

Rebecca's Boutique: Starting Her Own Business

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Abstract: This real world case concerns entrepreneurship and small business management, specifically starting a new business. Secondary issues examined include career choice and crisis management. All names have been disguised.

INTRODUCTION

Rebecca awoke to another bright and sunny October morning in her little college town. This was a very important day for Rebecca because after three months of searching for a location and then two months of working hard to clean up a dilapidated building, she hoped to take a big step toward opening her own store. Over the past few weeks, Rebecca had made dozens of phone calls to the power company and the city building department and to her new landlord, resulting in a meeting on this crisp and clear October day. Within a few minutes of eight o'clock that morning, a small group of perplexed people gathered at a darkened storefront downtown on Third Street. The city building inspector, the power company representative, the owner of the building, and Rebecca, a young woman recently graduated from the local college were meeting to try to come to an agreement.

"Gentlemen, thank you for coming today. I appreciate your concern and the time out of your busy schedules. I need your help to resolve a problem. As you all know, my goal is to open a business, "The Greek Boutique." In order to open my store, I need electricity. In order to get electricity, I need an occupational license. In order to get an occupational license, I need electricity," explained Rebecca.

As the circular nature of the problem slowly sunk in, the power company representative chimed in, "Rebecca, we would like to help you and turn on the power for you, but there is a problem. There is a matter of an outstanding bill in the amount of \$500."

"These past two months while I have been cleaning this store and working to renovate it so that I can open my boutique, there has not been any electricity at all. I have worked in the dark all this time. I did nothing to incur this \$500 bill," asserted Rebecca.

"How old is this bill? When were these charges made?" asked Mr. Franklin, the owner of the building and surrounding property.

"Okay. Let me check with my office for the details," offered the power company official.

Rebecca patiently waited as the power company official stepped out into the street to call his office. She explained once again to the others, "I know what the problem is because I have talked on the phone to the power company practically every day for the past two months. On this property was a little company called ABC Construction. They had a small office in the middle of the property in the back. They used the 409 West 3rd Street address and they had a \$500 bill pending with the power company. Their electricity was cut off because the bill was never paid. The confusion came in because they used the same address even though it was a separate building."

The power company official returned and offered to the group present, "The bill is over one year past due and was charged to a company called ABC Construction."

Mr. Franklin immediately came to Rebecca's defense, "ABC was a tenant here formerly. They moved out a year or so ago because they said that they needed more space for their operation. They, of course, neglected to inform me that they left an un-paid power bill behind. This property has been vacant for the past year. I will speak to ABC about this. In the meantime, please turn on the power for Rebecca. She is not responsible for this bill."

"Yes, I can see what happened now and we will work with you. I will authorize the power to be turned on," replied the power company representative.

"Rebecca, as soon as the power is on, please come see me about the occupancy permit. We will get the ball rolling for you right away," added the city building inspector.

Business Idea

The idea of starting a boutique first occurred to Rebecca while she was a freshman in college. Rebecca recalled, "All throughout college, I was a member of a sorority. We had to go to other larger college towns to get anything for our sorority. If we wanted a shirt, or anything, we had to travel to get it....All throughout college, it was one of my pet peeves that you had to stop whatever you were doing and go to another city... At that time, e-commerce wasn't what it is now. We just didn't go on-line and buy things. We could buy things, but we just didn't because you never knew who you were buying from and the shipping process was questionable. It was easier to get in the car and go to another town." There were no stores in her college town that sold fraternity merchandise. Rebecca had noticed a gap in the market, a need unmet for thousands of college students at her school. In some cases, entrepreneurs may spend thousands of dollars on marketing research, such as focus groups, to generate an idea for a new business (Hisrich & Peters, 1982). While Rebecca had recognized a real need, it was only the first step in a long process.

