

The Art of

Start Up

profile

RETAIL ROOMIES

Kate Jotzat (left) of Chroma K8 and Jenny Duranski of Noktivo are big fans of co-retailing.

LOCATION CAN MAKE OR BREAK A BUSINESS. BUT NOT EVERYONE CAN FIND OR AFFORD DESIRABLE COMMERCIAL REAL ESTATE. FOR SOME, THE ANSWER IS BUNKING UP WITH A FELLOW ENTREPRENEUR.

By Kate Rockwood

JENNY DURANSKI WAS EIGHT months pregnant, on her hands and knees, cleaning up a flood in her eco-friendly nail salon, Noktivo. She'd signed a lease for the Chicago retail spot just nine months earlier, but as her belly grew, so did issues with the shop: Plumbing leaked after every rain, and this latest flood—caused by a burst pipe—would shutter her business for weeks. "It was an old building, and the landlord never fixed anything," she says. She had to move, but her savings were depleted. When another entrepreneur, Kate Jotzat, offered to let her rent out a room in a hair salon, Chroma K8, Duranski jumped. "I was certain it would be temporary,"

she says. "I planned to stay just long enough for me to find a location on my own."

Instead, Noktivo found a long-term home. For the past year and a half, the two companies have shared one retail space—with separate logos out front plus distinct hours and personnel. Duranski still pays the neighborhood average for commercial retail rent (\$50 per square foot), but now it covers utilities, wi-fi, and common cleaning. "I don't have separate bills to worry about," she says. "And I've maintained the same amount of sales. Because it's a smaller space, I'm making more—I've gone from \$100 to \$600 [in earnings] per square foot."

Duranski had stumbled into the entrepreneur's version of sharing an apartment: co-retailing. As the cost of retail spaces continues to rise, particularly in major cities, business owners large and small are increasingly discovering the benefits of sharing: There are financial incentives, of course, but bunking up can also help companies reach new clients and even offer opportunities to collaborate. And there's no end to the possible combinations.

The arrangement isn't entirely new: The in-store café has been around for years, perhaps most famously with Starbucks providing a reading space for Barnes & Noble shoppers. But the in-store café, too, can take many forms.

When Shinola, the Detroit-based retailer of watches and high-end leather goods, wanted to open a New York store with a coffee shop, it approached Manhattan café The Smile. The café's owner, Matt Kliegman, was skeptical. "You see a lot of coffee shops buried in the back, like a retailer didn't have use for some corner of the store and convinced some hardworking entrepreneur to try to sell from there," he says. "Those never work." But in 2013, Shinola offered prime, front window space for a grab-and-go café Kliegman dubbed Smile Newsstand. He now has access to a much larger customer base. And while café foot traffic doesn't always translate to watch purchases, it does bring fresh awareness to Shinola. "Fast-forward three years, and there are customers just for them, just for us, and those who

overlap," says Shinola CMO Bridget Russo.

That's a common experience at co-retailing spaces: The businesses really do run separately, though there's a naturally shared interest. Noktivo and Chroma K8 even offer cross-promotions ranging from booking integrations (make a hair appointment online and a pop-up suggests a manicure) to seasonal deals (a head-to-toe summer makeover).

And yet, future co-retailers beware: Unless two companies merge into one, they'll always be just dating, not married. Sharing space doesn't mean sharing goals or growth. It's important to be prepared for solo futures and to make sure that customers are never confused about the arrangement. And, where possible, co-retailers should build escape hatches into their leases. Less than two years later, in fact, the beauty parlor pair are already on divergent paths: Noktivo wants to open a second location, but Chroma K8 doesn't. Noktivo is now seeking another partner for its new location.

Jasmin Cromwell faced a deeper challenge when her roommate's plans changed. She owns Bodhi Seed Yoga & Wellness Studio in Mount Clemens, Mich., which shared 4,000 square feet with a bookstore for years. When she first signed on, she negotiated terms with her landlord: If the bookstore closed and she couldn't find a new "roommate" within a year, her landlord could find one, but she retained the option to vacate within six months if the new roomie didn't work out.

Recently, the bookstore did close. She fretted about potential new space-mates. "We have to be sensitive to sounds and smells, or the integrity of my business is at risk," she says. "Having an auto-supply store next door to a yoga studio might be hard, but when you're sharing a space, it's impossible."

