

When Retail Customers Count

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

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CHAPTER

Web, Phone and Store Traffic

The Complete Picture

The majority of retailers today offer products through multiple sales channels; in order to understand the complete traffic picture, retailers need to track traffic in all channels.

Web, Phone and Store Traffic

WHEN WE THINK OF RETAIL TODAY, we rarely confine the definition to only bricks and mortar physical locations. Retail has been evolving and changing over the past decade in particular, as retailers in virtually every category look for new and creative ways to make their products available to customers.

The advent of cost effective, toll-free telephone was a logical extension to the catalogers and mail order houses—many of whom also started out with physical stores.

WEB, PHONE, STORE

- How retailers retail
- All sources
- Measuring ad performance
- Sales conversion analysis
- Traffic dashboard

Of course, during the mid-90s the promise of global retailing had retailers of every size and shape scurrying to get their wares on the Internet. Web stores were considered a huge threat to traditional retailing, with some pundits and technology gurus predicting the end of retailing as we know it—bye-bye bricks and mortar and hello Web store.

Ten years later, here we are. Notwithstanding the pure-play Web retailers like Amazon.com and DELL, many traditional retailers find their Web stores to

be a nice complement to their existing business, but retail certainly hasn't gone away as some had predicted. To a large extent, traditional retailers still rely on people visiting their stores to buy.

In this chapter, we will examine the impact of the Internet and telephone on retail traffic analysis and how, for retailers who employ them, these channels should be incorporated into traffic analysis in order to provide a complete picture of performance and to measure results.

How retailers retail today

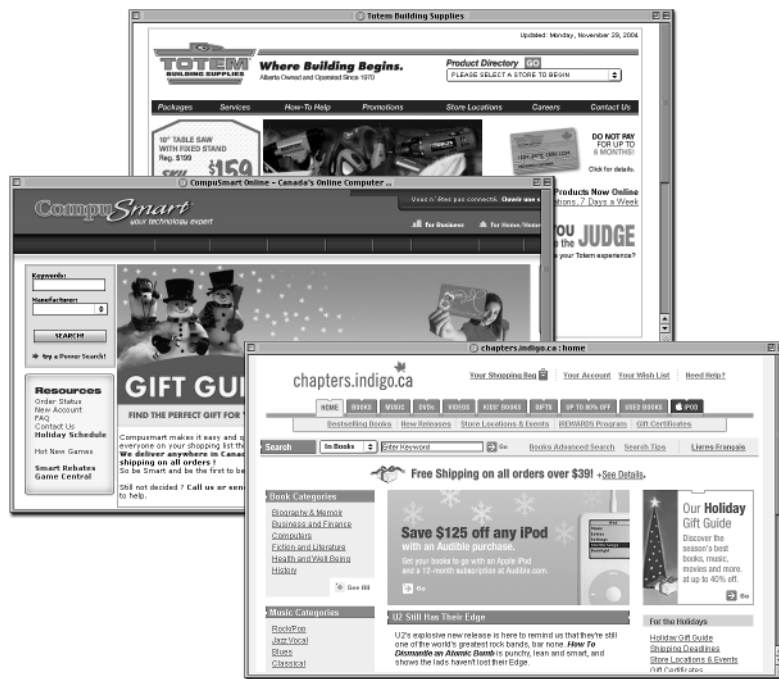
According to a recent Gardner Consulting survey of 375 US and European retailers, 75% of respondents either had a multi-channel retailing strategy or were planning one. In Canada, the figures are similar. According to *The Canadian Retail Technology Survey* conducted by the Retail Council of Canada in conjunction with the J.C. Williams Group, virtually all retailers surveyed said they were embracing a multi-channel strategy, with approximately 90% either having or planning to have a website.

The fact is, there are very few retailers today who don't use the telephone or Internet as part of their operation in some way—either to sell products outright or to support the sale of these items in-store.

Before we delve into the traffic implications of these channels, let's look at them in a little more detail starting with the Web.

Web retailing: A brief overview

Interestingly, in some ways, the Internet craze focused attention on traffic counting. In fact, one of the key metrics bandied-about during the 90s was hits or Web traffic. Actually, it still is an important metric today. These Web people understood the importance of counting traffic from the beginning! Of course, traffic in a physical brick and mortar retail store is the equivalent of hits on a Web store. Just as the Web retailers needed to understand hits, so do brick and mortar retailers. Let's look at some of the characteristics of Web stores as they relate to their physical counterparts.



