The Cost of Starting Up a Retail Shop

Starting a retail business isn’t cheap. Here, Sharon Munroe shares how much it cost her to open a consignment store in Austin.

By Darren Dahl | Aug 8, 2011

While many of us might dream about leaving our corporate job to start a business of our own, Sharon Munroe actually did it. After spending 21 years as a market researcher, Munroe opened Little Green Beans, a consignment store in Austin, which specializes in children’s clothing, toys, and accessories like strollers and high chairs. It was in November of 2010 that Munroe, who originally moved to Austin to take a job with Dell in 1997, decided she was tired of the hustle and bustle of her job and wanted to do something else that would allow her to connect with her community and with other moms like herself. Munroe had been volunteering at a local nonprofit thrift store for some 11 years, so she knew there was a ripe market for gently used clothing and equipment in the Austin area. "I thought, Let's combine the resale and retail experience," says Munroe, who formed an LLC on November 30 and officially opened her doors on February 10, 2011, where, in the first six months of operation, she has already worked with 135 consigners to sell some 8,900 items to date.

But before she even got started, Munroe turned to a network of friends and acquaintances, including a SCORE counselor and a tenant's agent, who helped her map out where a good location might be to open her shop—critical for any retail operation—as well as to map out her cash flow projections in terms of what she needed to invest to get her business up and running. The latter was doubly important because as a first-time entrepreneur, Munroe was told she wouldn't be able to land a loan from the bank. In other words, she was going to have to bankroll her own start-up costs. "When it's your savings, it's a bit scary to take such a big risk," says Munroe, who had been putting aside money for years in anticipation of opening her own business someday. "But it was a calculated risk where I wasn’t going to just throw money at things and hope they worked. I knew where I was going to get a return on my investment."

As a guide to help other prospective entrepreneurs understand the start-up costs associated with a new retail shop, Munroe has been kind enough to share what she spent to open her store and why:
Rent/Operating Costs

- Security deposit for the rental lease ($1,877 based on 1,609 square feet in a well-established, centrally located strip shopping center in North Austin, TX)
- First month’s rent in advance, plus Triple Net ($1,877 + $835 for her portion of the center’s operating expenses and property taxes)
- Utilities security deposit ($300)

Rents vary, of course, based on where you live and how valuable a particular location is (which is why retailers should employ a tenant’s agent for help). Munroe says she chose a fairly middle of the road location that was in a shopping center and near plenty of residential housing, exactly the kind of place her target market—families with kids—would frequent. (Click here to learn more about commercial real estate.)

Total Rent/Operating Expenses: $4,889

Location Improvement Costs

- Construction costs to customize the space ($4,000)
- Store fixtures, including poles, racks, shelves, gondolas, mannequins, a cash counter, sizers, and bookcases ($3,500)
- Handyman and supplies ($150)

Munroe says she wanted her store to feel like a boutique, so she invested in making improvements—such as updating the bathroom with new fixtures, paint, and flooring—to make her customers feel comfortable. She also saved money by purchasing her fixtures from a reseller. (For more on office and operations, click here.)

Total Location Improvement Costs: $7,650

Inventory

Munroe has a huge advantage over other retailers in that she doesn’t have to pre-buy her inventory, which has allowed her to spend less than $750 on purchasing merchandise since January 2011. Instead, she splits the proceeds of every sale 50-50 with her consigners. (Click here to learn more on managing inventory.)

Total Inventory Costs: $0

Miscellaneous Operating Expenses
• Hangers for clothing ($1,000)
• Liability insurance ($185 quarterly)
• Accounting set-up ($25 per month for QuickBooks Online)
• Association fees and directories ($250)
• Office and cleaning supplies ($100)

Hangers are an underrated cost for any retailer (Munroe tries to save money by buying recycled ones whenever possible).

**Total Misc. Operating Expenses: $1,560**

**IT**

• Computer, laser printer, and cordless phones ($900)
• IT Consultant and tech support ($600)
• Telecom services: high-speed Internet via cable modem and digital phone ($100)
• Domain registration ($15)
• Google services, including the store’s e-mail ($50)
• Website hosting, design, and development ($3,500)
• Specialized POS software for the resale industry ($1,000)

Given her experience working in the computer industry, Munroe wanted to give herself all the advantages possible that technology could bring. That's why where many retailers might start off doing things manually, she sprung for a new laptop computer and software that would make it easy to track what she needed to pay her consigners. ([Click here](#) to learn more about setting up a website.)

**Total IT Costs: $6,165**

**Marketing**

• An exterior sign and center pylon signs (2) ($4,500)
• Interior signage and décor ($600)
• Trademark registration and legal services ($500)
• Logo design ($1,500)
• Business card design and printing ($1,300)
• Flyer design and printing ($350)
• Coupon design, printing, and redemption costs ($150)
Not surprisingly, Munroe invested in multiple marketing efforts to help build the brand of her new business. "Image is so important," she says. "I wanted to put my best foot forward in setting the tone for what the store is about and how we do business." (Click here to learn more on how to market your business.)

**Total Marketing Costs: $8,900**

**Public Relations**

- Grand opening event, including food and beverages, entertainment, and signage ($750)
- Public relations/media relations around the grand opening ($800)
- Advertising around the grand opening ($120)

To kick off her new business, Munroe decided to foot the bill to hold a "Grand Opening" event that had healthy snacks, a friendly clown, and a musical sing-a-long with a popular local band. "It was really important to have something that told people we are officially open and that they should come check us out," says Munroe. (To learn more about public relations, click here.)

**Total PR Costs: $1,670**

**Grand Total of Start-up Costs: $30,834**