

WOMEN'S BOUTIQUE/FASHION RETAILER

No. 300

August 2009

Price £5.99
(Including VAT)

Introduction

A boutique/fashion retailer supplies quality women's clothing ranging from well-known brands to one-off designs. Some specialise in evening wear while others supply clothing for all occasions or aimed at particular age ranges. Many also stock jewellery and accessories such as handbags, hats, and shoes.

This profile provides information on starting up an independent boutique. It describes the skills required, the training available, the current market trends, and some of the key trading issues. It also identifies some of the main legislation that must be complied with and provides sources of further information.

Qualifications and skills

Although no mandatory qualifications are required to run this type of business, anyone starting up a boutique will benefit from an understanding of fashion trends and some previous retail work experience.

Skillsmart Retail is the Sector Skills Council for the retail sector. It provides details of the key competencies required by retailers and a database of training providers and qualifications. Go to www.skillsmartretail.com/categories.php?pages_id=23 for details. The National Skills Academy for Retail, which is part of Skillsmart Retail, provides a range of resources to develop retail skills. Go to www.nsarforretail.com/NSAR/Retailers/Home/Default.aspx for details.

Various courses are available to help new business owners to run this type of business. They include:

- The London College of Fashion provides a short course in Starting a Fashion Retail Business. The course provides instruction on product price, positioning and buying, along with general guidance on running a retail business. It costs £280 and can be completed in three days if attended full-time. Alternatively, it can be completed on a part-time basis on six consecutive Saturdays. Go to www.fashion.arts.ac.uk/shortcourses/8192.htm for further details.
- City & Guilds S/NVQ (Levels 2 and 3) retail courses and the Certificate in Retailing cover product knowledge, handling payments, retail security, health and safety, and retail legislation, and the Higher Professional Diploma (Level 4) in Retail Management covers managing retail operations, consumer behaviour and customer service, along with retail and e-tail technology. Go to www.cityandguilds.com to find the nearest training centre and search under 'retailing' for further information.
- The S/NVQ Levels 1, 2, 3 and 4 in Customer Service cover communication skills, dealing with customers face-to-face and over the telephone and handling problems effectively. They can be taken via distance learning or at various training centres nationwide. For a full list of centres go to www.cityandguilds.com and search for 'customer service S/NVQ'.
- Edexcel Level 3 BTEC National Diploma in Retail runs over two years on a part-time basis. The course covers stock management, visual merchandising, finance and forecasting, along with customer service, marketing and promotion and is offered at a number of colleges throughout the UK. Go to www.edexcel.com/quals/nat/business-serv/retail/pages/default.aspx for details.
- Universities and colleges across the UK provide degree courses in Fashion Retail and Fashion Retail Management. The courses

cover subjects such as fashion management, marketing and supply chain strategies. They take between three and four years to complete and cost around £3,125 per year. Go to www.ucas.com/students/coursesearch and search under 'fashion' for appropriate courses.

- The Institute of Leadership and Management (ILM) provides a Level 3 Certificate in Starting Your Enterprise, which covers finance, market research, legislation and regulations, and preparing a business plan. The course is delivered at centres around the UK. For details of centres and course fees go to www.i-l-m.com/learn-with-ilm/1062.aspx.
- HM Revenue & Customs (HMRC) provides free start up and business workshops on topics including 'Becoming self-employed' and 'Setting up a Limited Company'. Go to www.hmrc.gov.uk/bst/work.htm for details.

An understanding of e-marketing and online selling will also be important for a boutique owner who sells via the Internet. Qualifications include:

- Skills Train provides a range of courses including the E-Commerce and Project Management course. This covers multimedia on the Internet, website development, e-commerce software, payment gateways and creating an online catalogue. Find full details of the course at www.skillstrainuk.com/e-commerce-course.html.
- Learndirect runs a range of self-study eCourses. 'Building Blocks for e-Business' costs £29.99. 'Legalities of Online Business' and 'e-Marketing' both cost £24.99. For more information go to www1.learndirect-business.com/e-commerce.

Industry awareness and product knowledge

Boutique owners can keep up to date with developments in their industry and improve their knowledge of brands and trends by attending events and reading trade journals and industry resources:

- The Drapers Fashion Summit is a conference that includes workshops and presentations with information on trends, sourcing, discounting and retailing. Go to www.emapconferences.co.uk/fashionsummit for details.
- Fashion United is an online business-to-business trade journal for the UK fashion industry. Go to www.fashionunited.co.uk/business for details.
- Fashion Products is another online trade resource which includes fashion industry news and information about manufacturers, suppliers and wholesalers. Go to www.fashionproducts.com for information.

