

Growing a Comics Retail Chain

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I. Introduction (Buddy Saunders)

When we examine the comic book industry, we see real growth and opportunity. But that was not always the case, and if we're to continue the impressive growth we've experienced in recent years we must be open to new ideas, new opportunities and new markets. Some seventeen years ago a single radical new idea laid the foundation of the Direct Market. Now new, more sophisticated methods of expanding the comic book market are at hand. Today, Mel and I will be discussing one such marketing opportunity, the rise of the chain store comics retail company.

During the early to mid seventies nobody talked about how to expand the market for comic books. Simple survival was what was on everyone's mind -- comic sales were in steady decline and everywhere outlets were discontinuing comics. Grocery and drug stores, newsstands and other traditional comics outlets had all come to see comic books as a low profit nuisance.

ID distributors didn't have a better opinion of comics, either -- and comics were at the bottom of their priority list as well. When an ID distributor found himself shorthanded or faced a tight schedule, the magazines that didn't get distributed were comics titles. Horror stories from that period include the practice of stripping an entire week's worth of comic book titles for return credit without those books every having been sent to retail outlets.

Longtime comics collectors remember just how bad comic distribution could be in those days. In those days there were no comics shops. It wasn't unusual for comics readers to visit every grocery and convenience store in their area and still not be able to find the books they wanted. And this breakdown in reliable distribution happened at exactly the time that comics needed dependable distribution. Comic writers were shifting from single-issue self-contained stores to multi-issue continuity, continuity which sometimes spanned dozens of issues! Fans who missed issues became frustrated and often simply stopped buying comics. And if that wasn't bad enough, the habit of reading itself was in a national decline, a trend that continues to this day.

Among those contemplating this bleak vista was longtime comics fan Phil Seuling. In the mid-seventies Phil brought a fresh perspective to comics retailing -- a perspective that grew over time into what we know today as the Direct Market. The Direct Market concept completely reinvigorated a stagnating comics industry and possibly ensured the very survival of the entire industry!

Over the last fifteen years, the comics industry has experienced phenomenal growth, with most of that growth coming from the Direct Market. All segments of the Direct Market can take pride in that, including the publishers who were initially sceptical of the entire Direct Market concept.

In the beginning publishers had good reason to be sceptical.

What were comics retailers but a bunch of fans who thought they could sell lots of comics to other fans? But we proved that the sceptics were wrong, and yesterday's fans are what make the industry go. The previous generation of comics fans are found everywhere in today's comic industry as retailers, distributors, publishers and creators.

Today the comics industry isn't discussing stagnant markets and survival strategies. We are winners and know it. But we are facing another big risk -- the risk of being blind-sided by our own success. As big as the comics industry has become, it's still tiny compared to other segments of the entertainment industry. If we are to continue to grow, we can't continue trying to squeeze the last dollar from the existing fan base, but we must reach out to the vast, untapped market of potential comics customers. Mel and I both believe that the Direct Market must look beyond current Direct Market strategies. There is a large and as yet untapped mass market composed of all those people who are still not reading comic books, and traditional comic stores are not going to be able to reach them successfully. A best guess is that about 1 million persons buy comics products regularly in North America, out of a total population of 250 million persons! We've got a lot of room to grow!

We believe that in the year 2000 entertainment store chains which have comics as their primary merchandise line will be to comics as the invention of the Direct Market was to the comics industry fifteen years ago.

While the concept of mass-market retail and the idea of chain store operations and so far been little used in the comics industry and even less understood, these concepts -- the very foundation of innumerable other retail communities -- represent the future of the comics industry.

Although traditional comics shops and the newsstand will keep an important role in marketing comics, breathtaking growth will most likely occur in comics retail chains -- chains initially numbering as few as 8-12 stores and eventually reaching unit counts of 100 stores or more.

Chain store operations, while ready to serve the traditional comics fan will have as their primary target two groups of potential customers who are currently neglected by comics retailers: young readers who are most receptive to the message that comics are fun and adults in the 18-34 age groups who may have never read a comic in their lives. To accomplish this chain store operations will use a combination of economies of scale, high-quality mainstream store locations, systems management, a broad product mix and the purchasing power that comes from volume to improve new customer outreach and retention.

Mel and I are here to speak to you today because we know that there are people in this audience who could be at the helm of one of these nascent chains. But how do we -- you and I -- get from where we are today with a single store or three or seven or eight to where we want to be -- the president or CEO of a fifty or hundred store operation spanning an entire region?

Getting there won't be easy. We all know that. But it can be done. Other retail industries have 100, even 1,000 store chains. We can do it. The time to begin building the foundation is right now -- no better time, no better opportunity has ever existed in the history of the Direct Market.

