Traffic Forecasting for Brick-and-Mortar Retailers:

New Insights (And Opportunities) for 2019 Holiday Shopping

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Each holiday season, 10 major shopping days make up an estimated 45% of a brick-and-mortar store's total holiday traffic.[1] Is it any wonder retail executives feel pressure to optimize their holiday plans?

In the race to capture the largest number of customers and drive revenue — especially in light of an ever-changing competitive landscape[2] — retailers look for ways to make the most of their workforce, supply chain and operations.

But while online stores have built-in metrics to measure real-time traffic and conversion rates, brick-and-mortar stores often rely on the same data they've always had: historical sales and transaction data from past years. This data is reliable and easy to come by, but it doesn't tell the whole story. It limits the retailer's perspective by painting a picture about the shoppers they converted – understanding total traffic, on the other hand, tells a much more descriptive story about the customers that did not convert.

This year, brick-and-mortar retailers are doing something different. They're capturing total foot traffic in their stores to get a sense of how much potential passes through their doors. As a result, they're making informed decisions about workforce, inventory and marketing that optimize conversions for their stores and tap into the true potential of their customer volume.

1. "Annual Holiday Prediction: The 2018 Top Ten Busiest Shopping Days," ShopperTrak, https://www.shoppertrak.com/article/holiday-2018-10-busiest-shopping-days-infographic/
2. "More holiday consumers plan to shop both online and in stores," Retail Dive, https://www.retaildive.com/news/more-holiday-consumers-plan-to-shop-both-online-and-in-stores/540000/

"Traffic data is brick-and-mortar's way to think like an e-commerce retailer by capturing details about the customer experience we've never been able to see at scale before."

Pete McCall, senior manager, Retail Consulting Practice at ShopperTrak

Traffic Measures Potential, Not Just Purchases

Most brick-and-mortar retailers build their holiday plans around the previous year's transaction data, that is, sales made on a given day at a given time. But this traditional metric fails to capture how many prospective customers passed through the store and could have made a purchase, concealing a store's true potential.

Traffic data goes beyond transactional data to identify the opportunity a store has each day and how well it is converting that traffic, giving retailers an opening to execute differently to drive more sales and deploy staff more effectively. Rather than just trying to measure up to a sales metric based on the year before, stores can actually work to capture all their potential foot traffic, which can be several times greater than their transactional metrics.

"The biggest advantage of having access to traffic data is that it allows you to really understand the opportunity that's in your store and how you're missing it," said Pete McCall, senior manager, Retail Consulting Practice at ShopperTrak. "Stores without visibility to traffic are measuring sales, but it's the misses that define the best opportunity for change and improvement. Tracking the physical path to purchase customers make on their way to checkout allows you to evaluate your store from an execution standpoint and see where that path is peppered with missed opportunities to convert."

Here are a few ways leveraging traffic can help you make more strategic decisions about your approach to the holidays this year:

1. Smarter People Decisions

Seasonal workforce decisions are one of the biggest stressors for brick-and-mortar retailers during the holidays because every decision affects your workforce budget — hire too soon, and you'll use up your budget too quickly; start too late, and you won't have the workforce you need to serve your customers. That's where accessing historical traffic data can help you determine seasonal needs and identify the optimal time to bring in that labor for the holidays.

"Managing a brick-and-mortar store during the holidays is a balancing act of revenue and cost," said Steven Agran, managing director at Carl Marks Advisors. "Given the margin squeeze retailers are experiencing, there's more and more pressure to cut staff. But if service is your differentiator, you need to weigh the value of staffing enough people to be able to create an environment and experience that will not just drive traffic, but also volume and sales."

Traffic data also gives you more detailed information about labor scheduling. It allows you to predict your customer experience requirements throughout the day, which is critical in enabling retailers to understand the traffic peaks and valleys and trends, regardless of their service model. With accurate traffic projections that begin with a customer's point of entry into the store, you can optimize store staffing and make smarter decisions about your allocation of labor, staffing employees with specific skills for peak traffic hours and employees with other skills for slow times and tasks such as inventory and pricing.

