

# When Retail Customers Count

*How understanding customer traffic patterns can help good retailers become great retailers*

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# 6

CHAPTER

## Special Events and Holidays

OK, you know the “Big Sale” is going to be busy, but how busy?

Understanding traffic during special events and holidays can help retailers maximize their sales opportunity.

## Special Events and Holidays

LET'S FACE IT—people like events and retailers like to create events, but often times the impact of the event is not completely understood by the retailer. The result: less than expected sales and potentially a turn-off for new prospects.

Special events and holidays impact virtually every retailer—some more than others. Christmas is Christmas—it happens every year at the same time, and it pretty much impacts every retailer in some way. St. Patrick's Day is also St. Patrick's Day; it too happens at the same time every year, but it does not impact all retailers in the same way (if at all).

### SPECIAL EVENTS AND HOLIDAYS

- Holidays
- Special events
- Making the most of the opportunity
- Multi-location events

Special events and holidays are part of retailing, and retailers need to understand what impact these special events and holidays have on traffic in their stores so that they can make the most of the opportunity from a sales perspective. Unfortunately, many retailers don't fully understand the impact or the opportunity these special events and holidays offer and are destined to keep getting what they expect—probably a lot less than they should.

In this chapter we will describe how holidays and special events impact traffic. From the B-I-G holidays like Christmas, to the events you create exclusively for your store, traffic volume and timing will change (you hope in a positive way), and management's challenge is to maximize the sales opportunity. We'll discuss how managers can do that with the help of traffic analysis.

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## Holidays

### Top Retail Holidays

1. Christmas/Hanukkah/Kwanzaa
2. Back-to-School
3. Valentine's Day
4. Easter/Passover
5. Mother's Day
6. Father's Day
7. Halloween

Source: National Federation of Retail-Holiday/Special Occasion Spending

There are holidays and then there are *holidays*, and it is imperative that retailers understand which are which for their store. The fact is, any holiday—statutory, state, provincial, civic, government, religious, school, *etc.*—will change people's behavior and this behavior can (and often does) lead to changes in traffic patterns in your store. These changes can be subtle or dramatic, but either way, a retail manager needs to understand how this will impact his or her store.

#### • The BIG ones

According to the National Federation of Retail, the biggest retail holidays are, not surprising, the Winter Holidays (*i.e.* Christmas, Hanukkah and Kwanzaa), followed by Back-to-school. One of the key features of these holidays is that they usually include days off work—for non-retail workers, that is. When people have time on their hands, they often spend some of that time shopping.

#### • Non-holiday holidays

Non-holidays are dates that have some significance and will impact behaviors, but typically less than the big holidays mentioned above: President's Day, Martin Luther King Day, Canada Day, and a whole raft of religious and civic holidays. The fact is, everyone is impacted by holidays—big ones and

little ones in some way. Also, the impact will depend upon what it is you sell. Obviously, Mother's Day and Valentine's Day are going to have a profound effect on flower and gift retailers. So, the point here is to understand which kinds of holidays impact your type of store. Most retailers already have a good understanding of which holidays are important to them, but they are less clear about the precise impact.

### **The impact of holidays on traffic**

Holidays, especially holidays where people have days off work and need to buy things—like Christmas—represent the pinnacle of the retailing year for most retailers. People have time (or they make time) to shop. It doesn't get any better than that for retailers! Of course, most retailers will look back on last year's sales data to get some sense of how they should try to manage the coming year's holiday. Unfortunately, sales data alone doesn't provide managers with enough information about:

1. what the opportunity is and
2. how to manage it.

OK, you know Boxing Day is going to be "crazy-busy"—but how do you staff for crazy-busy? Unfortunately, crazy-busy is not a precise or quantitative term.

With traffic data, we can actually quantify crazy-busy. Of course, the traffic impact of any given holiday will be unique to your location. The type of prospects you attract, your physical location (free standing destination versus mall location), your competitive environment will all influence whether or not Boxing Day is crazy, or more or less a regular day. Let's look at some examples.

#### **• Consumer electronics retailer**

The following chart shows the traffic volume by day during December for a consumer electronics products retailer. As can be seen in the chart in Figure 6-1, traffic at this store most definitely falls into the crazy-busy category! Not only was December a busy month generally for this retailer, but Boxing Day was off-the-chart busy—receiving almost four times the daily average traffic volumes. In fact, Boxing Day represented almost 10% of the entire month's traffic!