Beyond the jaded, aging comics fan, pressured and badgered for his last dollar by increasingly bizarre products lies a vastly larger and too-long ignored audience -- the 240,000,000 people in North America who don't buy comics today!

Chain store operations can best capture this untapped market by offering a product range that extends well beyond comics. While sport and non-sports cards, games, t-shirts, toys, Little Golden Books, model kits, plush animals and dolls, posters or greeting cards may be what first brought a new customer into your store, they will see other customers buying comics. And he or she will begin to wonder what those customers know that they don't.

Children, in particular, trust their eyes. If a 10-year old sees another 10-year old buying comics, she will be influenced to try comics to a degree that no amount of advertising could ever hope to accomplish. But first a comics store must get that 10-year old inside. A store offering even a modest selection of "cool kid stuff" -- especially inexpensive toys and novelties -- will see dozens of non-comics reading children in the course of a day. A comics-only store, on the other hand, provides little incentive for non-comics readers to step inside.

Consistently superior store locations, signage, fixturing and marketing styles will also put comics products in front of an untapped market of adults.

Access to inexpensive, reliable computer systems and point of sale (POS) inventory control is also at hand -- making highly diverse and complex product mixes possible. With surprisingly little effort, inventory may be balanced between stores, transferred, reordered, placed on sale or otherwise manipulated. Computerization combined with sound systems management can give our comics industry the opportunity to enter a 21st century that will become the golden age of comics retailing.

Plans are also currently underway to barcode Direct Market comics. This development is further evidence that the mass market comic book chain is certain to come on line even sooner than some of us expected.

But how do we get from a few stores to many? What must we do to be ready to cross into the 21st century with a 100-store chain?

To begin with, the basics of company growth are *people, capital, systems management and vision*. No sustained growth can occur without these elements.

As you build your comics chain, you will encounter four distinct growth levels, each defined by the number of stores in your company and the management challenges additional stores create. The development of a chain operation, if it is anything, is an exercise in flexibility. You must know when to put aside old ideas or tools which used to service you well. You must anticipate the need for change and be ready with new solutions.

In a moment Mel will take us into a tour of the practical aspects of the planning process for a mass market chain store operation. Toward the end of this talk, we'll take questions from the audience. But before we go any further, let me just say that I do understand that some of you, maybe a lot of you, are pleased to have a single store and want no more. That's well and good. Single store operations were instrumental in saving the comics industry from likely oblivion, and enlightened single-store operations will always play an important part in comics retailing.

Many of the problem-solving techniques and experiences which we'll discuss in light of chain-store operation can be very useful to single-store operators. There will always be room for a well-stocked, well-managed single-store operation in the comics business. At the end of this presentation, we'll discuss life in a comics retailing world where chain-store operations are a reality. We'll briefly discuss some potential strategies for not only surviving, but prospering as a single-store operator.

Most of us came into this business because we loved comics. But beyond that, we are a diverse lot with an equally diverse array of goals, dreams and hopes. Bud Plant once surveyed the retailers who made up his distribution company's account base. One of the questions that he asked was: "Do you want to make money with your business?" Some accounts replied that, no, they didn't really care if they made any money. These gentlemen, who almost certainly aren't in this room with us today, had a decidedly limited vision. To them, happiness represented being free to sell just enough product to insure their own access to a favorite source of entertainment.

Other retailers have no option but to remain at the single store level. Most of us know a retailer who is hostile to the general public and dislikes children. Finally, retailers who discount their products cannot hope to grow. Between nonreturnable overages and discounting no profit is left to finance growth.

Most comics retailers don't fall into any of the preceding categories. Over the years, we've encountered many retailers who have impressed us with their good business sense and people skills. And we'll certainly meet more such retailers

during the next few days here in San Diego. It is to you, the retailers who want to have the best store in town that we address this talk.

A good starting point for further discussion is, "Why does growing a chain store operation make sense?" I'm sure Mel is ready to provide the answer to that question...

