

Retail Marketing

What's Stopping You Increasing Sales?



It is frustrating to many, but millions are spent annually on retail marketing without an accurate method of evaluation. Focus groups and surveys can be conducted as an expensive one-off, but the very subjective information they provide is of limited value. Many frustrated retailers have stopped looking at anything other than sales return as a guide to marketing effectiveness. This article aims to demonstrate an easy-to-use and more objective model that allows retailers to better understand and evaluate marketing. It also aims to identify operational processes that may hinder sales.

A lot can happen between your front door and your cash register. This is apparent for the average retailer because 85 per cent of the people who enter their store will typically leave empty handed. Although this rate can vary dramatically between stores and retailers, a sales conversion rate of 20 per cent is generally considered fairly high.

So, on average, 80 per cent of the

response to marketing is not represented by sales data. This is the core reason that marketing evaluation is better represented by its first observable effect: store traffic response.

Moreover, evaluating anything accurately should be done in relation to the key variables it most directly affects. In the case of marketing effectiveness, the most highly correlated measure is people traffic, not sales. The absolute effectiveness of marketing will always be slightly elusive. Know, though, that if you focus only on sales return and ignore all the potential customers that are slipping out the door, then you are ignoring also your best potential to increase sales.

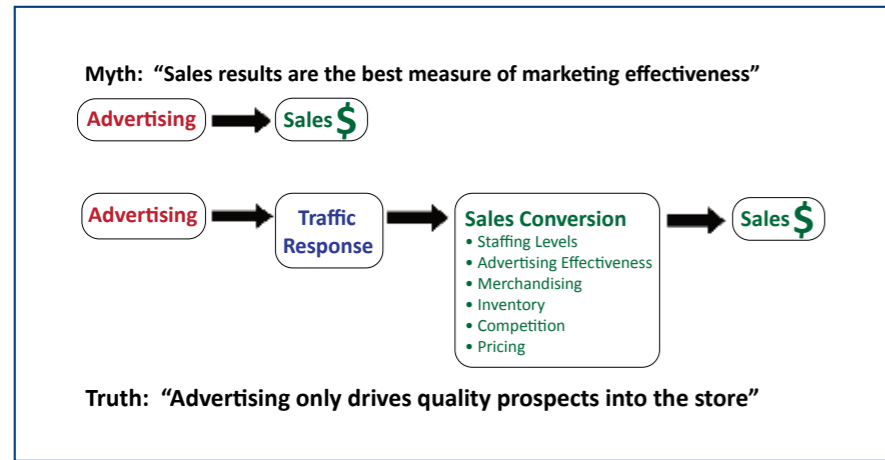
By looking at the beginning of the sales process rather than the end, we are able to see more accurately the factors that are really affecting the final sales outcome. So, for example, if a marketing campaign failed to increase sales but increased traffic by 20 per cent, we can start to see more clearly where the real barriers exist to increasing sales growth. ▶



Ken Warmington, Beonic National Sales Manager

Ken has extensive experience in both retail IT and business process management. Formerly working for Coles in its IT Innovation Team and as a business process manager, Ken piloted technologies ranging from point-of-sale systems and self-checkout to voice-over internet protocol solutions and digital media. Prior to Coles, Ken worked for Canadian company Optimal Robotics, a world leader in self-checkout technology, which was eventually acquired by Fujitsu. There, he worked for North American retailers including Kroger, Meyers, Stop and Shop, 7-Eleven, Quality Foods Group, H.E. Butts, A&P, and Wal-Mart. Ken has worked as National Sales Manager for the retail metrics company Beonic over the last three years, involving him directly in the retail metrics systems for over 550 companies and institutions at over 5,200 locations.

Figure 1.0



The truth is that if advertising can drive visitors into your stores, it is doing the primary part of its job. The job of increasing sales at this stage is now critically determined by staffing levels, staff effectiveness (sales conversion), merchandising, product pricing, and the many facets of store design. It is insufficient to simply consider any one factor in isolation. Sales data compared to traffic data (sales conversion) starts to give dimension to our analysis; and as we add more variables into the mix, other critical factors become clearer.

To optimise a store properly requires the ability to evaluate sales return in reference to customer traffic, operational factors, rostering, and marketing – and their effectiveness in relation to each other, on at least an hourly basis and at an individual store level.

The main reason many retailers don't consider traffic response is that their existing counting technology is inaccurate and cannot integrate with their point of sale (POS) or rostering system to provide timely or easily interpreted graphs. After consulting with hundreds of retailers, we have found that no more than 25 per cent of retailers currently use people traffic to aid their business decisions. In part, this may be due to the prevalence of now-historical and unreliable infra-red door beams; however, the modern generation of highly accurate thermal sensors has generally eliminated this problem.

Over the last 15 years, we have learnt that every store has unique traffic and sales patterns and that no two stores are alike. However, the following generalisations are true for most retailers:

- Effective marketing increases store traffic.
- Sales conversion tends to sag as traffic goes up, because the ability of staff to deal with increased traffic decreases.

Figure 1.2

	Traffic	Conversion	Average Sale	Sales
Baseline	500	6%	\$65	\$1,950
1. Increase Traffic	550	6%	\$65	\$2,145
2. Increase Sale Value	500	6%	\$71	\$2,130
3. Increase Conversion	500	8%	\$65	\$2,600

- A busy store, which managers might interpret as a positive indicator for sales, could in fact mean just the opposite. If your conversion rate is already poor, additional advertising could make it worse.
- Retailers typically do not measure the optimal number of prospects each sales person can manage for a given period.