To help with the expenses of college, Rebecca took a part-time job at Howard's Footwear in her hometown, a thirty minute drive from the college town. At Howard's, Rebecca learned "the in's and out's" of retail by watching her boss, Brenda Howard. "We had an employer-employee relationship, but we were friends," Rebecca recalled. "I learned a lot from her about every day operations and how to deal with customers and employees. She was a big role model." The experience at Howard's proved to be very valuable for Rebecca as she discovered that she "loved

retail and meeting new people every day.” Rebecca added this general love of retail and the specific passion for women’s shoes, purses, and accessories to her future plans, “I knew that I wanted to do a Greek store, but I also have always had a love for shoes and purses. Every girl, every woman loves shoes and purses.”

Marketing Major

Because of her friendly and outgoing personality, it seemed natural to Rebecca to major in Marketing, with a concentration in professional selling. She intended to pursue a career as a sales representative. As her education continued, Rebecca started taking business classes her junior year. According to Rebecca, “Professional selling as a major is the opposite of owning a store. Now, I have people approaching me and I know what they are doing...all the techniques. I know when someone is sincere or when they are just trying to make a buck. I did not like making cold calls in professional selling because it did not seem to be polite to me. I definitely think that my college education helped. Classes like Marketing Strategy helped. The combination of classes, including salesmanship, entrepreneurship, and management was the best for me.”

Rebecca’s thought process concerning her profession began to change during the second semester of her junior year when she took an entrepreneurship class that featured the writing of a business plan for a proposed new business. “I took the New Venture Creation class. As soon as the professor said that we were going to do a business plan, the idea of opening a boutique clicked for me. I thought that this was perfect – to learn how to do a business plan on something that I really wanted to do.”

In the process of writing the business plan for her entrepreneurship class, Rebecca did some informal marketing research and found several relevant opinions. She recalled, “When I was doing the business plan, I interviewed different people, not just sorority people. I did a lot of interviews. At that time, my college town did not have a shoe boutique. If you wanted shoes, you could go to Wal-Mart, Shoe Department, or Pay-Less. Those are discount shoes, not fashion shoes. I asked people, ‘what do you want to see in our town?’ Their response was I don’t want to have to go to another larger city.” In addition to the need for a local fraternity merchandise store, Rebecca found that her college town lacked a shoe boutique like Howard’s Footwear in her hometown, 20 miles away. At this point, Rebecca realized that she could put the Greek merchandise and the shoe boutique ideas together. The fraternity or Greek merchandise is a highly seasonal business with spikes in demand according to the Greek calendar. Rebecca explained, “With Greek stuff, it is going to be seasonal. It will be busy at recruitment time and then drop off. I needed something else to even things out. So, that is where the shoes and purses and jewelry come in. The main time I was going to another larger city for Greek things was in August. So, going into it, I knew that I would need something else.” With a good, solid business idea, such as the fraternity merchandise and shoe boutiques combined, many students could write business plans for entrepreneurship classes. However, Rebecca did not stop at this stage. Within a year, Rebecca chose to go beyond writing about a boutique and turn her dreams into reality.

Rebecca continued with her Marketing major in her senior year and served an internship, “I wanted to be happy, but I wasn’t thrilled doing an internship. I knew what I was looking for, but

I couldn't find it. It was a marketing internship with XYZ Directories out of a neighboring state. I just didn't like it. I knew exactly what I wanted out of a job, but I couldn't find it."

Decision to Open Her Own Store

The dissatisfaction with professional selling that started with her internship extended into her job search process during Rebecca's senior year. "When it got time to find a job, on every interview, it seemed that something was not right. After a while, my future husband and I decided that we needed to start our own store," Rebecca explained. At this point, the boutique idea ceased to be a mere dream and became a real possibility. During the spring semester of her senior year, Rebecca changed her plans from a sales career to the full pursuit of opening her own store.

Rebecca dated Craig, her future husband, throughout her four years of college. Craig understood Rebecca's passion for the boutique, "She had the idea throughout college - it was a project of hers. It did not surprise me. I helped her in the decision making process and I encouraged her to do it. I wasn't surprised though because it was something we had talked about quite a few times... When she was in the New Venture Creation class, she told me about the project. So, I was familiar with it."

