



## Retail Guidelines for Tourist Information Centres

**Produced by:**  
East of England Tourism  
Dettingen House  
Dettingen Way,  
Bury St Edmunds  
Suffolk  
IP33 3TU

Tel. 01284 727470

### Introduction

This retail handbook has been produced by East of England Tourism as part of a project looking at Strategic Options for Tourist Information Centres in the East of England commissioned by Improvement East. The handbook set out best practice advice for improving the contribution of retail sales to centre running costs while complementing the provision of information.

For more information about creating a sustainable future, please contact Laura Sparrow, Membership and TIC Network Executive at East of England Tourism.

### Why have a Retail Presence?

If you are thinking about introducing retailing into your TIC, or you already have it but are unsure about how you should develop it, the first thing you need to do is to decide what you want from it.

The most common reasons for having a retail offer are:

- To provide an additional source of income.
- To contribute towards the visitors' enjoyment of the town by providing a place for them to buy maps, local guides, tickets and souvenirs of their visit.

Most of the TICs that have successful retail outlets are able to meet the first of these criteria by satisfying the second whilst also offering a small range of products that will appeal to local residents when the main tourist season is over. It is vital, however, that the purpose of the retailing is agreed with everyone connected with the TIC so that they all understand its purpose and support its goals.

Regardless of the scale of the retailing that you decide upon, there are certain basic elements of good retail practice that need to be observed if the enterprise is to be a success. These are:

## 1. Setting Objectives

If you have not agreed objectives for the retail element of your TIC before you begin, you will have nothing against which you can subsequently measure its performance. It is therefore essential that financial budgets are established at the outset and are compared with actual results on a regular basis.

## 2. Staffing

The golden rules for a successful retailing within a TIC are:-

- Only one person can be responsible for the day to day running of the retailing - the ordering, the maintenance of the stock control system and other records, the standard of display and the cleanliness of the stock and fittings.
- The "responsible" person might not be the most senior person in the TIC but they must actually work in the TIC retail area and not merely run it from a back office.
- All staff need to be trained in the retail tasks that they are expected to undertake and standards should be set for acceptable levels of performance. For example, all merchandise should be priced before it leaves the stockroom, all fittings and stock should be kept clean, tills should balance at the end of each day regardless of who is using them, etc.
- Volunteers should be valued on a par with paid employees and given the same standard of training. Getting support from volunteers can make a huge difference to the financial success of the operation.

## 3. Location & Signage for the Retail Offer

Ideally, a Tourist Information Centre would have areas for free information and saleable goods that will appear separate to the customer. When deciding upon the area of the TIC to be used for the sale of retail products, the questions that need to be asked are:-

- Is the merchandise visible from the outside? Many passers-by will not expect a Tourist Information Centre to have a retail presence but the sight of merchandise at the entrance of the Centre can often entice people in and, in addition to generating sales, can introduce them to the range of services that are on offer.

- Are the windows and door clear of superfluous stickers and posters that might restrict the view into the Centre?
- Does the external signage ('A' boards, etc) list the services offered by the Centre and include reference to retailing - Theatre Tickets, Rail Tickets, Maps, Guides, Books, Gifts, etc.?
- If you are doing something different to what customers might expect, you should publicise what you are doing to create the right expectation from your customers

#### Case Study: Promoting the Retail Presence - Stowmarket TIC

The Tourist Information Centre has two 'A' boards that are used to entice customers into the Centre. One 'A' board is positioned outside the TIC, while the other is positioned across the street outside a busy supermarket.

The boards are regularly updated to reflect the changing seasons, with an emphasis on promoting the TIC's retail offer. For example, the 'A' board might announce that the TIC has new stock available or invite customers to browse sale items. By changing the promotion on the 'A' board, the TIC can remind local residents as well as visitors of their retail offer.



#### 4. Layout of Retail Area

In a TIC where a high percentage of the product is available free of charge, it is very important to define the separate 'Free' and 'Charged' areas of the space. We have already said that the retail area should be visible from the street but it should also be adjacent to the counter (or a separate cash desk if the layout allows).

