

Improve Your Average Transaction Size

Learn How to Use Financial Metrics From the *Cost of Doing Business Study* to Improve Your Business



Keough's Paint & Hardware

Stamford and Ridgefield, Connecticut

Ray Barrett, general manager of Keough's Paint & Hardware, knew he had to find a way to increase existing customer spending to grow the business.

The business' two stores are located in small Connecticut communities, don't draw much out-of-town traffic and have a limited customer base.

Making some price changes and staying well stocked helped boost transaction sizes, but pushing the customer rewards program Keough's offers through its co-op made a big difference.

Keough's has provided the rewards program to shoppers for 10 years, but didn't promote it much until about three years ago.

“This is an opportunity to grow our business with a tool we already have that we're just not utilizing.”

—Ray Barrett, Keough's Paint & Hardware

The co-op helped Barrett understand the sales opportunity the rewards program could be.

The rewards program helps increase transaction size by encouraging customers to spend more money. The more they spend, the more discounts they get, which motivates them to make bigger and more frequent purchases.

Barrett began offering incentives to his team of employees to promote the program. At first, workers would earn \$1 for every new customer who signed up. Now, the employee who signs up the most shoppers in a week earns a free lunch.

“Every customer is asked, ‘Are you part of our rewards program?’” Barrett says.

When he and his team took the co-op's advice to promote the rewards program, they were quickly impressed.

“This is an opportunity to grow our business with a tool we already have that we're just not utilizing,” he says.

Average ticket size has increased about 20 percent over the past three years, and 65 percent of transactions are now rewards transactions, Barrett says.

“It works,” he says.



Sunshine Ace Hardware

Seven locations in Florida

The idea wasn't expensive or complex, but paid almost immediate dividends.

Michael Wynn, president of Sunshine Ace Hardware in Florida, ordered dozens of red shopping baskets and started a new initiative to get a basket into the hands of every shopper who walked into one of his stores.

The plan? "Change how customers, ultimately, shop our store," Wynn says.

The goal was to use that change to increase average ticket size at every store.

For more than 50 years, many customers had walked into Sunshine Ace stores and bought only what they could carry in their hands, Wynn says. If the shoppers already had long shopping lists, they would grab a shopping basket or cart. If they didn't plan on buying much, then they bought what they could hold and reduced their ability to make impulse purchases or add-on buys.

Starting in 2012, Sunshine Ace staffers placed more baskets at the front of the stores than in the past, as well as in convenient locations throughout the stores. Greeters stood at store entrances not only to welcome customers, but also to offer them shopping baskets. The baskets were no longer simply available to grab if a customer wanted one. An employee would hand baskets to the customers, and in most cases, the shoppers took them, no questions asked.

"Like many ideas in retail, we simply took a good idea and we've been absolutely laser focused," Wynn says.

Cashiers would scan barcodes at the checkout counters to track red basket purchases.

Average transaction size shot up at every store, with increases ranging from 10 percent to 30 percent, depending on the location. Affluent customers took the baskets without a thought, and immediately began spending more money.

"In the end, there are a lot of customers that want to spend more with us, but we're not always making it easy for them to do so," Wynn says.

Shoppers in more working-class neighborhoods resisted taking the baskets because they understood the goal was to get them to spend more, Wynn says.

In those areas, the stores began offering incentives for customers to take the baskets. For example, barcodes on some baskets would be associated with prizes, and no one knew which baskets would be winners. A winning basket provided instant discounts on a customer's purchase.

Three years later, many Sunshine Ace customers have been trained to walk in and pick up baskets without greeters offering them.

Every week, managers report average transaction sizes associated with the baskets as compared to nonbasket users' spending. They compare statistics month to month, and keep data dating back to the start of the initiative.

At many businesses in a variety of retail sectors, customers pull out their shopper rewards cards before being prompted. Sunshine Ace customers have a similar habit with the red baskets now.

"It's part of their shopping routine now, and they're just accustomed to it after having been prompted over the last several years," Wynn says.



