop, which means that further improvement is needed in this area.

However, the results show a conversion rate for the loyal (repetitive) clients of 99.17%, situated far above the average of the wine shop, with less than 1% loss in sale opportunity among this category of customers (Figure 3).
The large segment of loyal (repetitive) clients, 61%, and the high level of conversion rate for this segment, above 99%, confers a solid base for the business and offers indication of high level of customer satisfaction.

By further investigating the customer group type (categories shown in Figure 4), a higher than average conversion rate can be identified in the category of family with children. Determined in their decision to purchase, and limited in time (and attention), this type of prospective customers tend to display higher predictability in regards to purchasing. In spite of representing a small segment, only 3% from total customers, this segment can be better served by prompt service and providing a more comfortable (and safer) environment for the whole family during the visit. One direction, considered to be instrumental in this matter, is making available online ordering, as the alternative of home delivery could prove helpful for these customers. Furthermore, as online shopping could decrease a part of the traffic by allowing some customers to order from home, small improvements in the comfort of the prospective customers inside the bricks-and-mortar wine shop will be accomplish.

On the other side, smaller than average conversion rates can be observed for the other type of groups of customers, the ones accompanied by a friend, the ones accompanied by a male/female partner (couple), with the highest low identified for customers accompanied by group of friends. The results also show that the presence or the absence of the factor of interaction with staff has a high impact on the conversion. As shown in (Figure 5), from the total number of the customers who entered the shop but did not have interaction with the staff, only 51.61% have purchased, compared with 87.40% from the ones who discussed with the personal.

![Figure 4. Conversion rate comparative for different customer group type](image)

![Figure 5. The impact of interaction with staff on conversion rate](image)

As evidenced in the Table 3, the amount of time spent discussing with the staff has a smaller impact on the conversion rate. A more distinctive low is noticed in the lower category, only 78.79% from the customers who spent less than 25% talking with the staff have purchased.

<table>
<thead>
<tr>
<th>Time spent discussing with staff (from total time inside the wine shop)</th>
<th>Conversion rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 75% and less than 100%</td>
<td>88.38%</td>
</tr>
<tr>
<td>Between 50% and less than 75%</td>
<td>88.46%</td>
</tr>
<tr>
<td>Between 25% and less than 50%</td>
<td>87.18%</td>
</tr>
<tr>
<td>Less than 25%</td>
<td>78.79%</td>
</tr>
</tbody>
</table>

The results support the important role of staff in helping customers decide, especially when they are confronted with large selection of merchandise, as previous findings of Conroy and Bearse (2006) suggest, the difficulty in choosing being a factor that frequent generates loss of sale. Furthermore a significant smaller amount of time spent discussing with the personal could mean that the problem of deciding wasn’t sufficient or conclusive.
addressed, hence generating a negative impact on conversion rate. The possibility of tasting the product has been identified as a factor with a positive impact on the conversion rate. As shown in (Figure 6), from the total number of customers that have tasted wine in the shop, more the 93% have purchased, above the average conversion rate of the wine shop. The results show that the possibility to experience (the characteristics of) the products will increase the willingness to purchase. The purchasing in this case was not made always from the product tasted.

![Conversion rate graph](image.png)

Figure 6. The impact of tasting products on conversion rate

Furthermore, our findings shows that the possibility of experiencing only the extrinsic characteristic of the product in the sense of touching and holding the bottle in hands also resulted in higher rates of purchases. From the total number of customers that have touched one or more bottled of wines in the shop, 100% have purchased (Figure 7). In comparison, from the total number of customers that have not touched the products a conversion rate of only 76% was registered. The findings above are consistent with Lindstrom and Kotler's (2011) theory that the simple touch of the product it brings a sensory input that adds a new dimension, emotion – creates an emotional connection with the product – that influences the customer decision. One can argue that the customer has been already decided when picking up the product, that they already intended to buy and it was just a matter of finding the detailed information they needed (reason for looking up closely to the product) but as findings about different other products showed (Conroy and Bearse, 2006; Lindstrom and Kotler, 2011; Underhill, 2008), the direct contact with the product (by touch) and merchandise trial make a difference in regards to conversion.

![Conversion rate graph](image.png)

Figure 7. The impact of touching the products on conversion rate

The traffic and conversion rate analyse display important insights about the marketing performance of the wine shop:

1. The conversion rate of the wine shop, above the category average, indicates a high performance in converting prospective customers into paying customers, with only 1.5% of the sale opportunity lost;
2. The wine shop has a significant segment of loyal clients, with a high level of conversion rate, over 99%, which offers indication about high level of customer satisfaction for this category of customers and confers a solid base for the business;
3. Regarding the category of new prospective customers (first time in the shop) the figures shows low performance, compared with the average of the shop, with sale opportunity loss of approximate 33%, which indicate that further improvements to enhance first time customer experience in needed;
4. Further analyse shows that the wine shop is losing customers, due to insufficient staffing during the peak traffic, because the staff schedule is not adapted to total number of customers entering the shop (traffic); the most critical day being Saturday, with more traffic that the staff can service and in consequence with a level of 22% of the prospects lost;
By using the observation method, unobtrusive insights about customers’ actions were obtained and have been avoided discrepancies generated by inaccurate recollection or dissonances in the subjects’ perceptions of their own actions. While it is expected that the results of this study have universal application for wine shops, some limitations in our study could relate to the subjectivity of the observer, aspect tried to overcome by using structured observation and other to variations that could occur in different wine retail formats and dimensions.

Considering the multitude of factors and the complex quest to determine the contribution of each on the conversion rate, further quantitative studies might reveal a better understanding of the impact of each of the factors identified in the present paper.

CONCLUSIONS

In a market with high competition it is essential to be able to understand the area of the lost customers – both as dimension and factors involved – and to develop actions to better serve them (next time), in order to capitalize on the existing sale opportunity which consists of the customers already in the shop.

One of the major errors that managers make is planning the staff allocation based on the sales figures, not on the actual needs of the store, which are represented by the total prospective customers inside the shop (net traffic). Therefore traffic and conversion rate analyse allows managers to take better informed decisions regarding optimising the staff level accordingly, in order to succeed in increasing the number of prospective customers converted into paying customers.

The conversion rate offers the opportunity to a better understanding of the factors influencing the purchasing and allows measuring the impact of the actions taken for delivering a better customer experience. The results revealed that personal assistance adds value on the customer experience, both, the occurring of interaction with staff and the higher degree of the time spent discussing with staff, having a positive impact on the conversion rate.

Tasting the product and the possibility of touching the product proved to have a positive influence on the conversion rate, the presence of the factor being associated with a higher than average level of the indicator. Also the loyal clients showed significant higher conversion rate then new prospective customers (first time in the shop).

The major utility of this indicator is to help managers analyse the evolution of the wine shop in time and, based on previous patterns and identification of changes, to forecast the future performance of the business and develop new strategies of enhancing customer experience and stimulate growth.

The limitation of the study consists in the inability to generalize the average of the conversion rate within the industry, taking into consideration that the dimension of the wine shop and the location allowed a more personal contact of the staff with the customers. This study needs to be replicated within different wine markets and in wine shop of different dimensions and formats, in order to have a relevant average for the industry.

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