Unless the retail element is contained within a defined area it tends to grow and the boundaries can become blurred. A retail area that has developed (or started life) as a sprawl, needs to be controlled because:

- It confuses the customer. People like to know whether the leaflets/local guides/maps are free or charged because misunderstandings can cause embarrassment.
- If it spreads too far away from the counter on open display, the risk of theft is increased. Expensive maps might be stolen under the pretext of 'confusion'.
- If it is put behind glass to protect it, it will not sell as well as it should and this defeats the object of having a retail offer. By locating the merchandise in a defined area within view of a counter, the risk of theft can be kept to a minimum.

## 5. Fittings

If the retailing is to be successful, regardless of the objectives that have been set for it, it must have appropriate fittings.

They need to be appropriate for:

- **The Centre.** The fittings need to be appropriate for the building they are in - steel supermarket racking would look as out of place in a TIC in a listed building as would ex-museum display cases in a modern Centre.
- **The merchandise.** The type of merchandise to be sold will have a major influence on the design of the fittings. For example, clothing normally needs to be displayed on specially designed racks whilst children's 'pocket money' lines sell best when they are grouped together on a low-level, free-standing unit that has been divided into appropriately sized bins.

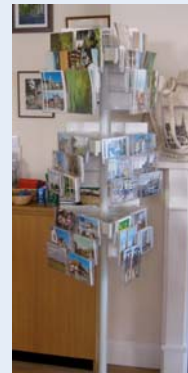
Good shop fittings need not be expensive but they must be suitable for the purpose for which they will be used. Whenever possible, they should have:

- shelves that are adjustable in height.
- angled shelves for books - if books are to be displayed "face out" (for greater sales), they cannot be displayed successfully on flat shelves.

- shelves that are of a standard size and therefore interchangeable between all the fittings in the retail area.
- cupboard bases beneath the shelves to accommodate stock.
- only the minimum amount of "secure" display space. If careful thought is given to the location of merchandise, most TICs could do without any secure cases (unless very expensive jewellery or craft pieces are stocked) and sales would improve significantly without any appreciable increase in stock losses.
- contain their own lighting system. This greatly enhances the appearance of the merchandise.

#### Case Study: Fittings that Meet Customer Needs - Saffron Walden TIC

Limited space had meant that the Tourist Information Centre displayed postcards with a number, and customers would have to request a copy of that postcard from staff behind the counter. After the TIC was refurbished, postcards were displayed in a postcard rack that customers could easily browse and postcard sales tripled. By displaying postcards in a rack that let customers shop in the way they felt comfortable, the TIC was better able to meet customer needs.



No matter how small your TIC, try to avoid having the "shop" on a single counter with the staff on one side and customers on the other. This severely reduces the potential for sales because:

- customers are not normally at ease if they feel they are being closely watched (and they need to be at ease if they are going to spend money).
- a counter is a very inefficient method of displaying a wide selection of stock - it is normally only equivalent to a single shelf.
- if a queue forms (for ticket sales or general enquiries), the retail offer disappears.

If your budget allows, purpose-built shop fittings can represent a very good investment. To be efficient, they need to be well designed by someone who understands both the demands of retailing and the needs of the TIC. For this reason, exhibition designers or architects are often not the best people to choose to do this for you, although they can give you valuable advice on colour schemes and the materials to be used.

A good shopfitter is often the best bet. Try to find one who has had experience of fitting out small shops, preferably at visitor attractions (because your merchandise mix will be similar). It's a good idea to go and look at examples of their work. Describe the types of merchandise and free literature you are proposing to stock and say how much space you would like to allocate to retailing and information. If you then specify the colours and materials to be used for the fittings, you should get exactly the retail area you need.

Ready-made fittings are often a cheaper alternative to purpose-built units and, providing you know exactly what you want, they can also produce excellent results. For more information about potential suppliers see the Appendix.

