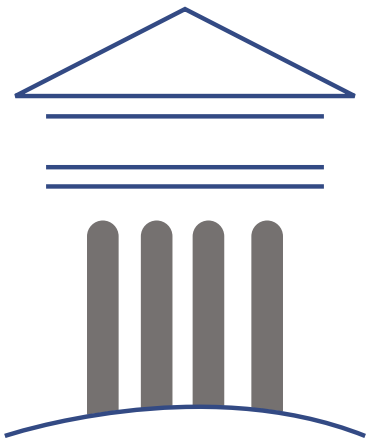
Selling New Guns
Lesson: 2209

OBJECTIVES	3
INTRODUCTION	4
CURRENT BUSINESS TRENDS	4
Sell Service	5
Look For The Best Buys	6
Stock The Right Guns	7
Choose The Right Location	8
Self-Test Questions	8
SELLING TECHNIQUES	9
Prices	10
Service	10
Advertising	10
Closing The Deal	13
Self-Test Questions	14
BUYING YOUR STOCK	15
Cash Or Credit?	15
Finding The Right Supplier	16
Self-Test Questions	17
ANSWERS TO SELF-TEST QUESTIONS	18
LESSON QUESTIONS	19





Para Wild Bunch 1911

Objectives

In this lesson, you will learn

1. One of your greatest assets for trading in firearms.
2. How to compete with discount houses, which keep prices low by buying in volume.
3. What types of firearms you should stock.
4. What types of shotguns are most popular in the United States.
5. The minimum markup (profit) a gun dealer should make.

Introduction

There was a time when any reputable gun dealer could make a decent living selling new firearms. Guns were priced so that the dealer could make a reasonable profit on each sale; no discounts were allowed. In fact, many of the better manufacturers required that each dealer sign an agreement not to reduce prices on their guns. If the dealer was caught reducing prices, the manufacturer revoked the dealer's license to sell that particular brand of firearm. When this manner of gun pricing was in effect, the dealer who sold the most guns usually did so by providing the best service — not the lowest prices — to customers.

Today, such price fixing is unlawful because of federal regulations. Manufacturers can only suggest a selling price; they can no longer insist that a retail price be maintained. In fact, few guns currently sell for the full suggested retail price, with the possible exception of certain limited-production models.

In this lesson you will learn the reasons why most new guns do not sell for the full retail price. This lesson offers tips for selling new guns. You will learn how to outdo your competitors — even the discount houses in your area.

Current Business Trends

Historically, when the larger gun manufacturers insisted that dealers maintain a certain retail price on their firearms, even the big mail-order firms like Sears, Roebuck and Montgomery Ward were not allowed to cut prices. The Winchesters, especially, were listed in these catalogs at full retail price. However, today, once the merchandise is shipped from the factory, the manufacturer has no control over the selling price. For this reason, it seems that every chain store tries to cut prices more than others, resulting in sales of most modern firearms at around dealer cost, or somewhat below retail.

This practice of price-cutting may be good for the consumer, but the small gun dealer is not able to make enough profit for the effort to be worthwhile. The large chain stores buy in quantity, which enables them to obtain the best prices possible. They also buy direct from the factory, whereas a smaller dealer must go through a jobber or distributor. Individuals who shop around can often purchase firearms at chain stores for less than the dealer's cost from a supplier. From this, it would seem that there is no way small dealers can compete... or is there?

Some firearms manufacturers refuse to accept orders from discount and chain stores. Weatherby, for example, reportedly never sells to discount houses (Figure 1). Custom gun shops



Figure 1: *Weatherby firearms are not usually offered for sale at discount houses. If you can sell this brand of firearm in your area, you can expect to get a good profit on each sale.*



Figure 2: *Browning Arms is another manufacturer that lets the dealer make a fair profit on his or her investment.*

and sporting goods stores are their prime outlets. If Weatherby sold to the discount houses, they would lose much of their business from the smaller dealers. Browning Arms is another example (Figure 2). Although firearms from Browning Arms are sometimes listed in mail-order catalogs, they are listed at full (or nearly) retail price.

SELL SERVICE

The knowledge you have gained from your Sonoran Desert Institute training puts you in a good position to outsell competing businesses — even the discount houses or chain stores that offer firearms to the public at a price that you, as a small dealer, would have to pay. You now have the knowledge to recommend the right gun for the individual customer or for any hunting condition. Furthermore, you know what ammunition to recommend for various shooting situations, and once a customer gains confidence in your ability as a gun expert, he or she will most likely continue dealing with you.

The most important asset that you have to offer is your knowledge of gunsmithing. Few discount houses have a gunsmith, or even a clerk, who is capable of mounting a telescope sight on a rifle they sell. Here's where your Sonoran Desert Institute training really pays off. In fact, one gun dealer in Front Royal, Virginia opened his gun shop a few doors down from a Wal-Mart Department store... purposely! He reasoned that people who purchased items from this department store at a discount would need help in installing the accessories, such as sights, rifle slings, etc. His theory paid off. Consider the following scenario: A customer buys a centerfire rifle from the department store and a telescopic sight and mounts, but the department store does not offer an installation service. As the customer exits the department store, the small gun shop is in plain view, and since the customer is anxious to try out the new purchase, he or she stops at the gun shop. Since the new rifle has already been drilled and tapped for scope mounts, it takes the dealer only minutes to install the scope and bore-sight the rifle. The dealer charges the customer about $30.