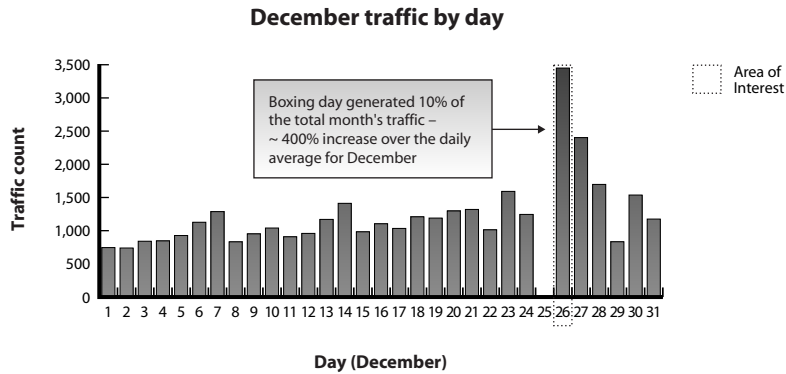


Figure 6-1

- **Home improvement retailer**

The chart in Figure 6-2 shows what the traffic volume by day during December and Boxing Day might look like for a home improvement retailer. As the chart shows, Boxing Day is not a significant event for this retailer. In this case, Boxing Day traffic was actually down about 19% from the

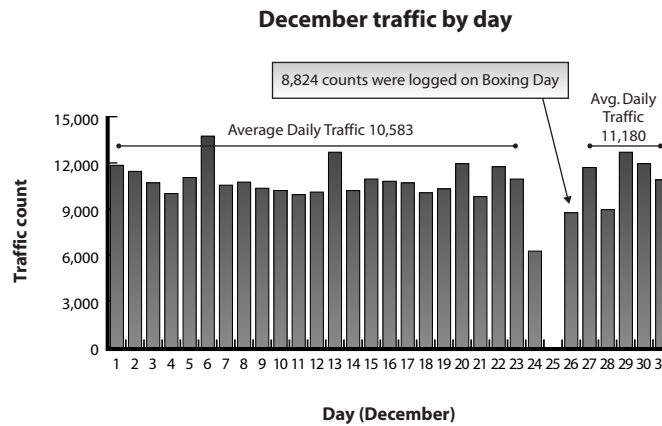


Figure 6-2

daily average during the month! Do you think this might be useful information to the manager as she prepares the staff schedule for next year's Boxing Week?

Being aware that your retail traffic will change (increase or decrease) as a result of a holiday is a small first step. Every retail manager worth his salt should know what the general impact of a holiday is on his business; historical sales data can tell you part of what you need to know. Unfortunately, most managers rely on memory for the rest—"I think we were pretty busy last year ... we'd better staff up." Understanding, and more specifically quantifying, the traffic impact of holidays is critical to managing. But in order to make the information actionable, you need more precise information. Specifically, you need to know what the traffic impact is by hour. Knowing that traffic will be up is part of it, but you also need to know specifically when it will be.

The chart in Figure 6-3 shows traffic volume by hour during Boxing Day. In this case, traffic is up significantly during the first four hours. After these initial four hours, traffic volumes return to more normal levels. This is a critical insight because it enables the manager to refine staffing to ensure she has enough staff to manage the early rush. Obviously, as the day progresses, the staffing levels can be scaled back. Without this information, there is a very good chance the manager will over-staff the entire day.

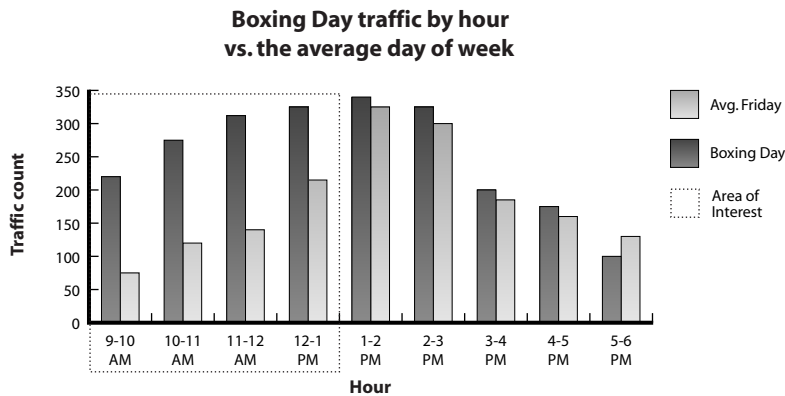


Figure 6-3

## Special events

Just like holidays, special events are essentially activities that have an impact on normal traffic volumes and traffic timing. The key is to understand specifically how these special events impact traffic, quantify the impact, and use the information to manage to the best sales result.

