When Retail Customers Count

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

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CHAPTER

1

Measuring the Impact of Advertising & Promotions

How can you tell if your advertising and promotions are working? Start with the right objective!

Measuring the Impact of Advertising and Promotions

ALMOST WITHOUT FAIL, retailers measure the effectiveness of their advertising and promotions by looking in the till. If sales targets were achieved or exceeded expectations after the campaign, then the promotion worked; if sales were lower than expected, then the promotion did not work—it's as simple as that. Or is it?

ADVERTISING EFFECTIVENESS

- Myths about ad effectiveness
- Advertising objectives
- Traffic response ads
- Marketing considerations
- Traffic patterns and ads
- Media mix and traffic

As a retail marketing manager, I was perplexed by what I felt the results of a promotion were as compared to the sales result. For example, we ran a major advertising campaign and I could tell (and so could everyone else) that the store was very busy—clearly the promotion was working—look at the store! But at the end of the promotion, we were disappointed with the sales result. Sales were just "OK." After seeing this pattern over and over, it occurred to me that sales were not the right measure for determining the effectiveness of our advertising.

If you ask any retailer why they advertise, they will usually tell you they do it to drive sales. The problem with

this thinking is that, in destination retail, advertising cannot drive sales. In destination retail, the only thing that advertising can do is attract potential customers into your store. Period. After that, there are numerous other factors that will influence whether or not customers actually buy something. In this chapter we will show you how traffic analysis can help you finally answer the question you have been trying to answer for years: does my advertising work?

Myths about measuring advertising

There are two common myths about retail advertising:

1. that it is impossible to accurately measure the impact of advertising, and
2. sales results are the best measure of advertising effectiveness.

Myth number one is simply a cop-out. Though many managers do think about measuring results, many struggle with how to actually do it. It's far easier to just "do what we've always done" and see where the chips fall. It's not that they are all bad managers. The whole idea of measuring the impact of advertising has plagued marketers since marketing began. It can be a real challenge.

The second myth represents the prevailing belief of many retail managers—advertising effectiveness equals sales results and that there is a direct relationship between advertising and sales as in Figure 1-1. Sorry, this isn't quite right either. Although advertising

Assumed relationship between advertising and sales

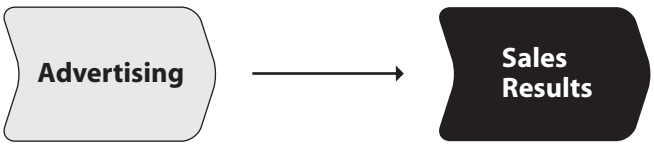

Figure 1-1

and sales are related, sales results alone don't nearly go far enough in helping retailers understand if their advertising is working—in fact, looking at sales alone can lead to a completely wrong conclusion!

Here's an example. You run a major (and expensive!) advertising program to promote a sales event in your store. At the end of the event, you anxiously add up the sales. By your calculation, sales volume is disappointing—you (or more importantly your manager), expected sales to be up at least 20% from the prior month, but you are up only 10%. As you get together with the rest of the managers to debrief on the event, it is agreed that the advertising did not do its job based on these results. The meeting ends with a vow by all involved to do better next time.

What retail manager hasn't been in this situation? The fact is, this is the way many retailers think about their advertising. Although this is not a totally unreasonable conclusion, it could indeed be very incorrect. Here's how. In addition to the 10% increase in sales from the prior month, what if we knew that store traffic during the promotion was actually up 30% compared to the same period last year and up 20% over the prior month. Now what would you conclude about your advertising? Obviously something didn't go quite right because the sales target was missed, but from a traffic perspective, the advertising program did draw traffic—a lot more traffic than last year or the prior month. So, as it turns out, it does appear that the advertising did its job.

"The" advertising objective

With any advertising or promotional program, first and foremost, you need to be clear about what your objective is. Stating that you want to increase sales is not especially useful. Even though the ultimate goal for most retailers is to drive sales, as mentioned, advertising alone cannot drive sales. So if advertising can't drive sales, what should the advertising objective be?

What advertising can and cannot do

In destination retail there really is only one objective you need your advertising to achieve: drive qualified prospects into your store. Period. Although this is far easier said than done, it is the one, universal advertising objective all retailers should focus on. Here's why.

Notwithstanding retailers who have Internet and telephone sales in addition to their physical "bricks and mortar" stores, the only way a sale can happen is if a prospect comes into your store. If you advertise and the number of qualified prospects that come into your store increases, then your advertising worked. If you advertise, and the number of qualified prospects coming into your store does not increase, then your advertising *may* not have worked. Wait a minute! Isn't it clear that if more prospects didn't come into my store, then my advertising DID NOT work? Not necessarily. The fact is, there are a number of factors outside of your control that can impact the traffic response of your advertising. Factors such as competitors' promotions, general business seasonality, weather conditions, changes in customer buying behavior and even broader macroeconomic factors like consumer confidence and interest rates can impact traffic. You need to analyze your traffic results in a broader context. Poor traffic results certainly suggest that your advertising program did not do its job, but you really need to think it through before you write off a campaign as ineffective.

The key is to start with the right objective—here are a few examples to consider.

Sample advertising objectives

Every retailer is different, but here are a few advertising objectives that I might want to measure against when preparing for a major advertising program:

1. Increase prospect traffic by 20% during the month of March compared to March last year.

2. Drive a minimum of 1,000 prospects into the showroom for Saturday's sale event.

3. Increase shopper traffic in the evening (6 PM to 9 PM daypart) by 15%.

In each example, the focus is simply to drive traffic, which is really all advertising can do. Driving traffic is the key, but of course the trick is to drive the "right" kind of traffic. Traffic for the sake of traffic isn't helpful. In fact, the "wrong" kind of traffic can actually hurt sales. For example, if you are a specialty book retailer, advertising that you'll be giving away free hot dogs to anyone who visits

your store on Saturday may indeed drive traffic, but it will not likely attract qualified prospective customers. It is absolutely critical that your advertising is targeted to the right audience in message, media mix, and timing so that it will reach and resonate with real prospects.

So, advertising and sales are related, but there are a number of factors that influence the final sales result. In order to fully understand what impact their advertising is having, retailers need to measure traffic and sales conversion. Although we'll discuss sales conversion in detail in chapter 4, suffice it to say that sales conversion is essentially all those elements of retailing that help turn your prospect traffic into buyers.

As Figure 1-2 shows, there is a lot that happens between an advertising campaign and a sale. First and foremost, advertising needs to drive a traffic response. Once traffic is in the store, it needs to be converted into a sale. Sales conversion is a function of all those things that make up the shopping experience including staffing,

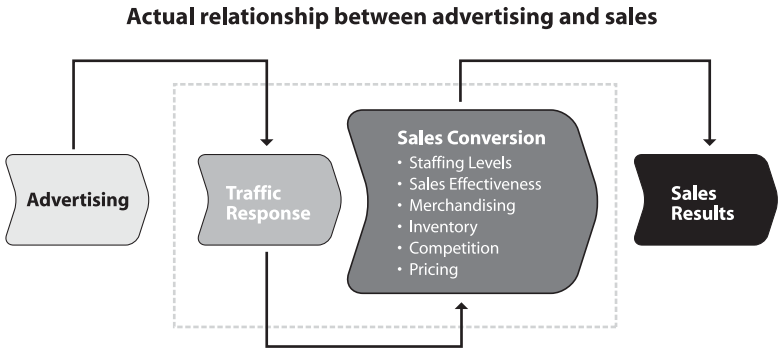

Figure 1-2

merchandising, product, pricing, *etc*. And if the retailer is effective at these, the outcome will be a sale.

