



# How to incorporate retail traffic data into your strategy for growth

Retail Intelligence Series

 **ShopperTrak**

# Introduction

**Retail is evolving at an ever-increasing pace, driven by the demands of the digital consumer, and by the arrival of automation and AI in customer-facing and back office operations.**

While ecommerce has changed the shape of retail, consumers globally are still committed to the physical act of shopping, and retailers are working hard to tailor the experience and bridge the gap between the physical and online worlds in progressively innovative ways. In 2017, e-commerce sales accounted for **9%** of all retail sales in United States, and this figure is expected to reach **12.4%** in 2020, [according to Statista](#). Growth in online shopping is slowing down, and there is agreement that stores will remain vital in communities around the world for many, many years to come.

Even in China, high profile advocates of [New Retail](#), extol the experiential virtues of stores. The likes of JD.com and Alibaba have a vision for stores and malls to transition from points of sale to experiential showrooms, and places where the division between online and offline customer journeys and experiences blur. [Nike's new concept store](#) in LA epitomizes this melding of mobile and physical shopping. Stores globally are investing in omnichannel services that bridge online and offline – most notably Buy-Online-Pickup-Instore (BOPIS) or Click and Collect points. In the UK, Click and Collect sales are forecast to account for **13.9%** of total online spend in 2022, 1.9 percentage points higher than in 2017, [according to GlobalData](#).

Beyond facilitating these new shopping journeys, traditional retailers are under intense pressure to deliver something special in their stores. Rather than lose sales to the web, they need to ensure memorable experiences and fantastic service levels are guaranteed on the store floor. It helps to fully understand the target audience, and be able to react with lightning speed to meet shopper needs. Insights into how consumer behavior is affected by weather, holidays, seasonal events, economic changes, tourism, consumer trends and internal operational and marketing activities, will help retailers plan and succeed over time. Only the smartest, fittest and most agile will survive.



A woman with long brown hair is lying on a light-colored couch, smiling broadly. She is holding a white tablet in her left hand and a black credit card in her right hand. She is wearing a grey knit sweater. In the background, there is a large window with a wooden frame, and another person's legs are visible on the couch to the right.

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# Where are you looking for growth?

**The intelligent fusion of reliable data sets into a retail business' daily operations unveils incredible insights, helping retailers approach the future with greater confidence.**

A key question is where are you looking for growth: tools to assist in-store sales teams, richer training, sharper marketing, a broader or more curated product offering? What if we told you: "Your existing retail traffic data has many of the answers. Focus simply on the fundamentals of this data to find them"?

And where this matters most is by focusing on the customer first. Deliver great service when they are ready, have available what they want, and guide them as needed. In other words, take care of your customers, and use traffic data to do this well.

This paper walks you through how to identify, extract and analyze traffic data, and how to apply valuable data insights. This makes it possible to build in-store excellence, which will help deliver growth. We also consider the future of retail traffic data so you can look ahead with solid ideas.

## Key Metrics to Consider

Today's retailers need to make the most out of in-store traffic. If you think about your retail traffic data and analytics as a simple dashboard, it has three dials that influence each other.

**These three are:**

- **Traffic**
- **Conversion**
- **Average Transaction Size**





## Traffic

People counting and footfall technology provides retailers of all sizes, and shopping centers, with the tools to accurately count visitor numbers. With cameras installed in store entrances, the hardware can deliver a highly detailed picture of shopper numbers and entrance times, movements and dwell times, enabling the retailer to assess customer behavior with clarity.

Data sets can then be combined with other kinds of business information – demographic data, sales data, weather data, customer profiles – to produce a greater understanding of shopper behavior, seasonal traffic trends, patterns of store use, from which to build practical ways to improve efficiency and profitability.

## Conversion

The conversion rate is the number of shoppers who make a purchase. Using traffic and sales data it is possible to know whether your conversion rate ( $\text{transactions} \div \text{shopper traffic}$ ) is on target, or off the mark, and in need of intervention for improvement. By making improvements across an entire store estate in line with these findings, retailers can see their margins improve significantly, while they deliver a greater level of customer service on the shop floor.

