

# The **ENTREPRENEUR'S** Guidebook Series™

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# PERSONAL PLANNING

## Guidebook #42:

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## Harry's Pet Supplies Downtown



*“So I says to myself . . . You know Harry, there isn't any place in town, where you can buy pet supplies AND classical music!”*

Smallbusinessstown.com

## **STARTING & OPERATING A RETAIL BUSINESS**

**EXPANDING** into the retail industry whether you're presently a manufacturer, wholesaler or mail order operator, can be a good way to consolidate and increase your market share, as well as increase your total take of the profits by eliminating compensation paid to retailers.

It can also be an excellent way to build brand name loyalty and increase your credibility in the eyes of the consumer, as retailing is one of the oldest and most visible forms of business in the civilized world.

## TYPES OF RETAILERS

THERE ARE two basic types of retailers:

- outlet retailers
- non-outlet retailers

### Outlet Retailers

Outlet retailers are merchants who buy merchandise from wholesalers or manufacturers for resale to the public. Four major types of outlet retailers are small outlet retailers, chain store retailers, franchise retailers and no frills discount retailers.

**Small Outlet Retailing** – Adding a single retail outlet to your business operation is an option worth considering if you need to display your merchandise, clear out old stock, or want to get closer to your cus-

tomers in order to understand their needs better. Usually this outlet will look like a shoebox with one end having an entrance and show window, and the other end, a partition and back room. Inside it will have floor, wall and ceiling coverings, and contain fixtures, merchandise, displays, store

personnel, and most importantly, shoppers. Depending on the size and scope of this outlet, your initial investment can be as low as several thousand dollars to considerably more than \$100,000.

*The retail marketplace is the soul of modern civilization.*

**POWERPOINT**

**Chain Store Retailing** – Adding several retail outlets to your business operation is an option worth considering if you want your multiple locations to make it more convenient for customers to find you. Opening a few or many retail outlets will also lower your overall advertising budget

as a percentage of sales, since radio, TV and newspaper promotions can cover your entire market area for all stores.

**NOTE** If you are considering adding several retail outlets to your existing operation, in addition to the added costs of real estate and holding multiple inventories, carefully analyze the cost of hiring a manager for each location, the cost and availability of labor and training, and the cost of installing an efficient monitoring and accounting system. These costs must be justified by the potential increase in sales.

**Franchise Retailing** – Adding a franchise outlet to your business operation is an option worth considering if you don't have access to the necessary

*While an exact figure is hard to pin down, it is estimated that currently more than a half-million retail establishments are franchised and their income is approximately \$650 billion a year.*

capital to add retail outlets yourself. It is also a good idea if rapid expansion is necessary to secure your market position.

**NOTE** The movement towards franchise operations is one of the most notable trends in retailing. While an exact figure is hard to pin down, it is estimated that currently more than a half-million retail establishments are franchised and their income is approximately \$650 billion a year.

**No Frills Discount Retailing** – Adding a no frills discount retail warehouse to your business operation is an option worth considering if the market you are selling to is highly price conscious. This is especially true if customers in your market area have the habit of waiting for mark-

downs and returning merchandise bought at a regular price after seeing the identical item advertised or on display somewhere else at a lower price.

## Non-outlet Retailers

Non-outlet retailers are the other types of retailers who do not depend on store premises to trans-

act business.

Three major types

### Retail Sales/Unit, by Kind of Business

Type of Establishment	Number in Category in 1987 (1000)	Number in Category in 1992 (1000)	Approximate Sales/Unit* 1987	Approximate Sales/Unit* 1992
Eating places	402	474	354,794	396,114
Grocery stores	197	186	1,447,051	1,925,527
Hardware Stores	27	25	408,741	509,160
Used merchandise stores	89	124	58,618	66,282
Drinking places (alcoholic beverages)	88	84	123,114	147,690
Gift, novelty & souvenir stores	79	104	106,911	115,731
Auto- & home-supply stores	67	63	397,343	473,286
Family clothing stores	27	33	795,259	1,006,727
Drug and proprietary stores	56	51	967,357	1,525,255
Radio, television, computer, stores	54	61	462,093	593,311
Building materials & supplies	51	51	1,202,000	1,477,608
Used car dealers	75	92	243,933	277,293
Florists	50	55	108,820	116,967
Jewelry stores	50	55	106,760	151,436
Sporting goods stores, bicycle shops	50	55	225,120	283,945
Hobby, toy & game shops	28	38	266,107	297,316
Furniture stores	46	48	581,304	650,333
Shoe stores	43	42	339,395	431,476
<b>TOTAL</b>	2,420	2,672	\$636,472	\$729,488

\*Figures derived by dividing total retail sales figures for each classification by the total number of retail establishments in the category. **Source:** U.S. Bureau of the Census, Statistical Abstract of the United States: 1992 115th ed.

of non-store retailers are direct selling companies, mail order houses, and vending machine operators. This guidebook will focus on outlet retailers.