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Figure 8-1

Web store versus “Brochure ware”

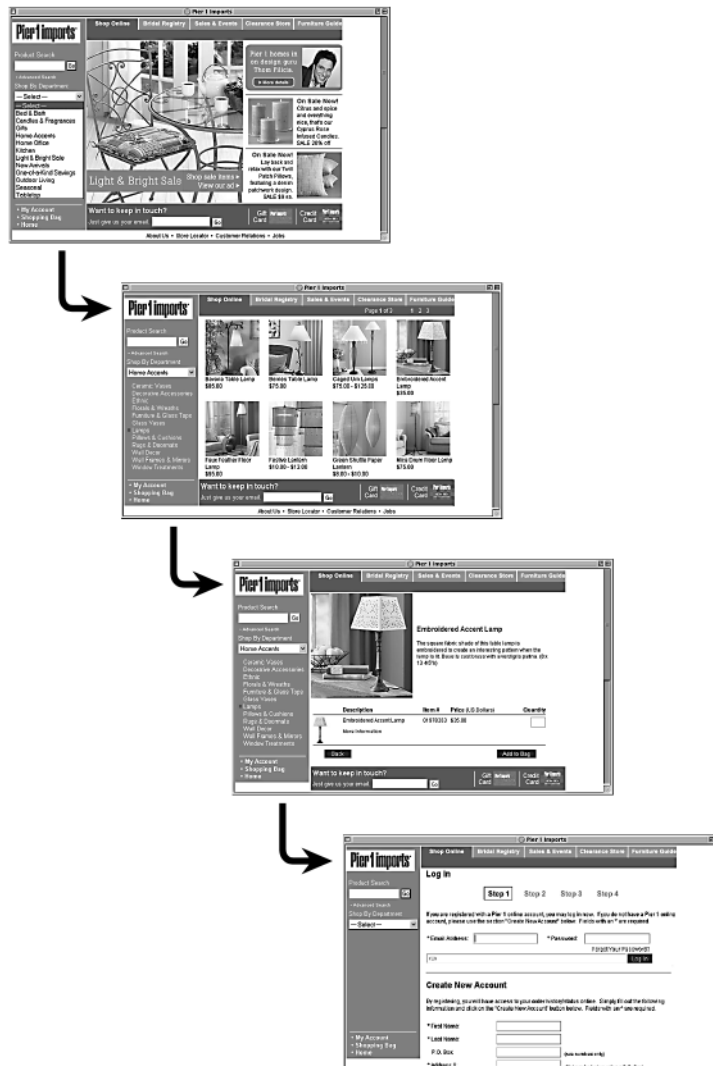
The impact of a retailer’s website on traffic analysis will depend greatly upon what type of website they have. In very general terms, we can break retail websites into two groups:

1. selling and
2. non-selling sites.

Selling sites

As the name suggests, these retail websites not only offer products for sale, but actually enable customers to purchase or order the product online. Sometimes referred to as “e-commerce” or Web stores, these websites are designed to sell products. Customers can browse the store, select products, place the items they wish to purchase in their virtual shopping cart and check out. As part of the process,

customers pay for their purchase using a credit card, or some other form of electronic payment, and then their purchase is sent to them by mail or courier.



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Figure 8-2

Non-selling sites

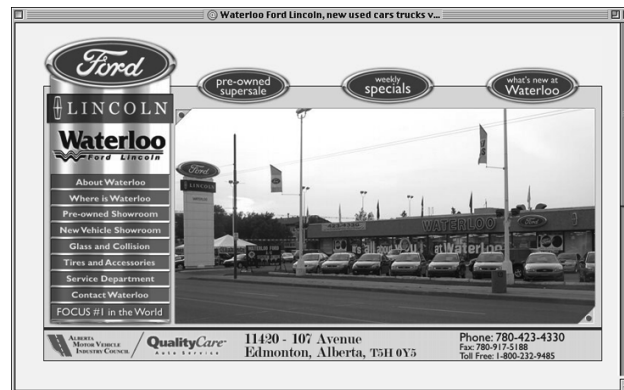
Sometimes affectionately referred to as “brochure ware,” these retail sites do not have a Web store component. Prospects can usually find information on product offerings, sometimes even detailed specifications and pictures, but they cannot actually buy or order the products. Even though they don’t actually sell product on these websites, retailers may create them for a variety of good reasons:

- **To establish a Web presence**

Given the Internet boom of the 90s, retailers couldn’t afford not to have a Web presence. In many ways, retailers who didn’t have websites (selling or non-selling), were considered old-fashioned, and some thought that they would be missing an important and new market if they didn’t have a website. Publicly traded retailers were especially pressured as stockholders, believing that Web retailing was the future, would label the retailer as un-progressive. Even if the retailers’ product offering didn’t lend itself to online selling, it was in the retailer’s best interest to build a website—even a brochure ware site—and many did just that.