## 6. Display

A clear distinction needs to be made between the type of display that is not meant to be touched by customers (as used in windows or as features within a retail area) and the type that encourages customers to handle the merchandise and take it to the counter for payment. Creating the latter is normally referred to as merchandising and is an aspect of retailing that is often under-rated by TICs but is vital to the success of your retail offer.

It's worth examining your displays with the following questions in mind:

- Does the retail area look attractive at first sight?
- Do the shelves look full - is at least 75% of the backboard or the wall behind the shelves obscured from view by stock?
- Do the displays look so pretty or 'artistic' that the customers are afraid to touch them?
- Are there clearly defined spaces within the retail area devoted to different ranges (books, postcards, china & glassware, clothing, children's, etc.) or is it all mixed up?
- Is everything clearly and visibly priced? Customer should be able to easily see the cost of items as they may be reluctant to ask. If you are using stickers to price the items, these should be fixed on the rear of a product at the bottom or on the bottom, as it will devalue the product in the customer's mind if the price appears on the front. Pricing should ideally also be displayed on tent cards or in Perspex holders alongside the item. If price tickets are used as well it looks professional if these are printed on an A8 size or similar (approximately business card size) with a small space for the relevant TIC or local authority logo

- Are descriptive cards (point-of-sale material) used where necessary and are they helpful and accurate?
- Can the customers get at the merchandise or is it out of reach or unnecessarily locked away?
- Is the floor clear of stock that would be better merchandised on fittings?
- Are there sufficient copies of each book title on the shelves to avoid using “Display Sample” stickers?

Improving the standard of merchandising is always cheaper and easier than changing the shop fittings and can have a dramatic effect on the level of sales.

It can be well worth seeking training or further advice on effective merchandising to maximise the potential sales.

## 7. Retail Environment

As well as optimising the display of your products, it's also important to create a pleasant shopping environment for your customers. A high level of cleanliness is essential, as is a comfortable ambient temperature. Well-presented staff are another aspect of a smart shopping environment. It might be appropriate for you to supply a uniform or have a dress code to create a professional image.

If at times your TIC is quiet you could also consider playing music or a DVD, although you will need to consult your legal department about licensing. This will make customers feel more comfortable about talking and create a more relaxed environment. If you play music that you have for sale in your TIC, it's a good idea to have a point of sale display on your counter so that customers can buy the CD with their purchases.

If you have signs in your TIC then make sure they have a welcoming tone. Signs that could be perceived by customers as negative should be removed or if necessary try to rephrase your signs to have a more positive message.

You should also consider whether the layout of your retail area has a natural flow that invites customers to browse. Organising your products into departments or themes will give a natural flow. The ideal layout will lead customers through different areas on a voyage of discovery, although this might not be possible in a small retail space.

Something else to consider is whether you can make it easier for staff to assist customers by having an open desk area. This type of layout will be more welcoming for customers.

## 8. Merchandise Selection

### a. Who buys for the Retail Offer?

Whilst only one person should be placing the orders and negotiating prices with suppliers, the decisions about the products to be sold in the TIC are best made in consultation with colleagues. An agreed procedure for the selection process is, however, essential if conflicts are to be avoided.

The person responsible for the day to day running of the retail element will really benefit from keeping the number of suppliers to manageable level. It can be worthwhile to find out if your main suppliers can supply popular items such as china or tea towels at a competitive price as this will be more efficient.

### b. What to buy?

The selection of merchandise will depend very largely upon the objectives that were set for the retail element. These might typically be to make a profit, be informative about the area, provide souvenirs of the town and surroundings and generally meet customers' expectations. In which case, the TIC would need to offer, in addition to relevant publications, a mixture of souvenir and gift merchandise across a fairly broad price band but with particular emphasis on the right price range for visitors making a souvenir or gift purchase.

When TICs want to expand their trading activities beyond local guides and maps, there is a great temptation to begin by commissioning ranges of souvenirs that carry images of their town. These are often china plates, mugs, dishes, thimbles, etc. but also include household items such as chopping boards, coasters and tea towels. There are two problems with this approach. Firstly, it can involve a high capital investment in stock if it is exclusive to the TIC and, secondly, these types of products tend to not to have broad appeal - this is the reason that most heritage attractions (museums, historic houses and cathedrals) have stopped selling them.