So, special events are like holidays in that they represent a change in traffic patterns, but they are different from holidays in one very important way: by definition “special” events are retailer specific. This has a number of important consequences that retailers need to be aware of, including:

- **Retailer driven communications**

Whereas everyone knows when Boxing Day is (or more typically today, Boxing Week), they may not know when it is Bob’s Sport Fishing Customer Appreciation Day. If a retailer creates a special event for his store, the onus is on him to ensure people know about it. For special events, more than ever, the communication and advertising plan, and its execution, are critically important. If you blow the big Boxing Day advertising campaign, there’s a good chance traffic will still increase; but if you blow the advertising plan and execution for a customer appreciation event, people just might not show up at all!

- **Competitor response**

Boxing Day is Boxing Day, and all your competitors know when it happens and are busy trying to figure out how to make the best of it for themselves. Likely, competitors will be less interested in what you’re doing for major holidays. Special events are another story. In most cases, when retailers run special events, they need to communicate the details sometime in advance—so prospects can plan to show up. Of course, it’s not just prospects that are exposed to your communications. There’s not much you can do if your competitor decides to hold a “blow-out” sale event the same weekend as your major customer appreciation event, but you need to keep it in mind. Naturally, this works both ways;

you could always create an event to counter a major event a competitor is promoting as well.

- **Reduced predictability**

As mentioned above, the major big holidays, and some of the smaller ones for that matter, have certain predictability to them. You may not know precisely how Boxing Day will be this year compared to last year, but if Boxing Day is usually a big traffic day, this pattern should hold in the future. Special events, especially one-off special events, just don't have the same predictability, making these types of events higher risk.

### **Types of special events**

Events and retailing go back probably as far as retailing itself. Of course, a special event is really whatever the retailer says it is. There is no specific criterion for what constitutes a special event, and every day you can find examples of events produced by retailers in your market. In the end, a special event is really only special if prospects believe it's special and show up at your store. If they don't, then I guess it wasn't very special—was it?

Let's look at three of the more common special events retailers hold: grand openings, sales events and new events.

### **Grand openings**

I love grand openings. Where many retail special events are obviously not special and are just ploys to get prospects into their stores (not that this is a bad thing), grand openings are as pure as they get. This is SPECIAL! A new store! Even the grand opening of another location of an existing chain can generate a lot of excitement. To a large extent, retail shoppers have been trained to expect great deals, giveaways, and other treats when they visit a new store. Of course, there's also simple human curiosity at work, as well.

The chart in Figure 6-4 shows the grand opening traffic at a 10-store regional chain. It's not hard to identify the new store on grand opening day compared to the other locations, is it? At over five-times the average traffic levels of the other stores in the chain, it's clear that something really special is going on at this new location.

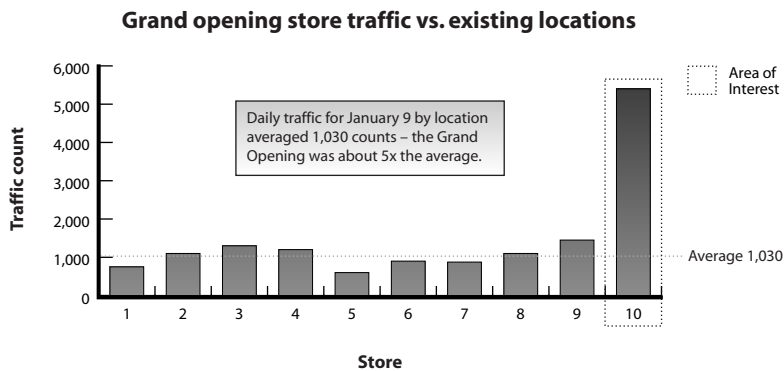


Figure 6-4

A grand opening usually represents among the highest, if not the highest, traffic volume a retailer will ever receive in his location. If a retailer can achieve “grand opening” traffic levels during any subsequent event, that is an impressive feat, and one that is not often accomplished.