- **To provide important product information**

Even though the retailer isn’t selling his products online, for



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Figure 8-3

some retailers it is still useful to post detailed product information. For example, by their very nature, auto dealers need prospects to visit their showrooms to buy a vehicle; however, providing prospects with detailed product information on their website can be a great way to help customers get the information they need to make a purchase. This is especially useful for high involvement or complex purchase decisions.

- **To pre-sell prospects**

Arming prospects with product information is a great way to pre-sell prospects. When people are informed, especially for high-involvement or complex purchases, sales conversion rates can be positively impacted. For example, if a prospect is considering buying a bed mattress, they may want to look at all the alternatives and read about the latest in mattress technology. With a good information site, a prospect can essentially select their purchase. When they ultimately visit the store to see the actual product, to an extent they are already pre-disposed to purchase. They ask informed questions, and have moved themselves further along in the sales cycle compared to, say, a person who walks into a mattress store for the first time and needs to engage a salesperson to answer a bunch of pre-sale questions.

- **To provide other important information**

Whether retailers have a Web store or not, the Internet has proven to be an invaluable resource for consumers. In addition to using the Web to get specific product information, many retail websites offer a wide range of information that consumers would find useful, like store hours, store addresses and telephone numbers, company background, awards, community involvement, and even employment opportunities. Regardless of whether a retailer offers products directly for sale on their website or not, a website is an important retailing tool.

Web retailing: Final thoughts

Notwithstanding the hype of the 90s, the Internet has been good for retail. With the Internet, retailers can offer 24 hour access to prospects—something that just isn't practical in traditional bricks



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Figure 8-4

and mortar retailing. Furthermore, the Internet enables retailers to showcase themselves and their product offerings in ways that just weren't previously possible. The cost and effort required to build and maintain a website have significantly decreased, making the Internet a must-have for all retailers.

As much as websites are a critical part of retailing today—both selling and non-selling sites—there are certain things websites just can't do. Despite great efforts by Web developers to make websites interactive and intuitive, there is no substitute for a real, thinking, breathing human being to help with a purchase decision. We will now have a quick look at telephone retailing before we get into the nitty-gritty of traffic analysis.

Catalog and telephone retailing: The predecessor of the Web

Decades before the Internet became the Internet, retailers were looking for ways to expand their market—to reach more customers and increase convenience. Mailing out catalogs and other sales literature, and having customers phone or mail in their orders, was a good way to do this. As the cost of long distance rates dropped, and the ease of securing a toll-free line became practical, retailers began to embrace the telephone as an additional and important sales channel.

Obviously, telephone sales enable retailers to interact with prospects directly. Like in-store staff, telephone sales representatives can assist the customer with their purchases—make recommendations, make add-on sales and answer questions in real-time. Some prospects need and want the human interaction before making a purchase.

Again, depending upon the product offering, retailers may or may not offer catalog or telephone sales as part of their business. In some segments, like office supplies and consumer electronics, catalog and telephone sales are important channels; other segments, like furniture and clothing, tend to be less so.

Retail traffic analysis is not *just* about the volume and timing of prospects that walk into the store. When prospects visit a retailer's website, they create "web traffic." When customers phone a retailer they create "phone traffic." In order to get a complete picture on advertising effectiveness and sales conversion, retailers need to combine these traffic sources in order to get the complete understanding of what's happening—and that's exactly what we'll turn to next.

Traffic analysis—all sources

Now that we have defined the additional sources of traffic (Web and telephone), we need to consider how they should be factored into our traffic analysis. The fact is, readers could virtually re-read the entire book replacing "store traffic" with "Web traffic" and "telephone traffic." For example, just as staff planning in the store could be optimized by analyzing traffic patterns, retailers with call centers will need to understand call volume and timing to plan operator staffing. Understanding the number of hits and transactions on

the retailer's website will provide the retailer with critical information about the staffing needs of the website—in this case, it usually translates into the number and capacity of Web servers or technology infrastructure supporting the website.

