



## RETAIL 101

# RUNNING A RETAIL BUSINESS IS HARD

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# START WITH THE TEST

QUESTION	YES	NO
Have you introduced a new vendor (supplier) into your store assortment in the last three months?		
Have you eliminated a vendor in the last six months?		
Do you actively seek outside, external resources to help you learn more about managing your business, possibly including a consultation, education course, or other learning scenario?		
Have you identified your target customer?		
Do you believe that your target customer is your actual customer?		
Do you want to gain a new generation of customers in your store, such as Generation Y?		
Do you actively solicit publicity for your store, either from an outside public relations support or from your own internal efforts? Do you have a solid online presence, allowing you to gain recognition in online searches on websites such as Google or Yahoo?		
Are you a member of no less than one retail-specific group?		
Do you have employees who are either part or full time but not seasonal?		

For every yes you answered, give yourself 10 points. Based on a traditional grading scale of 0 to 100, total your points to identify your grade as a current retailer. Are you at 50 points? If so, that gives you an F in your retail performance, placing you at 50 percent in score. Are you at 70 percent? That's a C, which represents an average performance, yet it is just one point away from below average. If you scored at 80 percent or above, well done!

# DIFFERENTIATE YOURSELF

**TIP:** introducing diverse inventory, providing stronger customer care, hosting in-store events, supporting community events, and being a familiar, friendly face within your own store.

## **1: Know Who Your Customers Are and How They Shop**

Use data collection strategies to help identify your actual customers and gain insight about how they shop, ask questions via social media, through in-store conversations, by offering quick surveys via e-mail or your website, and using other data-collecting methods that address the needs, wants, and actions of your customers. Good old-fashioned observation goes a long way here as well. Be organized by aggregating and categorizing your research.

## **2: React to the Information You Gain from Customers**

Make it a priority to constantly evaluate your customers. Listen to what they are asking for, identify what they are not interested in with your product assortment or shopping experience, and try to capture their wishes as a consumer. Acknowledging both their wants and lack of interest is a great way to discover what and how you should be selling.

## **3: Be Where Your Competition Is**

While you may never have a thousand stores like your nearest big-box neighbor, you can be where they are when it comes to your marketing efforts. Do not neglect social media or your local market media. Seek coverage in your area publications, participate in local events, and be visible beyond your store walls, including online.

## **4: Compare Yourself with Others**

In the case of retail, you want to always compare yourself with your nearby merchants. This will identify not only the ways you are different but also the ways you are alike. Learning from others' mistakes is much less painful—and often less costly—than learning from your own.

## **5: Train Your Employees and Yourself**

Nobody knows it all. Challenge yourself to constantly learn something new about your business. Learn new updates on store procedures, products, industry trends, social media features, and more. Evaluate service providers and available technology that can help you operate your store more efficiently. Neglecting commercial evolution can cause you to drift apart from your retail peers and, ultimately, from your consumers.

## **6: Support Other Local Businesses**

Instead, embrace other local businesses not only by shopping at them but also by referring them.

## **7: Be Open to Part-Time or Full-Time Employees – Give yourself a break**

## YOUR OWN STORY

Your store has a unique narrative whether you recognize it or not. To help you clearly identify your merchant story, consider why you became a retailer in the first place. Whatever your reason for becoming a retailer, consider how it led you to where you are today. Then—even more important—consider whether your story is worth sharing.

😊 *After all, if even you don't think it is, then why would a customer want to experience it?*

Because consumers ultimately decide your success or failure as a merchant—after all, they either choose to shop at your store or not—it's important to factor them into your store's identity.

**TIP:** When creating your store story, consider how you want to be perceived by others. Now consider how you are actually perceived by others.

What are your return policies, check out procedures, VIP customer care (track your strongest customers), store gift certificates, hours, dispute scenarios, and signature traditions?

## Use the Pixar Pitch Method:

P  X A R

**Once upon a time there was** ... introduce your main character Every day ... (Tell us what it's like for them in their current situation).

**One day** ... (Tell us what they desire and how they're compelled to make a change in their life in order to achieve that clear goal).