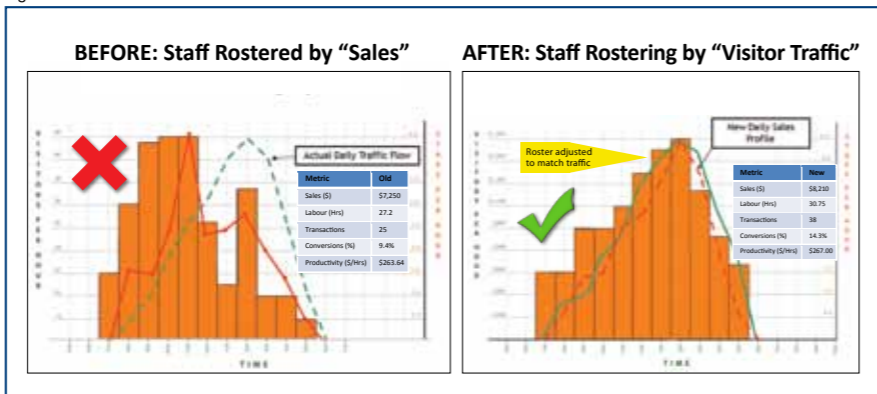
Retailers must understand the productivity limits or capacity of the sales team. Increasing store traffic without addressing the staff-to-customer ratio may result in lost returns on your advertising spend. A store could be fundamentally underperforming, but store sales will not reveal this; only with more detailed data can this be properly assessed. A question to ask is: what is the number of customers

each sales person can manage for a given period? This may require your business to trial and measure to get it right

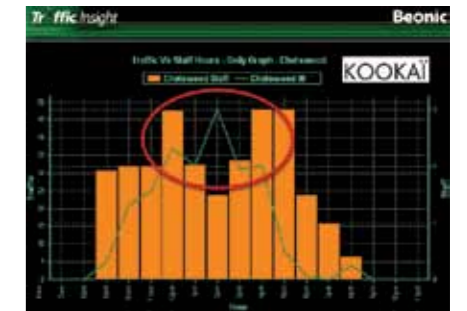
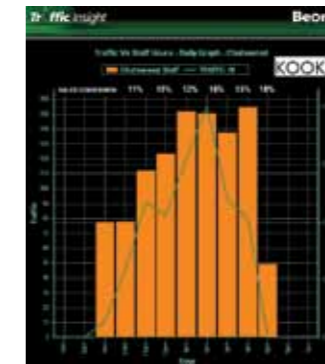
If a retailer launches a major marketing campaign without understanding these other influencing factors, the campaign may appear to be a total failure. As staff-to-customer ratios increase and sales conversion decreases, the store's sales returns will not accurately evaluate the effectiveness of the marketing. Without the staff to take advantage of the increased traffic generated by marketing, the effect may not even register in sales results. Sales conversion and roster data are critical to reveal what the real situation is at the store level.

- Sales conversion is your best measure of your staff's ability to turn visitors into customers.

Figure 1.1



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- As a benchmark, it offers a standardised method for evaluating performance.
- It is estimated that for every 1-per-cent increase in conversion, there is approximately a 3.5-per-cent increase in sales.

The alignment of your staff profile with your traffic profile can help drive a fast initial return on investment in people-counting solutions. In the following examples, it becomes clear just how big a difference this alignment can make to gross sales.

The following is a real example generously donated by the retail clothing chain KOOKAï and demonstrates the kind of graph that you don't want to see.

We see here, as traffic increases, staff at the store initially cope well with increased demand; however, during the middle of the day as traffic peaks, staff leave the store for lunch, and sales conversion plummets.

After consultation with KOOKAï, some new decisions around staff rosters and allocation were made which had a dramatic effect on sales conversion and sales.

In Figure 1.1, there is a significant increase in sales (\$1,000), with a small adjustment in the roster (three hours).

If the objective is to increase sales, then the first question you need to ask is: where are those new sales going to come from?

Figure 1.2 may seem very simple, but it does show that small improvement in sales conversion generates a disproportionately large sales outcome. Compare the three usual options a retailer has to increase sales.

1. Increasing traffic: The cost of advertising is typically very high and, when successful, produces modest increases in store traffic. As discussed, the effectiveness of advertising can be hard to quantify.

2. Increasing sale value: Increasing pricing makes it difficult to remain competitive and by itself can accompany a decrease in traffic and sales conversion. Effects can be unpredictable and can potentially decrease sales returns.

3. Increasing conversion: Staff training and education cost is comparatively low, and it is not always the case that total number of staff hours need to be increased.

As before, no one factor can be ignored in a successful retail store, but the prime position of sales conversion is clear.

Retailers can, of course, only count store traffic if they have an accurate people-counting sensor and an analytic solution that incorporates POS data and preferably rostering data also. There are also many other longer-term benefits to having a good people-counting and analytics solution installed.

Traffic counting and analysis helps you:

- understand if your advertising is working
- improve staff scheduling
- understand sales performance, productivity, sales conversion, missed opportunity
- determine store hours
- plan sales events
- comprehend impact of holidays, weather, et cetera

- refine strategic planning and training
- optimise store layout/design: optimise sales by square metre
- discover traffic flows/penetration
- decide fixture positions
- make decisions about shopping trolleys/baskets, restrooms
- determine category management, conversion by category, impact on neighbouring category.

The observations in this article are based on real data collated from many thousands of highly accurate thermal sensors and POS systems located in hundreds of Australia's largest retailers and then analysed using the Traffic Insight software.

Beonic's industry-leading solutions provide critical insights into an enterprise's performance. Its robust, easy-to-use solutions accurately measure, analyse and report customer traffic data benchmarks, comparing customer behaviour against sales, customer service, advertising and staff performance. This provides an enterprise dashboard from which a trader can evaluate the organisation's sales performance, marketing performance, staff distribution, and other critical operational variables.

For more information, please visit beonic.com