



COGNIMATICS - PERSONAL AND INDUSTRIAL SOFTWARE APPLICATIONS

## RETAIL ECONOMICS

- Retailers face multiple challenges to operate profitably.
- Market over-saturation.
- Increasing operating costs.
- Rising customer expectations.
- Fewer shopping visits.
- Margin for error is razor-thin.
- Makes it important to monitor customer behavior such as
  - **Shopper traffic**
  - **Conversion rate**

## **CUSTOMER BEHAVIOUR ANALYSIS?**

- How many people visit your shop?
- When do they visit?
- Where are the hot zones in your store?
- What are people looking at in you store?
- What type of people visit the store?
- Are your staffing levels optimal?
- Is your advertizing effective?
- Are your store hours right?
- What is your sales conversion rate?

## One of the most fundamental of retail metrics is largely unused or misused — **Traffic and Conversion rate.**

- Every day, hundreds of prospects visit a retail location
  - How many are buying?
  - How many are not buying?
- Financial measures will not do the job to uncover the full potential of a store.
- Sales are down.
  - What happened?
  - Did fewer people visit the store
  - Did fewer make a purchase?
- Traffic and conversion rate helps retailers to understand how their stores are performing.



## MEASURING SHOPPER TRAFFIC

- Foot traffic data is considered the **most accurate leading indicator of future sales**.
- Retail research shows that a steady decline in foot traffic indicates that sales will similarly decline in 12 months.

# SALES CONVERSION RATE

- Conversion rate:  
Transactions/traffic
- Considered the **most accurate indicator of a company's performance.**
- One of the most fundamental, and cost effective, tools for improving profitability.

# SALES CONVERSION RATE

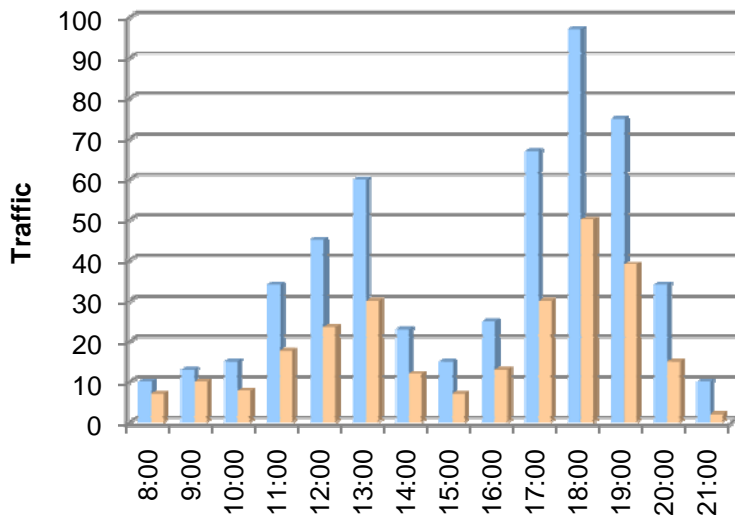
- Measure the lost sales opportunity by store.
- Identify the underlying performance drivers by store.
- Reveal opportunities to improve sales performance by store.

## **CASE: WHY COUNT CUSTOMERS?**

- Two stores in the same chain.
- On a particular day
  - Store #1: \$4,000 in sales.
  - Store #2: \$5,000 in sales.
- Which store is the better performer?
- What should be done to further improve performance at both locations?

## CASE: WHY COUNT CUSTOMERS?

- **Two stores:**
  - Store #1 had 25% higher total sales than Store #2.
  - Store #1 had about twice as much foot traffic as Store #2.
- **Result:** Store #2 was more effective at capitalizing on the opportunity it was given.
- **Traffic information insights:**
  - Store #1: make operational changes to take better advantage of the existing traffic.
  - Store #2: increase traffic through advertising.

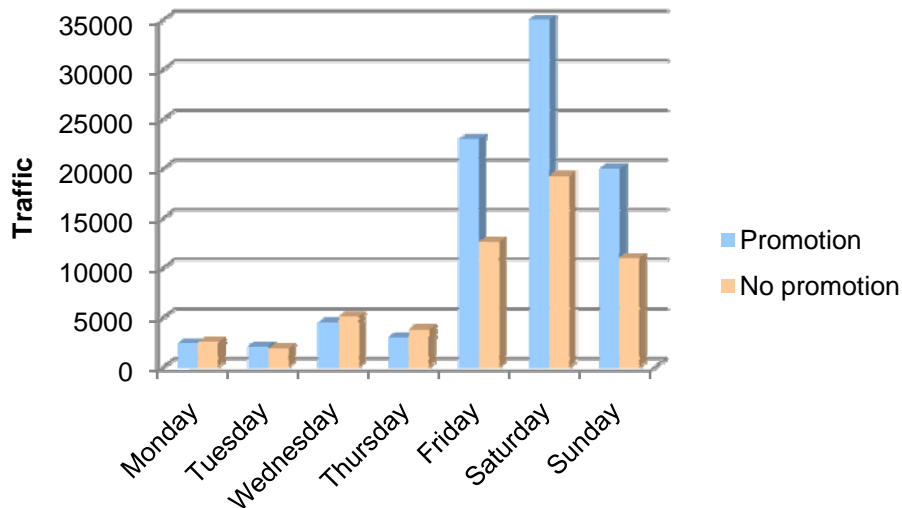


## **CASE: DOES YOUR ADVERTISING WORK?**

- Promotion was launched on a Thursday
- The store seemed busier than normal during weekend.
- Sales did not increase.
- **Conclusion:** the promotion didn't work.
- Or did it?
- **Problem:** sales is the end result of a long chain of processes, of which advertising is only one.

## **CASE: DOES YOUR ADVERTISING WORK?**

- Successful at generating customer traffic
- Doubled during the promotion.
- What went wrong?
  - Was the store staffed appropriately for this level of traffic?
  - Did we have items out of stock
  - Was till availability a problem?





# **TRAFFIC MONITORING IS ESSENTIAL FOR**

- Conversion rates
- Labor usage
- Advertising and promotional programs
- Optimal selling hours
- Future opportunities
- Merchandise assortment and stock levels
- New store concepts
- Store location analysis

## HOW TO USE TRAFFIC DATA

- Allocate your staff effectively.
- Identify and reward high performing stores and employees .
- Comparing this year's results to last year's .
- Compare one store's ability to convert shoppers to buyers to another.
- Identify managers who meet conversion goals for promotion.
- Set goals and evaluate progress at underperforming stores .



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