Shopper Traffic Case Study:

An Analysis of Three Drug Stores After the CountBOX Traffic Solution Was Implemented

Goals and Objectives of the Analysis

- Show exactly how the results of the study can be projected from the 3 drug stores to the entire chain.
- Determine the growth points and the ROI for the stores

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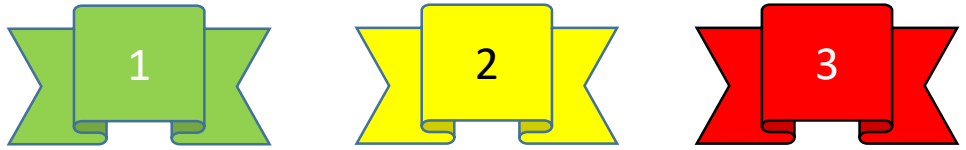
Sales Analysis not using Shopper Traffic

Table 1: Transactions from June 2015	Store #12	Store #25	Store #63
Average Dollars per Transaction	515	461	354
Number of Transactions	11 042	9 913	4 647
Total Revenue	5 687 011	4 565 968	1 643 992

Main Goal: Determine Growth Potential Points



Solution: Analysis using Transactions and Average Dollars per Transacion

Initial Conclusion:

Store #12 has the best performance followed by store #25 and store #63. To improve, store #25 needs to increase its dollars per transaction. Store #63 needs to increase both the number of transactions and the average dollars per transaction. To attain this, the store needs to drive more traffic to it perhaps by doing more local marketing.

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Sales Analysis not using Shopper Traffic (continued)

Substituting the maximum values of the average dollars per transaction and number of transaction,
The maximum potential of every store is calculated:

Table 2 Maximum Potenial	Store #12	Store #25	Store #63
Potential Average Dollars per Transaction	515	515	515
Potential Number of Transactions	11 042	9 913	11 042
Potential Revenue	5 687 011	5 105 537	5 687 011
Difference (Potential Revenue – Actual Revenue):	0	539 568	4 043 019

Since we lack additional data such as store shopper traffic data, we cannot determine if store #25 or store 63 could reach their maximum revenue potential. We cannot determine if the stores are staffed correctly to their store traffic levels or whether the stores are converting a sufficient percentage of the shoppers that enter the stores.

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Analysis Including Shopper Traffic Data

Three drug stores with traffic counting data:

Table 3. Key Indicators June 2015	Store #12	Store #25	Store #63	Total
Shopper traffic	17 961	14 382	8 008	40 351
Conversion rate	61.48%	68.93%	58.03%	63%
Average dollars per sale	515	461	354	465
Number of transactions	11042	9913	4 647	25602
Revenue	5 687 011	4 565 968	1 643 992	11 896 971
Revenue per visitor	317	317	205	295

Goal: Find potential for growth

The first insight is that the number of transactions does not equal the stores' shopper traffic. The average conversion rate is 63% across the three stores. For 37% of the shoppers, they entered the store but did not purchase. Increasing conversion rate is an area for growth potential.

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Analysis Including Shopper Traffic Data (continued)

Initial conclusion 2:

Store #12 can increase its conversion rate
Store #25 should increase its average dollars per sale
Store #63 should increase both its conversion rate and its average dollars per sale

Since store #25 has the highest conversion, an increase in its marketing budget may increase sales if the store could hold its conversion rate. Since store #63 has the lowest conversion rate, it may need to increase the customer experience to promote more sales or have sales people be more attentive to customers to help increase conversion rate.

Table 4. Key Indicators June 2015	Store #12	Store #25	Store #63
Shopper Traffic	17 961	14 382	8 008
Conversion Rate	61.48%	68.93%	58.03%
Average Dollars per Sale	515	461	354

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Analysis Including Shopper Traffic Data (continued)

Substituting the maximum values of conversion and average dollars per sale, while leaving the stores shopper traffic, we obtain the potential of each

Table 5. Potential calculation	Store #12	Store #25	Store #63	Total
Shopper traffic - actual	17 961	14 382	8 008	40 351
Potential conversion rate (maximum)	68.93%	68.93%	68.93%	68.93%
Potential average dollars per sale (maximum)	515	515	515	515
Potential revenue	6 376 162	5 105 537	2 842 843	14 324 542
Growth potential (Potential revenue – actual revenue)	689 151	539 568	1 198 852	2 427 571

The growth potential goals may be hared to achieve but they are realistic. Based on the potential of the stores in terms of shopper traffic, the stores with the most potential are store #12 and store #63. However, all three stores have to work to improve performance to reach their full growth potential.