With only a limited budget, you need to be wary of commissioning anything. It is better to include non-exclusive products that will appeal equally to local customers and tourists in

your mix. It can be useful to develop buying criteria by looking for several broad themes that have a connection with your town, its history and/or the surrounding area.

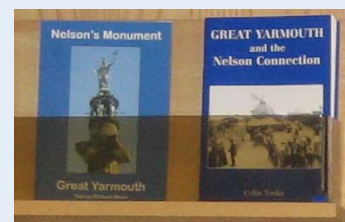
- The town may have a historical connection that will appeal to customers, such as Roman or Viking history, a connection with industrial or aviation heritage or a famous person.
- A coastal town might stock merchandise with a maritime theme or related to the sea and sea life, such as seals, crabs or fish. In a rural area, local wildlife or woodland could be a suitable theme.
- A local product or icon might provide a strong theme. For example, Norfolk Lavender, horses in Newmarket or a crocus in Saffron Walden.
- A well known local producer will appeal to tourists and local customers, especially if there is a nostalgia theme

Look at broad ways of applying the themes to your selection of merchandise. For example, a range of lavender toiletries and perfumes will only appeal to people who like the scent of lavender. The range could be extended with lavender coloured candles or items with a lavender design in order to appeal to a larger number of customers.

It's always worth testing out new themes with customers, either by trialling a small amount of new products or being led by consumer research.

#### Case Study: Being Guided by Customers - Great Yarmouth TIC

Great Yarmouth's historical connection with England's great naval hero Lord Nelson is a source of civic pride for the town and the wider area. However, customer research found that the Nelson connection is not a very strong draw so the Tourist Information Centre stocks a small range of publications focusing on Nelson, which is enough to satisfy customer interest.



A good way to expand the range further is to find suppliers of appropriate, non-exclusive merchandise that can be personalised. Some manufacturers offer the opportunity to personalise a product for you by adding your name or logo to the packaging. Another possibility is that the product itself could be cost-effectively personalised. For example, a china mug depicting an image of your town or city or related to your main themes might be

widely available with the manufacturer's name on the bottom (the back stamp) but for a small additional fee, many suppliers are prepared to replace this with your name.

One good example of a suitable product to consider is locally produced greetings cards, where high quality suppliers have cards readily available. This product would have a strong connection to your local area and given a range of cards with a variety of images the cards would have broad appeal.

Think about the needs of your customers and the kinds of activities that they might want to take part in at your destination. For example, in a coastal or woodland location your customers might be interested in having a picnic. A product such as a blanket that customers could use on a picnic could sell very well in your TIC. Look for opportunities to bundle your products together - so sell a pencil alongside your notebook.

If merchandise is to be "appropriate", it should not only be appropriate to your town and the surrounding area but also to the type of visitor who is attracted to the town and the TIC. If the merchandise in a TIC visited predominately by retired couples were aimed primarily at children, it could not be said to be appropriate.

#### Best Practice Recommendation: Knowing Your Visitors

It's really important for TICs to collect contact data from the main customer 'touchpoints' - walk-ins, email and telephone. It's useful to know that there is no legal requirement for market research to be included in the 'opt out' permissions that you give customers (for more information refer to the Market Research Society (2002) *Market Research Processes & the Data Protection Act 1998* or contact EET). A simple online survey will give you an indication of the main age groups or family groups visiting your TIC, and then you will be able to tailor your retail offer to meet their needs. It's a good idea to ask your customers about whether they changed their plans after contacting the TIC. The methodology in the VisitBritain guidelines *The TICKit; A Research Tool for Tourist Information Centres* can then be used to prove the value of your TIC to the local economy. Contact the Customer Insight team at EET for more advice or support.