### Impact of a grand opening on existing locations

Retailers, who have multiple locations in a particular market and open a new location, need to consider the impact that the new store will have on existing locations. Grand openings, in particular, can significantly cannibalize traffic from existing stores, and management will want to understand what the impact is. If the location strategy is sound, the grand opening should have little or no sustained impact on existing store traffic volumes; if it does, that is, if traffic in existing stores merely shifts to the new location, management may have some hard decisions to make going forward.

The charts in Figure 6-5 and 6-6 show the traffic impact on the other two stores in the same chain during the grand opening of the new third location. Although traffic is down over 20% from the prior weeks in both locations, traffic volumes returned to normal levels after the grand opening. In this case, it does not appear that the grand opening has had a permanent impact on traffic levels at the existing stores. Good location decision.

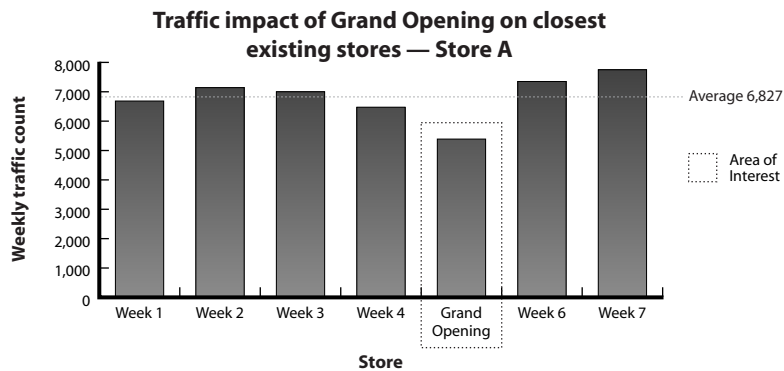


Figure 6-5

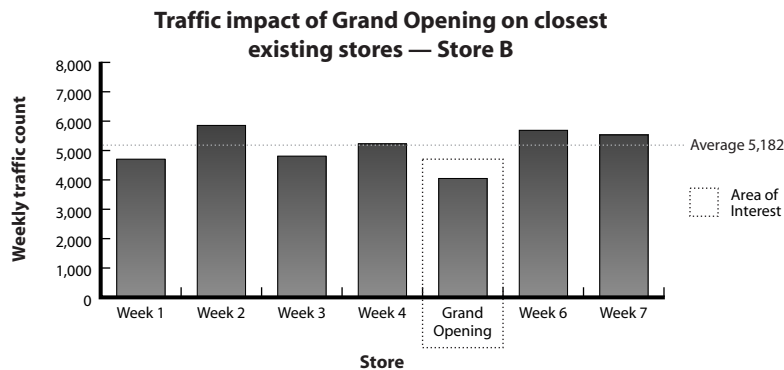


Figure 6-6

### Sales events

“Truck Load Event,” “Spring Sales Event,” “Blow-out Sales Event,” I think you get the picture. Open your daily newspaper (any day) and you will likely find a retail sales event. Of course, many of these aren’t really special sales events; rather, they are everyday pricing all dressed up like a sales event. OK, I can accept that. As retailers we need to create excitement in our stores—sometimes we have to create excitement when there’s not a lot to be excited about!

The risk to this, however, is that prospects may show up with expectations of super hot deals, find only your regular stuff with a few scant specials, and refuse to show up next time. “Sales” can make for great events, but only if they meet the expectations of prospects. Like the boy who cried wolf, if you promote sales as events that really aren’t, prospects will just stop coming. Fool me once, shame on you; fool me twice, shame on me!

### “New” events

Whether it’s a new spring collection, a new brand or an entirely new product offering for the store, NEW is a great theme for an event. New events may or may not include a sale component, but when effectively promoted, they can be very effective for event themes. Figure 6-7 shows the impact a new product launch on traffic levels.

