

The Case

The Background

Renaissance Gifts and Interiors (RGI) provides the Robertson County community with unique and personable gifts. The store is located in the historic downtown district of Springfield in an attractive row of storefronts. Customers access the store via the city's main thoroughfare. Ample parking exists in front of the store. Customers visit the store, select from a wide range of gifts, have the selection gift-wrapped, and leave. The owners, Norma L. Jones and Jennie J. Justice, chose the current location with traffic, respectability, and convenience in mind.



There are 56,083 people living in Robertson County with 66% of the population older than age 18. The county seat of Springfield's population totals 14,329. The average income for a resident of Robertson County is \$43,174. There is an average growth rate of 3% for the county. The homeownership rate is 76%. Robertson County consistently outperforms the state in the above categories.¹

RGI is classified as a small business with Norma Jones, Jennie Justice, and several part-time sales associates on the payroll. Norma Jones operates the business on a full-time basis. Her duties include paying monthly bills, ordering new products, stocking the floor, arranging

¹ These statistics were taken from the 2000 Census at <http://quickfacts.census.gov/qfd/states/47/47147.html>.

displays, assisting customers with purchases, and maintaining the bridal registry. Jennie Justice operates the business on a part-time basis. Her duties include selecting marketing promotions, ordering new products, stocking the floor, arranging displays, assisting customers with purchases, and maintaining the bridal registry.

The part-time sales associates stock the floor, assist with arranging displays, assist customers with purchases, and man the register. Current employees were screened by Norma Jones to determine a cultural fit with the owners' values. Some of the current employees are middle-aged women from the community. Others are younger women attending college or high school.

RGI operates from one leased retail space (approximately 1500 square feet no including store room). The space is divided into four areas: a large room in the front used for retail, an office with a counter, a room about the size of the office used for retail (these two rooms are located side-by-side in the middle of the store), and a store room in the rear. Traditional elements in the space include shelving and tables for displays, and a counter for the register. Some special touches have been added such as chandeliers instead of fluorescent lighting, a mock fireplace, and plentiful wood molding and trim. The front of the building holds two large windows for display purposes with the main entrance centered between them. As a small business, RGI is subject to OSHA regulations. The company must also comply with all federal and state tax laws for small businesses.

Current Strategy

RGI has one major market segment: a customer looking for a gift for almost anyone for almost any occasion. Customers are predominately female but the store does carry male-oriented gifts. RGI's products include home accessories (lamps, vases, pillows, candles), tabletop

accessories (china, flatware, stemware, linens), baby gifts (bibs, gowns, rattles, stuffed animals), children's gifts (frames, jewelry, toys), women's gifts (toiletries, jewelry, ornate purses), and men's gifts (clocks, trivets). The owner's consider each area of the product line to be a strong point for the store. Almost all of the market segment targeted live in Robertson County.

Customers expect a wide range of unique gifts when visiting the store. They require expertise and friendly service. Customers anticipate thoughtful and appropriate suggestions when asking sales associates for help. Customers want reasonably priced, personal gifts that cannot be found elsewhere.

RGI's supply chain flows from manufacturer to distributor representative to store to customer. The supply chain is short and easily managed. The distributor representative does some scouting for new products for RGI, making the store aware of any new products being sold. Some representatives work independently, while others work for the manufacturer. Most representatives handle problems with orders or merchandise for the store.

RGI makes use of a financial service offered by the Farm Bureau. Through this organization, RGI has use of an accountant who balances the books monthly and handles all tax considerations. The Farm Bureau Small Business Division also offers clients a database system specifically designed for small business operations.

New products are delivered directly to the store, unpacked, and displayed. Most sales come from customers visiting the store, selecting an item, and making a purchase. A small percentage of sales are "call-in's" where a frequent customer places an order over the phone, and comes by later to pay and pick it up. An even smaller percentage of sales come for "mail orders" where customers located out-of-town place an order over the phone, pay for the item, and the store ships it to them. The latter type of transaction can be costly to the customer because RGI

does not have a corporate account with a shipping company. Also, the owner's do not want to pursue this type of transaction because they do not currently have the infrastructure necessary.

RGI does not have a marketing budget allotted annually. The owners discuss and make the decision when opportunities arise. Previous promotions include direct mailings, participating in charitable events, radio advertisements, and newspaper advertisements. The owner's are currently investigating placing a circular in the Tennessean newspaper and the legality of hanging a banner from the building.

The Competitive Environment

RGI is working toward establishing itself as the premier gift shop in the Robertson County area. The owners hope to accomplish this by selling attractive, unique, and sometimes one-of-a-kind products in a variety of price ranges in order to solicit all potential customers looking for gifts. The products sold at RGI must not be found at other retail or discount chains. Many of the product lines carried at RGI are protected, meaning no one can sell the product within a certain mile radius. The owners' ultimate goal is to have a store that pays for itself, plus produces some profit.

Current competitors of RGI include Wal-mart, K-mart, Target, Dillard's, Hecht's, Belk, and other privately owned gift shops which are all located near or in Robertson County. All of the large retailers and some of the privately owned shops advertise using circulars, coupons, television commercials, and advertisements in the paper. RGI will not be able to compete through all of these advertising channels. However, the owners would like the reputation of the store to grow over the next three to five years. The owners do not oppose opening future locations in the future after this first location is well established.

Strategic Challenges

The biggest challenge Renaissance Gifts and Interiors faces can frustrate any small business owner. RGI cannot buy products at the same price available to large retailers and discount chains. In most cases, the price at which the large retailers and discount chains sell the product is below the price at which RGI can buy it. There is a huge imbalance in the economies of scale between small and large businesses. The challenge exists to continually seek out new, unique, innovative products that have not made it to mainstream markets.

RGI faces another challenge of fully utilizing the technological capacity. Inventory is recorded and reported manually. Individual customers' buying patterns are not tracked because individual purchases are not entered into the computer system. However, the culture at RGI does not facilitate extensive use of technology, preferring to keep business on a personal level.

RGI lacks brand recognition in the community. The store does not have a logo or symbol that represents the store. A symbol, like Wal-mart's yellow smiley face, reminds customers of the store whenever they see it. A common symbol found on RGI's business cards, flyers, packages, signs, etc. would help customers remember the store.

Summary

Renaissance Gifts and Interiors has some difficult barriers to overcome. The owners have given strong consideration to their strategy and target market, but goals and a clear plan of action need to be clarified. Rivals force the store to compete on levels that are currently impossible for them to compete on. Resources limit the marketing and financial budgets and the occasionally the ordering of additional products. Current customers to the store proclaim themselves loyal. To survive, RGI must learn how to keep these customers and attract new ones while perfecting the balancing act of small business versus big business.