

HOW TO SET UP AND OPERATE YOUR OWN VIDEOTAPE RENTAL STORE

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HOW TO SET UP AND OPERATE YOUR OWN VIDEOTAPE RENTAL STORE

One of the newest, and most profitable retail business opportunities available today is the Videotape Store. Profits from rental of videotapes movies have doubled each year over the past several years, and industry experts claim this is only the beginning.

Not long ago videotape recorders (now widely referred to as video-cassette recorders) were being bought at a rate of one million units per year. Five years later, the sales rate had climbed to 12 million recorders per year, and sales are still increasing. Analysts say that within a few years there will be as many recorders in use as television sets. It follows that all these videocassette recorders are in need of tapes, just as an automobile requires gasoline.

Generally speaking, the average Videotape Store can be set up with an investment or line of credit in the neighborhood of \$50,000. Utilizing good management techniques, and taking advantage of natural promotional opportunities, such a store will gross \$250,000 per year. Some stores are realizing a net profit of 35 to 45 percent with these income figures.

The secret to achieving and maintaining these kinds of profits is in establishing and properly running a video club that offers really outstanding benefits to club members. These benefits should include special discounts on tape rentals and purchases; a regular catalog or newsletter that tells your members about the new tapes available; special workshops; get-togethers, and even outings.

Think about the potentials: videocassette recorders are now within the price range of just about everyone in the country; new technology, better performance and greater development of the market will reduce the cost even further. More and more people are switching from costly evenings out to the comforts of home and videotape entertainment; market surveys profile the typical VCR owner as between 25 and 50 years of age with an income of \$20,000 or more.

That typical customer will provide about 70% of your income, with the remaining 30% coming from blue-collar workers, college students, and singles of both sexes. It's important that you be "in tune" with what the VCR owners in your area want, and fulfill those wants.

In selecting a location, look for a storefront in an area surrounded by stores the typical VCR owner is likely to shop in. Six hundred to nine hundred square feet should meet your needs at first, but plan ahead for future expansion. The ideal location would be on a corner, affording visibility of your shop from several directions. The street fronting your store should ideally be four lanes with no median dividers, but with a posted speed limit of 35 M.P.H. or less. And by all means, make sure there's plenty of parking space available.

The layout of your store should be planned with maximum efficiency in mind. Basically, a glass-topped sales and display counter across the front, separating the customers from the sales area, while at the same time conveying a feeling of openness, works best. Glass counters with shelves may be purchased at tremendous savings by contacting the rental fixture suppliers and used equipment dealers in your area. Check the yellow pages of your telephone and business directories

for names and addresses of suppliers.

You should strive to make the customer space in front of the counter comfortable and relaxing. There should be an overall atmosphere of friendliness. Place a couple of chairs or stools in front of the counter so that your customers can sit and browse through your catalogs. You might want a coffee table, free coffee, and catalogs on everything from VCR's to equipment accessories to special order movies.

One of the important secrets to success will be the way your store is perceived by the customers. You and your salespeople can dress casually and project an overall relaxed manner of doing business; taking care of each customer individually, using their first names (if appropriate), and relating to what's happening in their lives. With this approach you will get to know them, and will establish long-term customer loyalty faster than by any drum-beating promotions.

The best idea for the display seems to be on wooden shelves lining the walls of the sales area behind the customer counter. These shelves can be built by a local handy man and either painted or stained. It's important, however, that they be strong, because the weight of the videotapes can amount to 50 to 100 pounds per shelf, depending on the length of the shelf.

Arrange the videotapes on the shelves, in book fashion. Stand them upright with the title art on the boxes clearly visible to the customers. It's important that you not allow your customers to browse through your inventory, as they do with books on the shelves at the public library. In other words, your inventory of tapes is money to you and should be seen, but not touched, by your customers until they either want to rent or buy.

