Smart Retailing and Your Bottom Line

Wynne Business

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Why is retail important?

- Different income stream
- Allows clients to bring the spa home
- Another reason for clients to visit
- Potential for high sales per square foot
- Clients who purchase retail are 78% more likely to return to the spa

What to sell?

- Service sales support retail sales
- Choose vendors with a similar vision/philosophy to the spa, or you'll confuse customers
- How many lines?
  - Good, better, best
  - Edit lines and assortments to your client

What’s the mix?

- Retail % of products = service % of sales
- Lifestyle products – books, music, yoga accessories
- Home category; candles, scents
- Travel retail
- Don’t forget gifts and impulse items!

Tell a great story! Your clients will listen…

- Begin with your therapeutic vision
- Your treatment vision drives your home care (retail) vision
- Retail is a medium for telling your brand story

Begin the home care experience in the spa…

- Whenever possible, begin and end a treatment journey in your retail center (“choose a Wynne Elixirs essence for your pedicure”)

Retail: an unnatural act for your service staff?

- Integrate problem-solving products into all treatments
- Offer an enticing array of accessories *and* consumables
- Show them how to get beyond “The Silent Treatment”

Retail Commissions

- Range of gross margin products creates range of commission %'s
- Who gets retail commission?
- Who doesn't?
- It's all about the team
- Minimum qualifications

Not all retail sales are the same

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- The magic is in the margins
  - Branded products
  - Private Label products
  - Accessories and other merchandise

It's all about the mix.

- Q: Branded or private label?
- A: Yes!

- Name brands are co-branding with top spas…exclusivity *and* name recognition

-Young "brand snobs" don't embrace unknown lines without a great story. Great spas have great stories…

- The "Bliss effect": great private brand plus great name brands = loyalty + prestige

Branded products pros

- Marketing budgets make brands potentially more familiar to consumers
- Samples and collaterals
- Training and education
- Co-op advertising

Private label pros

- Much improved gross margins
- Control over distribution
- Opportunity to build your own brand recognition
- Credibility with consumers

Anatomy of a retail sale:

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RETAIL SALE: "BEFORE"

$100	Branded Product Sale
($50)	50% Product Cost of Goods
($1)	Cost of shipping, stocking
($10)	10% Sales Commission
($1)	Commission Payroll burden
$38	GROSS PROFIT (COGS 62%)
($40)	Spa Overhead Expense
($2)	PROFIT/LOSS

RETAIL SALE: “AFTER”

$100	High margin Product Sale
($32)	30-40% Product Cost of Goods
($ 1)	Cost of shipping, stocking
($15)	15% Sales Commission (a 50% raise!)
($1.50)	Commission Payroll burden
$50.50	GROSS PROFIT (COGS 49%)
($40)	Spa Overhead Expense
$10.50	PROFIT/LOSS

Home Care Sales Tools

- A must – the prescription slip
- Shelf-talkers
- Scripts
- Building home care into “packages”
- The close – “What would you like to take with you today?”

Event and party retailing

- A terrific new channel
- Goodie bags, favors, hostess gifts
- Wedding registry!

Online Retailing

- 24/7 shopping
- Broader reach to consumers
- More web linking opportunities
- Fulfillment
- Volusion.com, nexternal.com

Retailing 101

- 20% of sku's responsible for 80% of profits; keep these in stock!
- Weed out non-performers
- Look and act like a store; evaluate and mimic retailers
- Adjust for seasonality

Know the Numbers

- Inventory turns
  - Avg inventory at retail/annual retail sales
- Retail sales $ per square foot
  - Annual retail sales $/retail square footage
- Gross margins
  - Retail price minus direct cost of sales
- Retail to total sales ratios
  - Retail $/Total Sales $

Rate your Performance

- Based on service mix and client base:
  - Skincare driven spa ratios
  - Salon/spa ratios
  - Medical ratios
  - Resort, fitness, hospital

How retail “magic” happens:

- Tell a captivating product story
- Tantalize with visual merchandising
- Integrate home care demos into every service
- Teach clients with educational sales tools
- Reward your team’s sales effectiveness
- Define their contribution and hold them accountable for it
- Reward “regular refill” purchases
- Have your team trained in sales skills!

Relevant web sites

- Retailwire.com
- Wwd.com
- Retail.about.com
- Retailing.org

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THANK YOU FOR YOUR ATTENTION!

A copy of this presentation will be posted on www.wynnebusiness.com

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