

News, Analysis and Research of Interest to Running Specialty Store Owners

# RUNNING INTELLIGENCE

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## In The Giving Season, Running Stores Step Up

**Running stores have personally given and helped raise an estimated \$12 million to charities and good causes this past year.**



If it's better to give than receive, running stores are wrapping up an excellent year. Through races, donations and in-store events, running stores have been significant contributors to charities and good works this past year. It is estimated that the running store community was responsible for raising an estimated \$12 million for charities and relief efforts this past year.

Stores raised money for those displaced by Hurricane Katrina, donated shoes to victims and rescue workers, distributed donations of slightly used coats and shoes and participated in numerous other good works.

In the past two years Pacers in Virginia, has raised over \$130,000 for relief efforts in the gulf region (beneficiaries: American Red Cross and Friends of New

Orleans). The race attracted more than 4,000 runners and walkers attended the event.

This year, with the continued help of James Carville and Mary Matalin, Pacers was able to supplement the race with a special pre-race silent auction on Capitol Hill that helped raise additional funds and awareness for our charities.

"We had zero complaints when we ran out of bibs and literally had people throwing \$20, \$50, even \$100 dollar bills--and sometimes \$500 and \$1,000 checks--at us just so they could help and show their support," Kathy Dalby of Pacers told Running Intelligence.

Pacers' efforts follow the work of Jeff Wells, owner of Fleet Feet Jackson, MS and Nashville.

Last year after Katrina hit, Wells would drive down to the gulf coast in a store van donating shoes that had been sent to him by Fleet Feet store owners from around the country. "People really needed the shoes," Wells said. "We felt it was the least we can do."

This year Colorado Running Company is working with Coutures' fabric care to give coats to kids. "In Colorado Springs as in most cities there are schools with underprivileged students," owner John O'Neil

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## Running Stores Step Up continued...

explained. "We collect and deliver the coats to Coutures on our same block. Coutures cleans the coats and we deliver them to the schools. So far over 120 coats have been taken to the schools. We put signage up in the store. And on our Holiday party invitation we include the charity programs each year."

CRC also accepts adult coats which we distribute to the Colorado College Community Kitchen. "We also give the Kitchen old running shoes throughout the year," O'Neil says. "They come on Thursdays and give them away every Sunday."

Youth programs are very well supported by Running

Stores. Since taking over ownership of Pacers three years ago, The Farley family, through its support of the George Washington Parkway Classic roadrace, has raised \$120,000 for the local chapter of the Boys & Girls Club. This money is used to fund their after school programs and general operating expenses. This race is the bulk of the chapter's yearly fundraising efforts and ensures that the club can continue to offer much needed tutoring services and after school activities to area children. "This race has a great history (23rd year in 2007) and we look forward to continuing to raise funds for local charities." says Dalby. ●

## 2007 Dates Set For The Running Event



The second annual version of The Running Event will take place in Austin from November 11-14, 2007. The Running Event is a conference and expo for running specialty stores that is owned by Formula 4 Media, LLC, the publishers of this newsletter.

"The retailers we surveyed loved Austin and were strongly in favor of the November time frame," said Troy Leonard F4M's VP of Events. "We're excited about 2007 and look forward to an even bigger and better event than this past year."

There will be several changes in the format of The Running Event this in 2007. The event will start at 3 p.m. on Sunday, rather than at noon, which will allow attendees to travel on Sunday morning, rather than Saturday night.

In addition, the final day of the expo will end at 1 p.m. on Wednesday, November 14, allowing retailers to depart and be back in their stores on Thursday morning. "We planned this event to offer maximum educational and networking with minimal time away from the store," stated Leonard.

As was the case this past November, The Running Network and Footwear Intelligence will host an awards banquet and ceremony honoring The 50 Best Running Stores in America. The dinner and ceremony will take place on Tuesday, November 13, 2007.

Retailer and sponsor information will be available by January 15, 2007. Anyone seeking more details can contact Leonard at 352-634-1561 or at tleonard@formula4media.com.

## Fleet Feet Hosts Prospective Store Owners



Fleet Feet recently opened a new corporate HQ in Carrboro, NC. The franchisor took advantage of the grand opening celebration to host "Discovery Days," to educate employees at FF stores about what it is involved in owning and operating a franchise.

Fleet Feet currently has 72 stores nationwide and has announced plans to open 14 stores in 2007 and an additional 14 in 2008, which would bring its total to 100.