Brand versus traffic response advertising

Although the ultimate goal of advertising for most retailers is to drive sales, or more accurately, to drive a positive traffic response

in their store, there are other reasons for advertising beyond driving traffic. Brand advertising is usually characterized by limiting or having no specific products featured, an absence of product descriptions, and no specific "call-to-action." This type of advertising is often used when retailers want to tell the market about a community involvement initiative, perhaps announce a new staff hiring, or even communicate a new feature of their operation (*e.g.* Wonder Appliances: our salespeople are not on commission, so we serve you better). When thinking about advertising, it is useful to categorize a campaign as either a brand campaign or a traffic response campaign. Where a traffic response campaign can be measured by the prospect traffic in your store, a brand campaign cannot necessarily be measured the same way.

Brand advertising

This is advertising that communicates something about a retailer, but does not necessarily illicit a "come to my store" reaction or immediate traffic response. An example is shown in Figure 1-3. This type of advertising should not necessarily be measured by customer traffic. Though it may be that traffic increases as a result of a brand advertisement, it is not the express purpose of this type of advertising. Brand advertising is usually done to position (or re-position) a company relative to how customers perceive it or relative to other competitors. It's advertising that tries to communicate the type of retailer a company is—and who its customers are (or should be). Brand advertising is best measured by surveying customers' (or prospective customers') attitudes, opinions or perceptions before and after the brand campaign.

"Awareness" advertising

Retailers hear this frequently from their media representatives. Awareness advertising can be another way of describing brand advertising (or it's simply an over-used term for advertising that didn't drive traffic!). If you have ever bought media, you have probably heard a media representative say: "I know this advertising program will generate a significant amount of awareness for you—it's a great program and cost effective, too!"

I'm not against brand or awareness advertising—not at all. This type of advertising can be very important in predisposing prospective

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Figure 1-3

buyers to think of a particular retailer so that when they are ready to buy, they remember that retailer. However, this is still very difficult to measure. What I do question, are retailers who spend their precious advertising dollars on brand or general awareness advertising programs in the hope of driving an immediate sales response (or more accurately an immediate traffic response)—and then do it over and over and over again, even when they don't get the results they were hoping for. Retailers need to be clear about what they are trying to accomplish with their advertising. If you want to drive traffic and ultimately sales, you want to do an advertising program

that will have a compelling call-to-action—something that will give prospects a really good reason to take some time out of their very busy lives to visit your store. If you're tying to create general awareness for your store or trying to create a particular image or market position for your store—great. Just don't run to the till or check the traffic count to measure the results.

Traffic response advertising

Direct marketers refer to this as "direct response," which usually

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Figure 1-4

means customers calling the advertiser by telephone or visiting their website. However, this idea is exactly the same for bricks and mortar retailers. In fact, online retailers have been measuring effectiveness based on "hits" to their website or Web traffic since the mid 90s. The physical customer traffic count in a store is the equivalent of hits to an online store. Of course, if you have an online store and telephone sales, you'll want to add this in with your store traffic counts to understand the entire traffic response (we'll cover this in *Chapter 8*).

Good traffic response advertisements usually have a clear call-to-action, telling the prospective customers exactly what you want them to do. For example, "Visit our store this weekend and save… BIG!" Good response advertisements also do a great job of creating a sense of urgency. That is, the advertisement compels the prospect to act sooner rather than later. Just like direct mail, prospects are more likely to respond to an advertisement that has a specific, and often short (*i.e.* three to ten day), time-bound deadline.

Other marketing considerations

Once you have determined what your traffic response objective is, it is absolutely critical that your advertising reach the right audience. There are many factors that will impact the effectiveness of your advertising campaign including the message, creative execution, media mix, budget and timing. If your advertising does not sufficiently reach and resonate with real prospects, you will not drive traffic. As already noted, just driving large volumes of unqualified traffic will not help, and can actually hurt, sales.

Advertising budgets

There are no hard and fast rules to setting an advertising budget. Frankly, no one is really sure how much they should spend, so don't feel too bad about being a little random on this issue. That said, determining your advertising budget isn't just picking numbers out of the air either. Here are some things you should consider.

- **Your industry**

  What you are selling will have a lot to do with how much you advertise and consequently how much you might want to spend. For example, consumer electronic retailers tend

to be driven by regular and often aggressive promotions. Being in front of prospects week-in and week-out is almost a cost of doing business in this industry. This requires a very high frequency of advertising and an appropriately large budget to support it. Other industries have a very different advertising profile. For example, auto tire retailers tend to advertise at particular times of the year, such as the fall and early winter when customers are naturally thinking about buying new tires.

- **Your local market**

  If you are a single store operator in one market, obviously you need to pay close attention to what's happening in your market. If you are a chain, you need to stay abreast of what's happening in every market in which you have a location. Every market is different. Who's advertising? How frequently? How well do they appear to be performing?

- **The competition**

  Although most retailers generally try to keep an eye on what their competitors are doing, retailers also need to monitor what their competitors are doing from an advertising perspective. The beauty of monitoring competition this way is that all the information is readily available—just open your morning newspaper or turn on the radio. If you monitor and track what your competitors are doing in advertising, you can come up with a pretty good estimate of what they are spending. Although it's never advisable to blindly follow your competitors (what if they have it all wrong?), it is something you need to consider. In addition to understanding how much money they're spending, you'll also want to note what they are saying and how. Take particular note of the mix of products they're offering, how they are positioning themselves, and obviously their pricing. Now consider how this relates to your position and offering.

- **The cost and availability of media**

  Every market is different from a media availability and cost perspective. How many major daily newspapers does your market have? Are there local magazines or publications?

How many radio stations? TV stations? This information is readily available—media outlets are delighted to send you their rate cards. You'll easily find all the local media listed in your local telephone directory.

- **Your financial wherewithal**

  If you open a marketing text, budgeting is often discussed in the context of concepts like "Same as last year," "All you can afford," and my favorite, "Percentage of sales." There is no magic to this—there is no formula. At the end of the day, advertising spending is a management decision. Maybe it's your decision. The financial wherewithal of your company must be considered in your decision on advertising spending. Yes, I know, you have to spend money to make money. That said, it's rarely a good idea to throw a "hail Mary pass" by spending more than you can afford in hopes of stimulating sales. You would be surprised at how far common sense can go when it comes to answering this question.