#### c. Where to buy?

The best way to become aware of the range of merchandise that is available to TICs is to attend gift fairs. There are a large number of these held throughout the year but the most important of them is the International Spring Fair held every year at the NEC in Birmingham in the first week of February. The International Autumn Fair at the NEC is also useful. In addition to a major fair, you should also visit at least one local one that has a distinct

regional bias. Local craft fairs can also be an opportunity to discover local producers with merchandise that would be suitable. Before you visit a gift fair, however, you should know:

- How much money you have to spend.
- What product groups you are looking for - stationery; personalised confectionery; children's lines?
- What you are prepared to drop from your present ranges if you find something new (unless your retail area is still growing).
- How much space you will be able to give to the new merchandise.

When you find something new that you are sure will sell, think about how you are going to display it and how it will look in your retail area - if the packaging is only suitable for hanging, do you have the right fixtures? If it needs to be lit from the back (for example, stained glass), can you do it?

For local produce, it may be worth looking for producers in your area in the directory of a regional or local food body, such as Tastes of Anglia: <http://www.tastesofanglia.com>.

Another good source of information and ideas for merchandise is other Tourist Information Centres. Not only can other TICs give you advice on what has worked well in their market, TIC colleagues can direct you to reliable suppliers.

#### Best Practice Recommendation: TIC Networking

TIC meetings hosted by EET are a great opportunity to keep up with the latest developments affecting Tourist Information Centres. To get the most out of networking, approach TIC Managers who's TIC will have a similar visitor profile to yours to discuss what sells well and compare notes on good suppliers. If there is a topic you've been mulling over that will benefit from group discussion, it can easily be added to the agenda for the day by contacting Laura Sparrow beforehand. Your colleagues will appreciate the heads up and might have some surprising ideas on how to approach new challenges.

## 9. Ticket Sales

Ticket sales can be an important part of the income of the TIC. Since TICs are often very successful at administering ticket sales, there can be opportunities to act as a box office

for commercial organisations or other Local Authority departments. It's a good idea to review your processes for selling tickets to make them less labour intensive where possible.

#### Case Study: Add Customer Value by Cross Selling - VisitColchester Information Centre

VisitColchester Information Centre works closely with local event organisers who want support with ticket sales and also look for opportunities to add value to customers by cross selling. For example, the TIC sold tickets to a charity firework display on Bonfire Night. Since the customers for the fireworks display were also good prospects for the upcoming Christmas market, customers were given a flyer for the Christmas market folded around their tickets. This proved a simple way to reach an audience likely to be interested in the upcoming event.

## 10. Pricing Policy

The most important consideration for Tourist Information Centres that have a retail offer is to **make a healthy profit**. Since the TIC exists for the benefit of visitors and stakeholders, staff can sometimes be hesitant about making a profit and may price goods at too low a level. If your customers tell you that your products are quite cheap then it's **essential** that you review your pricing. Ultimately, you can offer your customers better value by making a good profit that supports the work of the TIC rather than by having a small margin on the products that you sell. Refer to the section on retail benchmarks for more information on how to calculate mark up and profitability. It's also a good idea to have an eye on the prices charged locally for commonly sold products like postcards so that you don't undercut other suppliers.

Many retailers adopt a pricing policy in order to structure their pricing in a way that makes sense to customers. One recommendation is to not to use 'round pounds' i.e. price at £2.95 rather than £3. Some of the large retailers, such as Marks & Spencer, always use round pounds on non-food products in order to speed up transactions where EPoS systems are used, but keeping prices below the round pound by 1p or 5p has been demonstrated to improve the level of sales. It's also a good idea to have a pricing policy that fits prices into price bands. For example, the cost prices of a range of similar products from the same or different suppliers may vary slightly but it is easier for staff and customers if the selling prices are rounded up or down so that they fit into regular price bands. For most products, a pricing policy that uses 25p intervals (plus 95p) up to £20 works very well, i.e. £3.25, £3.50, £3.75 and £3.95. This doesn't include products like food and publications, which are priced differently

## 11. Enhancing the Retail Offer with Partnerships

Giving visitors the chance to purchase authentic local products can really add to their experience of the destination. Building relationships with local suppliers can be an effective way of adding value to your customers and the local economy, while developing a distinctive retail mix. Another advantage of working with local suppliers is that the TIC might be the only supplier of these goods in the town. Not only is product uniqueness an important component of what makes something feel authentic to tourists, the product then has scarcity value and the TIC has the opportunity to make a healthy profit.