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The Main Question for the Retail Chain

Is the observed conversion rate of

63%

the norm for the chain and is there potential to grow conversion further?

Considering that if the conversion rate grows by 1% point, sales revenue will grow by 1.55%. This leads to an increase of $220,000 per month.

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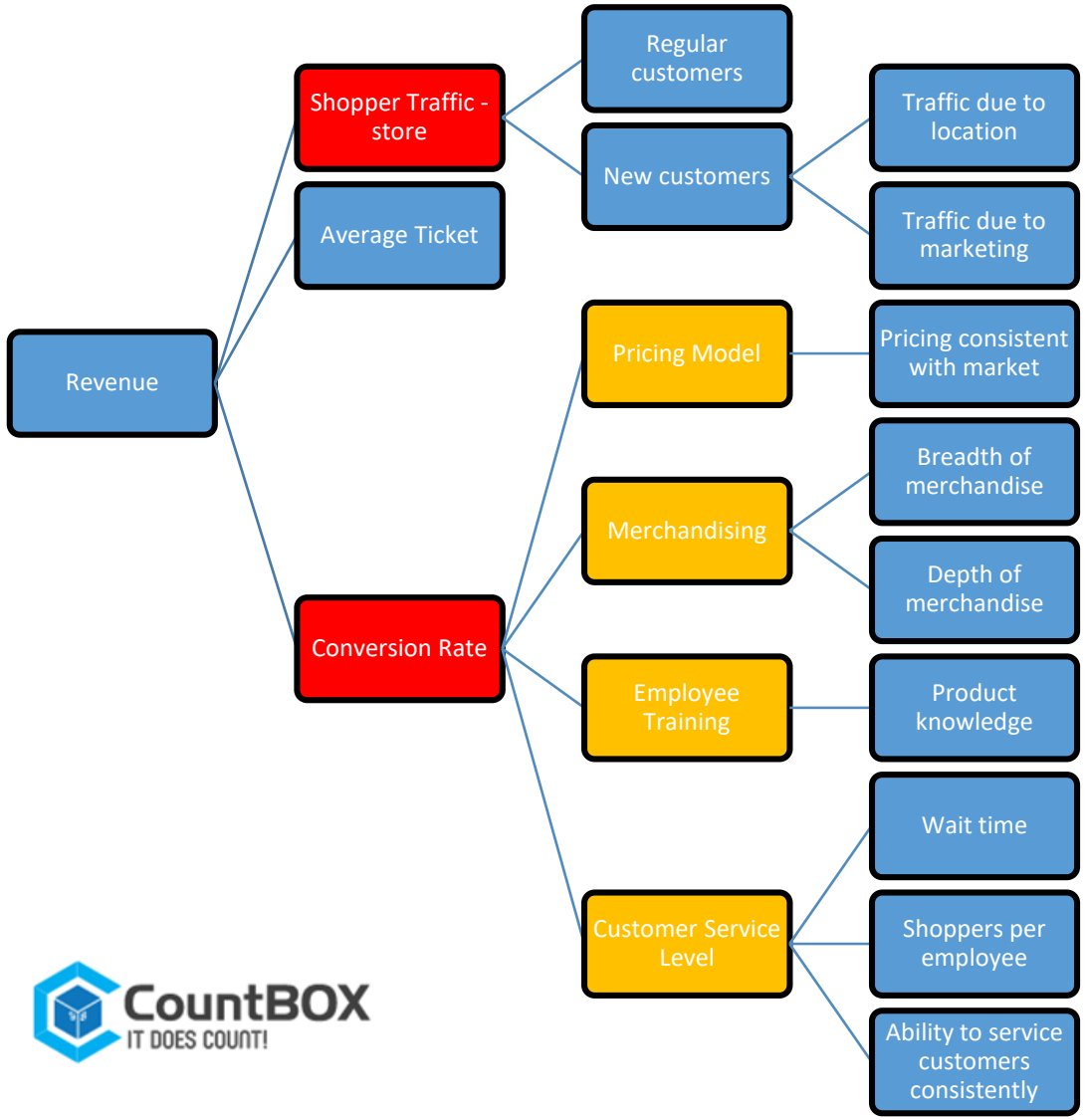
What Impacts Conversion Rates?



