

BLACK BELT **MARKETING**

MARKETING STRATEGIES FOR THE OWNER AND INSTRUCTOR

How to Really Retail, Part 1

By NAPMA Member Keith Wilkes

To be a martial arts school owner, an entrepreneur, requires that you admit the obvious: you are a retailer. Granted, your primary product is a service, but to overlook the retail sales of martial arts and allied products is to overlook a profit center that most school owners need to maximize their profitability.



The typical reaction from too many school owners is “Please just let me teach classes. I don’t want to manage an inventory, which will require dedicated space, in the hope that my students will decide to buy their equipment and supplies from me.” You can’t avoid the hard truth, however, that your students must buy martial arts products from someone and you already have the advantage because your students come to your school every week. That is referred to as a “captive audience” in marketing. You’ve already done the hard work: selling enrollment agreements (and renewals) to your students. You’ve established relationships with them and their parents that should be far deeper than just simply retailer and customers. Since you expect most of your students to remain your students for a considerable amount of time, you know, and they will quickly learn, that they will need to purchase equipment and supplies regularly to participate in and benefit fully from your training.

Consumers know that the value of a retail purchase is not just measured by the price. Convenience, quality and selection are just as important.

Convenience – Purchasing martial arts products from you certainly couldn’t be any more convenient. Few consumers will take the time to find another source for what they want to buy when they are already satisfied customers of a business that offers what they want.

Quality – It should be a given that you wouldn’t sell your students anything but “quality” products, defining the term “quality” as objectively as possible. It follows that if students and their parents consider you credible and trustworthy, then they will transfer that credibility and trust to the products you sell. If they believe in you, then they are unable to imagine you selling anything but quality products.

BLACK BELT **MARKETING**

Selection – Selection is often a challenge for school owners because they make inventory management more difficult than it needs to be. Once again, you have a tremendous advantage over any other retailer who could sell martial arts products to your students. Those retailers don't interact with your students regularly. They haven't (and will never) established relationships that are even remotely comparable to the teacher/student relationships you've developed. No one knows your students and their equipment needs better than you; therefore, no one should be able to order and stock the exact inventory that your students need—more efficiently, more cost-effectively, requiring less of your time and generating more profit—than you. Your competitors need those sales to stay in business, but for you, that profit of an extra \$200, \$500 or \$1,000 a month is likely to ensure your profitability and personal prosperity, not just survival. For some school owners, retail profits may be needed to survive; and, although that is not a positive sign, it is better to have strong retail sales under those circumstances to help weather the storm.

For too many of you, retailing products is nothing more than a catalog on a table in the lobby. Instead, let's look at a number of strategies and techniques that are easy to implement that will make equipment and supplies sales an important, and highly profitable, segment of your business.

Increase Sales with a Proactive Attitude

Changing your attitude from a reactive one to a proactive one is your best first step to improve your retail sales. Treating retail sales as a necessary evil is not constructive. After all, martial arts equipment and supplies are integral to your students' advancement and success. They couldn't do without the proper equipment any more than children need helmets, shoulder pads, etc. to participate in peewee football. You want to make sure that your students have the quality equipment that will lead to a quality and successful experience—and renewals. In most cases, bad equipment is more noticeable than excellent teaching, and the former will trump the latter, which leads to dropouts.



Our proactive system, for instance, guarantees that students purchase the gear they need as part of our belt testing preparation. We have a schedule of the gear required at each rank. We also have a form that is completed for each student that reaches certain ranks in our Little Ninjas, Karate Kidz and Taekwondo programs. After the test, we speak with the students or parents to make sure they purchase the necessary gear. We sell a considerable amount of retail sales on test days.

There are many other reasons to be proactive about retail sales. Let me return to the issue of quality and the opportunities available to you when you proactively offer quality products.

I learned the quality lesson the hard way. In the early days of my school, I sold the lowest quality gear in that "lonely" little catalog on the table in the lobby. As with so many business beginners, I thought students and parents would not pay a few dollars more for high-quality products. It's a case of "I wish I knew then what I know now." The day, in most cases, of the consumer shopping for the lowest price is long gone. Consumers are savvier these days. They now look for the best "value". That is the same connection you must make to be proactive about retail sales. I also discovered that selling high-quality products is actually more profitable than selling low-, or even me-

Sparring Gear: Profits Comparison Chart, Based on Products' Quality Levels			
Quality Level	Retail Price	School's Cost	Profit
Low	\$95.85	\$40.85	\$55.00
Medium	\$105.97	\$47.27	\$58.70
High	\$119.97	\$53.53	\$66.44