Remember to consider your traffic volume in relation to conversions, too. Conversion is not the single best indicator of store performance in and of itself. Rather, it's a measure of how much revenue you captured (sales) from the opportunity you had (traffic). A store may have lower than desired conversions, but as a portion of store traffic it could be quite high. This is why the two work in concert.

## Average Transaction Size

This metric refers to the average monetary amount that is spent per converting visitor, in a given period. Average Transaction Size (ATS) acts a control for the conversion metric, while providing instant insight into the amount of money that buyers spend.



# With these **three metrics** it's possible to calculate:

## **Sales per Shopper (SPS)**

Sales per shopper is a measure of how much money was spent by all your shoppers (including even those who did not make a purchase). It's a measure of how effective you are at selling, too.

To determine your SPS, multiply the percentage of purchasers (conversion) by the average transaction size (ATS). A higher SPS is always good because it means you are selling more effectively to the opportunities you have in your store.

## **Shopper-to-Associate-Ratio (STAR)**

The shopper-to-associate-ratio method allows you to identify the right number of staffing for each day, and day part by store according to traffic patterns. It is a measure of how many store associates you have available at a given time to serve people visiting your store. It's a measure of the level of service provided to your shoppers.

### **Here's how you calculate your STAR:**

- How many shoppers visited your store that day (what's your traffic number)?
- How many associates did you have available to serve these shoppers?

### **These numbers create a ratio of Traffic: Associates.**

When you have a lower STAR (for example, 4:1 vs. 12:1), your service level is very high. The higher the first number, the lower your service level.

## Now that you have these metrics, what do you do with them?

Here are six ways to use people counting data

### 1 Improve the shopper experience

Traffic and conversion data helps retailers understand when the peaks and valleys in shopper demand will come throughout the day, week, and year. This will allow store teams to be fully prepared for the rush at peak, to solve problems like regular bottlenecks at the checkout and unmanned dressing rooms, and to be operationally streamlined to meet shopper needs.

### 2 Drive store productivity

Shoppers enjoying a better service in stores usually translates to higher conversions – making the store space more productive. SPS and ATS can be driven up with prior knowledge of retail traffic trends, because the store is ready for action when sales opportunities arise – particularly ‘power hours’ when traffic numbers peak. Understanding the nature of customers, for instance whether they are loyal or casual, and the different aspects of their journey, helps increase basket size, and loyalty over time.

### 3 Improve labor scheduling/store productivity

Labour can be optimized to ensure the best sales people are on the shop floor exactly when the biggest sales opportunities are expected. This is when STAR comes into play, ensuring you have the resourcing to exactly match the traffic opportunity. Break-times for the top sales people need to be scheduled so that they never clash with power hours. When the quiet hours come, the schedule will ensure back room tasks are being carried out in readiness for busy times of the day. Traffic data as a KPI keeps store teams engaged with strategic projects and personal goals.

### 4 Drive basket growth through a consultative sales approach

With the right training completed, and with labor scheduling optimized, store teams are in a great position to ramp up their selling expertise, and grow the ATS. Stores with clear instructions of when to expect changes in traffic trends will be primed to activate selling initiatives at the right time. By benchmarking across a store estate, it becomes clear what commercial benefits can be expected from investment in training, or special sales activities.



## 5 Optimize existing store footprint

Store layouts can be designed to maximize traffic hotspots and traffic flow, ensuring the use of space is as profitable as possible. New concept stores can be tested and benchmarked over time to ensure the best ideas are rolled out. And retailers can make property portfolio decisions based on traffic and demographic data analysed over a set period of time.

## 6 Align marketing initiatives with operations

Retailers can be fully prepared for known calendar peaks, and able to focus on boosting conversions and ATV on key dates, in line with planned marketing activities. At key points of the year, return on investment in marketing campaigns is more likely if traffic data is factored into the planning and merchandising schedule. With social marketing becoming increasingly important flash sales and promoted products can be measured in terms of the traffic into stores achieved. The simple measurement of traffic uplift as a result of a marketing campaign can help retailers improve campaigns over time, and make them as cost-effective as possible.