It's a good idea to identify items that are produced by local suppliers clearly for customers. This might simply mean adding the term 'local product' to the price sign. Bear in mind that some marketing specialists refer to signs in the retail area as 'shelf talkers' because creative use of signs can be an effective way of persuading customers to buy a product. The customer will perceive the product as being more authentic if they know that a local artisan has made it with his/her own hands and with great effort and care, as well as using traditional methods. Perhaps your sign could include a small picture of the producer or a reference to traditional methods of production.

### Case Study: Local Character, Handmade in Suffolk - Lavenham TIC

Lavenham TIC support a range of local artists by stocking products that are handmade in Suffolk. The name of the local artist who made the product is included in the sign, which might also promote the local connection or the uniqueness of the product.



A strong partnership with a local supplier can also lead to opportunities to draw in customers and create a buzz in the TIC. Many local producers are willing to come into the TIC for talks, events or signings, which is a great opportunity for the TIC to publicise its work in the local media and attract interest from local residents. It's a good idea to find ways of tying this kind of thing in with local events or seasons. For example, offer a tasting of apple juices on the day of an apple festival. Make sure you let the local media know when you have this kind of event.

## Case Study: Create a Buzz with Local Partnerships – Peterborough Destination Centre

Peterborough Destination Centre is the only outlet in the city centre for Peterborough United Football Club merchandise. The team have come into the Centre for signings during school holidays, which is a great opportunity to attract local residents and to make them aware of the Destination Centre as a retail outlet.



Tourist Information Centres often develop successful and profitable relationships with local suppliers. However, it's not necessary for a TIC to restrict itself to local suppliers. If the valuable work of the TIC is supported by a strong retail mix that includes profitable items from suppliers outside the area then the TIC will be well placed to continue supporting the local tourist economy.

Since Tourist Information Centres exist for the benefit of visitors and stakeholders, staff can often feel concerned about competing with local businesses. Sometimes this is prompted by complaints from local retailers, but often staff are reluctant to risk any negative comments. In fact, when a Tourist Information Centre has an established retail offer it will often stock products similar to or even the same as those stocked by local retailers without any problems.

As long as products are chosen as part of a range that is suitable for the target market and not priced too low then it can be appropriate for TICs to be **bold about the product range**. The retail in a TIC supports the service and reduces the cost for taxpayers, which is an important reason to make it as strong as possible. In some cases there will be much less concern about competition than anticipated and complaints can be forgotten very quickly when local retailers find the TIC retail offer has little impact on their business.

## 12. Systems

You need to have systems if you are going to operate efficiently, monitor your results and stick to your budgets.

Systems are essential in the following areas:

a. **Buying Control.**

- You need to set a budget for the amount of money that can be spent on purchases.
- The budget should be related to the expected level of sales - it must be capable of being increased if sales are better than expected or reduced if they are poorer.
- The budget should be spread over the year in line with budgeted sales - if you are asking a supplier to produce something exclusively for your TIC, you may have to buy and take delivery of a year's stock (or even two years' stock) in one go, but that is the exception to the rule.

b. **Stock Control**

This should tell you:-

- The name, address, contact details and terms for each supplier.
- The minimum order quantity, cost price and selling price of each line.
- The quantity and date of each order.

From this information you will be able to assess:-

- The rate of sale of each item.
- The correct quantities to order.
- Which products you should consider dropping because of poor sales.
- How much space to allocate to each product (space should relate to sales).

A stock control system does not have to be computerised or complicated (or both!) to be effective. A simple manual system will suffice until your TIC retailing is taking many hundreds of thousands of pounds.