The conversion rate reflects the customer experience across the whole chain. The higher the conversion then the better the chain is capitalizing on its opportunity.

In the three store pilot, the conversion rate is not consistent across the stores. Thus the stores' customers are underserved and there is an opportunity for growth.

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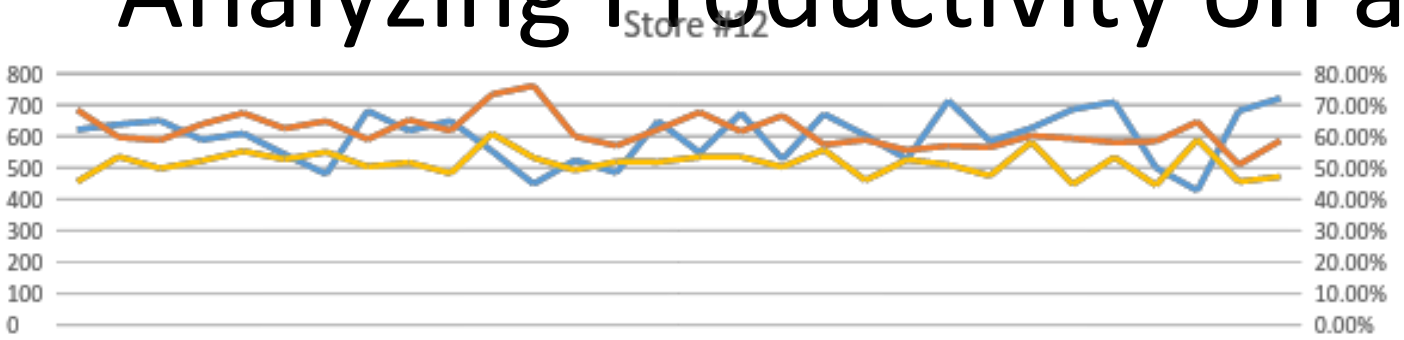
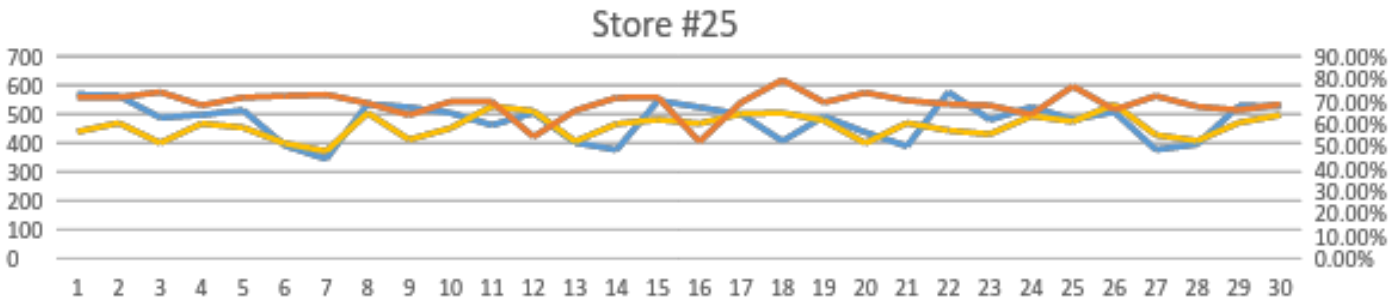
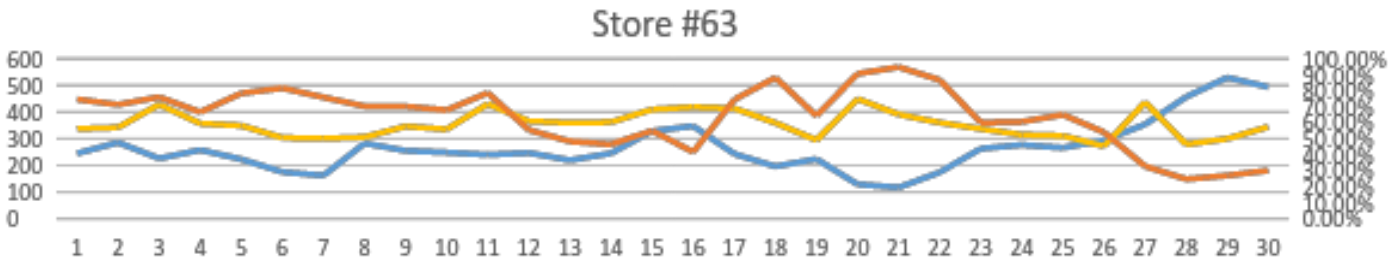
Analyzing Productivity on a Store Level