Earlier this month Chairman Tom Raynor told The Raleigh News and Observer Fleet feet planned to open a new store model and drive for new customers next year. After 2008, the company may pick up its pace of store openings, he said, adding that FF could double the number of its stores within five years.



(left to right) Ted Goodlake, Puma, Dave Zimmer, Fleet Feet Sports Chicago, Bob McClurg, Nike.

# The 10 Commandments of Visual Merchandising

By Parker Karnan

**W**hy does one product sell and another similar product sit? Why don't all seemingly good products sell? This question has been asked by retailers for generations. If boiled down, there are essentially four reasons why a certain product doesn't perform to expectations.

1. Something is wrong with the product itself. For example, the fit is wrong, the color is off, or it doesn't perform as advertised.
2. Something is wrong with the price. For example, the suggested retail issued by the manufacturer is not competitive with like products, or the dealer takes a mark up that is too high.
3. Something is wrong with the timing. For example, a jacket is displayed during the summer, or a Holiday gift item shows up in January.
4. Something is wrong with the visual presentation. For example, men's tights get mixed up with the women's, or a crammed display makes the product difficult to find.

By implementing a markdown system, retailers can learn through the sales cycle the actual reason why a product didn't sell at full price. Customer behavior is consistent in that they are professional consumers and can spot value when it exists. However, discovering why a product doesn't sell is only half the battle. How do we keep it from happening again? During a store visit, a retailer owner once told me his new motto was, "Only buy what sells." It's a noble slogan. The problem is that buying what sells is not in any retail owner's complete control. In three of the four reasons above, the retailer doesn't have complete control over the situation. Product, pricing, and timing are shared responsibilities between retailer and manufacturer. A retailer can only take complete ownership of their visual presentation and that is why it is so important. The visual layout of a store is the personal signature of any retailer. It tells the customer what is important to you. It allows you to do some thinking for your guests. It promotes new thought; it leads to inspiration. It moves people to feel like buying. The bottom line is that a typical specialty dealer designates about 50% of their store's real estate to

apparel, yet it only generates between 20%-25% of their total revenue. It is not supposed to be that way and compelling visual merchandising is the one way that a retailer can improve their profitability without depending on variables outside their control.

The 10 Commandments of Visual Merchandising below offer both conceptual and tactical methods for creating a visual presentation conducive for buying. If applied, they will make a difference in the way your store looks, feels, and performs.

## **Commandment 1:**

### **Imagine your store as an art gallery, not a library.**

Art galleries are spacious well lit venues where the art serves as the focal point. The merchandise faces the onlookers. The intention is for the art to catch the patron's eye and draw them in. Libraries store books that are found through cataloging and indexing. Libraries are linear and are designed to maximize capacity. Galleries are spatial and are designed to maximize viewer interest. Less is more. When merchandising apparel, start from the center and work out. Create a visual centerpiece and surround it with complimentary products. Allow space between products and don't stuff the racks full. Avoid lining up your product in a row. Create divisions between collections so your customer can shop from one collection to the next.

## **Commandment 2:**

### **Remember the 3 S's. Showcase high; sell middle; store low.**

Every linear foot of your store has value but not every foot is valuable for selling. The most valuable selling space on your walls and displays is 3'-6' from the floor. Use this space to sell the collections and the product story. Use the space from 6' to the ceiling to showcase outfits and ensembles with the use of mannequins or grid. Incorporate accessories into these images and use photography to convey a lifestyle or attitude. The space from 3' to the floor is where you can closet rack and store additional sizes and colors that are needed once the customer decides to choose her preference and size. Complimentary basics and black coordinates can be stored low and will still be accessible when she is making her final decisions.

## **Commandment 3: Find your money wall.**

Studies reveal that the majority of shoppers instinctively turn to the right when they enter the door of a retail store. Whether this holds true in your shop or not is not as important as the fact that every store has a money wall—a spot in the shop where a customer's eyes naturally fall when they enter. For most typical rectangular store configurations this spot will be at the 3 o' clock position if the entrance is at 6 and the center back of the store at 12. Find it and treat it like gold. Put your hottest product here; rotate often; restock and straighten regularly. Keep it looking good and use it to tantalize your customer with something to look forward to. Make sure that the visual lane from door to your money is also well manicured. This area should be one of the highest grossing in your store.