She lucked out: The Loft Fine Art opened on the other side of her space this summer. "The owner used to come to yoga all the time," she says, pleased about her new neighbor. "I think art and yoga do have something in common." And now the entrepreneurs have something in common, too: an address. □

How to Survive the Holidays

The most wonderful time of the year is often the most headache-inducing time for entrepreneurs. Four business owners reveal their hard-learned tricks for making it to the New Year.

Know your limits

“My photography business is just me. It's great to have the option to stay up till 3 a.m. designing Christmas cards, but I also need to know when to pass on jobs. If someone calls on December 8 and wants a family session, holiday cards made, and a big canvas print for Grandma, I have to say no.”

—*Mary Hanson, Mary Hanson Photography, Minneapolis*

Set staffing expectations

“I run a day spa and boutique. People come in as late as Christmas Eve getting services done to look good for the holidays! We have about 12 employees and try to limit any kind of vacation after October 31. There can be exceptions, but our staff want to be here for their clients.”

—*Lisa Mergel, Kanvas Beauty, Tallahassee*

Prepare early

“The first year we opened our pie shop, we had 88 orders for Thanksgiving, and we lost our minds. Now it's a smooth operation—last year we shipped 1,500 pies. In October, we build boxes, start prepping our crust, and make sure we've budgeted for our produce and dairy orders, which go through the roof.”

—*Valeri Luicks, HoneyPie Cafe, Milwaukee*

Pick your battles

“Our gift-shop return policy is that we do only exchanges or store credit. Sometimes customers—never a regular—will demand a refund. If they're going to make a scene or write a really negative Yelp review, it's easier to do the refund and move on. Having someone write about a bad experience, you can't win that back.”

—*Brandy Deieso, The Little Apple, Philadelphia*



expert advice

So, you want to open a **wine shop**?

Americans drank 913 million gallons of wine last year. But selling that vino isn't always easy. *By Ashlea Halpern*

CERI SMITH →

OWNER
BIONDIVINO
SAN FRANCISCO



“In my ‘free time,’ I am at wineries, meeting producers, tasting, and committing it all to memory. Translating that into recommendations for customers is an art.”



No one likes generic wine descriptions, “and they certainly don’t want to be talked down to by a know-it-all employee,” says Smith. That’s why she writes clever hangtags that liken wines to noises (treble, bass, etc.) or people (like the real example above).

REGINA GAINES →

CO-OWNER
HOUSE OF PURE VIN
DETROIT



“We carry a little of everything and not a whole lot of a few things. Better to reorder a great-selling product than have 12 bottles sitting on your shelf with no movement.”

900

The number of brands Gaines has in stock at House of Pure Vin.

35%–45%

The typical margin on a bottle of wine.

\$20,000

How much a wine shop should aim to make in sales per week.

\$37,000

Estimated monthly operating expenses for a specialty wine shop, including inventory purchases, rent, and loan payments.

HYUN YOUNG JUNG →

CO-OWNER
THE WINERY NEIGHBOR
BROOKLYN



“To always pay our invoices on time, we played it safe to start—ordering very minimally and relying on our customers to give us feedback on which wines to carry.”

WORDS OF ADVICE

HOLD THE RENOVATION



In some states, a retailer must sign a lease before applying for a liquor license—and then pay rent while waiting. Jung has seen fledgling businesses get killed by this. To hedge her bets, she held off on renovations until she was certain she’d get her license.

The Holy Trinity of Wine Retail



Three of the most important relationships to cultivate.

SHOPPERS

Your best customers aren’t necessarily the biggest spenders; they’re the ones who come back a lot. “I like to think that our \$15 to \$20 bottles drink better than most \$30 to \$50 ‘branded’ bottles,” says Smith. “It isn’t about the price; it’s about developing a relationship with your customer.”

NEIGHBORS

In some states, a would-be wine shop must notify residents within a certain radius. Don’t underestimate the power of the local community board, or even one prickly neighbor, to contest your plans. Courting the locals early and respectfully could save you a bundle in the long run.

WINE REPS

“Treat your wine reps like human beings,” says Smith. Don’t make them wait to see you or attend cattle-call buying sessions. Learn their product and be up front.

NEXT MONTH

So, you want to open a **coffee shop**?