

# Launch a Fashion Boutique

15 Important Tips



# 15 Important Tips Before Launching a Fashion Boutique

Written by Glynis Dupuis

Opening a brick-and-mortar store is a big commitment. It requires a considerable budget due to the need for start-up renovations (leasehold improvements), the cost of purchases to supply a full store with stock (opening inventory), retail store supplies such as shopping bags, tags, computers etc., the hiring of retail staff, and often the signing off and payment of first and last month's rent on a *longish* term lease commitment! You must be sure that a boutique is the best channel for your product sales in the current and future economic landscape.

To approach this endeavor with confidence we recommend that you create a 3 - 5 year pro-forma business plan encompassing all start-up costs with estimated sales revenues so that you can have a more accurate picture and see some "what if" scenarios. It is important that you are involved in this process so that you develop a good understanding of the business drivers, however it is advisable to also meet with an advisor or consultant familiar with fashion retail to ensure your projections are on track. Here are 15 Important tips to consider before you dive in:

## 1. Assessing the Business Model and Sales Channels

Be sure that a brick-and-mortar store is the best option, perhaps an online format would be more profitable?

In large urban centers rents have continued to skyrocket in key shopping districts, taxes have increased, shipping costs, and minimum wage requirements have also increased dramatically in recent years. With the rise of online shopping throughout the pandemic, one must be sure that opening a brick-and-mortar location is a profitable model. Using the suggested pro forma plan mentioned above, compare the various scenarios for selling your product, and you may find that selling via social media, pop-ups, through online retailers, wholesaling etc. may be more lucrative.

## 2. Know your Target Audience

Be sure that you understand who will really buy your product. This sounds obvious, but we see countless startups who have misconceptions about who will buy their product. These misunderstandings can lead to wrong decisions concerning your retail boutique venture. Consider watching people shop in

other stores with a similar brand to yours, interview your target audience, understand their preferences, shopping habits, spending etc.

### **3. Research the Location**

Do your research! What drives this sales district, what time of day is busy, are there annual events or festivals that generate sales, is there road construction planned that may impact the area in coming months or years? Spend time shopping in all of the stores in the strip, sit in a coffee shop and watch the people, take notes, count the people entering similar stores and note the time of the day. Many shopping neighborhoods have business associations (BIAs) that you could call up and gain some valuable information from, and once you open be sure to join these associations and be active. This can drum up sales in many ways!

### **4. "Must-Have" Working Capital**

Working capital is the amount of money you have available to pay for the day-to-day operations of the business (current assets minus current liabilities). Start-up costs are high and will need to be repaid over time, but it will also take some time for sales revenues to support monthly operating expenses fully. There are also some very slow times in fashion sales such as January/February and you need to be able to coast through the slower seasons. Lack of cash flow is the number one reason why small businesses fail, so think about this carefully and be sure you are managing your cash flow extremely carefully.

### **5. Adequate Stock**

Most retail startups underestimate the amount of stock they need to have in order to turn the amount of sales needed to pay rent/staff/overhead. First impressions of your shop are also a factor, ensuring that customers are wowed with good selection when they discover you. Plan for quick replenishment and new deliveries frequently, in order to support your revenue goals, and keep your customers engaged and returning to buy!

Merchandise planners use sophisticated math to determine their purchases/stock levels based on stock turnover ratios (the rate at which you sell the goods and replace the inventory in a set amount of time). Even as a small boutique owner you will want to learn about the basics of merchandise planning math so that you can make sound inventory decisions.

## **6. The Pitfall of Leasehold Improvements**

If at all possible, choose a location that has already been used for a similar purpose like an apparel boutique, and keep your renovations minimal.

Leasehold improvements are extremely costly and are often under-budgeted.

This area alone sinks many startups before they have even begun! Use creative approaches to create fixtures, buy used, and try to use fresh paint colors and lighting to achieve a personalized look rather than rely on fancy furnishings and fixtures. Simple approaches are often more effective. Just be sure to cover the basics: an effective and functional use of space to display the product according to the product type, and enough lighting (lighting is very key in retail).

## **7. Merchandise Mix that Makes Sense!**

Don't forget to think like a consumer, when planning your product assortment.

When a customer enters your shop what type of complementary product might they expect to see available? In apparel for example, if you sell suiting you would want to be sure to have a selection of underpinnings like blouses and shells that work under jackets, if you do not make these in your own collection, source them from a third party, as it will be hard to sell your suits without them. If you sell party frocks, do you have the right types of jewellery or accessories to wear with them? Sometimes boutique owners make the mistake of choosing to sell what they have easy access to, the product that they have pre-existing supplier relationships with, or they sell just their own collections, however that may fail to satisfy the customers' experience, and thus leave opportunities on the table.