## **Commandment 4: Present it the way she wants it. Merchandise for her.**

About 60% of all running apparel sold at specialty is women's. In addition, women influence about half of all men's apparel sold. In other words, women control about 80% of all apparel purchases made at specialty. Forget about how men buy. Merchandise how women shop. Present outfits. Balance need items like bras and shorts with want items like seasonal warm-ups, bags, and accessories. Let her see what her life could look like. Show her some consideration by displaying an ensemble that presents classic running silhouettes with trendy new lifestyle ones. Provide a little inspiration by putting it all together for her; she will appreciate it and so will your bottom line.

## **Commandment 5: Sell 3D not 2D.**

Another way of saying this is "let her shop with both hands." Whenever possible, try to create continuity between your wall displays and your floor displays. It is common, for instance, to see all Brooks apparel on the wall and then all Nike apparel on the floor. As a customer wades through your store, you can peak her interest if she sees how it all fits together. By creating a single vendor presentation that incorporates both wall and floor fixtures, it creates flow, encourages your customer to shop the entire store and entices her to purchase more items. The challenge that many retailers face when

attempting to beef up their apparel presence is that they carry so many brands they can't do them all justice. A dealer can have a great apparel business with only 4 to 5 core brands complimented by a few boutique brands used to set them apart from the competition. She needs to 'get it' as soon as she sets eyes on your floor. Bigger presentations allow that to happen. Smaller ones do not.

## **Commandment 6: Let your vendors help. Merchandise by brand.**

Apparel vendors spend a great deal of time developing collections and lines that coordinate and work in harmony on the floor. Most vendors will provide merchandising sheets that will help you set the floor in a visually appealing way. I have seen good retailers departmentalize their apparel sections by climate zone (shorts and tees, layering, outerwear). This



style in motion

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method is functional but encourages single item purchases and promotes an either/or decision. Selling by branded collection allows all the products to work with each other and makes the whole greater than the sum of its parts.

## **Commandment 7: Merchandise in odd numbers.**

At Brooks, the product team used to say, “3 to pick 2.” The premise behind this saying is that if you give a customer two items from which to choose, they will nearly always pick just one, but if you give them three items from which to choose, they will often choose two. The same concept holds true in store merchandising. One of my favorite wall sets looks like the 5 on a die. This configuration creates the centerpiece in the middle surrounded by four complementary products. Merchandising in odd numbers also prevents the linear wall where it is difficult to determine where one collection starts and the other one ends.

## **Commandment 8: Attention-Rounders for sale**

Rounders are the apparel equivalent to a bookcase in a library. They hold a lot of product, but you need the Dewey Decimal System in order to find what you are looking for. Rounders hold product but do not sell it. They are good for clearance items and that is all. If your store uses rounders to sell product other than clearance items, invest in gondola units that will face out the product and allow the customer to see it. A good gondola unit can hold as much product as a rounder but sells it in a way that will allow the unit to pay for itself in the first year of use.

## **Commandment 9: Send Waterfalls down the drain**

The debate is whether to use Waterfall arms or Straight arms on slat wall or grid. I have heard all the arguments and seen both used abundantly at retail. Waterfalls only work effectively if they are completely stocked with identical product and only one piece per knob/hook. A 12” Waterfall effectively holds 6 units of apparel. A 12” straight arm effectively hold 12-15 units. Furthermore, the angle of a waterfall takes up more space compared to a straight arm. Waterfalls hold fewer products, take up more space, and are in constant need of staff maintenance. They are a drain on time and money. Send

them down the drain and replace your Waterfalls with Straight arms.

## **Commandment 10: Reveal your soul with your windows, not your sole.**

Store windows are precious. They create relevance, inspiration, wants, urgency. They link you to your community; show that you ‘get it.’ Using your windows to create emotion, to show lifestyle, to promote well being are effective ways to add value to your business in the eyes of your customers. Put new, high profit, and fast turning merchandise in the window. Avoid presenting courtesy or special order products like baby joggers unless they are a part of a bigger theme. It is OK to use windows to advertise a new product arrival or an upcoming sale provided these ideas are combined with a more encompassing concept. Windows also allow natural light to come into your store. They create warmth. Don’t cover them up with banners or walls. Rotate the concepts at least every 30 days especially if your store is in a high traffic location.