In Rebecca's position, many college students might choose to "play it safe" and seek a salaried job, but Rebecca and Craig were not afraid of some uncertainty in starting a new business. "We both realize that we are young and are not afraid to take a risk, but we are not foolish. We do not gamble, but we will take a risk," explained Craig. According to entrepreneurial research, Rebecca and Craig fit neatly into the historical profile of the entrepreneur who prefers to take a moderate risk without gambling (Jennings, 1994).

Compared to many college students, Rebecca possessed another advantage in that she was not already burdened with student loans. In deciding to start the boutique, there would be risk, but perhaps not so great a risk as later in life when Rebecca and Craig might have children and greater responsibilities.

Improving the Business Plan

Rebecca graduated from college in May and immediately began the process of starting her own business. She had an idea and a business plan from her college entrepreneurship class, but what should she do next? Rebecca knew that she needed to borrow money to fund the project.

Rebecca's entrepreneurship professor advised her to work further on her business plan before going to a bank and asking for money. A good business plan serves at least two functions – one is to guide the company's operations and the second is to assist in obtaining capital from lenders and investors (Scarborough & Zimmerer, 2006). Rebecca recalled, "My business plan was good enough for my class, but when I wanted to go to the banks I had to get serious about it. My professor mentioned the small business economic council (a state funded agency) and suggested that I have William Ball look at the business plan and pick his brain. I made the call and set-up an appointment. Mr. Ball opened his computer and started working on formulas. He said, 'This is what will get you your loan from the bank.' He really explained it to me and started on a feasibility plan that was amazing. He helped me do the first three years of financial feasibility. I

don't think that I would have gotten the business loan without him. The wording of my business plan was good, but he helped me with the spreadsheets and formulas."

Bank Loan

As the summer wore on, Rebecca labored on two major tasks: securing a bank loan for the new business and finding a good location for the store. Rebecca was able to work on the new business project because Craig provided for living expenses, "First of all, he supported us after school and when I stopped working at Howard's. I did not have an income. He made enough to support us. He is the type of person who said, "Don't worry about it. We will be fine." With the improved business plan in hand, Rebecca approached several banks in the area, "I had gone to a few banks. State Bank was nice and gave me a few pointers here and there, but they said "No." Then, I went to Local Bank. I think that it was unsettling for a bank manager to get a 21-year-old woman just out of college with a business plan for a Greek store with purses and shoes. These are 40 to 50-year-old men, who weren't even in fraternities and they see a 21-year-old girl with no collateral."

Age and gender gaps seemed to be working against Rebecca, but she continued on and approached yet another bank, Private Bank, and everything changed. Rebecca found a sympathetic listener, who understood her idea and recognized that a market existed for her products. Rebecca explained, "I went to Private Bank and spoke to Darren Woods, who was 28 years-old. He had gone to State University and was in a fraternity. He said that he knew what I was talking about and wondered why no one in our college town had had this idea before. He said that he went to the Greek store in Capital City very often and he wondered how people at the local college got along without a Greek store. Darren said that the business plan looked good and asked "Where are you going to have the store?" He said get all of the details done and then I will give you the money." This promise was a major break for Rebecca, but another challenge loomed ahead. How could she gain access to a store front with no money in hand?

Store Location

At the same time that she approached banks for financing, Rebecca also searched for a location for her boutique. The options in her college town were limited because the city is not large with a population below 10,000 people outside of the university. Rebecca looked for a store front for two months with no success. The new developments in prime locations in town were far too expensive according to her business plan. Rebecca recalled, "I did not want to pay \$3200 per month for a 500 sq. ft. store. It just wasn't happening. The new locations were called cereal box, which means that they had fluorescent lighting, cement floor, and white sheet rock. I would have to bring in everything else, which I couldn't afford."