Key market issues

Some of the key current market issues affecting boutiques include:

- Value clothing retailers and high-end designer clothing stores were the best-performing sectors of the womenswear market during the first six months of 2009. Low-cost retailers, such as Primark, reported increased sales and profits in June 2009, despite the drop in sales in the clothing retail sector overall. Go to www.drapersonline.com/news/multiples/news/primark-posts-strong-growth/5004248 for details. Meanwhile, upmarket fashion stores reported significant increases in their sales. Online designer retailer Net-a-Porter saw sales rocket by 300% between January 2008 and January 2009.

- Competition for a boutique comes from a vast range of outlets/stores. The market is dominated by value and mid-market firms such as Marks & Spencer, which has the biggest market share, followed by the Arcadia Group (encompassing Topshop, Dorothy Perkins, Evans, Wallis and Miss Selfridge), Next, Primark, Mosaic Fashions (which owns Oasis, Karen Millen, Coast and Warehouse), Debenhams, New Look, George at Asda, the Peacock Group (encompassing Peacocks and Bonmarché) and TK Maxx. There are over 13,000 boutiques and independent clothing stores listed in the UK on Yell.com.
- Retail sales figures from the Office for National Statistics (ONS) in June 2009 report that sales volumes for textile, clothing and footwear stores (which make up 13% of all UK retailing) fell by 2.2% between May 2008 and May 2009, which is likely to be attributable to the economic downturn. For more information go to www.statistics.gov.uk/pdffdir/rsnr0609.pdf. However, research from TNS Worldpanel indicated that in the six months leading up to September 2008 independent womenswear retailers increased their market share from 6.7% to 7.5%. This has been attributed to the fact that although female consumers have less money to spend during the recession, they are becoming more careful about what they buy and are choosing to target their spending on quality items bought from independent retailers. Go to www.drapersonline.com/news/womenswear-indies-increase-market-share/1925151.article for more information.
- Sales of womenswear account for nearly half of the UK clothing market and the amount spent on clothing by women easily surpasses that spent by men, according to research by Verdict. The research also indicated that women aged between 25 and 44 are important purchasers for the sector as a whole, as they buy clothing for the whole family. Go to www.verdict.co.uk/Marketing/dmvt0454m.pdf for more information.
- The majority of independent boutiques and high-street chain retailers have an e-commerce facility and an increasing number of web-based retailers have no physical store and operate solely online. The IMRG Capgemini e-Retail Sales Index indicates that online sales of clothing, footwear and accessories have been affected by the recession. In May 2009 sales had declined 3.5% when compared with April 2009 and annual growth in May stood at 8.2%, compared to 30.9% in May 2008. Go to www.internetretailing.net/news/online-sales-growth-down-to-8-2.
- The Centre for Retail Research report indicates that retailers generally suffered more than other traders during the economic downturn of 2008/9 with many women's fashion retailers ceasing to trade. However, some were subsequently purchased by other organisations. Go to www.retailresearch.org/reports/bust_january2009.php for details.

Trading issues

Some of the main trading issues faced by boutiques include:

Sourcing stock

Good business practice for sourcing stock includes checking the terms of supply thoroughly before agreeing to stock a particular brand's range. Some suppliers require retailers to purchase a whole collection, usually twice a year and often including sizes that may not sell well - which can lead to a significant amount of leftover stock. Others may stipulate minimum orders each season that run into thousands of pounds, while some will allow a retailer to purchase a few key pieces initially then place a larger order once their shop is up and running.

Most boutiques stock a few different brands from reliable and reputable manufacturers that will appeal to their target market. However, building relationships with manufacturers and persuading them to supply their range to newly established businesses can be a difficult process, particularly if another outlet in the same town already stocks those brands.

Manufacturers tend not to sell direct to small retailers; they usually supply through agents. It is therefore necessary to build relationships and negotiate with the agents who represent the chosen brands. The International Fashion Federation (IFF) directory lists details of agents representing the main UK brands, go to www.theiff.com for details.

Smaller retailers can also join a buying group, which enables them to place collective orders with manufacturers. By placing large, collective

orders, buying groups can offer reduced prices to their members. Go to www.buyinggroups.co.uk to find an online directory of independent buying groups.

Go to www.fashionunited.co.uk/bookmarks/list/onecat/Root%2BDesigners/0/all_items/ for links to womenswear designers and suppliers.

'Drapersonline' publishes information on current and future trends in fashion, as well as advice on various issues including how to approach suppliers to negotiate discounts. Go to www.drapersonline.com/trends for details.

Pricing, mark-ups and cash flow

Women's fashion is a competitive sector so it will be essential to check out other boutiques in your local area to see the products they sell and the prices they charge. Fashion retailers usually mark up the clothing items they purchase from wholesale suppliers by at least 100% plus VAT.

