

Group Marketing Report

Business 2299E

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Executive Summary

The company, David E. White, is looking at expanding its operations via one (or a combination) of several options. Status Quo: simply doing nothing and let the company's sales growth follow the market trend of the Canadian menswear and apparel industry. Custom Suiting Showroom: repurposing the art room into a showroom for displaying and selling custom suiting options. Executive Clothiers: door-to-door sales reps that would visit homes and offices to assist customers pick and order suits, shirts, and accessories. Fix the website: Modify the website to make it more appealing and user friendly. Finally, selling the company, which will not be considered for this report.

Due to the financial risk of the custom suiting showroom and the low profit margin for the website, it is recommended that David E. White invests in Executive Clothiers. Not only do they have a high profit margin, but they also have a very low financial risk associated with their investment.

Introduction

David E. White Clothiers is looking into their options for growing their business. The options that will be explored and analyzed in this marketing report are going to be a custom suiting showroom, executive clothiers, and fixing their website.

Analysis

Internal

The current financial state of David E. White Clothiers is in good standing. They are making profit of about 5% of their total sales. This will allow the company to not only maintain itself, but also promote growth for the company.

The company's current marketing budget is that of only 0.5% of their total sales which lends to \$5000 spent on marketing in the year of 2012. The average spending on public traded companies was almost always above 5% of total revenueⁱ. David E. White Clothiers has spent very little on marketing, which shows that their marketing may have been limited by finances thus far. This can be improved upon by being viewed as an investment rather than a cost.

David E. White Clothiers has managed to secure a core customer base in the London community. White Clothiers is known for their combination of carrying top brands with a highly personalized service that is reminiscent of White's early retail sales experience in menswear. The sales team in place at David E. White Clothiers are not simply sales associates, but rather experts in suiting able to share advice and knowledge on all aspects of the attire.

The company purchases inventory twice a year for the spring/summer, and again for the fall/winter seasons. The turnover for the product was approximately 2.5 times per year. David E.

White Clothiers used between 15-40 suppliers depending on their product and style needs. The company ordered quality products and had good relations with their suppliers but had to have accurate forecasting to allow for maximizing the value of the product ordered.

The company, while securing its core customer base in London, has also participated in many local fundraising events. Alongside this community recognition, the staff of the store are many long standing employees who have displayed their commitment to the company by relocating with the store over 100 kilometers.

External

A PEST analysis lends to the fact that David E. White Clothiers is very unlikely to be affected by political change over the upcoming years as the clothing industry relatively unaffected by this in Ontario. With inflation it is quite likely that the cost of good sold will likely increase. An anticipated increase in menswear and apparel was expected although at a slightly lower rate than that of the United States.

Much of this growth in the market has been attributed to changing social trends. The rise of social media has brought many men to value their appearance more and has greatly affected the desire of the millennials and middle aged men to take a keen interest in their appearance. This increase is expected to continue as social media continues to gain presence up to an 11% growth in the market over the next 5 years.

A marketing challenge that was expected was that of online shopping. With the internet being a primary resource for many, shops have migrated to partial online stores or some have even completely moved to online storefronts from physical. This change to online would be relatively easy as White recognized it's happening and had begun adopting an online store for

sales much like his competitors.

Three main competitors have been identified: local independent retailers, online retailers, and major menswear retail chains.

Channer's was the most prominent of these boasting 25 employees and a large selection of both men's and women's apparel brands. Channer's also took a marketing initiative and sponsored the local semi-pro hockey team, the London Knights.

White also faces online competition, in particular, from Indochino. Indochino is a company that requires customers to send in their measurements and would in turn send a tailored suit along with alteration credits if needed. The suits are however of a lower quality than those typically sold at White Clothiers and has an inconsistent fit.

The final major competition comes from major retailers such as Moore's which has a major market capture of \$2.8 billion. The company advertises through a wide variety of channels and offers affordable suits ranging from \$200 - \$600. The employees are often employed part time instead of permanent and alterations are not an option at the store.

The customers of White Clothiers are typically divisible into three groups: senior professionals, professionals, and students.

Senior professionals are often aged between 40 and 65 with higher caliber jobs including lawyers and health care professionals. They typically are looking for high quality not only in the suiting but also in the service provided. These senior professionals have a high disposable income and tend to garner large but infrequent sales.

Professionals are usually aged between 22 and 40. They are often entering into a career and have limited disposable income. They often desire the best mix available of affordable and

quality. They require advice on style and also seek discounts when possible. This group of customers are also more adept to make small purchases using the online store and reserve visits for larger purchases.