II. Why Growing a Chain Makes Sense

Most multi-store comics retail companies today are loosely connected groups of single stores, with little or no centralized management, marketing or inventory control. Most multi-store comics retail companies opened their second or third store mostly to get the maximum distributor discount. Ironically, the other reason many retailers opened second, third or fourth stores is because of low profit levels. Since most comics stores achieve pre-tax profits of 10% or less, the only way many comics retailers could achieve higher gross profits was to open more stores. These companies do not represent the comics chain store operation which we are going to discuss in this talk. (There are less than five genuine comics chain store operations in North America out of four or five hundred multi-store comics retail companies). The chain store operations which we will describe in this talk are completely different from the multi-store operations. Their common characteristics, apart from having multiple units, are:

- ! Centralized ordering and inventory control
- ! Uniform store appearance, layout and merchandising
- ! Specialization of roles and tasks within the organization
- ! Common, well-defined, comprehensive operating procedures
- ! Not dependent on presence of "key person"

There are seven reasons to consider shaping your existing comics company into a mass-market chain operation. They are:

! Reach all potential customers in a single market area

The trade area for a typical suburban comic store is the 3-4 mile radius around the store, with 60-80% of sales coming from that area. It is impossible to market to the typical metro area with one store. Effective marketing requires a store for every 50,000 to 150,000 households; depending on demographics, geography and competition. A network of sister stores with overlapping trade areas will generate more sales than a group of stores scattered randomly throughout a metropolitan area.

! Leverage key staff skills over an entire company

No manager is good at everything. Even if you have a very high-volume single store operation you won't be able to hire people with skills to supplement your own skill set as easily as in a chain operation. Their higher volumes and superior cash flow enables them to hire specialists and leverage their talents over many stores. (The use of consultants can help non-chain operators deal with problems outside their knowledge base, but chain-store companies can afford consultants even more easily!)

! Develop significant equity for yourself

The larger and more profitable your comics retail company is, the greater value it has to you and to a potential outside investor or purchaser. In the short run you're paying yourself with salary and benefits. In the long run the only way you can realize the fruits of years of work and often sacrifice is to sell all or part of the company. The higher your gross sales and profits, the greater your equity will become.

! Reduce your workload by developing efficient staff

The larger and more profitable your company is, the more practical it will be for you to hire efficient staff. Ideally, you should be able to go home after a 40-hour workweek. While most of us love comics, as we get older we develop outside interests (commonly termed "a life") which demand time away from the store.

! Support Broader Merchandise Assortments

Generally, an efficiently run chain operation can carry a wider and deeper assortment of merchandise than even a well-run single-store operation. Properly done, this will result in higher sales levels, more efficient market penetration and the ability to compete effectively against large numbers of less well-stocked competitors.

! Protect yourself from other chains

While a well-run single store can compete successfully against a chain operation, developing a well-located network of stores throughout your metro area guarantees you the opportunity to attract a fair share of sales, and will discourage some potential chain-store competitors, and helps maintain the value of your company against the day you might want to sell all or part of it to someone else.

! Higher gross sales and better discounts from vendors

The pooled orders from two or more stores will usually qualify for a distributor's more favorable discounts. Larger volume allows you to go direct to the supplier for many products at much more favorable prices and discounts.

III. The four stages of Comics Chain Development

Developing a chain store can be studied in terms of sales volume and number of stores. More than anything else, it is the number of stores which tend to determine the level of effort from Management. The gross company sales (sales per store) is also important, as the higher the average sales and profits per store the more resources company management can make use of to help them carry out their tasks.

A. Expansion in Terms of Number of Stores

! 1-2 Stores

Can be handled by one manager, especially if Store #2 isn't far away from Store #1. Two stores strains one manager, but owner/manager is usually building equity by putting in long hours at their as they trade their time for equity.

! 3-4 Stores

Major theme is major management strain. Management absolutely must develop standard systems, and tools for training staff, performing tasks. Delegation becomes important. Marks the beginning of the development of a central office cadre. Also marks the start of a transfer of tasks from the Store Manager to the Central Office.

! 5-6 Stores

The skeleton of a Central Office organization is essentially in place, and the major strain is financial. There's more central office overhead than sales can justify, and yet it must be in place to support future growth. "You can't hire 1/2 of a General Manager".

! 7+ Stores

Basic company finances should be under control, and most basic systems and procedures should be well-established and in place. The roles of Central Office staff and Store Managers are well-defined. If these foundations are in place, it's time to systematically roll-out new stores until your metro area is efficiently served by your stores. Then it's time to consider expansion to a new metro area.

B. Expansion in Terms of Company Sales Volume

Total sales volume is much less important than sales-per-store and gross pre-tax profits. A 2-store company with sales of \$1,000,000 is likely to be in far better shape than a 5-store company with sales of \$1,000,000. A combination of many stores and low sales or profits is actually a recipe for disaster - as central management is spread too thin and there isn't enough cash to expand or to solve problems.

In working with comics retailers, the most common problems that multi-store comics retailers experience is low profits and insufficient management time to work with store staff. In most cases these problems are made more severe by having too many stores in terms of the company's management resources. The best and most effective short-range solution to these problems are closing one or more marginal stores. Having a multi-store company doesn't automatically make you into a chain operation, and having a chain operation isn't an automatic guarantee of high sales levels or profits!

