

How to Really Retail, Part 2

The Art of Merchandising

Merchandising is an important subset of retail sales. Where advertising motivates potential customers from a distance to visit a business and buy either an advertised item or other products they may want, merchandising motivates customers to buy as they enter the store and once they're inside. Merchandising is a retailer's signage inside and outside the store. Merchandising is creating window, counter, wall and freestanding displays. It is the entire positive buying environment you must create to sell your retail customers when they are most susceptible to suggestions and impulse buying.

Although a catalog on the table in the corner of your lobby is merchandising by definition, it is certainly not proactive merchandising. Developing a proactive merchandising strategy was another critical step in my evolution as a retailer of martial arts products. My first recommendation, based on my experience, is to move your merchandise from inside a glass case or a shelf behind the counter to where your students and their parents are able to touch and examine the products. First-hand contact with retail products drives sales.

Sales tripled when I moved our food and supplement products from a shelf behind the desk to a prominent position on the front desk. Sales increased again when I moved those products to a shelf near the front desk. Beverage sales also increased when I acquired a glass-front refrigerator simply because customers could see the bottles and cans.

My primary merchandising strategy, however, was the installation of an eight-foot by 18-foot wall display and two five-foot-tall shelf racks. Gear and clothing are displayed on the wall and food supplements on the shelf racks. Of course, you may not have the wall space for a display of this size, but I know you do have space for one kind of display unit or another that will help boost your retail sales, even if your displays are modest.

Merchandising display units are a big business, so you will find more types and sizes of units than you're able to imagine, which means there are solutions for the smallest schools with very limited floor and/or wall space. I purchased our wall display and its racks from Store Supply Warehouse at storesupply.com. I selected the wire grid panels, since they are relatively easy to install and provide display flexibility. The school's food supplement vendor provides the glass front beverage refrigerator at no charge if it is stocked with the vendor's beverage products. That arrangement allows us to offer bottled water and other beverages in the refrigerator.

Knowing how to display your merchandise is a separate set of skills. Clothing should be displayed in a certain way that will draw maximum traffic and sales. Visit your local major department stores, sporting goods or other retailers who use merchandising techniques. Take notes and learn from the experts. If you have the budget, then you may be able to find a "window dresser" or other merchandising specialist who will help create your displays for an affordable fee. You may have a local community college or other specialty school in your city where they teach these skills. Such a school may have a program, so students may work with local businesses to "dress" their stores as a school project. You may find a student interested in helping you to receive a good grade instead of a fee.

Practice Dynamic Retailing

Another retailing mistake is to allow your product offerings to be static, to become stale. Part of your retailing plan must be the steps you'll take to expand your product line and customize your products. I've discovered another retail secret: the more items I offer for sale, the more items customers buy. Now, this doesn't mean you should fill your pro shop and displays with just any merchandise or customize all of your products. To take advantage of dynamic retailing requires that you develop a plan, carefully review and examine new products before you offer them for sale.

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and only customize those products students will want to buy in that form.

My product line expansion and customizing plan includes the following:

- I developed an exclusive line of martial arts clothing, food supplements, protein bars and snacks.
- My pro shop also offers most of the more popular and required equipment and clothing for our fitness and martial arts students.

Shirts, shorts, workout pants, ball caps and many other items are customized with the school name and logo. Once you've created a school logo (and it's worth the money to contract with a professional designer), contact screen printers or similar vendors. Ask for samples, pricing and current customers' names to compare the quality and credibility of the vendors. Most of them will be able to help create a customizing plan for your clothing and gear. Look for a sports supply store or similar business in your area, which is able to embroider jackets and other clothing.

An expanded product line helps to satisfy more of your customers' needs and wants and provides you with more profit-making opportunities. Your students will be attracted to customized merchandise because they want to identify with your school and display that identity to others. You benefit from the "word of cloth" advertising whenever the customized merchandise is worn or displayed in public.

I've also conducted very successful semi-annual custom clothing sales.

- Schedule spring and fall sales so customers may shop for summer and winter wear at the appropriate time of the year.
- Distribute announcements in April and October, providing customers with a few weeks to order customized screen-printed merchandise. My customers appreciate the larger selection of items with the school's logo.
- Another benefit of this program is that customers should pay in advance for their selections, since they are custom orders. That makes payment management very efficient and easy.
- I am able to generate approximately \$1,000 to \$3,000 in sales for each event. At a 30% to 40%

margin, depending on the item, I am able to net a nice boost to those months' profits.

