

Open your own toy shop!

FabJob Guide to
**Become a
Toy Store
Owner**



BARBARA LIGHTNER

Visit www.FabJob.com

Contents

About the Author	8
1. Introduction	9
1.1 A Growth Industry	10
1.2 Owning a Toy Store.....	13
1.2.1 Products	14
1.2.2 Services.....	15
1.3 Benefits of Being a Toy Store Owner	15
1.4 Inside This Guide	17
2. Getting Ready.....	19
2.1 Skills You Will Need	19
2.1.1 Self-Evaluation Quiz	20
2.1.2 Child Development Skills.....	21
2.1.3 People Skills.....	21
2.1.4 Business Skills	23
2.2 Learning by Doing	26
2.2.1 Work in a Toy Store	27
2.2.2 Sell Toys From Home	28
2.2.3 Sell Toys on eBay	30
2.2.4 Get Experience by Volunteering.....	31
2.3 Be Your Own “Mystery Shopper”	32
2.4 Learn from Other Business Owners	36
2.4.1 Talk to Toy Store Owners	36
2.4.2 Join an Association	39
2.5 Educational Programs	43
2.5.1 Business Courses	43
2.5.2 Child Development Courses.....	45

2.6	Resources for Self-Study.....	48
2.6.1	Industry Publications.....	48
2.6.2	Books.....	51
2.6.3	Websites.....	52
2.6.4	Trade Shows.....	57
3.	Starting Your Toy Store.....	59
3.1	Choosing Your Specialty.....	60
3.1.1	Specializing by Developmental Stage.....	62
3.1.2	Specializing by Types of Toys.....	65
3.1.3	Other Toy Specialty Areas.....	66
3.2	Options for Starting a Toy Store.....	67
3.2.1	Buying an Established Store.....	67
3.2.2	Franchising.....	74
3.2.3	Opening a New Toy Store.....	80
3.3	Choosing a Store Name.....	80
3.4	Your Business Plan.....	82
3.4.1	What to Include in a Business Plan.....	83
3.4.2	Start-Up Financial Planning.....	89
3.4.3	A Sample Business Plan.....	98
3.4.4	Business Plan Resources.....	115
3.5	Start-Up Financing.....	116
3.5.1	Getting Prepared.....	116
3.5.2	Equity vs. Debt Financing.....	118
3.5.3	Borrowing Money.....	120
3.5.4	Finding Investors.....	122
3.5.5	Government Programs.....	125
3.6	Legal Matters.....	126
3.6.1	Your Business Legal Structure.....	126
3.6.2	Business Licenses.....	132
3.6.3	Taxes.....	133
3.6.4	Insurance.....	136

- 4. Setting up Your Retail Store139**
 - 4.1 Finding a Location.....139
 - 4.1.1 Possible Locations.....139
 - 4.1.2 Points to Consider144
 - 4.1.3 Signing Your Lease151
 - 4.2 Store Design161
 - 4.2.1 Outside the Store161
 - 4.2.2 Inside the Store.....164
 - 4.2.3 Store Security168
 - 4.3 Displaying Merchandise169
 - 4.3.1 Maximizing Sales.....171
 - 4.3.2 Creating Window Displays.....173
 - 4.4 Retail Equipment and Supplies.....177
 - 4.4.1 Items You’ll Need177
 - 4.4.2 Suppliers181
 - 4.5 Obtaining Your Inventory183
 - 4.5.1 Finding Toy Suppliers.....184
 - 4.5.2 Buying Your Inventory190
 - 4.5.3 Prices and Terms.....194
 - 4.5.4 Consignment196

- 5. Running Your Business199**
 - 5.1 Store Operations199
 - 5.1.1 Developing a Procedures Manual.....199
 - 5.1.2 Areas of Operations Checklists201
 - 5.2 Inventory Management204
 - 5.2.1 Inventory Software and POS Systems204
 - 5.2.2 Inventory Tags and Labels207
 - 5.3 Pricing Merchandise208
 - 5.3.1 Guidelines.....208
 - 5.3.2 Retail Pricing Formulas210