Media buying

If you have ever bought media, you know what a nerve-racking experience it can be. OK, so you have decided that you're going to try TV—after all, it's the most powerful medium on the face of the planet, right? You have reviewed your budget—you can afford it and it seems to be a sensible thing to try. Great. You call up a couple of TV stations and tell them you're interested and before you know it, you have a lineup of well-coiffed media reps at your door with slick proposals. As they start into their pitch on the exceptional targeting of their programming (which incidentally is perfect for your customer demographic—it always is), the terrific cost effectiveness on a gross rating point basis and the amazing production value that's included in your custom-designed campaign, you start to feel beads of sweat starting to form on your brow. Of course, you don't want to feel like an idiot, so you nod in tacit approval as the rep makes her closing points. You tell her you need to think about it; she tells you the program is going fast, so she'll call you tomorrow for an answer. After a day of this, you're more confused than ever, but nevertheless feel compelled to do something. If this sounds overly harsh on media reps, I don't mean it to be. Some of the best marketing people I know are media reps, and most of them are true marketing

professionals with a wealth of knowledge and insight. But you need to control the process. Putting together an advertising campaign is one of the most exciting and fun things a manager gets to do. You shouldn't feel pressured or uncomfortable about doing it. After all, there's a lot at stake. Start by relaxing. Enjoy the ride! Here are a couple of tips to keep in mind when you start media buying:

- **Your objective**

  Be absolutely clear about your objective—tell your media rep what you are trying to accomplish. All together now: "MY OBJECTIVE IS TO DRIVE STORE TRAFFIC BY 25%" or whatever your traffic objective is. I guarantee you your media rep will be shocked and amazed that you have a clear objective.

- **Deals**

  Don't buy just because it's a GREAT deal or feel pressured to buy. Sometimes there are fantastic deals on media. No question. But you cannot lose sight of what your objective is. Buying media and then trying to fit an objective to it rarely ever works.

- **Relationships with media reps**

  Don't buy media because you like the rep. These sales professionals can be very compelling and very charismatic. Making a media buy because your rep gives you free tickets to a football game is not a wise strategy. No hard feelings, but it's all about you accomplishing your objectives. Media reps can be great people. In fact, over my years of buying media, I have befriended many media reps. The fact is, friend or no friend, I don't buy media on relationships and you shouldn't either. If you can get the right media buy, (*i.e.* one that you hope will help you achieve your objective), that comes first. If, at the same time, you can buy from a friend or get free tickets to a football game, that's a bonus.

- **Ask questions**

  Lots of questions. Media buying isn't a "smart contest," so ask questions. Media reps (in most cases) are very intelligent people who can teach you a lot. The only way you can learn is by asking questions. That said, media reps tend to know a

lot about their particular medium, but may not know much about other media, or for obvious reasons don't want to talk a lot about other media. I think it's always a good idea to meet with media reps from several different media in your market. For example, even if you don't intend to use outdoor advertising, it might be worth your time to hear what the outdoor media rep has to say. Frankly, media reps will be quite happy to explain things to you.

Working with ad agencies

Some people have had excellent experiences working with ad agencies and some have had very bad experiences. I have experienced both. All things considered, I think it's a good idea to work with an agency. That said, I don't recommend you disengage from the process and let the agency call the shots. Agencies often have a whole host of experts—from media buying, campaign strategy development and especially creative services—but like hiring any professional service, you need to be an informed buyer and a "good" client. Agencies love good clients. What's a good client, you ask? A good client is a client who is clear about what they are trying to do (*i.e.* have a clearly defined objective—note the reoccurring theme here). Besides having a clearly stated objective, a good client is also someone who has an open mind, is engaged and thoughtful, asks questions and challenges the agency. Good clients want great value, but are willing to pay for great work. If you're really watching your budget (and who isn't?), ask your agency what you can do yourself internally—just like those TV shows on home renovating where homeowners are looking to save some expense by removing their old porch themselves. You can do the same with an advertising agency. And lastly, don't be afraid to ask how much it will all cost—agencies are happy to give you the gory details.

Campaign timing

Every business has seasonality—yours does too. Most retailers understand this intuitively. Campaign timing is simply the process of determining when you will launch a campaign or allocate your advertising throughout the year. Traffic volume and patterns can tell you a lot about when prospects are predisposed to shop in your store. It's also a good idea to look at annual sales by week and

month—when are customers coming into your store and when are they buying. Again this is not rocket science—start by plotting these things on a calendar and you'll be well on your way.

Targeting and segmentation

Getting more prospects into your store is the objective, but you need the right prospects. Driving traffic levels up significantly can actually HURT sales as tire kickers and other "traffic noise" plug your aisles or squander your sales staff's precious time. Targeting and segmentation are nothing more than identifying who your likely customers are. Start by looking at who has already purchased—age, gender, where they live, what they bought, and so forth. Also, if you sell goods produced by manufacturers, ask them for information on the demographics of who their products are targeted at—in most cases all this work as already been done by the manufacturers and usually they are quite willing to share this information with their retail partners.

Creative execution

Open your morning newspaper and have a look at the ads. See the ones that are cluttered, confusing, poorly laid out and by and large unpleasing to the eye? You've probably just found a "do-it-yourself" advertiser. Everyone believes they have good sensibilities about what an advertisement (print, broadcast, outdoor, *etc.*) should look or sound like. And why shouldn't we all? On a daily basis every one of us consumes vast quantities of advertising and as a result we all have opinions on what we like and don't like. Unfortunately, creating an ad you like and creating an effective ad are not always the same thing. In truth, there are established principals for developing good creative and most people don't know them. The problem is that advertising is utterly subjective. Everyone has an opinion of what good and bad advertising is. If there is one area that I recommend retailers get professional help with, it's on creative. Why bother spending money on advertising when your ads don't get read or heard? I would trade a larger media buy and weak creative for strong creative and a smaller media buy in a heart beat. You should too. Does this mean you need to hire an ad agency? Not necessarily. If you do a lot of print advertising, hiring a graphic designer on a contract basis or as a regular employee will be one of the best investments you could make. You can

hire an excellent graphic designer on a project basis or as a permanent fixture for a lot less than you might think. For broadcast media (TV and radio), you really need to work with the pros—either the media's own creative people or through an agency.

Advertising and traffic patterns

If your advertising is working, you should expect to see some impact on store traffic. When you monitor traffic in your store consistently, you will be able to see clearly the results of your advertising.

Starting at a very basic level, if we compare two promotions, we can see the impact on traffic of each promotion. In promotion A shown in Figure 1-5 traffic levels have increased compared to the traffic levels prior to and after the promotional period.

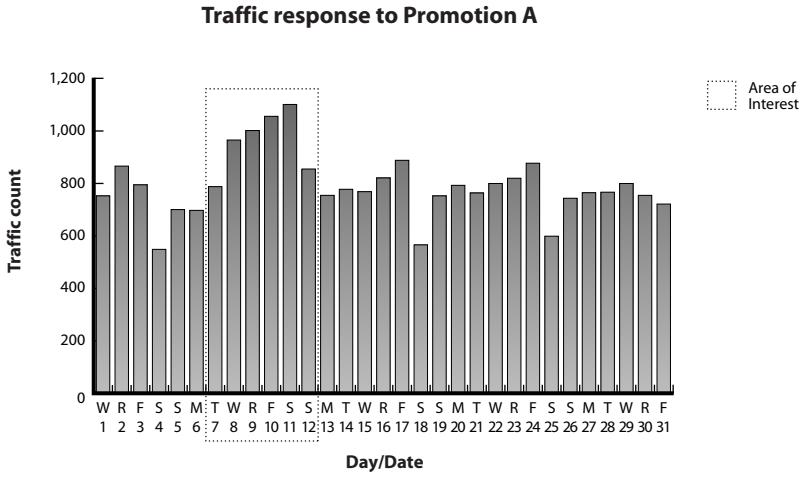

Figure 1-5

In promotion B shown in Figure 1-6, traffic levels have not increased during the promotion, compared to the traffic levels prior to and following the promotional period. In this case, it appears as though promotion B had little or no impact on traffic.