While waiting for the scope to be mounted, the customer browses, sees a nice rifle sling, and asks the shop owner to install the sling. The shop owner charges the customer another $20 for the installation, along with the cost of the rifle sling. The owner makes a few more dollars profit on the sale of two boxes of centerfire ammo before the customer leaves.

So, less than one hour after the customer purchased the rifle and scope from the discount department store, the small gun shop has brought in nearly $75 from the same customer, servicing the equipment purchased from the department store.

But that is not the end of our story. Consider this: While the shop owner is installing the customer's rifle sling, the customer notices an ammo reloading display — a complete reloading kit for less than $250. The customer also notices a list of gunsmithing services posted on the shop's wall. In less than 10 days, the customer returns to the gun shop and purchases the reloading kit along with some smokeless powder, primers, and bullets. Furthermore, the customer brings in an old double-barrel shotgun for refinishing. Once the customer is familiar with the expertise and service offered at the small gun shop, he vows to bring his future business there. This example shows how expert training pays dividends.

Gun dealers who accept used guns as partial payment for new ones have the right idea. Few, if any, discount stores will accept trade-ins; nor will they sell used guns. The practice of dealing in used guns, along with new ones, will not only increase the dealer's firearm business, but will increase his or her overall business as well. Many collectors and shooters frequently drop in on shops that handle used guns just to look around. If they do not find what they are looking for, they might at least buy a box of ammo, a gun-cleaning kit, or another sporting goods item while they are there.

The profits derived from used gun sales can also be rewarding. As mentioned previously, it is difficult for any small gun dealer to make a high-percentage profit any more on a new gun sale. On the other hand, many dealers make an average of 30%-40% profit on used guns, and some profits go even higher.

If you know your business, offer good service within a reasonable period of time, and charge fairly for your work, you cannot help but succeed. Then, people will not shop simply for low prices; they will also shop for good service. And good service is what you are capable of giving. Even though your new guns may be priced 10%-20% higher than the discount houses, many customers will still buy from you because you know your subject and you service what you sell. This one word, service, can mean the difference between success or failure. Always remember this when selling new guns to customers (Figure 3).

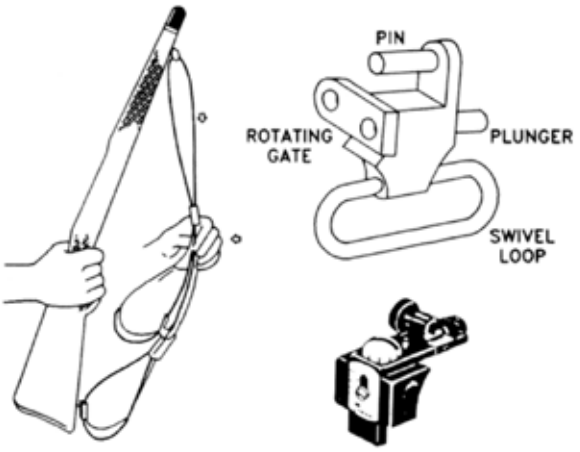


Figure 3: *When selling new guns, gear up for service — selling firearm accessories, installing sights and offering rifle sightings.*

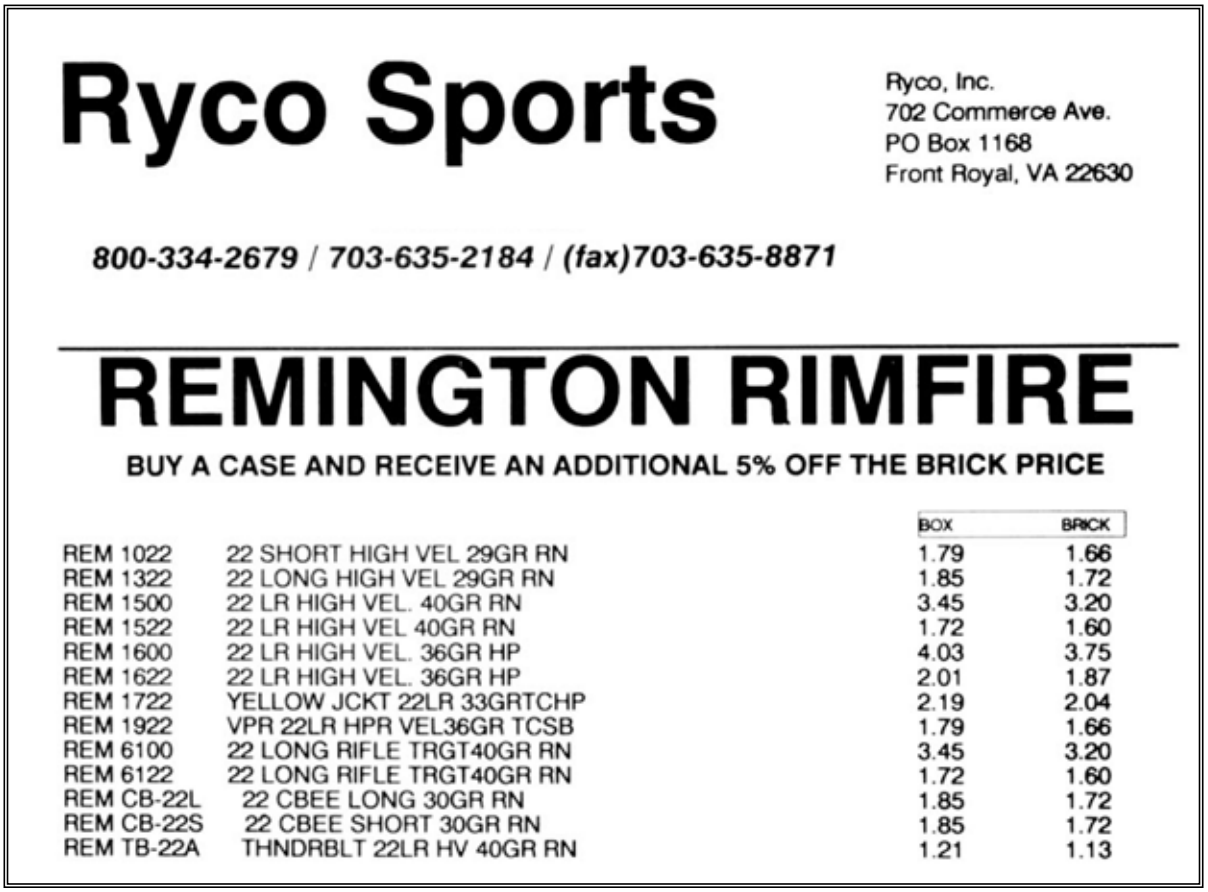
So, there are ways to beat the discount houses. It just takes a little extra effort on the dealer's part.

