AXper

5 FUNDAMENTAL ELEMENTS TO SUCCEED

PERFORMANCE ON
TRAFFIC OPTIMIZATION
PROJECT

TABLE
OF CONTENT

What you need to know
to maximize store sales
via a better use of its traffic.

GOAL AND METHODOLOGY
THE GOAL:

Provide a sales performance management process that is simple, easy to implement and capitalize on sales opportunities already available in stores.

In the economical context prevailing today, every potential customer offers an opportunity to meet and exceed your sales and profit targets.

Each store, big or small, has opportunities to serve and sell to all customers. Retailers open to implement the right tools and strategies in order to fully capitalize on the current potential of their stores will see an improvement in their annual sales and profit.

This eBook is designed to provide you with a summary of a methodology that has been tried and tested for over 35 years in all types of retail locations. This methodology has allowed retail businesses to achieve much better return on investment than with most other marketing-based strategies.

The process is simple and efficient. It is based on measurable facts that can be analyzed. Therefore, it allows implementing and controlling adjustments that can achieve superior sales results and better profit margins. Using this approach, it is possible to quantify missed sales opportunities for each period of the week, select periods showing potential for additional sales, and adjust customer service level to convert opportunities into sales dollars.

In short, this process allows assessing the potential for additional sales, by providing new critical data on stores operations, such as the conversion rate and the number of customer per employee by period of time. Planning customer service in relation to traffic helps maximize the sales opportunities available in your stores.

BASIC CONCEPT
THE RETAIL EQUATION

Without traffic information, retailers explain their sales revenues using two variables:

Sales **=** Number of transactions **x** Average Sale $

$1,000 = 20 X $50

In order to increase sales revenues, retailers will develop strategies to improve the two variables by:

01. **AVERAGE SALES**
Increasing the average sale by suggesting additional items.

02. **NUMBER OF TRANSACTIONS**
Increasing the number of transactions by attracting more potential customers.

The next equation explains sales revenues using traffic information:

Sales **=** Traffic **x** % conversion **x** Average Sale $

$1,000 = 100 X 20% X $50

This way of defining sales revenues offers a greater control on all activities geared to attract more potential customers and quantify the numbers of customers leaving the store without making a purchase. Knowing the conversion rate, retailers can develop strategies around this to improve sales revenues.

For example, when customers are in-store, the service level can be adjusted to store traffic in order to maximize sales potential on additional customers in order to meet/surpass sales objectives.

STEP 1
DISCOVER YOUR SALES GROWTH POTENTIAL

A large part of sales potential that can be developed resides in the number of customers walking out of a store without making a purchase. This number represents a certain portion of your traffic that can vary depending on the retail category. For example, for the Clothing and accessories category, this potential can be as high as **90%** of your total visitors in a single week, while for the Hardware category it could vary between **30% and 45%.**

How to discover this potential

An accurate and reliable people counter is installed in the store to capture each potential customer for a specific period of the week. This operation should be done by a qualified technician to ensure that your traffic data will be reliable.

Data needs to be accumulated automatically using dedicated Software to generate reports. To discover the potential for each period, the traffic data needs to be analyzed in relation to sales and level of service. Therefore, the following data are required on an hourly basis and need to be integrated into the software: sales data, number of transactions and number of employee-hours.

Once these tools are in place, retailers will quickly identify the potential that can be tapped into.

Table 1 lists the daily and weekly totals of sales opportunities. In this grid, **the last column** shows the conversion rate (% sold) per 100 customers, calculated by dividing the number of transactions by the traffic count. In this example, **16.6% of all customers, or 1 out of 6 customers,** have made a purchase.

Taking into account the total weekly traffic, we see that 4,101 customers have not made a purchase. Looking at the number of opportunities for each day of the week, we see that certain days offer more sales opportunities than others, e.g. Saturday.

DAYS	TRAFFIC	#TRANS	POTENTIAL CLIENTS	% SOLD
Sunday	895	138	757	15.4%
Monday	541	95	446	17.6%
Tuesday	409	78	331	19.1%
Wednesday	455	79	376	17.4%
Thursday	597	110	487	18.4%
Friday	930	152	778	16.3%
Saturday	1092	166	926	15.2%
Total	4919	818	4101	16.6%

Table 1 - **Week**

Table 2 shows part of the data collected for each hour of a given day. **Column 4** shows the number of customers who did not make a purchase – in other words, the potential for new sales opportunities.