IV. The Tools for Growth

At the start of this presentation we mentioned that the four factors involved in growing a chain were **PEOPLE, CAPITAL, SYSTEMS and VISION**. Let's talk about how these factors

change as you grow your company.

A. Capital

Money or capital is one of the most basic requirements for growing a company, and is most frequently misunderstood by comics retailers. There are four basic sources for investment capital for comics retailers:

! *Your own money*

Most comics retailers opened their first store with their own cash (and often not very much of it) and perhaps a little money borrowed from a friend or from family and their personal collection. This is still the most common method of getting started in comics retailing.

! *Internal cash flow*

The most common source of funding new stores is financing growth from internal cash flow and from operating profits. This is the slowest and most difficult way to finance growth -- especially as the majority of comics retailers are still producing minimal profits. This is also a slow way of raising funds for expansion, since a new comics store is a "cash pig" for the first 1-2 years its in operation, and becomes a "cash cow" only in its third or fourth year of operation. This is one of the two reasons why the comics retail scene has so few multi-store companies of any size. In spite of low profits and the length of time needed to generate expansion funds this is going to be your primary source of financing for your first 2-4 stores, which means you will need to take a fanatical, obsessive and ruthless approach to profitability.

! *Bank loans*

This has been the least frequent method of financing comics retail growth. Most bank loan officers and loan committees don't understand comics retailing. Most comics retailers haven't put in the time or effort to educate their bank about their business and its potentials. And because comics retailing has suffered from a self-image problem as being a "ghetto" business many comics retailers have been unwilling to approach their bank for financing. And many banks have been unwilling to provide 3-5 year term financing for any small businesses.

You shouldn't abandon this potential source of financing. Once you have developed 2-3 successful stores you should approach your bank for financing. If your sales and profits are good and you've prepared educational material for your bank about your company and the comics industry you will have a good chance of getting financing. And as the mainstream business community learns more about comics retailing, this task will become easier than in the past.

! *Outside investors*

Outside investors have been a feature of comics retailing for many years, but have usually been fans who want a part of a comics store or family connections who will loan money for non-business reasons. "Outside investors" here mean serious, professional investors who are willing to commit at least

\$1,000,000 to your company. The first stirrings of interest in the investment community are being seen even now, and as the word gets out through articles such as the August 1992 *Entrepreneur* Magazine article on comics retailing you will see even more interest. Which brings up the question, "Are you ready to give up control? How much control?"

No investor will just turn over a large sum of money to you without controls on its expenditure. At the minimum, you will be selling a part of your equity in your company to your investor, and will be granting them a very substantial role in the management of the company as well. But in return you will receive the capital that you need to rapidly expand. And if carried out effectively, you will enhance the value of your remaining equity anywhere from 10-20 times.

B. People

Buddy and I think that people are the single most important element in growing a successful company, even more so than access to capital. Poor staff and abundant capital will usually give results that are inferior to really good people and limited funds. The first place to start when examining your staff is yourself -- who are you, what are you good at, and what do you want from your work and the rest of your life?

1. Yourself

You need to be brutally honest with yourself when you consider what your skills and needs are. After you've prepared a preliminary list, sit down and talk with a friend about your list and revise it again. This is the beginning of writing a really useful business plan -- because you need to identify at different stages of your company's growth the skills that are needed at that time. And you need to know what things you can and should do yourself, and the things which you need to hire someone else to do. And these required skills change as your company grows!

When you are a 1-2 store company this analysis is easier. You to do almost everything yourself that requires any skill or experience! But the faster you begin training your staff to perform some of your work, the more quickly you will grow and be profitable. Most of you with 1-2 stores probably don't spend much time in staff training or in developing standard procedures since you do it all yourself! Delegation and training is the first major skill that you will need to develop as your company grows. If you aren't a good people person to start with, you must learn those skills, get a partner who has them or decide to stay with 1-2 stores. There's no way that you can "do it all yourself"!

2. Store Staff

You also need to conduct a similar evaluation of your store staff. Store staff are in constant contact with your customers, and are the people who if they are properly trained, motivated and supported can propel an average store to record sales levels. You need to continue to examine these staff issues at every stage of your company's growth:

! What tasks are performed by store staff and central staff?

- ! Which tasks will be transferred to the Central Office?
- ! What kinds of people give me the best employees?
- ! What are the personal characteristics what make for a good store staffer?