*Scott Witt, author of “How Self-Made Millionaires Build their Fortunes” says, “If you can run one business profitably you have the know-how to operate dozens or even hundreds of others just like it in other locations.”*

**FUNFACT**

# STRATEGIES FOR EXPANDING INTO RETAIL

USE THE following start-up and operating strategies to help you expand into retailing.

## Retail Business Start-up Strategies

### 1. Choose a good location.

Don't open a retail outlet unless you first find a killer location with substantial sales potential. Like a tree, a store has to draw nourishment from the area around it.

### 2. Choose effective signage. Exterior signs give customers a reason to come into your store. They should be colorful and professionally prepared. Interior

*Exterior signs give customers a reason to come into your store.*

signs direct customers to different departments and point out special features of selected merchandise.

3. **Consider how you will encourage potential customers to buy.** Self-service stores can encourage people to buy with easy to follow layouts, attractive displays, signs and clearly marked prices as well as loss leaders and markdowns to clear old stock. Other retail stores can enhance these techniques with personal selling.
4. **Consider what kind of value-added services you will provide for your customers.** The services you provide your customers may be free to them, but remember you pay for them. For example, if you provide free

parking, you have to pay or rent the parking lot, and in the least share the rent with other retailers.

### 5. **Learn how to display your products effectively.**

Merchandise displayed on a brightly lit, well-organized shelf or display counter says, “Stop. Look at me. That’s right . . . now come on inside.” However, the same merchandise haphazardly thrown onto a dusty or dimly lit table or perhaps stacked up on a skid gives shoppers the undesirable impression that your store is dirty and junky and that they should just keep on moving. In fact, just like an imaginatively displayed en-

*Increased consumer awareness has gradually lead to a clear cut division between high-end retail stores that sell quality merchandise and offer superior service, and discount stores that offer merchandise without frills at everyday low prices.*

### **POWERPOINT**

trée can wet the appetite and switch the saliva glands into overdrive, so can a properly displayed clothing item richly displayed in an imaginative surrounding.

Remember, the display and presentation of your merchandise throughout your store is one of the principle ways you communicate with your customers.

It is also important when displaying your merchandise to group similar items close together to increase sales volume. For example, if you operate a grocery store it is a good idea to stock chips, dips, sodas and other party snacks side by side to

encourage people to buy more than they might really need.

**NOTE** Properly displayed merchandise is essential to successful retailing. However, don't go overboard and display your merchandise like it belongs in a museum. This also discourages people from coming in and looking around. Also, be careful when using *Don't Touch* signs. These signs really say: "Don't come in." "Go shop somewhere else." "If you break it you pay for it." "It's not very durable anyway."

## 6. Plan your "behind-the-scenes" work and space not to interfere

*Statistics Canada offers statistics that could assist with locational and other retail problems. Retailers are encouraged to obtain a copy of the handbook "How a Retailer Can Profit from Facts" by contacting Statistics Canada, User Advisory Services.*  
**FUNFACT**

**with your regular in-store work and space.** In a retail store, behind-the-scenes work includes receiving inventory, preparing it for displays, and stocking shelves. Normally, this kind of work is done during the slack sales times of the day. Behind-the-scenes work also includes keeping the store clean and attractive to customers. When planning for this kind of work, you will need to address problems like when the carpets should be vacuumed so as to not interfere with customer shopping?

## 7. Recruit people who can sell. Although a well thought out display can go a long way to getting people to look

at a new product or special promotion, sensitive non-aggressive sales personnel can go a long way to closing a sale, and most importantly, getting people to come back.

- 8. Think about purchasing a centrally located two-story house with a basement and turn it into a retail outlet.** Find a properly zoned downtown location if possible, on a lot with 25 to 50 feet of street frontage and 60 to 100 feet of depth. You will need a house with 1,500 to 2,000 feet of working space. The basement will become your warehouse. The main floor will become your retail-outlet and your chief working space. The second floor

*When you set up your house as a retail residence, you can write-off your basement and main floor expenses, as well as two-thirds of your building cost including interest payments.*

will become your place of residence or an apartment you rent.

**NOTE** When you set up your house as a retail residence, you can write-off your basement and main floor expenses, as well as two-thirds of your building cost including interest payments. However, make sure you check local and state regulations. Some expenses are only deductible if your company makes a profit. Also check to see, when it comes time to selling this type of residence, whether or not you can claim a capital gains exemption (normally, if you depreciate your building you will likely not be able to get the full principle residence capital gains exemption).