LOOK FOR THE BEST BUYS

Sometimes, a certain model of firearm does not sell the way distributors hoped it would. Rather than storing hundreds of these models in their warehouse, distributors will offer the guns at a substantial discount, sometimes even at factory cost. If you think such guns will sell in your area, this is the time to buy, even if you have to keep them on your shelves a few months until the hunting season arrives.

However, first, try to determine why the model is not selling. For example, one inexpensive .22 rimfire, single-shot rifle that is no longer manufactured had an extremely rough trigger pull as it came from the factory. Buyers returned these rifles to dealers by the hundreds, claiming they could not hit anything with this rifle. One enterprising dealer found a way to correct this rough trigger pull, spending about 15 minutes repair time on each rifle. He then purchased a number of these guns at or near factory cost, made the corrections to the sear and trigger, sold them at about 10% below retail, and still made a good profit. The owners of these refined rifles are still probably using them today. If a similar situation arises, you should know how to correct trigger pull on any rifle (either by honing or with the adjusting screws), and you should be in a position to reap dividends in the same way.

Also look for dealers going out of business. In such cases, a public auction is usually held where individual guns or groups of guns are sold to the highest bidder. If you know your business, you can often pick up new guns at below factory cost. Check in the Yellow Pages of your local telephone directory under " Auctioneers." Call each one and ask them to inform you of any auctions they may be holding where firearms will be offered for sale. Use the same procedure for adjoining towns and cities. You should also check your local newspaper for such auctions. In addition, bankruptcy sales are normally listed in local newspapers, and the notices are sometimes posted at the local courthouse.



Ryco Sports

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702 Commerce Ave.
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Front Royal, VA 22630

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REMINGTON RIMFIRE

BUY A CASE AND RECEIVE AN ADDITIONAL 5% OFF THE BRICK PRICE

		BOX	BRICK
REM 1022	22 SHORT HIGH VEL 29GR RN	1.79	1.66
REM 1322	22 LONG HIGH VEL 29GR RN	1.85	1.72
REM 1500	22 LR HIGH VEL. 40GR RN	3.45	3.20
REM 1522	22 LR HIGH VEL 40GR RN	1.72	1.60
REM 1600	22 LR HIGH VEL. 36GR HP	4.03	3.75
REM 1622	22 LR HIGH VEL. 36GR HP	2.01	1.87
REM 1722	YELLOW JCKT 22LR 33GRTCHP	2.19	2.04
REM 1922	VPR 22LR HPR VEL36GR TCSB	1.79	1.66
REM 6100	22 LONG RIFLE TRGT40GR RN	3.45	3.20
REM 6122	22 LONG RIFLE TRGT40GR RN	1.72	1.60
REM CB-22L	22 CBEE LONG 30GR RN	1.85	1.72
REM CB-22S	22 CBEE SHORT 30GR RN	1.85	1.72
REM TB-22A	THNDRBLT 22LR HV 40GR RN	1.21	1.13

Figure 4: *Jobbers and distributors sometimes overstock a particular model of firearm or ammo. If you need the item, or think you can sell this particular model in your area, this is the time to buy.*

The most probable source of low prices on new guns and ammo is from your firearm distributor. Again, look for special fliers, like the one in Figure 4, that advertise with the best deals.

STOCK THE RIGHT GUNS

You should always try to stock firearms that are going to sell relatively fast. In areas where deer and black bear are the only big game to be hunted, it would not make sense to stock .458 Winchester Magnums or .470 double rifles normally used on African big game. Nor would it be wise to purchase a lot of deer rifles immediately after the season closes, knowing that it will be months before the market will be ripe again.

The types of firearms that move the quickest will vary from area to area, but here are a few tips that should help you get started.

If you are starting from scratch, stocking one or two inexpensive .22 rimfire semi-automatic rifles would be a good choice. You might also try a couple of inexpensive shotguns in 12,20, and .410 gauges. If you are beginning in the spring, check to see if your area has a spring turkey season. If so, a slide-action pump or semi-automatic turkey shotgun would be a good choice. Also consider one or two varmint rifles, like ones chambered for the .222 or .223 Remington cartridges.

