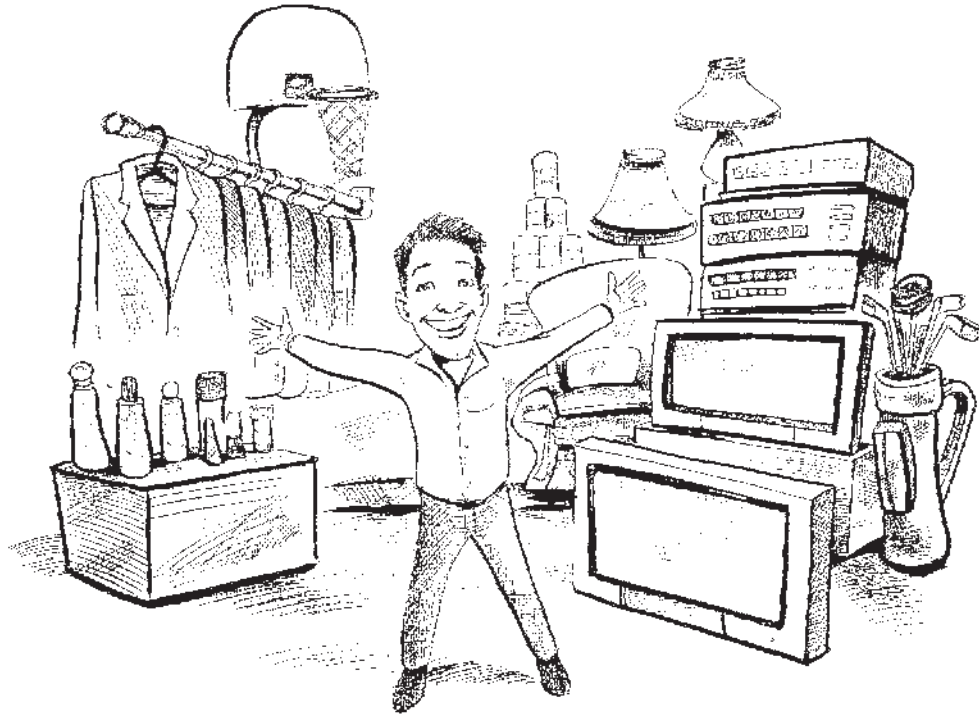


## Chapter 1

# Introduction To Retailing



*The retail industry provides an exciting way of life for the more than 23 million people who earn their livelihood in this sector of the U.S. economy. Retailers provide the goods and services you and I need—from food, auto parts, apparel, home furnishings, appliances, and electronics to advice, home improvement, and skilled labor. Let's take a look behind the scenes at the many facets of this exciting business.*

### **WELCOME TO THE BIG LEAGUES**

Retailing is one of the fastest growing segments of the economy. As one of the nation's largest employers, the retail indus-

try provides excellent business opportunities. About 12 percent of the approximately 750,000 new enterprises launched between 2001 and 2002 (the latest years for which data is available) were retail operations. The entrepreneurs behind these ventures risk their capital, invest their time and make a living by offering consumers something they need or want. You'll meet several of them in this guide and learn how they created a niche for themselves.

Most retailing involves buying merchandise or a service from a manufacturer, wholesaler, agent, importer or other retailer and selling it to consumers for their personal use. The price charged for the goods or services covers the retailer's expenses and includes a profit. Each year, this vital sector of our econ-

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### **Who Are Your Competitors?**

**Want to know where shoppers go?** According to *Chain Store Age* magazine, here's how the top 100 retailers break down in sales by retail category:

Supermarkets	19.2%
Super centers	11.3%
Hard-lines stores	10.3%
Discount stores	10.1%
Home centers	8.9%
Drugstores	7.8%
Warehouse wholesale clubs	6%
Department stores	5.1%
Electronics retailers	3.5%
Apparel stores	3.3%
Sears, J.C. Penney	2.7%
Mail order catalogs	2.4%
Convenience stores	2.1%
Military exchanges	.6%
Shoe stores	.6%

omy accounts for approximately two-thirds of all economic activity. In 2005, the National Retail Federation (NRF)—the world's largest retail trade association—reported that retail sales in America reached \$4.1 trillion in 2004.