Buddy has found that the characteristics of a good employee are a willingness to learn about product, an interest in working with customers, personal reliability and maturity, the ability to perform basic administrative tasks, and is a team player. Other questions to ask yourself and plan for are:

- ! How do I train store staff to do it "the company way"?
- ! Where do I find my store managers?
- ! How do they link store and company together?
- ! How much autonomy do I give managers?

All of these questions and the solutions that you develop fall under the broad category of Systems Management. The process of developing Systems Management solutions to these questions constitute the beginning of permanent solutions to these "people issues".

3. Office Staff

Last of all, you will need to consider what you need to do concerning a central company staff group. As you grow, you will always have to consider your answers to the following questions:

- ! What tasks are most appropriate to my central office staff?
- ! How to I establish and upgrade systems for performing work?
- ! How much do I want to automate operations?
- ! Am I going to have a central warehouse for some or all product?
- ! What are my plans for purchasing "Direct" from vendors?

You'll eventually have a bookkeeper/controller, several buyers (eg: a book buyer, game buyer, new comics buyer, a collectibles specialist and a novelties/card buyer) and a shipping/receiving staffer. It's important to realize that even at companies with 8-10 stores you'll have to double up on jobs. Very few comics retailers can afford to dedicate staff to just one set of tasks. You will probably have developed a staff position to handle your data processing. The jobs involving marketing & promotion and company planning are usually held by the owner, and are rarely delegated to anyone else.

In many comics companies someone grows into the role of General Manager, in which they inspect all stores to evaluate and train managers as well as to ensure that your company policies are being carried out. The General Manager can also be the "good guy" while the owner can be the "bad guy" in terms of setting and enforcing company policy.

4. Making the Transition to a Chain: Staff

As a one-store company, you will typically keep all skill or judgement tasks for yourself. You'll delegate the simplest, most routine jobs to a few part-time staffers. Leaving the store for any length of time will be an ordeal, since you probably don't feel that you have someone who you can trust to open and close the store for you.

As you grow in sales or especially if you add new stores the management burdens will become increasingly heavy. Most retailers begin to train one staffer at the store that they spend the least time at as a pseudo-manager. The first area in which delegation of skilled tasks begins is writing the monthly comics order, since it is such a time-consuming process when not automated.

As a third or fourth store is added, the role of store managers is usually more well-defined. Out of the group of company staff an individual usually emerges who starts to act in the role of a General Manager. One or more staffers begin to focus all their work on tasks which are really company-wide, and represent the beginning of a central office staff. A secretary/bookkeeper is often the first person recruited into the central office, or as is increasingly common, a computer operator.

One of the real problems with assembling a central office staff is that costs must be distributed over the entire company, and that it's not easy to hire 60% of many staff positions. This means that for quite some time you will have developed more central office capacity than you really can justify financially. This will tend to depress profits until you can grow your company to a size which matches your basic central office staff size.

You must always guard against developing a central office group which is too-large or well-paid compared to your total sales or store count. A well-known Western retailer developed a seven store operation in the 1970's and 90's which had real promise for growth. A too-large and expensive central staff, combined with poor ordering and little inter-store cooperation caused it to almost go out of business. While the company still exists, it lost nearly 10 years of opportunity to grow when there was little or no effective competition. Now it faces major competition in every market area it is in.

D. Vision

Your personal vision is critical in determining the future growth of your company - particularly in the way the that your staff treat customers, what products you choose to carry and promote aggressively, and in determining the initial and continued impression of your store which customers leave with. One trap

which comics retailers often fall into is having a vision of providing service to such a small subset of comics customers that they fatally cripple their company

A. What to Do, How to Do It, When to Do It: The Business Plan

The single most important tool in taking your personal vision and turning it into a business is your business plan. A business plan is a document which describes where your company has been, where you would like it to go, and how you intend to get there. It also describes WHAT you need to do to achieve your plans, HOW you will do it, and WHEN it will be done. Your plan can be as short as 10-12 pages and still be an effective device by which you can focus your thoughts about how your company will grow. A well-conceived business plan is also an ideal tool when you want to communicate your thoughts and desires about your company to an investor or a bank. And it serves as a roadmap or benchmark so you can evaluate how effective your planning and work has been.

B. "Brief done now..."

A business plan which is short, to the point and done now is far better than "a long plan done later". If you can only work on your business plan from time to time, keep a 3-ring binder broken into sections which correspond to the major parts of your business plan, and jot down ideas or information as you have time. If you work on it a little at a time regularly it will get done and be useful.

The comics retailer who wants to develop a successful multi-store company absolutely needs to have a business plan which answers four questions:

- ! Who am I now, and what is my company like now?
- ! What do I want my company to be like 5 and 10 years from now?
- ! What changes do I have to make in order to get there?
- ! How do I afford people, things, or help which will help me get there?