The final group of customers are the students. They are often accompanied by a guardian and have very little experience or brand loyalty. They are the most likely to shop online and exhibit a strong desire for the most affordable options.

Target Market Selection

Out of the three types of customers; senior level professionals, professionals, and students, the most efficient category to focus on would be the professionals.

Senior level professionals know exactly what they want and tend to be willing to purchase a large amount on specific brands. This is mainly due to their tendency to be loyal to a single suit brand. Expanding the store by adding in a show room will provide more information on types of suits, but they probably already know the type of suit they prefer. Knowing that we carry a specific brand will bring in the senior level professionals into White's store, so hiring sales people in hopes of improving sales from this category will probably have little to no effect. Improving the website will also have little to no effect as senior level professionals tend to go in-store rather than shop online. Therefore, no action is needed in order to maintain the income from these customers.

Students tend to purchase suits on very rare occasions, and tend to look for the best deals as they have little to no money. Any attempt at improving sales for students will probably have little to no effect as students simply cannot spend money they do not have.

Professionals are the people that need suits within a short period of time. Because they are

employed or looking for employment, they also tend to have money to spend; especially on work-related goods such as suits. Professionals tend to not have developed brand loyalty yet and require assistance with selecting suits. Having someone in-person assisting with suit selection will improve suit selection and production, but will also build store loyalty. As the professionals develop their careers and become senior level professionals, White's employees could try to develop brand loyalty with the customers as well; however, it may be useless unless White carry's an exclusive brand.

Professionals shop both online and in-store so the store expansion and website maintenance expenditures should improve the income from them. However, as noted below in Financial Analysis (page 9), the store expansion is a very high risk. The third option of bringing the store to the customer would also work as they are the most-frequent purchasing group out of the three.

Market Plan

Price

There are two main costs involved with this marketing plan, and the first one of those is a roughly \$2,500 contribution towards redesigning the company website. This is a rough estimate, of course, as the actual cost could vary based on far too many variables to reasonably consider. The primary expense involved with hiring salesmen would be the cost of placing a year-long ad online, which consists of a one-time payment of \$4,600. Some other prices to consider are the sample kits that each salesman would be required to purchase upon hiring. Each kit would cost around \$475 to produce, and the salesman would pay \$500 in order to cover this. On top of the sample kit, the company would also provide a set of 100 personalized business cards, totalling roughly \$25. White also plans on offering each salesman a chance to have their own

personalized website, though the cost for this would be negligible if it were to be hosted on the company's preexisting server. The product pricing would be roughly the same as in store with an added charge for delivery.

Product

The product that will be marketed by White's salesmen would be the very same product that is offered in store. The somewhat of a disadvantage that comes with not being able to physically hold each product during the sale process will be balanced out by the convenience of meeting the salesman in the comfort of one's home. The sample kit that each salesman carries with them will contain swatches of some of White's more common materials and colors so that the customer can get a sense for the look and feel of their suit before they commit. In the same spirit as White's in-store employees, each salesman would also be an expert fashion advisor and could help their prospective customer by providing advice and recommendations along the way. To this end, the goal of this marketing plan is to bring the same quality of service that people have come to expect from White's Clothiers to the living rooms of professionals across the country.

Place

The main appeal of this marketing plan is the convenience of its location. Instead of shopping around at several locations to try and find the right style, fit, and price, the customer can sit down one-on-one with an expert on fine menswear in the comfort of their own home.

Promotion

As with most in-home salesmen, the most effective promotional plan for this marketing strategy is word of mouth. It will be up to each salesman to promote their own business

individually, however, so it will greatly benefit them to set up some sort of online presence and to network among the professional community. Once a salesman starts to produce happy customers, then they will likely refer their friends and co-workers to the same salesman that helped them pick out the perfect suit. On top of this, White will also have a section on their website which will allow customers to find and contact sales reps in their area.

Financial Analysis

There are 3 main options presented in this case. David E. White can either expand his store and add in a show room, improve his website, hire door to door sales reps, or a combination of the three. White can also simply do nothing and let the company ride the market trend. The last option, sell his company, is an option; however will not be considered in this report.

The investment that would have the highest risk would be to expand the store by adding in a custom show room. This would involve repurposing part of the building designed to showcase art into displaying custom suiting options. The renovations in total would cost \$30,000; however, the income would only improve a small amount. 80% of customers would spend \$695 on a suit and \$165 on a shirt, 20% of customers would spend \$1,000 on a suit and \$250 on a shirt, and an additional \$250 each month in accessories.

