

When Retail Customers Count

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

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2

CHAPTER

Setting and Refining Store Hours

Do prospects and customers
visit your store because of your
store hours or despite them?

Setting and Refining Store Hours

UNFORTUNATELY, THERE ARE no hard and fast rules for setting store operation hours—too bad. It's too bad because it's an area that vexes retailers of all sizes in virtually every category. The whole idea of setting store hours seems to fall into the category of common sense—set store hours that are convenient for customers. It's just that simple, isn't it? Mostly the answer is yes, but there are nuances about setting and refining store hours that should be considered.

There is no question that store hours have been getting longer and longer as retailers try to find any edge over the competition. Meanwhile, customers are expecting retailers to be open at times that are convenient for their lifestyles.

STORE HOURS

- Setting store hours
- Using traffic data in store hour decisions
- Consequences of changing store hours
- Multi-locations

Extended hours, Sundays and holidays—customers expect more and retailers are giving more. Understanding prospect traffic volume and timing in your store can provide important clues about what your store hours should be. In this chapter we will explore exactly how you can use traffic data to determine store hours. First, we'll briefly review the different ways retailers set store hours and the different circumstances that

lead retailers to change or modify store hours. Although you would think this would be one of the more static variables in retailing (and it is), store hours do and probably should change periodically.

Next, we will look specifically at how traffic analysis can help management set and refine store hours. Along the way, we'll look at the case of a retailer extending store hours, and we'll touch on the idea of store hour experimentation and how traffic data can be used to help understand results.

Lastly, we'll address the consequences of changing store hours and identify some of the unique challenges that multi-location retailers face in this regard.

Setting store hours

Setting store hours is one of the most fundamental decisions retailers make, but it's a more complex decision than many might expect. Virtually all retailers are open Monday through Friday from 10 AM to 5 PM—so far, so good. Invariably decisions about store hours come down to those one or two hours prior to 10 AM and those two or three hours after 5 PM. Of course, setting hours for weekends, holidays and special events is a separate issue. In all cases, however, there are a number of factors retailers should consider when setting or refining store hours.

Customer feedback

Always a good place to start, polling customers to get a sense of what they find convenient is advisable. Of course, be careful not to over-react to this input. It may be convenient to be open from 7 AM until 11 PM every night based on when customers *say* they would like to shop, but clearly this would not be practical, and frankly, not likely when these customers would actually shop. Instead of asking customers literally what they would like your store hours to be, try to get them to describe their behaviors relative to shopping visits in your store.

Competitive pressure

The starting point is to list your key competitors and then document

what the store hours are for each of them. If you're really keen, you might even visit your key competitors' stores to get a sense of their traffic volume, especially during the early hours and near closing hours—that is, during the hours you may not be open but may be considering. For example, if you surveyed your top three competitors and determined that they were opened for 6, 8 and 14 hours more per week respectively than your store, you might want to consider extending your store hours. Think of it this way: if a competitor has 6 more selling hours in a week than you do, over the course of a year that adds up to 312 more selling hours! If during some of these 312 hours some of your very loyal customers visit your competitor simply because your store isn't open, you might want to think about extending your hours.

Property covenants

Most shopping malls and some retail centers have, as part of the lease, an agreement that all retailers be open for specific hours. Even though there may be some flexibility, generally, retailers will need to conform to the store hour covenants imposed by the property manager.

Seasonality

Although standard store hours may not vary much, every business is subject to some kind of business seasonality. Seasonality is just another way to characterize the peaks and valleys of the business cycle to which all retailers are subject. For example, back-to-school represents an important season for many kinds of retailers; for other retailers, Mother's Day is one of the busiest times. I think you get the idea. The point is retailers often do change (usually extending) store hours to take advantage of seasonal busy times.

Holidays and special events

Retail shoppers have come to expect a change in store hours during holidays. Whether these are extended hours or reduced hours, retail shoppers understand that holidays will often mean a change in store hours. Of course, special events which are driven by the retailer themselves represent another circumstance where retailers may modify store hours. For example, a retailer might hold

a “Midnight Madness” event and literally keep the store open until this traditionally unusual retail hour.

