

# **To Boutique or Not To Boutique in a Small Market?**

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## **Abstract**

*This case study is about the establishment of a “boutique” retailer in a small town in East Texas. The boutique specializes in medium to higher end women’s ready-to-wear.*

*The case opens by describing the town and its markets and the surrounding trading area, the nature of competition, and some information about the relevant demographics and psycho-graphics of the population. The owner’s human resources and marketing mix decisions are included in some detail along with her policies and budgeted amounts necessary to implement these decisions.*

*Two unique features of this case are 1) the interaction between the store owner and the small town government in the area of retail store requirements, rules and regulations, and 2) the store owner’s extensive and apparently successful use of Facebook and other social networking sites in her marketing mix.*

*This boutique retailer has been in operation for a year and a half and seems to be doing quite well, so far, but can she successfully continue with this “boutique” strategy? Some up-to-date numbers from her financial statements will be included as evidence of the store’s progress. Also, some teaching notes will be included for those instructors who might want to use this case in the class room.*

## **Introduction -- The Community**

The boutique retailer (Lady’s Boutique) is a full-service, but small inventory, business in a small town in the Southwest. The town has a population of about 33,000 with around 61,000 in the county. A regional state university with a student population of approximately 12,500 is also in the town and serves as its second largest employer. The largest employer is a chicken processing plant on the South side of town. There are several medium-sized manufacturing facilities in the area, as well as a medium-sized medical community.

Other facts, that help describe the town and the county, are relevant to this retailer. There are about 11,600 people living in the county who are between the ages of 18 and 24. This group mostly consists of college students and constitutes a relatively large pool of labor for retailers in the area. The median annual household income in this county is \$27,271. Also, only about 22 per cent of the 22,500 (4950) households in the county have incomes above \$50,000 per year. This last number is relevant because this boutique is positioned in the market as a retailer who offers the atmosphere and service that might appeal to people of that income level.

The town is about 20 miles from another county that is a little larger (82,000 people) and wealthier (at least, in terms of income). This contiguous county's median annual household income is about \$5,000 more at \$32,004. That county has about 25% or 7350 households with \$50,000 or more of income. This other county needs to be considered in our boutique's business plan because the two together are really one trading area for this specialty (or shopping) product. The towns, considered together, are about one or one and a half hours driving time from any other larger town, so this trading area is rather isolated and more rural in nature.

### **Lady's Boutique–The Overall Strategy**

Who is the target market? Mostly, this store is designed to appeal to young professional women of all ethnic backgrounds, even though Caucasian women make up the majority. At one point in time, she experimented with trying to attract the men's segment, but she didn't detect much interest, so she just concentrates now on the women's segment. About half of her customers are college students.

Most of Lady's customers come from the local small town, but about 20 to 25 per cent come from the town to the south which is about 20 miles away. Another town, which is about 40 miles away, contributes 10 per cent of the customers.

Her major competitors in the trading area are Spin-out, the Buckle, Apricot Lane, Fashion Shop, The Loft, and The Town House. This last one is in the same town, but may be considered an indirect competitor because it appeals more to an older and wealthier clientele.

### **Lady's Boutique Marketing Mix and Competitive Edge:**

#### **Products**

The products are clothing, some accessories, and a few luggage items. The owner handles very little depth in any one product line because she tries to sell "one of a kind" merchandise to each customer. She keeps track of what each customer buys, and tries not to sell very much of the same thing to two people. She also has very little old merchandise in inventory because she orders and sells in very small quantities. She handles sizes that range from 25-34 (ladies XS-L, or 2/4-10/12) only.

#### **Pricing**

The prices range from \$20 for some accessories to \$200 for some brands of jeans. These price points are about mid-range given the brands offered and the small/rural town location. One of the competitors is much higher priced, so Lady's Boutique is not the highest priced and other competitors offer more of the "value" brands.

#### **Distribution**

Lady's operates from a store that is only 800 square feet with one dressing room and a little stand up desk that is used for a check-out counter. She is open Monday through Saturday,

10 a.m. until 5:30 p.m. This boutique retailer is located on one of the best streets for many retail locations because it is the business section of highway 59, which is a major traffic artery in Texas. Also, the store is about a mile from the college campus.

## **Promotion**

In terms of personal selling the owner is in the store almost constantly, and she employs two women part time. They are all about 20 to 25 years old, and to work, they wear the clothes that they sell.

Advertising for the store consist of a simple listing in the local phone book (no display advertisements), and the owner uses business cards for information and contact purposes. Also, two or three times a year she places an advertisement on one of the local radio stations, and once a year she has a Jon Hart trunk show/sale. Jon Hart is the brand of luggage sold in this boutique.