In the fall, just before deer season opens, Marlin lever-action rifles in .30-30 are popular in the East, but scoped bolt-action rifles in .243 Winchester, .270, and .30-06 usually sell the best (Figure 5, on next page). You will also want a few .22 semi-automatic pistols and perhaps one or two big-bore revolvers.

After a while, your sales will set the pattern for future buys. You should line up a distributor who offers good service where you can obtain practically any model firearm available within a few days. Then, if one of your customers requests a model that you do not have in stock, you can call your distributor and get the gun within a few days.



Figure 5: *The Marlin lever-action rifles still do very well for eastern deer and black bear hunting.*

Eventually, as you check your Firearms Acquisition records, you will find out which models are the most popular in your area. This knowledge will help you buy and stock new guns for future sales...guns that will move relatively quickly without tying up your working capital or causing you to be overstocked.

CHOOSE THE RIGHT LOCATION

The location of your shop can mean the difference between success and failure. It stands to reason that if there is a gun shop on every street corner in your city or town, and all of them are doing poorly, it is probably not the place to open a business — unless you can offer something substantially better. In fact, it may be better for you to commute to another town, 20-50 miles away, that has a need for a gun shop. However, there are many ways to beat the competition. Again, service is more important than price.

Always try to deliver on the promised date. This will build your credibility and, in turn, bring more customers to your shop. Many gunsmiths and gun dealers make promises concerning delivery that they do not keep.

Honesty is still the best policy. Even if it means losing a sale, do not make promises that you cannot keep. You will be better off in the long run. For example, if you know that it is impossible to get a certain firearm in less than two weeks, tell your customer this. Chances are, he or she will not be able to get the gun any sooner anywhere else. The customer will respect your honesty about the situation.

SELF-TEST QUESTIONS

Please check your answers on page 18.

1. ***True or False*. If you decide to sell new guns, you should never consider taking used guns in on trade.**
2. **As a gun expert, name one thing that you have to offer that most discount houses do not have.**
3. ***True or False*. Location has very little to do with the success of a gun dealer.**
4. **Name one firearm manufacturer that seldom, if ever, sells to discount houses.**

Selling Techniques

For hunting purposes, slide-action and semi-automatic shotguns are currently outselling side-by-side and over/under doubles 10 to 1. The reason may be partly due to firepower, but perhaps the main reason is the higher purchase price of fine double-barrel shotguns. Many grades start at $1,000, and some go for far more. The slide-action and semi-automatic shotguns hold from two to five rounds (although three shots are the maximum allowed for hunting in most areas in the United States), and offer quick shots at game.

In most areas, single-barrel, break-open shotguns move well, especially in .410 and 20 gauges. These are relatively inexpensive pieces that are often used as camp guns, farm utility guns, or as a child's first shotgun. Some single-shot shotguns have even been offered by manufacturers as "Boy's Models;" that is, the buttstock has been shortened to better fit young shooters. The barrels on these models are usually 26 inches. A premium price is often charged for this type of shotgun, and single-shot shotguns that are now in the collector status (like the Winchester Model 37) always bring more money.

The only American manufacturers to produce single-shot, break-open shotguns in recent years are Harrington & Richardson and their successor, New England Arms. Stoeger Industries imports their IGA single-shot model from South America.

"Boy's Models," like the one shown in Figure 6, are no longer produced, and this can give you another source of income as a gunsmith. For example, you can purchase one of the Stoeger IGS single-shot shotguns in 20-gauge, with modified choke. At the same time, purchase an extra buttstock for the gun. At this point, you should have about $80 invested.

When a customer comes into your shop to purchase his or her child's first shotgun, have the child try out the original gun as it came from the factory. Chances are, the trigger pull will be too long. Use your Brownells' Pull and Drop gauge to get exact measurements on the young shooter. You can then offer to modify the existing stock to the shooter's dimensions, and install a recoil pad for an additional $75. All you have to do is remove the existing buttstock, measure the amount of wood that has to be removed, and saw it to the same contour as the original. A thin recoil pad is then installed and sanded down as described in previous lessons.

At this point, the young shooter has a shotgun that fits better than the factory original. Consequently, he or she will be able to shoot better. Also explain to the customer that as the child grows, the gun can be adjusted by installing spacers under the recoil pad or by installing a new, thicker recoil pad to make the trigger pull longer. When the child reaches maturity, merely take off the shorter stock, and replace it with the factory original stock.

So, you can take an $80 shotgun, offer your expert advice to your customers, do 30 minutes work on the shotgun, and get $160-$200. Discount houses cannot offer this same service.

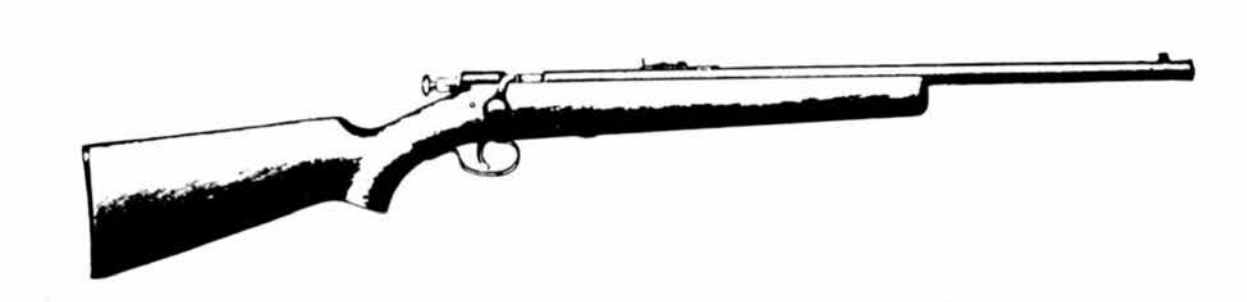


***Figure 6**: The so called "Boy's Shotgun" was once offered by American firearm manufacturers. Now, however, only gunsmiths can provide such guns.*