If you stock perishable products, such as jams or chocolate, then your stock control system should include the sell by dates. These should be checked on a weekly basis so that you have the option of using a sales promotion to sell the merchandise before it goes out of date.

### c. Cash Control

As with a normal TIC operation, systems should be in place to ensure that all monies received are accounted for. This is not just to protect the TIC against losses but is important to protect staff from the suspicion of carelessness or worse if the profits at the end of the year are below expectations.

## 13. Retail Benchmarks

Is your retailing doing as well as it should? The following should give you an idea of the levels of performance that are being achieved by small/medium retail areas in TICs. If yours varies greatly from these (without good reason), you will probably need to look at the operation in some detail.

### a. Profitability

**Gross Profit** is the difference between the Cost Price of an item and its Selling Price.

**Net Profit** is what is left of your Gross Profit once all your overheads (wages, rent, rates, heating, lighting etc.) have been deducted - see **Overheads** below.

On souvenir lines and general gift merchandise, a retailer should normally aim to make a Gross Profit equivalent to 50% of sales (excl. VAT). It is unlikely that a Tourist Information Centre will achieve this level of gross profit on total retail sales. This is because you will be selling books, maps and guides on which there is a much lower profit margin (normally around 35%) and, possibly, foods on which the Gross Profit is even lower.

The overall Gross Profit will therefore be lower than 50% and it is quite normal for it to be between 40% and 45% of sales. If you are making much less than this, you need to look at what you are doing very closely unless there are extenuating circumstances of which you are already aware (such as 80% of your sales coming from books).

When you are calculating gross profit, it's important to take account of whether you are liable for VAT. If you are VAT registered and are liable for the tax, the Cost and Selling Prices in the calculation must **exclude** VAT. If you are not VAT registered, the Cost Price in the calculation must **include** the VAT you have paid to your supplier.

Example:-	VAT Registered	Not VAT Registered
Cost Price (£2.40+VAT at 20%)	£2.40	£2.82
Theoretical selling price (excl. VAT at 20%)	<u>£4.80</u>	<u>£5.76</u>
Gross Profit	£2.40	£2.94
Gross Profit % <sup>1</sup>	50%	50%
Theoretical selling price in the TIC (inc VAT) <sup>2</sup>	£5.76	£5.76
Actual selling price	£5.75	£5.75

<sup>1</sup> See below for method of calculation

<sup>2</sup> Includes 96p VAT. The selling price is then rounded down by 1p from £5.76 to comply with the pricing policy.

### Gross Profit %

There is confusion in the minds of many people working in retailing about the difference between **Gross Profit %** and **Mark Up %**. To mistake one for the other can have a disastrous effect on a business.

The **Gross Profit %** (sometimes referred to as the **% Margin**) is the percentage of the **Selling Price** which is retained as Profit.

$$\frac{\text{Gross Profit} \times 100}{\text{Selling Price } \dagger} = \text{Gross Profit \%}$$

† Always excludes VAT

Example:-

$$\frac{£2.40 \times 100}{£4.80} = 50\% \text{ Gross Profit}$$

The **Mark Up %** is the percentage by which the **Cost Price** is increased to produce the **Selling Price (excluding VAT)**.

Listed below are examples of how the **Gross Profit %** and the **Mark Up %** vary from each other. From it you will see that a **Mark Up** of 25% only produces a 20% **Gross Profit** whilst a 50% **Gross Profit** requires a 100% **Mark Up**. This table assumes that **VAT** will be added to the marked up price to arrive at the final **Selling Price**.

Mark Up %	Gross Profit %
25%	20%
33.3%	25%
50%	33.3%
100%	50%
300%	75%
500%	83.3%

### Mark Up Multiplier

This is the number by which the cost price is multiplied to arrive at the Selling Price (normally including VAT).

