

Not for Profits, Profit in Retail

by **Nicholas Boonin**

Nicholas Boonin is president of Nicholas Boonin, Inc. For over 25 years, he has been designing and building exhibits and interpretive displays for museums and conservation centers.

Museum stores can learn valuable lessons from the success of stores like The Nature Company and Zany Brainy. Their retailing efforts are aimed at a very similar segment of the market that museum stores have historically had all to themselves.

Competition is fierce when profits are high. Cultural institutions have had a reputation for looking down their noses at retailing efforts and this has caused them to miss opportunities to raise large amounts of unrestricted revenues. When ever possible, a well run retail effort should be a significant part of an institution's strategic planning.

Because of these financial opportunities, museum stores have begun to take retailing seriously and have become increasingly profitable in recent years.

According to Railey Macey (a retail marketing consultant for museum stores) a well run store at a science or natural history museum can make \$500 to \$750 per square foot (per year). An Art Museum gift store may make as much as \$750 to \$2000 per square foot (averaging \$6 to \$20 per visitor).

The reason for the range of profitability is that these stores are geared to different price points. The science and natural history museums cater to many more children (who spend less money per head than adults) while the art museums carry jewelry and high end home furnishings that often command higher prices.

To put this into perspective, stores at an "up scale" regional mall might realize incomes of \$200 to \$300 per square foot. Museum stores (if well operated) can earn two or three times (or more) than national chains in regional malls (when compared on a square foot basis commonly used in the retail industry). Some of the reason for these highly profitable "gross income" figures may be attributable, in part, to the fact that museums often don't calculate bathrooms, storage and loading docks in their square footage numbers. These numbers, even when adjusted for such accounting differences, are still very impressive.

Natural history museums may have the opportunity to reach to the higher end of the earnings scale by creating the natural tie-ins to jewelry and garden accessories which usually command higher prices (note the success of the up-scale Nature Company).

Cultural institutions have a captive audience which can most often be turned into valuable customers. When attendance is high, store earnings should also be high. If this is not the case then its time to call on some experts.

One way to get the experts in your corner is by creating lease agreements with outside vendors. Having a partner, who already knows the world of retail, can be the quickest way to begin a successful retail operation. This often provides the best marriage between a cultural institution and its retail efforts.

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A full range of professional consultants in specialties of purchasing, merchandising and display, book keeping, computerization and inventory control are a part of running a successful retail operation.

Museums educate and preserve, making money is much lower on their list of priorities than in a retail business. Museums tend to be more conservative and understated than retail stores. As cultural institutions become more aggressive retailers and as traditional retailers continue to recognize the value of a more "high minded" approach to retailing the two worlds continue to meet. Museums are setting up shop on "Main Street" and retail chains are looking more like museum stores.

Retail outlets are an effective way in which downtown museums can take their mission and values to people in the suburbs. This type of outreach can create awareness of the institution while making profits at the same time. The Museum of Modern Art, The Metropolitan Museum of Art and The Chicago Art Institute all have multiple retail outlets in malls and business districts in the suburbs.

According to Macey, shopping malls love to make marketing deals with museums . They often offer special short term seasonal opportunities around the holidays. The museum shops create a cultural facade that brings an air of sophistication and high mindedness that mall owners are eager to create and cash in on. The museums are able to get their feet wet, in retailing in a highly profitable environment.

According to Tamara Chapman of Museum Store Association, there is little empiric national data on museum stores as a group, in part because the culture of museums is conservative and therefore reticent about discussing money matters. This seems to be changing as museums begin working together to help maximize their profitability.

The ability of cultural institutions to learn from each other and share their success stories has become much more fluid in the last ten years. An art museum's marketing strategy is much more likely to be adapted by a science museum or zoo. One example of this is the successful use of "satellite stores" inside art museums connected to blockbuster shows. These temporary stores often develop special merchandise exclusive to the show to increase sales and profits. Science and natural history museums are following suit. Can aquariums and zoos be far behind?

The profits of a retail operation can be a significant sources of needed unrestricted revenue in any institution's strategic planning. Experts in this emerging specialty are essential to consult for those who want to succeed in a competitive retail environment.



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