Now that we have reviewed some of the more common factors that influence store hours, we’ll turn our attention to how you can apply traffic analysis to setting and refining those hours.

Using traffic analysis to refine store hours

Instead of relying upon intuition or just plain old history to set operating hours (*i.e.* this is the way we’ve always been and we don’t see any need to change it), retailers need a more reliable method. They need a system that is reliable, consistent and accurate enough to identify changes, sometimes subtle changes, in their business. The assumptions and reasons store hours might have been set initially (maybe even many years earlier) may not apply today. The market is changing; customers and competitors are changing. You have been changing as well.

In this section we will explore what traffic data can tell you about store hours. Are you closing too soon? Are you opening too late? Too early? Was it worth extending store hours for the big sale?

General traffic patterns

The first step in the process is to simply understand what your

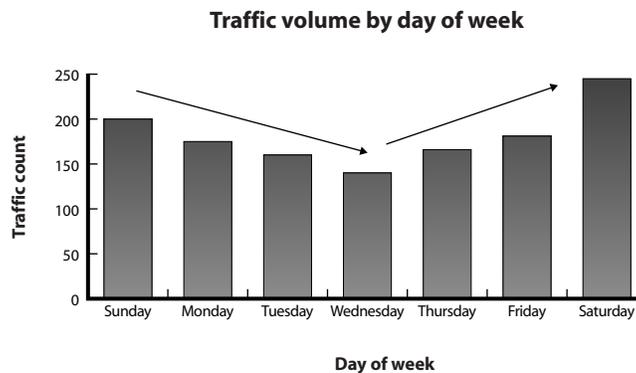


Figure 2-1

traffic patterns are. Naturally, you will need to understand traffic volume by hour and as well as by the day of the week. Traffic patterns may be very consistent or they can vary dramatically. As the chart in Figure 2-1 demonstrates, traffic volumes and patterns can and do vary by day.

By analyzing traffic volumes by day of week, we get a sense of when the busiest days are. The next step is to drill down to the hourly traffic level. Generally, hourly traffic patterns fall into one of three categories: front-end loaded, normally distributed or back-end loaded.

Front-end loaded

As shown in Figure 2-2, a front-end loaded traffic pattern is one in which traffic volumes are highest at the early part of the day and then decrease as the day progresses. In this example, traffic peaks between 9 AM and 11 AM and is essentially flat from 1 PM until closing. Not only does this pattern have obvious staffing implications, it also begs for an answer to what traffic might be from 8 AM to 9 AM (*i.e.* an hour earlier than the store currently opens).

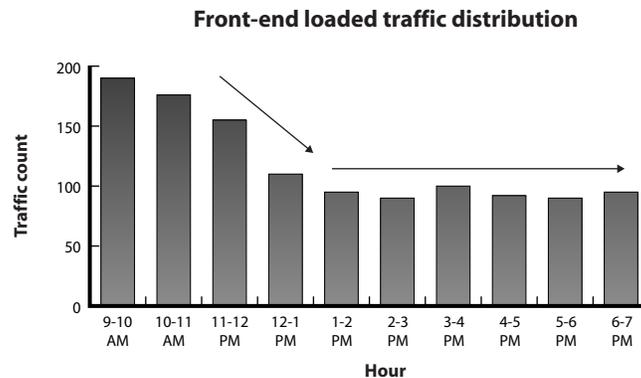


Figure 2-2

Normal distribution

A traffic pattern that follows a normal distribution has traffic start low at opening, ramp up through the day and then decrease until close.

Peak traffic volume usually occurs between 11 AM and 2 PM. The chart in Figure 2-3 shows a typical normally distributed traffic pattern.