## **8. Determine A Service Policy - Returns/ Shipping**

These policies greatly impact your bottom line so be sure to do a little research on your competition's policies, industry benchmarks etc. Understand how these decisions (free shipping, full refunds, special orders) etc. will affect profit margins.

## **9. Consult a Legal Expert**

Don't rush in blindly, hiring a lawyer to review the lease is highly advisable. Be sure you understand all terms and conditions. Be sure you have clarity on what is included in the lease and what costs are additional. Get clarification on what happens if you need to get out of your lease, can you sublet or change your business strategy midway through your lease, who is responsible for fixing or replacing things like washroom fixtures, glass and doors, air conditioning etc.

## 10. Hire for Success!

Staffing is key. Understand who makes a good sales person, and be sure to also work on the floor yourself. A classic mistake is to hire your friend because you trust them and they need a job. Do not do this. While trust is important, having strong selling skills is essential to your success. Bubbly, chatty people who have a passion for the product you sell, and who can think on their feet make the best salespeople. A strong salesperson can make a dramatic difference to your daily sales. You will want to focus on training new staff and giving them lots of product knowledge to support their success, commissions are also the most effective way to keep staff motivated on increasing your bottom line.

## 11. Understand the Hidden Costs

Here are some of the hidden costs of owning a boutique that you may not have thought of. Be sure you have accounted for these costs in your projections:

- Payroll additional expenses: labour laws require you to pay into the employees, EI, CPP and vac pay, so the amount you pay out is far greater than the wage itself
- Garbage tags or garbage pick-up can be costly depending on where your shop is located
- Window Cleaning (very important to keep them squeaky clean)
- Hangers/bags/tags/tissues are expensive
- Internet and music subscriptions
- Bank or Service provider fees on credit cards and debit
- Shipping expenses to bring in product or send out product to customers
- Fixtures & lightbulbs (store fixtures often use Halogen light bulbs and they are very expensive)
- Shrinkage - yes you will lose some product to theft, damages etc. Ouch!
- Promotional customer events
- Business Insurance
- Maintenance fees, water bills, utilities and property taxes sometimes charged over and above lease.
- If your store is within a mall, a percentage of your sales will go to the mall. Each mall is different so check the terms in your lease.

## 12. Get Insurance!

Don't forget you need to hold business insurance specific to a retail operation, It is often a requirement on leases as well. Use a broker so that they can shop around and compare as rates with different suppliers can vary wildly.

### 13. Size Offering to Support Client Base

When producing your own clothing line, grading can be an expensive cost when doing small runs, however stocking your store with an adequate size range based on your specific target market research is essential. In many fashion apparel categories size and fit is everything! You worked hard to finally get the store traffic, but no sales can be made if you do not have the correct sizes desired by shoppers. Develop relationships with other brands that can replenish quickly, which might help you to save the sale if you can quickly bring in a size for a customer, however still many of these sales will be lost. Having a good selection of sizes on the floor at the time the customer is ready to buy, is key.

### 14. Research Local Labour Laws

Research current labour laws in your jurisdiction, most of this information can be found online, in Ontario it is at <https://www.ontario.ca/document/your-guide-employment-standards-act-0>. It is imperative that you understand the rules and regulations surrounding hours worked, breaks, pay rates, statutory holidays, and termination. Keeping yourself informed will help protect you from labour disputes down the road.

### 15. Product Readiness

Don't rush in. A retail store is a risky endeavor so try selling your products in lower-risk settings for a period of time prior to committing to a retail store. Poll clients, make sure that what you are selling is needed, valued and wanted. Iron out any fit and sizing issues, and be sure your pricing and costing are accurate and profitable before ever considering a opening a boutique.

#### Review:

- What other sales channels are used in your product category by your competitors?
- What are the reasons that you think opening a boutique the best option for your business right now?
- Have you analyzed your customer to be sure you are well versed in who they are, where they shop, their spending patterns, budgets, and preferences?
- Can you state a dollar amount (an estimated cost) that you will need to cover all start-up costs plus a buffer for working capital for a period of time?
- Do you understand how to hire and train great salespeople that will drive your boutique's success? (This is very important!)
- What are 3 - 4 competitive or similar product lines to yours and who is buying them? What are the price points, fabrications, garment types, and colors that they tend to offer and how will these compare or contrast to your brand offering?

### Have More Questions?

Meet with TFI mentor Glynis Dupuis who is available for consultation in the areas of fashion and retail start-ups, product costing, financial projections, design, production and other related topics. She has a wealth of industry and entrepreneurial experience in design, production, retail and buying. She holds a CPA accounting designation and a Masters in Fashion, and continues to teach fashion at Toronto Metropolitan University.

[Become a TFI Outreach member today](#)  
and book your mentor consultation with Glynis [here](#)..