## Retail Business Operating Strategies

### 9. **Avoid trying to become a Sears or Montgomery Ward.**

Large store chains that sell a bit of everything may prove to be the new dinosaurs of the 21st century.

### 10. **Become a member of your local Chamber of Commerce.**

Your local chamber of commerce will have lists and trade publications of all manufacturers in your area. Trade publications are a prime source of contact. They also carry classified listings and advertisements of other manufacturers and suppliers who you may need to do business with.

*The more value for the money your customers think they are getting when buying from you, the more loyal they will become and the more you can charge them.*

**11. Endeavor to operate at maximum efficiency.** Owners of small retail enterprises need to decide what to buy, when to buy, where to buy, and how to sell it. Thus, improving operating efficiency depends primarily on improvements made to buying, merchandising and promoting.

**12. Endeavor to create a high perceived value for your merchandise.** The more value for the money your customers think they are getting when buying from you, the more loyal they will become and the more you can charge them.

**13. Foster repeat business.** Repeat customers are the backbone of every business. And this is no exception in

retail. Consider follow-up procedures that encourage customers to come back. Make a genuine effort to treat second time customers extra special. Remember, customers will usually return if they:

- get what they want and need with the least amount of frustration (they find your location and store layout convenient)
- believe they have received good value for their money (they feel they have received high

### Changes in Number of Stores 1972 to 1987

Type of Store	1972	1987	% Change
Gift, novelty, and souvenir stores	25	79	+216
Hobby, toy and game shops	10	28	+180
Book stores	8	19	+137
Sporting goods stores & bicycle shops	22	50	+127
Florists	24	50	+106
Jewelry stores	25	50	+100
Auto-and home-supply stores	37	67	+81
Retail bakeries	19	31	+63
Eating places	253	402	+59
Shoe stores	27	43	+59
Family clothing stores	18	27	+50
Drug and proprietary stores	51	56	+10
Liquor stores	42	45	+7
Hardware stores	26	27	+4
Grocery stores	194	197	+2
Variety stores	22	21	-5
Household appliance stores	20	17	-15
Drinking places (alcoholic beverages)	106	88	-17

Source: U.S. Department of Commerce, Census of Business, 1972 & 1992 Statistical Abstract of the U.S. (number of stores in thousands)

quality at a good price)

- have positive feeling about the sales staff that served them (sales staff are courteous and friendly)

#### 14. Get help with your advertising.

Retailers, who have little or no experience with advertising copy and media selection, should be wary of falling into the trap of thinking they can go it alone. Seek expert advice on what kind and how much advertising your establishment really needs.

- #### 15. Gives your sales event or special promotion a “them.”
- Below is a list of ideas and themes for naming special sales and promotion events:

At the Beach Sale

Back-to School

Bargain Days

Open House

Paris in the Spring

Pre-Christmas

Christmastime

Columbus Day

Eastertime

Father’s Day

Fun in the Sun

Going Out of Business

Graduation

Halloween

Happy Holidays

Happy New Year

Independence Day

January in June

June in January

Just Married

Manager’s Sale

Midnight Madness

Mother’s Day

Pre-Spring Sale

Pre-Thanksgiving

Presidents’ Day

Remembrance Day

Secretaries’ Week

Spring Cleanup

Spring Clearance

Springtime

Summer Preview

Summertime

Thanksgiving

Travel

Vacation Fun

Valentine’s Day

Veterans’ Day

Year End Clearance

48-Hour Madness

- #### 16. Keep a notebook near the cash register.
- Customers can be a great and inexpensive source of information.

They can tell you facts, not only about your business, but about your competitors as well. They can also tell you much about their buying habits and help you detect trends.

Make it a habit of asking them what they like, need, and read. Jot down their requests and suggestions for new products and services.

### 17. **Keep advertising campaigns lean and focused.**

When advertising dollars are limited, it is vital that your efforts be on target.

### 18. **Keep facilities and merchandise clean.** Making certain that your store and its merchandise are clean is an effective nonverbal way of

*Goods should not be placed out of reach or out of sight, to near the floor or too far above the average person's line of vision. The best selling space is located from waist to eye level.*

**SUPERTIP**

telling customers that their business is appreciated and worth the extra effort.

### 19. **Keep parking areas and walkways clean and lighted at all times.**

If your regional climate brings harsh winter weather, be sure snow and ice is removed whenever a problem to ensure customer safety. Dirty and unsafe areas create an unfavorable impression, and worse, can lead to litigation.

### 20. **Make good purchasing decisions.** Purchasing merchandise to be resold represents

a large portion of the total operating expenses for a retailer – the cost of goods sold is between 70 to 74 percent of sales. In light of this

cent of sales. In light of this information, the importance of intelligent purchasing should be clear to every small business owner.