"At the individual store level, leaders often don't have access to transaction history, so they're flying by the seat of their pants and operating by gut instinct."

Pete McCall, *senior manager, Retail Consulting Practice at ShopperTrak*

2. Timely Merchandise Planning

Most retailers plan holiday shipments with transactional data.
But this data overlooks the unique relationship between traffic and merchandising and can lead stores to miss out on the optimal schedule of inventory shipments in one of two unfortunate extremes: either you have too much inventory in stock for a particular product, or you don't have enough to meet demand. This is especially challenging when it comes to the shrinking and expanding holiday calendar where, in years like this year, there can be fewer calendar days within the holiday period with the same anticipated amount of traffic and transactions. Retailers with accurate data can optimize their merchandising decisions, resulting in goods arriving right in time for demand.

"Naturally, retailers want to keep their inventory as lean as possible while still providing the selection customers want," said Brad Borkhardt, director of Customer Success at ShopperTrak. "When you have actual traffic data for your store, you'll be able to make more accurate predictions about how much merchandise should be stored versus how much is coming in. For example, if you have a certain percent of product selling through now and you expect traffic to grow 10%, you'll be able to allocate the right amount of product to match that growth in potential — not just the growth in sales from the previous year."

"While customers have gotten accustomed to shopping with their computers, they still want to be able to see and feel products in person, and you can't get that from an online description."

Steven Agran, *managing director for Carl Marks Advisors*

3. Smart Operations Management

Outside of scheduling customer-facing associates, retailers are also looking for ways to make smarter operations management decisions. Traffic data allows a retailer to understand with precision the peaks and valleys with the day and throughout the week. Understanding total traffic and high potential sales times allows you to identify slower periods to perform non-selling tasks such as new receipt processing, merchandise replenishment, and floor recovery from backstock. Operations executives can then designate peak periods as "All Hands On-Deck" in order to improve the customer experience and drive additional sales.

Traffic data can also help you make more strategic decisions about marketing and promotions because it allows you to measure baseline data instead of comparative data. "Without traffic metrics, retailers can't have a fully-informed discussion about promotional effectiveness," McCall said. "How can you tell if your marketing drove new customers into the store if you only measure transactions? You can attempt to draw comparisons using transactions but it doesn't tell the whole story. Only traffic data combined with sales and transactions can help you improve demand and how to convert that demand into paying customers."

Instead of simply seeing improved sales or transactions from the year before, traffic data will allow you to get granular details about which campaigns were able to drive the intended traffic and which stores were able to convert on this traffic – and which were not.

What is My Store's Ideal Shopper-to-Associate-Ratio (STAR)?

Detailed traffic data allows retailers to skip vague industry recommendations and identify their own unique metrics to optimize sales and customer experience. One of the most important metrics to calculate with traffic data is the shopper-to-associate ratio (STAR), the optimal number of store associates that should be available to serve your customers at any given time, which is calculated by dividing your overall traffic by labor hours. Once an ideal STAR is understood at both the brand and store-level, it can function as a benchmark for service effectiveness and be applied to forecasted traffic to determine a corresponding labor budget.

Why not calculate this number with transactional data? Because transactions reflect completed sales and traffic represents opportunity, and stores that ignore their potential will always underperform.

"Labor is the No. 1 controllable expenditure for all brick-and-mortar stores, so it's critical to identify a cost effective staffing level that delivers an optimal customer-service experience," said Brad Borkhardt, director of Customer Success at ShopperTrak. "STAR is a powerful way to measure the service level in the store — that is, how many customers each employee helped per hour for a given period. Historical traffic helps stores develop an accurate STAR measurement so stores can meet customer demand and allocate labor to opportunity, not just historical sales."

Real Traffic Data, Real Results

Plenty of retailers have realized perceived success with simply using transactional data. But what if "doing well" is setting the bar too low? Retailers that can accurately predict demand (or traffic) into their stores can make strategic decisions to capture their full potential, an increasingly important achievement when it comes to competing with other retailers, regardless of the channel.

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