5.3.3	Profit Margin vs. Percentage Markup.....	211
5.3.4	Standard Markups.....	213
5.4.	Getting Paid.....	216
5.4.1	Accepting Debit Cards.....	216
5.4.2	Accepting Credit Cards.....	216
5.4.3	Accepting Payment Online.....	217
5.4.4	Accepting Checks.....	218
5.5	Financial Management.....	218
5.5.1	Bookkeeping.....	218
5.5.2	Financial Statements and Reports.....	220
5.5.3	Building Wealth.....	228
5.6	Employees.....	232
5.6.1	When to Hire Help.....	232
5.6.2	Recruiting Staff.....	235
5.6.3	The Hiring Process.....	238
5.6.4	New Employees.....	242
6.	Getting and Keeping Customers.....	247
6.1	Marketing Your Business.....	247
6.1.1	Advertising.....	248
6.1.2	Free Publicity.....	252
6.1.3	Promotional Tools.....	254
6.1.4	Your Website.....	258
6.1.5	Networking and Referrals.....	262
6.1.6	Your Grand Opening.....	264
6.1.7	Special Events.....	268
6.1.8	Other Marketing Ideas.....	271
6.2	Customer Service.....	273
6.2.1	Greeting Customers.....	273
6.2.2	Making the Sale.....	274
6.2.3	Return/Exchange Policy.....	277
6.2.4	Getting Repeat Business.....	278



1. Introduction

Congratulations on taking the first step towards starting your own specialty toy store or hobby store. It's a step into the exciting, ever-changing, and stimulating world of toy retail. It's a world where toys and play intersect, where learning, imagination, and fun reign supreme. It's a career surrounded by creative, interesting, and unique items and the children and adults who seek them out.

Many people who are interested in the idea of a specialty toy store have certain things in common, so we think we might already know a little bit about you. Do you have a passion for toys? Do you love to shop for your own and friends' children? When toy shopping, do you look for an item that will hold a child's attention for more than a fleeting moment? Do you think that toys that inspire a child's imagination are of greater value than the most popular toy of the season? If so, you probably already spend a lot of time in specialty toy stores, and know what you like and don't like about them.

Perhaps you have worked with children or you're a former teacher. Maybe you are a parent looking for more satisfying toy choices for your

own child or children. Perhaps neither of these descriptions fit you but you have fond memories of your childhood toys and want to help other children capture the joy and hours of fun made possible by just the right toy. If so, you'll probably be a natural success at selling in your own toy store, where you'll help people find items that match a child's developmental stage, personality, and interests.

Chances are you've spent a bit of time shopping in toy stores and you might possibly have worked in one or two. While it can be fun and rewarding to work in someone else's shop, nothing quite compares to the satisfaction of running your own business, and knowing that your hard work and flashes of insight are bringing smiles to the faces of happy customers.

In this chapter, we'll take a look at the growth trends in the specialty toy industry and examine what differentiates a specialty toy store from other toy stores. Then we'll take a look at some of the many benefits of being a toy store owner.

1.1 A Growth Industry

As you start out in your new business, have confidence that you will be part of a highly select and ever-growing market. The market research firm NPD Group reports that toys are a \$22 billion industry in the United States, with specialty toys making up approximately \$4 billion of the overall toy industry. According to Statistics Canada, toys, games, and hobby supplies are part of a \$10 billion industry, with sales growth of 6% over 2007 by mid-year 2008.

Although specialty toys are a relatively small segment of the overall industry, they are a significant segment. While overall toy sales have declined slightly in the United States in recent years, specialty toy sales have remained steady or risen. Consumer interest in specialty toys is high and continues to rise. Retailers who set themselves apart by carving out a unique niche and establishing reputations for outstanding customer service have a firm place in the toy industry.