PRICES*

If you sell one $100 gun at 25% profit ($125) or five $100 guns at 5% profit ($105), which transaction has been the most profitable? In these cases, you made $25 profit from the sale of one shotgun marked up 125 percent. You made $5 profit from the sale of the shotgun marked up 105%, but since you sold five of the latter, you also made $25 profit from the lot. It seems that you made the same amount of money on both deals... or did you? Let's see.

Let's say you purchased the first shotgun for $100 (including shipping charges) three months ago, and you borrowed money from your local bank at 12% interest to purchase the gun. This means that by the time you sold the gun, it had actually cost you $100 plus $3 interest, for a total of $103. You cleared $22 on the gun (less operating expenses).

Now consider the five guns. Since you purchased all of them at one time, you saved $1 shipping on each one ($99 each). Therefore, the total cost of the guns was $99 x 5 = $495. You again borrowed money from your local bank at 12% interest to make this purchase. However, due to the lower price, these five guns sold in 30 days, costing you only $4.95 interest on the borrowed money, for a total investment of $499.95 for the five guns. You sold them for $525, giving you a clear profit of $25.05.

At first glance, it seems that you made about $3.00 more on the sale of the five guns. But remember, it took you five times longer to fill out the required forms, chat with the customers, etc. So did you really make more money?

You can go either way, but remember when you cut your profit down to a minimum; your volume of business has to be great. Also, if you have a problem with one of the sales, you do not have very much profit to fall back on.

We have found that few dealers can stay in business very long making less than 20% profit from sales. Consider this fact when you start pricing your guns.

**Note: The dollar amounts listed in this lesson may not be current or may only be representations of value.*

SERVICE

Your knowledge of firearms and the ability to repair or customize them puts you in a good position to sell new guns. You should be able to recommend the right load or cartridge for any game or sport, mount or adjust any type of sight, and install sling swivels. Furthermore, you should know how to modify your customers' guns to suit their needs. For example, when you sell a new rifle or shotgun, perhaps the shooter is very tall; he or she sees too much of the barrel when bringing the shotgun up to aim. You immediately know that your customer needs a longer buttstock. You also know that you can correct this situation by first using your Pull and Drop gauge to take exact measurements, and then installing the correct thickness of recoil pad onto the buttstock.

You have a better chance of selling a telescope sight for a rifle if you know how to mount it and then bore-sight the rifle. Once these two steps have been accomplished, you can instruct the purchaser how to fine-tune the sighting of the scope to suit his or her eyes.

These services increase your chances of selling new guns. Even if you make only 10% or 15% profit on the gun itself, your knowledge of recommending and installing accessories can reap dividends (Figure 7).

Your superior knowledge of firearms, along with the services you have to offer your customers, is one of the biggest advantages you possess to help you sell new guns. Use this knowledge and your abilities.

ADVERTISING

When you first start a business, you must let potential customers know about it. Advertising is the way to do this. However, most small business operators are untrained in advertising. As much as some businesspeople downplay the value of advertising, the fact remains that advertising is still a business operator's best tool for attracting customers or establishing a market



***Figure 7**: Your training gives you the knowledge to recommend and install accessories, like a telescopic sight. These extra accessories add up to more income and profits.*

and demand for a product. *Lesson 2205, in this module, contains greater detail about promoting your business.*

Effective advertising is a critical element in the ultimate success of any business. Your first question is probably going to be, "How do I start?" By following a very basic outline, any new or existing business can take the first step towards implementing an effective ongoing advertising program. Stick to that program and in time your business will become successful, because you will have become a smarter, more effective advertiser.

Step 1: **Determine the identity or image you want to create for your company or shop.**

This is not always as easy as it might seem, because it requires a great deal of objectivity. It also requires a strong commitment and a big dose of reality. For example, do you want people to think of your shop as "full service"? If so, you must be prepared to back it up with all the services they will ever want. Do you want to advertise your product or services as the most unique or highest quality ones available? Do not build a whole marketing approach around that premise if you cannot support it. Decide exactly what it is you really have to offer. Then you can decide how to package it and determine what it will take to sell it.

Step 2: **Identify your market.**

Every business should be able to identify a target group that constitutes its primary market, because that is where the business should focus the bulk of its advertising and promotional efforts. For a gunsmith, this means knowing your geographic limitations within your area — gaining access to available data on statistical profiles of prospective customers — and utilizing local organizations like chambers of commerce, libraries, and community colleges for relevant demographic studies. You cannot promote your business effectively unless you know what your market is and where it is located.

Step 3: Decide on a marketing plan.

As a gunsmith, you must decide on a method of operation because that will have a great deal of influence on how, when, and where you advertise. You must decide if your business will operate with a high volume/low price approach (like mass-production bluing jobs) or a small specialized approach (like custom stockmaking), which usually also dictates somewhat higher prices. This is a crucial decision, not only because it is dependent on the determinations you have made in the first two steps, but also because it will dictate what you do in the next step.



Figure 8: *Once you have a good product or service to offer, you must know how to promote it.*

Step 4: Establish an advertising budget.