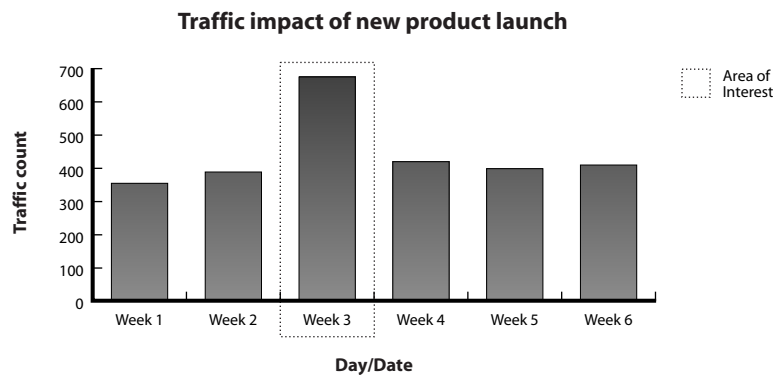


Figure 6-7

### Holidays and special event traffic: Final thoughts

As shown, holidays and special events can affect traffic patterns significantly. Although holidays may be more predictable than other special events, armed with historical traffic data, managers can get at least some idea of what might happen to traffic and when. The important thing for managers to keep in mind about traffic response is that traffic patterns are unique by location, so knowing what happened at the downtown store when you run the south side store

will not necessarily be helpful. Also, holiday and special event traffic may change year-over-year. Customers change, the competitive environment changes—it all changes, and so do traffic patterns.

## “Triage” retailing: Making the most of the opportunity

OK, so you track traffic and expect that the coming Boxing Day is going to look like the chart in Figure 6-8 below. During virtually every day-part, traffic is significantly higher than the normal average for that hour. It would be easy to hopelessly conclude that you and your team are simply going to get creamed, and there’s not much you can do about it—or is there?

There is no doubt about it, if you are expecting traffic like the chart below, you are going to get creamed. No retailer can practically staff-up by a factor of three or four as this chart suggests you would need. However, managers are not powerless to influence the outcome of a day like this. There is hope.

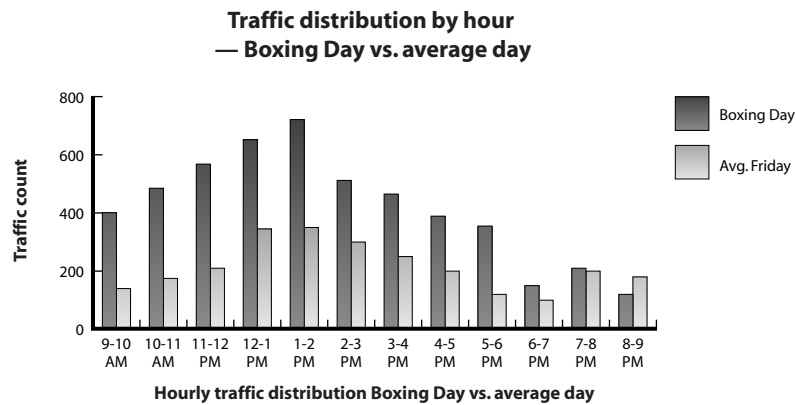


Figure 6-8

## Addressing the conversion drivers

Let’s now examine some of the ways managers can make the most out of these difficult, but potentially tremendous sales opportunities that major events create.

## Setting expectations

The old TV sitcom called M\*A\*S\*H, about a medical unit during the Korean War, followed the antics of a group of madcap doctors, nurses and other various characters as they struggled to keep up with the relentless influx of wounded soldiers. One of the ways these characters coped with the hopelessly difficult volume situation was “triage,” that is, prioritize. Patients that weren’t critically injured were made comfortable, and placed in a holding area. The more critically injured were attended to immediately. Retail managers can use this same triage mentality for dealing with huge traffic increases from holidays or special events.

The first thing to do is set expectations with staff. Let them know that you know that traffic is going to be insane, and that even with best efforts, some customers will not get the kind of service that everyone would like to give. I would even show staff what the traffic chart might look like, so that they can see it for themselves. Engage your staff on the ways that the store could be most effectively managed given the challenging situation—you would be surprised at what great ideas your staff will have.

If all a manager did was to share the traffic data with staff and engage them on how to best deal with it, the store will perform better than it would have otherwise. People tend to rally around causes, and a 400% increase in store traffic is a cause!

## Staffing levels

As noted, it is neither practical nor financially reasonable to staff up enough to fully meet the requirements of a holiday or major event traffic. That said, some additional staffing may be absolutely the right answer. Naturally, you will have to understand the expected costs versus financial benefit. Depending upon the type of retail store you operate, you may need to consider customer service staff, sales staff or both.