Even though the market is trending upwards and the show room is close to guaranteed to bring in some form of additional income, White only has \$26,500 in cash (see Balance Sheet, page 12). In the event that the show room fails to produce sufficient income, White will need to rearrange his balance sheet in order to keep his company stable. This may include reducing inventory, reducing the age of his accounts receivable, selling assets, and more. For the amount of additional income it would produce, having to risk reducing his operation is not worth the

trouble.

After looking up the website, David E. Whiteⁱⁱ, and assuming this is the same website seeing as though one of the locations listed on the website is London, patches would be beneficial. Currently the website has a lot of design, performance, and user interface issues. The navigation bar does not sit flush with the top of the screen when the user scrolls down, a red bar appears over the bottom of an image of a selected item with no context, and the text is hard to read under the Executive Direct page at the bottom to name a few design issues. Pages simply take a very long time to load due to all the large images and animations. Finally, the wedding page's navigation bar is different from the other navigation bars, the Men's navigation button title is ambiguous seeing as though White's is clearly a men's store, and the option to book an appointment is burried away under grooming. Worst of all, it has a security certificate error which will deter skeptical and non tech-savvy customers.

The website, assuming that the developer would only modify the css files in order to fix the layout, might take 100 hours to complete. At an estimated rateⁱⁱⁱ of \$25 / hour, fixing the website would cost \$2,500. The company has enough cash in order to pay this off easily (10.6% of cash), the amount of income would be less than the next option; hiring sales reps. This option may be considered if hiring the sales reps is successful.

Hiring sales representatives appears to be the best option for the company as there is little overhead, and has the greatest potential for increasing the amount of sales the company makes. For each new sales rep, as long as the clothing samples that are sold to them within their kit is less than \$475, each sales rep will never come out as a loss. This analysis looks at two different time periods: the first year, and the second year.

Within the first year, the company will have to spend \$4,600 once in order to put up an advertisement for the sales reps. David estimated that the sales generated from these reps would be \$1080 / month / rep; so to put it in perspective, one representative would clear the turn around time for the advertisement investment within 4.5 months. These representatives also need a starter kit. Each kit consists of business cards (estimated to be \$25 / kit^{iv}), a website (\$0 as it could be a subdomain of the main website), and then clothing samples. The company clearly is not planning on making a profit off of the clothing samples, so as long as they are around \$475, each sales person's kit will be negligible to their investment. Projecting half way between David's best case scenario and the worst case scenario, the revenue from the sales reps would be \$59,400. Assuming that there's a 30% retention rate on the employees after the first year, the probable revenue for the second year will be \$129,600.

The sales reps, if they are successful, have the shortest turn around time and increase the profits for the company by the greatest amount. Even in the worst case scenario where the advertisement is put up and no one sees it, there is a \$4,600 loss which is only ~17% of the amount of cash on hand; a very low risk.

Conclusion

After analyzing the main three customer categories and the main three alternatives for growth, the best option would be to invest in executive clothiers. This option is the best as it has the lowest amount of financial risk; only ~17% of cash on hand, and it has the greatest profit margin with the lowest turnaround time out of the other options.

BALANCE SHEET

As At December 31, 2012

ASSETS

Current Assets:

Cash	\$	26,500	
Accounts receivable		23,255	
Inventory		419,433	
Prepaid web hosting		<u>12,000</u>	
Total current assets	\$		488,388

Fixed assets:

Computer equipment		15,500	
Store fixtures		85,900	
Operational equipment		26,450	
Office equipment		2,908	
Accumulated depreciation (all assets)		<u>(28,350)</u>	
Net fixed assets			<u>102,408</u>

Total assets			<u>590,796</u>
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LIABILITIES AND EQUITY

Current liabilities:

Accounts payable		112,345	
Income taxes payable		9,500	
Notes payable		<u>48,458</u>	
Total liabilities			170,303

Equity:

Shareholders' capital		25,000	
Retained earnings		<u>395,493</u>	
Total equity			<u>420,493</u>

Total liabilities and equity	\$		<u>590,796</u>
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- i Brady, Sarah. "What Percent of Revenue to Spend on Marketing Budget?" *Vital Design*. Vital, 05 June 2015. Web. 10 Feb. 2016.
- ii <https://www.davidewhite.com/>
- iii <http://www.payscale.com/research/US/Job=Webmaster/Salary>
- iv 100 business cards