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How to do Retail: Top Ten Tips

1) Know your retail numbers

Understanding the basic retail numbers is important to ensuring the business is able to meet its financial targets. Often staff from different areas of the museum /organisation will meet to discuss financial performance so it is important to ensure everyone has a correct understanding of these numbers.

Sales Income: the value of the goods sold before any costs are deducted. Most goods sold in museum shops will be subject to VAT, which is currently 20%. Be clear if the sales income includes VAT or not.

Gross Profit: the sales income (less any VAT), minus the cost of the goods sold to make the sales. For example: Sales income vat ex (£50,000) minus cost of goods (£20,000) = gross profit (£30,000) or 60%gross margin (i.e. the profit value is 60% of the sales value vat ex)

Net Profit: the profit after ALL costs (e.g. cost of goods, staff wages, heat/light/power, overheads etc) are deducted. This can be expressed as a value or as a percentage of sales. For example: Net profit (£5,000) divided by sales income (£50,000) = Net profit (10%) i.e. Net profit is 10% of sales.

Shrinkage or stock loss: the difference in value between all the products bought for resale, less items sold or held in stock at the end of the year. Shrinkage or stock loss can significantly reduce the overall retail profit and includes any items broken, stolen, short delivered or reduced due to damage. For example: total product purchased (£75,000) minus sales (£50,000) minus stock (£24,000) = stock loss £1,000 or 2% of sales. High stock losses need to be investigated as they indicate problems in either security or processes.

Wage percentage: staff costs as a percentage of sales is an important indicator of how well managed a business is. It is calculated by dividing staff costs by sales income. For example: sales income (£50,000) and staff costs of (£10,000) = staff of wage % (20%) i.e. staff wages are 20% of sales.

2) The importance of shops

Why have a shop? Is it really necessary? It can be tempting for organisations seeking to make cuts in straitened times to reduce, or even close down, the retail offer. Retail is an integral part of the visitor experience and one which all visitors have come to expect and enjoy. Visitors love to take away with them a 'piece of their day'. There are other, equally important, reasons for not only offering, but making the most of shops in heritage sites:-

- The shop financially supports the organisation's activities
- The shop is an extension of the organisation's brand – its products spread the word
- The shop represents the collections in an accessible way, through good product development
- The shop is a gateway to the galleries, it can draw in customers who then become visitors
- The shop is a destination in itself and often serves the local community

3) Location, look and feel

Location: if you have the opportunity your shop should be located so that visitors pass through it on entry to the museum and, best of all, on exit Wherever possible shops should be in the area of highest footfall – often near the cafe and toilets. If your shop is not so well located make sure that it is clearly signed from the entrance and also at the end of the visitor route.

Look and feel: imagine you are looking at your shop with a customer's eye and you will see things quite differently. Consider the shop from the start of the customer 'journey' – the approach to the building, external signs, windows, and the threshold of the shop. Then look at the displays once in the shop. Is the shop easy to move round? Is it light and inviting or does it look cluttered? Is it clean and ready for business? Walk out and come in again as a customer taking note of anything you could move or improve, you may be surprised.

4) **Staff are the stars**
Nothing is truer than that people buy people. Your shop staff are the front line troops who will make all the difference with regard to sales and as ambassadors for your organisation. Shop staff are often the first point of human contact for visitors and we never get a second chance to make a first impression. It has been shown that 96% of unhappy customers don't complain and that 90% do not return so do invest in customer service skills training – it will give a real return on that investment.

Recruit good communicators: sales and communication go hand in hand. Make sure you put communication skills at the top of the person spec when recruiting. It is more important than experience or qualifications.

Sell, sell, sell: reluctance to pro-actively sell is not a desirable quality in shop staff so make sure you recruit staff who are enthusiastic about this, their core purpose. Again, invest in training to give confidence to existing staff and you will see real monetary returns.

Stock and product knowledge: good sales people know what is in the shop every day and what new lines are introduced. Product knowledge is equally important and will increase sales and linked sales. Make sure staff are updated regularly and that they can speak with an informed voice about what stock they have, its provenance and the works in the collection that inspired it.

5) **Know your customer**

Ask your staff: your shop or front of house staff are the people who really know who is coming through the door. Invite them to indentify the main segments you are attracting e.g. families, retired adults, academics, locals, holidaymakers. Once you have this information it will determine what you stock, how you display it and how you serve the customers.

Segment your visitors and identify their needs: for instance, if you have a high proportion of local visitors you may want to carry more gifts and greetings cards: you will need to refresh the displays more frequently to give an impression of new stock as locals make return visits: they will respond to a more personal service, getting to know and use their names, for example.