Hire a "Dedicated" Salesperson

You should obviously hire someone that is "dedicated" to their job, but the meaningful definition of that word is someone who performs the sales (and/or desk) functions and nothing else. You may discover, as I did, that hiring a desk or salesperson is another wise and proactive retail strategy.

As skillful as you may be selling enrollment contracts to parents or as your instructors may be "selling" students on a form, life lesson or other topics, don't think that those skills naturally transfer to retail sales. You and your instructors' tasks and responsibilities are much more important than selling a bottle of water.

While I teach classes during the evening, my desk/salesperson answers information calls, schedule trials, enrolls new students and sells merchandise. A desk/salesperson is also a professional consideration. You and your instructors should never be diverted from teaching a class to answer the phone, greet a visitor or sell gear. You are free to focus on the teaching of students and strengthening your rapport and relationships with parents.

Your desk/salesperson should be more than an "order taker," sitting behind the desk hoping someone will buy something. He or she should be actively talking with students, parents and visitors, making sure they are aware that you have merchandise for sale and providing them a catalog, flyer or materials promoting your retail sales. Your salesperson should also be telling everyone about new items. This is not a "hard sell," but just an opportunity to interact with students and parents and provide them with suggestions and information. You may notice uniforms or equipment that need replacing during a class. By providing your salesperson with this kind of information, he or she is then able to contact the student or parent proactively about purchasing replacement items.

Let your salesperson be an integral part of developing your retail program, selecting merchandise, creating store displays, presenting ideas for promotions, etc.

Although a desk/salesperson is typically a modestly paid position, you don't want to hire just anyone. In fact, you want to hire someone with retail experience

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in clothing or general merchandise, someone with a “take charge” attitude that will help you maximize the retail profit opportunities at your school.

For many school owners, a desk/salesperson seems like an affordable luxury, but I propose that such a person is not only affordable, but also indispensable. In fact, his or her wages should make you money, not cost you money—another return on an investment. Consider the following example:

Your investment in the wages of a desk/salesperson:

\$7.00 to \$9.00 per hour for two to three hours,
Monday – Friday; or a maximum total of 15 hours/
week X \$9.00/hour = \$135.00/week in wages.

Your desk/salesperson would pay for himself or herself and return a profit with just one of the following sales scenarios:

1. Fifty to sixty dollars in retail sales every evening, which generates \$25 to \$30/sale in gross profits, based on 100% markup from the wholesale price. This equals \$125 to \$150/ week.
2. Enroll one new student, which equals several hundred dollars in tuition
3. Schedule two trials (If you’re enrolling at least half of your trials, then return to #2).

Just one word of caution: Don’t expect a good, experience salesperson to be successful unless you have a well-planned retail program. Merchandising your products with displays and hiring a salesperson are two sides of the same coin. One doesn’t make sense without the other. Both are worthy commitments, but you must have a plan and be prepared to make it work before you hire a desk/salesperson.

Darwin’s Theory Applies to Martial Arts School Owners, Too

I’ve tried to prove to you that even a modest increase in your retail sales may be the difference between living hand-to-mouth and having that little extra that makes life (and your profession) much more enjoyable and rewarding. A manager from my previous life once told me that those who fail to evolve become extinct. If you don’t actively work at helping every element of your business evolve, then you may discover you’ve

become extinct or evolved into something you don’t want to be. There may have been a day when owning and operating a martial arts school meant nothing more than teaching students, but the profession is evolving also. To advance to the next level of martial arts professionalism, you must learn how to take advantage of every opportunity to serve your students, which almost always means you are providing yourself with new profit-generating opportunities. Most of those opportunities already exist; they just need your attention, and retail sales is one of the most important for the growth of your school.

My last suggestion to help you prove to yourself the value of retail sales is the following:

When all I had was a catalog on a table in the corner of my lobby, my retail sales accounted for approximately seven percent of my total gross sales. Following two years of improvements to the retail portion of my business (better inventory control, displays, custom merchandise, salesperson, etc.), my retail sales now average approximately 15% of my gross.

Do the math with your numbers. I am confident you’ll discover the same overlooked profit center that I did.