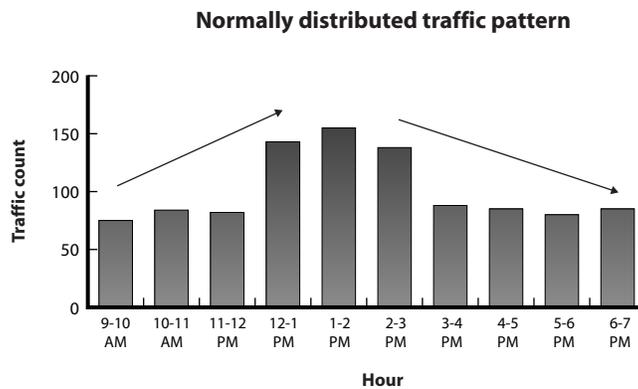


Figure 2-3

Back-end loaded

As the name suggests, a back-end loaded traffic pattern is one in which traffic is lowest at opening and then ramps up throughout the day. The traffic peak tends to be at, or very near, the end of the day as shown in Figure 2-4.

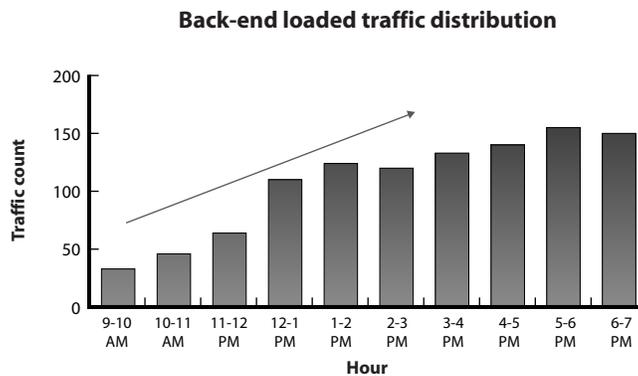


Figure 2-4

Hourly traffic patterns and store hours

As these general hourly traffic distribution charts show, traffic volumes, especially at the beginning and end of the day, can provide invaluable insight about store hours. For example, in the front-end loaded distribution, it might make sense to open the store earlier. Conversely, in the back-end loaded distribution, it might make sense to extend hours beyond the current closing hour. Let's look at a specific example to illustrate the point.

London Antiques: A case study in maximizing the traffic opportunity by revising store hours

London Antiques is a single location antique retailer. After analyzing traffic data for the past several months, management identified the typical weekday and hourly traffic distribution. As the chart in Figure 2-5 shows, London Antiques has a back-end loaded hourly traffic distribution.

Based on the hourly traffic distribution, management wondered whether the store hours were optimal. Although store hours of 9 AM to 6 PM seemed to make sense over the years, perhaps it was time for a change? Based on the traffic patterns, management hypothesized that extending store hours by two additional hours could make sense given that the last hour of the day had such strong traffic.

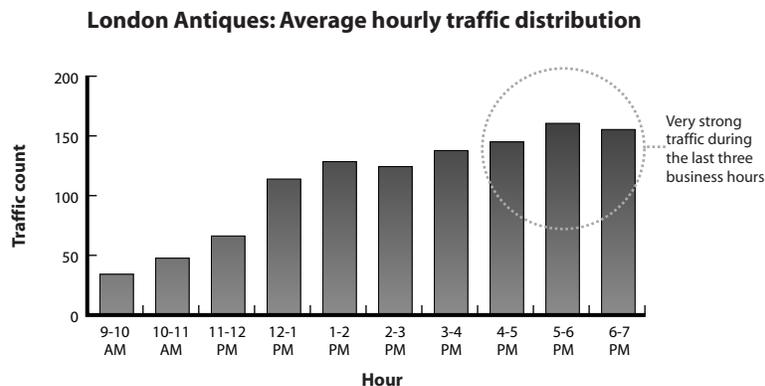


Figure 2-5

There was one small problem with the idea—staff expense. Experimenting with extending store hours seemed like the right thing to do, but what about the extra two hours of staff expense? Although management was interested in the outcome of a test, there was no appetite (or budget) for additional staff. After further consideration, management decided to conduct the test in such a way that staff expenses would not be affected. Given that the early hours had comparatively low traffic counts compared to the ending hours, management decided to open the store two hours later and close two hours later. By shifting the operating hours, the total staff expense would remain unchanged, but, if management was right, the store would actually receive more prospect traffic.