For gift merchandise (not books or foods) a multiplier of 2.35 has been used for many years (whilst the standard rate of VAT was 17.5%) to obtain a gross profit of 50%. From January 2011 the multiplier will need to be 2.4 when the VAT rate changes to 20%

Example:- To achieve a Gross Profit of 50% (100% Mark Up + VAT at 20%)

Cost Price	=	£3.30
Mark Up by 100%	=	<u>£3.30</u>
Selling Price (ex VAT)	=	£6.60
VAT	=	<u>£1.32</u>
Theoretical selling Price (inc VAT)	=	<u>£7.92</u> *

The simple way would have been to multiplied £3.30 by 2.40 to achieve the same result.

\* £7.92 would be a very unusual retail price. Once a theoretical selling price has been established, an actual selling needs to be decided. If your policy is to use pricing intervals this might be £7.95 or £7.99.

### b. Overheads

It is important to keep track of your overheads to keep control of any rises in cost. The largest overhead cost in retailing is usually the cost of the staff but in a TIC which would be staffed regardless of the inclusion of any retailing, this overhead is not normally considered a retail benchmark.

### c. Stock Levels

Over-stocking is one of the biggest problems in small shops (and many large ones) and often results in a severe financial strain on resources. In retailing, stock levels are controlled by monitoring the stockturn. Stockturn is calculated by dividing the estimated annual sales figure (according to the latest predictions) by the average (monthly) value of the stock (at selling prices). A small shop should aim for a stockturn of 4 but this can be difficult to achieve and it is more likely that the stockturn will be closer to 2 if the shop is holding large stocks of specially commissioned merchandise.

Example:

Annual Sales*	£15,000
Average Stockholding*	£4,500

$$\text{Stockturn (Sales / Stockholding)} = 3.3$$

\* Sales and Stockholding figures at retail prices (inc VAT)

To ensure that stock levels do not grow unnecessarily because of the accumulation of slow selling merchandise, action needs to be taken at regular intervals (at least twice a year) to reduce the prices to the level at which this stock will be cleared. It is far better to get just the cost price back (in the worst case) rather than have large amounts of money tied up in unsaleable stock.

### d. Stock Losses

Some shops are more prone to losses than others, but as a general rule you should expect to lose an amount equal to between 1% and 2% of your turnover (excluding VAT). Do not fall into the trap of locking all the stock away in display cabinets so that it cannot get stolen - that only results in a drop in net income. The way to combat extraordinarily high rates of theft is by being vigilant and being careful about where the merchandise is displayed within the retail area.

### e. Average Transaction Value and Conversion Rate

Average Transaction Value (ATV) is another useful benchmark that is widely used in retail. Your staff will find it easy to relate to and it's a good way to motivate your team to invite your customers to consider other products you have on offer. For example, if everyone knows that the average customer spends £5.20 they can get behind selling more of the

product that you have on promotion (like bars of chocolate or town guides) to raise it. The personal touch from an enthusiastic member of your team will make customers feel more welcomed and will add to the appeal of your products. This kind of personal selling can make a huge difference in the ATV in two shops that are otherwise the same. From a management point of view, the ATV can also be an indication of that the average price of the products for sale is too low and higher priced lines need to be introduced.

If you monitor visitor numbers then the conversion rate is a good benchmark to look at in conjunction with the ATV. The Conversion Rate is the percentage of visitors that are 'converted' into customers (or transactions) and is a good measure of the appropriateness of the stock to the customers, the standard of the merchandising and the sales skills of the staff.

It's difficult to suggest a target for ATV in Tourist Information Centres. By way of comparison, the shop in an average, charged admission attraction would be expected to return an ATV of £6.00 and a Conversion Rate of 25%. Perhaps a busy TIC with a very good retail offer that was well merchandised might have an ATV of around £5.00. Whatever your ATV, it's good to consider ways of gradually increasing it. Start by monitoring the results for your TIC and use the information as a management tool to look at the effect any of changes that you make.



East of England Tourism  
Dettingen House  
Dettingen Way  
Bury St Edmunds  
Suffolk  
IP33 3TE

Tel: 01284 727 470  
Fax: 01284 706 657  
email: [info@eet.org.uk](mailto:info@eet.org.uk)

[www.eet.org.uk](http://www.eet.org.uk)

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