# How will your retail business **benefit**?

**Let's consider two opportunities that can be quick wins for your business.**

## **Right-sizing each store's opportunity**

Each store in your business is different due to the diversity of attributes attached to each individual store. That is, each store has its own unique DNA. If you are adapting stores to local markets, for example, the shop's design and product mix, your opportunity equally needs adapting.

Rather than treating each store the same, say by allocating no more than 180 labor hours per store, consider the traffic patterns by store.

- *When does each store have its peak time(s) during the week?*
- *Are you staffing each store to meet demand and provide sufficient coverage for customer service when shoppers need it most?*
- *Are staff serving customers during these times, or performing tasks that should wait for lower traffic periods?*

Group similar types of data patterns together so that stores like one another are evaluated similarly. This decouples geography from performance.

With this approach, you can begin to set goals based on each store's opportunity, and optimize from there, perhaps adjusting staffing to increase conversions where necessary.

Some stores may never meet universal goals while others consistently exceed, and executive teams are left wondering if it's a people problem when really, it's a goal problem. The reality is that some stores have a head start because they are blessed with heavy shopper traffic due to their particular location. And if there are store-specific goals, there must also be store-specific actions implemented in order to achieve improvements.

## Offering customer service to maximize opportunities during Power Hours

One reason why retail traffic data has come into existence is that retailers want to provide better experiences for customers. Part of how that's done is by ensuring the right customer service levels throughout each day.

You can achieve this by knowing when traffic peaks and valleys occur in your store's operating hours each day of the week, and identifying the power hours. They are your most vital ones for selling.

This data shows you when to allocate more staff for the peaks and taper off as you enter the valleys. If you align schedules with demand, sales will go up.

With enough historical data, you can predict traffic patterns and create schedules further in advance, too. This foresight engenders a sense of stability in stores, where staff can see that resourcing is planned to help them cope with busy times in store which can be stressful.

In this way it's possible to create more job satisfaction, which will help with staff retention. A [Society for Human Resource Management survey](#) recently found that 65% of US employees believed 'respectful treatment of employees at all levels' to be very important in the way they viewed job satisfaction. 56% thought 'opportunities to use your skills' to be very important, confirming the high value employees put on initiatives that help them shine at work.





# The importance of Staff Scheduling

**Starbucks has developed employee scheduling that is very friendly toward their partners' needs. We spotlight it here to show how employee-friendly scheduling can drive employee engagement.**

If you apply your traffic data to develop schedules that incorporate these principles, you can create stronger performance. Remember that the scheduling is a two-way street. This also allows you to forecast when it is best to schedule your marathoners and sprinters.

## **Starbucks' website explains:**

### **Our established principles include:**

- All partners are asked to provide their availability and preferred schedules when they are hired
- All partners are provided a good faith estimate of the hours they will receive
- We do our best to provide stability and consistency in schedules, and will continue to introduce better scheduling capability for store managers to ensure more continuity of schedules
- We post schedules at least 14 days in advance, posting current week plus two weeks
- We do not nor have we ever had on-call scheduling
- Our store managers are required to schedule partners with at least eight hours between closing and opening shifts
- We have a dedicated support team for partners to ask questions or share concerns about scheduling and other policies
- We work to help transfer partners who are experiencing commutes longer than an hour to a store closer to their homes

[Source: Starbucks corporate website](#)

**A more engaged and satisfied retail workforce can lead to better performance (particularly in relation to customer service) by having the right people, at the right time, on the floor serving shoppers. Companies that offer enlightened HR policies and support for store employees can expect their efforts to translate into higher sales and average transaction size.**

## **Taking care of customers so that sales take care of themselves**

When staff focus on taking care of customers because there are enough team members on the floor to handle each customer, they can focus on providing great experiences through interpersonal engagement, providing advice on sizes and trends, retrieving inventory information, and making transactions quick and easy. If store teams are focused on these elements – the ones completely in their control – then sales tend to take care of themselves.

## **How customer service and scheduling links to performance**

For hourly employees, their work schedules dictate much of their lives. Working a consistent number of hours each week gives them confidence that they can focus less on their income and focus more on doing a great job. Schedules that are given without consideration for the associate's personal life – school, family, commute time – tend to erode morale and contribute to turnover. See our cited example of best practice from Starbucks on page 11.