HOURS	TRAFFIC	#TRANS	POTENTIAL CLIENTS
10:00 am	41	8	33
11:00 am	52	8	44
12:00 pm	66	14	52
1:00 pm	78	14	64
2:00 pm	90	14	76
3:00 pm	84	13	71
4:00 pm	49	9	40
5:00 pm	29	6	23
6:00 pm	21	4	17
7:00 pm	16	3	13
8:00 pm	15	2	13
Total	541	95	446

Table 2 - Monday

SUMMARY

STEP 1

In this step, we have seen how to:

01.
Get the total number of sales opportunities to be converted per hour, day, and week.

02.
Identify the days offering the best sales growth potential.

STEP 2
ASSESSING
THE SERVICE LEVEL

The service level is the number of potential customers each employee will approach and serve by hour or by period. The service level is called **C.P.E.** (customer per employee).

How to calculate your C.P.E.

1. Add up the hours used for customer service, for each hour of the week. **Ex.:** If, for a given hour, you have 3 employees doing service, two of them being available for 45 minutes and the other being available for 60 minutes, you get 150 minutes or 2.5 hours of customer service.

2. For this service hour, take your traffic count and divide it by 2.5 hours. **Ex.:** If you had 25 visitors during that hour, divide that number by 2.5. This will give you 10 customers to serve per employee for that hour.

3. Now, divide 10 customers by 60 minutes to get the average service time per potential customer, i.e. 6 minutes. Are you offering enough service time to secure a transaction? The average transaction value appears in your sales history. For this example, let's say an average transaction is worth $60. Is an average of six minutes of service adequate to complete a transaction of an average value of $60?

In Table 3, Column 7 shows the service level (C.P.E.) for every day of the week. You can easily see that the service level varies a lot from day to day (a stable C.P.E. is usually hard to get but to aim for). However, the variance is significant: the C.P.E. goes **from 8.0 on Tuesday to 17.1 on Saturday.** This could mean that, on Saturday, several sales opportunities are being missed, since 926 visitors walked out of the store with no purchase on that day.

DAYS	TRAFFIC	#TRANS	POT. CLIENTS	% SOLD	STAFF HOURS	C.P.E.
Sunday	895	138	757	15.4%	63	14.2
Monday	541	95	446	17.6%	52	10.4
Tuesday	409	78	331	19.1%	51	8.0
Wednesday	455	79	376	17.4%	50	9.1
Thursday	597	110	487	18.4%	54	11.1
Friday	930	152	778	16.3%	74	12.6
Saturday	1092	166	926	15.2%	64	17.1
Total	4919	818	4101	16.6%	408	12.1

Table 3

Note: The same exercise needs to be done for each hour of the week in order to validate the service level for each period.

SUMMARY

STEP 2

In this step, we have seen how to:

01.
Calculate the service level we offer to each potential customer.

02.
Identify the days where the service level could be improved in order to capitalize on available sales opportunities and to increase sales.

STEP 3
ADJUSTING
THE SERVICE LEVEL

Adjust service level to offer an appropriate level of service when potential customers are in the store in order to increase sales.

How to Adjust Service Level

As explained in the previous step, the service level varies from day to day and from hour to hour. To help distribute available hours appropriately and offer the kind of service level that will increase your sales, you must:

1. Understand the patterns for in-store traffic and the distribution of service hours.

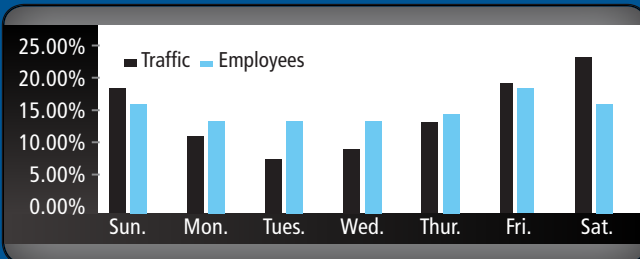| DAYS	TRAFFIC	DIST (%)	STAFF HOURS	DIST (%)
Sunday	895	18.2%	63	15.4%
Monday	541	11.2%	52	12.7%
Tuesday	409	8.3%	51	12.5%
Wednesday	455	9.2%	50	12.3%
Thursday	597	12.1%	54	13.2%
Friday	930	18.9%	74	18.1%
Saturday	1092	22.2%	64	15.7%
Total:	4919	100%	408	100%

