



Starting Out Right

Business Advisory Series

First Issue

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Dear Readers,

Our aim in producing *Starting Out Right* is to provide you with an important tool for operating a successful needlework store — basic information about the industry. We cannot stress enough that the information and recommendations included in this publication have worked for many retailers, but every store will be different because of location, customer base and product mix.

Only you will ultimately know what works for your company and your customers — by listening to them, staying on top of industry products and trends, attending trade shows and participating in your trade association, talking to your reps and suppliers, and keeping up with industry publications, surveys and statistics.

The National NeedleArts Association wants you to start out right and run a successful and profitable store.

We wish you the best in your new endeavor.

Sincerely,

The National NeedleArts Association

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TNNA's The State of Specialty NeedleArts
2005, 2007, 2010, and the 2011 TNNA Show Survey
India Wood, Hart Business Research
Available free to TNNA members.
Available to non-members for a fee.
For more information, contact TNNA
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The contents of this book have been prepared and presented in good faith with every effort to be accurate. However, the possibility of human error and printing mistakes do exist, and we regret that we cannot be responsible for this.



The National NeedleArts Association (TNNA) — the premier trade organization for the needlework industry — has created the “Business Advisory Series” to provide you with assistance in starting, developing and growing your retail needlework businesses.

Starting Out Right is the first edition in this series. This publication has been revised three times since its original publication (June 2006, June 2008 and again in 2011) to incorporate information from TNNA’s The State of the NeedleArts Industry 2005 and 2010 — the most up-to-date information available regarding the independent needlearts industry, as well as sales data from TNNA’s 2011 show survey. It is specifically designed to answer your questions on how to start your own needlework business, and to provide you with a framework for creating a successful and profitable retail establishment.

As you begin planning your new business venture, take a moment to consider a few very important issues:

- Starting any new business is a risky venture.
- As the owner, you will be your own boss.
- As the owner, you will be ultimately responsible for everything.
- This venture may not support you within the first year . . . or years.
- This venture may be the most fulfilling experience in your life — and the most frustrating.
- Your success will depend on a number of variables, some of which you can affect, others of which you simply can't:
 - your customers' satisfaction with your products and services
 - your resources
 - the general business environment
 - yourself!

If you've thought about all of these things — and you haven't closed this booklet in sheer terror — it's obvious you have been touched by the entrepreneurial spirit (a strange desire to “organize and manage a business, assuming the risk for the sake of the profit” — Webster’s New World Dictionary), and have made the commitment to follow your dreams.

So, read on.



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First Things First

A good place to begin is to first examine your reasons for wanting to open a needlework retail store.

Do you:

- Enjoy working with people?
- Desire to be in a successful business?

Think twice about opening a retail business if:

- Needlework is your hobby.
- You think it will be fun to open a store.

A hobbyist who doesn't also want to be a professional business owner will soon become frustrated running a store because of the personal and financial demands of operating it.

As with all small businesses, the needlearts industry can be quite competitive, making it imperative for shop owners to have a clear understanding of business and marketing practices, in addition to a passion for the needlearts.

To be successful in needlework retailing:

- You must have a solid understanding of how to run a small retail business.
- You must have a comprehensive knowledge about the products and techniques.

- You don't personally have to be a technical expert, but you must surround yourself with people who are.

Join organizations serving other businesses in your community and your industry.

- Local guilds
- Chamber of Commerce
- Your industry's trade association (TNNA)

More than 90% of the 2010 survey respondents were TNNA members.

Based on the previous survey, TNNA retail members grossed twice as much as non-members in 2006.

Establish yourself in your community — within your family of customers, as well as among your professional colleagues.

- Join social clubs, fitness clubs, organizations bringing communities together.
- Participate in online communities.

Learning just begins when you open the doors to your store.

Even if you've been stitching, knitting or crocheting all your life, and you think you're an expert, **continue to pursue education and information.**

- Seek qualified mentors.
- Review the literature and available research.
- Meet and consult with manufacturers' representatives, if available.
- Keep up with the latest techniques, products and trends

Go to trade shows and participate in the programs and activities available.

- Take advantage of the networking, as well as the shopping opportunities.
- Enroll in as many classes as you can, both business and skill oriented.

Visit other shops, and analyze their strengths and weaknesses.

In addition to possessing adequate knowledge of business and the needlearts, the successful business owner must also be a person who has a:

- Clear vision.
- Total commitment to that vision.
- Practical plan.
- Source for adequate capital and support.
- Good business sense.
- Willingness to work hard.



The Specialty NeedleArts Industry

From a broad perspective, there are some general facts you should know about the needlework industry.

“Needlework” is an umbrella term for a variety of skills. The industry, from a technique standpoint, includes:

- Hand knitting and crochet
- All forms of stitchery and canvas work, including:
 - needlepoint
 - cross-stitch
 - embroidery
 - embellishment
 - special techniques
- Weaving
- Spinning
- Lacemaking and other fiber art forms
- All the yarns, fibers, notions, tools and accessories needed to execute the techniques or finish the projects

Within this diverse industry, there is a wide range of roles, each vital to the health of specialty needlearts:

- fiber animal breeders
- textile researchers and educators
- fiber mills
- wholesalers
- distributors
- manufacturers
- manufacturers’ reps
- designers

- artists (canvas, etc.)
- teachers
- retailers
- publishers
- software developers
- professional consultants

The most recent specialty needlearts survey (2010), estimates the total number of independent needlework retailers nationwide to be between 3,175 and 3,800 as of 2009. This number is not significantly different from the 2005 estimates of 3,600 and 3,900 stores.

Based on additional data included in the survey, we can conclude, within some of the product categories, there has been a turnover of shops. As many new shops sprung up between 2001 and 2008, older shops began to close or sell out.

Some shops specialize in one specific area of needlework; others carry more than one product and support a variety of needlework forms.

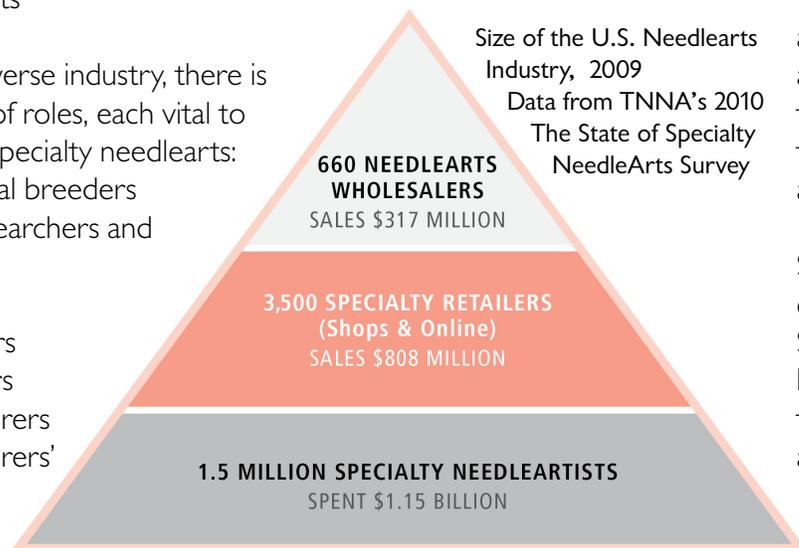
All in all, the industry represents a significant value in total sales.

Between 2001 and 2004, the industry experienced unprecedented expansion, fueled by a number of factors, too numerous to mention here. As a consequence, the industry grew to more than \$1.5 billion nationally by 2007.

Because of this spike, the needlearts industry was positioned to weather both the natural fluctuations in business cycles, as well as the economic challenges of late 2008s and 2009s.

“Ups and downs” are natural in any business. Understanding and anticipating these waves enables you to make realistic projections and take proactive measures to keep afloat through the rough waters.

Starting a business takes careful consideration. Take a look around. See what others have done . . . and haven’t done. It just makes sense to learn from others’ mistakes and successes.





The Specialty NeedleArts Industry, cont.

Keep in mind, there's no way to completely guard against the pitfalls along the way. In fact, most business owners have suffered through many of these "learning experiences." But most successful entrepreneurs agree, the more you plan (even though the plans may change along the way), the better off you will be.

During 2008-2009, needlearts spending in the U.S. decreased by approximately 18%, as compared to a nearly 40% decrease in the Dow Jones Industrial Average in the same period.

As of 2011, industry retailers are reporting between 11% and close to 19% increase in sales from 2009 to 2010.

Starting Out Right is designed to provide you with an outline that will help you plan your retail needlework business. You may not follow these steps sequentially, but they are all important in your overall design for success.



From Dream to Reality

Determine the type of business you want to create. By answering several questions, you will begin to clarify your dream business and turn it into a practical plan.

What will your “shop” look like?

The information age has brought about new opportunities . . . and new questions . . . for retailers.

How do you see your business?

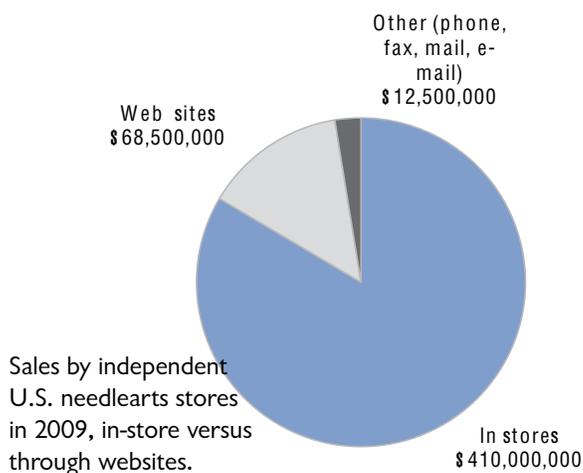
- A “brick & mortar” store?
- A mail-order business?
- An Internet-based business?
- A combination of them all?