Storefront ventures run the gamut from clothing boutiques and health-food stores to hardware stores, coffee shops, bars, laundromats, convenience stores and so on. Among the more recent arrivals are shops, day spas, and “pop-up” retailers, which set up shop for only a few days or weeks at a time—like Target's recent short-term venture in the Hamptons, Vacant, which sets up shop in various cities for a few weeks, or the holiday stores you see at Christmas and Halloween—but there are retail shops for just about anything else you can imagine.

The NRF says there are more than 1.5 mil-

lion retail establishments in the United States. Most are store retailers, though there are other types of enterprises—such as electronic commerce (e-tailing), mail order, automatic-merchandising (vending) machines, direct retailing (door-to-door selling), and service providers. The service and retail sectors of the U.S. economy continue to report the largest numbers of startup companies.

### **WHAT ABOUT JOBS?**

The NRF reports more than 23 million American workers—1 in 5—are in the retail industry. At present, more jobs are provided in retailing than in the entire U.S. manufacturing sector. Thirteen percent of all new jobs are in the retail sector, says the NRF.

When issuing its 2006 industry forecast, the NRF predicted 4.7 percent growth,

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which was softer than the previous year's 6.1 percent forecast. It cited higher energy costs and rising interest rates as primary factors. "With the housing market beginning to slow, consumers will be challenged to find new sources of spending power," says NRF chief economist Rosalind Wells. "The strong retail sales we saw in the second half of 2005 will be replaced by more conservative spending in [2006]." That could mean a slowdown in job growth in the retail sector. However, the overall U.S. economy still boasts low unemployment figures, so experts like retail consultant George Whalin, author of *Retail Success! How to Increase Sales, Maximize Profits and Wow Your Customers in the Most Competitive Marketplace in History* (Willoughby Press), say retailers have little to fear and that their job growth and security should remain steady for the foreseeable future.

### BASIC KINDS OF RETAILERS

Retailing is one of the most mature industries in our economy, and it's constantly being reinvented with the advent of new technologies. Changes in buying behav-

ior, attitudes and buying patterns, and the restructuring of the retail industry, have had a significant impact on small businesses. While some predict the local retailer may become a thing of the past, there is a bright future for those who can identify and respond to changing consumer needs faster and better than their larger competitors. With the internet, TV, telephone, overnight delivery, and credit and debit cards, any enterprising individual can find a niche and begin making commercial transactions right away.

To give you an overview of the competitive marketplace, we'll take a brief look at the various faces and configurations of selling to the consumer. Keep in mind that all of these enterprises began as a simple concept and grew to various proportions through popularity and perseverance. At this point in your exploration, anything is possible for you, too.

### Store Retailing

The retail scene in America is a dazzling array of independent shops, department stores, discount and off-price enterprises, convenience stores, membership warehouse

## Every Stripe And Shape

**Retailers continue to redefine** and plan new shopping environments to provide customers with a variety of places, prices and merchandise. Nikki Baird of Forrester Research Inc. says the most common physical store categories and recognizable examples are:

- **Mass merchandisers:** Kmart, Target
- **Convenience stores:** 7-Eleven, Circle K
- **Membership warehouse clubs:** Costco, BJ's
- **National and regional chains:** Starbucks, Nordstrom
- **Category-killer stores:** Home Depot, Best Buy
- **Conventional supermarkets:** Safeway, Kroger Co.
- **Specialty stores:** Crabtree & Evelyn, Victoria's Secret
- **Service retailers:** SuperCuts, AutoZone

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clubs, national and regional chains, category-killer stores (superstores like Home Depot and Staples), conventional supermarkets, and other large-scale enterprises that seem to dominate the retail sector.

Store retailers operate fixed point-of-sale locations designed to attract a high volume of walk-in customers. In general, stores have extensive merchandise displays and use mass-media advertising to attract customers. They typically sell merchandise to the general public for personal or household consumption, but some also serve business and institutional clients. These include establishments such as office supply stores, computer and software stores, building materials dealers, and plumbing and electrical supply stores. Catalog showrooms, gasoline service stations, automotive dealers and mobile home dealers are treated as store retailers by the U.S. Census Bureau.

To understand this diverse business sector, government reporting and other information is broken down into several sectors for easier digestion and fact-finding. The sector groupings are based on one or more of the following criteria:

- The merchandise line or lines carried by the store: For example, specialty stores are distinguished from general-line stores.
- The usual trade designation of the establishment: This applies in cases where a store type is well-recognized by the indus-



**Stat Fact**

The National Retail Federation reports that California, Texas, New York and Florida account for 29 percent of all retail workers and make up approximately 30 percent of all U.S. retail sales.