Table 4

In the example on **Table 4,** it would be important to pay attention to Saturday, since **22.2%** of the weekly traffic takes place on that day, while only **15.7%** of all service hours are being used. On the other hand, Tuesday uses **12.5%** of all service hours for only **8.3%** of the weekly traffic. If the goal is to optimize available resources, it would be beneficial to move around some hours from Tuesday to Saturday before considering adding extra hours.

2. Make schedule changes to tap into high-potential periods and increase your sales.

Note: It is possible to reliably establish traffic patterns by calculating traffic and employee-hours for a continuous four week period.

WEEKS	TRAFFIC	STAFF HOURS	C.P.E.
Week 1	2148	264	8.1
Week 2	1927	304	6.3
Week 3	2071	288	7.1
Week 4	2248	244	9.2
Average:	2098	275	7.6

Table 5

3. Adapt patterns if special events are scheduled. The historical data of the store can help to adjust service levels according to the sales opportunities that your traffic brings in.

4. Schedule available service hours according to expected traffic and make the appropriate adjustments for periods offering high-potential growth.

Use the weekly traffic grid and adjust the traffic number to take into account upcoming special events. Then, distribute the total expected traffic using the daily traffic ratios calculated in Table 4. Now, adjust available customer service hours using the daily traffic percentage pattern to improve service level, especially during the periods with the highest sales opportunities.

Table 6 shows the regular number of service hours compared to the recommended ones and the expected store traffic.
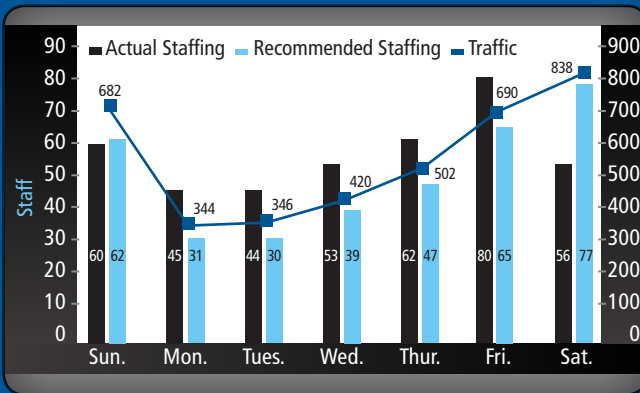

Table 6

SUMMARY

STEP 3

In this step, we have seen how to:

01.
Improve available service hours in relation to the in-store traffic.

02.
Move around available hours before adding extra hours.

STEP 4
SETTING PERFORMANCE GOALS BASED ON TRAFFIC

A powerful way to leverage sales and profit is to achieve a higher sales performance per every 100 potential customers.

How to Set Performance Goals
1. How to calculate the sales performance on 100 potential customers (performance on traffic or P.O.T.)? Ex.: For every 100 customers walking into the store, 15 make a purchase worth $50 on average:

P.O.T. **=** % sold **x** average sale $
15% X $ 50 = $750 ON EVERY 100 POTENTIAL CUSTOMERS

2. How to set performance goals

a) Review weekly sales performance (P.O.T.) for the last few weeks.

b) Take into account the service level improvements you have made on days and hours identified for a high sales potential.

c) Adjust the average performances according to these changes.

d) Inform all staff of the new sales performance goals.

The experiences of hundreds of retailers have shown that performance goals set using this approach are fairer because they are based on facts and verifiable opportunities. Goals based only on sales results are less realistic since, as mentioned previously, sales depend largely on in-store traffic, a key variable your sales team has no control over.

The following example illustrates how, at equal traffic levels retailers can significantly increase sales by setting performance goals supported by service level changes in high-potential periods:

Sales **=** Traffic **x** Performance (% SOLD X AVERAGE SALE)

WEEKS	SALES	=	TRAFFIC	X	PERFORMANCE
Week 1	$7,500	=	1 000	X	$750 (15% X $50)
Week 2	$8,000	=	1 000	X	$800 (16% X $50)

Week 2:
$500 in additional sales, for a weekly increase of 6.7%! To increase sales by 6.7%, it can be achieved by selling to 10 extra customers out of the 850 (1000 – 150) customers that did not make a purchase.