Match your product to your visitor profile: understanding your visitor profile is one of the most important keys to successful retailing. Heavy emphasis on children's goods in a shop with a mainly academic visitor will obviously not succeed. But, more subtly, a shop that confidently sells general giftware that may be found in the high street will not appeal to an audience of visitors keen on your subject and who want bespoke product about that subject.

6) Visual merchandising and display

Visual merchandising refers to the way product is presented to the customer. Good visual merchandising is one of the most important retail tools to attract, engage and motivate customers towards making a purchase. Without good visual merchandising a shop can look disorganised and unappealing which reduces sales.
Good visual merchandising creates strong and clear statements to customers that help them to understand the different ranges, values and price points on offer. Shop staff can sometimes be intimidated when asked to display product as it is often wrongly assumed to be decorative and requiring creative flair. However, good results can be achieved by most staff by following 4 core visual merchandising principles.

Pyramid displays: the overall effect creates a visual triangle within the display and is achieved by positioning a single large item in the centre that acts as a statement piece and attracts the viewer. Progressively groups of smaller sized products are added to the presentation with the smallest items being positioned on the outer edges. For maximum effect aim to group products together in odd numbers – i.e. 3, 5, 7 etc.

Colour blocking: bringing together and grouping product based on colour can add impact and drama to a display. It can be effectively used to give customers the impression that product has been refreshed by selecting colours relevant to a season (– i.e. yellows and fresh greens for Easter/spring or rich reds and browns for autumn) without the need to invest in a large number of new product ranges. Another effective way of using colour grouping is to select products that pick up on a key colour from a major exhibition piece or painting.

Product positioning: this ensures that specific products are placed in the most appropriate space in the shop based on its sales potential and relevance to the museum. Not all space has the same visibility to customers due to location, visitor flow, layout and lighting. Therefore it is important that the best spaces, in high flow areas (i.e. spaces that most visitors see) are used to present key products as this encourages impulse purchases. Products that benefit from this type of presentation include guidebooks /exhibition catalogues, exhibition products and promotional volume lines.

Use of price points and point of sale: clear pricing is important as potential customers will be reluctant to ask staff and will be put off purchasing un-priced items. Ideally all prices should be on the product itself or shown clearly on well located point of sale (POS) tickets. Choose a method of ticketing that fits with the style of the whole museum (i.e. same font type, colour and use of logo/branding) and use it consistently. Highlight key items to the customer with point of sale that focuses either on price, (e.g. for important value or promotional items) or benefits for special products (e.g. exclusive to the museum, limited edition, relevant to the collection).
In addition to the 4 core visual merchandising principles it is essential that a good housekeeping routine is in place to ensure the shop is kept clean and tidy at all times.

7) Less is more when it comes to product

Stocking more products in a shop does not necessarily increase customer spend or the number of visitors who will make a purchase. Often it can have the opposite effect by reducing sales. However, it is all too easy to end up with an ever increasing range size as more products are added and old stock is not cleared quickly enough, resulting in a confusing array on the shelves. For this reason it is important to get the right balance of products to give potential customers choice and be able to achieve good visual merchandising within the space available. The more focused and relevant the product offer is to the target visitor and your museum, the more likely they are to buy. To help achieve this:-

Plan the range size each season and for any special events: carefully consider how much space you have and work out the number of products that will realistically fit on the shelves or fixtures. Remember, for small items allow multiple facings of the product to ensure it is visible to customers. For best sellers and key products allow more space so that you can present them with authority. Always buy to your plan.

Plan the product mix: consider the mix of products and price points. If you have sales data from EPOS systems check what has sold well in the past and which price points are most successful. Try to ‘ease up’ the average price point in each area by careful selection of the product range (e.g. if the average price point for books is £5.00, try to add more books with prices £5.00 and above.) Include some higher, more aspirational, price points within the range as they increase customer’s value perception of the range overall and help sales of lower priced products.

Buy smart: focus the buy and work with a limited number of suppliers to avoid paying delivery charges and make ordering more efficient by raising fewer purchase orders. Always avoid buying only one or two products from a supplier.

Ensure products are profitable: products must be correctly priced for the market as wrongly priced goods will make customers suspicious of everything on sale and make them less likely to buy. However, as a minimum, aim to mark up most products by at least 2.4, i.e. cost price x 2.4. By marking up by 2.4 a margin of 50% is achieved, e.g. cost (£5) vat ex X 2.4 = retail price vat inc - £12. The right price is the one that achieves a profit and encourages strong sales.
The following table shows margins and mark ups. Within the heritage sector average margins range from 50% - 65%. However, if your sales include a high percentage of books then the overall margin achieved will be less than 50% as books have a low margin (between 35- 40% is normal). The higher the margin

percentage or mark up, the higher the profit achieved.