**Because of that** ... (Uh oh... there is a challenge that stands between where they are and where they want to be).

**Because of that** ... (They linked arms with you so that you could guide them through the unknowns and move them through their challenges).

**Until finally** ... (This is where you talk about how they achieved their desired goal and what their life looks like now because they worked with you).

# BASICS OF RETAIL MATH

"Each customer that walks through your door is voting with their dollars and telling you what they want you to have more of ... and what they want you to have less of. You need to look at the decisions they are making through their purchases and evaluate it monthly."

*Five tips to help you manage your inventory with a goal of increasing sell-thru.*

1. Look at the % of business done in the different classes of inventory of your store by dividing the amount of sales in each class by the total of sales (without sales tax).  
**(Sales by Class / Total Store Sales) X 100 = % of Sales by Class**
2. Next look at the amount of inventory that you have in each class at retail. Divide the dollar amount of inventory of each class by the total inventory to determine what % of inventory each class represents.  
**(Inventory at Retail by Class / Total Store Inventory at Retail) X 100 = % of Inventory by Class at Retail)**
3. Compare the % of inventory to the % of sales for each class. The % of sales of a class should match the % of inventory that the class represents of the total inventory.
4. Make adjustments so that the % of the inventory of a class matches the % of the sales that the class represents. For example, if the inventory of a class is \$5,000 out of \$20,000, then it represents 25% of the entire inventory. If the sales of that class are 50% of the total sales, then you have to increase the inventory to 50% of the total inventory. Since the inventory is \$20,000, we know that the retail inventory of the class must be brought to \$10,000. This means you should then order more inventory.
5. While making adjustments like this, you will find that there is another class that represents a larger % of inventory than sales. Take action immediately to mark down whatever items are slowing that class down so that you can decrease the inventory accordingly.

Understanding your inventory and its performance is critical in gaining consumer attention and store sales. To help you do this, Wagner suggests **reviewing each vendor or brand you carry in your store by dollars, not units**. For example, if you received \$1,000 in inventory (priced at retail, not wholesale) and after four months sold \$200, still owning \$800, then you would have a 20 percent sell-through (200/1,000). For most retailers, this is a bad scenario, suggesting that your inventory of choice was not well received by customers and therefore isn't selling to plan. The question then becomes: What do you do?

Look at the percentage of business done in the different classes of inventory of your store versus strictly by vendor or brand. Next, look at the amount of inventory that you have in each class at retail. Divide the dollar amount of inventory of each class by the total to determine what percent of inventory each class represents. Finally, compare the percent of inventory to the percent of sales for each class. **The percent of sales of a class should match the percent of inventory that the class represents of the total inventory.** To help ensure that you fully understand this on a consistent basis, I suggest that you do this exercise monthly. Also, know that there are few exceptions to this scenario. This is an excellent way of listening to your customers and making sure that you are buying what your customers want you to carry—not just what you want to sell.

Evaluating your existing inventory and vendor assortment is a responsibility that should never leave your to-do list.

Often retailers get caught up in the habit of buying products they love but their customers ultimately do not; therefore, it can be a challenge to shift gears and make purchase decisions based on your actual sales or customer demands. Recognizing that your taste and the taste of your actual customers may vary can be challenging—yet accepting this is key.

**TIP** Running a retail store means more than just identifying a great assortment of inventory. It means doing a lot of math. Never go into a season without a completed open-to-buy (OTB) plan. Better yet, never go into a fiscal year without a full OTB plan set in place.

Next, make sure you accurately identify your store's gross margin, return on investment, inventory turnover, net sales, sell-thru and stock-to-sales ratio using the retail formulas below.

**Total Sales – Cost of Goods = Gross Margin**

Gross Margin \$ / Average Inventory Cost = Gross Margin

Return on Investment Net Sales / Average Retail Inventory (Sku Count) = Inventory Turnover

Gross Sales – Returns & Allowances = Net Sales

Units Sold / Units Received = Sell Through %

Beginning of Month Stock / Total Month Sales = Stock-to-Sales Ratio

Once you realize that your personal taste, preferred purchases, or product picks aren't always the same as those of your customers, you will open yourself up to making purchases that are stronger suited for optimal sell-through.