Specialty Toy Stores vs. Other Toy Retailers

Mass Market Toys

The bulk of the toy industry is dominated by mass market stores and discounters. Fifty companies sell 85% of all toys sold, with Wal-Mart, Target, and Toys “R” Us the three largest retailers. In addition, toys are sold in department stores, chain stores, drug stores, grocery stores, and on the Internet.

The bulk of toys sold in mass market stores are heavily advertised toys that are marketed as must-haves to children. During the toy industry’s busy holiday season, a different assortment of top toys are heavily sought-after as consumers create shopping frenzies at big-box stores in their desire to find the toy industry’s latest fads. Toys run the gamut from licensed products, which are toys licensed to a character such as Hannah Montana, to action figures to toy guns to electronics.

Unfortunately, the mass market toy industry has its dark side. For example, many toys are designed to capitalize on more adult trends in popular cultures, such as violence, sex, and adult fashions. Toys frequently are made of cheap plastics and other materials. Many are assembled in overseas shops that pay low wages and have little, if any, regulation and oversight. And despite the high demand, many toys lose their appeal soon after they are unwrapped.

Specialty Toys

In contrast, the toys sold at specialty toy stores are unique, long-lasting toys with a more wholesome nature. They are developmentally sound toys that promote open-ended and active play. Most are child-oriented, nonviolent, and nonsexist. Some are gender-free, multicultural, or promote ecological, environmental, or social awareness. They are sturdy and built of quality materials, built to be handed down to younger children in a family and to future generations.

According to a 2008 survey by the market research firm Funosophy, mothers of young children shop at specialty toy stores in the United States for the following reasons:

- Ability to find unique items not sold at mass market retailers

- Perception toys were safer and of higher quality than toys sold elsewhere
- More desirable store environment, including cleaner stores and easier shopping experience
- Better selection of toys with higher educational value
- Ability to find toys made in the United States
- Special promotions on select items
- Better warranties
- Desire to support local businesses

Many mass market retailers have noted the growing interest in educational and developmental toys, and several have begun selling specialty toys alongside mass market toys. Although this has created increased competition for specialty toy stores, few mass market retailers offer what a specialty toy store does: hard-to-find quality products in a cozy, comfortable environment and high customer service.

For the purposes of this guide we generally will refer to specialty toy stores simply as “toy stores”. Big box and other mass market toy retailers will be referred to as “mass market toy stores” or “mass merchandisers”.

The Strongest Markets

Almost every household in the United States with children under 18 purchases toys. Market researcher, NPD Group, reports that 9 out of 10 households purchased toys in 2007 and 100 percent of households with children 6 and younger purchased a toy, spending an average of \$485 a year. Toy spending is highest for children under 3, and declines proportionately with each subsequent year. The toy market is strongest in the younger years because interest in traditional toys tapers off as children enter their “tween” years (as young as age 9) and turn their attention to more grown-up pastimes, such as clothing, music, video games, and electronics.

Factors that positively affect toy spending include smaller families purchasing for few children, two-income families with more discretionary

income, a growing population of financially stable grandparents, and higher-educated parents who seek the best for their children. There are also more children of divorced parents, which means children receive toys from two sets of parents.

Economic Influences

Once thought to be recession-proof, the toy industry has been affected by recent changes in the economy. Overall, the cost to manufacture and market toys is increasing, and is expected to continue to climb in the future. Factors affecting rising costs include higher costs for raw materials, costs associated with shipping (especially higher fuel costs), and wages. Toy manufacturers have passed these costs on to their customers in the form of higher prices.

What has been detrimental to the overall toy industry has actually been beneficial to the specialty toy store industry. Seeking lower production costs, many toy manufacturers have moved production overseas to places like China. The massive toy recalls of 2007 and 2008 have led many toy shoppers to seek out safer toy options at specialty toy stores. There is a renewed interest in healthy, educational and developmental toys, resulting in increased sales for specialty toy stores. There is also a greater interest in purchasing toys made in North America and Europe where there are greater regulatory controls overseeing safety and quality of toy manufacturing plants.