After about a month, a new hourly traffic distribution emerged. As seen in the chart in Figure 2-6, the new, extended store hours appear to be a win. Prior to the store hour change, average traffic counts from 9 AM to 10 AM and 10 AM to 11 AM were 33 and 46 counts respectively. During the extended store hours, traffic counts were 140 between 6 PM and 7 PM and 92 between 7 PM and 8 PM. By modifying the store hours, London Antiques traded 79 prospect counts at the beginning of the day for 154 prospect counts at the end of the day. The net effect of making this change in store hours was an increase in total traffic of 95% for the 2 hours. And what's

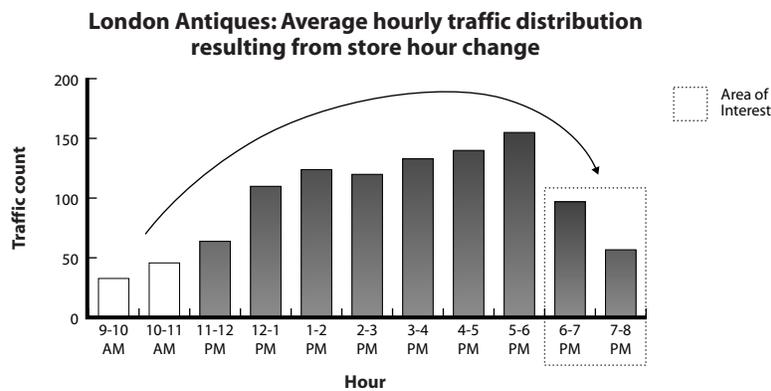


Figure 2-6

really magical is that it was achieved without incurring additional staff expense because total operating hours did not increase.

Extending store hours means more business, right?

One common assumption about extending store hours is that it will lead to incremental traffic and consequently incremental sales. It makes sense, doesn't it? If your store is currently open for 8 hours and you decide to stay open one additional hour, you should get all the traffic you normally would have during the 8 hours plus extra traffic from the new, extra hour. Unfortunately, this isn't always what happens. Here's a case to illustrate the point.

Growing the store hours: A case study in extending store hours

In an effort to take advantage of the active spring planting season, Gail Greenwood, owner of Greenwood's Greenhouse and Garden Center, decided to extend store hours by one additional hour. Store hours were already long at this time of the year—8 AM to 9 PM, but the way Gail figured it, as long as customers wanted to buy, the store should be open. As a seasonal business, you have to make the sales when you can. Gail was convinced that remaining open for an additional hour would more than cover the incremental expense of

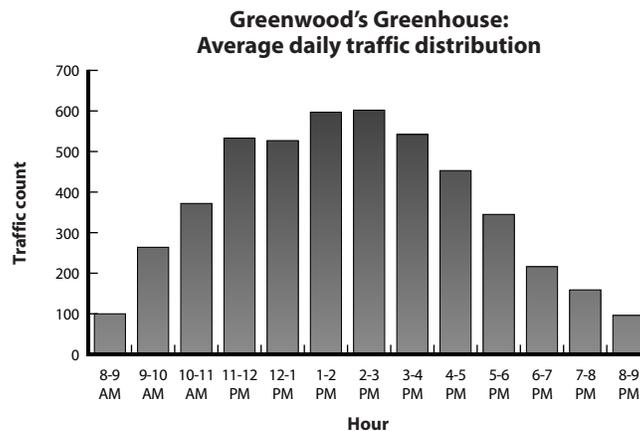


Figure 2-7

paying staff to work the extra hour. Moreover, staying open would provide more convenience to customers. In Gail's mind it was virtually a no-brainer.