Looking at traffic patterns like this, compared to your advertising and promotional efforts, can very quickly tell you how effective

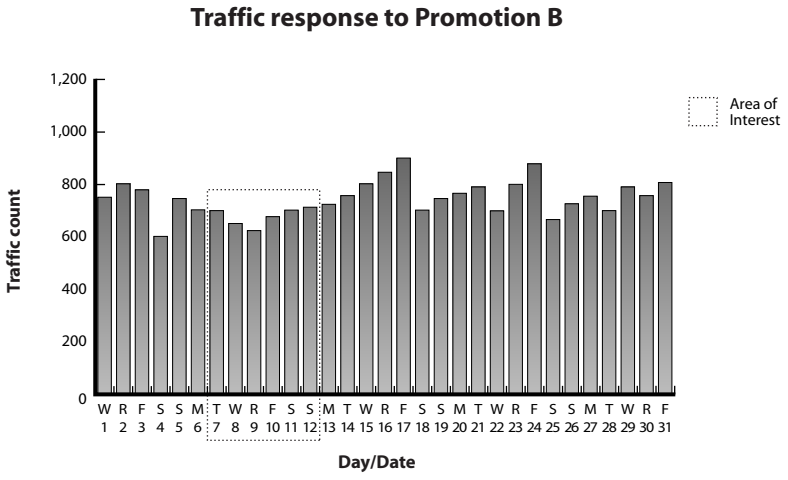

Figure 1-6

your advertising was at accomplishing its objective. Now of course, there could be many other factors that influence traffic levels, but advertising is a good place to start.

Successful campaigns—seeing results

Here is an example of a campaign that was effective in driving customer traffic. As the chart in Figure 1-7 shows, traffic ramped up at the beginning of the campaign and peaked on the Saturday of the event.

The average daily traffic was up 45% from the prior week, and the Saturday of the promotion was up 85% compared to the prior five Saturdays as seen in the chart in Figure 1-8. Following the promotion, traffic levels subsided to normal, average levels similar to those prior to the promotion. As a retail marketing manager, this is precisely the kind of traffic response I would want to see during a major advertising campaign or promotion. Based on this traffic data, I would declare this campaign to be successful (of course I would need to compare this to year-over-year results to be sure this isn't just normal seasonality).

In this next example, again traffic was up significantly during the

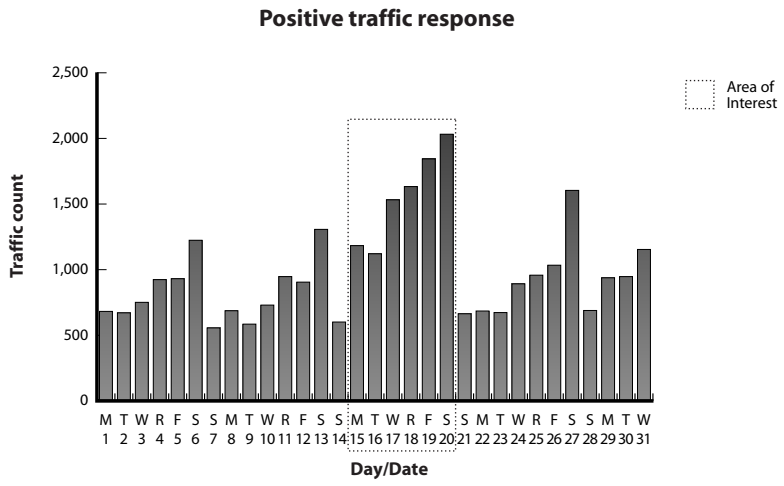

Figure 1-7

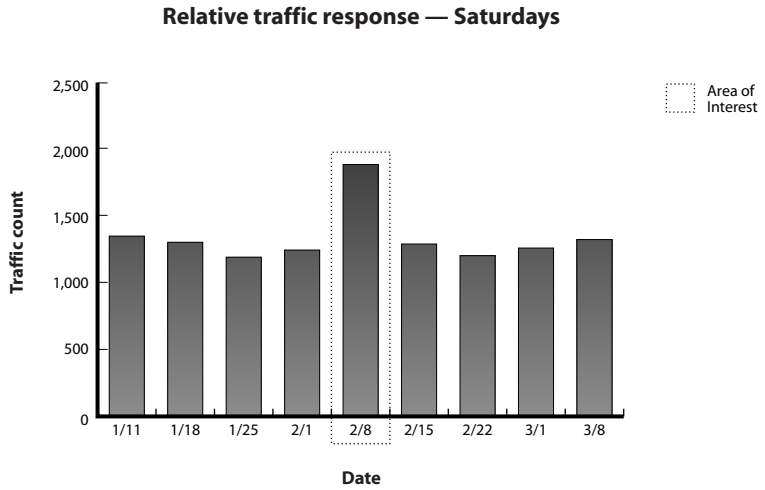

Figure 1-8

promotional period as shown in Figure 1-9. Specifically, traffic was up 43% over the average day prior to the promotion, and up

40% compared to the average traffic post promotion. Clearly this promotion drove traffic during the promotional period, but to truly understand the results, retailers need to also consider business seasonality—in other words, what was traffic for this same period last year?

Even though traffic appears to be favorably up, when compared to the prior year, we may learn that traffic is only up marginally, or not

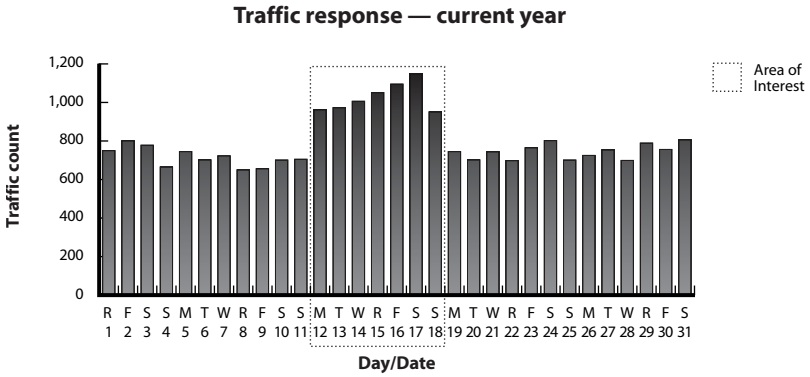

Figure 1-9

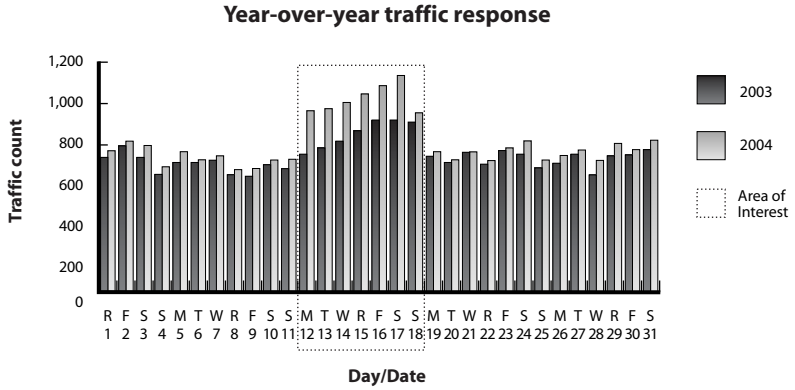

Figure 1-10

up at all! As the year-over-year traffic chart in Figure 1-10 reveals, traffic is indeed up year-over-year and we can confidently conclude that our advertising program had a positive impact.