Although we'll leave most of the review to the readers, we will focus on two key areas of traffic analysis that should be well understood:

1. measuring the impact of advertising and
2. sales conversion.

Measuring advertising performance

Until this chapter, we have basically assumed that retail traffic meant prospects physically visiting a store. More specifically, we have assumed that *the* advertising objective is to increase the number of qualified prospects that visit your store. OK, so far so good. But here's the question—what should your objective be if you also have a Web store or call center?

If you have a Web store and you offer prospects the ability to “shop-by-phone,” you will need to account for these sources of traffic in your advertising response measure. The objective may be no longer *just* to drive prospect traffic into the physical store.

Call-to-action—what are you asking prospects to do?

All effective advertising includes a “call-to-action.” A call-to-action is simply a response request—it's a statement that asks that prospects do something—visit the store, call the toll-free number, visit a website. The call-to-action may be specific and literal (“shop today and save”) or it might be implied. That is, the advertisement may not specifically say do something today but by the virtue of featuring “loss leader” products, using the word SALE and including store hours and location information, the implication is that the retailer is asking prospects to visit.

Measuring the impact of advertising is essentially measuring the reaction to the call-to-action. If you ask customers to “visit the store and save” or “shop our complete selection of mattresses online” or “call to order—shipping is free,” you are asking customers to visit the store, call or point their Web browsers to your website. In each case, you should expect to see some measurable response to this

request. If you don't get a measurable response, then something went wrong; as was discussed in *Chapter 1*, there could be countless factors that led to the lack of response, and you'll need to do a little digging and experimenting to figure out why. On the other hand, if you get a positive (*i.e.* increased) traffic response—hooray, your advertising worked (this time).

The ad sample in Figure 8-5 illustrates a case in which prospects have three ways to shop. If retailers who have multiple sales channels only measured prospect traffic in their stores, they would not have a complete picture on how their advertising performed. For example, what if store traffic increased only very modestly? In isolation, the marketing manager might conclude that the advertising was ineffective. But what if Web traffic and incoming calls to the call center increased dramatically? Obviously, this would lead to a different conclusion.

The advertisement is for Staples and features several Rubbermaid products with their prices:

- 60L ROUGHTOTE***: Snap-on hinged lid, \$6.58
- WASTERASKET VALUE PACK**: 19.8L capacity, 3-pack, \$9.98
- 151L STORAGE TOTE***: \$13.88
- 6.8L SNAP CASE* STORAGE BOX**: \$1.47
- MEDIA STORAGE BOX***: Stores up to 27 DVDs, 15 VHS tapes or 20 3 1/2" envelopes; 22 CDs fit in three grooves; Locking lid keeps contents secure, \$6.38
- ROUGHNECK 2-STEP STEP STOOL**: \$9.98
- KITCHEN TRASH BAGS**: 22" x 24", 100-pack, \$5.96
- TRASH BAGS**: 28" x 30", 85-pack, \$6.98

In the center, a graphic highlights **3 CONVENIENT WAYS TO SHOP!** with icons for:

- IN-STORE**: 219 stores and still growing!
- CATALOGUE**: Call 1-800-668-6888
- ONLINE**: www.staples.ca

At the bottom, it says "We have As Certified Technicians" and "Details here" with an image of a service van. There is also a "STAPLES BUSINESS DEPOT" logo and a "EASY WELLS" logo.

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Figure 8-5

Let's look at the idea of measuring advertising response with multiple traffic response sources using Richard's Sport Shops as an example.

Richard's Sport Shop: Spring Sales Event

For four days in early March, every March, Richard and his team kick off the season by holding a major sales event. In fact, it's the



Figure 8-6

first big event of the year. Superstitiously, Richard views this sales event as the bellwether for the coming year—“if we have a strong March sale, I know it’s going to be a good year.”

Richard’s Sport Shops offers products in-store, online at richardsportshop.com or by phone. As a matter of policy, Richard ensures that every advertisement includes store hours, addresses, the Web address and, of course, the telephone number. As Richard says, “I just don’t understand retailers who make it hard for customers—why wouldn’t you make all your contact information really easy to find and read in your ads?”