Rebecca believed that her best location would be in a strip shopping center very close to the university. She approached all the stores in the center, not limiting her search to stores with "for rent" or "for sale" signs in the windows. Yet, no one was interested in moving out any time soon. Then, Rebecca thought of the downtown area, which is only a mile from the college campus. Previously, Rebecca had never gone downtown except to visit local night spots after nine o'clock at night. Recognized by researchers as a viable source of retail store space, many cities and towns are experiencing revitalization of the central business district (Scarborough &

Zimmerer, 2006). So, on a summer Sunday, Craig and Rebecca decided spend the day downtown looking at every possible vacant building. They found three buildings, wrote down the addresses, and Rebecca followed up with telephone calls the next day.

Unfortunately, that Monday morning, Rebecca saw a realtor giving a tour of the only building of the three that had a “for lease” sign on it. Rebecca remembered, “The realtor said that he had a girl with a boutique who was interested. I was devastated. I thought I was going to be the only boutique.” A few more questions revealed that the other boutique would carry women’s clothing, but not accessories. Rebecca considered the situation and realized that the two stores would actually complement each other. Within the space of four months, two additional boutiques carrying different styles of women’s clothing opened in the downtown college town area. The stores created a shopping area.

Rebecca moved on to the next building on her list even though it was not formally for sale or lease. She visited the tax assessor’s office to discover who owned the building on Third Street. “They gave me the name of Mr. Franklin and said to call Ace Floor Center. That got the ball rolling,” stated Rebecca. Mr. Franklin, the owner of Ace Floor center, found it necessary to build a warehouse away from the small and congested confines of the downtown area.

Previously, Ace Floor Center had used the Third Street property both for a store front and warehousing space. Rebecca talked to Mr. Franklin, but he said that he was not interested in renting out the Third Street location. “So, I tried to kill him with kindness and I asked if I could call him again in a few weeks. That is when my professional selling skills really helped,” Rebecca recounted. Mr. Franklin did not want the responsibility and bother of a tenant. According to Rebecca, “Finally, two weeks later, I called him back. The place was dirty, so I offered to clean it up. Then, we really started to talk about renting the place. He said that it was hard for him to tell me ‘No.’ So, he said ‘Have at it.’”

Store Front

Given permission from Mr. Franklin, Rebecca and Craig dived into the clean up operation in the heat of the summer. In August, Rebecca entered into a rental agreement for one-year with Mr. Franklin for the store on Third Street. The monthly rental of \$1000 fit well within the guidelines of her business plan and the 2200 square feet of space was ample for the needs of the boutique. “We didn’t have electricity. We got generators and cleaned the place and painted. That is when it hit me that I was really starting a business,” explained Rebecca. After lying vacant for over a year, the building on Third Street was quite dirty and in need of painting and some repair. According to Craig, “My involvement in getting the business going was my social security number, my credit score, and my ability to paint. I did a considerable amount of painting and cleaning in the building. I had excellent credit and still do.”

The cards began to fall into place for Rebecca with the acquisition of a store front. Darren Woods of Private Bank kept his promise and approved her loan request. According to Darren, “Rebecca’s loan was approved with the guarantee of her parents. Because she was not currently in business, we used her household income as the source of repayment. The current household income was on the borderline for the approval so we asked if she had anyone that might want to help guarantee the loan. She spoke to her parents and we gathered their information.”

Business Without Electricity

Within a few days of receiving the business loan from Private Bank, Rebecca made a trip to the regional merchandise market in Dallas and with the coaching and advice of Brenda Howard bought merchandise for her boutique, which she named “The Greek Boutique.” The new goods came immediately as Rebecca stated, “At the beginning of September, I had everything shipped. I had made my contacts and my orders. Because the store did not have electricity, I had to have everything shipped to my house. I had boxes in my kitchen, my living room, my dining room, and my hall. So, all of September, I had boxes stored in my house.” Rebecca made sales out of her home as friends, family, and other customers asked for fraternity merchandise. “I had my computer and my point-of-sale software and I was running my store out of my house in September because that is the busiest time. I could not open the store without electricity. So, I set up the displays in the store in the dark. During the day, we opened the windows and the doors,” Rebecca explained.