At this point in time, most “brick & mortar” needlearts shops also maintain a website for online ordering and

One-third of needlearts shops surveyed in 2009 had both a brick & mortar shop and an online store.

sales. To compete in today’s market, it’s imperative you embrace the Internet and it’s role in your business.

This means starting out with an online presence, as well as a shopping cart for online purchases. It also means including a comprehensive Internet and social media program as part of your marketing plan.



Between 2006 and 2009, online sales increased within each of the needlearts segments. Yarn sales increased from 4% to 7%, needlepoint shops from 4% to 8%, and cross-stitch from 10% to 22%.

It’s clear, the Internet is becoming a primary means of marketing and selling the fiber arts. It also remains clear that the local needlearts shop continues to provide customers with valuable products and services not available through the World Wide Web.

Formulate your mission

- What are you doing?
State your purpose for being in business in three sentences or fewer.
- What do you hope to accomplish?
In general but practical terms, identify your real goals and objectives (i.e. potential annual sales volume, income, lifestyle).

Identifying these major issues will help you create your own definition of success.

Create your Vision

The image you want your store to project will influence where you locate your retail operation, how you design the interior and what products you stock. This image also is the foundation for developing your *brand*, and all your marketing materials, including your social media strategy (website, blogs, and other Internet communications such as Twitter, Facebook, etc.)

This image may change and evolve as your store grows, but the initial direction you take will help you to set guidelines and goals in starting your business.



From Dream to Reality, cont.

When someone enters your store or visits your website for the first time, what do you want them to experience?

- A slick, contemporary interior?
- A warm, cozy atmosphere?
- A small boutique?
- A complete one-stop needlework shop or a website?

What's in a name?

A rose by any other name . . .? Not necessarily. The name you choose for your business is extremely important.

It must be unique.

- You don't want to be confused with other stores.
- You may want to trademark your name to protect yourself from someone else using it.

Consult with a lawyer about trademarks, and don't forget to check on the availability of your chosen name with your Secretary of State before you invest in signage or letterhead!

It must be representative.

It should reflect what you are selling, as well as the overall vision of your store.



Products and Services

Now that you have an overall vision for your business, it's time to get more specific in terms of the types of products and services you will offer.

The Product Mix

To be or not to be . . . ?

- A full-service needlework store?
- A store specializing in a particular product?

Yarn shop sales have been trending away from needlepoint and cross-stitch, with knitting and crochet comprising more than 90% of gross sales. More needlepoint shops are carrying cross-stitch, but 91% of sales are still from needlepoint, not unlike 2004.

Cross-stitch stores have added more hand embroidery, needlepoint and framing. As a consequence, they are reporting more sales from those products than in previous years.

The Hazards of Specialization

In the past, it was unusual for stores to succeed with only a narrow line of needlework products.

To be in the needlework business today, there are no hard and fast rules, other than to know your customers, and focus your shop, your products and services on their needs.

Over the years, the most successful retailers in our industry have always been those that had a specialty, but have also diversified into areas related to their primary product line.

Diversification helps you to spot sales trends, and adapt rapidly in response to your customers' whims. For example, say you are a retailer that specialized in cross-stitch, but you also stock a small line of

needlepoint kits. If you find that your needlepoint kits are starting to sell out, it probably would be smart to slowly increase your line of needlepoint to capitalize on this sales trend.

The Hazards of NOT Specializing

Operating a needlearts shop is a full-time endeavor. Unless you are an expert in multiple needlearts disciplines — or can hire people who are — it might be best to focus on those in which you are most passionate, knowledgeable and proficient.

In addition, a wider range of “specialties” requires additional inventory.

This doesn't mean ignoring consumer interests and market trends. Based on TNNA's 2010 survey, many knitters said they wanted to try spinning, felting or weaving. Dyeing, sewing and jewelry making were also of interest to needlearts enthusiasts.

In 2009, 21% of yarn shops carried weaving, spinning and accessories — and most of them reported growth in sales in these areas.

It can be difficult to provide expertise in multiple techniques, but introducing other fiber arts and crafts, on a limited scale, and in conjunction with your primary product focus, can inspire your customers and bring new customers into your store.

Product inventory information and recommendations for specific categories of needlework businesses are included in the Products section, which starts on page 29.



Products and Services, cont.

Needlework kits

Kits are an integral part of the product mix of a successful needlework store. They fulfill several important consumer needs.

Kits appeal to:

- Gift-givers.
- Tourists.
- Needleworkers who don't want to take the time (or don't have the time) to pull the components of a project together.
- Individuals intrigued with a new craft who want to experiment.
- Individuals just starting out who want to begin with something easy.

Kits are also used extensively as projects for in-store classes, and smart retailers use kits as a tool to spot trends. Carrying a small range of kits in each of the basic product areas enables you to see sales changes. These changes alert you to expand your product coverage in a particular category.

Additional recommendations regarding kits, inventory, merchandising and buying practices are included in the Products section, which starts on page 29.

The services

The services you provide your customers are, in many ways, even more important than the product you sell.

What are you really selling?

- Your own knowledge and information?
- Skills and talents?
- Help and support?
- Attention to your customer?
- Love?
- Community?
- A good ear and a strong shoulder?
- Fashion?
- Just plain fun?

All of these services will set you apart from the rest, and ultimately have a profound effect on your day-to-day sales, and your future success.

In every TNNA survey conducted within the past 10 years, Yarn, Needlepoint and Cross-stitch stores all rank classes and/or trunk shows as the best means of encouraging their customers and their communities to engage in more needlearts projects.

Classes: More than a service

Industry retailers and manufacturers alike stress the need for classes.

Classes are vital in that they:

- Help to sell merchandise.
- Are an important vehicle for introducing new products as well as new skills.
- Establish you as an authority in a particular technique.
- Create a needed social atmosphere for personal relationship building and information exchange.
- Most importantly, they keep customers coming into your store.

Classes also account for as much as 4% of sales. Consumers in each of the product segments spent an average of \$350 per year on classes and workshops.

As an example: Knitting may be challenging for a novice to grasp. Classes are the ideal setting for the novice who needs lots of reassuring and hand-holding, and for whom completion of a first project is critical to his or her continuing to knit.

Hint: Always show the class project and a variety of finished accessories to surround your students with as many exciting "next project" ideas as possible.



Products and Services, cont.

Finishing and custom services

If you are just starting out in needlework, you may not have the time or staff to take on finishing or custom services, but you can be sure customers will ask for these services.

Both services provide additional profit centers for your store so it is important for you to consider adding them as soon as possible.

If it is impossible for you to provide these services, be prepared to refer your customers to a reliable source in your community.

There are several TNNA member companies that sell finishing materials and services in specific needlework categories. These companies can provide you with cost estimates and recommendations for developing finishing services for your store. They are all listed in the Member Directory of TNNA.org.



Human Resources

The people you rely on to help you develop and operate your business are just as important as your financial resources.

Who's on your team?

Yourself

As the business owner, you are the boss, the leader, the director. You are where the buck stops.

It helps to know yourself.

Retail owners identified the following characteristics as being vital to the successes of their businesses: being a people person, loving needlework, personal knowledge and good organizational skills.

Identify your personal strengths and weaknesses so you can identify the resources you will need to help you run your business efficiently and successfully.

What are your:

- Talents?
- Experiences?
- Skills?
- Interests?
- Family attitudes and support?
- Hang-ups?
- Deficiencies?
- Expectations?
- Needs?

You can't do it alone: your support team

Customers cite knowledgeable and helpful sales staff, personal service and friendliness among the top reasons for shopping at an independent store.

If you plan to be open five to six days a week, you will soon burn out if you don't have an excellent support team.

In addition, this is the time to identify and contact professional consultants to assist you in putting together your plans.

Determine additional resources required and costs (estimate wages and benefits).

Your team may consist of:

- Business assistants
 - Employees
 - Contractors
 - Volunteers
- Professional consultants
 - Accountant
 - Business/Technology
 - Marketing
 - Legal Counsel



Organizational Model

Now that you know who's on your team, there are two organizational questions to answer.

Who's going to do what and
Who answers to Whom?

It's important to clearly define everyone's roles and responsibilities, and how they fit into the greater scheme of things. This covers a wide range of human resource issues:

- Hiring/firing processes
- Job descriptions
- Work schedules
- Wages
- Training opportunities
- Employee benefits

Based on previous TNNA surveys, most needlearts shops report employing at least one other person, other than the owner. Most also utilize two or three part-time, paid employees.

Unlike most other industries, however, many shops also report having full and/or part-time unpaid staff.

How do you make sure your business works effectively and efficiently?

Quality control systems help to make the work flow more smoothly — which, in the long run, empowers employees and enhances customer satisfaction.

Internal communication is vital to ensuring that everyone is on the same page. This can be as simple as a telephone answer pad, internal memos to employees, or weekly staff meetings.

Customer service includes everything from immediate personal assistance to feedback —no need to tell you how important this is.

A suggestion box (don't forget the paper and pencil) is always a good idea. But don't forget to just ask your customers their opinions, as well!

Your website, blog, Facebook page and Twitter communications also serve as ideal avenues from which to get feedback and involvement from your customers, as well as to draw more people into your business community.