**Smart Tip**



Successful retailers do not run their business to suit themselves. Retailers must cater to the tastes and requirements of customers. This can mean keeping the doors open on holidays and weekends, and opening early or staying late on some weekdays. You marry the store when you go into business for yourself, so expect many compromises along the way to profits.

try and the public but is difficult to define strictly in terms of commodities offered. Examples are pharmacies, hardware stores and department stores.

- Capital requirements in terms of display equipment: For example, food stores have unique equipment requirements.
- Human resources requirements in terms of expertise: For example, the staff of a computer store requires knowledge that's not necessary in other retail operations.

**Brick-And-Mortar Stores**

While shopping on the internet is all the buzz, independent brick-and-mortars (retailers with physical stores) dominate consumer sales and are expected to remain viable for several reasons. Foremost is their real-world presence, having a location that people can drive by, call, and walk through time and time again. A physical building lends credibility as a solid and reliable enterprise. It also provides an outlet, a destination, and a gathering place for customers.

Shared experiences and one-on-one exchanges are valued by people of all ages. The ability to look someone in the eye and ask them questions or watch a demonstration appeals to human nature. Another ad-

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vantage is the ability to feel and smell the merchandise, and to try it and compare it side by side with other items. Shoppers appreciate having a selection of items at their fingertips. There's instant gratification for buyers in carrying their purchase home with them. And there are no packing and shipping charges. People feel more comfortable paying in person than giving out credit information to disembodied entities. Returning items to a store is more convenient than mailing something back. Personal service, community involvement and local employment are three additional aspects of storefront retailers that will continue to appeal to the public for decades to come.

### David Vs. Goliath

You read a lot about the power retailers—the Wal-Marts, Home Depots and Targets—with huge physical facilities housing a broad range of merchandise. Faced with these price-oriented giants, won't the little guy get crushed? Not necessarily. Many "Davids" are learning a thing or two about efficiencies and customer focus from "Goliaths" like Wal-Mart, and they're flexing their own muscles. In fact, the United States is primarily a nation of small, independent merchants: More stores are small, both in size and sales volume.

The typical store is run by the owner alone or by a husband-and-wife team. Such small enterprises naturally lack the substantial resources, purchasing muscle and sophisticated operations of the large-scale retailers. For the small retailer, there may be a few employees, and one or two may be part-time workers. The store's size is, of course, related to the type of establishment: Furniture outlets, for example, require much more space than shoe stores and neighborhood groceries.

Fred Wilber and his childhood friend, George Martin, often discussed what they wanted to do when they grew up. While still in college, they decided that music was

what they loved most and could do best, so when they found an empty storefront off the beaten path in Montpelier, Vermont, in 1973, they decided to open a music store called Buch Spieler Music.

"I've always been a musician," Wilber recounts. "It's an intuitive talent." Wilber's brother and a friend ran the business for a year or so while Wilber pursued a professional career as a composer in New York. "I probably could have done all right, but when my manager/financial backer was murdered, I returned to Vermont and my cabin in the woods and was glad I had my store to go back to."

### Stat Fact

"All-natural pet bakeries are an up-and-coming trend in the \$35 billion pet industry," says Stephanie Bailiff, who researched the industry before leaving her law practice in 2000 to start The Barkery in Newport Beach, California. "It's developing into an industry of its own with about 40 percent of the larger pet retailing market. The oldest [all-natural pet bakery] I've heard of started in 1980."



Stephanie Bailiff decided to share her love of dogs with fellow enthusiasts by opening an all-natural pet bakery in Newport Beach, California, in 2000. She sees the market as strong and growing because people are having children later and want more affection and companionship in their daily lives. "Pet bakeries are popping up every where in Southern California. There are about 10 that I know of," she says. "There are a ton of wholesalers for this all-natural industry. I've been cooking for my own

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dogs for a long time. I love coming up with new recipes—like the marinara morsels I made the other day.”

### **Specialty Retailing**

While power retailers tend to sell “needs,” specialty retailers tend to sell “wants.” They focus more on neighborhood convenience, the richness of the shopping experience, and inventory that meets the needs of their target customer on a personalized basis. Small stores show surprising strength and resilience in the face of competition from large-scale retailers and internet retailers. They offer the consumer a warmer atmosphere, and perhaps a broader and deeper selection of merchandise.