It is critically important to compare apples-to-apples as much as possible. Traffic variations month-to-month could simply represent changes in business seasonality—that is, it may not be at all unusual for April traffic to be lower than March, but if April this year had lower traffic than April last year, that may be an issue.

Here's another example, this time illustrating the impact of a one-day event. As Figure 1-11 clearly shows, traffic was up dramatically. Again, from an advertising perspective, it is not hard to conclude that this advertising did its job. Call your media rep up and tell them that you're delighted with the results—they'll be shocked (and relieved).

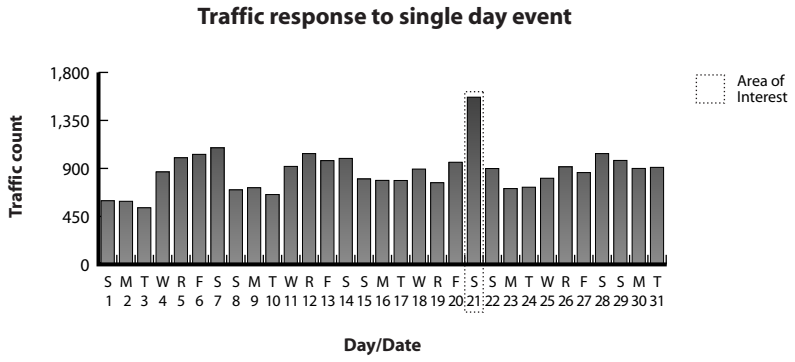

Figure 1-11

When campaigns don't work—seeing the lack of results

Taking the other extreme, here is a series of campaigns a retailer undertook that didn't have the same kind of traffic response. As you can see in Figure 1-12, there is no apparent change in traffic response as a result of this advertising. In fact, traffic actually went down some weeks when the campaign was running!

As we follow another campaign in Figure 1-13, the results don't seem to change. The traffic response is modest or non-existent.

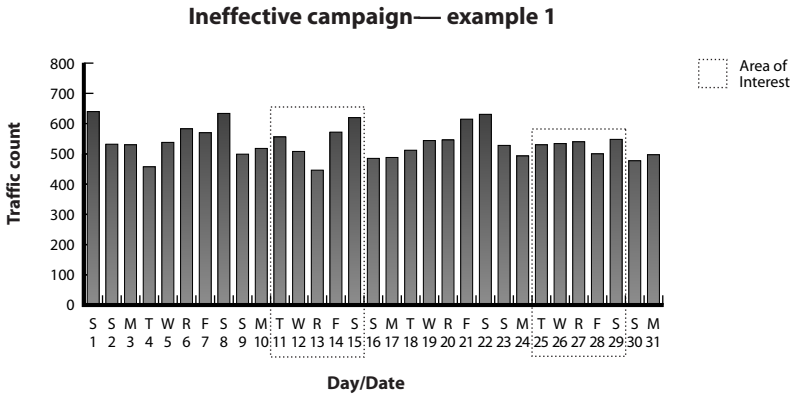

Figure 1-12

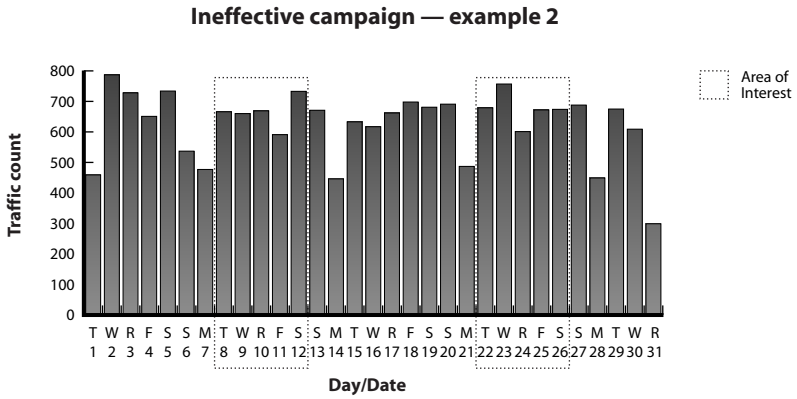

Figure 1-13

By looking at these traffic patterns, it's impossible to conclude anything other than these campaigns were not working. When we discussed the apparently poor traffic performance, it was even more incredible that the retail manager, who was responsible for these campaigns, was concerned about making any changes. Surprisingly, he was still nervous about altering the campaign—"These results are disappointing, but how much worse would they be if I changed

my advertising?" I told this manager that I wouldn't be concerned about changing the campaign—but I would be terrified of continuing it! Clearly this was not working. Even taking the advertising funds and putting them on the bottom line would likely have been a better business decision. I just don't buy the excuse that things could always be worse. The fact is, merely speculating about outcomes without any data is extremely reckless.

I know, I know—most of you reading this are thinking that this manager is just not very competent. However, before you pass judgment, you would be surprised at how many very smart retailers spend money on advertising and don't have the faintest clue about what's working or not. I'd say it's the majority.

The fact is, every retailer has had ad campaigns that bombed—and don't worry, you will have more in the future—I guarantee it. It's not a crime to run a campaign that in the end doesn't work. However, it should be a crime to run ineffective campaign after campaign after campaign, squandering precious resources. If something doesn't seem to work, experiment. Experimenting is a great way to understand what works best—how else are you going to figure it out? That said, experimentation without measurement is just foolish. Without a measure, you're flying blind. You simply cannot say what's working and what's not. Traffic patterns can provide you with tremendous insight about what works and what doesn't—it's really not that hard.

So back to the poor retailer who didn't want to change his ineffective advertising. The good news is that he's now looking at traffic data and is not afraid to try things that have a demonstrable impact on his traffic. It's a happy ending.

Traffic is up—or is it? Drilling down on traffic patterns to get the true insights

Just looking at general traffic patterns like the previous examples can, indeed, tell you a lot about how your advertising is performing. However, sometimes things aren't always what they appear to be. The traffic chart in Figure 1-14 shows traffic levels on the days this retailer dropped flyers. As you can see, every Wednesday that they dropped a flyer, traffic "spiked"—38% versus the average prior

Wednesday on flyer #1 and 47% versus the average Wednesday on flyer # 2—Wow! What terrific results!