SUMMARY

STEP 4

In this step, we have seen how to:

01.

Calculate the actual sales performance on traffic (P.O.T.).

02.

Set measurable and attainable sales performance goals.

STEP 5
MEASURING RESULTS AND MAKING ADJUSTMENTS

Measuring the impact of each variable contributing to your sales revenues facilitates the control of most strategies implemented to improve sales revenues.

How to Measure and Adjust Results
To efficiently measure sales performance:
1. Use the Retail Equation and all its variables.
2. Compare sales results for two periods or the results for one period against your budget.

Table 7 features data for two consecutive weeks.

WEEKS	SALES	TRAFFIC	% SOLD	AVG. SALE	P.O.T.
Week 1	$21,492	2071	16.8%	$61.77	$1,037.74
Week 2	$24,274	2073	17.2%	$68.08	$1,170.98
Diff.	+$2,782	+2	+0.4%	+$6.31	+$133,24
Diff. %	+12.9%	—	+2.4%	+10.2%	+12.8%

Table 7

As shown, the sales increase can be explained by identifying the variables that has contributed to the increase. In table 7, the 12.9% sales increase is entirely due to a better performance on traffic. The improvement in sales performance is mostly driven by a +10.2% increase in the average sale combined with a +2.4% increase in the % sold.

	SALES	TRAFFIC	% SOLD	AVG. SALE	P.O.T.
Budget	$23,000	2150	17.4%	$61.77	$1,074.80
Week 2	$24,274	2073	17.2%	$68.08	$1,170.98
Diff.	+$1,274	-77	-0.2%	+$6.31	+$96.18
Diff. %	+5.5%	-3.6%	-1.1%	+10.2%	+8.9%

Table 8

The same logic applies when comparing results for a specific period budgeted sale for that same period. In table 8, the 5.5% difference between actual sales results and the budgeted sales is explained by an increase of +10.2% in the average sale, a -3.6% drop in traffic, and a slightly inferior % sold by -1.1%.

As mentioned before, the Retail Equation can be used to analyze any period (year, quarter, month, week, day, and hour); in order to pinpoint which variables can explain the sales results differences.

SUMMARY

STEP 5

In this step, we have seen how to:

01.
Analyze sales results obtained from two different periods by comparing the contribution of each variable in the retail equation.

02.
Control the contribution of each variable in the retail equation compared to the budget or target for each variable.

03.
Quickly identify where variables can be corrected and improve opportunities for superior results.

CONCLUSION

With this eBook, we wanted to share our experiences and results of our thirty five years working closely with hundreds of North American retailers. The methodology briefly described offers retailers the basic steps to maximize sales opportunities walking into a store during each hour of each business day: change for more profits.

Retailers spend a lot of time and resources to attract potential customers. Despite all those efforts, a significant portion of the customers walks out without making a purchase. How many? And what can you do about it?

This eBook provides retailers with means to achieve your sales and profit objectives by adjusting customer service with customer traffic and identify sales opportunities.

Axper will be glad to help you develop and implement this process. We can support you any way you like, from precise and reliable counting systems to Software suite and consultation services.

Your business still holds much sales growth potential.

AXper

DEFINITIONS

TRAFFIC	Number of potential customers in a specific period.
# TRANSACTIONS	Number of transactions (sales) made in a specific period.
% SOLD	Ratio obtained by dividing the number of transactions by the traffic count for a specific period. This ratio represents the percentage of the in-store sales efficiency on potential customers. Some people also call this the "conversion rate" or the "closing ratio".
AVERAGE SALE	The value (in dollars) of an average sale (or average basket), calculated by dividing total sales for a specific period by the number of transactions completed during that same period.
C.P.E. (Customers Per Employee)	Customers Per Employee: Number of potential customers each employee will have to serve in one hour. This gives you the level of service offered to your customers during the period analyzed.
P.O.T. (Performance On Traffic)	Performance On Traffic: Sales performance (in $) for 100 customers, calculated by multiplying the % SOLD by AVERAGE SALE.

35
YEARS

EXPERIENCE ON TRAFFIC PERFORMANCE OPTIMIZATION

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