Many stores can be owned and operated by one person with minimal assistance. Compared to manufacturing operations, specialty retail outfits are relatively easy to start both financially and operationally. However, a number of failures are due to undercapitalization, poor location and insufficient market analysis. This guide is intended to help you avoid startup pitfalls by providing you with tricks of the trade to help you succeed.

There is always room for the right kind of store. Geographic shifts of large numbers of consumers are characteristic of our mobile population; stores need to be wherever people live. Fashions, changing lifestyles, increasing concern about health care and technological advances all contribute to the need for new variations on old retailing themes. Finally, retail openings continue to occur as established merchants retire, sell their businesses, or close down because of poor management practices or changes in the local environment. Your small store launched today may become the next Lowe’s or Starbucks within the next decade.

### **Nonstore Retailing**

When you look at the array of business opportunities in retailing, be sure and include

#### **Bright Idea**



Even if you’re working full time, pick up some part-time or seasonal work in a retail store to get the feel of a small business. Observe how decisions are made, how employees are trained, and what kinds of customer attitudes you encounter. How are resources allocated? See how vendors and inventory are handled. See what works and what doesn’t.

the \$172 billion nonstore retailing sector, as reported by the U.S. Census Bureau. These businesses are primarily engaged in the retail sale of products through TV, electronic shopping, paper and electronic catalogs, door-to-door solicitation, in-home demonstration, portable stalls, vending machines, and mail order. With the exception of vending, these businesses do not ordinarily maintain stock for sale on the premises. They deal in books, coins, computers and peripherals, food, fruit, jewelry, magazines, novelty merchandise, CDs, audiotapes, stamps, and home-shopping ventures, among others.

When exploring your options, consider combining one or more retail opportunities. For example, if having a store is the object of your desire, think about adding a toy or gumball machine as an extra revenue stream. If you are thinking about setting up a tax-preparation or insurance-billing service in your home, perhaps you’ll want to publish a mail order catalog of topical audiotapes, rubber stamps, forms and books you can sell to augment your customer base.

There are many advantages to this type of retailing—one being that the buying, maintenance and protection of a large inventory is not necessary, as you contract

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with others to handle these matters. The U.S. Census Bureau says there are nearly 55,000 nonstore retailers in the United States.

### **Temporary Locations**

In your travels down remote roads and through the countryside, you'll find roadside stands offering ripe tomatoes, fresh corn by the bushel, avocados, freshly laid eggs, and other agricultural and dairy products. You might also see handcrafted items, artwork, souvenirs, holiday gifts, regional tokens and novelties. Many of these businesses sell year-round, though some are seasonal by nature. Carts in malls and by roadways, swap meets, spontaneous garage sales, holiday or summer retail operations, and weekly farmers' markets are additional outlets for the ambitious retailer.

### **Direct Selling**

Direct retailing means selling to the consumer in his or her home using the telephone, the internet or direct mail. Home-shopping TV channels and infomercials have boosted the popularity of shopping from the privacy and comfort of home. TV-based home shopping was originally touted as a new era in retail, but today the sector is dominated by two main players—HSN, which reports worldwide sales of \$2.4 billion, and QVC, with \$5.7 billion in sales. People have to watch a show in real time to order items before they disappear from the air, although both networks also have ordering capability through their websites.

The convenience of ordering from home amid high gasoline prices, crowded highways and stores, time crunches, and physical and geographic barriers works to the advantage of direct retailers. According to the Direct Marketing Association, 2005 sales for direct retailing through TV, including home shopping networks, infomercials and direct response TV commercials, were approximately \$150 billion.

With phone marketing, in less than two minutes you can complete a transaction—speak with your customer, exchange information and take an order. For more than a decade, there has been an increase every year in the use of pay-per-call, toll-free numbers and fax-on-demand for almost every application imaginable. Consumers can purchase advice, news and information, magazine subscriptions, telecommunication programs, investments, videotapes, health supplements, and exercise equipment over the phone. The market is endless. Using telephone technology, you can inform, educate, solicit and satisfy the consumer and your business needs. Because sales are made to one person by phone at a time, bulk orders, higher-priced items and contract purchases are the most cost-effective.