Accounting and Inventory management processes are vital to keeping track of inventory and supplies, whether you intend to “do it by hand” or use your computer.

With the software and banking services available today, maintaining records online or on your own computer is easily accomplished.



Your Store

Location, location, location

It's not just an old phrase. Your choice of location will have a major impact on your business, influencing everything from the sign above your door, to the products you carry, to the prices you set. These issues will also affect your decision on whether to lease or buy a retail space.

Be sure to look into all the issues before determining your site:

- Zoning
- Local building codes and permits
- Use
- Sign permits
- Historic preservation
- Prevailing wage
- Surrounding community
- Environmental concerns

- Costs per square foot
- Parking
- Type of building
- Potential for growth

Size — with room for classes

In addition to the space you need for inventory, you should not forget that you need space for teaching and gathering. (Remember the importance of classes?)

The median area of sales floor for all types of needlearts shops was approximately 1,000 sq. ft. This does not include areas for classes only.

The ideal set-up is to have a classroom area walled off or screened off from the regular selling floor. If this is not possible, at least include space for a table. Customers need a place where they can try their hand at a technique and feel comfortable in your store.

Your Internet Presence

Today's technology provides us with myriad methods to communicate, engage and sell to our audiences.

The Internet has become, in fact, an absolute requirement for success. On the basic level, the Internet can facilitate inventory management and banking.

As part of your marketing and sales efforts, however, the Internet is your persona, your brand — expanding your reach, and enabling you to create connections with other companies and consumers from all over the world.

But, even as it offers more tools, it also adds to the number of activities and amount of time involved in implementing a comprehensive marketing program.

A website alone is only the beginning. Social media, including blogs, forums, YouTube, Twitter, Facebook and other community sites, have all emerged as important facets in developing a compelling online presence.

In order to best utilize the immense power of the Internet, it's important to take the time to understand what it's all about.

Simply creating a presence on these different sites doesn't ensure people will find you, become engaged in your community, or follow through with a purchase.

Take classes at trade shows. Also, consider working with a professional consultant who can help create your online brand, as well as tie it into all your social media activities.

Because technology changes so quickly, a professional can also keep you up to date, without your having to spend time in research . . . and not in serving your customers.



Financial Resources

The most common reason for retail failure is under-capitalization.

In previous TNNA surveys, shop owners reported funding growth through business profits and personal assets. Bank loans and credit cards accounted for just over 25% of funding.

Before you open your store, you need the funds to not only buy inventory, but also to cover your fixed costs and living expenses.

What and how much inventory to buy will be discussed the Products section, which starts on page 29.

Between 46% and 52% of needlearts retailers were profitable in 2009, a significant decrease from the previous years. Considering the economic climate, this decrease is not surprising.

Based on a survey of TNNA member stores in February of 2011, from 2009 to 2010, all needlearts segments reported an increase in retail sales.

The future continues to look promising.



The Market

Research existing markets

Understanding the marketplace enables you to determine the best approach to reaching your potential customers.

Identify your local competition

Take a moment to look in the phone book or on the Internet. See how many other similar retailers are in your area. Take the time to visit their stores.

- Are they offering the same products and services you plan to offer?
- How do they communicate their products and services?
- Can you see opportunities to collaborate?

Understand your industry's business environment.

You may know your industry's products, but you also need to know your industry's business.

Sales cycles

Sales figures within the industry indicate there are definite product cycles, i.e., certain techniques are more popular to the customer than others at certain times.

Although there aren't definitive data supporting the theory that when one needlearts form is on the rise, the others are in decline, this trend nevertheless seems to occur.

This is just another reason to offer a sampling of other types of fiber arts in your shop, along with your primary product line.

The length of a product cycle will vary, and the astute retailer uses his or her store sales as well as industry sources as a barometer.

Why are there cycles?

- Consumer interest in particular products is frequently related to either the fad or fashion trend. When the fad fades or the fashion changes, they are off to try something new.
- Different types of projects may also be popular at different times.
- Consumer surveys have shown that people who do needlework usually do more than one type. When they tire of one, they switch to another. However, it also appears, they often return to their "first love."

In 2009, knitters and crocheters favored scarves and hats. These projects have given way to an interest in socks, sweaters, gloves for knitters, and other items for crocheters (toys, baby items, dish cloths, etc.). Needlepointers and cross-stitchers most often made holiday ornaments and wall art in 2009, with more making ornaments and stockings than in the previous five years. These segments continue to enjoy these types of projects, as well as bookmarks and baby items.

Cycles in total sales

- Generally, the biggest selling seasons are the fall and winter.
- Exceptions are retail operations in resort areas that thrive in the hotter summer months.
- Sales tend to slow down in March and April, as the weather starts to improve and people head outdoors.



The Market, cont.

Trends

In the following pages, there are numerous hints on what and how to buy — but when buying, never forget you are also selling home decorating and fashion products.

Many people just starting out in needlework retailing think they are just selling “a hobby,” and forget about the end uses of the products.

You are really selling “an enjoyable leisure-time activity”

Previous surveys have shown needleartists give away about half of what they create.

that will result in:

- Products for someone’s home
- A gift
- A garment

You must be aware of popular decorating colors and design themes or important trends. The needlework customer, like any other consumer, is often fashion conscious and demanding.

Understand your customer

We can’t repeat it enough: The more you know your customers, the better your opportunities for success.

To get a better picture of your customer:

- There is a wealth of information available in the complete survey “The State of the Specialty NeedleArts 2010” published by TNNA. Portions of the report may be purchased individually, or you can choose to purchase the entire document. The publication is free to TNNA members.
- Survey people in the general area of your store to determine their specific needlework preferences, as well as any other interests, hobbies or associations.
- Contact women’s groups, senior citizen centers, schools, Y’s, etc., about your survey.

Demographics:

There are more knitters in the younger age brackets than in the past five years.

- *Crocheters are slightly older than three years ago, with more between 60 – 69 than before.*
- *Needlepointers over 60 increased to more than 53%, with fewer in the age ranges of 40 – 59.*
- *Cross-stitchers also showed an increase in those over 60, and a decrease in the percentage of under-40 stitchers.*

General Distribution:

The Midwest showed the highest concentration of all needleartists.

Household Income:

Note: Median U.S. household income in 2009 was \$49,777.

Approximate median income in 2009

<i>Knitters</i>	<i>\$74,000</i>
<i>Crocheters</i>	<i>\$60,000</i>
<i>Needlepointers</i>	<i>\$100,000</i>
<i>Cross-stitchers</i>	<i>\$73,000</i>

Crafts Participation:

Needleartists also enjoyed jewelry making, sewing and beading, with spinning, dyeing, quilting and home accent projects also mentioned frequently.

Each of the needlearts segments showed individual preferences, but overall, fewer of them engaged in machine embroidery, scrapbooking, weaving or rug hooking.

More information can be found in “The State of Specialty NeedleArts 2010.”



The Market, cont.

Identify marketing opportunities

Opportunities come in many forms.

Collaborations

Pooling resources and sharing responsibilities and knowledge can spread your marketing dollars, reach new audiences and enhance your overall marketing efforts.

- Identify other local businesses with “compatible” products and services.
- Identify other businesses who are marketing to the same customer.

Challenges

At times, what appears to be a potential problem can become a source of strength.

- Use the slow times to focus on reviewing your employee issues and your business policies (of course, you first need to understand the sales cycles so you can anticipate the slow times).
- Pay attention to your competitors and what they’re doing, so you can learn from their successes and mistakes.

The “rule of thumb” for business marketing expenses has traditionally been 4% to 6% of gross sales.

Based on average sales in each of the needlearts disciplines, this would equate to the following:

<i>Yarn</i>	<i>\$7,000 – 10,600</i>
<i>Needlepoint</i>	<i>\$7,700 – \$11,500</i>
<i>Counted Thread</i>	<i>\$6,300 – \$9,400</i>

Previous TNNA surveys indicated all needlearts shops spent far less on marketing than these figures suggest.

Regardless, these estimates are not really out of line when one includes all the marketing activities as outlined in this plan.



Your Marketing Strategy

A marketing strategy can simply be defined as “your approach to your potential customer.” It takes into account all the information you’ve gathered up until now . . . your vision for your business, industry trends and cycles, your customers, your products and services, your challenges and opportunities. Now is the time to determine how best to attract your customers.

Identify your unique selling point

- How are you different from your immediate competitors?
- How will these “differences” benefit your customers?

Identify products and/or services you offer that your competitors don’t. These add-on values can be of great benefit to your customers. For example, if you provide basic classes on Sunday evenings and others in your area don’t, you enable people who work during the week to acquire basic skills at their own convenience. This is something you can promote to your potential customers.

Identifying these benefits will help you determine a general theme for your marketing program, which personalizes your message for your potential customer.

Identify practical goals

- How many customers do you think you will attract within the first six months?
- The first year?
- How much product will they demand?
- What do you expect to gross in sales within the first year?

It’s important to estimate the amount of product you anticipate selling, but remember to estimate realistically. In fact, estimate low.

Average gross sales/shop 2010

<i>Yarn</i>	<i>\$198,000 (up over 11% from 2009)</i>
<i>Needlepoint</i>	<i>\$218,000 (up over 17% from 2009)</i>
<i>Counted</i>	<i>\$140,000 (up nearly 19% from 2009)</i>
<i>Thread</i>	

Establish pricing

Standard markup is to double the wholesale price (often called keystone), but markup may vary between product lines. So again, this is only an average. An increasing number of retailers are taking higher markups to cover rising fixed costs and freight. In some instances, for competitive reasons, you may not be able to take a higher markup on certain products. In those cases, look for other products or services you can use to compensate.

