

# **Six Keys to Starting a Fair Trade Retail Store**

By Brian Smucker, Co-Owner, Baksheesh Fair Trade Stores

May 2007

This is a quick overview of what we do at Baksheesh and why we think it's important. We have been involved in starting 9 fair trade stores across the US, including the three we currently own and operate in Sonoma, St. Helena, and Healdsburg, CA.

## **1. Decide on your mission.**

Focus in. Stay focused. Your mission will guide many decisions in the years to come. If you want to be a fair trade retailer, **do that and do it well** – forget about importing, running a café, selling local crafts, or doing anything else that will distract you and confuse your customers. If you want to travel and work directly with artisans, be a wholesaler and don't try to run a store.

## **2. Make the commitment in time and money.**

You will not get a bank loan to start a store. Commit your own money, beg, or borrow from friends and family; mortgage the house. A typical store in a good market takes about \$100,000 to start, a sweat equity store perhaps half that. If you can't get this together, work for someone else – there are always fair trade stores looking for staff and managers. If you have no experience in retail or business management, work, volunteer, or intern with another fair trade organization first.

Visit other fair trade stores; take the managers to dinner and pick their brains. Get answers to your most important questions. Fair trade folks are always willing to share information and experience. You don't have to be a member of FTF or have a business up and running to use the FTF website. Find stores near you (or your travels) to visit. Talk to wholesalers you might buy from. There's a lot of valuable advice and information freely available.

If you need to make personal pay upwards of \$50,000, forget fair trade retail. It won't happen. This is a place to build an incredibly meaningful career, but nobody gets rich at it.

**Do NOT proceed** to step 3 until you have your money and experience lined up!

## **3. Location, location, location.**

The biggest mistake you can make is to lease a storefront before you have your budget in place and your money lined up. If this is you, let that site go! Create a serious budget; get your money in place; then proceed.

The second biggest mistake is to look for a cheap spot. Commercial real estate is almost always fairly priced within a market. The cheapest spots have serious problems. Go for the best site you can afford! It will pay off over and over in increased sales. Use a local commercial real estate agent, who can help you find a good spot and negotiate a fair lease.

The third biggest mistake is tied closely to the second – taking too much space. A fair trade store, run well and merchandised well, can sell over \$500 per square foot of sales floor. Instead of taking 1,500 square feet in a so-so location, take half that in a prime location with excellent foot traffic. Stand on the sidewalk and count people on a typical Saturday. Recognize that a short distance from a great location can be a poor location. All three Baksheesh stores are on the central plaza or prime shopping street, not even 2 doors off.

If you have flexibility on the town you'll be in, look for one with plenty of middle class to upper-middle class shoppers. They may be local or tourists, but there need to be a lot of them. Look for other craft shops, galleries, boutiques, and good ethnic restaurants – that's where you want to be, not near discounters, not in a strip center anchored by a grocery store or in a major mall. The best town is the one with the best shopping area, not the one with the most socially conscious residents.

#### 4. Inventory.

Don't reinvent the wheel, and don't flip through catalogs or websites and just pick all the stuff you like! Your mission is to sell fair trade goods, not start a museum, so you need to stock what sells. Get best-seller information from successful fair trade stores. It is available for the asking. Most of the same items sell well all over the country. It is easy to go broke stocking beautiful, valuable items that people don't buy. It is easy to tie up lots of money in slow-moving goods. Use the benefit of others' experience. The goal is to have the products people want to buy in stock when they want to make a purchase.

If you need to achieve high sales to run in the black, don't assume that means you need to stock a lot of expensive items – that will depend on how upscale your market is. In Sonoma, CA, average sale runs from about \$22 in January to \$38 in December – per transaction, not per item.

*How many items to stock?* If you have the right amount of space, you need 1.7 SKUs (items) per square foot. If you have 750 square feet on the sales floor, you should have 1,275 different items. Using others' sales history, you will get a good feel for which items to select, which items to get just a few of, and which items to stock up on. If you decide to buy from a wholesaler for whom you don't have retail sales data, ask the wholesaler to select their top 10 or 20 items. If they dump their dogs on you, don't buy from them again. Baksheesh buys about 60% of our goods from Ten Thousand Villages, which has the widest selection and good service; we buy from about 20 vendors in total.

Feature best sellers, fill with medium sellers, and have no mercy with dogs. Most stores do a clearance sale once or twice a year, and some do other sales periodically throughout the year. Baksheesh always sells at full price to everyone.

*Pay attention to seasonality.* Fair trade stores are primarily gift stores. Most do 25-30% of our year's sales in December, somewhat less in areas with strong tourist seasons in spring or summer. Understand the typical sales curves to guide you in your budgeting and purchasing.

Every store should have a computerized point of sale system that records every item you sell, tracks your inventory and sales history, produces purchase orders, and preferably prints price tags. Use your system fully – it will provide essential information and save you a ton of drudge work.

## **5. Marketing.**

Marketing encompasses a lot: signs, window displays, advertising, PR, networking, customer service and more.

Use your logo and create a consistent look everywhere – signs, business cards, handouts, bags, in-store signs, ads, postcards, earring cards, and on and on. Make sure every customer leaves your store with something with your store name on it.

Train and empower your staff. Everyone who works for Baksheesh has a store key, can open and close, answer customer questions, deal with returns and so on – even our high school students.

Join FTF as soon as you are eligible. Look at your local green groups and see if you can qualify for their stamps of approval. Once you are comfortable with your knowledge of fair trade, give presentations wherever folks will let you. Schools, churches, and civic groups are good places to network.

Change windows every 2-4 weeks. Mass everything else neatly, with some changed every month. Make professional-looking signs and tags on your computer. Tell the story behind products. Use baskets for small items. Let people touch the product. We put all jewelry on wall pegs or open shelves for easy access and trying, by color, in quantity. Create connections for customers. We mix books with relevant product, faced out. No empty shelves! Move product often to keep the seasonal stuff prominent (for example, for us in California, that's plant and garden in February).

Bright, clean spaces draw people in. We use compact fluorescent floods that provide good light and are economical and energy efficient. Sweep daily, dust often.

*Remember:* Advertising, PR, and networking help bring people to your door; location grabs people who don't even know you exist. Signs and window displays draw people in the store. Merchandising, interior signs, lighting, customer service policies and - above all - your staff make the sale.

## **6. Stay informed, motivated, and inspired.**

Read constantly. Visit artisans when you can. Learn the stories and tell them often. Sleep well at night, knowing you are helping save the world!