For this March sale, an 8-page color flyer was inserted into the daily newspaper on March 9th and reminder support advertisements ran in the newspaper on March 10th and 11th, as shown in Figure 8-6.

Naturally when the promotion kicked-off, Richard and his team were anxiously waiting to see the results.

• **Store traffic**

As the chart in Figure 8-7 shows, store traffic during the promotion was up over 33% compared to the period prior to the promotion, and up 28% compared to traffic levels

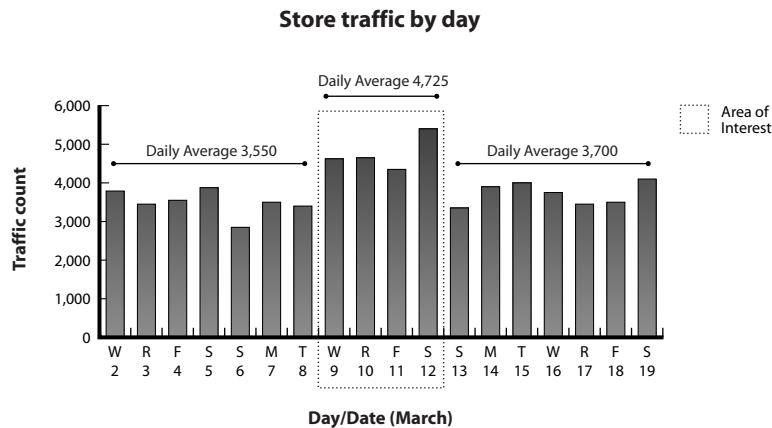


Figure 8-7

after the promotion. The busiest day during the promotion occurred on Saturday March 12th. Based on store traffic, Richard should be quite pleased with the result—there was a material increase in traffic during his promotion. Furthermore, year-over-year traffic for the same promotional period was up by a healthy 18%.

• **Web traffic**

Although Richard still prefers to sell products the good old-fashioned, face-to-face way, he can't deny the impact his Web store has had on business. With his Web store, Richard can reach customers from across North America and beyond. During the promotion, Web store traffic is shown in the chart in Figure 8-8. Like store traffic, Web traffic spiked significantly during the promotion. The average daily hits to Richard's website almost doubled during the promotional period and then, like store traffic, dropped back to more normal levels after the sales event.

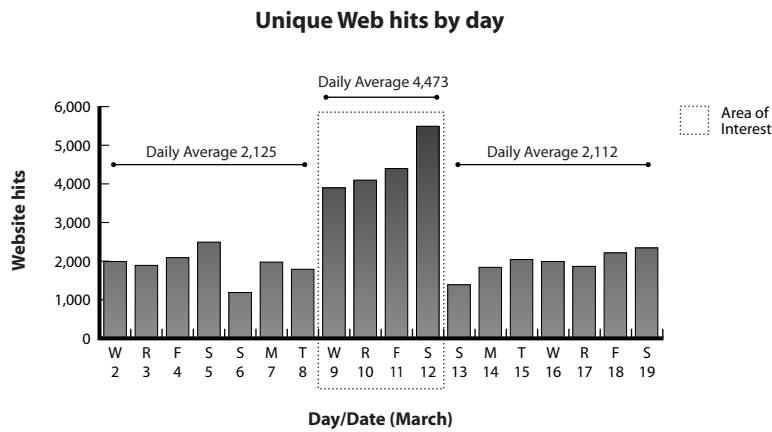


Figure 8-8

• **Phone traffic**

As the chart in Figure 8-9 shows, the number of telephone calls received by Richard's Sport Shops was actually *down* during the promotion, compared to the periods both before

the promotion and after. Year-over-year phone traffic wasn't much better at -10%. Clearly prospects weren't calling to place orders like they used to.