In this techno age, many consumers like to be able to ask a real person questions before they buy and to feel like the person cares about them. According to the Direct Selling Association, approximately 32 percent of home and family-care products, such as cleaning products, cookware, cutlery, etc., and nearly 30 percent of personal-care items, such as cosmetics, jewelry, skin-care products and the like, are sold through direct sales by companies such as Amway, Avon, Fuller Brush, and Tupperware. House-to-house canvassing, party plans and network marketing are among the techniques used to sell almost everything—clothing, perfume, toys, china and crystal, home furnishings, health and beauty aids, and general merchandise. The 2002 Economic Census identified about 22,000 of these firms nationwide, with a total sales volume of \$22.4 billion.

### **Mail Order**

From glossy wish books to basic brochures, catalogs are popular with those

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who live far from shopping areas, the elderly, those seeking the unusual or the obscure, and those who simply hate to shop. What could be easier than calling a 24-hour, toll-free phone number to order clothing, gifts and gadgets? With direct mail, sales materials can be sent to thousands of potential customers at one time to either make a sale or generate a sales lead. According to the Direct Marketing Association, direct marketing, such as direct mail and infomercials; interactive marketing, such as interactive websites and kiosks; and database marketing, such as direct mail and e-mail campaigns, generated more than \$2.3 trillion in U.S. sales in 2004, including \$143.3 billion in catalog sales and \$52.5 billion in internet-driven sales. Selling products and services directly to consumers by mail is a growing sector because it offers entrepreneurs a high return on a low initial investment.

Mail order enterprises include general merchandise businesses, companies that sell specialty goods of all kinds, novelty firms, various types of clubs (CDs, DVDs, books, audiotapes, gifts), and so on. In most cases, catalogs are sent to consumers in defined niches on a regular basis. Most of the catalog companies offer some form of expedited delivery so customers can receive merchandise quickly.

The extraordinarily versatile medium of direct mail enables you to target people, groups or organizations within your trading area, all of which may be likely prospects for your retail business. And you can work out of your home, a warehouse or a brick-and-mortar store.

An up-to-date mailing list is the key to direct-mail profits with back-end fulfillment and relational database support. Most people selling things by mail need at least a 200 percent markup to make money. You shouldn't pay more than \$10 for something you sell for \$30. If you think this is the retail area for you, check out the mail order chapters in *Entrepreneur's* startup guide No. 1819, *Online Business*. Here, you will learn where to find the best products, how to save on advertising costs and select mailing lists, and help you maximize your print or online mail order operation.

### **The Internet**

The internet has changed the retail landscape, connecting companies, markets and individual consumers. Industry research firm JupiterResearch says that while online sales only account for 5 percent of all retail sales, nearly one-fourth of all sales are impacted by online retailing.

"Customers have researched a product, compared prices or found a store online be-

## **Specialty Catalogs Deliver**

**Mail order has evolved from** general catalogs to specialty ones. Small entrepreneurs can compete with the large houses and sell at bargain-basement prices because of low operating costs. Improvements in technology and delivery speed merchandise to customers. Specialty mail order appeals to busy people, hobbyists, people located in remote areas, and collectors. Local merchants and homebased entrepreneurs can fill niches and meet special needs for one-of-a-kind and limited-production items, gifts, novelties, leather goods, and personalized products. A recent accounting by the U.S. Census Bureau of 10,000 mail order houses reported nearly \$95.7 billion in sales.

## Reinventing Retailing

Until the late 1990s, buyers and sellers conducted trade through three channels: in person, by phone and by mail. The internet has become the fourth way for consumers to get what they want. Here's what experts say merchants should prepare for:

- Doing business 24 hours a day, seven days a week
- Making price comparisons with sources around the world
- Consumers' online research influencing billions of dollars in offline sales
- Consumers turning to the internet in record numbers to fulfill their gift-giving and other purchasing wants and needs
- Retail competitors conducting business online and building relationships with customers through e-mail, forums and chat rooms

fore they bought it offline," says Patti Freeman Evans, an analyst with JupiterResearch. "More and more, customers are using online tools as a way to find out and make their product and purchase decisions. It's important for all retailers, large and small to be part of that conversation."

Storefront retailers of all kinds are using the internet in increasingly creative and profitable ways, and you'll hear from some entrepreneurs in this book about how they're doing that. For more information on setting up an e-commerce business, read *Entrepreneur's* startup guide No. 1819, *Online Business*.

