How Can a Traffic Counter Increase Sales 10%?

For retailers, one of the most important new technologies of the 21st century is a relatively simple electronic device: the store traffic counter. Traffic is counted entering and leaving a store using one or more types of motion detector. This number is compared to the number of sales transactions during the same period, which produces a conversion rate.

Conversion rates vary depending on store location – main street, strip centre, or regional mall – and type – apparel, furniture, building supplies, pharmacy, etc. Some stores sell 60% of their traffic; some sell 6%. The size of the conversion rate is not important. What is important is the clear demonstration that not everyone who entered the store bought something.

Store managers often question their conversion rate, pointing out – correctly – that the traffic number gives an artificially low conversion rate because it includes people visiting as a couple or family group, staff entering and leaving, delivery personnel, etc.

In a recent study for a chain of apparel stores, the average weekly traffic was 2,250. The stores generated 270 transactions each, or 12% of their traffic. Assuming that all traffic visiting the store was part of a 3 person family (which it wasn't), that every employee entered and left the store every hour they worked (which they didn't), and that 50 delivery people visited every day (nowhere near that amount) reduced the "real" traffic number to 650, giving a conversion rate of 42%. So even at the higher conversion rate, ***there were at least 380 people that entered and left the store without making a purchase.***

To increase sales 10%, the stores needed to generate 27 additional transactions out of the 380 that might have bought while in the store but didn't. Traffic data makes it possible to find and convert these 27 browsers to buyers in 2 ways:

1) Documentation of non-buying traffic

Without a traffic counter, store managers can explain flat sales results by claiming "there was no traffic". With a traffic counter, management can identify very large numbers of people who left the store without making a purchase and seriously question why they didn't.

There will always be people who leave the store without buying because they were "just browsing" or because the store doesn't have the right size, colour, item, etc. It's highly unlikely however that over 50% of the traffic leaves without making a purchase because of stock outs.

How Can a Traffic Counter Increase Sales 10%?

2) Periods of potential

All stores have certain periods during the week when the traffic is a "buying" traffic. (SMS software identifies 4 of these 4-hour periods weekly.) These periods are characterized by higher than average hourly traffic, higher than average conversion rate, and, often, higher than average average sale. From a revenue point of view, these are the most productive hours of the week.

These are also the hours that experience the highest number of walk outs, or people leaving the store without making a purchase. By identifying these periods and documenting the number of "buying" traffic that is not buying, stores can significantly reduce the number of walkouts. In order to generate 27 more sales, store staff would need to identify and sell 1.7 more traffic during each of the 16 key period hours. This is possible when store management and staff realize that there were between 20 and 40 people during each of those hours that entered and left the store without making a purchase.

The same situation would apply to a store selling 60% of its traffic. There is more than enough non-buying traffic during key selling periods in most stores to increase sales by at least 10%. The key is to recognize that the potential is in the store and to make improving performance on this potential one of the manager's objectives.

For the past several years, many chains have experienced lower traffic than in previous years. Studies report that consumers are visiting malls/stores less and spending less time when they do visit. Given the uncertain economic climate in North America and the fact that it is forecast to continue for at least the next 18-24 months, it is unlikely that retailers' attempts to draw more traffic to the stores will have much impact.

On the other hand, people visiting stores are more serious and more interested to buy than they have ever been before. Identifying and improving conversion rate through awareness, appropriate staffing, customer acknowledgement, and accountability can improve store sales performance by at least 10%, as well as generate an improved customer experience, even with less traffic coming to the store.

A traffic counter is a relatively inexpensive device, uses traffic and staff already in the stores to produce results, and can generate increased sales within 4 weeks of installation. Why doesn't every store have a traffic counter?

Michael Bunyar,
President
St. Michael Strategies Inc.