Below are various strategies and methods you can adopt to help make good purchasing decisions.

- *Analyze trends when selecting merchandise.* Any method that can accurately determine buying trends can greatly aid your inventory choices.
- *Analyze sales patterns to improve your ability to forecast sales.* Forecasting sales allows you to make better inventory purchases.
- *Buy directly from manufacturer.* To avoid paying distributor mark-ups, buy from manufacturers. Manufacturers

often provide advanced dating of invoices, special allowances, information about market conditions,

Retail Establishments	
Year	Total Retail Sales (in billion of dollars)
1973	\$511.9
1975	588.1
1977	722.5
1979	896.8
1981	1,038.7
1983	1,170.8
1985	1,375.7
1987	1,542.1
1989	1,741.7
1991	1,821.5

Source: U.S. Bureau of the Census, Statistical Abstract of the United States: 1992 112th ed.

special POP displays, pre-ticketing of merchandise and free delivery.

- *Contract the services of an independent buying house.* Large retailing chains have buying offices strictly dedicated to finding good deals. However, small retailers who cannot afford to set-up such a branch, can instead contract out the services of a independent buying house. These firms consist of experienced buyers – and support staff – working on your behalf. They will search the marketplace for good deals; provide a steady stream of

*The largest dollar volume is rung up by supermarkets. About 30,000 of them do an annual business well over \$200 billion – with an average of \$11 million per store. Even department stores, the former number-one category in American retailing, averaging only \$10 million each for an industry total of about half that of supermarkets.*

#### **FUNFACT**

advice on new items, new sources, special promotion and the like; place orders for you; keep you abreast of changing consumer preferences, fashion and so forth; provide you with desk space and a telephone when you do come into town; and notify suppliers of your impending arrival.

The customary charge for their services runs about .5 to 1 percent of your stores' annual sales, most often payable in monthly installments. However, if your sales are too low, they

may request a minimum fee and payment each month. Usually they'll require a signed agreement for the term

of one year, cancelable by either party.

To locate a buying office suited to your needs, check with your trade association, local SBA office, or the National Retail Merchants Association in Manhattan. You might consult the yellow pages in telephone directories of such major metropolitan areas as New York City, Chicago, Dallas, and San Francisco.

- *Contract out the services of a merchandise broker.* Though far fewer in number than independent buying offices, a second type of buying service that may be available to retailers is the merchandise broker. They'll place orders on your behalf and to a limited

*A resident buyer's job is to locate new products for his or her customers who are generally large department stores or chain store operations.*

extent keep you informed of the latest market information. There's no charge whatsoever to the retailer. The merchandise broker earns commission from the manufacturers who receive the orders (commissions run generally from 2 to 5 percent).

Some retailers are attracted to the merchandise broker because the services are free. However, the services provided are far fewer than those offered by independent buying offices. The broker's primary responsibility is to sell goods for the companies that he or she represents.

- *Hire a resident buyer.* A resident buyer's job is to locate new products for

his or her customers who are generally large department stores or chain store operations. Resident buyers are located in most large cities, and you'll find a list of them under the heading, *Resident Buyers* in your local yellow pages. A book listing of "Resident Buyers of the United States," plus the stores they represent may be purchased from Phelon, Sheldon and Marsar, Inc., 32 Union Square, New York, NY 10003.

- *Regularly rate your suppliers.* Rate the quality of goods suppliers offer, variety carried, dependability of service, prices, production capacity, and special services offered.
- *Strive to lower your "cost of goods."*

*Make sure your employees understand that everyone contributes to successful marketing.*

While you may not be able to do too much about the wholesale prices of merchandise offered to you for resale, you can frequently do better in areas such as quantity discounts, special allowances, terms, and so forth.

### **21. Make sure your employees understand that everyone contributes to successful marketing.**

All employees and departments contribute to the marketing of your company, ultimately providing service to the customer – including the night janitor. If the floors of your establishment are not clean, customers notice.

- *Observe the effectiveness of your sales people.* Many lost customers complain of rude, discourteous or poorly informed

salespeople. And being that one upset customer complains to an average of about 10 other people, it makes sense to monitor your customer's reactions to your sales personnel.

- *Train your sales staff.* Your sales staff should be well trained in the art of selling. If you're not sure how to train your staff, find out.

## 22. Monitor customer traffic patterns.

Knowing how customers move past displays and through your store can help you

*The most prolific retail businesses are restaurants; there are at least 125,000. Fast-food restaurants come next, with about 110,000 establishments, followed surprisingly, by clothing stores, numbering nearly 100,000. Among fast-food eateries, pizza restaurants are the most prolific. Nearly 40,000 of them exist nationwide and about 10 percent of them operate under the Domino Pizza sign.*

**FUNFACT**

discover hot selling spots. This can be advantageous in planning future displays in the hopes of increasing sales.