### Vending Machines

Automatic merchandising—or vending machine retailing—has been a proven business concept for more than a century. *Vending Times*, the industry's trade magazine, reports that snacks and soda sales alone totaled more than \$41 billion in 2002. As with any other sales venture, having the right product in the right place at the right time is key. This business is highly appealing because of the low startup cost, low working capital and low overhead. This is a cash business, with you collect-

ing the money when you replenish supplies. In Europe, shoppers can use their cell phones to pay for items in vending machines by debiting their checking accounts online. This is the future for American vendors as well.

Once mostly restricted to gum, candy bars and canned sodas, today's vending machines sell snack foods, fruit, hot drinks, soups, milk, ice cream, fresh flowers and an array of impulse goods and necessities. The machines are usually placed in high-traffic locations, such as subway stations, railroad and bus terminals, restau-

### Fun Fact

According to the National Automatic Merchandising Association, vending dates to 215 B.C. in ancient Egypt. In his writings, the mathematician Hero, of Alexandria, described a device found in places of worship that would dispense holy water when a coin was deposited.



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rants, office buildings, and bars. *Entrepreneur's* startup guide No. 1375, *Vending Business*, shows you how to capitalize on the billions of dollars Americans feed vending machines every year.

### SERVICE RETAILERS

Some retailers offer after-sales services, such as repair and installation. For example, musical instrument stores, electronics and appliance stores, pool and spa stores, and computer stores often provide repair services. Then there are stores that are dedicated to service, such as shoe repair, pool and spa water treatment, and vacuum and sewing machine service. Service organizations include those specializing in education, travel, entertainment, health care, home care, child care, physical training, space planning/organization, coaching, insurance, and countless others.

A service firm is one that derives more than 50 percent of its sales from providing services that may involve a combination of tangible and intangible offerings. Service businesses are currently the most frequently established operations. Since they usually sell a specialty or skill, credibility is very important. Startup costs are often low, and many service businesses can be operated from home.

Services provided by real estate brokers and tax advisors require some knowledge or skill. Selling a service to consumers is usually more of a challenge than selling merchandise. Consumers can touch, handle and examine goods; this is something they cannot do with most services. Services must be experienced. For example, hair styling and dating services have to be experienced to be evaluated.

You may need to tell the prospective customer what you are going to do, do it, and explain why you did it that way. For example, a carpet-cleaning service that uses a deodorizing process after cleaning the car-

pet should tell its customers about the special care included in the price and why this extra step is beneficial. Service providers often spend more time with their customers than do merchandise providers.

Many services are essentially perishable. For example, event tickets are only good for the day and time of the baseball game or performance. And dentists, physicians, attorneys, consultants and accountants cannot recover earnings lost because of an unfilled or lost appointment. In contrast, tangible goods can be held in inventory and sold over several days or months. If a hotel room is empty for an evening, the revenue is lost forever, whereas a book or roll of wallpaper can be profitable for many seasons.

Most service firms are small, single-unit operations, and small size limits service companies' ability to achieve economies of scale. Changes are occurring, however, as tangible-goods firms have established major stakes in service and have introduced tangible-goods merchandising techniques in the services area. The International Franchise Association says that one of the newest and fastest-growing sectors is high-tech medical spas, offering noninvasive services like laser hair removal and facial treatments. In addition, meal-assembly stores, which only began franchising in 2003, are hot franchise opportunities and growing quickly. Franchises that save people time and effort are also big, such as franchised home repair services, where employees perform simple tasks, like installing a shelf or curtain rods, for a fee. Service industries are typically characterized by low barriers to entry. Consequently, competitors can quickly enter a market and challenge existing businesses.

Many service organizations are labor-intensive. The output of an attorney, florist or tax preparer cannot easily be increased. These and other services must be personally produced and tailored to the needs of individual clients. This precludes the use of

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automation and other labor-saving strategies. Because of this, and the fact that many services are offered only at the point of sale, standardization in the level of service and quality is difficult to achieve.

The demand for services is often more difficult to predict than the demand for tangible goods. And demand for services can fluctuate widely by the month, day of the week or even the hour of the day.

Consumers also seem to feel that purchasing services is a less pleasant experience than buying goods, and consumers perceive higher levels of risk in buying services than in purchasing tangible goods. To bridge the "information gap," consumers are increasingly doing their research on lawyers, mechanics, banks, and a host of service providers on the internet the same way they compare features and prices for tangible goods.