Prior to extending store hours, the average traffic distribution by hour was as illustrated in the chart in Figure 2-7. Although traffic did ramp down through the evening hours, there still were 96 prospect counts from 8 PM to the 9 PM closing.

Gail extended the store hours by one extra hour to 10 PM and promoted this to customers through large signs at the entrance and exit of store. The chart in Figure 2-8 shows the average traffic by hour after several weeks with extended hours.

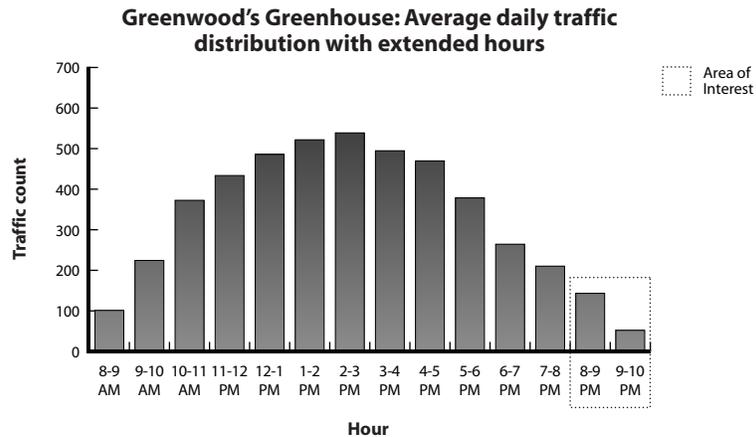


Figure 2-8

Interestingly, evening traffic did actually increase with the extended hours. The new extended hour was receiving some 52 prospects. Gail thought this was a pretty good result. Given Gail's relatively high average sale value and conversion rate, these extra 52 prospects more than paid for the additional staff expense of keeping the store open for an additional hour.

Before Gail cracks open a bottle of champagne to celebrate the successful business decision however, she should look at the data a little more closely. It is true that evening traffic has increased, and that the new 9 PM to 10 PM hour is generating 52 prospect counts on average.

So far so good. But if we look at the total traffic for the day, we realize it hasn't increased—in fact, it decreased. Prior to the extended store hours, the average daily traffic was 4,806 counts; after extending store hours the average daily traffic was 4,757 counts—that's 49 fewer counts than before! How could this be possible?

Here's how. The fundamental assumption that Gail and many other retailers make is that extending store hours will lead to incremental traffic—period. It does not seem probable to retailers that by extending store hours, the result would simply be a shift in traffic timing and that the overall volume would not materially increase. But that is exactly what happened at Greenwood's Greenhouse and Garden Center and it's what happens to many retailers. Total traffic did not increase (actually it decreased slightly), but traffic timing did shift to the evening hours. In this situation, Gail actually increased her staff expense by 1 hour, but didn't generate any incremental traffic. Assuming that sales conversion rates and average sale values remained constant, this was not a good decision. The chart in Figure 2-9 and Table 2-1 below provide a comparative view of traffic by hour before and after the change in store hours. With traffic data, this type of analysis is a straightforward exercise, and the true impact of a change in store hours becomes clear.