If you can get your responses to these questions down on paper clearly and concisely, you will have a business plan that will be useful to you in plotting the direction your company needs to go in, as well as checking to see that it is making progress in those directions.

C. Reviewing the Plan Regularly

Every business plan needs to be reviewed regularly since the world changes all the time. Your business plan should be reviewed on an annual basis. In the month before the review, assemble all of the materials that you'll need to update the plan and review forecasts. Then pick a day in which you can be away from the store with one other person and go through the plan.

What has changed? Have we opened a store, are there more competitors, have we added more product lines? Are we on track for our goals, or have conditions changed? Have our goals changed? Do we need to change the goals in the plan? Do we have new skill or capital assets? And keep your banker informed about your business plan, just as you keep them informed about your quarterly financial results.

When you are a one or two store company, your business plan has to be short and not too detailed. First, you don't have the time, resources or often experience to put together a detailed plan. Second, your situation will be changing quickly and frequently, so a detailed plan is a waste of time and effort.

As your company grows in complexity, you will need to put more time into your plan, but it will be more appropriate and you'll have more time to devote to it if you have been developing your company's structure correctly. When you have grown to six, seven or eight stores; the degree of change which affects your plan will tend to diminish -- especially as many of your solutions to earlier problems have become effective, standard ways of doing things which no longer require significant revision on a regular basis.

IV. Nuts and Bolts Considerations

A. Merchandising

Merchandising your stores as a mass-market comics retailer requires a different perspective on customers and the merchandise which you want to offer them. For example you must order new comics to sell out, you cannot carry a huge assortment of common back issues in most of your stores, you won't be able to emphasize Golden/Silver Age comics in your company until you are very successful, and you'll pay close attention to appropriate merchandise sidelines and "popular culture".

! New Comics: Order to Sell Out

Chain stores absolutely must order to sell out on most new comics on the newsstand. You should aim to realize a 90% sell-through on your newsstand comics. Most of you in this room have a 60-65% sell-through. Anything less represents a loss of operating funds which you depend on for growth and loan repayments. Many comics retailers give lip service to the notion of "selling out", but still carry too many books for too long a period of time on their shelves.

! Back Issues: Ruthlessness and "Common" back issues

Deciding to develop mass-market chain stores in the locations which support the sales which they need will have a major impact on how you merchandise common back-issue comics. You cannot afford to devote large amounts of space to slow-selling common back issues. Every merchandise line needs to justify the amount of space it takes up, and the usual assortment of 60-100 long boxes filled with dead or slow-moving back issues doesn't generate sufficient profits when you have rents of \$20.00 - \$40.00 per foot per year.

Common back issue comics are very profitable in chain stores only when carefully monitored for sales performance. Titles which no longer sell well should be removed from inventory and replaced with more saleable product.

A mass-market comics chain can and should have one store in a metro area which specializes in less-popular titles, as it can be in a less-desirable, low-rent area where back issues can attract collectors from a wide area.

! Golden Age: marketing attraction or "Capital sink"?

The 1-2 store company who wants to develop into a larger, chain operation should not devote its resources to building up a major Golden/Silver Age department. Far too much staff and financial resources will be sucked into the operation, while giving you relatively small profits. Most authorities agree that a minimum inventory of at \$100,000+ is needed to run a successful Golden/Silver Age department. Most people could open a very successful store for that amount of capital, which would produce much more profit in the long run.

! Breadth of merchandise:

The traditional comics merchandise lines have been new comics, graphic albums, common and high-value back issues, supplies, posters and t-shirts. Typically 70% of sales are from new comics, 20% are back issue, and all other product represents perhaps 10% of sales.

The mass-market comics chain carries all of the traditional comics merchandise, but also adds: plush, games, game supplies, plastic models, paperbacks, children's books, and popular culture items.

All mass-market products should be carefully selected in order to attract and sustain the kind of customers who you have decided to market to. Chain store product mix depends on the mix you are comfortable with, the image you want to project, and the community you are located in. Remember that store size and layout affect product mix -- and your product mix will ebb and flow along with changes in the popular culture.

When you have 1-2 stores, you as the owner will be the buyer. As your company grows, you will have to delegate buying

responsibility to selected and trained staff. Until you actually develop a Senior Buyer, you will be responsible for developing new product lines, and monitoring sales until the line is made permanent or dropped. Giving that authority to a subordinate is risky for two reasons: an inexperienced staffer can stick you with a large amount of unsold product -- or an employee buyer can be too timid, and kill a promising line by not getting enough product. Eventually, you will have to share buying responsibility with others, but make sure that good, solid ordering systems are in place. Plan on training your new Senior Buyer for at least one year.