### Consuming Appetite For Services

Time is becoming increasingly scarce for millions of people. The 24/7 pace technology has brought us spells opportunity as well as challenge for retailers. New businesses have sprung up to take care of many of life's chores. Personal shoppers, mothers' helpers, after-school programs, tutors, handyworkers, maids, valets, insurance and tax preparers, home grocers, pet walkers, and reminder services are just a few ideas entrepreneurs are cashing in on. The majority of couples are two-income families, leaving little time for preparing meals, picking up the dry cleaning, reading a software manual, remembering birthdays, standing in bank lines, and waiting for the cable installer to show up. People will pay dearly for more time, so figure out what you can sell or do to put people back in charge of their days, and you'll be a winner. Check out *Entrepreneur's* business service startup guides No. 1306, *Gift Basket Service*; No. 1334, *Home Inspection Service*; No. 1058, *Child-Care Service*; No. 1313, *Event Plan-*

### Stat Fact

More than half of retail failures are in operation for four years or less, according to the SBA's Office of Advocacy.



*ning Service*; No. 1330, *Wedding Consultant*; No. 1828, *Personal Concierge/Shopper*, and other startup guides for details on how to fill consumers' needs.

### STEP UP

Whether you are interested in a store, service or hybrid operation, the deciding factor in your success or failure will be your relationship with the consumer. Get to know your prospects. Consider testing your business concept from home to control overhead costs. After gaining encouraging sales from friends, relatives and neighbors, you can extend your reach through catalog, fax and phone sales. From there, you might want to sell from a cart in a local mall or through a short rental in temporary space to test walk-in traffic and promotional efforts. Then you can determine if your sales and management skills justify startup costs and long-term commitments. With a realistic view of what you're getting into, you can examine your options for location, size and format—that is, can you sell more, and more profitably, through one distribution channel over another? Which form would that be—catalog, physical or virtual store, or TV and radio sales?

### RETAILING'S IMAGE

Retail businesses exist to make people happy. To the extent that you satisfy customers, you fulfill your company goal. After that's said and done, retailers are in the business of customer satisfaction. This is the

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key to growth and profits.

The industry continually strives to shift its image from one that profits from others to one that serves people's interests. Image has many sides to it: friendliness of personnel, quality of merchandise, level of service, and ease of access. You must be ever conscious of the perceived risk the consumer has of doing business with you. One is social risk: What someone buys affects how others view that person—fashionable and smart, or behind the times and ignorant. The second risk is economic. This is the possibility that a purchase decision will greatly reduce the consumer's budget and not yield substantial satisfaction or value.

### Social Responsibility

Retailers are improving their image by assuming greater social responsibility. In doing so, they're meeting the needs of society as a whole, rather than just focusing on maximizing profits. They provide their facilities for art exhibits, forums and community activities. Executives lead fund-raising drives that benefit the community, underwrite pro-

grams, sponsor events, and mentor students. Being a business owner provides opportunities for you to be involved in issues that matter to you and your customers.

Some retailers choose to locate in a downtown area that has become blighted over the years. They use some of their profits to help supplement federal funds for revitalizing the area. Locating in an inner city has special challenges because of the problems of vandalism, shoplifting and other crimes. Nonetheless, some retailers want to make a contribution to society by upgrading the inner city while looking for profits over time.

Long a leader in providing career opportunities for women, retailers have generally made an effort to match the cultural mix of their employees to the community that surrounds them. This is a combination of social responsibility and good business sense. Many retailers have also initiated internal affirmative action programs to provide minorities with equal opportunities for upward mobility. Some retailers make a special contribution by employing high

## Retailers' Call To Action

**To help fight the problem of** so-called "sweatshops," all members of the National Retail Federation endorse the organization's Statement of Principles on Supplier Legal Compliance and pledge that they:

- are committed to legal compliance and ethical business practices
- choose suppliers who share that commitment
- include contractual language requiring their suppliers to comply with the law
- take appropriate action if a supplier has violated the law
- support and cooperate with law enforcement authorities in the proper execution of their responsibilities

"Retailers take their responsibilities to their customers very seriously, and we have taken aggressive and proactive steps to help our suppliers obey the law," says Tracy Mullin, president of the trade association. "Retailers have answered the call and are doing their part to ensure that the products they sell are made legally, ethically and morally."

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school dropouts and prison parolees in an attempt to train and retain them for the good of society and the firm.