### • Customer service

During major events, you can go along way with adding customer service employees that

1. help process customer purchases (cashiers/till operators) and
2. assist prospects with finding what they are looking for.

Ask your cashiers about what they think might speed up processing—consider having one person manage the money and another bagging the purchase, for example. From a customer service perspective, having staff deal with customers in a triage fashion might do the trick. Of course, your staff still needs to deal with customers in a professional and courteous manner, but they can do it efficiently and quickly. During major events, customers also tend to be a little more patient, as long as they can see that the retailer is working hard at trying to serve them.

- **Sales staff**

A huge inflow of prospect traffic can be a windfall for sales staff. The key here might be to provide some additional incentive for them to go above and beyond the call of duty—and to make some extra money at the same time. Holidays or special events might be a great time to try a sales incentive program, if this sort of program is consistent with your company's policies and culture. It's not for everyone. Yes, it will cost you more—after all, these sales people are already going to be making good commissions based on the extra traffic alone, right? The point is, you need a way for the sales people to work even harder. If they can earn a great commission by just showing up, some might be happy with that. But, an added incentive just might put a little extra jump in their step. Yes, it will cost you more, but it may be worth it. For example, if your sales incentive program costs you \$5,000 for the day, but you actually generate an incremental \$15,000 in net margin, the sales incentive program would be more than worth the cost.

## **Inventory**

I realize this is Retailing 101, but it's worth stating. Having the right inventory or enough inventory for a special event is critical. There is nothing more disturbing to customers than to visit a store for a special event—fighting traffic, crowds, and risking your life for a parking stall, only to find that the store is out of stock of what you wanted. Analyzing last years sales by SKU will be useful, but also look at traffic. If you stocked out of an item last year and made a lot

of prospects angry, you wouldn't want to stock to that same level for this year's sale, would you?

### In-store marketing and merchandising

The good news is that holidays and special events often bring lots of new prospective customers into your store; the bad news is that, because of the large traffic volumes, your customer service levels are not usually as high as you would like them to be. Because of the high traffic volume, to a greater or lesser extent, prospects are going to have to figure things out for themselves. If your store is hard for prospects to navigate—they can't find products, displays are poorly signed, and things are generally difficult, then people won't or can't buy. Not only will this reduce conversion rates and therefore be a missed sales opportunity, but even more importantly, some of those new prospects just might not want to come back again. And they might tell a few of their friends what a bad experience they had as well. Ouch!

### Store hours

Although I don't recommend changing store hours on a whim, it might make sense to change store hours for holidays and special events. Before you actually try this, you might want to look at traffic patterns by hour from the last event to better understand what happened. After reviewing your traffic profile during the last event

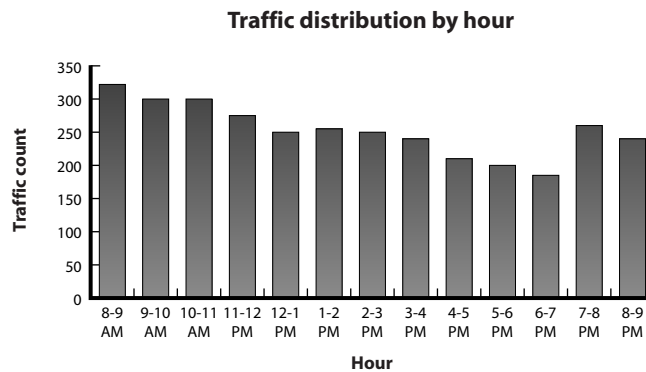


Figure 6-9

(or the previous several events would be even better), you can make a reasonably informed guess about whether or not changing the store hours may make sense for the event. In the chart in Figure 6-9, traffic is obviously ramping down from opening to the evening hours; however, traffic volumes are still very strong from 8 PM to 9 PM—might it have been worth staying open an additional hour?

### **Ramp-up/Ramp-down**

During holidays and special events, there are a million details to manage. Managers are usually running from opening to close. Notwithstanding the intensity of the situation, managers need to watch traffic volumes by hour. If the typical pattern is for traffic to be strong through the first part of the day and then ramp down, managers should plan on adjusting staff schedules accordingly. There's nothing worse than having a successful event, only to eat into the margins by over-staffing during the tail end of the day when staff aren't needed.