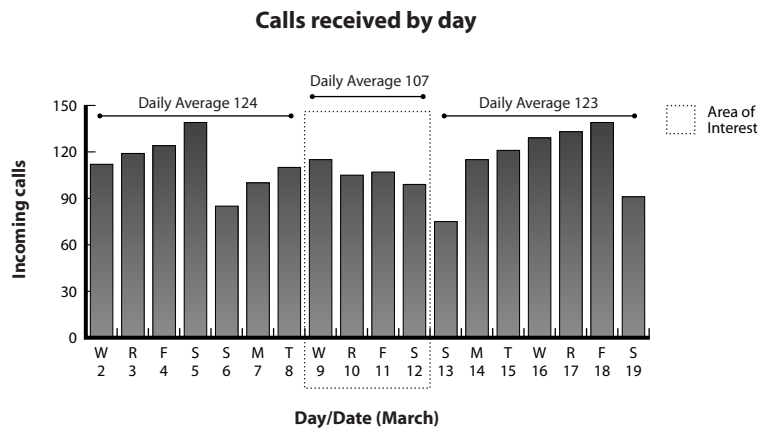


Figure 8-9

By looking at the traffic response for each traffic source, management can get a clearer understanding of what the total traffic response to advertising or the promotion is. In this case, it's clear that the advertising generated a positive traffic response in the store and on the Web, but call volumes were down.

Although it is vital to understand traffic response in order to measure advertising effectiveness, to an extent, management can influence where prospects respond.

Factors influencing the response channel

Although customers will respond to an advertisement in a way that is most convenient for them, there are a number of factors that will influence where, when, and how prospects respond.

- **Channel emphasis**

If a retailer wanted to drive traffic to his Web store, he might design the advertisement such that the call-to-action strongly favors the Web. For example, "Shop 24 hours a day on the Web at www.mystore.com and get an additional 10% off."

Clearly this retailer is trying to drive traffic to his Web store. Retailers emphasize channel through the specific copy they choose, size of type, incentives, and communication vehicle (*e.g.* an e-mail campaign is likely to drive Web traffic). If a retailer emphasizes “visit the store today” as the primary call-to-action, but also includes a website address and a telephone number, they would expect the biggest traffic response to be in-store with more modest responses on the Web and phone.

- **Product type**

Naturally the type of products being sold will influence the response channel. For example, although you could browse for furniture over the Internet, before a prospect makes a purchase, very likely they will want to see and feel the actual merchandise. The only way to do this is to visit the store. Likely, high involvement or complex product purchases are not going to be made over the Internet or telephone. That said, prospects could visit the retailer’s website to research products or call and ask questions, before they visit the store to buy.

Sales conversion analysis

As with advertising response, it is also useful to measure sales conversion rates by channel. As we’ve already learned, sales conversion is a critical performance measure, and just as it is important to understand how well you are converting prospects into customers in the store, it is useful to understand how well you’re converting on your Web store and on the phone.

In this section we will look at how retailers can measure sales conversion across channels to get a complete picture of sales performance compared to the opportunity.

Calculating conversion rates: Comparing apples to bananas

Just like your physical store, if you sell products on the Web or by phone, they too have a sales conversion rate. And, just as we calculate and measure conversion rates in the store to understand

performance versus the opportunity, the same rules apply to the Web and phone—well, sort of.

Although the sales conversion rate can be calculated and compared, there are nuances in conversion among the channels that should be noted.

Web conversion

We'll leave the heavy lifting of Web selling and Web stores to the Internet experts; however, there are a few basics every retailer who offers products on the Web (in addition to their physical store) should understand.

Simply put, Web store conversion is calculated similarly to physical store conversion as follows:

$$\text{Sales Conversion} = \frac{\text{Transactions}}{\text{Website Hits}} \\ \text{(i.e. prospect traffic)}$$

In this case the website hits represent the store traffic. Part of the trick is to be consistent in how the variables are being used. For example, there are total hits which represent every time a particular Web page is visited—even if it's by the same prospect over and over during the same shopping trip. It would be sort of like a prospect visiting your physical store, and walking in and out of the store throughout the visit—clearly this would drive your traffic counts up and your sales conversion rate down.

The other way to measure conversion, and a better way at that, would be to use unique hits for your website traffic variable. As the name implies, some Web reporting tools can actually tell you how many unique visitors came to your website by tracking the visitor's Internet Protocol (sometimes called the IP address), which is essentially an identifier that distinguishes one visitor from another in a fairly innocuous way. By using unique hits, retailers can get a good idea of how many different people are visiting their site and then calculate a reasonably accurate Web store sales conversion rate.