Retailers are also assuming greater responsibility for the products they sell. As a retailer, you will have to be careful in buying products from resources. This involves not only ownership and licensing issues but also labor practices, environmental concerns and research procedures. Growing numbers of consumers prefer products made with sustainable materials and will not use certain kinds of animal or plant products. They want to discourage the use of chemicals and materials that are harmful to people and the environment, are wary of genetically engineered foods, and expect disposable items to be recyclable.

Retailers should be aware of groups like the Sierra Club, People for the Ethical Treatment of Animals, and Greenpeace, which often influence consumers' perception of proper business conduct. The Fair Trade Federation is an association of fair trade retailers, wholesalers and producers whose members adhere to social criteria and environmental principles to foster a more equitable and sustainable system of production and trade.

Know that you may also be required to have some products tested or review test documentation before selling a product. The reasons are obvious: Government regulations are making it mandatory, the increasing cost of liability insurance is forcing retailers to eliminate some items, and consumers are becoming better informed and more demanding. You'll need to do some homework to stand behind your products.

Air and water pollution, accumulation of toxic chemicals and wastes, and overflowing landfills are just some of the environmental problems of the 21st century. Several existing businesses and franchises are providing opportunities for entrepreneurs to operate and invest in. Selling organic pro-

### Smart Tip

Retailers should be people people. But having the gift of gab and being comfortable in diverse and changing conditions are not the only traits that contribute to success. Whether you have a store, vending machine, catalog or service, organizational skills can make or break you. Your ability to schedule payments, people, promotions and products requires a remarkable amount of planning, focus and perseverance.



duce and herbs, natural garden services, natural products, products made from recycled materials, and ecotourism are a few of the ways retailers are making a living and a life from their beliefs.

### WINDOWS OF OPPORTUNITY

Today, finding the right goods or services and creatively marketing them no longer assures that a retail firm will grow and prosper. You must run your business with a constant eye on the consumer. You must have a strategic view of your business and focus on your positioning, changing consumer lifestyles, technological advances and competitive business concepts.

Of all the habits of highly successful businesses that sell directly to the consumer, the ability to assess relationships with the marketplace is perhaps the most crucial. Being able to anticipate and adapt to constant changes in the retail environment more quickly and effectively than the competition is every retailer's goal. The ability to harness the energy of change is what separates innovative, energetic, growing, profitable companies from obsolete, static failures.

## Introduction To Retailing

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Store retailing offers you the kind of business in which you get to meet lots of people. The retail store is a cash-and-carry operation. The day you open your store to the public, you begin taking in money at your cash register. Capital requirements are characteristically lower than for either manufacturing or wholesaling. This ease of entry is very attractive and explains the large number of new stores launched every year.

Consumers 40 and older are more familiar with retail stores than with all other business types because they have shopped in stores all their lives. Younger consumers have a broader perspective on shopping, which incorporates various electronic outlets (telecommunications devices, the internet and TV) for purchasing goods and services.

### WHAT NOW?

Take a look at the demographic trends. Ask your chamber of commerce, local college or university business school, reference librarian, and newspaper marketing department for reports on demographic trends in your city. How are national trends reflected in your market area? Are you ahead of or behind what's going on? Watch what the leaders are doing. What are the master plans for major educational institutions, governmental agencies and businesses in your community? Leverage their investments to get a higher return on yours in the marketplace.

With a growing population over 50, businesses that sell walkers, jar openers, easy-

dressing clothing, large-print books and other useful items for the elderly are promising.

Another growing business caters to teenagers. Tutor concepts like Sylvan Learning Systems Inc. in Baltimore and Huntington Learning Centers Inc. in Oradell, New Jersey, are two examples of early entrants in this growing field. Plato's Closet, a unit of Grow Biz International Inc. in Minneapolis, sells secondhand designer clothing—just the kind teens are looking for

### DO YOU ACCEPT THE CHALLENGE?

The best retailers are outgoing, verbal people who like to live in the fast lane. Most retail jobs present continual variety, meeting and mixing with people, creating your own opportunities, and generally engaging in self-promoting activities. This is a dynamic field that places a high demand on responding quickly to change, bringing diverse elements and people together, working unscheduled hours, taking rejection, negotiating deals, resolving confrontations, and adjusting to periods of high and low activity.

Is this the kind of atmosphere you want to work in? Do you have the personality for retailing? If you answer yes, read on. The more you learn about retailing, the better prepared you are to make the right choices when starting your business.

In the next chapter, we'll cover more about the personality of a successful retailer and help you decide, based on your strengths and interests, what type of retail business is right for you.