Advertising is an investment. As with any other investment, you need to make a firm commitment if you want to see a positive return. An advertising budget provides you with parameters for your efforts. Expenditures are deliberate, well thought-out, and systematic rather than hit or miss. Figure 9, shown on page 14, provides some simple guidelines for formulating an advertising budget. You and your accountant should determine your advertising budget when you draft your annual business plan. If your accountant tends to shuffle numbers and arbitrarily cut costs, remind him or her that your advertising budget is one expense which must not be cut, because paying for sufficient advertising is as important to your business's existence as paying the rent and utility bills.

Step 5: Formulate an advertising plan.

This step is actually part of the budgeting process, but now we are talking about specific, long-term planning — just exactly how you are going to spend that money you allocated in step four. If you will also be selling guns and ammo on a retail basis, first break down your year into quarters, selling seasons, promotional periods, or months — whatever works for you. After setting aside at least 8%-10% of your advertising budget as a contingency fund to be used to pay for unplanned promotions or special advertising opportunities, divide the other 90% among those several periods. The distribution might be equal or unequal, depending on how you prioritized those time periods. Next, list all the major sales, special events, and ongoing promotions you plan to conduct during each of those periods, and allocate a portion of your funds to each.

GUNPATCH PARTS DEPOT: Have parts for many American firearms. Send S.A.S.E. for more information to R.R. 3, Box 192M, Augusta, KS 67010.

BAR-STO BARREL, .45 ACP, 6-inch match target, new, $150, Call Tony at (818) 407-0387.

GUNSMITHS

Figure 10*: A small inexpensive classified ad in a local newspaper will often bring in business.*

Eventually, you will need to be even more specific by deciding how much money to allocate to each medium you will use to promote each individual sale or promotion. But, so you do not get too confused with all those numbers and so you can keep your planning more responsive to current needs, make those final decisions and allocations one period at a time, either by the quarter, the season, the month, etc. The management of your budget will then be more efficient, and the results of your advertising will be much more dramatic.

If you start out part-time, you may want to try a classified ad like the one shown in Figure 10. As you business picks up, you can move to a display ad or online ad like the one shown in Figure 11.

CLOSING THE DEAL

You can have a good knowledge of every type of gun on the market, know how to recommend the correct loads for game or target, and know how to install sights, slings, and other accessories, but if you cannot close the deal, all your knowledge will not do you much good.

You will find that each customer that comes into your shop is different. Learn to recognize the right moment to say, "Will this be cash or charge?" or "May I wrap this for you?" or whatever it takes to get the sale. However, remember never to make promises that you cannot or will not keep. If you are honest in your dealings and give good service at a fair price, you are well on your to way to becoming a success at selling new guns.



Figure 11: *If an inexpensive ad pays off, you might want to try a display ad or online advertising.*

SELF-TEST QUESTIONS

Please check your answers on page 18.

5. *True or False*. Service goes hand-in-hand with selling new guns.
6. Name three accessories that you can install on a new gun to make extra money.
7. *True or False*. Closing a sale on a firearm is as important as knowing what to recommend.
8. What is the name usually given to a factory shotgun with a shortened buttstock?

HOW MUCH SHOULD YOU SPEND ON ADVERTISING?

This is one of the most common questions people ask. How much money should you spend on advertising? Some consultants will throw you a number like 8-10% of revenues. Some people would say that you need to spend whatever your competitors spend. Others will tell you that you should only spend what you can afford. There is also another school of thought that says you should determine your goal, and set the budget according to the goal.

No wonder why people get confused. Yes, there are lots of ways to determine your advertising budget, and each method works better than others in different types of industries, and different sizes of companies. For service businesses with annual revenues of $200,000 to $5,000,000, the method that works the best is 1-5% of revenues. You should spend 1 to 5% of your revenues on advertising.

This number is lower than what others might tell you, which is often times 8-10% of revenues. Why do we tell you to only spend 1-5% of revenues on advertising? Because there are other ways to market your business, and advertising is only one way to do it. You might need to re-design your web site to keep up with the times. You might need to create a referral contest to reward the customers that give you the most referrals. You might offer to treat every employee to dinner if customers rate you an average of 90% or above on your customer satisfaction survey. All these marketing activities require money, and they are in addition to your advertising budget.

That's why we only tell you to spend 1-5% of your revenues on advertising. This leads to the question…When should you spend only 1%, and when should you spend 5%? Here's the answer. If you want slow, steady growth, spend 1% of your revenues on advertising. If you want fast, steady growth, spend 5% of your revenues on advertising. None of these will make your company grow too fast. Your growth should be steady whether you spend 1% or 5% on advertising. So it comes down to how aggressive you want to be. If you want your company to experience fast, steady growth, put 5% of your revenues into advertising. If your goal is slow and steady growth, 1% of revenues would be enough.

There is something you need to watch out for, however. Just because you've spent 1-5% of your revenues into advertising does not necessarily mean that you've done a good job at advertising. You have to direct the money into effective advertising programs! There are some business owners that look at their advertising budget and say, "Hey! I've spent 5% of my revenues on advertising. That means I am doing a good job!" Well, not necessarily. Are they spending 5% of their revenues into effective advertising, or are they just wasting this money?