To help you accomplish this, **analyze how much money you make per each vendor in your store per season.** To do this, simply take the amount sold less the cost of the inventory and then divide that number by the amount sold and multiply that by 100. This will calculate the maintained markup (MMU) for that vendor.

Maintained markup (MMU) = (amount sold – cost)/amount sold × 100

Prepared by EGAD Main Street by assembling tons of information from main street conferences.

Typically, you want to see your MMU at over 50 percent per vendor. You should consider eliminating vendors or specific products performing at less than 50 percent from your store assortment altogether after implementing a markdown strategy to help recover some of your investment into them. You also should consider increasing the total quantity of items that exceed 80 percent, which may include introducing more color assortments, a variety of styles, or deeper buys into whatever that item may be.


As always, though, you will want to repeat your review of each vendor or specific item sell-through during and no later than at the end of each season to control your purchase quantities, as well as your overall open-to-buy (OTB) dollars.

**OTB dollars = projected sales + projected markdowns + planned end-of-month inventory  
– planned beginning-of-month inventory.**

In addition to using strategic retail formulas to manage your inventory sell-through, consider introducing a customer focus group into your store buying agenda. Traditionally speaking, a focus group helps to deliver research by asking people questions regarding their opinions, perceptions, attitudes, and overall interests regarding a product, service, idea, or (in your case) store from a collective perspective. The value in incorporating a customer focus group into your store strategy is that you can gain firsthand realistic and informative insight to help you react more appropriately to your target consumer interests.

#### **Customer feedback:**

1. What is your favorite vendor and/or item currently sold in our store?
2. What is your least favorite vendor and/or item currently sold in our store?
3. Are there any vendors, products, or brands that we don't sell that you think we should? Please identify them.
4. What is your average budget when shopping for items that are part of our store assortment?
5. Did you buy something the last time you visited our store? Why or why not?
6. If today is your first time visiting our store, would you plan to visit again? Why or why not?
7. If you are a repeat customer, what reasons keep you returning to our store?
8. Do you have suggestions on how we can better support you in your purchasing decisions?
9. What other stores would you consider visiting instead of ours? Why?
10. Does our product assortment make you excited to make a purchase?

 **"If retailers don't ask, their customers won't tell—and what they don't know can hurt their business in numerous ways."**

# SELLING YOUR PRODUCTS

Aside from buying inventory, how do you create a business strategy to sell products?

- Schedule store events through a calendar and plan months in advance.
- Market the event to your customers, invite them, offer in-store experiences; what were your expense and sales as a result?

Manage both your important in-store activities as well as your online marketing efforts by planning ahead through a calendar.

**The key is to identify what is selling and what is not selling**, no matter how new or old they are to your store assortment. One way to do this is to simply **move things around your store** to increase sell-through.

**Lighting, store windows**—first impressions are made in three seconds.

**Immediate-right zones**—focus on immediate right entry

**Identify store stoppers** – store speedbumps that get people stuck

**Point of Sale** area—add on impulse buys

**Sales** section

Use of **technology** – be able to make a sale anywhere in your store using an iPad

*Shopping is a sport – keep it competitive and fun; nurture it daily*

## **SOCIAL MASS E-MAIL MARKETING: CONTENT! CONTENT! CONTENT!**

Lights camera action, one good call to action; keep it simple and short

**SEE SOCIAL MEDIA PLANNER ON NEXT PAGE**



# PLAN YOUR SOCIAL MEDIA

You can schedule posts to appear at a later date allowing you to plan your social media at your leisure instead of constantly.

MONTH				
DAY	SUBJECT	GRAPHIC/LINK	CALL TO ACTION	RESULT
Monday				
Tuesday				
Wednesday				
Thursday				
Friday				
Monday				
Tuesday				
Wednesday				
Thursday				
Friday				
Monday				
Tuesday				
Wednesday				
Thursday				
Friday				
Monday				
Tuesday				
Wednesday				
Thursday				
Friday				

**CREATE YOUR OWN SOCIAL MEDIA POSTS AND OTHER THINGS VIA CANVA.COM**



<https://www.canva.com/> You can prepare social media postings and even invitations and more. FREE!