As of this date, her store has no specific web site, but she will consider a web site later if she deems it necessary. The lack of a web site does not mean Lady's Boutique is not on the internet, however.

A major form of promotion for Lady's Boutique is her use of a Facebook page. As a matter of fact, the owner estimates that about 30 % of her sales come from her interactive use of Facebook. Facebook makes sense as a medium for this retailer when considering what she is marketing, where she is located, and the market segment she is trying to reach. According to Larissa Philpot, a city planner, "Part of Facebook's draw for businesses is that it's a place where retailers can connect with teens and young adults, one of the hardest demographics to reach." They are hard to reach ". . .because they don't read the newspaper or go through our traditional means of networking." (Lansdale, 2010) Facebook has become a very effective medium in reaching not only the college students that make up over half of her customers, but also a good portion of the rest of her customer base.

The number of Facebook users has been growing among all demographics; however females and "older" demographics are currently the fastest growing segments. Approximately 45% of Facebook's U.S. audience is 26 years or older, and while the fastest growing age group by total users is still in the 26-34 demographic, the over 35 age group now makes up over 20%. (Smith, 2009) Additionally, over half of the active users log onto Facebook on any given day, spend over 55 minutes a day (average user), and become a fan of five pages a month. The owner of Lady's Boutique estimates that she has about 1,000 Facebook fans currently. While Facebook is proving to be one of the least expensive, yet potentially most effective media that she could use to reach her target market with information and promotion of her products, is her overall approach a good idea?

## **Financials**

Lady's Boutique showed a profit the first year (the store has been in business for two years), but she hasn't done that well this past period. Here are some figures that allow for some comparison for two periods.

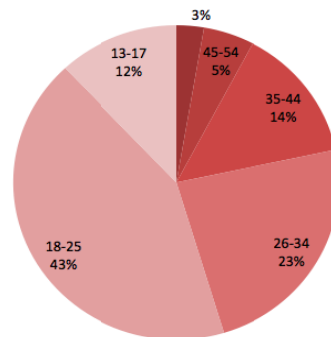
	<u>August, 2009</u>	<u>August, 2010</u>
Sales	\$128,140	\$94,172
Cost of Goods Sold	\$71,552	\$85,670
Gross Margin	\$56,628	\$8,502
Total Expenses	\$32,274	\$29,113
Net Income/Loss	\$24,354	<\$20,611 >

So the question remains, “To Boutique or Not To Boutique in a Small Market?”

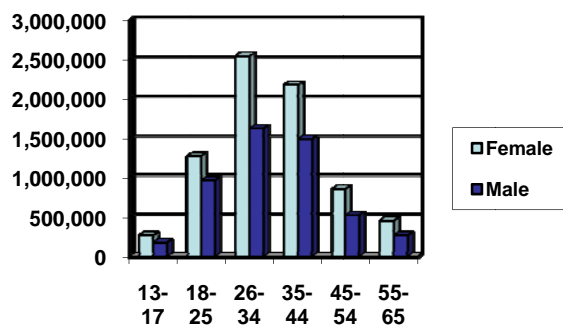
Teaching Notes:

1. – Was a boutique approach in this limited market a good decision?
2. – Given the target market, what do you think of the reliance on Facebook?

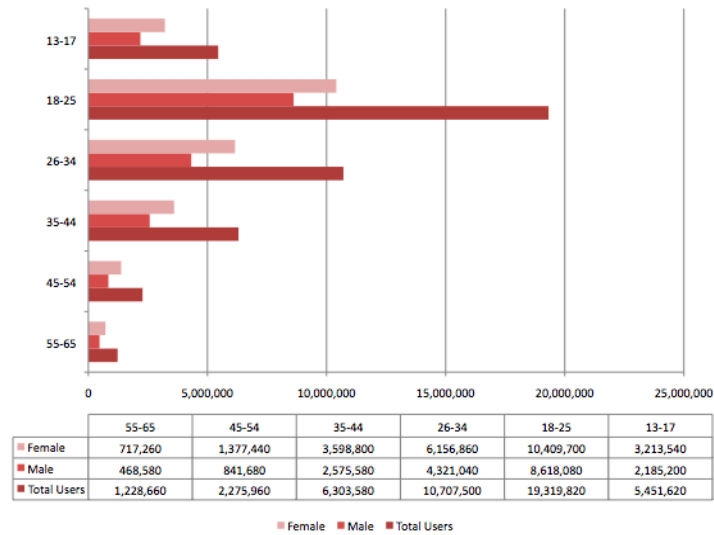
Age Distribution of Facebook Users (Facebook: Facts and Figures 2010)



Facebook US Audience Growth Rate for Past 120 Days (Inside Facebook)



## Facebook Users by Gender and Group (Facebook: Facts and Figures 2010)



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