Above all, a well merchandised store is more profitable than a poorly merchandised one. The two key metrics are dollars per transaction and units per transaction. An owner can average up to .5 more units and 20 to 25 more dollars per transaction annually if they commit to creating an enticing visual image. This estimate does not take into account the new transactions that a newly merchandised store can gain from improved curb appeal. This calculates to an additional \$180,000 in revenue and \$80,000 in gross margin for a retailer with annual sales initially around \$800,000. The investment necessary to realize this gain is minor when compared to other ways an owner can increase their business by more than 20%. It may require a designated staff person who takes the hand off from the buyer once the product is received, and it may require some investment in the way of fixtures. It won’t happen overnight, but after their third visit the customer will catch on, and the momentum will build. Best of all, unlike many other aspects of retail it is completely in your control.

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For copies of the 10 Commandments of Visual Merchandising in bookmark format for your staff, Please e-mail Parker at [parker@karnanassociates.com](mailto:parker@karnanassociates.com) or contact him by phone at 206.601.7019. ●

## Nike Names Running GM



**K**ate Delhagen, one of the founders of Lucy and an exec at Nike since 2004, has been named the company's General Manager of U.S. Running.

This is a new post that was created as a result of Nike's recent decision to organize business units around categories. Delhagen got her start in the sports business as an editor at Runner's World and later held a senior marketing post at Backpacker. She then joined Forrester's

Research and was plucked from there to join the founding team of Lucy, which launched as a women's only e-tailer and has since diversified into opening brick and mortar stores. Delhagen joined Nike in its strategic planning department for the U.S. Region and held that post until her recent appointment. Nike plans to name a director of specialty running sales and two regional managers within the next 30 days.

## Brooks to Sponsor Seattle Celebration



**B**rooks has signed on to be the running shoe and apparel sponsor of Seattle's 2007 SEAFAIR celebration. The recently signed sponsorship agreement gives hometown company Brooks exclusivity in the running shoe and apparel category for SEAFAIR's Marathon, Triathlon and Torchlight Run. Held July 8, 15 and 28 respectively, the three events draw more than 26,000 fitness enthusiasts and spectators from the Northwest.

"SEAFAIR is excited to welcome Brooks as our official footwear and apparel partner for SEAFAIR 2007," said Director of SEAFAIR Sports Mike Ogliore. "Brooks' long-standing tradition within the local running community only adds to the momentum we are witnessing heading into the third year of the Marathon. SEAFAIR and Brooks will provide a first-class experience to all participants of the SEAFAIR Sports calendar of events."

## The Athlete's Foot to Launch New Store Concept in 2007



**K**The Athlete's Foot will embark on a major rebranding effort in 2007 that will include a new store concept, a private label apparel collection and a major marketing campaign. The bulk of this new position will focus on the urban athletic footwear and apparel market, in which TAF stores currently do about 70% of their business.

Called "XB," this new branding effort is set to roll out in the second half of the year. The XB stores will be slightly smaller than the current TAF stores and feature a heavier focus on apparel, with the goal of boosting the merchandise mix to 60-40

footwear-apparel from its current mix of 90-10.

TAF technical stores will also be part of this re-branding, too, but their merchandise mix is most likely to remain about 90% footwear with a strong emphasis on running. There are about 400 TAF franchised stores in the U.S.

In August of this year, NexGen Brands, which had been TAF's financial advisor, announced it was buying the company for about \$51 million. NexGen plans to purchase other brands and franchised operations that fit in well with the TAF. An in-depth interview with Robert D'Loren, president and CEO of NexGen, will appear in the February issue of Footwear Intelligence.



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# Son of Running Store Owners To Be Sworn In as D.C. Mayor

**A**drian Fenty, the son of running specialty store owners, Phil and Jan Fenty of Fleet Feet Adams Morgan, will be sworn in as Mayor of Washington, D.C. next month. Adrian Fenty, a marathon runner and former city council member, was elected the youngest mayor of Washington D.C. ever in November by winning 89% of the vote. Fenty often refers to his marathon running in his speeches and on his website. His parents have owned their running store since 1984. ●



Photo courtesy of fenty06.com

# Coolmax Sponsors Coast to Coast Run



**L**ook for a documentary by the middle of next year on Christian S. McEvoy, the Connecticut high school teacher who completed a 3,500 Coast to Coast Run for Survivorship on December 16 in Narraganset, RI. McEvoy started the run in July in San Francisco and ran an average of 26 miles a day to raise money and awareness for cancer survivorship programs.

Invista Coolmax was a major sponsor of the run, providing limited edition Coolmax T-shirts to those who joined McEvoy on his journey.