Markup:

<i>Yarn and Counted Thread</i>	<i>92% of shops keystoneed their products (2x cost) or more, with approx. 25% at 2.25x.</i>
<i>Needlepoint</i>	<i>94% keystoneed, with nearly half at 2.25x.</i>

Determine marketing plan

Your marketing program should be both comprehensive and practical. A complete plan encompasses everything you do to attract and retain customers.

Some of these activities may take place on your actual premises, such as merchandising and in-store promotions. A customer’s direct experience in your store builds loyalty, and helps fuel a strong customer referral network.



Your Marketing Strategy, cont.

Some of these activities may take place online through the many — and forever changing — Internet media vehicles.

When it comes to new customers, however, aggressive outreach activities, whether online, on-site or in the community, are all essential to establish and grow your business.

In-store merchandising

If you thought selecting merchandising was confusing, wait till it arrives. The real challenge is doing something with it once it's in your store. Don't expect it to just walk off the shelves.

- Display as many finished models as possible. We cannot stress enough: Models sell merchandise! Many companies offer model programs. For example, if you buy a certain quantity of kits, yarns or books, you can usually buy a finished model at a discount or, perhaps, get it for free.
- Show enough models to stimulate your customers with new project ideas, materials and techniques.
- Display models-in-progress, too. Stimulate customers' creative juices, and they will follow the project as you or a member of your staff work on it.
- When choosing your vendors, ask whether they do trunk shows, and find out what their requirements are for participation. (Trunk shows are a wonderful way to freshen your store's visual displays and give you an opportunity to promote a special event at your site.)
- Display merchandise with accessories.
- Capitalize on add-on sales.
- Train yourself and your sales team to suggest end uses for a design at the time of sale.

- Create interesting window displays and in-store vignettes. Feature your new merchandise, and don't forget your basic inventory — it's your bread and butter.

In-store promotions

There are any number of special promotions you might offer your customers, i.e. sales on specific items or "preferred customer programs."

Employee contests (e.g., "Who can bring in the most new customers?") also help market your business.

Outreach activities

How will you communicate all the wonderful things going on in your store, and create a community of loyal customers?

There are a number of ways to get your message out and create valuable and enduring relationships. Each method should be approached with a careful plan.

- Who are you trying to reach?
- How do you want your audience to perceive you?
- What do you want your audience to hear?
- How do you want your audience to feel?
- What do you want your audience to do?
- What resources do you have to commit to these activities? Time, money, people?

Needlearts retailers reported trunk shows and classes as being the Top 2 ways to create business. About 80% of Yarn stores, 78% of Needlepoint (significant increase over the last few years) and 63% Cross-stitch stores (significant decrease) are using the Internet for multiple marketing communications. E-newsletters and website updates seemed to affect sales the most, with other social media tools having some, but less effect. All except Needlepoint also cited Facebook as playing an important role in their marketing.



Your Marketing Strategy, cont.

Outreach activities may include any or all of the following, and are dependent on the answers to the questions on the previous page:

- Advertising (print and online)
- Direct mail campaigns
- Networking opportunities
- Sales programs and promotions
- Events
- Cause-related marketing programs
- Partnerships/Sponsorships
- Media opportunities
- Communications and methods of distribution:
 - Print (business cards, brochures, newsletters, flyers)
 - Internet (website, e-newsletters, chat groups, forums, blogs, banners, Twitter, Facebook, YouTube)

Create schedules and budgets

It is best to plan your marketing promotions at least three to six months in advance because:

- Newspapers and magazines often have long lead times.
- If you mail newsletters to your customers, bulk mail will take longer than first-class mail.
- If you plan ahead, you will often be able to get free publicity by having your shop events included in the calendar published in local newspapers and magazines.
- This gives your partners or sponsors ample time to include information in their communications and websites.

How much to spend, and on what?

After developing a list of possible ways to get your information to your potential customer, and pricing associated with each, you may prioritize the activities based on any number of criteria.

The most important issue in determining which path to take is often based on return on investment (ROI). The difficulty lies however, in truly measuring that return.

Your marketing program should be both strategic and comprehensive. It begins with a goal, and then objectives. Each part of your plan should contribute to the attainment of that goal, and be in support of your objectives.

Often, it's difficult to determine exactly what aspect of any individual project has real impact on the outcome. If the project is truly comprehensive, everything should be a part of the whole.

For example, if you're having a trunk show, announcements should appear on your website, in press releases to your local news media, on your blog, and in e-mails to your members to drive them to your site for more information (and maybe a coupon for bringing someone new along). And don't forget nearby associations or neighborhood restaurants.

Remember, while reaching for long-term goals, immediate effect is often misleading. Real effect can only be assessed in terms of potential for future impact. This is not to say sales figures or data on participation, Facebook likes, or website conversions won't give you an indication of the health of your company. But in determining your overall marketing program, there's much to be considered:

- Number of people within your targeted audience reached by a given activity or communication.
- Potential for influence.
- Practicality.
- Ease of implementation.
- Future impact.



Technology

There was a time in the not-too-distant past, when *everything* was done by hand, not just stitching. Retail shops, needlearts stores as well as others, kept records on ledgers, and sent newsletters out via “snail mail.”

Today, there’s no question: Computers and other electronic equipment are a must in this age of instant communication.

Not only are there many more ways to reach your customers, but now more and more customers expect shops to communicate in many ways — via e-mail, Facebook, Twitter, blogs and more — and to do all of this quickly and often.

Don’t make the mistake of trying to scrimp on this important part of your business. Technology is a primary tool in all your business activities — from inventory, to market research, planning, communications, customer service and community building.

The Internet has also become a primary sales tool, with close to 14% of sales taking place online.

Needs

Computers

- Accounting systems (financial, managerial)
- Software enabling you to maintain customer databases and compose and send mass emails
- Website — self-editable preferably
- E-commerce capability
- Social media sites
- Internet shipping

Office equipment

With every day bringing new products and services from a plethora of companies, offering special promotions to simplify your life and save you money, it’s no wonder there’s no time to really make any decisions.

Do your best to keep abreast of what’s available. Most service providers will be happy to explain their latest bundle programs to best satisfy your needs.

You will, without a doubt, need to have some type of equipment to handle the following:

- Fax and/or copying
- Printing
- Phone and communications
- Credit card processing
- Security system

Costs

When you estimate the cost for technology equipment, keep in mind that this arena is changing rapidly. Be sure to budget for upgrades and new equipment periodically, as well as for service fees and maintenance costs.



Inventory and Supplies

Based on the sales cycles applicable to your store, you should plan to have more inventory during your peak selling seasons and less during the slower months.

The average rate of turn (that means the number of times you sell your inventory in a year) in 2009 was approximately 1.2 times. (This number has been calculated by Hart Business Research and is based on multiplying inventory value by markup, then dividing gross sales by this amount.) Also keep in mind that certain products — such as standard Christmas red floss in a needlepoint shop — will sell better than others, and that this number is only the average.

What to Buy, What to Buy . . . ?

Before you buy anything, consider the following:

- Remember for whom you're buying. Don't just buy what you like. The successful buyer goes beyond personal tastes when selecting a mix of products for the store.
- Consider inventorying a variety of design themes, and selecting products for all occasions and end uses, even if you would never want them in your own home or consider wearing them yourself.

TNNA retailers have reported working with between one and 400 suppliers, with an average of 31 to 51.

Money spent by stores with suppliers in 2009

<i>Yarn</i>	<i>over \$100,000</i>
<i>Needlepoint</i>	<i>approx. \$82,5000</i>
<i>Cross-stitch</i>	<i>slightly over \$111,000</i>

Median sales per square foot

<i>Yarn stores</i>	<i>\$125</i>
<i>Needlepoint</i>	<i>\$150</i>
<i>Cross-stitch</i>	<i>\$87</i>

Research vendors

- Talk to a variety of resources before you commit your dollars. It pays to comparison shop — not only because of the possible price savings, but because of the knowledge you will gain.

- One of the best places to shop around is at a trade show. The National NeedleArts Association sponsors several “to the trade only” markets at which hundreds of manufacturers display their merchandise.

Based on survey respondents, most retailers noted trade shows as a favorite way to find out what's new. These shows are an excellent place to view a variety of product lines under one roof, meet first-hand with suppliers, and discover the newest vendors who are fresh to the industry. Log onto www.TNNA.org for more information.

Between trade shows

- Read trade publications to keep abreast of new products and general industry trends.

- Manufacturers' representatives may call on your store. These “reps” can provide a great deal of information on what's new from the companies they represent. They can also share insights into trends, as well as innovative merchandising and marketing ideas.

When you buy

- When it comes time to buy, it is best not to spread your dollars between too many companies.

There are several reasons for this. If you spend just a few dollars with many resources, you will not be a major account with anyone.

- If you buy only a few pieces of a line, or as they say in the trade, “cherry pick” a line, you can't do it justice.



Inventory and Supplies, cont.

- The conglomeration of bits and pieces of product lines gives a store a jumbled, unorganized appearance.
- When you buy deep in a line, the customer sees this as reflecting your confidence in a company and a product. Most customers work with the same products repeatedly.
- It's impossible to buy everything, whether it be yarn or embroidery floss, as there is simply so much to choose from today.

This is another reason why maintaining good relationships with colleagues (in case you need to ask for a specific color for a special customer) is so important.