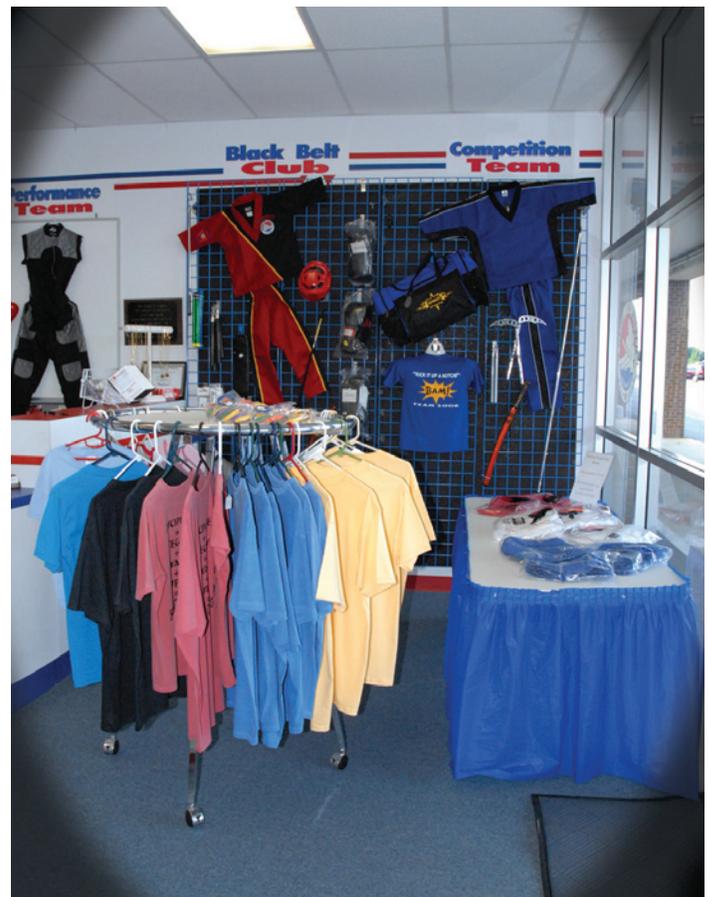
medium-, quality gear, as the following chart reveals: If dollars and cents are not enough to convince you, then consider that better quality equipment provides more protection and reduces the possibilities of injuries; and student injuries, even the minor ones, may lead to negative outcomes for students and your school. The injury issue is not only one you should be addressing proactively as part of your introductory and regular messages to parents, but it is also a perfect justification for you to sell parents on buying better quality equipment—and that's a plus for everyone.

A Wise Inventory Is a Profitable Inventory

Many school owners make the argument that they can't afford to have their liquid assets sitting on shelves in their pro shops in the form of inventory. My response is that you can't afford to do otherwise. Your retail sales strategy is a subset of your marketing program; and virtually all of your marketing dollars should be considered as investments. You should expect retail sales both to return the money you paid for the inventory as well as provide you with a return on your "investment." The secret is how to sell the inventory quick enough to receive that return on your investment in a reasonable amount of time.

Part of the secret was mentioned early: No one knows what equipment and supplies your students need better than you, or that should certainly be the case! You know what your students need so that's the inventory you stock. You may choose to conduct a survey of your students or take a few minutes and calculate how much equipment and supplies a typical student needs in a standard year of martial arts training. Multiple that by the number of your

students and you should be able to determine a realistic inventory you should carry, and one that sells quickly. We use our accounting program to review sales, even to individual uniform sizes. This gives us the projected numbers to stock an inventory that doesn't sit on the shelves for



BLACK BELT **MARKETING**

long. Again, this is an advantage for which nearly every other retailer in your city would pay money: To know whom the customers are and what they will buy before you must order the inventory. That advantage alone is all the reason you should need to make retail sales a profitable portion of your business.

Once you have a clear understanding of how much equipment and supplies your students will need in a year (or month), then you have the flexibility to order merchandise in a manner that provides an additional money-saving, or moneymaking, benefit. I discovered that ordering inventory once a month, instead of every few days, reduced shipping charges and increased profits. A secondary benefit is that you will spend less time ordering and managing inventory, which appears to be a major obstacle for many school owners. Study the chart below to learn how monthly ordering saves money.

Look for part 2 of this Black Belt Retail report in the December 2007 package.



Inventory Ordering Comparison Chart*

Ordering Frequency	Order Amount	Shipping Costs	Multiplier	Total Costs
Once per week	\$75.00	\$7.97	4	\$331.88
Twice per month	\$150.00	\$13.46	2	\$326.92
Once per month	\$300.00	\$23.31	1	\$323.31

* based on purchasing \$300 per month in gear, uniforms, etc.



NAPMA member Keith Wilkes owns and operates FEAR KNOT Martial Arts For Kidz locations in Lancaster, Elizabethtown, Mt. Joy and Middletown, Pennsylvania, where he and his staff teach more than 400 students.