STYLE INC CASE STUDY

1. **Describe the market for bespoke tailoring services in Toronto, Canada, as outlined in the case. What are the barriers to entry in this business and the competitive levers at work?**

Toronto was the largest city and one of the fastest-growing cities in Canada. The centre of the city houses the Financial District, which contains the businesses and institutions of the main customers of bespoke tailoring services - business executives and professionals, and experiences heavy foot traffic. The market is dominated by several bespoke tailoring companies which have global sales, including the online giant IndoChino (CA$10 million in annual revenue), as well as local firms with niche product offerings and renown like Garylin Tailoring, and those with multiple retail locations in major cities like Phillip Thomas.

Due to the nature of the business and market, there are significant barriers to entry involved:

- High startup-costs in level of skill and craftsmanship required
- High cost of quality materials
- Strong branding required to attract and retain customers
- High competition from established players
    - Difficult to compete with brands with an established niche product offering (Garylin Tailoring), long-term loyal customer base (Phillip Thomas)

However, there are also various possible competitive advantages to create in order to stay within the market:

- Differentiating product offerings through a niche or superior quality
- Providing exceptional customer service
- Building a strong brand and loyal customer base

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2. **Analyze and comment on the current state of Style, Inc.'s operations. Offer a brief SWOT of Style, Inc.**

Style Inc. is unique in its personalised services and diverse offerings that have rewarded strong customer retention, while keeping costs low with no retail storefront that have resulted in higher-than-industry profit margins and a healthy cash flow. It also enjoys strong operational efficiency by arranging specific sizing days at locations with high density of customers. The process is heavily streamlined: products will be custom ordered and made, with its wide choice offerings, shipped with an overseas supplier and a pick-up date will be arranged for the customer to try and take home. They offer special alterations through designers and tailors to ensure customer fit and establish excellent quality service that further builds consumer loyalty. However, the industry is becoming increasingly competitive with new entrants and shrinking profit margins have required them to reconsider their pricing and product options.

Strength	**Weakness**
Very strong financial foundation, healthy cash flow Quality service Cheaper alternatives that value quality compared to market competitors Unique cost control and low overheads by having no retail storefront which is also convenient for customers Wide array of product offerings provide the benefit of choice for customers	Potential lack of physical presence Heavily dependent on specific processes (sizing days) and logistics Many product offerings to manage and control, can result in oversight or operational inefficiencies
Opportunities	**Threats**
Launching new lines in other downtown areas with a similar business model Leveraging technology to improve the customer experience, such as through virtual fittings or online ordering platforms, could expand the market reach.	New or existing entrants increasing competition puts pressure on prices and profits Supply chain and logistics issue can be a detriment to them Tailoring services that are external to them can be additional variable cost A shift in consumer preferences towards fast fashion or off-the-rack clothing could reduce the demand for bespoke services.

3. **Calculate the unit contribution, total $ contribution and contribution margin for each of Style's seven clothing lines. Do any of the products earn a contribution margin rate lower than the company's targets of 35% contribution margin and $25,000 minimum $ contribution? Could any of the underperforming lines be improved with price increases?**

	Shirts				Suits		
Items	**Classic**	**Premium**	**Executive**	**Coat**	**Classic**	**Premium**	**Executive**
Retail Selling Price	$75.00	$95.00	$125.00	$395.00	$475.00	$625.00	$850.00
Percentage of Total Sales	5%	15%	15%	10%	15%	15%	25%
Tailoring Costs	$7.50	$9.25	$10.75	$28.35	$25.50	$29.00	$33.10
Shipping Costs	$48.50	$58.75	$69.25	$181.65	$163.50	$186.00	$211.90
Unit Contribution	$19.00	$27.00	$45.00	$185.00	$286.00	$410.00	$605.00
Total Contribution	$30,000	$90,000	$90,000	$60,000	$90,000	$90,000	$150,000
Contribution Margin	25%	28%	36%	47%	60%	66%	71%
Below 35% contribution margin?	Below	Below	Above	Above	Above	Above	Above
Below $25000 Total Contribution?	Above	Above	Above	Above	Above	Above	Above

The classic and premium shirts are below the 35% contribution margin. They can both be improved with price increases, to $87 and $105 respectively, to hit the 35% contribution margin. However, the $105 price point will be within Garylin Tailoring's prices which would put them in direct price competition - Style Inc. may not enjoy the sales volume brought about by a more competitive price point.

4. **Based on your analysis of Style Inc. and using facts available in the case, what are your suggestions to management on how to maximize profitability for the upcoming busy Fall season and help position Style Inc. for success longer term?**

Style Inc. may not be inclined to pursue an alternative pricing strategy given that most of its products meet the 35% contribution margin. Should they decide to increase the price of the two lower end products to reach the 35% margin, they would likely have to fork out significant sales volume for the products that already represent the lowest end of total sales. Removing them from the list of product offerings may not be an ideal decision either, as the price point is likely a much appealing factor for its lower-income customer base, such as their base of fresh graduates or new hires in the financial district.

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Instead, we can consider using non-pricing strategies to boost total sales volume for these products. For instance, the bundling of lower sales items for discounts such as a classic shirt and coat can help boost sales, especially in conjunction with appropriate marketing (such as a “Fresh Graduate” bundle sale) could prove attractive to raise demand for its lower-end items.

We could also seek to lower the variable costs of all its items due to the high shipping fees that are required. Consider how the coat has almost half of its cost spent on shipping fees. Style Inc. would greatly benefit from a re-assessment of its logistics to look for reduced costs in its shipping that would improve its profit margins.

Nevertheless, the $5,000 spent on advertising after dropping a discontinued clothing line would be a relatively small amount given its healthy cash flow and financial situation, and could boost sales and profits in the long term.