# Why Count Customers?

By Donald Anderson. MA, MBA

When it comes to the day-to-day store operation, it is often said that there is nothing new in retail. POS terminals are integrated with sophisticated back-end inventory control and accounting systems, and retailers have immediate access to a host of performance metrics. Sales per square foot, average sale price, sales per hour – a veritable cornucopia of sales information.

Yet despite this wealth of data, most retailers are still missing an essential piece of the performance puzzle. The problem with exclusively sales-oriented information is that it can only tell us *what* happened, not *how* it happened. This distinction is critical to our understanding of how to change outcomes in the future.

Consider, for example, the case of two stores in the same chain. On a particular day, Store #1 rang in $4,000 in gross sales, while Store #2 brought in $5,000. Which store is the better performer? And more importantly, what should be done to further improve performance at both locations?

When we are limited to sales metrics, all we can really conclude is that Store #2 outsells Store #1 by 25% -- so it must be the better performer. Right?

This is where understanding customer traffic patterns can provide new insight into how retail stores function. For instance, suppose the traffic distribution at both stores looked something like this:
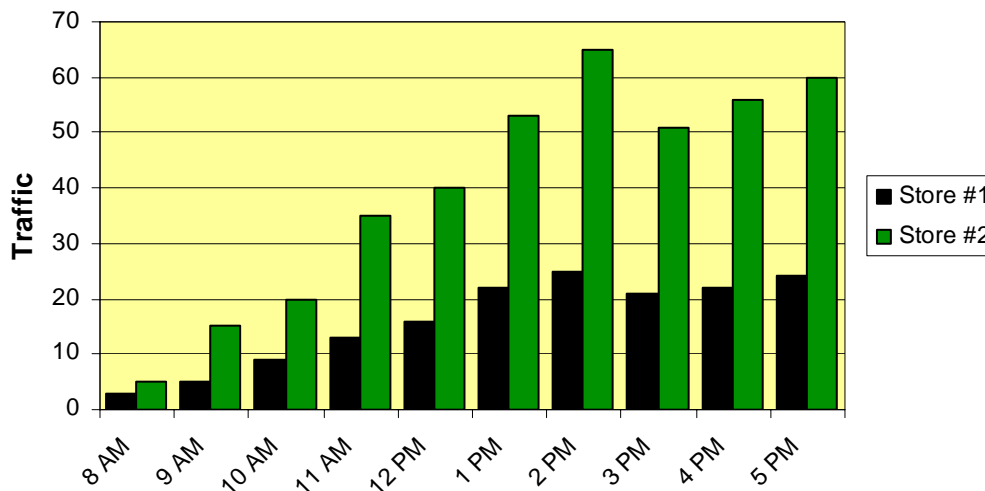
Suddenly, the question of relative performance takes on an entirely new light. Store #2 may have had 25% higher total sales, but it arrived at this result after receiving more than twice as much customer traffic as Store #1. Since customer traffic is really a measurement of the sales opportunity in each store, we can now see that Store #1 was much more effective at capitalizing on the opportunity it was given.

This traffic information also provides actionable insights for both stores. Store #1 could certainly benefit from increased traffic through advertising. Store #2, on the other hand, could be better served by some operational changes aimed at taking better advantage of the traffic that is already there.

This is just one way in which traffic data can be used, and there are many more: measuring advertising effectiveness, staff planning, setting store hours, strategic planning, and the list goes on. It looks like there just might be something new in retail after all.

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