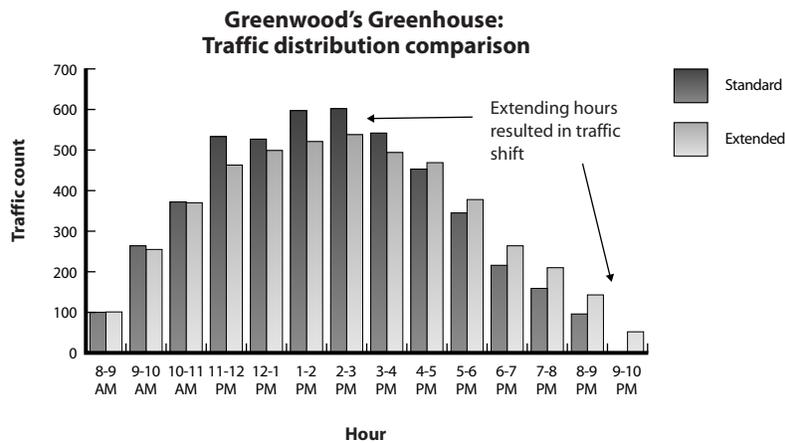


Figure 2-9

Table 2-1

Greenwood's Greenhouse: Hourly traffic count comparison

Hour	Original Hours	Extended Hours	Traffic Change
8 to 9 AM	100	101	1
9 to 10 AM	264	255	-9
10 to 11 AM	372	370	-2
11 to 12 PM	533	463	-70
12 to 1 PM	527	499	-28
1 to 2 PM	597	521	-76
2 to 3 PM	602	538	-64
3 to 4 PM	542	494	-48
4 to 5 PM	453	469	16
5 to 6 PM	345	378	33
6 to 7 PM	216	264	48
7 to 8 PM	159	210	51
8 to 9 PM	96	143	47
9 to 10 PM	n/a	52	52
Total	4,806	4,757	-49

Consequences of changing store hours

Changing store hours is a big decision and it shouldn't be taken lightly. As the prior example showed, changing store hours can have a direct impact on operating expenses. As part of the decision to change store hours, there are a number of considerations retailers should keep in mind.

Advertising and communications

Choosing to change your store hours is not as easy as updating the

store hour sign on your front door (or wherever you display store hours). It takes some time for customers and prospects to realize that your hours have changed. To an extent, you need to “shout” the store hour change. Large, bold signage at the front of the door is an obvious and effective first step. In order to improve your chances of attracting incremental traffic versus shifting existing traffic, including a strong message in all advertising and communications is advised.

Staff expenses

As the Greenwood’s Greenhouse case study showed, there is a financial consequence of extending (or reducing) store hours. Retailers need to understand what the staffing (or more specifically, the staff expense) consequences are of changing store hours. In addition to the financial consequences, there are other issues to keep in mind. For example, if you extend hours significantly and do not increase your total staff numbers (*i.e.* get existing staff to work longer), you run the risk of burning out your staff, which could lead to turnover. On the other hand, if you reduce hours, you might find that staff aren’t getting enough hours and consequently leave to earn more elsewhere.

Customer confusion

Shoppers like familiarity. Constant tinkering with store hours is not advisable, as you run the risk of confusing prospects and customers. “Why is the store closed? I was here last month and they were open at 9 AM, now they’re not. What’s up with these guys?”

Competitive response

A good reason to extend store hours may be to create a competitive advantage. For example, if yours is the only golf equipment store open 7 days a week from 9 AM to 9 PM, you might find that you have a slight advantage over your competitors who are open only 6 days a week from 9 AM to 6 PM. In this case, the extended hours may make a lot of sense (again assuming you’re not just shifting existing traffic). The only issue you need to keep in mind is that this competitive advantage is not sustainable. That is, any one of your competitors can easily extend their store hours to match yours. And if by doing so, the impact on your business decreases your

total traffic, you end up with higher staff expenses supporting fewer prospects—not a good trade.

Refining store hours for multiple locations

As this chapter has shown so far, setting and refining store hours can be tricky—there are a number of factors to consider and sometimes what you expect will happen doesn't. Everything that we just covered about store hour changes naturally applies to multi-location chains with the addition of a couple of nuances. This next section will discuss these.

One of the critical decisions chain management needs to make is whether to have consistent hours across the chain or different store hours by location.

Consistency versus optimization

The fundamental decision about standard chain-wide or location specific store hours is one of consistency and continuity versus optimization. There are advantages and disadvantages to each approach, and as you look at retailers in your market, you'll find plenty of examples of both. Let's briefly review some of these.