Blue = traffic Yellow = Avg. Ticket Orange = Conversion Rate

Formula:
Organic store growth =

Shopper Traffic
X Conversion Rate
X Average Dollars per Transaction

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Analyzing Productivity on a Store Level (continued)

	Store #12			Store #25			Store #63		
	Traffic	Conv. Rate	Avg. Ticket	Traffic	Conv. Rate	Avg. Tocket	Traffic	Conv. Rate	Avg. Ticket
M	622	68,49%	456,2	569	71,88%	439,5	245	74,69%	337,4
Tu	639	59,78%	536,0	564	71,81%	469,8	286	71,33%	342,2
W	651	58,86%	498,6	488	74,18%	400,5	226	76,11%	429,2
Th	590	63,93%	522,7	498	68,27%	467,8	258	66,67%	357,2
F	610	67,50%	553,5	514	71,79%	453,9	223	78,48%	349,5
Sa	543	62,58%	527,6	392	72,45%	399,3	175	81,71%	303,6
Su	480	64,95%	550,6	345	73,04%	372,0	162	75,93%	300,8
M	682	59,09%	504,3	536	69,22%	504,3	283	70,32%	306,0
Tu	619	65,30%	517,6	524	63,89%	412,1	255	70,20%	346,6
W	650	61,85%	482,7	504	69,98%	451,8	249	67,96%	335,5
Th	554	73,47%	609,5	462	69,86%	528,1	240	78,75%	431,0
F	449	76,17%	532,4	505	54,26%	511,1	247	55,47%	366,1
Sa	525	60,00%	493,1	402	65,92%	405,7	219	48,33%	359,9
Su	485	57,11%	520,1	377	71,68%	466,8	245	46,47%	362,1
M	649	62,25%	519,1	547	71,80%	481,5	329	55,02%	410,4
Tu	549	67,76%	534,8	524	52,07%	467,8	348	41,71%	419,0
W	675	61,63%	535,5	500	69,55%	501,8	243	74,49%	414,0
Th	528	66,67%	503,3	407	79,61%	505,1	196	88,27%	359,7
F	672	57,44%	558,2	493	69,57%	478,8	224	64,29%	294,9
Sa	604	58,94%	460,7	437	73,91%	399,6	129	90,70%	449,6
Su	528	55,68%	526,5	389	70,44%	469,7	117	94,87%	391,5
M	715	57,06%	510,3	577	68,80%	443,8	174	86,78%	360,6
Tu	585	56,58%	475,1	481	68,19%	431,0	263	60,08%	337,2
W	627	60,29%	582,5	525	64,19%	494,2	277	60,65%	315,1
Th	687	59,39%	447,9	482	76,76%	474,8	266	65,04%	311,1
F	710	58,17%	534,5	508	66,34%	534,2	294	54,08%	271,7
Sa	501	58,48%	444,7	377	72,41%	428,0	354	32,77%	437,3
Su	428	64,72%	590,4	396	67,68%	408,3	457	24,73%	278,6
M	682	51,03%	456,3	529	66,16%	470,7	530	26,98%	299,9
Tu	722	58,73%	472,1	528	68,75%	497,2	494	30,16%	344,9
Month	17 961	61,48%	515,0	14 382	68,93%	460,6	8 008	58,03%	353,8
Weekend	14 294	61,95%	518,1	11 663	68,35%	470,5	6 606	57,78%	350,4
Work day	3 667	59,65%	502,8	2 719	71,40%	420,0	1 402	59,22%	369,4

Red highlight – Days when the conversion rate was significantly lower than the monthly averages. Further analysis is required to determine why the conversion rates were lower on these days such as did all employees report for work, was staffing done correctly, was product available or did competitors have sales.

Yellow highlight – Notes that conversion rates are lower on the weekends within the 3 month pilot. More analysis is needed to determine the cause such as whether there were stock-outs or employees did not close sales properly.