Figure 9: *How much should you spend on advertising?*

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Buying Your Stock

When we talk about "buying your stock," we are not talking about a gunstock, nor about special orders. We are referring to the merchandise you will carry in stock in your gun shop. You should be very selective in ordering items on speculation — hoping that they will eventually sell. Many firms have gone bankrupt because they stocked merchandise that would not sell. Consequently, they were forced by the courts to sell everything at public auction — usually at a great loss.

Before spending any money on merchandise to sell in your gun shop, do your homework. Visit other gun shops, sporting goods stores, and department stores selling firearms in your area. See what items these stores carry in stock. Also try to determine what is actually selling. If you can stay in a store for a while, you can learn by watching the customers' reactions to guns offered, and ultimately, exactly what the customers buy.

Another way is to take mental notes of what other stores are carrying in stock. Then go back a week or two later to see if the same items are there.

CASH OR CREDIT?

Many gunsmiths like the freedom of paying cash for everything. This way they are not under as much pressure during times when business is slack. However, most people who are expanding their business will eventually have to use credit to purchase items. Many firearms suppliers will give credit to approved individuals with no interest or carrying charges for a period of 30 days; some even longer. Consequently, you can use this to your advantage; that is, you are not required to borrow money from a lending institution at a high interest rate to stock your business. However, in doing so, always proceed with caution. If you buy too many items on credit (more than you can sell within a reasonable time) you can get into financial trouble.

One of the best ways to stock your business without investing too much money is to offer to sell used firearms on consignment. A classified ad in a local newspaper could bring in dozens of firearms. Selling on consignment means that an individual gives you a gun or guns to sell for him or her. You are responsible for the guns during the time they are in your possession. You then try to sell the guns for the individual at an agreed-upon price. When the guns are sold, you pay the owner of the gun what you received, less a predetermined amount for your services, which is usually about 15 percent. In other

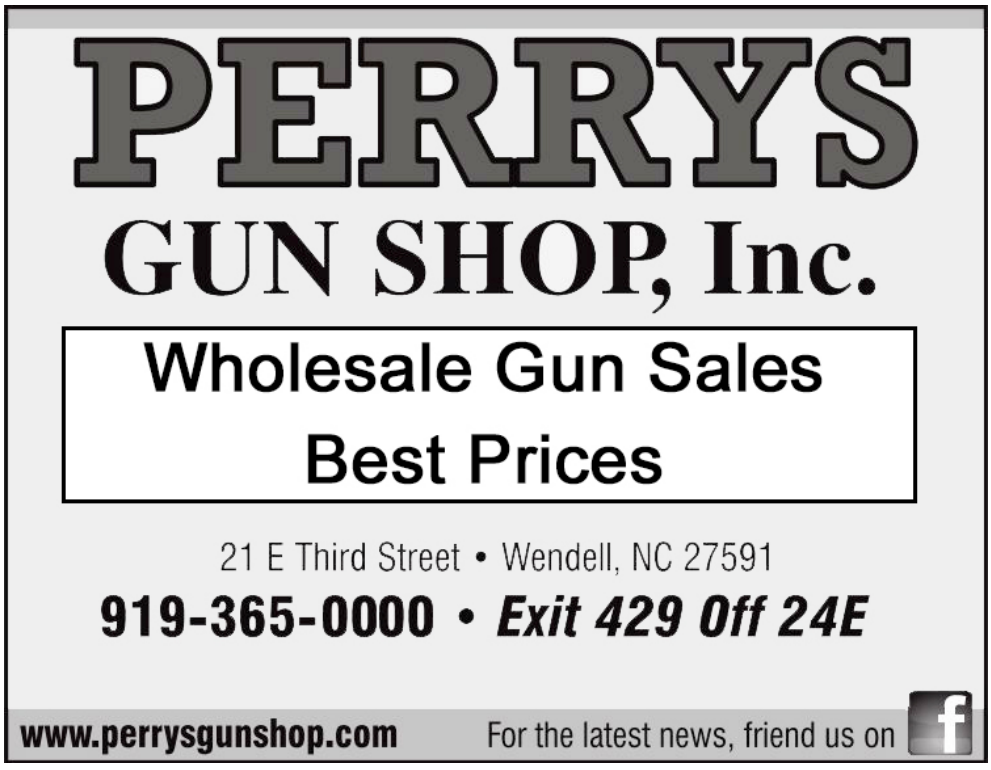


Figure 12: *Check the ads in shooting publications for a list of firearm suppliers.*

words, the gun's owner is paying you a commission for selling the gun. You are responsible for keeping the guns in good condition and protecting them from fire and theft. In return for your services, you get a commission of 15% for selling them.

Obtaining guns on consignment may not be as easy as it sounds. Before most people are going to trust you with their guns, you must first build up a good reputation. However, once you have built a good reputation, taking guns on consignment is a good way to stock your place of business with a minimum amount of cash outlay.

FINDING THE RIGHT SUPPLIER

Firearm suppliers, like some gun dealers and gunsmiths, do not always deliver when they promise. You will want to find a firearm supplier who gives you good service and competitive prices. This may require a certain amount of research.

You can find a jobber or supplier of firearms and related accessories by contacting the manufacturer of the product you desire. They will give you the name, address, and phone number of the closest supplier to you. However, the closest supplier may not always be the best. Check in shooting publications like *Shotgun News, Gun List, Shooting Industry*, etc. for various jobbers and suppliers. Many have ads in these publications along with prices of various products. This is one way to cheaply compare prices without running up your phone bill (Figure 12, on page 15).

You will then want to try some of these suppliers to see how they deliver. Eventually, you will find one or two suppliers who meet with your approval, and you will not have to worry about others unless you need to order a special product that your normal supplier does not carry.