Mark up / margin crib table

Markup Multiplier	% Mark up	Margin %
1.75	46%	31%
2	67%	40%
2.4	100%	50%
3	150%	60%
3.5	192%	66%
4	233%	70%
	profit £ /cost	profit £/retail vat ex

8) Control stock levels

Stock represents a risk so it is important that it is managed effectively with good controls to avoid under and over stocking as much as possible. Where an EPOS system exists use the information to make better, timelier, decisions. If EPOS data is not available use manual systems to monitor stock levels.

Hold the right amount of stock to achieve the sales budget: the amount of stock held must be in relation to the estimated sales and a stock turn target. Museum/heritage retailers should aim to turn their stock 2-3 times a year (i.e. hold a stock value the equivalent of between 17 and 26 weeks of budgeted sales). For example: a shop with annual sales (£50,000) and a stock turn target (2) should aim to hold an average total stock value (at retail) of £25,000 – i.e. £50,000 divided by 2 = £25,000.

Buy in the right quantities: ensure the minimum order quantity from the supplier is realistic for your size of business and do not be tempted to bulk order to achieve a better cost price unless it is a known best seller. This is particularly important for any 'own label' bespoke products that are produced specifically for your museum, including those for special exhibitions.

Prioritise best sellers: many sales are lost by 'out of stock' on best selling products so ensure stock levels on these lines are monitored regularly and they are a priority for replenishment. Ensure all staff are up to date with which products are the current best sellers.

Clear out dead and slow moving product quickly: stocking too many products and holding old stock will make it harder to achieve the stock turn target and tie up money that is needed to purchase best sellers. Stock does not get more valuable with age, so identify slow moving products and problem lines as quickly as possible and take action to increase sales. The type of product and the scale of the problem will determine what action is most appropriate. However, these are some remedies to consider :- improve the presentation with good visual merchandising to increase its visibility to the customer; move to a better location; price promote; include as part of a promotional offer; mark down and include in a sale; write stock off and give away for marketing purposes.

9) Measure, monitor, manage

Key performance indicators (KPIs) are used across the industry and are helpful to benchmark performance against similar businesses. By measuring key areas and monitoring change over a period of time it allows managers to plan better and ask more searching questions that help develop their business more quickly. These are the three most commonly used:-

Conversion rate: the ratio of visitors who go on to make a purchase in the shop. It is calculated by the visitor number divided by the number of till transactions in the shop (the number of till transactions comes from the daily reading and broadly equates to the number of customers who have made a purchase) For example: 20,000 visitors and 5,000 till transactions = 25% conversion rate. Lots of things impact on conversion rates including visitor profile, product range, visitor flow and staff skills. Understanding the detail gives valuable insight and enables effective changes to be made and the results monitored. Conversion rates can be measured over different time periods depending on the information required – i.e. hourly, daily, weekly, monthly and annually.

Spend per visitor: the average amount every visitor spends in the shop. It is calculated by dividing the visitor number by the sales. For example: 20,000 visitors and £40,000 sales = £2.00 spend per visitor. Spend per visitor is affected by similar things to conversion rates as they are linked and monitoring it can help identify trends over time and support better budgeting and planning.

Average Transaction Value (ATV): the average amount each customer spends in the shop. Unlike conversion rate and spend per visitor it does not rely on visitor numbers in its calculation so is a more pure measure of performance. It is calculated by total sales divided by the number of till transactions. For example: sales £40,000 and 5,000 till transactions = £8.00 ATV i.e. the average purchase by customers was £8.00. ATV is useful in monitoring customer service levels and helping to identify staff training and skills requirements.

10) Common Pitfalls

Although the UK heritage retail sector is one of the best in the world, there are, nevertheless, traps which retailers often fall into and these are the most common and those that prevent shops maximising income:-

Who is driving the buying? In an ideal world buying ought to be planned and executed by an experienced retailer who understands the dynamics between visitor and sale. It can be the case that other dynamics come into play from colleagues within the organisation that can slow down sales and add to the stock liability. For instance, many venues inherit large quantities of exhibition catalogues which, once out of date, sit on the stockholding.

Allowing personal preference to dictate buying: It is very easy to buy stock that you like and which you would purchase but do remember who your customer is and buy accordingly, it will bring far greater returns.

Retail undertaken by non-retailers:
In heritage sites we often depend on already stretched staff or volunteers to run shops simply because we are under-resourced. Almost always it will be more profitable to employ one person who is experienced and responsible and who will more than cover the salary by running a more successful operation.

Trading in isolation: Retailers who run their operation without reference to, or experience of, others in the sector run a danger of misplaced over-confidence in their shop. The very best way of improving is to constantly understand the sector through site visits, networking with colleagues, benchmarking and training. If retailers do not invest time in trade shows they will also be in danger of restricting stock to long-standing ranges and suppliers - stock which will become tired and unappealing to the visitor.