One way of finding out this information is to look at your rug or tile for signs of wear. As well, keep track of which customer trashcans need to be emptied the most.

**NOTE** Most people turn to the right after entering a building.

## 23. Monitor the seasons of the years and resulting sales patterns.

Retailers must plan for the swell and fall of sales during different times

of the year. To help give you an idea of how significant these variations are, study the chart on **page 38**. This chart shows monthly variations in annual sales patterns for most retail outlets. An average retail jewelry store, for example, can expect 23 percent of its annual sales volume in December. On the other hand, a lumberyard can expect only 8 percent of its annual sales during the same month.

*The sign brings customers.*  
**LA FONTAINE**

**NOTE** The figures in the chart on **page 38** represent average figures from stores of all sizes and from all parts of the United States.

**24. Organize your records into departments.** A retailer that sells different types of merchandise with varying

gross margins and rates of turnover may find it more informative and efficient to organize his or her records by department. For example, a men's wear business could departmentalize by dividing shirts, suits, and accessories into three different departments. Money coming in and going out may be entered in a departmental purchases and sales record as the basis of monthly departmental operating statements.

This above strategy help you determine which departments are the most profitable, as well as give you better control over purchasing, inventory, and emphasis on merchandising. Retail consultants suggest that departmentalizing a store for control purposes is one of the most important

moves a merchant can make.

**25. Periodically rearrange the merchandise on your shelves.** This strategy, especially useful for clothing and specialty food retailers can be used to pique interest in new products and revitalize interest in old products. This strategy helps get customers who like to browse back inside your store for a second look.

**26. Put top-quality more expensive items at eye level and lower-quality less expensive items below.** This is a technique many stores use to encourage customers to buy more expensive items or to help clear out old stock.

*Put top-quality more expensive items at eye level and lower-quality less expensive items below.*

pensive children's cereals and candy – at *their* eye level.

**27. Recruit new staff carefully.** Small retail outlets generally enjoy a good reputation for employer/employee relationships. Nevertheless, obtaining and keeping good employees has to be one of the more crucial elements of any retail establishment. Good employees can be a firm's greatest asset.

In a small retail business, sales are directly related to how well customers get along with employees, and how well employees anticipate and serve customers' needs. Employee attitudes, appearance and ability can make or break a retail business. Furthermore, considering that

**NOTE** Grocery stores will often stock ex-

they can be the biggest single expense of doing business, they deserve careful attention.

**NOTE** The excuse, “You can’t get out to lunch if you’re by yourself” is hardly sufficient to warrant hiring additional staff. An employee is much more than lunch-hour relief.

**28. Regularly walk through your present or prospective location and pretend you are a customer.** Periodically, try and forget everything you know about your business from an owner’s point of view and look at it through the eyes of your customers. Ask yourself: Do you like what you see? Are bits of streamers left over from Halloween or Christmas?

## Retail Equipment

THE FOLLOWING is a list of equipment often needed to run a retail operation:

back counters	pegboards
baskets	racks
build-ups	register stands
carts	sales counters
counters	self-service stands
display cases	shelving
display shelves	showcases
display tables	stock bins
dumbbells	storage cabinets
easels	tiered tables
floor stands	work tables
island displayers	wrapping desks
ers	

Could the place be cleaner? Is their wheel chair access?

## 29. Solicit referrals from suppliers.

Since suppliers depend on you for a substantial part of their business, chances are they will feel a sense of loyalty towards you and your company. In fact, since your success can lead to their success, they are often more than willing to help you find new customers, and can thus become one of the best places to look for new business.

Remember the 80/20 rule – twenty percent of your customers provide eighty percent of your business. This rule works both ways. Just as you should be willing to treat your own

regular customers extra special, your suppliers should be willing to do the same for you.



*treat your own regular customers extra special, your suppliers should be willing to do the same for you.*

## WINDOW DISPLAY STRATEGIES

THE MAJORITY of retail firms rely on window displays to attract the attention of pedestrians, to hook their interest, and induce them to enter their store. Once inside, shoppers are then encouraged to make purchases through effective selling on the part of sales clerks, aided by additional interior displays. While a detailed treatment of this important area is beyond the scope of this chapter, the basics will be touched upon.

**Always keep your displays of high quality.** Shoppers will regard your storefront and show windows as the face of your retail business. Therefore, your window treatments should always convey the exact

*Window displays attract people inside the store. Inside displays direct customers to selected merchandise.*

**POWERPOINT**

impression of quality, style, and distinctiveness you want to project.