Here are a few things to avoid when choosing a gun supplier:

- **Beware of suppliers who give your competitors better prices than they give you**. Sometimes a supplier has a favorite gun shop for one reason or another, and will give this gun shop an additional 10%-15% discount. It will be hard for you to compete if you must pay more for your merchandise.

- **Beware of broken promises.** If you order something for a customer, and the supplier gives you a shipping date, your customer is going to expect the item a few days after this date. If the ordered item is very late, your customer may purchase it from another dealer and never come back into your shop. There are times when shipment delays are unavoidable. However, if delays happen frequently, it would be a good idea to look for another distributor.

When buying guns and related items for resale, always watch for special sales. Most distributors have such sales one or two times a year, and if you have the money to invest, you can often save a lot by purchasing items you need during these times.

Listed below are a few reputable firearm suppliers:

RSR Group, Inc.
New York Sales Center
20 Cederfield Commons
Rochester, NY 14612
(800) 458-4867
rsrgroup.com

RSR Group, Inc.
Texas Sales Center
1010 Avenue J East
Grand Prairie, TX 75050
(800) 752-4867
rsrgroup.com

RSR Group, Inc.
Florida Sales Center
4405 Metric Drive
Winter Park, FL 32792
(800) 541-4867
rsrgroup.com

RSR Group, Inc.
Wisconsin Sales Center
5321 N. 118th Court
Milwaukee, WI 53225
(800) 832-4867
rsrgroup.com

RSR Group, Inc.
Nevada Sales Center
4878 Sparks Blvd., Suite 100
Sparks, NV 89436
(800) 634-4867
rsrgroup.com

Lipsey's
P.O. Box 83280
Baton Rouge, LA 70884
(800) 666-1333
www.lipseys.com

SELF-TEST QUESTIONS

Please check your answers on page 18.

9. ***True or False*. All firearm distributors operate about the same, so there is no need to shop around.**
10. **Which normally gives you the most independence — cash or credit?**
11. ***True or False*. You should be very selective when stocking merchandise in your gun shop. To do otherwise is inviting trouble.**
12. **Name three shooting publications in which firearm distributors advertise.**

Answers to Self-Test Questions

1. False.
2. Service and/or firearm expertise.
3. False.
4. Weatherby, Inc.
5. True.
6 Telescope sights, rifle slings/swivels, and recoil pads.
7. True.
8. Boy's Shotgun.
9. False.
10. Cash.
11. True.
12. Shotgun News, Gun List, and Shooting Industry.

Lesson Questions

THIS IS LESSON NUMBER 2209.

Make sure you print your name, student number, and lesson number in the space provided on the Lesson Answer Form. Be sure to fill in the circles beneath your student number and lesson number.



REMINDER: A properly completed Lesson Answer Form allows us to evaluate your answers and send the results and additional study material to you. Do not hold your Lesson Answer Forms to send several at one time. You may run out of study material if you do not send your answers for evaluation promptly.

You may also complete your exam online at www.sdi.edu, click on the *online exams* tab.

1. **Due to current laws, which of the following statements is true concerning the pricing of firearms?**
   a. Manufacturers dictate the exact retail price that must be charged for a firearm.
   b. Manufacturers can only suggest a retail-selling price.
   c. The ATF stipulates the prices on all firearms.
   d. Local state and city governments stipulate firearm prices.

2. **What is one of your greatest assets when it comes to selling new and used guns?**
   a. Offering ammo for the guns you sell.
   b. The ability to charge as much as you like for a new or used gun.
   c. The ability to discount your guns, making only a small profit.
   d. Your knowledge of gunsmithing allows you to offer service on the guns you sell.

3. **Which of the following allows you to compete strongly with the discount houses?**
   a. Taking used guns in on trade.
   b. Never trade in used guns.
   c. Selling only used guns.
   d. Not selling new or used guns; sticking to servicing only.

4. **Which of the following is good advice when stocking new guns in your shop?**
   a. Stock only big-bore handguns.
   b. Stock only rare, hard-to-find firearms.
   c. Stock popular models of guns — those that will move (sell) fast.
   d. Stock only .22-caliber automatic pistols.

5. **Which of the following statements are true?**
   a. Location has very little to do with a gun shop's success.
   b. Location has a lot to do with a gun shop's success.
   c. Location is only important during hunting seasons; at other times it makes no difference.
   d. You should locate your shop as far away as possible from any discount house.

6. **Which of the following is the most popular shotgun for use in the United States?**
   a. Side-by-side double-barrel.
   b. Over/under double-barrel.
   c. Drilling.
   d. Slide-actions and semi-automatic shotguns.

7. **What is the nickname given a shotgun with a shortened stock (trigger pull)?**
   a. Combed stock.
   b. Boy's shotgun.
   c. Hall shotgun.
   d. Remington shotgun.

8. **What is about the minimum profit that a gun dealer can make and still stay in business for any length of time?**
   a. Ten percent.
   b. Twenty percent.
   c. Thirty percent.
   d. Forty percent.

9. **What is the best way to let potential customers know that you are in business?**
   a. Call all your friends.
   b. Write to all holders of hunting licenses in your area.
   c. Advertise.
   d. Rent a large building.

10. **When considering advertising, which of the following should you do first?**
    a. Identify your market.
    b. Decide on a marketing plan.
    c. Establish an advertising budget.
    d. Determine the image you want to create.