1.2 Owning a Toy Store

As a toy store owner, your job will be to satisfy your customers' desires for toys. Many of your customers will be buying toys for someone else, and your job will be to help them identify the most appropriate toy for the intended recipient.

In order to get customers into your store, you will have to differentiate your store from big-box stores, mass market merchandisers, discounters, and online retailers. In order to keep customers, you will have to give your customers ample reasons to answer this question: Why shop at a specialty toy store?

Specialty toy stores, also called independent toy stores and neighborhood toy stores, offer what the big stores do not: unique merchandise,

quality products, good selection, attractive merchandise display, and great customer service in a warm and friendly environment. They lack the drawbacks of the big stores: crowds, long lines, empty shelves, messy stores, and hard-to-find sales personnel. Specialty toy stores usually have ample parking, plentiful merchandise with readily available and knowledgeable sales help, and easy checkout processes. Shopping is hassle free, with none of the frenzy and hectic pace so often found in mass merchandise stores.

“Service plays a big role in being seen as different because most employees at a box store know very little about the products they sell. It is a huge advantage to have employees who are well versed in what you offer. Community involvement is a big one as well. I am the face of my business and I am a member of the community. Big box stores are faceless giants. I am part of several non-profit boards and the local Rotary club. I am a doer...a mover and a shaker [in my community] and no one can say that about Wal-Mart, K-Mart, or the others.”

— Melissa Palermo-Spero, owner,
The Fun-est Toy Store Ever!

1.2.1 Products

The toy industry covers a vast array of products, from action figures to game cards to video games and more. Toys can be categorized within the specialty toy niche by type, age group, theme, intended market, or subspecialty.

- *Types of toys:* games, puzzles, plush toys, and projects and kits.
- *Age groups:* from infants to adults.
- *Toy themes:* examples include nature, dress up, princess, and pirates.
- *Intended market:* toys marketed to a specialized group of people or for a specialized purpose, such as teacher resource materials, toys for special-needs children, and multicultural toys.
- *Subspecialty toy:* have a defining characteristic that forms a subcategory within any of the other toy categories. Examples are toys that are identified as gender-neutral, green, or made with organic materials.

Your niche—or the specific combination of products that you sell—is what will set you apart from the competition, whether they are mass merchandisers such as Wal-Mart and Target, discounters, online stores, or other specialty toy stores. A niche has to satisfy a target group's need. Knowing as much about your target group and their needs is essential. (We'll discuss identifying your target market in section 3.4.1.)

Research your target customers as much as possible so that you can identify what needs they have that are not being met by other retailers. Use this information as the basis for selecting your product niches. Then get to know as much as possible about those product niches. Carefully selecting the right niche will be one of the cornerstones to ensuring your store's success. (See more about niches in 3.1.)

1.2.2 Services

The store environment also sets specialty toy stores apart from mass merchandisers. Specialty toy stores sell play as well as toys. The store design and merchandise displays encourage shoppers to have hands-on contact and interactive experiences with toys. Stores may have play areas or nooks where children can play with toys. Some have themed rooms or sections such as dress-up devoted to a particular type of toy.

Many stores seek to be a destination store for family fun. They host in-store events that merge retailing with learning or entertainment. They offer special events such as readings, game nights, art classes, toddler yoga, and other activities that encourage growth and learning.

Some toy stores become actively involved with specific groups within the community, such as parents or educators. They become centers for those groups, hosting events such as guest speakers, films, and other activities of interest to members.