**Build up a stock of window base materials.** Window bases (platforms) are usually covered with appropriate materials which contribute to the overall effect of the display – satins, netting burlap, paper, artificial grass mats, and so forth. The retailer should build up a stock of such materials, over time.

**Change your window displays frequently.** Whether you engage the services of a professional window trimmer or do the displays yourself, your windows should be changed frequently. At least ten to fifteen changes each year is recommended.

**NOTE** You might be able to hire someone with display training from a local college.

**Coordinate displays with special community projects.** Window displays used for community projects often create good will. Art galleries or individual collectors may lend interesting objects to help build a display.

**Coordinate your displays with holidays, special events, special promotions and the seasons of the year.**

Coordinate your displays with Christmas, Valentines Day, Spring Break, Easter, Mother's Day, Father's Day or the beginning of the new school year. Also, coordinate your displays with special year-end sales, company anniversaries and birthdays. Furthermore, in selecting appropriate merchandise to put into your window, pay careful attention to whether it is fall, winter, spring or summer or the season just around the corner. Don't for example, dis-

## Window Displays



**Can you spot what's wrong with this window display?**

**Answer:** Too cluttered & no theme. Even a junk shop owner should take the time to properly display his or her merchandise.

play bathing suits during the winter and skis during the summer. However, a spring fashion display might be a real attention getter at the end of a long winter.

### **Design your display window to suit your image and reflect your target market's tastes and attitudes.**

Most likely, you will use your window displays to attract people inside by informing them about what you sell, advertising good deals, and creating new product awareness. However, if you sell high quality clothing you might use your display windows chiefly as an image builder.

**Keep displays clean, neat and simple.** A crowded display creates clutter and confusion. Create “breathing space be-

tween merchandise groupings. Less is more.

**Keep displays well lit.** It takes only two to four seconds to pass a six or eight-foot window. Therefore, the display not only has to be eye-catching, but also must be well lighted day and night. Good daytime lighting avoids shadows that dull a display.

**Make sure sufficient displayed merchandise is available to sell to customers.** There's no point displaying an item you have only a few in stock, unless you're trying to clear it out.

*As far as window displays are concerned, it's not a question of how artistic they look, but how well they bring people into the store.*

**SUPERTIP**

**Prepare all materials ahead of time.** Merchandise, materials, display stands, signs or posters, mannequins and any

other items required, should be carefully selected and prepared ahead of time so that the window can be completely trimmed within a few hours time.

### **Use color groupings in your displays.**

Color is an essential ingredient of a display. Color combinations used in your display window should be attractive and harmonious.

**Use lighting to draw attention to key items.** Spot lights or neon signs can be used to highlight special items.

**Use special effects.** Motion, music and sound can be used in connection with your display to draw attention to your window e.g., motion can be imparted to a

section of your display through the use of a small electric turntable.

**Use themes.** Window displays are generally more effective when built around a single, unifying theme, such as a Back-to-School, Mother's Day, Christmas, or Vacation Fun & Travel.

*Use the same type style on all your in store signs. This helps create a consistency of image.*

**SUPERTIP**



## COMMON MISTAKES OF SMALL RETAILERS

MANY SMALLER, independent merchants tend to make mistakes that fall into a common pattern. Generally, these mistakes are caused by laxity. Here are some of the major retailing trouble spots identified by Alberta merchants:

**NOTE** The following list is based on public domain document “Operating a Small Retail Business” published by Alberta Economic Development and Trade.

**Bad Credit Verification** – The number of businesses that have failed because of offering credit to customers unwisely is legendary. Be impersonal when granting

*More than 2 million retail establishments of all kinds are in operation in the United States.*  
**FUNFACT**

credit, do not let friendship or the prospects of a good sale blind you to the problems of collection. Follow up quickly when customers do not make payments as agreed. Review your accounts periodically to determine their status. Establish a cheque cashing policy.

### **Delay in Taking Markdown** –

Small retailers tend to linger too long before clearance on slow sellers. Earlier clearances bring smaller losses – and new cash with which to start afresh. Markdowns should be used as a promotional tool, and not solely as a clearance device.

**Duplication in Buying** – Commonly seen is the wasteful overlapping of similar and competitive lines. This “spread buying” is an effort to be covered in everything, but

at the sacrifice of depth in anything. This leads to costly markdowns.

**Failure to Comparison Shop** – Comparison shopping is a “must” in planning advertising as well as merchandising. A store’s reputation for good value is harmed if it advertises as a bargain what others are selling at a lower price.

### **Failure to Control Operating**

**Costs** – Every dollar added to costs is a dollar taken from profits. Many smaller merchants fail to keep good check of their operating costs.