! Customers: Traditional Fan Market or the New Mass-Market?
The traditional customer base for comics stores is the dedicated, highly-interested comics fan. Ironically, these customers were considered as being the "new mass market" twenty years, when comics moved away from its former traditional marketplace: newsstand sales and children.

The new mass-market chain stores should not repeat the mistake which the comics industry made twenty years ago, and abandon a large and loyal constituency. Instead, the mass-market chain store recognizes that there are many kinds of comics customers, each with their own interests and needs and expectations; and decides to what extent it wants to attract members of each customer group. No retailer can meet the needs of every interest group in comics fully. (And this creates strong niches for well-run, single-store companies).

Your task as a mass-market retailer is to identify the groups that you want to serve and structure your merchandise and stores accordingly. We believe that a whole new group of reading-oriented customers who are not oriented toward speculation are waiting to be discovered by comics retailers.

B. Systems and Systems Management

Systems and Systems Management, especially when combined with the intelligent use of computers, is the key to profitable comics chain store operation. Intelligently constructed systems, both manual and computerized, can leverage you and your talents and vision over your entire company; as well as help staff with average levels of ability learn, grow and perform at levels above their basic skills.

The journey from a single comics store to a multi-store chain is the story of systematic and repeated problem-solving, and then turning those solutions into simple, easily learned systems of operation. Both Buddy and I believe that:

Repeated problems represent a system failure rather than a people problem.

Systems need to work well whether your brightest or dumbest person are using them. Systems don't require genius to develop - but require understanding and persistence. Fix your problem now as best as you can, and then at a later date you'll see how well you succeeded and you can fix it some more. Eventually,

your pattern of successive fixes will close in on the optimal solution for your organization.

The most effective way to minimize problems is to anticipate them and then devise measures which will help prevent them from occurring. The typical comics company needs to generate \$13.00 in sales to obtain \$1.00 in profits. Every dollar you save through loss prevention has the same impact on your profits as if you'd generated another \$13.00 in sales!

C. Marketing & Promotion

Marketing and promotion methods change as you move from single-store to chain operation. The primary shift will be an increased ability to use mass-media advertising methods as your resources grow.

! The Small Company

Typical marketing and promotional tools for small comics companies are Yellow Pages advertisements, exhibiting at local comics conventions, creator appearances, and guerilla marketing as preached by marketing consultants such as Jay Levinson. It is very important to realize that marketing and promotional tools fall into two broad categories: activities which get customers into your store now, and activities which serve to build awareness of your store and comics product over the long term. Small comics companies should avoid these "long term" image-building tools and concentrate on activities which result in increased customer count and sales!

! The Mid-size Company

The mid-sized comics company still must focus on more short-term, immediate response marketing and promotional tactics. The major difference between it and its small competitors is that it can put more cash into these activities, and devote more staff time to developing promotional tools and seeing that they are executed properly. Depending on your market area, carefully targeted radio or cable TV advertising becomes feasible, as does advertising slides at selected local movie theatres.

! The Large Company

The large comics company has the luxury of devoting part of its marketing and promotional budget to long-term activities which have no immediate, measureable payback.

D. Automation

Automation through the computer is another area which is critical to the success of any comics company, and is largely misunderstood. Retailers who ignore this issue will severely damage their ability to compete against more progressive competitors. You cannot run a multi-store company profitably without automation and the internal systems which complement your computerized tools! Two activities in particular should be automated as early as possible: your Subscriber Service and your Cycle Sheet files. You must automate your Cycle Sheet

files so that you can draw on them easily when ordering periodical product for your stores.

Subscriber Services require a large amount of staff time in return for very limited profits -- so automating them will help minimize time spent and increase accuracy.

New comics are the heart of your cash flow, and it is impossible to order new comics profitably unless you record your orders and sales for future reference. Automating your comics ordering can dramatically cut your overages as well as reduce the amount of time spent in writing your monthly orders.

Ordering new comics is a complex and difficult part of running your stores. The second reason why there are so few successful multi-store comics retailers is that usually you must have someone at each store who can write that store's monthly comics order. Since they are usually paid poorly, most store "managers" are just putting in their time until they can open their own store. To a lesser extent, each store also requires someone on staff who is knowledgeable about collectible comics. If either staffer leaves your store is temporarily crippled and your work load increases drastically.

Automating the new comics ordering function allows you to centralize ordering at the company level, whether you have product delivered to your warehouse or to each individual store. This allows your store managers to get on with their real jobs: taking care of customers, training staff and acting as your surrogate in the store.