An arrangement that works well with many stores is to remove the tapes from the jackets, and display the empty jackets in the viewing area for customers. Many of the jackets carry descriptive sales literature, which entices the prospect to either buy or rent. The tapes themselves, which do not carry any outside printed message, should be kept behind your counters, in an area accessible only to your people.

You can locate your manager's desk and files in front of the inventory shelves. Space partitioned off in the back of the store will be quite adequate for storage, packaging and/or whatever minor repairs might be necessary.

Our suggestion would be to allocate 60% of your store for the display-sales office area; 20% for the reception or customer area; and 20% for storage/work area. Check out a store. You should be able to assess the entire arrangement in a few visits, and pattern yours after it, or consider improvisations or changes you would make.

Use your imagination and utilize your in-store decorating as well as merchandising ideas to move your product. For help in decorating your store, talk to a few students in the art classes at your local college, or to the set designers for the local Little Theater group. Be sure to explain the mood you want to create. The customers will be coming into your store to rent or buy movies and associated equipment. Keep this in mind, and decorate your store to make them feel as if they're a part of the Hollywood scene. You can even be flamboyant with the use of poster-sheets relating to the movies you have available. These are actually called "one-sheets" and you can get them free or for a very small charge from your local theaters. If you run into any problems, simply write to the studios, get the names of the movies' distributors, and ask for the ones you need.

Colorful "billboard" posters, along with light colored walls, floor covering, and inventory storage shelves, will definitely help create a "Hollywood Mood," and on the bottom line, sell more tapes for you. Remember, you're wanting to create a mood conducive to persuading your customers to rent or buy your products.

Some of the imaginative tape rental store owners have even gone so far as putting in a miniature movie marquee that lights up; spotlights and theater-style track lighting overhead. Another idea might be the use of old film reels, glossy pictures of movie stars and pictures, newspaper clippings or other memorabilia from original premiers.

Your display equipment should include one of the better brand name color TV sets and a videotape recorder. It's generally best to go with a VHS system, because over the long haul, you'll find most of your customers preferring this system because it has a longer playing time than the Beta system equipment. You'll need this minimum equipment in order to test your tapes and give your customers an instant preview of the movies they are interested in renting or buying.

You should also plan to get a good typewriter that will accommodate several different styles and sizes of type. This will be your key to the make-up of new pages for your catalogs and the preparation of your newsletter.

Be sure to organize yourself with a bank in order to handle at least the major charge cards. Simple advertising of the fact that you accept credit card purchases will almost double your volume. Since most of your sales transactions will be by charge card or check, you won't need a fancy cash register. A simple metal cash box, available at most office supply outlets, will work very well for the first few months, and you can evaluate any needed change later.

You should either hire a person to be your store manager from the start, or else select a person you can train to take over your duties as store manager. The person you select needn't be an electronics wizard, because there will really be no need to be an expert in the technical workings of the equipment. However, he should have a creative flair for retail management, sales promotions and selling.

In addition to yourself and a manager or manager trainee, you'll need a part-time sales person to help out during your busy times. A manager trainee is paid about \$14,000 per year, with commissions on gross sales once he becomes your manager in fact. You should expect to pay your sales people a bit above the prevailing minimum wage, with an opportunity for them to increase their earnings via commissions on all sales over a certain dollar amount each month.

It will be to your benefit if you and your employees keep yourselves up to date on the industry by reading everything possible relating to videotapes, movies and the associated equipment. This means advertising; brochures, newsletters, trade papers and magazines from every available source. Armed with this wealth of information, you'll be more knowledgeable than 99 percent of your customers, and be able to recommend movies according to preferences of the individual customer.

As videotape rental outlets increase in number, the industry as a whole will become more competitive. To beat out the competition, the enterprising entrepreneur will develop a list of loyal customers, and pamper them with the benefits of an exclusive club membership. Word-of-mouth advertising from this select group will follow as a matter of course.

The basic benefits to the members will be first rights to rent or buy new tapes, plus nice discounts on all rentals or purchases. Generally, club member discounts range from 30 to 50 percent compared to prices charged to non-members.