### **Failure to Keep Alert to Industry**

**Trends** – All business may be local, but all local businesses are eventually affected by national trends. National trends eventu-

ally converge upon the local scene and bear important influence.

**Failure to Recognize the Market** – Few stores, usually the largest, can serve everybody. Small stores are more effective in catering to distinct groups, such as customers having special tastes or interests, nearby householders, nearby business people. Less inventory is required when owner/managers appeal to select groups. Advertising also becomes easier and more effective, and personnel problems reduced by specialization.

**Failure to Take Discounts or Take Advantage of Co-Operative Advertising** – The losses from failure to take discounts or to cash in on co-operative adver-

*Every dollar added to costs is a dollar taken from profits.*

tising can create significant losses from net profit.

### **Failure to Use Interior Displays –**

Bright and attractive interior displays invite impulse buying. Have merchandise easy to see and to reach.

**High Employee Turnover –** Employee turnover can be an expensive and harmful ongoing problem with retailing. Attention needs to be paid to developing and maintaining an experienced and satisfied staff that can be depended upon.

**Inadequate Inventory Control –** Once recorded inventory controls are lost or out of hand, chaos can and often does set in. This can lead to doing business with broken stock that leads to inevitable mark-

downs and shaved profits. It is vital that merchants use an inventory control system in disciplined form.

**Inadequate Lighting –** This can apply to windows or interiors or both. The result is a dismal and drab atmosphere that dulls customer attraction and conveys a shabby look that reflects upon the store.

*Inadequate record keeping is one of the prime sins of omission of many smaller merchants.*

**Inadequate Record Keeping –** This is one of the prime sins of omission of many smaller merchants. Accounting records should provide a vast fund of valuable guidance on what is selling, prices, trends, costs, profits, turnovers, etc.

**Inconsistency of Advertising –** A surprising number of smaller merchants oper-

ate with little or no advertising budget or expenditure, or when ads do run, they are inconsistent, spur-of-the moment, often poorly executed and ineffectual in results. This lead to the false conclusion that advertising does not pay.

### **Infrequency of Window**

**Changes** – With the exception of two or three major seasonal opening, window changes are erratic and infrequent, despite the fact that windows are the main traffic stopper and the strongest impulse-buying factor. It helps to be imaginative in designing window displays.

### **Lack of Planned Promotions** –

The planned promotion is a vital organ of a successful retail business today. It is advisable to supplement your routine, day-by-

day selling operations with special promotions. A successful promotion is a total package of efforts – ads, displays, mailings, gimmicks and fanfare.

*No sale is really complete until the product is worn out, and the customer is satisfied.*

**LEON  
LEONWOOD  
BEAN**

*Founder, L. L.  
Bean, Inc.*

### **Laxity in Store Modernization** –

Unattractive fronts, dismal interiors and careless displays will inevitably point to an unsuccessful operation.

### **No Planned Calendar of Operations** –

Very few retailers plan a six month, much less an annual, calendar of operations involving promotions, merchandising ideas, inventory, etc. Rather, the business is reduced to a day-by-day and week-by-week operation.

**Poor Sizing Up** – The absence of disciplinary system or policy in filling missing sizes or items quickly and methodically.

**Store Image** – Too many smaller retailers regard “store image” as a nebulous idea, yet these same merchants will accept the concept of “reputation.” Actually there is little difference, except that ‘Store image’ is something you deliberately design, develop and establish.



*Retailing is theater.*

**IRWIN GREENBERG**

*President Hess  
Department  
Stores*

## Sample Financial Ratios\* for Select Retailing Businesses

SIC Number	Type of Business	Cost of Sales	Gross Profit	Operating Expenses	Operating Profit	Cost of Sales / Inventory (median values)
5531	<i>Auto and home supply stores</i>	63.3%	36.7 %	33.9%	2.8%	3.4%
5411	<i>Convenience food stores</i>	75.9	24.1	22.8	1.3	15.0
5411	<i>Groceries and meats</i>	76.6	23.4	21.9	1.5	13.8
5944	<i>Jewelry</i>	53.9	46.1	40.2	5.9	1.4
5921	<i>Liquor</i>	77.4	22.6	21.1	1.5	7.9
5812	<i>Restaurants</i>	41.5	58.5	53.8	4.7	29.4
5331	<i>Variety stores</i>	62.7	37.3	31.7	5.6	3.0

Source: Robert Morris Associates, **Annual Statement Studies**, 1987 (available at library).

Consult RMA for additional ratios for other retailing businesses such as: books, cut flower and growing plants, drugs, family clothing, furniture, hardware, hobby & games shops, jewelry, men's & boy's clothing, shoes, stationary, and more.