Similarly, automating your back issue department allows you to leverage the skills and knowledge of one collectibles specialist across your entire company.

It is important to realize that with well designed ordering and inventory control software, plus good company policies and systems, a staffer with average skills can be turned into a very competent buyer for one or more major product lines. And if one of your buyers becomes ill or leaves their job you'll only have minimal disruption since most of the job's accumulated knowledge and experience has been embodied in your ordering systems!

Both Buddy and I feel very strongly that it is almost impossible to create a profitable multi-store retail company without automating your ordering and inventory control functions.

! Bookkeeping - internal or external services

If you don't have a clean, consistent timely set of accounts for your business, you cannot hope to know what direction your business is heading to or how quickly it is getting there. With easy-to-use, low-cost accounting programs such as *Quicken*, *Quick-Books* or *One-Write-Plus* there is no excuse for not having good accounts. At the 1-2 store level you will probably do all your bookkeeping data entry yourself, or perhaps your spouse can help out. As you grow, someone else can and should do this

routine work for you.

! Bookkeepers, Accountants and the CPA

I have come to believe that hiring a bookkeeper, accountant or CPA when you are a small, struggling company with cash-flow problems is a waste of your money. If you keep your own books in order from the start, you won't have to rely on costly professionals to do routine accounting chores for you.

Most comics retailers who use these professionals do not draw on their actual areas of expertise for advice or analysis, but rely on them for the relatively simple, mechanical process of generating tax returns. As your business grows and becomes more complex, you will need to use outside providers for analysis and advice -- but always stop and think about whether you can do routine work internally.

Yes, you should have an accountant help you set up your chart of accounts -- but with modern accounting programs most come with pre-defined charts of accounts which will fit your business adequately and which your accountant can sign off on.

V. Recognize that Change is Continual

One of the most important things to remember, whether you have one store or many, is that change is a continual part of your business existence. Nothing stays the same, and every change has the potential to affect your business. Competitors will enter your trade area, new product lines appear, existing product lines or vendors change in importance, even repairs or expansion of local roads can affect your business for varying periods of time.

In the same manner your personal needs will change. As you become older, your need for financial security increases. If you marry and start a family your overall financial needs will increase. You may find that you cannot work a 60-70 hour week as you once did, and that even if you could you have acquired interests outside work.

As market conditions change and the size and complexity of your company changes, the fit between your skills and your companies' needs will change. Tools and techniques which used to work either don't work as well or are actually harmful.

There's no way to avoid change, but by designing and implementing well-thought-out and appropriate procedures you can recognize them as they happen, minimize their impact and have sufficient time to work out the proper response to them. In fact, change can provide you with real advantages over your competitors, if you can react intelligently and quickly to change and they do not.

VI. Living in a Chain-Store World

Owning and operating a single comics store in a chain-store world will place a premium on your understanding your needs and the needs of your customers. Chain stores, by definition, must adopt a basic level of standardization if they are to succeed. Intelligently-run single stores can specialize in product niches which are not attractive to chain operations, or offer levels of service which chains will be unwilling or are unable to offer.

Likewise, you as a single-store operator may wind up having a smaller market share, but that will be a smaller share of a much larger pie. Our market research has indicated that the usual result of adding a new, well-merchandised and marketed comics store to an area with previously existing average comics stores is to dramatically increase the overall customer base.

One of the major barriers to the growth of the comics market is the relative unfamiliarity of the mass consumer market with comics products. As comics retailers continue to open more stores in high-profile, "mainstream" locations the public's awareness of comics will grow dramatically and every comics retailer will benefit accordingly.

Many of the issues which we've discussed in this presentation will apply just as much to you as a single-store operator as to a chain-store operator. Only the scope of the problems will vary. Anything which helps you and your staff be more productive should be explored and modified to suit your needs. The computer can be your friend and ally as much for you as it will be for your chain-store competitors. Join organizations such as CBRI to share information and ideas with your peers. And by all means continue to make time so as to attend gatherings such as the San Diego Comic Book Expo, where you have access to a wide range of professional assistance, vendors and other retailers.

I spoke at the very first Expo nine years ago, which had about fifteen exhibitors and 75 attendees, down in the basement of the Hotel San Diego. Look around you and see how far we've come since then. Buddy and I sincerely believe that the Direct Market is poised in the brink of growth during the coming decade which will be just as large and dramatic as the last ten year's growth has been. We believe that the mass market chain stores will spearhead this continued growth, and that whether you are a single store comics retailer or a multi-store operator you should consider evolving into the kind of organization which we've discussed today. Thanks for your attention.