### **Capturing key learnings**

The last point is about preparing for the next event. This is easier said than done, given the pace and activity level associated with holidays and special events. But it's important. By documenting key observations, or learnings, during and immediately following the event, management will have tremendously useful information for planning the next event. Relying on recollections like, "Yeah, I think we were really busy," as your only input for planning the next event is not very useful.

### **Multi-location events**

For retailers with multiple locations, the changes in traffic volume and timing created by holidays and special events can be even more challenging. Here's why. Unlike a single location where management has to deal *only* with the traffic situation at hand, in a multiple location retailer, the traffic impacts from holidays and special events can, and often do, vary by store. The charts in Figures 6-10, 6-11 and 6-12 illustrate the point.

On Boxing Day, traffic at store #1 was up significantly across all

day-parts. Boxing Day was up 76% compared to the average Friday in December.

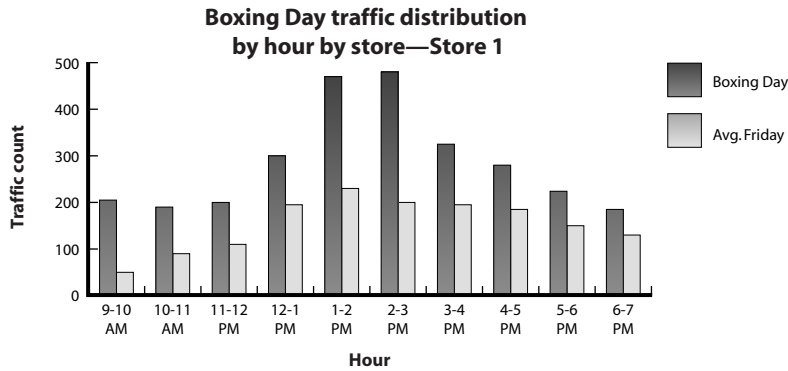


Figure 6-10

In store #2, Boxing Day was a very different experience than in store #1. As the chart shows, from 9 AM to 12 PM, traffic was up significantly (about 3 times the average volume), but after the door-crashers were over, traffic volume, though brisk, was not significantly higher than a normal Friday in December.

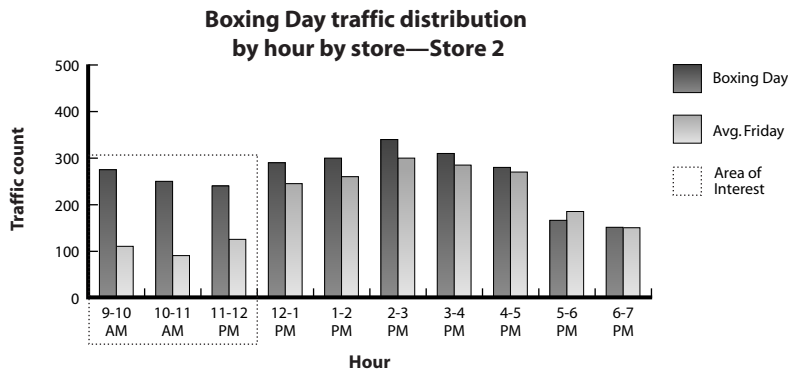


Figure 6-11

In store #3 Boxing Day traffic volumes and distribution were about normal compared to the average traffic for a Friday in December.

In fact, total traffic in this location was actually slightly lower than a typical Friday in December.

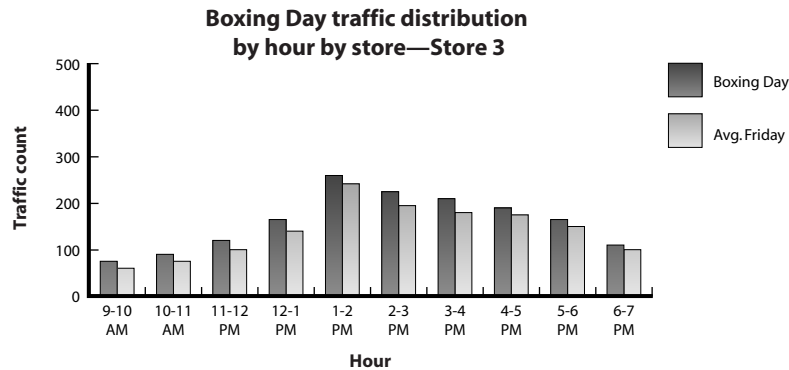


Figure 6-12

### Managing across multiple stores

At store #1, management’s challenge is in trying to make the most out of a significant increase in traffic. In this case, the notion of triage management certainly applies. Boxing Day had a tremendous impact on traffic, and management and store personnel will be scrambling all day to keep up. At store #2, there was an initial spike in traffic and then traffic levels normalized. In this case, store management only needed to employ triage during the first hour or two of the day; after that, it was more or less business as usual. At store #3, it was basically business as usual the entire day. Boxing Day had virtually no impact on traffic levels whatsoever. This variability in traffic response by location is exactly what causes the confusion when it’s time to plan for next year’s Boxing Day.