It also points to the value of maintaining a website offering discounted or outdated merchandise to your own local customers or to those who cannot find what they're seeking at their own neighborhood shop.

- Many firms offer special discounts and incentives to new accounts and new businesses. These discounts could mean a certain percentage off the usual wholesale prices, free displays and fixtures, etc.

Don't overbuy

- Some companies have relatively low minimum orders.
- If you check your stock frequently, you can order merchandise on an ongoing basis and keep your stock looking fresh.

Legal Issues

Working with appropriate consultants (which we discussed earlier):

- Determine the type of legal entity of your business.
- Acquire necessary licenses.

- With the advent of the Internet, it is also possible for you and your suppliers to communicate more quickly. This makes it easier to take advantage of specials and place orders any time of the day, regardless of your time zone.
- However, remember when possible, to gang (group) reorders to keep freight charges to a minimum.

Buy carefully

By taking time before you place an order, you will avoid customer problems later. Before you buy a product:

- Inspect how it is packaged.
- Look at the instructions or charts to see whether they are easy to understand and follow.
- Ask questions on product availability and dye/color change.
- Determine policies on delivery, back orders and payment options.

Office supplies

Don't forget about the basics. Sales receipts, fax paper, pens, staples, and even calculators can all begin to add up in costs. Also, if you run out of these simple things, you can appear to your customers to be inefficient or even unprofessional.

Remember, everything about your customers' experiences in your store will affect not only whether they return, but also whether they tell others to stop in.

- Identify applicable regulations (if any) from the Occupational Safety and Health Administration (OSHA), Environmental Protection Agency (EPA), etc.
- Trademark or register all names or titles.



The Financial Picture

You've probably been handling your own personal finances for quite some time now. As you know, while some expenses remain the same every month, others vary.

The following is a list of the most common categories that you will have to include in your budgeting:

Start-up (includes expenses prior to opening)

Fixed costs:

- Initial computerization
- Rent deposits
- Fixtures, remodelling and lighting
- Installation of phones, cables, etc.
- Start-up inventory
- Internet presence (purchase of domain, website graphics, creation of other social media entities and pages)
- Printing (letterhead, cards, bags, sales slips, etc.)
- Start-up professional fees (attorney, accountant, business consultants)

On-going

Fixed costs:

- Rent
- Maintenance
- Employee salaries
- Withholding taxes
- Merchant association dues
- Electric and utilities
- Telephone, fax, merchant credit card terminal
- Internet hosting and maintenance fees
- Insurance
- Licenses

Variable Costs:

- Inventory re-order
- Professional fees
- Taxes
- Salaries for out-sourced teachers

- Marketing/advertising
- Computer maintenance and upgrades

Before opening your store, you should have set aside at least enough capital to cover the purchase of one year's inventory and fixed expenses — plus money for living expenses.

To determine your approximate fixed costs in advance, you have to do some homework.

- Consult with an accountant and lawyer in advance on what taxes and licenses you will have to pay.
- Make calls to various utilities to assess monthly costs.
- There are numerous online sources for much of the printed materials you may need. There are also many local printers who can give you an estimate on an entire package.
- Network with your neighborhood businesses. Often, you'll find they offer a great opportunity to connect to your community and to potential customers.
- Identify a host for your website and other costs associated with site maintenance and social media activities.

We strongly suggest consulting with professionals in advance (marketing, graphic design, web design, public relations consultants) to assist in developing and implementing all your marketing activities as part of a comprehensive branding program.

After you set aside money for all of that, you still should have a slush fund, because unexpected expenses will always arise.



The Financial Picture, cont.

Show me the money!

Now that you have an idea of what it's going to cost, how much money do you really expect to take in?

It's important to realistically anticipate your sales potential, as well as any other potential sources of income.

Beginning with your start-up inventory, you can estimate your annual sales volume according to the number of times you expect to turn your inventory.

Create budget assumptions

Based on the estimates you've created, you'll want to develop projections for the first year in business, as well as for three and five years forward. This will enable you to determine your break-even point defined as costs/retail price – cost to produce (or buy).

Again, we highly recommend consulting with a professional to assist you with this task. A professional will help to ensure that your figures are both practical and accurate.

Assess Viability

Now that you've had a chance to take a realistic look at your dream . . . do your projections show a profit?

What do you need to do to make it work?

Do you need to find sources for additional capital?

Do you need to rethink the budget, the store, the location, or anything else?

This doesn't mean that, if you find a hitch in your budget, you should simply throw in the afghan. It simply means that you should take the time to rethink some of the steps along the way.

Remember, to be successful, you need to approach your store as a business, not a hobby.

In spite of the fluctuations in the general economy, and in the specialty needlearts industry, about 50% of retailers from each product segment were profitable in 2009, with average profit margins at about 12%. This is not really that unusual for small businesses.

This also points to the fact that in the past, profit has not often been considered a primary goal for needlearts shop owners.

The specialty needlearts industry has changed, however, and it appears more shops today are just as passionate about the business of needlearts as they are about the art itself.



Formalize Your Business

“Oh, I don’t really need to do that. I know what I’m doing. I don’t need to write it all down!”

This is a typical reaction when new business owners get to this point. Besides, writing it down will take time, and that’s something you just don’t seem to have much of lately.

Well, now’s the time to take the time. You *do* need to write it down.

A formal business plan will keep you on track, and your goals in focus.

Your business plan should be a tool for:

- Setting goals
- Organizing
- Evaluating
- Communicating
- Reinventing your business
- Obtaining financing

In reality, formalizing a business plan is not a difficult endeavor. If you’ve jotted down notes each step along the way through this publication, it’s a simple matter of compiling the notes and finishing the project. Once done, you will have a completed model of what your business is going to look like.

How else are you going to measure your success?

Now What?

You’ve gotten through all the steps. You’ve turned your vision into a realistic plan. So what else is there to do?

Take Action

- Finalize location.
- Contract with vendors.
- Place orders for product.
- Initiate your marketing program.
- Interview and hire appropriate staff.
- Set opening date (be sure to give enough time to make sure all is ready).

Note: Although we’ve stressed the importance of planning, we must also emphasize that in reality, things often don’t go as planned.

- Expect delays. Plan for them, in fact.
- Assume some things will change.
- Anticipate — as you grow and gain knowledge and experience, you will constantly be revising your goals and expectations.
- Remember, a successful business takes a long time to create and nurture.
- Don’t get discouraged. There are others out there who can and will help!



Selecting Your Products

The following section provides specific recommendations regarding basic inventory requirements and investment costs in the following needleart specialties:

- Yarns
- Needlepoint
- Counted Cross-Stitch
- Needlework Kits

Important Note about the figures quoted in this section:

- All figures quoted are estimates to use along with your own research. They are averages derived from a number of industry resources.
- The figures represent the very minimum investment you will have to make to establish a full- service needlearts department or small store.

- You cannot expect this initial inventory to turn immediately. Accordingly, the cash flow from sales might be limited.

Successful retailers recommend that you plan to have at least an amount equal to your original inventory investment in reserve.

- On top of the cost of inventory, remember you still have to have money in reserve to cover your fixed costs and living expenses.



Yarns

Inventory:

- Yarns
- Tools and accessories
- Patterns, magazines and books

Basic yarns

Yarn resources and successful retailers agree that to be in the yarn business, you must carry a line of basic yarns. To this line of basics, there are a vast array a novelty and fashion fibers that you can add — depending on your budget and knowledge of your clientele.

(1) Knitting worsted

- The workhorse of the industry.
- Used extensively for afghans and sweaters.
- Available in a wide range of colors, in acrylics and natural fibers.
- To begin with a very basic assortment of knitting worsted, consider buying approximately 30 colors.
- Buy “color families” or ranges, because the afghan customer likes to buy several shades of a color for his or her projects.

(2) Sport weight

- Popular for sweaters, dresses, baby projects.
- Like worsted weight, available in acrylics and natural fibers, but the color range is not as extensive.
- Basic assortment should include 15 to 20 colors.
- Consider buying softer baby colors, along with the heathers and more popular sweater colors.

(3) Baby

- Generally a machine-washable synthetic yarn.
- Offered in a limited color assortment.
- Six to eight colors in a basic assortment.

(4) Bulky

- Heavier-weight yarn, generally used for outerwear.
- Color range includes lots of heathers and neutrals, knitters' and crocheters' popular choices for bulkier sweaters and coats.

(5) Fashion and novelty

- Hundreds of choices in this category.

Your buying decision should be made after consideration of your customers' preferences, budget and market trends.

Hints when purchasing yarn

- *Neutral colors such as black, white, beige and grey are always popular customer choices. Stock more heavily in these colors.*
- *Remember yarns have dye lots, so purchase enough yarns in a color to avoid matching problems if a customer runs short.*
- *Purchase enough yarn in each color to make at least two or three garments. To determine averages, review current magazines and instruction booklets.*
- *Purchase deep and wide in the yarns you believe will be most popular, so your customers know you have confidence in your choices.*
- *Ask vendors about special purchasing programs.*
- *Consider delivery time and availability of yarns when ordering.*

Tools and Accessories

You need a basic assortment of:

- Knitting needles
- Crochet hooks
- Accessories

The needle companies offer a variety of options, beginning with small assortments of the more popular needle sizes and accessories.



Yarns, cont.

The workhorses of the needle industry are the aluminum needles and hooks, and many of the basic assortments begin with these. However, there is a wide selection of materials from which needles and hooks are constructed. As you become better acquainted with your customer, you can trade up to more expensive and extensive lines.

