

*Getting Started:
Opening and Managing a
Successful Retail Store*

Kevin Natapow

Creative Retail Solutions

kevin@kevinnatapow.com

Key Factors for a Successful Retail Venture?

Assign a percentage based on importance to each of these categories:

- Location _____
- Customer Service _____
- Financial Controls _____
- Merchandising and Display _____
- Inventory Control _____
- Management _____
- Advertising/Marketing _____

Key Factors for a Successful Retail Venture!

- Location 50%
- Customer Service 10%
- Financial Controls 2%
- Merchandising and Display 10%
- Inventory Control 25%
- Management 2%
- Advertising/Marketing 1%

INVENTORY CONTROL!!!

- Yes, location, location, location, but...
- Don't underestimate the importance of Inventory Control
 - Get a good POS inventory control system and USE it
 - Know what system you are getting and ask the questions up front
 - Manage it and use it to its capacity (min/max)
 - Do full item evaluation 2X's year
 - Evaluate all new items after 1 mos and again at 3mos
 - Get rid of the 1/3 of inventory that drags you down
 - Again, to run a truly successful retail operation, you need to know how every single SKU in your shop performs in real time

Location, location, location

- Don't skimp
 - start small but go prime!
- Find a good location in a high traffic district in town
- If possible, own your real estate- get investors!
- Do not be scared of high rents
 - Can find cheaper but ½ the foot traffic and likely ½ the sales
 - Rents on Pearl Street in Boulder average \$40-55 sq ft
- Do your research and use your local resources- ex.

Momentum Example

Demographics from Downtown Boulder, Inc:

- 32% of customers are Boulder residents
 - 27% of customers are from out of state
 - 21% of customers are outside of Boulder County
 - 11% are non-Boulder residents who live in Boulder County
 - 8% are international Customers
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- Do your own study- north side of street in Boulder example

Get it going- Startup Budget

- Basic number is \$100-125K as a startup budget
- This will cover startup expenses which generally occur once
- Raise through personal net worth, friends, family, board members (NPO) or co-owners
 - Bank lending can be difficult but not impossible
 - Incentives for women-owned businesses
- Do a pro forma budget
 - Project your lowest possible sales and your highest possible expenses
 - Can you live with the bottom line???
 - Have in the bank your opening expenses plus 3-6 months operating capital

Startup Budget:

	A	B	C	D	E	F	G	H
1							<u>Year 2</u>	<u>Year 3</u>
2						Inflation Factor:	1.035	1.035
3						Growth Factor:	1.3	1.25
4						Real Salary Growth Factor:	1.025	1.025
5								
6			Momentum- a fair trade retail store					
7			<i>Projected Income Statement - Cash Basis (hybrid)</i>					
8					Years 1 - 3			
9								
10								
11						<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
12	EXPENSES:							
13	I. Cost of Sales:							
14								
15	Selling and Marketing Expenses:							
16	Selling Expense:							
17	Advertising, marketing, and promotions					28,000	26,000	26,000
18	Logo and Branding consultants					1,500		
19	Website					3,000		
20	Webhosting and maintenance					500	518	536
21	Selling staff:							
22	Salaries and wages					20,800	22,066	44,209
23	Payroll taxes:							
24	Soc. Sec. & Medicare					2,496	2,648	5,305
25	Federal & state unemploymt					240	240	360
26	Employee benefits					0	4,413	8,842
33	Travel and buying trips					3,000	3,900	4,875
34	Conferences and Events					1,000	1,300	1,625
42	Related consultants					2,000	0	0
43	Retail Goods Purchased					160,000	208,000	260,000
45	Organizational Dues					800	400	400
46	II. Total Selling Expenses					223,336	269,485	352,152

Keep it going...Operating Budget

- This is a sample 1st year, once your capital/startup expenses are done
- Biggest variables are rent/payroll
 - Owners can often start without drawing a salary allowing your sweat equity to allow for lower capital investment and help achieve early success
- Budget conservatively
 - Work the numbers and monitor daily sales (get a beat yesterday)
 - Do full P&L's and balance sheets monthly
 - Use budget vs. actual in Quickbooks
 - Maintain your margins
 - Keystoning

Have Feasibility/Business Plan!

(1) Executive Summary

A. The Venture Defined

- i. Product or Service
- ii. Market Characteristics and Marketing Plan
- iii. Management Team
- iv. Financial Summary, including Capital Requirements

(2) Business Description

(3) Market Research and Analysis

(4) Operational Plan

(5) Etc...

Legal Structure?

- Sole Proprietorship
- General Partnership/Limited Partnership
- Corporation (b-corp)
- LLC
- NPO

Marketing/Branding

- Basically, anything that contributes to a customer's impression of who and what your shop is
- Budget-
 - 6-8% of projected sales in year one to build brand recognition
 - 4-6% of projected sales in subsequent years (less if high foot traffic)
- Identity-
 - Logo and all signage, print materials, website, PR, customer service
 - Community connection- charitable giving/community donations
- Rewards program- create loyalty- make them feel special
- Jewelry bags

Who said this??

“There is only one boss: the customer. He can fire everybody from the chairman on down simply by spending his money elsewhere”

Sam Walton!

- Again, make your customers feel special
- Take a short term loss for a long term gain
 - Bathroom
 - Liberal return policy
 - Rewards

Staffing/Incentives

- Compensation
 - \$30-35K for owner/manager salary plus benefits
 - \$23-28K for assistant manager/inventory manager
 - \$11/hr starting salary for sales associates
 - Daily shifts
- Employee incentives
 - Time off- sick and vacation
 - Health insurance for managerial level positions
 - Grab Bag/monthly sales goals
 - Year end bonus/gift

Visual Merchandising



Visual Merchandising

- Good Lighting
- Bright colors, open spaces
- Neat displays that are not overstuffed- use fun/antique fixtures
 - Who is your competition- look like them
- No empty shelves (always restock)
- Adequate and clear signage (branded)
- Product stories (branded)
- Sweep and dust daily
- Move merchandise often to keep it relevant and prominent

Exit Plan

- Have an exit plan!
- Who here wants to sell a FT shop?
 - How we did it

Resources:

- *Why We Buy*
 - Paco Underhill
- *The Profitable Retailer*
 - Doug Fleener
- *A Guide for Retailers: Creating a Successful Fair Trade Business*
 - Available from Fair Trade Resource Network
- NOLO Press:
 - www.nolo.com
 - Incorporate your business
 - How to form a NPO
 - Legal forms for starting and running a Small Buisness
- Business Owners Toolkit:
 - www.bizfilings.com/toolkit/tools-forms.aspx

Resources

- All this info and more is available:
 - Sample business plans
 - Pro forma budgets
 - Inventory control how to's
 - etc...

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