Let’s say you are the regional manager for these three stores and sit down with the three store managers to discuss this year’s Boxing Day experience. Here’s what it might sound like.

**Store Manager #1:** “We got creamed. From the moment we opened until close, the store was packed. We really need to re-think our approach to Boxing Day. We just can’t manage the potential business we’re getting—I know we could do better if we plan for the increase.”

**Store Manager #2:** “Well I agree with you to a point. The door-crasher specials definitely worked—we got creamed from 9 AM to 12 PM, but after that we were pretty much able to manage the day. If we just focus on those opening couple of hours, I think we’ll be alright.”

**Store Manager #3:** “I’m not sure what all the fuss is about. We were ready for anything. Overall the day felt pretty normal. We even managed the morning door-crashers well. I wouldn’t say that we got creamed at all. I guess it just comes down to how you manage—we seem to be doing all the right things. I’m not sure I would change a thing.”

Without the benefit of traffic information, how could the regional manager actually understand what happened during Boxing Day? How could the individual store managers know what actually happened? By relying only upon the recollections and opinions of the respective store managers, the regional manager might become more confused. Based on traffic analysis, it’s clear that all three managers’ recollections are correct but different—very different. Assuming that Boxing Day is Boxing Day and that the traffic response in all locations will be more or less similar is dangerous.

As the regional manager, you first need to understand what the traffic response was for each location. As the charts above showed, they were all different. From a traffic perspective, Store #1 clearly did get creamed. In addition to adopting a triage mentality, management might consider staffing up to help support the traffic. In store #2, though the opening hour is very busy, the rest of the day is only marginally higher. Triage management for the first hour or two is all that may be needed. Notwithstanding the store #3 manager’s assertions that he was managing well, the fact is, there really wasn’t anything special to manage. Traffic was no different than a typical Friday for December—sorry store #3, you’re not necessarily a brilliant manager!

## Chapter Summary

- Holidays and special events can have a profound impact on traffic volume and timing. In order to make the most of the opportunity that holidays and special events create, management needs to understand the associated traffic impact.
- Holidays change people's behaviors and life patterns, so it makes sense that holidays might impact shopping patterns. The extent to which a holiday will impact traffic in your store will depend on a number of factors, including the type of holiday—ranging from BIG ones like Boxing Day that impact virtually every prospect, to less significant holidays like President's Day or Victoria Day. In addition to the type of holiday, traffic response will vary based on the type of products you sell; some retailers may experience a significant increase (or decrease) in traffic, while it's a typical traffic day for others.
- Special events are different from holidays in that they don't necessarily happen on a specific date each year, and they are retailer-specific. This is a big difference. Because special events are driven by the retailer, there are a number of consequences that need to be kept in mind. First, all the communications for the event will need to come from the retailer, and consequently, if the communication strategy or execution is not done well, the special event will not be successful. Second, special events can be targeted by competitors because they are usually promoted to prospects in advance. And third, unlike holidays that tend to have more consistent traffic patterns year-over-year, special events are far more unpredictable from a traffic response perspective. Special events are as unique as retail itself; three of the more common types of special events are grand openings, sales events and any event that promotes something new.
- Managing holidays or special events can be a significant challenge. When a holiday or special event drives traffic

levels up significantly, management should employ a triage approach. As part of this approach, management should start by setting expectations with staff about how the increased traffic should be dealt with. Next, management should review staffing levels, inventory levels, in-store marketing, merchandising, and store hours. Adjustments will likely need to be made to maximize the sales opportunity that holidays or special events can present.

- Managing multiple locations during holidays or special events can be especially challenging. Often the traffic response during a holiday or special event is different by location. Management needs to understand specifically how it is different and employ strategies in each location that will maximize the sales opportunity, whether that requires a staffing increase, heightening awareness, operating in a triage mode or doing nothing.