The needle companies frequently will customize a line of tools and accessories to meet your store's needs.

Hint: Many needlework suppliers provide spinner racks or counter displays free of charge or for a minimal charge with assortment orders.

Patterns and Books

To complete your basic yarn inventory, you need to select a variety of pattern booklets and magazines.

Most yarn companies have patterns in which their yarns are featured, so it makes sense to order them when you purchase a yarn. As you expand your line of patterns, here are some things you should be conscious of:

- Are their featured yarns interchangeable with those you carry? Always remember that many people will want to make exactly what is pictured in a book.
- Are the instructions reliable and easy to follow?
- Are the designs stylish?
- Is there a range of instructions for beginners to advanced knitters or crocheters?
- Is there a selection of designs for all ages, sizes, occasions and seasons?
- Remember, no published book may be copied or reproduced in any way without permission from the author. Doing so constitutes copyright infringement and is illegal. It also undermines the very nature of our industry by not protecting our creative resources and the value they provide to our industry.

A note on interchangeability: It is extremely helpful to purchase a yarn interchangeability guide. There are several on the market, and they come in handy when a customer wants a particular sweater "just like the one featured in the book," but you don't carry that yarn!

Accessories

As your yarn business grows, there are dozens of accessory items that are perfect complements to yarn. For example, consider adding buttons and ribbons, totes and knit stands, labels, needle gift sets, sweater dryers and much more.

Trade shows are the perfect place to find these special sales builders.

Basic yarn shop investment costs:

Inventory	\$77,550
Rent (or equivalent)	\$13,700
Staff wages	\$20,000
Owner's pay	\$16,000
Marketing/Advertising/ Trade shows	\$3,000
Other	<u>\$15,000</u>
Total	\$145,250

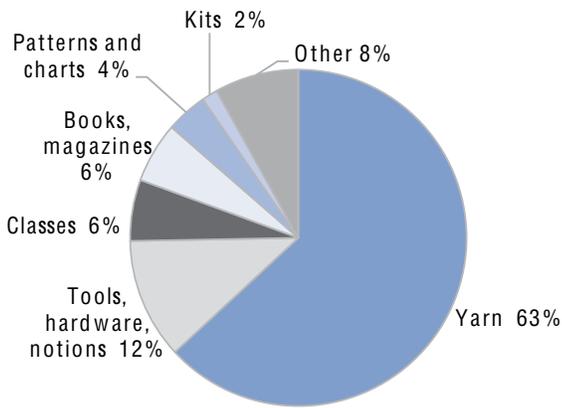
These figures are based on costs reported by retailers in previous TNNA surveys, except for inventory, which has been updated based on the 2010 survey information.

We do believe these estimates can still be utilized as a reasonable "go-by." However, costs for rent, wages, salaries or marketing are all very dependent on the individual shop and location.

These figures do not include freight charges, which generally are passed on to your customers.



Yarns, cont.



Item*	Gross Sales	Inventory
Yarns	\$124,750	52,000
Patterns and charts	\$7,900	3,300
Books and magazines	\$11,800	5,000
Tools, hardware, notions	\$23,600	10,000
Kits	\$4,000	1,650
Other	\$14,800	5,800

An inventory of \$77,550 marked up at 2.0 and turned 1.2 times in one year should yield gross sales of approximately \$186,000. With the additional income from classes, total gross sales would be \$198,000, the average yarn shop sales reported in 2010.

If you want to establish a full-line yarn shop, including some higher end products, anticipate spending an additional \$15,000 to \$20,000 on inventory, depending on the size of your store.

**All figures are estimates.*

Inventory breakdown

Data from TNNA's 2010 survey indicates that 94% of gross sales were derived from inventory (6% were from classes).

Based on the percentage of average gross sales reported for 2010 and the percentages from each line item as reported in 2009, we've developed the following estimates to better help you plan your inventory.



Needlepoint

Inventory:

- Yarns and specialty threads
- Open-stock canvas
- Handpainted canvases
- Pre-worked and European canvases
- Needles and accessories
- Books and charts

Yarns and fibers

To be in the needlepoint business, you must carry at least one basic needlepoint yarn.

- The most commonly used yarn in the U.S. is Persian, which is a three-ply yarn.
- The color range is extensive, approximately 400 colors.
- Successful retailers and industry manufacturers advise stocking a complete line of basic yarn.

If you have additional dollars and know that you have a solid base of needlepoint customers, there is a variety of additional fibers you could add to your inventory:

- Embroidery floss — Gaining in popularity for needlepoint because of the extensive range of colors available, variety of color assortments, pliability and attractive finishes.
- Perle cotton — Available in an extensive range of colors and in a variety of thicknesses.
- Tapestry wool — Used extensively for backgrounds on pre-worked canvases and on European tapestries. It is a less versatile yarn than Persian because it is a single strand, which is generally used on 10- or 12-mesh canvas. However, it is a favorite of many needlepointers who do not like to work with plied yarns.
- Luxury fibers — Silks and metallics are important to add to your inventory as your customers become more sophisticated.

As with the suppliers of basic yarns, the suppliers of silks and metallics work closely with new accounts to

educate them in the use of their fibers and in setting up fiber assortments. Hand-dyed and novelty fibers help to create color, texture and detail.

Note: Many yarn and fiber suppliers provide cabinets and display racks at a nominal fee with the purchase of an assortment.

Open-stock canvas

A basic inventory of open-stock canvas should include 10-, 12-, 14- and 18-mesh mono canvas. (Canvas is generally sold in 10-yard rolls.)

As you broaden your needlepoint area, consider adding a range of interlock canvas and expanding your range of mesh sized in mono, along with colored and metallic mesh.

Handpainted canvases

A selection of handpainted needlepoint canvases should be part of your new needlepoint area.

How many to include will depend on your budget, but remember to select a balanced assortment of designs and canvases with varied end uses. For instance, don't overlook stocking small, quick and easy designs, because a customer will frequently do a small project even while he or she is in the middle of a larger one.

Small projects are also wonderful for beginners, enabling them to make take their first step into needlepoint with minimal investment.

There is a vast array of handpainted canvas designs in the marketplace. The design themes include canvases for every lifestyle and home décor. The manufacturers can provide a wealth of information about what designs are selling, and it is helpful to take this advice into consideration when making your final buying decision.



Needlepoint, cont.

There is no way you can buy everything you like, even if your budget is big. But you can make a list when you want to buy canvases at a later date. Following are three points to remember when buying handpainted needlepoint:

- **Check the quality of the hand painting.** Are the lines painted in such a way that the design will be easy to stitch?
- **Check the quality of the canvas.** If there are uneven threads, knots or if it is overly sized, there could be problems when it is stitched.
- **Plan your buying.** Handpainted canvases are custom pieces, and they are time-consuming to produce. Accordingly, the delivery of handpainted designs may take longer than other products, so plan your buying far enough in advance to meet your sales needs. It is advisable to specify with the manufacturer at the time of ordering when you can expect delivery.

Pre-worked and European canvases

Pre-worked or center-filled canvases frequently appeal to beginners because a large portion of the canvas is already covered. It is also an option for people who might have time constraints or physical limitations that would prevent them from completing more delicate needlepoint, but who could complete a background.

As you develop more information about the tastes of your customers, you can consider expanding your inventory. The same guideline holds true for European canvases. Because tapestries usually depict scenes from famous European paintings, they appeal to a special customer, and you should expand into this area only after you know your customer better. It is possible to special-order tapestries from some resources.

Needles and accessories

Essential for a needlepoint area:

(Many of these same needles and accessories will be used in counted cross-stitch and other types of surface stitchery.):

- A basic assortment of tapestry needles and hand sewing needles.
- Frames and stretcher bars, helpful for stitching.

If you have customers who want to create their own designs, you should also carry a line of waterproof markers.

Books, magazines and charts

Books, magazines and charts are great sales stimulators. They get your customers' creative juices flowing because they show exciting applications and combinations of stitches and fibers, and lots of project ideas.

Begin with a modest assortment of titles, and add more as you expand your needlepoint area.

Accessories

As your needlepoint business grows, there are dozens of accessory items that are a perfect complement to this segment of your business.

For example, consider adding such items as:

- Hardware
- Magnifiers
- Totes
- Scissors
- Gold tapestry needles, trolley needles
- Acrylic and wooden frames and boxes

Trade shows are the perfect place to find these special sales builders.



Needlepoint, cont.

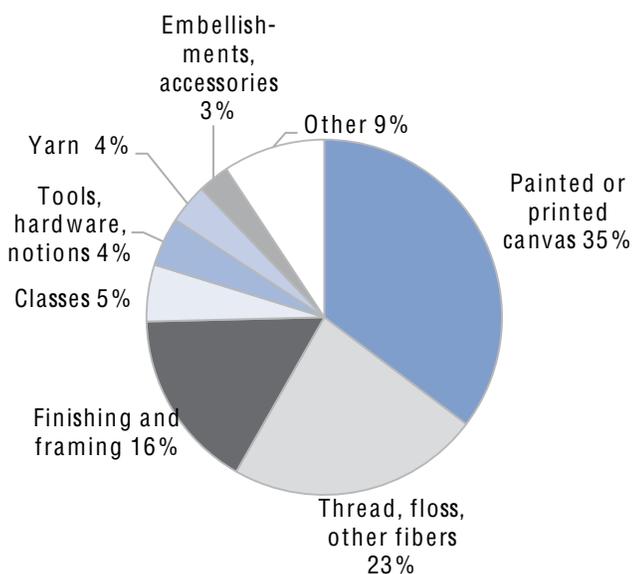
Basic needlepoint shop investment

Inventory	\$75,000
Rent (or equivalent)	\$19,000
Staff wages	\$25,000
Owner's pay	\$19,000
Marketing/advertising/ trade shows	\$5,500
Other	<u>\$22,000</u>
Total	\$165,500

Note: These figures are based on costs reported by retailers in previous TNNA surveys, except for inventory, which has been updated based on the 2010 survey information.