If the business is registered for VAT it must be charged at the current standard rate and prices shown on labels must always include VAT.

A boutique/fashion retailer's working capital will be mainly tied up in stock, whether paying for current lines or pre-paying on the next season's stock. The rest will be needed to pay the business' overheads.

Premises, fixtures and fittings

You will need to budget for the costs associated with leasing or buying premises, solicitor's costs, rent, utility bills, water rates and business rates. The premises must have room to store stock securely. A typical budget for fixtures and fittings of shop premises will include:

- Mannequins (from £80 each) to display collections both in the shop window and on additional displays in the shop.
- Display shelving (from £90 for a two-shelf metal unit).
- Merchandising tables for folded items (from £60).
- Wall display units (from £60 for 10 upright fixtures).
- Full-length mirrors (from £150) for each fitting room.
- A service counter (from £250).
- Carrier bags printed with the shop's branding (from £116 for 1,000 bags).

For links to suppliers of appropriate display equipment, go to www.shopdisplay.org/viewmembers.php and www.shopfittingwarehouse.co.uk. For links to suppliers of appropriate retail equipment see www.shop-equip.com/catalog/index.php?cPath=99.

Security

Depending on location it may be necessary to install CCTV, an alarm system and security features such as grilles and roller shutters to protect the premises. The British Security Industry Association (BSIA) can provide details of suppliers. Go to www.bsia.co.uk/companyfinder for details.

A safe (from around £190) will keep small amounts of cash secure up to the limits of insurance cover for cash held on the premises. Typical insurance policies provide cover for £1,000 kept in a safe and a further £500 out of the safe outside of business hours. Banking cash on a regular basis will keep the amount of cash on site to a minimum. Examples of safes can be seen at www.securesafe.co.uk.

To protect against shoplifting a security tagging system can be installed. This involves fitting an electronic tag to every high-value item in the shop, and having a pair of electronic detectors either side of the door to set off an alarm when someone tries to leave the shop without the tag first being removed or deactivated. Prices for complete systems start at £975. Go to www.securitytagshop.co.uk and www.maxtag.com for examples.

Any business using CCTV must notify the Information Commissioner's Office (ICO) and adhere to the CCTV Code of Practice. The ICO can be notified online (www.ico.gov.uk/what_we_cover/data_protection/notification.aspx) for a fee of £35, and must be renewed yearly. The Code of Practice can be read at www.ico.gov.uk/Home/for_organisations/topic_specific_guides/cctv.aspx.

Taking payment

A till (from £150) will handle basic transactions but there are more advanced electronic point-of-sale (EPOS) machines (costing from

around £500 to £2,000), which incorporate stock management software that gives detailed reports on sales and stock levels.

A Chip and PIN machine will process credit and debit card payments. Examples of providers include www.streamline.com and www.chipandpinsolutions.com. Alternatively they can be leased from banks. Equipment rental costs are between £15 and £35 a month, plus per-transaction charges of around 2%.

It will be necessary to apply for an Internet merchant account from a high-street bank to process online payments. Suitable payment systems that allow credit and debit card transactions to be accepted online, by telephone and by post include www.paypal.co.uk, www.rbsworldpay.com, www.paypoint.net and www.nochex.com.

Returns and refunds

Consumers' rights to return goods or obtain refunds are covered under the Sale of Goods Act 1979. Consumers can claim a refund if goods are faulty, not of a reasonable quality or not as described. The original purchase price must still be refunded even if the customer returns the goods at a time when the price has been reduced in a sale. Another item can be offered in exchange instead of a refund, but the customer is entitled to insist on a refund.

Consumers are not entitled to reject goods simply because they have decided they don't want them after they have bought them, although many retailers choose to provide refunds at their discretion. For example some boutiques will allow customers who request a refund for goods to return the product within 28 days and in a resaleable condition with proof of purchase.

Selling online

Boutiques selling online must comply with distance selling and e-commerce regulations, which give consumers additional rights to those they have when buying in a high-street shop. The regulations aim to ensure that traders provide clear information about:

- Their business, including its contact details and membership of trade organisations.
- The description of the goods they are selling.
- Payment and delivery arrangements.
- Consumers' cancellation rights.
- Clear price details including delivery charges and VAT.
- The steps to take to conclude a contract online and how to correct errors.

Trade associations

Membership of a trade association can provide a wide range of benefits. Relevant associations include:

- The British Shops and Stores Association (BSSA) is a trade organisation representing independent and specialist non-food retailers. Membership fees are based on turnover and start from £190 for a business with a turnover of less than £200,000 per year. Benefits include reduced rates on banking and card processing as well as advice on all aspects of retailing, such as business rates, wages, health and safety legislation, VAT and employment and consumer law. See www.british-shops.co.uk for details.
- The Association of Retail Trade (ART) is a trade association for the retail industry. It is free to join and provides benefits including bulk buying discounts, industry information and an online listing in the directory. See www.associationofretailtrade.com/art/wcms/en/home/services/index.html for details.
- Membership of the UK Fashion and Textile Association (UKFT) provides access to guidance on operating a fashion-based retail business, including advice on employment and human resources issues, sourcing products, legislation and regulations. Membership is based on turnover and starts from £465 including VAT. Go to www.5portlandplace.org.uk for more information.