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Analyzing Productivity on a Store Level (continued)

Stores #25 & #63 – Show declining conversion rates over the 4 week period. This is not a seasonal trend and intervention is needed to stop the decline

Weekly report on Key Indicators

	Store #12			Store #25			Store #63		
	Traffic	Conv.	Avg. Ticket	Traffic	Conv.	Avg. Ticket	Traffic	Conv.	Avg. Ticket
Week 1	4 135	63.65%	519	3 370	71.84%	433	1 575	74.41%	348
Week 2	4 195	62.19%	527	3 337	71.41%	443	1 613	73.65%	343
Week 3	4 175	63.02%	524	3 297	70.15%	434	1 582	73.51%	344
Week 4	4 174	63.48%	522	3 314	69.53%	442	1 605	72.29%	330

Store #12 – Had a decline in conversion rate during week 2 when it had a simultaneous increase in traffic. The store lost sales probably because it was not staffed properly to meet the addition influx of customers

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Analyzing Productivity on a Store Level (continued)

Week over week percent changes

	Store #12			Store #25			Store #63		
	Traffic	Conv.	Avg. Ticket	Traffic	Conv.	Avg. Ticket	Traffic	Conv.	Avg. Ticket
Week 2	1.45%	-2.29%	1,54%	-0.98%	-0.60%	2.31%	2.41%	-1.02%	-1.55%
Week 3	-0.48%	1.33%	-0,52%	-1.19%	-1.77%	-2.07%	-1.92%	-0.19%	0.20%
Week 4	-0.02%	0.74%	-0,50%	0.50%	-0.88%	1.84%	1.43%	-1.67%	-4.03%

Usually, traffic and conversion rate move in opposite directions. That is, when traffic increases, conversion usually falls. This is the case in week 2 for Store #12. Unfortunately, in the cases of Stores #25 and #63, there are weeks where traffic decreases and conversion decreases. Management should monitor the situation in each store and take corrective actions as needed to keep the conversion rate stable and to avoid losing sales.

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Conclusions

In this pilot, traffic counters were installed and traffic-based Key Performance Indicators (KPI's) were used to monitor the stores. The KPI's included traffic, conversion rate and average ticket. These measures allow store management to assess the stores' potential and to determine "growth" opportunities when making decisions to improve chain operations. These include:

- Sales management (sales plan, growth points and evaluating productivity)
- Reorganization/optimization of the chain (opening/closing of stores)
- Marketing (determining the effectiveness of marketing campaigns)
- Property management (assessing lease arrangements for each location)
- Growth potential (conversion rate of the stores and conversion rate by department within store)

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Conclusions (continued)

At a high level, the equation for organic growth includes:

- Shopper traffic
- Conversion rate
- Average ticket

These measures are the “standards” for proper retail store management.

The indicators must be reviewed on a daily basis for controlling store operations.

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Conclusions (continued)

Although the pilot included only three stores, insights were gained as to how much revenue growth could be attained across the whole chain.

The introduction of key KPI's such as shopper traffic and conversion rate increased the quality of management decision making by focusing resources efficiently to the areas where attention was needed the most.

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The Main Obstacles to Improve Effectiveness

1. Counters are installed but managers do not use the data.
2. Employees have their own assumptions on traffic and do not believe the counters.
3. Shopper traffic count data is not integrated into the day to day reporting system.
4. Key indicator data are not forwarded to the proper personnel.
5. C-level and other key managers do not pay attention or act on the data.

The reasons why these obstacles exist are:

1. Lack of a systematic approach when dealing with the indicators
2. Lack of motivation to act
3. Lack of training on how to act on the indicators

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What should be done to launch a shopper counting solution successfully

Stage 0

Pre-project study of the cost of implementation

Pre-project research to implement the traffic-oriented KPI's into the current business KPI's

Calculate the ROI on the implementation

Stage 1

Install shopper traffic counter sensors

Setting up the reporting system and the training of employees to use the traffic oriented data and KPI's

Stage 2

Implement the usage of conversion rate and average ticket in the KPI's for the stores and the chain

Implement shopper traffic KPI's in the marketing department

Start to use shopper traffic data for proper employee scheduling

Stage 3

Use conversion rate, average ticket and shopper traffic count data in the strategic planning process for the chain

Stage 4

Deployment of the traffic counting system and reporting across the chain

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