1.3 Benefits of Being a Toy Store Owner

Owning a toy store can be a fulfilling and rewarding career. In addition to the benefits of working for yourself, it offers the possibility to shape the size and type of your business according to your own preferences and personal ambitions. You can work to establish a store that turns a profit and provides a fair income or choose to expand beyond the origi-

nal store and open another store once the first becomes profitable. You can sell the products you want, create the environment you want, and offer the services you want—it's all up to you and your own personal goals and ambitions.

Making a Difference

Many specialty toy store owners entered this career because they wanted to make a difference in the lives of children. They have a strong interest in children and learning through play, and owning a toy store gives them opportunities to foster growth and learning in children. As Bonnie Brown, owner of Gepetto's Workshop, states on her store's website, "Choosing unique toys to fill a child's life is like making an investment in his/her future. Toys that are carefully chosen make a world of difference in a child's growth."

Some toy store owners have an added goal tied to a social cause or personal mission, such as to offer toys that are ecological or "green," nonviolent, multicultural, or that foster learning about the environment or science. They feel great satisfaction knowing they are playing a small part to promote such toys.

Creating Lasting Memories

Many toy store owners want to create a place that children—and their parents—will cherish and remember as a special part of their childhood. Bonnie Brown describes this mission well when she explains what motivates her: "If money is the only driving force, a store owner probably will not make it. It takes time, patience, and a vision. For me creating a special place that would create memories for children for years to come was a huge motivator. Creating something that was timeless and enduring was my goal."

Sharing a Passion for Play and Toys

Many hobby and specialty toy store owners have such strong passions for toys that they feel like kids who never grew up. They delight in being surrounded by toys and by introducing them to others. These owners find great delight in sharing their passion with others and inspiring a love of play in children.

Helping Children and Parents

Several toy store owners we surveyed cited the opportunity to work with children and parents as one of the major benefits of owning a specialty toy store. Some have their own young children and opened a toy store as a way of providing the quality toys they wanted for their own children that they could not find elsewhere. Others may have worked as teachers or in another child-related career and want to continue working with them in a less structured and more fun way.

Financial Rewards

While money isn't everything—not a single toy store owner surveyed gave financial rewards as the main reason for opening a store—making a profit is essential in order to stay in business. Specialty toy stores can provide good incomes for established stores with steady sales. According to the American Specialty Toy Retailing Association's 2007 ASTRA Profit Report, the typical specialty toy store had sales of \$524,149 with pre-tax profits between \$18,869 and \$67,091.

1.4 Inside This Guide

The FabJob Guide to Become a Toy Store Owner is organized to help take you step by step through the basics you will need to open and operate your own store. The chapters are organized as follows:

Chapter 2 (“*Getting Ready*”) explains how to learn the skills you will need as a toy store owner. It covers ways of learning from experts, through observation, and self study. You also will discover ways to learn through active interactions with children and how you can start selling merchandise right away on eBay, at home parties, or by getting a job in the toy industry.

Chapter 3 (“*Starting Your Specialty Toy Store*”) will help you decide what kind of store you should open. This chapter discusses different products you can sell and will help you decide whether to buy an existing store, operate a franchise, or open a new store. It also explains what you need to get started, including your business plan, start-up financing, store name, and other important matters.

Chapter 4 (“*Setting Up Your Specialty Toy Store*”) offers the information you need to actually set up your store. It gives advice on how to choose a location, get merchandise to sell, and arrange displays. You will also discover what equipment and supplies you will need.

Chapter 5 (“*Running Your Business*”) takes you into the day-to-day challenge of running your store once it’s open. It explains how to develop a procedures manual, and covers inventory management, financial management and pricing, marketing your business, and working with staff and customers.

Chapter 6 (“*Getting and Keeping Customers*”) tells you ways to build up your customer base and how to keep your customers happy so they keep coming back. It describes ways to promote your shop through advertising, press releases, a website, and other promotional tools. It describes quality customer service—and how to ensure you are providing it.

By following the steps in this guide, you will be well on your way to living your dream — opening your own successful toy store.