# WHAT DO YOUR WINDOWS LOOK LIKE AT NIGHT?



I WANT TO TRAVEL, GET A TATTOO AND A NEW DRESS. THE WINDOW CREATES DESIRE, EVEN IF YOU'RE CLOSED.



# RESOURCES

American Independent Business Alliance: [www.amiba.net](http://www.amiba.net)

This is a nonprofit organization that helps communities and retailers launch and operate buy-local campaigns to support local entrepreneurs and economies.

Boutique Window: [www.boutiquewindow.com](http://www.boutiquewindow.com)

This company provides online marketing to showcase inventory via your website or social media outlets, allowing retailers to engage their customers with new-product arrivals and more.

MOO: [www.moo.com](http://www.moo.com)

This company provides business cards, postcards, store hangtags, and other print goods that are stylish in design and easy to customize to your unique store needs.

Premier Packaging: [www.retailpackaging.com](http://www.retailpackaging.com)

This company provides packaging solutions that cater to retailers looking to incorporate packaging options such as bags, gift boxes, and tissue paper as part of their store identity and marketing.

Retail Radio: [www.retailradio.biz](http://www.retailradio.biz)

Customize your in-store experience with music that is catered uniquely to your store and your customer while also incorporating customized messaging to create the best possible ambiance for your unique retail space.

Shopify: [www.shopify.com](http://www.shopify.com)

This company provides easy-to-customize online store templates that help you to sell online efficiently, affordably, and professionally.

Smart Sign: [www.smartsign.com](http://www.smartsign.com)

Signage can support your store communication to help customers navigate your store space and maximize their store experience. Use for display, merchandising, or promotion and incorporate safety signage such as "Emergency Exit" or "Employees Only" as well.

SnapRetail: [www.snapretail.com](http://www.snapretail.com)

This company provides prewritten content and general marketing support that includes e-mail, social media, and event management specific to independent retailers.

Tripair International: [www.tripair.com](http://www.tripair.com)

This company provides visual displays and fixtures that help you to beautifully showcase product, engage customers, and drive sales with products that include tabletop displays, jewelry stands, easels, point-of-sale (POS) accessories and more.

Vend: [www.vendhq.com](http://www.vendhq.com).

# YOUR STORE PERSONALITY = YOUR BRAND

1. What do you immediately view as most appealing in the store? Why?
2. What do you immediately identify as least appealing in the store? Why?
3. What did it feel like when you first entered the store?
4. Are there any distractions in the retail space that take you away from shopping or wanting to browse the store? This may include people, noise, displays, or anything else.
5. What items, if any, look out of place in the store?
6. What items stand out the most?
7. Do any items strike you as being out of place within the store assortment?
8. Are there any items that you don't see in the store assortment but believe would make sense to have?
9. Do the displays engage your customer? How so? Ask them.
10. What areas of the store appear most accommodating for shopping and enjoying?
11. Which areas of the store do not attract you to them at all?
12. Does the store appear clean to you? Do you see any visible dust or other dirt?
13. For stores with public restrooms, what impression does the restroom give off to a customer observing it?
14. Does the cash-wrap area provide customers with a place to rest their purse or sign a receipt and enjoy their checkout experience?
15. Do the walls need a fresh coat of paint?
16. Are there visible areas of the store that look as if they need some TLC or repair?
17. Do any store fixtures overpower the inventory or restrict you as a customer from shopping and enjoying the store experience?
18. Does the store signage attract your attention? Is it easy to identify what is on sale, store policies, special announcements, and more?
19. Does any unstocked inventory appear to be on the selling floor?
20. What is your ultimate, final impression of the store?

# HOW DO YOU BECOME MEMORABLE?



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# REINVENTING MOM & POP

"It's **not how you're different in your marketplace**, how you get people to stay in your town and not go to the big city – that's a challenge – it's **how am I different** to keep the dollars from going elsewhere?"

"If owners are still thinking that *my differentiation starts in my marketplace, in my shopping center, in my small town*, they're competing against the wrong competitors and their strategy is short-sighted.