We do feel these estimates can still be utilized as a reasonable "go-by." However, costs for rent, wages, salaries or marketing are all very dependent on the individual shop and location.

These figures do not include freight charges, which generally are passed on to your customers.



Inventory breakdown

Data from TNNA's 2010 survey indicates 79% of gross sales were derived from inventory (5% were from classes; 16% from finishing and framing).

Based on the percentage of average gross sales reported for 2010 and the percentages from each line item as reported in 2009, we've developed the following estimates to better help you plan your inventory.

Item	Gross Sales	Inventory
Painted or printed canvas	\$76,300	33,900
Fibers, yarns and threads	\$58,900	26,000
Embellishments/accessories	\$6,500	2,900
Tools, hardware, notions	\$8,700	3,900
Kits	\$4,400	2,000
Patterns and charts	\$4,400	2,000
Books and magazines	\$4,400	2,000
Other	\$6,200	2,700

Note: A start-up inventory of just over \$75,000, marked up at 2.25 and turned once per year should yield gross sales of more than \$170,000. (This does not include income from non-inventory services, such as finishing and classes. This is equal to the average sales as reported by retailers in TNNA's 2011 survey.)

Of course, you won't turn everything at the same rate, and you may be able to mark up some items more or less than the average 2.25x. These are simply tools to help you plan.

If you want to establish a full-line needlepoint store with at least some representation of all needlework product categories, the cost of adding additional fibers, canvases, kits, books and accessories like frames, wood and acrylic products could amount to \$15,000 or more, depending on the size of your store.



Counted Cross-Stitch

Inventory:

- Books
- Floss
- Fabrics
- Needles and accessories
- Other

Books

The counted cross-stitch business begins with books and charts. Books are the source of design inspiration and, in many instances, the fabrics and accessories featured in them will be those requested by your customers. So it makes sense to shop for books first.

There are *thousands* of titles in the counted cross-stitch book market. For a retailer just starting out, industry sources recommend that you need approximately 1,000 titles. (There are certain books that are always popular sellers and of which you should consider buying several copies.)

As your business grows and you devote more space to counted cross-stitch, your inventory of books can also expand.

When buying books, there are several points to remember:

- Select a broad range of designs, not just design themes that you like personally. A helpful guide is to think of all phases of your life, all occasions, all lifestyles and all skill levels, from beginner to advanced.
- Study the design charts. Are the symbols easy to read and follow? If you experience trouble with a design chart, chances are that your customers will, too.
- Are the fabrics and/or accessories featured in the boom products that you carry in your store?
- Remember, your customers will usually want to make exactly what they see in a book. Accordingly,

if you don't plan to purchase the fabrics and accessories featured in a book and you don't have an alternative to offer, they won't buy the book.

- Evaluate the how-to information in a book to make sure it is also easy to read and follow.
- Many counted cross-stitch publishers and distributors offer automatic book programs. Retailers who sign up for this program automatically receive new titles from the company as soon as they are released.

The advantage of this type of program is that you are regularly receiving fresh inventory of what's new.

The disadvantage is that you can quickly amass hundreds of titles if you are on a number of automatic programs. As you develop a track record of which companies' books consistently sell well, you will be better able to decide which firms' automatic programs to buy.

Two of the most challenging aspects of merchandising this product category are:

- How to keep track of what is in stock.
- How to display the hundreds of books that you have in stock.

Developing your own method of tracking book inventory is the only way you will stay on top of what's selling and be able to reorder. Remember, with hundreds of titles, don't expect to be able to eyeball your inventory and know what's moving out and what isn't — it just isn't possible.

Industry publishers spend time designing attractive four-color covers that highlight their design in finished products, so it is to your advantage to display the fronts of these books.



Counted Cross-Stitch, cont.

One of the most frequently used displays is a spinner rack. This is a wire floor unit that holds approximately 60 titles and takes up about 3 sq. ft. of floor space.

There are also smaller, counter-top spinner racks and larger, double-size floor units. The spinner racks are available at a minimal cost from some companies when you order merchandise. They are also available from display manufacturers. They take up relatively little space, yet enable you to display the entire front cover of a variety of books.

Wire racks hung from pegboard wall units are also used by many successful retailers.

Another simple alternative is to use large binders or rings and to group books by design themes. Book inventory is then kept in a stock room area.

Floss

Industry manufacturers and retailers agree: To be in the counted cross-stitch business, you should carry an *entire* line of floss colors, which means stocking more than 400 shades. However, the companies that manufacture and distribute floss have a variety of color assortments that include fewer than 400 shades. (Depending on the books you buy, you might also consider adding a line of metallics or rayon threads.)

You can — and should — use your website to display anything you can't display in your shop.

Floss is usually packaged 12 to 24 skeins per box. There are also spinner racks and other accessories available to display a complete line of floss, as well as cabinets, which can be placed on a counter or hung from pegboard. These units are also available from most manufacturers and distributors at a nominal cost.

Fabrics

There is an assortment of basic fabrics that a retailer should stock when just starting out in counted cross-stitch. It includes 11-, 14- and 18- count Aida, hardanger and linen fabrics, in white and ivory.

Most stores cut yardage into fat quarters. This is done by taking a yard of fabric and cutting it in half — then cut the two equal pieces in half again.

There are additional fabrics that might be included in this basic assortment, like afghan cloth if your initial selection of books dictates it.

As you get to know your customers, and your budget and inventory grows, you can expand into finer count fabrics, and into more varied color ranges.

Fabrics are available on bolts, and many fabrics are available packaged in pre-cut sizes.

- If purchasing fabric on a bolt, industry sources recommend that you buy 2.5 yards of each of the above basic fabrics in the three sizes.
- If purchasing pre-cut packages, they suggest purchasing a half-dozen of each size and fabric type. Buying packages of pre-cut fabric enables the retailer to expand into more color in the basic fabrics without a big investment. Most successful stores have a combination of bolts and pre-cut.

Waste canvas and perforated paper are two other products that have become a staple to many retailers' cross-stitch businesses. The waste canvas allows the needleworker to cross-stitch on any fabric, not just even weave. Perforated paper is a favorite for cross-stitchers for quick and easy projects and gift items.



Counted Cross-Stitch, cont.

Needles and accessories

A basic assortment of hand sewing needles is essential for a counted cross-stitch area, along with hoops.

In addition, there are a variety of notions items that have almost become basics in successful stores, like floss organizers and magnetic line finders that enable the stitcher to follow a line on a chart easily. Threaders, tote bags and scissors are also popular items.

As you become more familiar with your customers' needs, your list of basics will broaden. (Many of the same needles and accessories would also be used for needlepoint and various types of surface stitchery.)

Additional products, service and accessories

Over the last five years, more and more cross-stitch shops have added hand embroidery and needlepoint to their array of products, as well as finishing services.

As your counted cross-stitch firm grows, there are dozens of accessories that you should add to your inventory. For instance, even the smallest of projects looks impressive when mounted in a wooden tray or acrylic frame. Consider adding such items as:

- Cards
- Magnifiers
- Lamps
- Magazines
- An array of household products

Trade shows are the perfect place to find these sales builders.

Basic counted cross-stitch investment

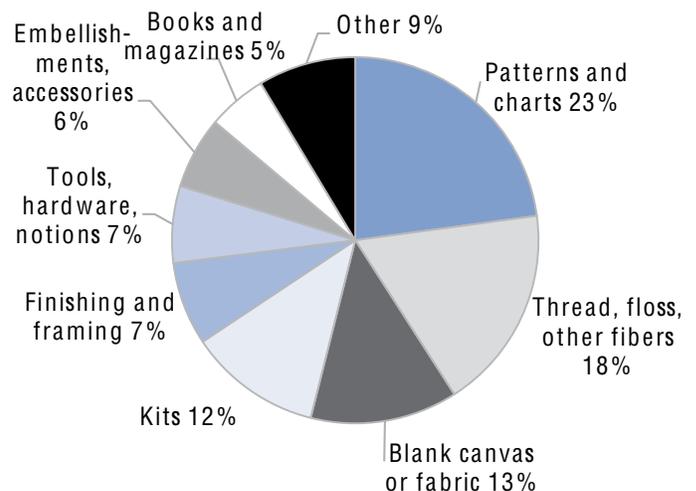
Inventory	\$54,000
Rent (or equivalent)	\$13,000
Staff wages	\$9,000
Owner's pay	\$20,000
Marketing/Advertising/ Trade shows	\$2,100
Other	\$10,000
Total	\$108,100

Note: These figures are based on costs reported by retailers in previous TNNA surveys, except for inventory, which has been updated based on the 2010 survey information.

We do feel these estimates can still be utilized as a reasonable "go-by." However, costs for rent, wages, salaries or marketing are all very dependent on the individual shop and location.

These figures do not include freight charges, which generally are passed on to your customers.

Inventory breakdown





Counted Cross-Stitch, cont.