First-time membership fees range from \$50 to \$100 the first year, with renewal costs about half as much. Basically, club membership fees are predicated upon the benefits available to members, the need for cash within the business, and the pressure of the competition. You will also want to research the membership fee structure of other stores in your area, and be guided by current policies.

Each member should get a current catalog of tapes available, a numbered membership card, a listing of club benefits, and perhaps a special VCR accessory or free rental. You can expand your market to statewide, nationwide, or even worldwide proportions simply by placing display ads in publications serving the markets you want to reach. When operating by mail you'll need a set of rules (you might call it a contract) setting forth your policies. You'll also want to factor shipping costs and any insurance charges into your "by mail" rates.

By all means have a sign made up for your show window inviting people to join your club. Display a similar sign on the customer counter, just to remind them. Have some flyers or circulars made up reiterating the invitation to join your club. Keep a stack of these handy on the customer counter, and make sure everyone who comes into your store gets one, perhaps by putting it into each bag/package that leaves the store.

Regardless of the popularity of videotapes, the local demand, and whatever competition you have, you'll have to promote your store's special features and advertise skillfully. Plan to spend at least two-thirds of your initial investment money on advertising during your first six months in business.

Your most effective advertising medium will be your local news papers. Regular display ads on the entertainment pages on Thursdays, Fridays and Saturdays will go a long way toward making your store known, and creating the traffic into your store that you want and need. In these ads you should stress the money-saving features, special membership benefits, and advantages of belonging to your videotape club.

A relatively low cost idea for the on-going promotion of your club might be to have a free-lance designer develop a special logo for you. Make patches out of this logo and have one of the advertising cap makers supply you with sports caps personalized with your videotape club's logo. Your club membership might then be called elite, because you club members will be the only ones able to get the caps. The people they associate with will ask about them and growth of your club will be assured. Another promotional idea is simply to place a TV in your show window, running continuous showings of the video movies most in demand in your area.

The general idea is to be as "traffic-stopping" and creative as your local zoning laws will allow you to be with your storefront and outside signs. Sandwich boards plastered with movie "billboard" poster signs; bikini-clad girls "picketing" in front of your store (you might want to check this out with local regulations); simulated movie production scenes, are all attention-grabbing ideas that will cause people to notice your store, stop, come inside, and find what's going on - what you have available. Mission accomplished!

Think of your business as being part of the entertainment field, which it actually is, and gear your promotions accordingly. Be as creative and imaginative as you can. Take advantage of every promotional opportunity that comes along. Get news releases off to all facets of the media in your area. Keep sending them in, and keep dreaming up new angles for staging something the public will notice. Work with the TV and VCR equipment dealers if they will hand out advertising circulars to new cassette recorder owners to join your club, in exchange for which you will send new equipment customers to them.

Store hours for most video stores are 9:30 a.m. to 7:00 p.m., Monday through Saturday. These hours will cover the demands of your customers, with your busiest days being Thursday, Friday and Saturday. These are usually the days when people are committing themselves to entertainment plans for the weekend.

Daily operations usually entail signing up new members, taking care of those who want to rent tapes, and selling tapes to walk-in buyers. You may want to make "special order services" available, perhaps even a reservation list for especially popular films that may seem to customers to be always out on rental.

Determining how many copies of a film to stock will be a judgment decision based upon what you know about your customers. However, we feel it is better to have extra copies in stock than a waiting list more than three names deep. Whenever you have to put a customer's name on a waiting list, you should always try to interest him in an other film. In other words, try never to let a customer leave your store without a tape in hand - a good one, even if it's not the one he originally sought.

Keeping track of your inventory on a daily basis will be necessary in order to know what the people are buying or renting, and which of your tapes are not moving. Ideally, you would want to have 50 to 60 percent of your inventory rented out.

