



EXECUTIVE INTELLIGENCE

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How a Retailer Can Effectively Launch a Traffic Measurement Program

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In ever increasing numbers, retailers are collecting and analyzing customer traffic data – information on the number of shoppers that enter a retail store by day of the week and time of day. They are doing so because traffic data provides the only clear measurement of the sales opportunity that a retailer has created for their individual stores to convert to actual sales.

However, despite the clear benefit of traffic data, experience has demonstrated that incorporating this valuable metric into the decision making process of an organization requires careful planning and a systematic approach in order to insure success.

The following is a summary “How To” guide for retailers who are contemplating the introduction of traffic counting to their organization and, perhaps, a troubleshooting template for retailers who have partially introduced traffic to their organizations, but have found acceptance stalled.

Step One: Involve the Entire Organization Early

Traffic data, properly used, will have an impact in virtually every facet of your organization. Senior management will use the data to evaluate the overall attractiveness of their offering to the consumer; store operations will use it to assist in labor allocation and evaluation of labor quality; marketing will gain insight into the effectiveness of their campaigns in attracting prospects to stores. HR may eventually want to use conversion rate as a performance metric. And IT will have to be involved throughout in the processing of the information.

Once everyone is involved, move to...

Step Two: Set Management Expectations Immediately

You may think explaining to your management team that “Traffic is a Metric, not an Answer” is an exercise in the obvious, but experience shows that is not the case. Traffic data unearths questions that may not have been previously asked in your organization. However, the answers to these questions require careful consideration and evaluation of the data over some period of time.

This last point cannot be overemphasized. Snap decrees to improve conversion rate by 10% across the board based on one week’s data are a good way to build resentment toward the new system and, in the absence of plans tailored to each region, district and store on how to accomplish this goal, unlikely to produce the desired result.

Step Three: Design and Manage a Comprehensive Pilot Program

An ill-designed and poorly managed pilot will almost always result in inconclusive results; which, in

turn, leads to management disappointment and uncertainty. While all the elements of a successful pilot cannot be captured in a brief article such as this, they certainly include the following key components:

1. Build in Data Quality Controls—Pilots are, by definition, a test environment where errors and missteps are inevitable. Be sure to build constant checking and evaluation of the accuracy of the traffic, sales, transaction and labor data into the design of your pilot.
2. Set Reasonable Goals—“Show me the ROI,” is the baseline mantra of every pilot program. While it is absolutely imperative to clearly establish the value of investing in traffic measurement, it is unreasonable to expect, during a two month test using a small subset of stores, that labor hours can be redirected and marketing dollars reallocated to conclusively clear a pre-set hurdle rate. Having said that, the pilot must still:
3. Prove the Value—Your pilot should generate the new insights into and original questions about your business touched on above. You should choose a set of stores that represent a microcosm of your organization. You should build in store comparison scenarios, “mini-tests,” such as a direct mail program during the pilot period, and ancillary inquiries (a popular one being, “Does the conversion rate improve when the manager is on duty?”).

Step Four: Build Organizational Education into Your Budget

Change can be threatening. If you don't explain the benefits of adding traffic information to the evaluation of store performance, regional, district and store managers will, at best, not utilize the information to its full effectiveness and, at worst, will look for every opportunity to question the accuracy and usefulness of the information.

The field needs to know both that senior management will not use conversion rate as an indiscriminate “performance club,” but rather as a tool to determine opportunities for performance improvement. With that reassurance, associates will be open to further education on how to read and interpret reports and how to turn that information into effective management change.

Step Five: Choose a Traffic-Counting Vendor Carefully

As with any enterprise-wide technology change, the prudent retailer should decide on a vendor based on their technical expertise; availability of service and support; customer references; assistance with implementation and analyses; and industry reputation. For instance, there are a variety of types of traffic counting devices, but they vary widely in accuracy and reliability. Choose a technology that works with store doorway design, likely traffic patterns and different store locations (e.g. in-mall vs. freestanding).

Management of traffic data is a service provided by a handful of traffic counting firms. Such a service takes some of the burden off your internal IT resources and can make startups go faster due to availability of existing systems and reports.

Check the vendor's history of innovation. Are they committed to traffic counting and to the retail business, or is counting a sideline to them? How long have they been in business? What do people in business media and in trade associations have to say about them?

The addition of traffic data can add true insight to retail management. If you follow these guidelines, the likelihood that these insights will become part of the fabric of your organization increases dramatically.