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RETAIL SHOPS

A playbook for opening a store: location, inventory, margins, and competing with online shopping through experience and community.

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AT A GLANCE

- Retail success depends on **location, buying the right inventory, and managing cash tied up in stock**.
- Independent shops win with **curation, service, community and experiences** online stores can't match.
- Most successful small retailers also sell **online**, so customers can buy anytime.

WATCH OUT

Figures are general, illustrative ranges as of the review date. They vary by product type, location and size.

Startup costs (illustrative)

Item	What it covers
Lease deposit and buildout	Fixtures, lighting, fitting rooms, storage
Opening inventory	Often the largest cost
Point-of-sale and inventory system	Tracks sales and stock
Signage and branding	Storefront and in-store displays
Website and online store	See **L-10 Selling Online: E-commerce Basics**
Permits and insurance	Business license, sales tax permit, liability and property insurance
Working capital	Cash to reorder best-sellers and cover slow months

How the money works (illustrative)

Line	Share of sales
Sales	100%
Cost of goods sold	Often 40% to 60%, depending on product
Gross margin	**Often 40% to 60%**
Rent and occupancy	8% to 15%
Staff	10% to 20%
Other costs (card fees, marketing, utilities, shrinkage)	8% to 15%
Profit before owner pay	**Often a low single-digit to low double-digit percentage**

Markup is common in retail. A **keystone** markup doubles the cost: a $20 item sells for $40, a 50% gross margin. See **M-07 Pricing Your Product or Service**.

> EXAMPLE
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> **Nia** opened a gift and home-goods shop featuring local and immigrant-owned makers. Her gross margin averages **52%**. She buys small quantities, reorders best-sellers weekly, and marks down slow items after 90 days. Workshops on weekends, like candle-making and calligraphy, bring in customers who often buy before they leave. Online sales now add 20% to her store sales.

Numbers to track

KPI	What it tells you
Sales per square foot	How well your space earns
Gross margin %	Pricing and buying
Inventory turnover	How fast stock sells. See **O-09 Inventory Management**.
Sell-through rate	Share of an item bought that sold
Average transaction and items per sale	Merchandising and upselling
Conversion rate	Share of visitors who buy
Shrinkage	Loss from theft, damage and errors

Buying smart

- Start with **smaller orders** and reorder what sells.
- Ask suppliers about **consignment** or net-30 terms. See **O-08 Working With Suppliers and Vendors**.
- Keep a **mix** of best-sellers, new arrivals and higher-margin items.
- Plan buying around **seasons and holidays**.
- Mark down slow items before they become dead stock.

Funding

- Savings and friends and family

- Inventory financing and lines of credit. See **R-07 Equipment Financing and Lines of Credit**.
- Community lenders and microloans. See **R-05 Microloans and Community Lenders**.
- Bank and SBA loans. See **R-06 Small Business Loans and SBA Loans**.
- Vendor terms

Ways to grow

- Online store and social commerce
- Events, workshops and community partnerships
- Private-label or exclusive products with better margins
- Pop-ups in other neighborhoods before opening a second store

Common mistakes

- **Over-buying opening inventory**
- **Choosing a cheap location with little foot traffic**
- **Not selling online**
- **Holding onto slow stock**
- **Ignoring shrinkage**

Launch checklist

- ☐ Test products at markets or pop-ups first
- ☐ Choose a location by foot traffic and customer fit
- ☐ Set target margins for each product category
- ☐ Set up point-of-sale with inventory tracking
- ☐ Launch an online store alongside the shop

Where to go next

- **O-09 Inventory Management**
- **L-10 Selling Online: E-commerce Basics**
- **B-13 Renting Your First Space: Leases Explained (Main Street)**

IMPORTANT
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