PROFIT Systems
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WHITE PAPER

Traffic Counts and Sales Analytics:

The foundation for better advertising, staffing, and training decisions

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Retail traffic is an important indicator of whether your advertising is working or not. It helps you understand shopper behavior and provides a framework for measuring sales results. Even though traffic doesn't guarantee more sales, store traffic and sales are correlated. The more people visiting your store, the more opportunities you have to turn visitors into sales.

This all makes sense, but where the rubber meets the road, getting a reliable count on your store traffic is easier said than done. Your sales people forget to put a tick on the visitor count sheet. Opportunities aren't entered into your retail management system. Do you need a receptionist? Do you count the mail man? You get the point.

All these are valid concerns. However, there are three key reasons home goods retailers need to dismiss all the potential excuses and implement a system that allows them to get an accurate traffic count:

1. If you don't know how many people are coming into your store, you can't measure your advertising return on investment (ROI).
2. If you don't understand store traffic patterns, you can't effectively staff to ensure no customer leaves empty handed.
3. If you don't know how many opportunities may be getting lost in the shuffle, you can't train your sales staff to sell more effectively.

This white paper will help you think through how an accurate traffic count, in conjunction with sales analytics, can help you make better business decisions.

Decision #1: Is my advertising *really* working?

If you're doing advertising the "right" way, you're likely seeing some increase in traffic after a promotion hits your market. Or, are you? Do you know what your benchmark is so that you can measure traffic waves above and below average? Your instinct may be telling you to just look at dollars and conclude your promotion was a success. But how many dollars slipped away and, more importantly, why?

Here's how the best performing retailers analyze advertising ROI:

- They measure the success of promotions based on the number of visitors that came through the door.
- Then, they look at why a certain percentage of visitors didn't buy. Was it a staffing issue? Did the promotion attract the wrong audience? Does your sales team need more training?
- They also analyze new vs. repeat traffic. (Yes, every opportunity needs to be accounted for on your Customer Relations Management system so you know who is coming through the door.)

How does this type of analysis help you better allocate advertising resources in the future? You'll know whether:

- Your marketing campaign increased traffic and by how much
- More staff is needed the next time you run an ad or promotion
- Your advertising attracted the right customers who were ready to buy
- Your sales team needs coaching or training

Cash in your bank account is always a good thing. However, advertising needs to be measured in other ways other than straight sales dollars. Measuring traffic vs. sales will allow you to review and correct so you get even more out of your advertising investment on your next campaign.

Decision #2: Am I effectively staffed?

You need to be tracking traffic counts minute by minute, day by day, week by week, month by month, and quarter by quarter (or season). Understanding your traffic patterns is critical to how you staff your store. It also helps you make decisions such as best store hours – maybe you can open at 11 AM instead of 9 AM and save some cost?

Traffic patterns help inform your scheduling efforts so you can make the best use of your staff and human resource dollars. You don't want customers walking out because there was no one available to help them. You also don't want sales reps sitting around. Realistically, it won't take long to get the mix just right. However, the sooner you can start tracking and analyzing trends, the better you'll become at testing what works and refining your schedule.

Decision #3: Does my sales team need to be coached or trained?

You can't improve what you can't measure. You also can't rely on your sales team to count every opportunity - no matter how honest your particular reps may be. They get busy and don't see that last customer that just walked in. They get stuck with the lady who couldn't decide on a fabric and lose track of how many customers are walking around unattended. This is your reality. However, without understanding the potential number of customers your sales team has to wait on, you will never know where the opportunity for improvement lies.

A proven metric to measure the true success of your sales team is Revenue Per UP (RPU).

RPU = (Total Revenue) / (Total Customers Greeted)

Every single visitor (customer greeted) is an opportunity. What would happen if you divided total revenue by number of visitors rather than number of sales? Would you be as happy with your bottom line? Those shoppers who walked out without purchasing anything bring your average RPU number down. They represent a lost opportunity that already cost you advertising dollars to get through the door. You can't just cast the net and hope it's a good fishing day to later find out there were some serious holes in it.

Only once you have an accurate traffic count number, can you truly understand your close ratio. You'll gain more visibility into how many opportunities you may be losing and dig deeper into the "why". Maybe you're not properly staffed? Maybe your sales team wasn't prepared to answer questions on your last promotion or didn't understand the goal behind your advertising in the first place? Maybe they need a better process to ensure every opportunity is given a fair chance? Or that patient rep needs to be coached on when it's time to drop the guy who has tested 10 beds a day for the last two weeks. It's up to you to decide. But, without the right data, you're just guessing.

Conclusion: It's all about the Bottom Line

At the end of the day, the reason you invest in better systems is that you want to stop shooting in the dark. Why? Because it costs you money. The best performers in the industry systematically review numbers and processes to understand where opportunity lies. They live and die by their sales numbers. But they don't just look at the number of dollars or items. They analyze sales in the context of traffic, advertising investment, and HR costs. They make tough decisions. They invest in their business. They are diligent about reviewing and correcting so they can maximize their potential.

What's Next?

RETAIL*vantage* offers the most comprehensive retail analytics and business intelligence suite of tools. From hundreds of built-in reports to a custom report builder, you're enabled to take control of your business operations and make more informed decisions. In addition, RETAIL*vantage* seamlessly integrates with traffic counter, DoorCounts, to provide retailers with full visibility into close ratios, traffic patterns, revenue per opportunity (RPU), and advertising ROI.

To learn more, visit www.profitsystems.com or call 1.800.888.5564.

About PROFIT*systems*, a HighJump product

PROFIT*systems* is a complete software solution for the modern home goods retailer. Key components of their solutions for retailers include enterprise software, consulting, performance groups, advanced education, group-buying freight programs, eCommerce and business intelligence. PROFIT*systems* features real-time inventory management, customer relations management, point-of-sale, and accounting systems. For additional information on PROFIT*systems*, a HighJump product, please visit their website at: www.profitsystems.com.

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email **info@profitsystems.com**

or visit **www.profitsystems.com**