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Figure 2-10

Standardized chain-wide store hours

The key advantage of having standardized store hours is continuity and simplicity. In this case, continuity and simplicity applies to

marketing communications and staff scheduling. With standardized store hours, every advertisement or communication can simply state the stores' hours without having the burden of describing the variations by location. This enables retailers to spend much less time and space (*i.e.* in print ads or flyers) on communicating store hours.

From a staff planning and scheduling perspective, it is far easier to manage staffing levels and costs across a number of locations if store hours are consistent. Variations in store hours by location, though manageable at the store-level, can get complicated when rolled up across all stores. Question: Why does store 22 have 10% higher labor costs? Answer: Because they're opened longer hours than the other stores. This could get confusing over a large number of stores.

From the customer's point of view, consistent hours mean they don't have to worry about knowing the hours by location. Customers have enough to think about—if they get to your store, that's a victory in itself! If for whatever reason on a particular day, a customer decides to visit a different location, they might be a little perturbed if they found the store closed because the store hours at that particular location were different from the store at which they normally shop.

Location-specific store hours

The key advantage of having location-specific store hours is that it provides a level of optimization that standardized hours simply cannot. For example, if you had a three-store chain and traffic distribution by location looked like the charts in Figures 2-11, 2-12, and 2-13—one back-end loaded, one normally distributed and one with a front-end distribution, the inefficiencies become clear.

In store #1, it might be beneficial to have later store hours, as traffic levels are very strong near closing. At store #3, traffic is very strong at opening. This might suggest that opening the store earlier might make more sense in this location. With standardized store hours, optimizing store #1 and store #3 would not be possible.

Communications also become more of a challenge with location-specific store hours. Think about all the places that retailers promote or communicate store hours—advertisements, catalogs, signs, direct mail, websites, and more. Now multiply all these different

Hourly traffic distribution—Store #1

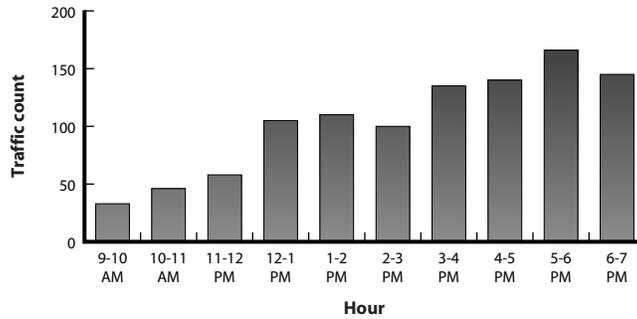


Figure 2-11

Hourly traffic distribution—Store #2

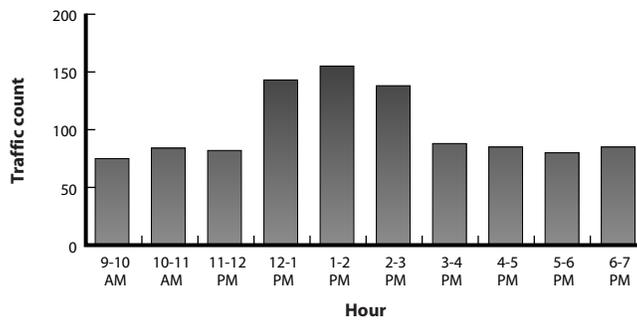


Figure 2-12

Hourly traffic distribution—Store #3

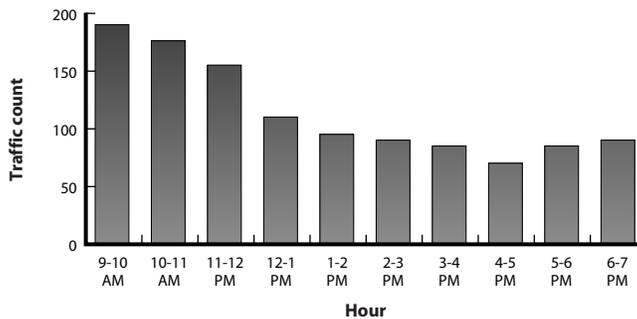


Figure 2-13

communications by the number of locations—it gets messy, doesn't it? But that's exactly what retailers who have location specific store hours manage.