\*Based on statement studies of firms with fiscal year-ends April 1, 1991 through March 31, 1992. All statistics are expressed in terms of percentages of annual sales volume. Only data for firms with from \$0 to \$1,000,000 in assets have been shown since this would be characteristic of the beginning business.

**NOTE** RMA cautions that the studies be regarded only as general guidelines and not as absolute industry norms. This is due to limited samples within categories.

## Checklist for Retailers

### LOCATION

- Are rent (mortgage payments) and other costs appropriate?
- Does your store concept fit the market in that area?
- How many direct competitors are located in the trading area? What are they? What do they offer to customers?
- How many people walk or drive past your store?
- Is there easy access to your store using bus routes?
- List the advantages and disadvantages of the building and location: Good window footage? Appropriate size? Visibility? Parking?
- What is the growth potential for the area?
- Will nearby businesses draw customers into your place of business?

### SALES PROCEDURE

- Is your sales staff well trained?
- Can you improve staff training?
- How does your sales staff react to your customers and non-buyers?
- Does your sales staff communicate well with customers? Identify their needs?
- How do your customers react to your store?
- Do you check your business daily by looking at it from the customer's point of view?

- Do prices and sales cover all your costs?
- Do you listen to your customer's questions and ask yourself "Why are they asking them?"
- Do you ask for customer feedback on how you can provide better service?

### SIGNAGE

- Can the signage be seen clearly from a distance? Close up and at eye level?
- Is your signage uniform in appearance? Large enough so that it makes a statement?
- Is your signage professional looking?
- Does the internal signage show consumers which departments they are in? Do they draw them around the store?
- Is your name displayed inside your business as well as outside?

### DISPLAYS

- Are displays simple, coordinated and clean?
- Do they have good lighting?
- Do they have a good central theme?
- If you're displaying small items, do you use big props to display them?
- Are the colors complementary?
- Does your display show where the goods are available in the department and prices?

## Percentage of the Year's Total Sales Each Month (five year average)

Store Type	J	F	M	A	M	J	J	A	S	O	N	D	YEAR
All retail stores	7.4	7.0	7.9	8.1	8.6	8.6	8.5	8.3	8.2	8.7	8.3	10.4	100%
Department stores	6.3	5.7	7.2	7.6	8.0	7.9	7.6	8.0	8.0	8.7	9.5	15.5	100%
Drug and proprietary stores	8.0	7.5	8.0	7.8	8.2	8.1	8.1	8.2	8.2	8.5	8.2	11.2	100%
Eating and drinking places	7.3	7.0	7.7	8.0	8.8	8.9	9.2	9.3	8.7	8.8	8.1	8.2	100%
Family clothing stores	6.3	5.7	7.8	7.6	8.1	7.7	7.5	8.2	7.6	8.8	9.1	15.6	100%
Furniture stores	7.6	7.2	7.7	8.0	8.3	8.5	8.2	8.4	8.2	8.8	9.0	10.1	100%
Gasoline service Stations	7.8	7.2	8.0	8.2	8.7	8.8	9.2	8.6	8.1	8.5	8.3	8.6	100%
Grocery Stores	8.4	7.5	7.9	8.0	8.6	8.3	8.7	8.4	8.2	8.9	8.0	9.2	100%
Hardware Stores	6.2	5.7	6.3	7.9	9.3	9.8	9.4	8.7	8.3	8.9	8.5	11.0	100%
Household appl., TV & radio Stores	8.2	7.1	7.4	7.7	7.9	8.4	8.6	8.2	8.0	8.6	8.3	11.6	100%
Jewelry stores	6.0	5.0	6.0	6.0	8.0	9.0	6.0	7.0	7.0	8.0	9.0	23.0	100%
Lumber yards, building	5.9	6.3	7.3	8.3	8.7	9.4	9.5	9.6	9.3	9.5	8.3	7.9	100%
Men's and boy's wear stores	7.9	6.2	7.1	7.2	8.0	8.1	7.4	7.2	7.5	8.7	9.3	15.4	100%
Passenger car, automotive dealers	7.5	7.8	8.8	9.3	9.4	9.9	9.3	8.2	7.9	8.4	6.7	6.8	100%
Shoe stores	6.6	5.9	8.8	7.5	8.0	8.2	7.3	8.8	9.3	9.3	8.7	11.6	100%
Tire, battery, accessory dealers	6.6	6.0	7.3	8.7	9.0	9.3	9.2	8.6	8.1	8.9	8.7	9.6	100%
Variety stores	5.9	5.8	7.5	7.2	8.3	7.8	7.5	8.0	7.9	8.4	8.9	16.8	100%
Women's apparel accessory stores	6.8	6.3	7.6	7.6	8.0	7.9	7.3	7.9	8.0	9.0	9.1	14.4	100%

Source: U.S. Department of Commerce