**DIFFERENTIATION** – identifying precisely those qualities that set your business apart from others in the field. The strategy attracts customers from both near and far, and for some businesses, pulling customers from hundreds of miles away. HOW ARE YOU ONE OF A KIND?

You don't have to beat your competitor in every category. You have to beat them in **two or three key categories**. You're targeting consumer hot buttons.

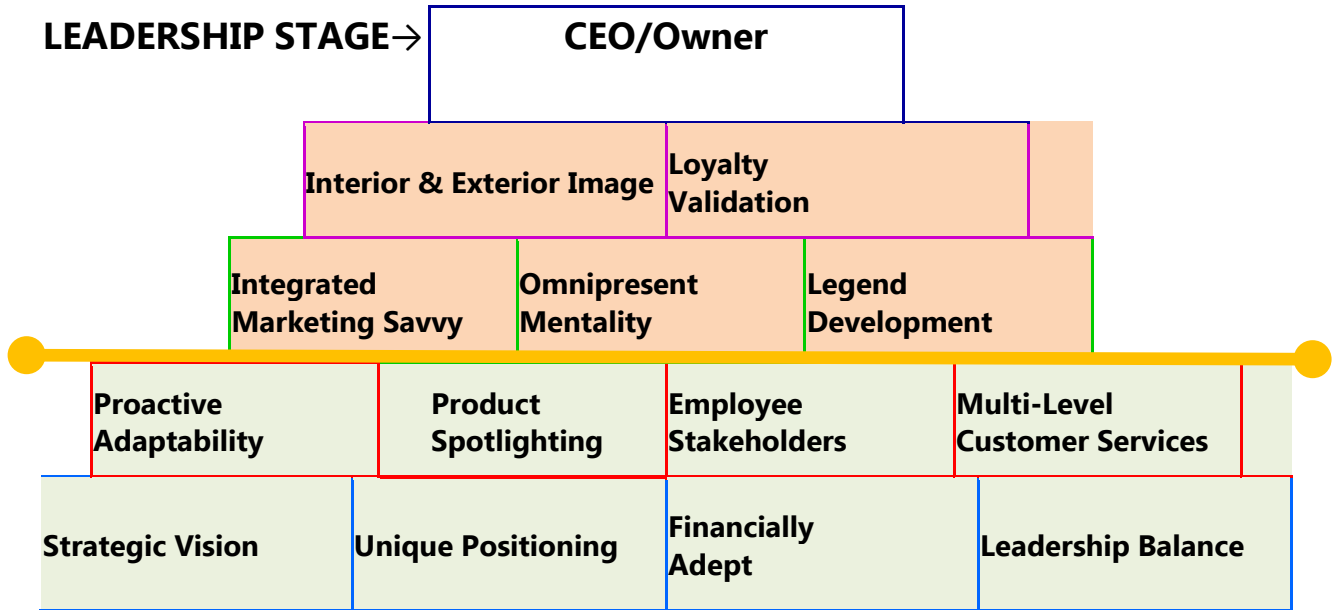
What's the biggest mistake owners make? Too often they **jump to tactics** – looking for cheap advertising, free publicity, using social networking like Facebook and Twitter, website search engine optimization and the like **before they have sharpened the setting-apart message about their products, service, employees, business model, history, community connections or customers**.

Owners learn that all the marketing tactics in the world can't be employed successfully if you haven't convinced the consumer that your business is really different and ...

ONE-OF-A-KIND.

Jon Schallert

# 14 STEP PLAN TO BECOMING A DESTINATION BUSINESS



To be explained...



Is your business unique? Evaluate these five areas of your business:

1. Products: What you sell
2. Your employees
3. The service(s) you offer
4. Your physical environment
5. Your performance as a Leader

Where are you on the line  
Of AVERAGE?



Above or below?

# YOU ARE A DESTINATION SUCCESS

when your business is so *remarkably*  
*memorable*

that customers willingly spread the news  
and drive beyond their comfort zone

Would your customer drive two hours to come to your  
store when they have a similar store in their town?

Customer loyalty is not about a lifetime. It's about the next time...  
Every time! So, what are you doing, at every point of interaction you  
have with your customers, to ensure that they come back the next  
time they need what you do or sell? – *Shep Hyken*