And yet the retailer needs to balance their stores' hours of operation, demand and seasonality against employee needs.

Using retail traffic data, you can see in black and white when you need to have more staff on the floor, or less. This ebb and flow should dictate schedules, and labor budgets should reflect each store's patterns instead of a fixed number of labor hours for every store.

You may find a fixed number across all stores creates a surplus of labor hours (which get spent because it's mandated) in some stores and a deficit in others (leaving team members and managers exhausted meeting demand). This is creating friction and waste in your operations.

**We recommend using the shopper-to-associate-ratio (STAR) method to address this.**





The retailer needs to balance their stores' **hours of operation**, demand and seasonality against **employee needs**.

# Change management

**Our human nature includes a tendency toward stasis. We like stability because it's predictable, it's comfortable, and allows us to focus on other things.**

However, the dynamics of the market require that we adopt change on a regular basis. We see the benefits of it when our performance improves because of new activities. If you have taken up regular exercise, you experience this by having a lower resting heart rate. A healthy heart has positive consequences for other parts of your body. Your business is much the same.

In organizations, these qualities come out in manifold ways. Some get on board right away, excited by the prospect of the 'new' while others may hide to avoid any change.

Introducing the concepts we have discussed in this paper to your workforce, requires an effective plan for change management. We have managed this process for over 20 years and know how crucial the difference is it makes to getting everyone on board the retail traffic data train.

One approach is to modify KPIs to include STAR and SPS ratings as criteria by which performance is judged. If you are judged by factors that are under your control, using data that is available to everyone, your best interests are now aligned with the business's best interests. Your teams are driven by carrots not sticks.





# How to **overcome** resistance to the metrics

**Incentives are a great way to drive the behaviors you want from store teams. Go beyond simple spiffs. While cash is always welcome, the tax implications tend to decrease how much the money is valued.**

Behavioral economics also show that it takes an increasing amount of monetary rewards over time to get the same boost in performance (we suggest reading Daniel Pink's "Drive" to learn all about motivation).

Instead, think about long-term engagement and create rewards that drive employees to stretch for reaching them. Let people attain higher levels of access by performing at a higher level, for example by having first right of refusal on the prime shifts or to be selected for special product training and product samples with vendors.

Another excellent approach is through training at all levels, from field leaders to floor associates. Try hosting regular meetings to review the new reporting together, answer questions, test ideas and continue until everyone has become comfortable with using the information. Then sustain this knowledge with recurring sessions so that institutional knowledge is captured and new members are brought into the fold on the techniques and knowledge when they join your organization.

With the data becoming more visible across the organization, it's vital to ensure people have equal access. Do not limit access to a "need to know basis". You can use the technology to control how the data gets used (e.g., do not allow data exports or remote access), but do not withhold the numbers. Work with those who need to use the data to understand how to apply it to their roles, whether operations, marketing, finance, real estate or others.



# Future Potential of retail traffic

## Insights into interaction with inventory

Forward-looking retailers have been piloting RFID-based supply chain solutions for inventory tracking in recent years, and mainstream use of this technology is on the horizon. By combining RFID product journey insight with instore traffic data, retailers can learn in real-time how shoppers are interacting with inventory.

There is the potential to learn which items are tried on but abandoned at the fitting room, for instance, and make decisions on replenishment across all channels, based on the movement of RFID tagged items around the store. Watch this space for other innovations around streamlined fitting room management, smart mirrors, and the latest low energy ibeacons – all of which could give rich insights into how shoppers use stores and interact with product.

## Loss prevention

With access to a wealth of data around shopper and product movements in stores, retailers will be in a much stronger position in the battle to control stock loss. Weaknesses in store security will be far easier to pinpoint when patterns of behavior are tracked and fully understood, giving retailers a chance to retain valuable stock and better control their costs.

A man and a woman in business attire are standing in a modern office environment, looking at a tablet together. The man is holding a coffee cup. The woman is pointing at the screen. The background shows large glass windows and a blurred office interior.

## Interior Analytics

Interior analytics is emerging as a means of gathering insight into store performance. People counting technology within a retail space can read how traffic is flowing, and which areas of the store are uncomfortably busy, or too quiet. Merchandise hits and misses can be measured. The value of shop floor features such as fitting rooms or product demo areas can be calculated.