Data from TNNA's 2010 survey indicates that 91% of gross sales were derived from inventory (7% from finishing and framing; 2% from classes).

Based on the percentage of average gross sales reported for 2010 and the percentages from each line item as reported in 2009, we've developed the following estimates to better help you plan your inventory.

Item	Gross Sales Inventory	
Fibers, yarns and threads	\$31,500	11,250
Patterns and charts	\$38,200	13,700
Books and magazines	\$8,300	3,000
Embellishments/accessories	\$10,000	3,600
Kits	\$20,000	7,200
Tools, hardware, notions	\$11,600	4,200
Painted or printed canvas	\$6,600	2,400
Blank canvas or fabric	\$21,600	7,700
Other	\$3,300	\$1,300

A start up inventory of approximately \$54,000, marked up at 2.0 and turned 1.4 times in one year, should yield gross sales of over \$151,000. (This does not include income from non-inventory items.) This is equal to the average sales as reported by retailers in TNNA's 2011 survey.

Of course, you won't turn everything at the same rate, and you may be able to mark up some items more or less than the average 2x. These are simply tools to help you plan.

If you want to establish a full-line counted cross-stitch shop with at least some representation of all needlework product categories, the cost of adding more books, fabrics, fibers, kits and accessories could amount to \$10,000 to \$15,000, depending on the size of your store.



Kits

There are several important reasons for investing in needlework kits:

- A kit contains all the elements needed for the project. This is a good option for sales to vacationers, as gifts to another stitcher, for classes, or for those who do not have the time to look through all of your open-stock canvas and yarn selection.
- A kit usually contains quality materials, but is produced in larger production runs. Therefore, the retail prices of kits, in general, are substantially less than open-stock items. The shop owner may be able to take a higher markup on these kits, and/or offer these kits to needleworkers who have less disposable income, or are interested in learning a new category of needlework.

Categories

There once were only four broad categories of kits:

- Crewel
- Needlepoint
- Counted cross-stitch
- Stamped cross-stitch

And two general size breakdowns:

- 11" x 14" and larger pillows and wall hanging pictures
- 3" x 5", 5" x 7" and 8" x 10" mini-kits

Now there are as many types of kits as there are forms of needlearts. Kits are a great starting point for beginners, as well as a way to offer your regular customers something a little different.

One note before you begin — cross-stitch kits are the needlework lifeblood of craft chain stores, who often discount them. Visit your craft chain competitors regularly to make sure that you are not overlapping in the same designs.

Inventory

Kit manufacturers generally introduce two lines of new designs every year, as well as a special collection of Christmas merchandise.

To properly display a large amount of kits, you will need considerable space — at least 8 ft. of pegboard space in a typical cross-stitch or needlepoint shop.

It does not necessarily have to be in one space. You can break out the different categories and place them in different areas of your shop, as space allows.

Determine your methods of display ahead of time, so that you will be ready to implement these ideas when the stock arrives.

What creates a challenge is making the display area appear attractive when you are buying kits from a number of companies. Here are two hints:

- *Arrange kits vertically in columns by technique, by company. This creates some order, and it is also convenient for the customer looking for a particular craft.*
- *Seek a variety of designs and packaging to make your display look interesting, but don't overdo the number of lines you carry or your display will look like a hodgepodge.*

Remember: The price points your customers are willing to pay will influence the merchandise mix of the kits you will purchase. Depending on price point, you may wish to purchase up to three moderately priced designs and only one or two more expensive kits.

Display a finished model of as many kits as possible because they help to sell kits. You may be able to purchase a stitched model from the needlework company. These are usually priced at a fraction of the



Kits, cont.

actual stitching cost, and are often offset with a free kit. Remember, though, unlike handpainted needlepoint, designs are discontinued in kits, with an average of three- year product life, so plan your investment accordingly.

Carefully inspect a sample kit from the manufacturer before you make a purchase.

- Look for attractive, eye-catching packaging that is self-explanatory, so that your customer can browse through them without assistance.
- Look for a clear front cover picture with good color matching to the enclosed floss and yarns.
- Review a sample of the instruction chart for readability by a beginning to intermediate stitcher.
- Examine the actual yarn or fabric, checking for clarity of screened or heat-transferred designs.
- Check to see whether the floss/yarn is separated by color, and if not, how labor-intensive sorting by the consumer will be.

The costs

Basic inventory in kits ranges from approximately \$1,500 to more than \$7,200, depending on your shop's focus. However, the cost of investing in a limited line of kits (8 to 12 feet) will vary with the mix of kits.

For example, needlepoint kits are usually the most expensive. Accordingly, if you order more needlepoint kits in your assortment, your investment would increase. If you order more counted and stamped kits, your investment would be less.

Christmas Kits

Traditionally, the biggest selling season in a needlework store is the fall, primarily because of the large volume of gifts and decorations that are made for the holiday season. Accordingly, many manufacturers and designers in our industry have a special Christmas product line, or at least special Christmas items to show.

Manufacturers begin to show their Christmas kit line for a given year in January, with shipping commencing in March. While it seems a long time before Christmas, many large projects, such as stockings and tree skirts, take much time to complete and finish. Smaller items such as ornaments may take less time to stitch; however, time for proper finishing must be allowed.

Successful retailers order early and arrange to have the Christmas merchandise in their store by July. To reap the financial rewards of a strong Christmas business, you have to begin promoting early by suggesting lots of gift and decorating ideas.

With Christmas kits, it may be more desirable to offer a wider variety of designs with less depth. Christmas projects are often given as gifts, and the limited availability of the kit, may make it appear more special to the consumer.

Accessories

In each of the above product areas, we noted just a handful of accessories. The list of products in this category is so extensive that it is difficult to mention them all. A few we did not mention are handbags, clothing, jewelry, boxes, sachets, dolls, pins, furniture and clocks, and there are hundreds more.

Show these accessories with finished needlework and suggest them as gifts. They will be great impulse items and help build sales.



Trade Publications

Creative Leisure News (CLNOnline)
 2677 Ashley Ct.
 Tremont, IL 61568-9772
 Phone: (309) 925-5593
 E-mail: mike@clnonline.com
 Web: www.clnonline.com

Needlework Retailer
 117 Alexander Ave.
 P.O. Box 2438
 Ames, IA 50010-2438
 Phone: (800) 561-5380
 E-mail: info@needleworkretailer.com
 Web: www.needleworkretailer.com

Spool
 P.O. Box 869
 Nicholasville, KY 40340
 Phone: (859) 492-8244
 Web: www.spoolmag.com

Yarn Market News
 Yarn Market News
 SoHo Publishing Co.
 233 Spring St., #3B
 New York, NY 10013-1533
 Web: www.yarnmarketnews.com

Guilds

American Needlepoint Guild, Inc. (ANG)
 2424 American Lane
 Madison, WI 53704-3102
 Phone: (608) 443-2476
 E-mail: anginfo@needlepoint.org
 Web: www.needlepoint.org

Crochet Guild of America (CGOA)
 1100-H Brandywine Blvd.
 Zanesville, OH 43701-7303
 Phone: (740) 452-4541
 E-mail: CGOA@offinger.com
 Web: www.crochet.org

Embroiderers' Guild of America (EGA)
 1355 Bardstown Rd., St. 157
 Louisville, KY 40202-2105
 Phone: (502) 589-6956
 E-mail: EGAHQ@EGAUSA.org
 Web: www.egausa.org

The Knitting Guild Association (TKGA)
 1100-H Brandywine Blvd.
 Zanesville, OH 43701-7303
 Phone: (740) 452-4541
 E-mail: TKGA@TKGA.com
 Web: www.tkga.com



Trade Organizations

American Quilter's Society (AQS)
 P.O. Box 3290
 Paducah, KY 42002-3290
 Phone: (270) 898-7903
 Web: www.americanquilter.com

Craft Yarn Council (CYC)
 469 Hospital Drive
 2nd floor, Suite E
 Gastonia, NC 28054
 Phone: (704) 824-7838
 E-mail: info@craftyarnCouncil.com
 Web: www.craftyarnCouncil.com

Craft & Hobby Association (CHA)
 319 East 54th St.
 Elmwood Park, NJ 07407
 Phone: (201) 794-1133
 E-mail: info@craftandhobby.org
 Web: www.hobby.org

Sewing & Craft Alliance
 P.O. Box 369
 Monroeville, PA 15146
 Phone: (412) 392-5950
 E-mail: info@sewing.org
 Web: www.sewing.org

The National NeedleArts Association
 1100-H Brandywine Blvd.
 Zanesville, OH 43701-7303
 Phone: (800) 889-8662 or (740) 455-6773
 E-mail: TNNA.info@Offinger.com
 Web: www.TNNA.org

Books & Websites

Books recommended by our members:

How to Start and Run Your Own Retail Business,
 Irving Burstiner, Citadel Press, Carol Publishing Group,
 Secaucus, NJ 07094, 1998 ISBN 0-8065-1988-6

Why We Buy: The Science of Shopping, Paco Underhill,
 Simon & Schuster, New York, NY, 2000 ISBN 0-684-
 84913-5 (84914-3 in paperback)

Websites:

The following websites have valuable information and/or links which, to our knowledge, do not charge fees for access.

www.retailadvisors.net
www.inc.com
www.powerhomebiz.com
www.isquare.com
www.ideacafe.com
www.startanything.com
www.getcreativeshow.com/Craft_Sew_Business/craft_business_resource_center.htm

Also visit TNNA.org, YarnGroup.org or WorldofNeedlepoint.com.