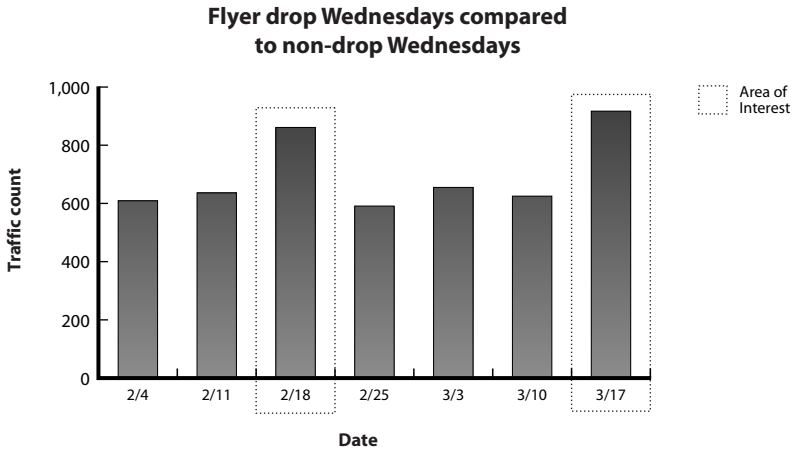

Figure 1-14

We were pretty excited about the results—everyone likes to see a success story. But before we popped the champagne, we thought we had better take a closer look at the traffic data. The flyers were dropped on Wednesdays, so naturally we wanted to understand what was happening to traffic on Thursday, Friday, Saturday and Sunday (these flyer events always lasted from Wednesday to Sunday).

The traffic chart below shows what the traffic levels were during the promotion days (*i.e.* Wednesday through Sunday) versus the average traffic for a Wednesday through Sunday during non-promotional weeks. As the chart in Figure 1-15 shows, clearly traffic was up during every day during the promotion compared to the non-promotion weeks. So far so good. Start chilling the champagne!

Just to be on the safe side, we thought we had better run the same analysis on the second campaign. What do you know—the same pattern. As the chart in Figure 1-16 below shows, like the first campaign, traffic is up across all days during the second promotion. This is really starting to look good.

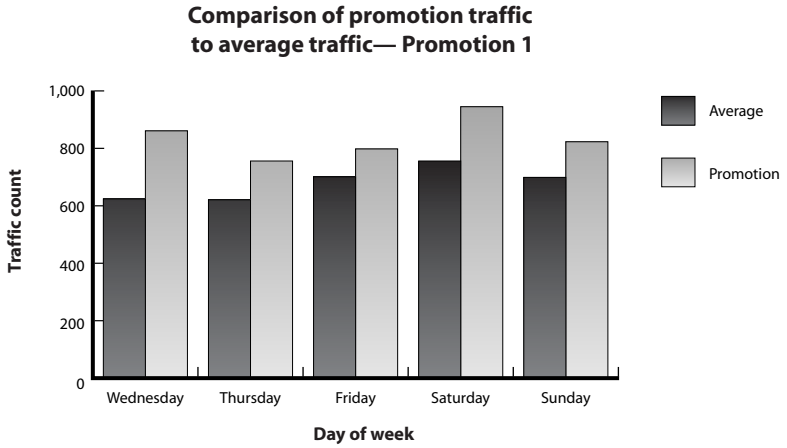

Figure 1-15

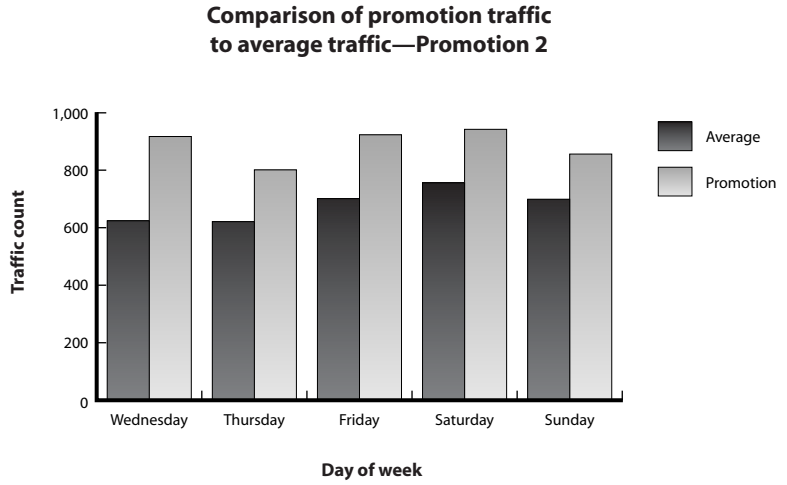

Figure 1-16

There was only one more thing to look at—traffic patterns AFTER the campaign. Although we would expect traffic to fall back to average levels after the campaign, it is possible that the traffic

levels might have stayed slightly higher, suggesting that there may be a "sustaining" affect. What we discovered is shown in Figure 1-17—traffic levels following the campaigns dropped significantly. In fact, traffic dropped so much that the huge traffic gains realized during the promotional weeks were dramatically reduced when the weeks following the promotions were considered.

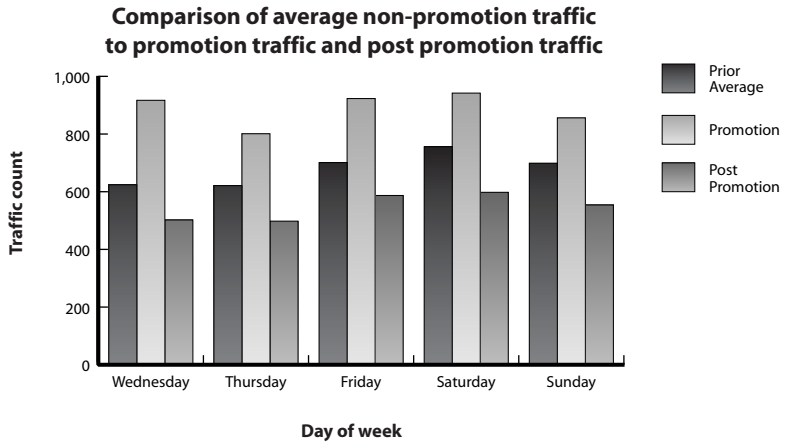

Figure 1-17

Unfortunately, there'll be no champagne corks popping for this promotion! But what we did learn is that you need to take a longer view of advertising effectiveness as it relates to traffic in order to understand if you're generating incremental traffic or simply shifting existing traffic. Fundamentally, retailers generally believe that when they run a promotion that they will attract incremental or additional prospects into their stores. However, as this previous example shows, sometimes advertising may simply shift prospect traffic. If the net effect of your advertising is to shift customers to come in sooner than they might have otherwise done, then you might not be getting the results you had hoped—even if it appears as though your advertising is effectively driving traffic.

On the other hand, shifting customer traffic forward may indeed be a good strategic decision. For example, if you knew that a competitor was about to hold a major sales event or planning a grand opening, it may make perfect sense to use advertising to drive customers into

your store sooner (*i.e.* before your competitor launches their campaign), even if the net amount of incremental traffic is modest.

