

MK 322

Additional Handouts on KPI's for Retail

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1. Sales Per Square Foot

Though it may seem like ecommerce is taking over the retail space, **94 percent of sales are from physical stores**. Even if you have an online store set up, making the most of your physical space is paramount to success. This metric measures the average revenue a business profits for every square foot of sales space. You can also measure your square footage by looking at shelf space.

This metric is important because it tells you if the layout of your store is working. You should review your sales per square foot every time you consider making a change to the layout of your store. You can then compare the metrics every time you make a change. If one of your stores is outperforming another, consider making your displays or layouts similar. Lastly, you can also use this metric to re-negotiate rent.

2. Foot Traffic

Foot traffic doesn't only count the customers who go into your store but also the people who walk by. Foot traffic is a little trickier to measure than sales per square foot, which can simply be calculated using information from your POS system. You can use things like heat sensors, mobile tracking, video surveillance, and people counters to track your foot traffic. These tools can also help you measure things like shopper behavior and dwell time.

Measuring your foot traffic can show you if your design layout and displays are working to draw people into and around your store. You can see if flow is disrupted or if there are any areas that attract your customers more than others. Your foot traffic also tells you when your store is busy and slow, helping you to make more profitable staffing decisions.

3. Conversion Rate

If you're sick of seeing people come into your store and walk out without buying anything, you need to look at your conversion rate.

Retail conversion rate measures the proportion of visitors who actually make a purchase. Calculate conversion rate by dividing the number of transactions by gross traffic. A low conversion rate indicates that people are being drawn into your store, but there's something preventing them from making a purchase when they come inside. Potential barriers might include long lines to the register, inability to find customer assistance, out-of-stock products, or shoppers simply not connecting to your brand. Finding your conversion rate is the first step in analyzing the issue preventing visitors from making a purchase in your store.

4. Average Transaction Value

This metric tells you the average amount a customer spent in your store during a single visit. Average transaction value, or ATV, is calculated by dividing your total revenue for a specific time period by the total number of transactions. A high ATV indicates that your customers are purchasing large quantities or high-dollar items.

5. Customer Service

Customer service metrics measure the public's perception of your business. On average, happy customers tell 2–3 people about their experience at your business, while unhappy customers tell 8–10 people about their bad experience. Measuring your customer service through things like surveys online and at the register provide you with invaluable feedback. With this information, you can make important decisions about staff, marketing, and more.

Conversion Rate



$$\text{eCommerce Conversion Rate} = \left(\frac{\text{No. Of Conversions In a Specific Time}}{\text{No. Of Visitors In Specific Time}} \right) * 100$$