

13 Essential Metrics for Tracking Retail Performance

Sales per square foot

Formula: net sales / amount of sales space

This metric pertains to the amount of sales you generate per square footage of sales space in your store. (Note: this doesn't include the warehouse)

Retail sales per square foot is a good indicator of store productivity, and it can also tell you if you're making good use of space in your store. You can use this metric when planning your store layout and merchandise.

Sales per employee

Formula: net sales / number of employees

Sales per employee is a measure that comes in handy when you're planning your staff's schedules and initiatives.

This metric can help you make smarter employment decisions, particularly when it comes to hiring, rostering and compensation.

Conversion Rate

Formula: number of sales / total number of visitors

The conversion rate is the proportion of store visits to the number of shoppers who made a purchase.

The conversion rate tells you how good you are at turning lookers into buyers. Driving too many visits is great, but traffic alone won't add much to your bottom line if your visitors don't convert.

Gross Profit

Formula: sales revenues – cost of goods sold

Your gross profit tells you how much you made after deducting the costs of creating and selling the product.

Net Profit

Formula: all revenues – all expenses

Your net profit tells you how much you made after deducting your cost of goods along with all other business expenses – including administrative costs, operating expenses, etc.

Your gross and net profit will indicate whether you're putting money in your pocket. Generating sales and revenue is good, but at the end of the day, you need to make money out of those sales.

Average transaction value

Formula: $\text{total revenue} / \text{number of transactions}$

This metric tells you how much shoppers spend at your store on average.

This metric gives you a general idea of how much people are spending. A high dollar amount could mean that shoppers are purchasing your more expensive products or they're buying larger quantities. You could derive some insights and action steps from this KPI. For instance, having a low average dollar per transaction could indicate that you need to rethink your pricing. Or it could mean that you must implement new sales tactics such as upsells, bundles, or other offers to get shoppers to spend more.

Online sales vs. brick-and-mortar sales

To measure it, you need to look at your ecommerce analytics and see how much traffic or revenues are generated from locations where you have a brick-and-mortar presence.

For example, you just opened a new store in Austin, TX. You can measure the impact of your store on ecommerce by looking at web traffic and sales from users in relevant zip codes (i.e., zip codes in Austin and surrounding areas.)

This is new metric that benefits omnichannel retailers — i.e., [retailers that are selling online and offline](#).

Consumers today are increasingly using multiple channels to shop, so you need to get a handle on how your physical presence influences your ecommerce sales. These days, crediting sales to a single channel isn't enough, when people are interacting with your brand in many different ways and places.

Year over year growth

Formula: $(\text{current period revenue} - \text{prior period revenue}) / \text{prior period revenue} \times 100$

If your business is growing, how better off are you compared to your previous years in business?

Continuous improvement is a goal you want to strive for, and the best way to track your progress is to measure your current results against the previous period. This will help you track how your business is doing so you can react accordingly.

Inventory Turnover

Formula: $\text{cost of goods sold} / \text{average inventory}$

This metric pertains to the number of times stock is sold through or used in a given time period.

Inventory turn is a critical metric for determining your optimal inventory levels. If your inventory turn is too low, then it means you're not selling out of inventory fast enough, and you risk carrying slow or dead inventory. However, if your stock turns too fast (i.e. you're selling out of the product 4 or more times a year), then it could mean that you're not stocking up enough, and customers are continually dealing with out of stocks.

Gross Margin Return on Investment (GMROI)

Formula: $\text{gross profit} / \text{average inventory}$

Gross margin return on investment (GMROI) measures your profit return on the funds invested in inventory. It answers the question, “For every dollar invested in inventory, how many dollars did I get back?”

GMROI tells you how much money your inventory has made. You use this metric to figure out if your inventory is turning a profit. It’s typically measured for specific products or categories because it can give you a good idea of which types of merchandise are worth carrying.

Sell-through

Formula: $\text{number of units sold} / \text{beginning inventory} \times 100$

Sell through is the percentage of units sold versus the number of units that were available to be sold.

Sell through is a great way to evaluate merchandise performance. It also helps you figure out the speed at which a product is selling so you can make the right purchasing decisions. For example, if you’ve stocked up a new style of sofas and saw that you’ve sold through 8% of your inventory in just a week – which is usually fast for your store. You can use that insight to figure out how much to order so you don’t run out prematurely.

Foot Traffic

*Formula: $\text{Count the number of people that come into your store}$
*You can measure it using people counters or retail analytics software**

Foot traffic helps you evaluate your marketing and advertising efforts.

Customer Retention

Formula: $((\text{CE}-\text{CN})/\text{CS}) \times 100$

CE = number of customers at the end of period

CN = number of new customers acquired during period

CS = number of customers at start of period

Your customer retention rate tells you the number of customers that return to your store. This metric is a good gauge for customer service, product performance, and loyalty.