What media best drives traffic?

If your advertising is working, you should expect to see some impact on store traffic. When you monitor traffic in your store consistently, you will be able to see the results of your advertising quite clearly.

Although some media tend to be better at, or used more often for, traffic response advertising than others, before I start receiving nasty letters from media reps, it is important to note that virtually any medium could be used to drive a retail traffic response. However, based on our experience in monitoring retail campaigns and traffic, we have concluded that certain media are more effective at driving traffic than others. As previously mentioned, in addition to media mix, other campaign components such as creative execution and media weight (*i.e.* the size of your media buy) will influence the traffic response as well.

Table 1-1 provides a quick comparative overview of various media's ability to stimulate a traffic response, and the following section will provide a more detailed review of media characteristics.

- **Daily Newspaper**

  Newspaper is the undisputed champ of retail advertising. Newspapers have several great advantages as a traffic response medium. First, by its very nature (*i.e.* daily) it has a sense of urgency and implicitly suggests "Come in today." Furthermore, newspaper enables advertisers to communicate detailed information without compromising the power of the ad—important pieces of information like stores hours, price points and even detailed product descriptions can be included. Newspapers also have relatively short lead times (usually several days or a week prior to publication), modest production requirements and relatively low cost. The samples in Figure 1-18 are good examples of typical newspaper ads.

- **Magazines**

  Magazines tend to have long "shelf lives" and cover larger geographic areas—provincial, state or national. Magazines

Table 1-1

Media comparison by cost & ability to drive traffic response

Medium	Cost	Ability to drive traffic	Comments
Newspapers	Low to medium	**Very Good**	The undisputed leader in retailing, the majority of retail ad budgets are spent on newspapers.
Flyers/ Circulars	Medium	**Very Good**	A favorite of retail, flyers and circulars offer flexibility and impact all with the immediacy and distribution of a daily newspaper.
Direct Mail	Low	**Very Good**	Direct mail can be very effective for driving a traffic response. Effectiveness usually depends on the quality of the mailing list.
Radio	Low to medium	**Good**	Radio is a terrific "take action" medium and is used extensively as a support medium.
Television	High in absolute terms, but low on a cost-per-prospect reached basis, especially when used nationally	**Good**	Very powerful medium but long lead times, production costs, and high frequency may make it prohibitive for smaller retailers.
Magazines	Medium to high	**Poor**	Long lead times and relatively modest circulation make magazines a less popular choice with retailers for traffic response campaigns.
Outdoor	Medium	**Poor**	Although outdoor is great for general awareness and brand building, it is used less for immediate traffic response campaigns in part due to the extended exposure—outdoor space is often sold in 4 week blocks.

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Figure 1-18

usually have long lead times (*i.e.* you need to get them your artwork well before the publication date). This is not typically the kind of medium you would use to create urgency and consequently tends not to be a good choice for immediate traffic response. That said, it may make a lot of sense as part of a broader national campaign to support traffic response activities.

- **Television**

  Television can be a very powerful traffic response medium. Although fleeting, TV messages with the use of sound and image can be every compelling. However, TV ad frequency usually needs to be very high in order to deliver the message to the intended audience, and consequently, cost can be a factor. Also, production can be costly and the lead times are usually quite long (weeks or even months). Although the cost is comparatively high relative to other media, it can be extremely cost effective nationally because of its broad reach.

- **Radio**

  Following close to newspaper advertising, radio is the retailers' second choice. Radio can deliver immediacy to a campaign and the relatively short production and scheduling lead times give retailers plenty of flexibility. The only downside is that radio has content limitations. You can only effectively communicate a small amount of information in a thirty second message, and because the message is fleeting you need to keep it very simple and say it often. Radio can be a terrific support medium or it can work on its own.

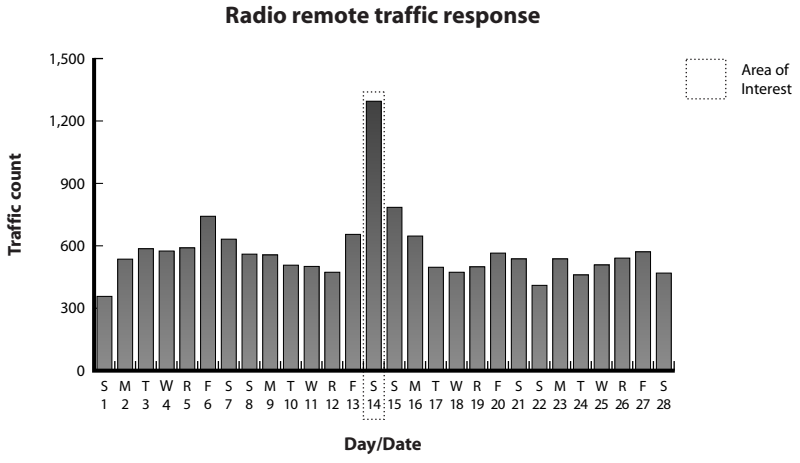

Figure 1-19

Radio remotes can also be very effective when used sparingly. A radio remote is where the radio station broadcasts "live" from your store location. This creates a sense of "event" and can be very effective in attracting prospects to your location. The chart in Figure 1-19 is an example of what impact a radio remote can have on traffic.

- **Outdoor**

Also referred to as billboards, outdoor advertising is a category of media that includes all shapes and varieties of outdoor signs, posters, murals, even the sides of buses! Although this is not a first choice, it can work as a support medium for a traffic response advertising campaign. Because outdoor advertising is usually sold in minimum four-week periods, your campaign needs to last that long. This detracts

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Figure 1-20

from the immediacy—why hurry in, if I have a month to get there?

- **Flyers/Circulars**

  Flyers are a major part of the retail advertising landscape. Flyers can be delivered either on their own or inserted into a daily newspaper. For the most part, flyers can be very effective at driving a traffic response. When inserted into major daily newspapers, flyers get the benefit and targeted distribution of the newspaper, but allow the retailers to really standout with the flyer size, layout and color of their choice. Also, flyers are generally associated with sales events, so the consumer response to this medium is usually immediate—whether there's a sales event or not.

- **Direct Mail**

  Though used more sparingly by retailers, a direct mail campaign can be very effective in driving a traffic response. The key, as with all direct mail, is the list. Sending mail to an existing base of customers can work very well; however, sending out "acquisition" mail or letters to "cold" prospects either as addressed or unaddressed mail is usually significantly less effective.

Advertising in multiple markets

If you have stores in multiple markets or even multiple stores in the same market, keep reading. The fact is, a successful advertising program in one market doesn't necessarily guarantee success in another, or even among stores in the same market. It's not really that hard to understand why. Every market has different characteristics: population demographics, competitive environment, media availability, and potentially different store characteristics. All these factors can influence the traffic response to an advertising campaign.

As the charts in Figures 1-21 and 1-22 show, the campaign in market A had a material impact on traffic levels in this store. However, the same campaign in market B at exactly the same time had a very different outcome.