For example, if Richard's Sport Shop Web store received 2,000

unique hits in a day, and the total number of sales transactions on the site that day was 200, then his Web store conversion rate would be 10%.

$$10\% = \frac{200}{2,000}$$

Factors effecting Web conversion

There are countless great books and guides on Web store design, so we'll leave it to the reader to dig deeper into this topic if they wish, but here are a few basic ideas to keep in mind:

- **Check out**

Like the line-up at the till, getting online shoppers through your virtual check-out is critical. In fact, research shows that many Internet shoppers abandon their purchase at check-out. That's why Web designers and Web store experts spend so much time thinking about check out. If check out is complicated or confusing, people will just leave. Unlike a physical store where the prospects who drove to your store may be a little more patient (and are almost certainly NOT confused by your check-out process), on the Web, it's as easy as a click of a mouse and they're gone.

- **Web store layout and design**

Like the physical store, Web stores need to be well designed. The trick is to design a Web store that is easy and intuitive to navigate. Many retailers don't offer their complete product offering on the Web, so decisions about what you choose to show become critical. Also, how graphic intensive the site is can impact performance. For example, websites that use large graphics, or Flash animation/video can be compelling and interesting, but if prospects don't have high-speed Internet access, the site can be so painfully slow that prospects will just leave. Great Web stores take all this into consideration and much more.

- **Customer confidence in e-commerce**

Although shopping online has become a part of every day life, still many consumers don't feel confident about buying online. Oh, they'll browse around like crazy—researching products, comparing items and looking for the best price, but when it comes time to make the purchase, many consumers will order by phone or visit the store. Although it may be difficult for any given retailer to change consumer perceptions about e-commerce security, there are some things retailers can do to build confidence in their Web store such as securing third party certifications that represent safety and security in e-commerce.

Phone conversion

Like Web conversion, phone conversion is simply calculated by taking the number of sales or transactions made by phone and dividing them by the total number of sales calls; this is the same as hits to your Web store or traffic in your store.

$$\text{Sales Conversion} = \frac{\text{Transactions}}{\text{Telephone Calls}}$$

Factors effecting phone conversion

Like information on Web stores, practical guides and books on call centers and telephone sales are readily available. So, again, we'll leave it to the reader to dig into the topic more if they wish. However, here are a few ideas retailers should keep in mind about telephone sales.

- **Product offering**

Calling up a retailer to order a box of paper is one thing, but trying to order a complete home theatre package is another. The fact is, some products are just easier to sell by phone (or by Web) than others. Of course, catalogers have been selling products of every imaginable type for years, so it is possible.

- **Hours of operation**

To an extent, the telephone sales business has created an expectation among consumers that they can call—and someone will answer—virtually any time of the day or night. If you are a traditional bricks and mortar retailer, with traditional bricks and mortar store hours, some prospects might be disappointed if your telephone hours are not longer than your store hours.

- **Staffing levels**

Staffing levels are even more critical in call centers than in retailer showrooms because of the lack of self-help. When a customer visits your physical store, they may or may not require sales assistance. They might just want to browse the store and self-select items to purchase. In telephone sales, every prospect needs to be attended to—there is no such thing as self-help in telephone sales. Even with sophisticated call routing and automation, eventually that call-in prospect will need to speak with a salesperson. Prospects that call in and can't get through in a reasonable amount of time, will just stop calling.

- **Telephone selling skills**

Selling skills are critical in retail, period, but to an extent they are even more important in telephone sales. Whereas in a retail store, customers can touch and see the product, by phone (or Web) a picture may be the best they will have. Also, sales people dealing with in-store prospects have a chance to read the body language of prospects; they can get a better sense of how the prospect is reacting to what they are seeing, and consequently, are in a better position to make the sale. Selling by telephone is harder than selling face-to-face, and good telephone sales people have to know the products extremely well, have excellent telephone manners, and understand the nuances of telephone selling.

Creating a complete traffic dashboard

If you are a retailer who has a Web store in addition to telephone sales and a bricks and mortar store, the idea of creating a complete

traffic dashboard can seem daunting. And it's true, it can be a lot of work to create it and more importantly keep updated; however, tracking traffic and sales conversion across your different sales channels will provide tremendous insight into what's happening in your business and where. Here is an example of what a traffic dashboard might look like Table 8-1.

As for Richard's Sport Shops, his total traffic might be represented in a chart like Figure 8-10.