The newest technology on the scene uses Wi-Fi and customer mobile devices to count visitors into the store and track movements anonymously. Its strength lies in providing additional intelligence when working in conjunction with traditional counting cameras, offering additional insights such as dwell time and visit frequency. By recognizing a phone's MAC address, a store can discover whether a shopper is a repeat visitor or a new customer, and which customer type is likely to remain in store the longest. This is all prized information if used to commercial advantage.



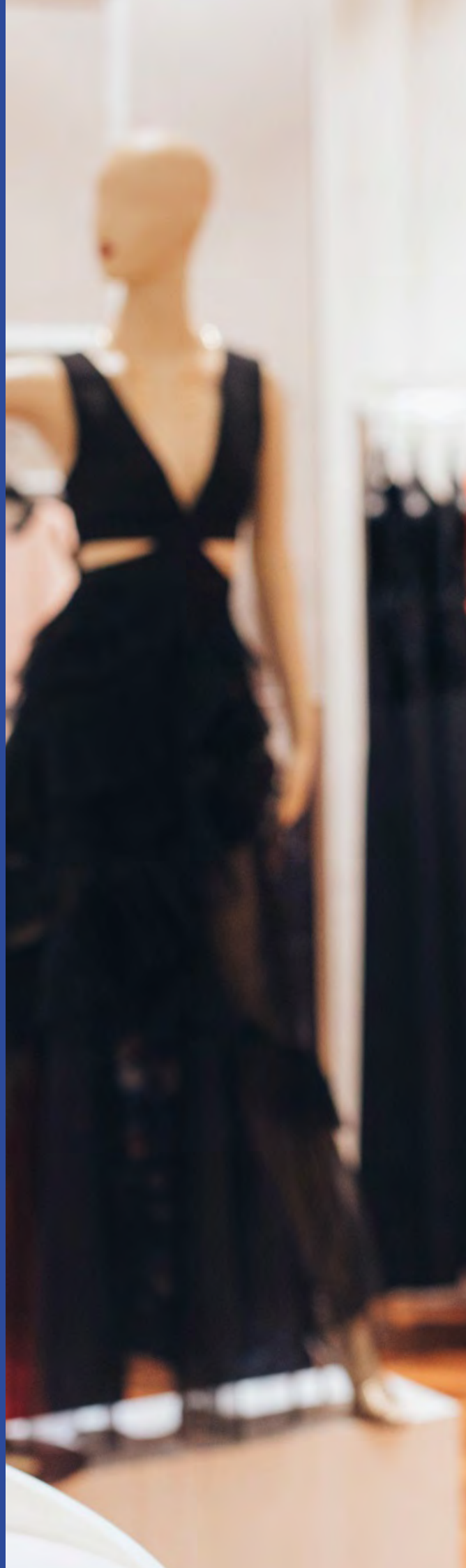
# Summary


**While most retail companies have moved toward data in many areas of their businesses, others still strive to develop data-driven cultures. The big challenge remains getting the basics right, in order to adopt more sophisticated KPIs and richer analytics.**

We've set out guidelines on adopting retail traffic analytics, and ensuring the insight being gathered and shared is properly utilized and delivers meaningful, measurable results.

And most importantly, we hope this guide has shown retailers the power of winning buy-in for data-driven best practice across the organization. Doing so can deliver rich results and lead to positive effects on staff attitudes and business performance. Seeking expert help to design, execute and cascade a data-driven strategy can be the best place to start for many organizations, and ongoing consultancy support can ensure data is continually powering results.

**Being able to collect and analyze data regarding shopper traffic trends and patterns is essential when attempting to optimize store performance and ultimately your bottom line.**





ShopperTrak's people counting devices **measure walk-ins, dwell time, bounce rates and movement around the store**, and have helped thousands of retail companies around the world optimize their customer service and sales performance.

ShopperTrak's analytics suite **pulls insight from this wealth of collected data**, while our consultancy service ensures retailers progress in the most effective way, in line with their unique needs.





## Retail Intelligence Series

Contact ShopperTrak if you'd like to improve the performance of your stores, based on traffic data insights.

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