A campaign may be deemed successful even if traffic doesn't go up in every location; however, the net aggregate traffic response should

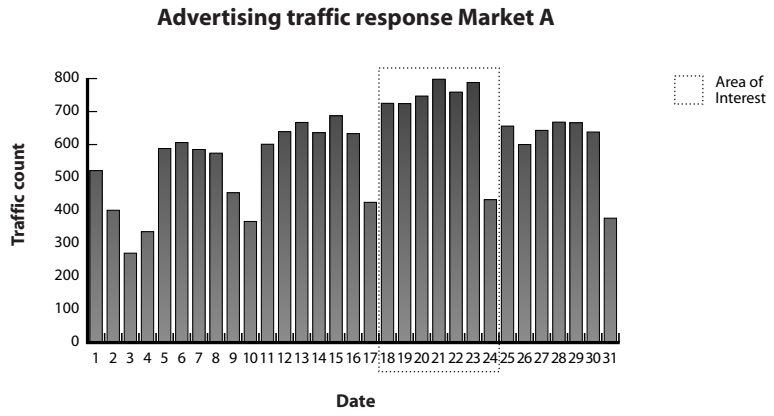

Figure 1-21

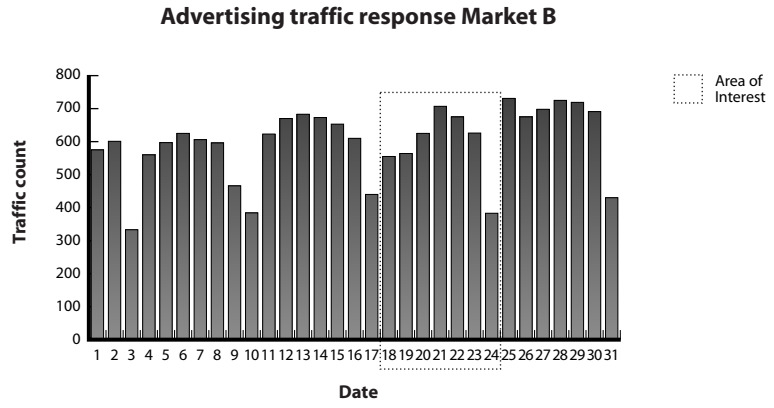

Figure 1-22

be positive. If an advertising campaign doesn't have a similarly positive impact in different markets (or locations), the key is to figure out what will drive traffic in the under-responding market or store. Although more complicated from a marketing management standpoint, it may be far more effective from a traffic response perspective to run a different media mix, message or weight in one

market than in others. For example, a chain might run newspaper ads in one market, a flyer in a second market and radio in a third. This may seem extreme and possibly costly in terms of economies of scale, but there really is no point in spending money on advertising if it doesn't result in a material traffic response. Clearly the cost/benefit of this type of approach would need to be evaluated.

Too much of a good thing: Can you advertise too much?

Some retailers follow a very regular advertising pattern. For example, they will drop sales flyers every Friday of every week in the year. As the traffic chart in Figure 1-23 shows, it is very difficult to determine precisely what impact this intensive (and costly) advertising activity is having on traffic. Are the flyers driving a positive traffic

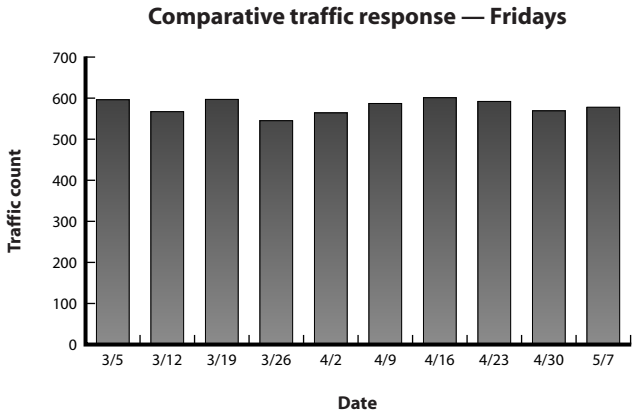

Figure 1-23

response? Is it overkill? Would eliminating one or a few of the flyers have any effect on the traffic response profile at all?

In this situation, the only way to know for sure is to change the schedule and see what happens. To this I often get a "If it ain't broke don't fix it" reaction. Or "we tried that once and sales went down." Unless you do this and carefully analyze the results, you will never know for certain. Just like the advertiser who continued to run ineffective campaign after ineffective campaign, this is

really no different. I suspect that retailers who run these non-stop campaigns may be able to save money if they cut back on some of those flyers. If they did eliminate some of these flyers, they would have a budget surplus that could be reallocated to experimental advertising to see if something else might drive more traffic. Or it could be used to fund merchandising programs, staff training, or even something really crazy like improving profitability! But they won't know if they don't try. Could retailers who continuously advertise save money and not materially impact traffic and sales? Probably, yes. Unfortunately, this isn't a situation in which most retailers find themselves, but it can happen.

Although there is a risk to experimenting (*i.e.* not running ads to see what happens), I would suggest that the value of knowing what happens would probably outweigh the potential risk of a short-term experiment. It could very well make sense to advertise every week, but I'm skeptical. And given the high cost of advertising, I'm just not convinced that blindly dropping flyers or running newspaper ads week-after-week is the answer.

Chapter Summary

- Advertising is the primary mechanism retailers use to drive traffic into their stores—especially the new prospects who are critically important to any retailer who wants to grow their business. Not only is advertising critically important to driving the business, it's also very expensive, which means your advertising decisions also greatly impact the bottom line as well as the top line.
- Although many retailers don't think you can practically measure advertising or that sales is the only measure, the fact is you can, and the best measure is traffic, not sales.
- The key to understanding advertising effectiveness is in having a clear objective—specifically, retailers need a traffic response objective. Once you're clear about that, the whole issue of measuring advertising effectiveness becomes a much less abstract concept. That said, there still is a lot of trial and error and subjectivity about all the decisions that go into an ad campaign—creative execution, media mix, budget, timing, etc. As long as you measure against your traffic objective, you may go wrong, but you won't go too far wrong—at least not for long. If traffic isn't going up, there's a good chance your advertising isn't working. Don't be afraid to try something else.
- Everyone believes they have good marketing sensibilities. Know your limitations. Get help when you need it—especially from a creative execution perspective. Don't hesitate to work with ad agencies, but don't be afraid to find out what it costs before you begin and stay engaged—it's your business! In other words, be a good client.
- The traffic response to advertising and promotions can be very apparent in the number and timing of prospects in your store. If a campaign is very successful, you should see a measurable traffic response—relative to both current traffic

trends and year-over-year. When advertising doesn't work, you can see that too.

- Before you discard a particular campaign based on traffic results, make sure you have thought through all the factors that might have impacted traffic. For example, if you ran a campaign during a major snowstorm, the campaign itself might have been just fine and it was this extenuating circumstance that suppressed the traffic response.
- All media can drive traffic to an extent. However, some media tend to be better suited to traffic stimulation that others.
- For retailers with stores in multiple markets, careful attention needs to be paid to the traffic responses across the chain. A campaign in one market may not have the same impact as in another market.
- Lastly, for retailers who continuously advertise (*e.g.* dropping flyers every week), there may be cost savings by selectively cutting back on advertising. By doing this carefully, retailers might find they spend less without negatively impacting traffic or sales.