Throughout September, Rebecca battled with the power company to get electricity at the Third Street store. Finally, Rebecca set up the meeting with the city building inspector, the power company representative, the owner of the building, and herself. Once the lights were turned on, Rebecca fine-tuned her floor display because she could see the details much better. She remarked, “By the time the electricity came, I was ready to go, but my wedding was November 11. I did not want to open for a week, close for a week to go on my honeymoon, and then open again. So, we came back from the honeymoon and I opened the doors for business the day after Thanksgiving, November 24.

The Ceiling Caves In

Rebecca enjoyed three busy weeks in her new store before the ceiling collapsed. On Monday, December 12, two weeks before Christmas, Rebecca arrived early in the morning, unlocked the front door, and stepped onto the carpeted floor. When her foot hit the carpet, she was greeted by an ugly slushy sound - the floor was soaking wet. Alarmed, she searched for further signs of trouble. Rebecca discovered thirteen wet and soggy ceiling tiles on the floor. The dropped ceiling had absorbed water for a while and then collapsed. Rebecca exclaimed, “What in the world is happening? Where is this water coming from? Is the roof leaking?” Immediately, Rebecca called Mr. Franklin, who arrived within an hour with a cleaning crew.

“Rebecca, I am sorry about this with Christmas only a few days away,” apologized Mr. Franklin. “On my way over, I started making calls to check on things. I called upstairs and unfortunately, the tenant who rents the apartment above you had a major problem with his clothes washing machine last night. The machine broke down and flooded his apartment. The water seeped through his floor into your ceiling and broke down the ceiling tiles. Has the water damaged your merchandise?” asked Mr. Franklin.

“Yes, while you were on your way over here, I assessed the damage to my inventory. I estimate that I have totally lost 30 pairs of shoes and 19 handbags. At retail, the items are worth \$1000,” she replied.

"I wonder if my insurance will cover this?" pondered Mr. Franklin. "Let me call the insurance agent and get him over here."

Quickly, Mr. Franklin's cleaning crew got to work to prevent any further damage. After Rebecca cleared her merchandise out of the way, the crew began the process of drying out the carpets. Mr. Franklin rented blowers and the crew removed the carpet tacks and lifted the carpet in order to allow the air to circulate under and over the carpet. As the noisy fans began to do their work, Rebecca wondered to herself how long this process would take and how much business she was going to lose.

Meanwhile, Mr. Franklin's insurance agent arrived to investigate the situation. After poking around for a few minutes and questioning Mr. Franklin, the insurance agent gathered his client and Rebecca for a conference.

"We can take care of this for Rebecca, can't we?" questioned Mr. Franklin. "I mean this is certainly not Rebecca's fault and she should be reimbursed for her loss, right?"

"We have a little problem here, Mr. Franklin," replied the insurance agent. "As the owner of the building, you would be responsible for damages if a pipe had broken or if the roof had fallen in, but this accident is not your fault. The responsibility falls upon the tenant upstairs because it is his actions that have caused the damage."

"So, you won't cover Rebecca's loss?" probed Mr. Franklin.

"No, she will have to deal with the tenant," answered the insurance agent.

After the insurance agent left, Mr. Franklin sat down with Rebecca to discuss the situation. "I will help you in every way I can, but it looks like we are going to have to pursue the tenant on this one," remarked Mr. Franklin. "He is a young man and I know that we will have to deal with his mother to get any money out of them. She is not easy when it comes to money matters."

"Mr. Franklin, I have a \$500 deductible on my insurance, so it is not going to help me much to file a claim with my insurance company. You never know what will happen to your rates if you file a claim, especially with such a new business," Rebecca fairly moaned. At this most inopportune moment, Rebecca's telephone rang.

"Go ahead and answer it," offered Mr. Franklin, "It may be important."

"Hello, this is Rebecca. How may I help you?" she asked.

"Good morning, Rebecca. My name is Stuart Weiner. I am a lawyer and I represent "The Greek Boutique" in Texas. It has come to our attention that you are operating a business selling Greek or fraternity merchandise and that you have chosen to use the same name as my client's business. You have infringed upon our name. We will give you thirty days to address this matter and change the name of your business."

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