Each time a tape is rented, a rental agreement should be filled out, and the rental fee collected in advance. You file the rental agreement in a "one-to-thirty-one" file under the date the tape is to be returned. Using this system, you look at the rental agreements filed under any given date, and know immediately which tapes are due for re turn. This facilitates dealing fairly with your waiting list, by the way.

Usually, tapes are rented from 2:00 p.m. one day through 2:00 p.m. the next day. If a film is not returned by 2:30 on the date due, you should have one of your salespeople start calling on those customers who are overdue, theoretically to remind him that the tape is due, but in such a manner that he can rent the tape for another day if he wants (unless, with the most popular films, you put a limit on rental time).

Sometimes even the best customer will forget that a tape is due. Probably the best way to handle this is not to make a big deal out of it, and if he gets it in promptly, don't charge him an extra day's rent (if he gets it in later in the afternoon). If this is a good customer, or a regular customer, you want to keep him.

Outright theft is very rare, but when a customer does lose or steal a tape, bill his charge card number, and flag the rental agreement in his file. On all first-time renters, or people who aren't

members of your rental club, always collect a deposit on the rental, equal to the value of the tape. Another thing: Don't rent out more than one tape at a time until you get to know the customer.

Your business income will be derived from several different sources. Stores operating rental clubs generally average about two new members per day. At \$75 per member, this could amount to \$3,000 per month. (Again, research the "going" membership fees in your area.)

By and large, revenue from tape rental will be your biggest source of income. This money will be from club members and non-members, but your club members will be the biggest spenders by far. Rental revenues average anywhere from \$3,000 to \$ 15,000 per month.

You can probably count on another \$1,000 per month in tape sales to walk-in customers, as well as to your club members who want to buy tapes of certain favorite movies. The sale of blank tapes, editing machines, enhancers, stabilizers and other accessories will pretty much depend on how much you promote them.

Success will come from offering a wide variety of movies for your customers. How heavy you stock up on movies in any one category will depend mostly on your customers' preferences. In other words, if your store caters mostly to families with children, then you would stock up heavily on family-type films. Checking out several successful videotape stores and seeing their stock will give you an idea, and you will alter your own stock as requests dictate.

Most stores open with at least 300 titles in stock, with an average of seven copies of each title. How many copies of each title you stock should be determined by the demand in your area for each movie title.

Whenever you realize you've got a "loser" in stock, you can either mark the price down and offer it on sale, or treat it as a -freebie' for joining the rental club. You'll avoid getting stuck with real disasters by keeping yourself abreast of what's happening else where via regular reading of all the trade publications.

Whether or not to sell VCR's to your customers is a personal decision, but if you do so, it will add to your income. Work with the area distributors. They will supply you with literally tons of sales materials and a display model. Then when a customer wants to buy one through you, you simply "special order" it for him.

Keep your systems simple, and make it easy for your customers to shop in your store. Rent your tapes at say, \$3 for one day, \$5 for two days, or \$15 for a full week. About the only licenses you'll need will be a local business license plus whatever state or city sales tax permits are required in your area. Check with your city and county clerks for information in these areas.

You'll need standard business insurance. And because videotapes are hot-selling items on the black market, you should back up your insurance with a good security protection system.

There are a number of companies selling franchised videotape Stores. It really isn't necessary for you to spend the extra money for a franchised operation. The main value of a franchise program is in the assistance they provide in getting better prices on the tapes you want to inventory. However, you can contact the suppliers directly and negotiate your own deals if you

want to take the time to do it.

An alternative to the franchise operation is the "affiliate" program offered by Video Station, Inc., 12021 Wilshire Blvd, West Los Angeles, CA 90025. Founded by industry pioneer George Atkinson, the videotape stores belonging to this group retain their independence and pay no royalties. Yet, because they are a large group affiliated with one buying association, they can procure inventory purchases at tremendous savings for members.

The video market is beginning to really boom. If you're imaginative, organized and enjoy individual selling, this could be the vehicle to make you rich. You've got the plan, and if you've got the ambition, all that's missing is the action on our part. Get with it, and the best of luck to you!