

Hobbico is gone, are we all doomed?

By Phil Zulauf

Since the end of 2016 our beloved hobby industry has been under assault and by mid-2017 it was clear that industry giant Hobbico was in trouble. Even if you loved them or hated them, the Hobbico bankruptcy has us all spooked about what is coming next. I've heard from many retailers "if Hobbico can't make it how can I?"

So why are hobby sales so soft today? There are varying theories that have been discussed. Amazon or the Internet is taking away the market share or the under thirty crowd is spending more on experiences than things, or even nobody is willing to invest time in hobby related products. Which research shows are all true.

For this article let's focus on the Amazon factor because there is a growing number of consumers doing their shopping online and even if they are not buying hobby related products, these consumers discretionary dollars are going to Amazon and not into the hobby channel. Again, this is not 100% of the problem but we all must acknowledge that online competition has played a key role in our hobby recession. Over the last 24 months we have evolved to a total destination cottage room industry, to a hypercompetitive industry, fighting for our slice of the pie. Beyond the convenience of buying online there are the online retailers who don't have to tack sales tax onto merchandise get "an unfair advantage . . . If that company is in a state where they don't have to charge it, we see it almost as a discount to the consumer.'

Still, it's not just hobby stores that are struggling. Today every retail industry is dealing with its own set of challenges, especially stores that focus on leisure time activities.

Today successful small mom and pops stores, and for that matter hobby stores will win with a local appeal, a broad selection, and run events contently. With this formula buying an RC vehicle becomes an act of community-building as opposed to just a consumer purchase. When a store adopts this strategy, your customers will treat you like a friend, and something they love, they're going to share with you, too, and you're going to love it and they will send their friends to you, too. You can't get that online.

It helps that many hobby stores sell more than just books. How about some toys, spinners, t-shirts or a model rocket?

The margins are better on these products, but RC vehicles are still the main attraction, which is no surprise at all. Demoing a fast RC vehicle will attract attention, after all, noting draws a crowd like a crowd.

Today's mom and pop hobby stores have evolved to something special through a kind of natural selection – the ones that have survived may be the fittest in a Darwinian sense.

Today's hobby stores are not only are they the fittest, but we are also have the ability to adapt, and reactivate some of the values that were there that may have been muted in a race towards trying to have the cheapest and largest inventory. What I am writing is today we have the very best hobby stores all time today

So what do we do?

Think of Costco, Trader Joes and other food stores that have food stations handing out samples of products on the shelves. You should do the same but in a different way. Every day when customers walk through the hobby stores doors we need to be flying a drone or driving a vehicle. We are all small stores and have moved significant numbers in the past and we can do this again. Many stores sold over 2,000 micro sized quads. This was 100% attribute to demoing the product over and over and over. At the price it is an impulse buy and more often than not, it leads to a larger quad sale. Small >10th scale cars are at the ready to be run around the feet of customers, Aero Props are at every register spun up to the ceiling as customers approach the counter. Kids are encouraged to go push the train buttons the moment they enter the store to activate the overhead demo of 3 scales of trains. Realflight simulators are always running, TVs with built in DVD players are running demo CDs or streaming from websites provided by the distributors and vendors. We have 10th scale and up cars charged and ready to run outside should the question arise “how fast does it go”. We have a large tub of open Hot Wheels near the cash registers. Kids can be left to play while we talk with mom and dad.

Most of the major brands and distributors will provide demos at little or no cost if you support their product. I cannot count the number of times a customer when asked if he/she would like a demo will say no but pays rapt attention when it goes

by them often leading to a sale. If we add \$100 in impulse sales every day, that equates to \$36,100 in annual sales. Who can afford to allow that to slip by? Just in small sales alone that is 1 or 2 more a day using demoed product as the driver.

Two important things may happen. You get to ask for an email at the sales counter to follow up with later and you get to sell 4 AAA batteries to boot. The AAA batteries alone are an extra 1.50 in profit $\times 2 \times 361 =$ a \$1083 boost directly to the bottom line. Take a demo to the local track, flight field and or rock crawling course. Have an employee interested in a club activity? Sponsor them by selling the item at cost or a portion of cost. It will pay back time and time again.

Okay you say but how am I going to get demos. ASK! Most manufacturers, distributors or reps want you to have products to demo. They almost always will provide a demo with a set number of items purchased. If that nut is too large, ask to buy one at cost. Even if the above can't be done, open one of the products you have, demo the daylights out of it and sell it at cost as a store demo. With a zero net cost, this is a simple way to increase sales at no cost to you.

All the brick and mortar stores out there need an edge to stay open against the price wars on the internet. Demos are by far the best way to compete with Amazon who cannot compete against demos'. We also need knowledgeable staff, easy returns and engaging displays are all things stores must deliver if they expect a customer to get off their couch

A parting word of advice. Have a person in responsible for keeping all demos repaired, charged and ready to rock. Keep demos simple. Nothing says, "If it is too hard for you and you broke it, and you are an expert, it is over my head."

Demo, Demo, Demo