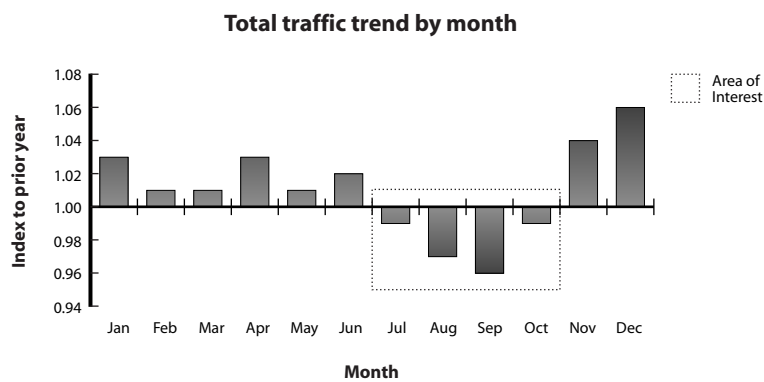


Figure 8-10

Table 8-1

Complete traffic dashboard

	Store Traffic			Website Traffic			Telephone Traffic			Total Traffic (All Sources)		
	Current Month	Index vs. Prior Month	Index vs. Prior Year	Current Month	Index vs. Prior Month	Index vs. Prior Year	Current Month	Index vs. Prior Month	Index vs. Prior Year	Current Month	Index vs. Prior Month	Index vs. Prior Year
Jan	9,000	0.93	1.06	2,200	0.92	0.99	166	0.75	1.02	11,366	0.80	1.03
Feb	11,000	1.22	1.02	2,500	1.14	1.00	175	1.05	1.00	13,675	1.20	1.01
Mar	12,500	1.14	1.01	2,700	1.08	1.01	170	0.97	1.02	15,370	1.12	1.01
Apr	14,800	1.18	1.03	3,350	1.24	1.00	198	1.16	1.03	18,348	1.19	1.03
May	13,500	0.91	1.00	5,400	1.61	0.99	220	1.11	1.01	19,120	1.04	1.01
Jun	15,000	1.11	1.05	5,750	1.06	1.00	255	1.16	1.00	21,005	1.10	1.02
Jul	16,000	1.07	0.98	6,100	1.06	1.02	312	1.22	0.99	22,412	1.07	0.99
Aug	10,100	0.63	0.95	4,400	0.72	1.01	190	0.61	0.99	14,690	0.66	0.97
Sep	8,500	0.84	0.98	4,000	0.91	1.04	135	0.71	1.05	12,635	0.86	0.96
Oct	7,500	0.88	1.00	3,900	0.98	0.99	155	1.15	1.00	11,555	0.91	0.99
Nov	5,600	0.75	1.06	1,890	0.48	0.98	100	0.65	1.00	7,590	0.66	1.04
Dec	11,500	2.05	1.08	2,400	1.27	1.02	220	2.20	0.90	14,120	1.86	1.06

Chapter Summary

- Many retailers today offer prospective buyers more than one way to shop—it's not just about visiting the physical store. As much as it's critical for retailers to understand the volume and timing of prospects visiting their store, it's just as important for retailers to understand “traffic” from the other channels they have. The three primary channels are the store, the Internet and telephone.
- The Internet has changed the face of retail. Many retailers today have some kind of Web presence. Some retailers create websites merely to tell customers about themselves and their offerings without actually selling anything. These brochure ware sites can be very useful for informing prospects about store hours, store locations, directions, special events or sales, and community service or charities that the retailer supports. Even though prospects can't buy on these websites, these sites help predispose prospects to purchase, and compel them to visit the store so they can buy.
- Web stores or full e-commerce websites are websites that customers can actually make purchases from. These websites are designed with buying in mind, and prospects can browse the Web store, select items they wish to purchase, and then actually purchase the items—all online.
- Traffic response to advertising is one area that retailers will want to understand across all three channels. What happens to store, Web and phone traffic during a promotion? By tracking store traffic, Web hits and incoming phone calls, multi-channel retailers can understand what impact their promotions are having. Also, by comparing channels, they can understand how prospects like to shop. One of the key factors in measuring traffic response is to start with the call-to-action. Fundamentally, retailers need to be clear

about what they are asking prospects to do, and then try to measure that behavior.

- Sales conversion is another key area of multi-channel retailing that needs to be understood. Just as sales conversion can be calculated in the physical store by dividing transactions by traffic, conversion rates for Web stores and call centers can also be calculated. The factors that influence conversion rates will vary by channel, and retailers need to understand what the conversion drivers are in order to influence them positively.
- In order to understand how the business is performing and changing over time, retailers should create and maintain traffic and sales conversion dashboards that show exactly how traffic levels and sales conversion change over time and among the channels.