Table 2-2

Store hours by location

Day(s)	Location #1	Location #2	Location #3
Mon/Tues	8 AM to 6 PM	8 AM to 6 PM	8 AM to 6 PM
Wed to Fri	8 AM to 9 PM	8 AM to 9 PM	8 AM to 9 PM
Saturday	9 AM to 5 PM	9 AM to 5 PM	9 AM to 5 PM
Sunday	11 AM to 5 PM	Noon to 5 PM	Noon to 5 PM

Day(s)	Location #4	Location #5	Location #6
Mon/Tues	8 AM to 5 PM	9 AM to 5 PM	9 AM to 5 PM
Wed to Fri	8 AM to 9 PM	8 AM to 9 PM	9 AM to 9 PM
Saturday	9 AM to 5 PM	9 AM to 5 PM	9 AM to 5 PM
Sunday	Noon to 5 PM	11 AM to 6 PM	11 AM to 6 PM

Day(s)	Location #7	Location #8	Location #9
Mon/Tues	9 AM to 6 PM	8 AM to 6 PM	8 AM to 6 PM
Wed to Fri	9 AM to 9 PM	8 AM to 9 PM	8 AM to 9 PM
Saturday	9 AM to 6 PM	9 AM to 5 PM	9 AM to 6 PM
Sunday	11 AM to 5 PM	Noon to 5 PM	11 AM to 6 PM

Although it might make perfect sense, and actually be even better for the business and customers to have location-specific store hours, it does create a level of complexity that should be understood.

There is no right way to set stores hours across multi-location retail chains. As this section has illustrated, there are both advantages and disadvantages to either method. The important point is that management think about these factors and formulate a store hour strategy that ultimately drives the best sales result, while balancing customer service, impact on staff, and overall expenses.

Chapter Summary

- There are no hard and fast rules to setting and refining store hours. Deciding what your store operating hours will be is a fundamental, yet tricky, decision that has many retailers second guessing themselves.
- There are a number of inputs retailers consider in establishing what their store hours should be, including customer feedback, competitors' hours, and business seasonality. Depending upon where the retail store is physically located, it may be subject to covenants that prescribe what the operating hours must be. Also, holidays and special events may compel retailers to modify store hours in order to maximize the sales opportunity.
- Traffic analysis is an extremely useful input into setting and refining store hours. Daily traffic distribution, or traffic by hour, can vary. These inter-day patterns usually fall into one of three general categories: front-end loaded, back-end loaded or normally distributed. By understanding these hourly traffic patterns, retailers will be able to identify opportunities to optimize store hours to better match traffic patterns.
- Extending store hours during special events, holidays or different seasons is common in retail. The underlying assumption in extending store hours is that incremental operating hours will lead to incremental traffic and consequently incremental sales? Unfortunately this isn't always the case. By analyzing traffic data, retailers can understand exactly what happens when they extend store hours—sometimes traffic merely shifts and total traffic does not increase. This can lead to higher staff expenses for little or no additional sales revenue.
- There are a number of consequences to changing store hours that retailers need to consider, including the cost and effort of communicating the new hours, the cost of staffing the

additional hours, potential “wear-and-tear” on staff, and customer confusion.

- In multi-location retail chains, the challenge of setting and refining store hours takes on added complexity. Ultimately, chains need to decide whether they will employ standardized store hours across the entire chain or employ location-specific hours. Though there is no one right or wrong answer to this, there are advantages and disadvantages to each.
- Standardized store hours across a chain are less confusing and easier to communicate to customers, and they simplify staff scheduling. The downside is that standard operating hours may not be optimal for all locations equally. With location-specific operating hours, store hours can match the unique traffic patterns more precisely for each store, potentially resulting in higher levels of customer service and total sales. The downside is that communicating different store hours for numerous locations can be unruly from a communications standpoint and potentially confusing to customers.