Promotion

There are a number of ways to promote this type of business, including:

- Having an eye-catching window display will help to attract passing trade into the shop. The window should be attractively arranged and feature seasonal stock and any in-store promotions.

- Holding regular mid-season sales can attract new customers. Sales can be publicised by taking out an advertisement in a local newspaper and displaying a sign in the shop window.
- Customer loyalty schemes can encourage repeat business. Love2rewards is one example of a supplier of gift vouchers and loyalty schemes. Go to www.love2reward.co.uk/rewards for details.
- Organising seasonal promotions around Christmas, Valentine's Day and in the summer months, and fashion shows and events could help promote key items such as party dresses and beach wear.
- Holding regular preview evenings to highlight key trends for seasons or a new collection will encourage repeat business.
- Advertising in specialist business directories such as Fashion United (www.fashionunited.co.uk) will enable new customers to find the business. A listing in the hard copy and online versions of general business directories, including Yellow Pages (www.yell.com) and Thomson (www.thomsonlocal.com), may attract new business.

Trade shows

Attending trade shows can help you to network, build contacts and source new stock. A number of trade shows for women's clothing and fashion are held every year (some are twice a year). They include:

- MODA UK is a twice-yearly event that showcases the latest designs and collections in womenswear and accessories. Go to www.moda-uk.co.uk for more information.
- Pure London is a trade-only show for fashion retailers. Go to www.purewomenswear.co.uk for details.
- Clothes Show Live is an established event that reveals trends for forthcoming seasons. Designers and suppliers exhibit their ranges. Go to www.clotheshowlive.com for details.

Insurance

A boutique owner will require a number of insurance policies, including:

- Public and product liability insurance, which covers a business against claims from customers, suppliers, visitors and members of the public injured or adversely affected as a result of its activities.
- Employers' liability insurance, which is mandatory as soon as a business employs staff and which covers the business against claims from employees (or their estates) for injuries, disease or death sustained by them in the course of their employment.
- Contract dispute insurance, which covers a business against claims arising from commercial and contractual disputes, for example with suppliers, landlords or other service providers.
- General commercial and shop insurance cover, which will be needed to cover premises, stock, fixtures and fittings against accidental damage and fire, flood, theft, and any business interruption arising as a result.
- Cover for the theft of stock or cash by staff can also be obtained, as well as cover for loss of cash and cheques from the premises.
- Cover for use of any vehicles used for business purposes, which must include minimum cover for third party, fire and theft.
- Adequate goods in transit insurance will also be necessary to cover any clothing that is posted to customers or delivered by courier.
- Income protection and critical illness cover policies, which provide an income for retailers unable to work due to injury or illness.

Advice from an independent broker who specialises in commercial insurance will help ensure that the business has appropriate cover. To find a broker contact the British Insurance Brokers' Association (BIBA, www.biba.org.uk). For further guidance on the range of policies available and their implications for the business see BIF 6, An Introduction to Insurance Cover for Business.

Legislation

This section is intended as a starting point only. It provides an introduction to some of the key legislation that regulates the activities

of a boutique. Professional legal advice about the possible impact of legislation should always be obtained before making any business decisions. Relevant legislation includes:

- **The Sale of Goods Act 1979** stipulates that goods and services must be 'of merchantable quality' and 'as described' by the seller. The Act gives consumers specific rights of redress in relation to repair or replacement of goods. See BIF 142, A Guide to the Sale of Goods Act 1979 for further information.
- **The Consumer Protection from Unfair Trading Regulations 2008** aim to simplify consumer law and protect consumers from unfair trading practices. They affect all businesses, and contain a general prohibition on unfair and aggressive commercial practices, misleading actions and misleading omissions. Go to www.bis.gov.uk/files/file46035.pdf for details. See BIF 462, A Guide to the Consumer Protection from Unfair Trading Regulations 2008.
- **The Consumer Protection (Distance Selling) Regulations 2000** regulate the sale of goods and services, including sales by a boutique when products are bought by consumers at a distance, such as via the Internet, over the phone, by mail order or by fax. The Office of Fair Trading (OFT) has more information at www.oft.gov.uk/advice_and_resources/resource_base/legal/distance-selling-regulations. See BIF 333, A Guide to the Consumer Protection (Distance Selling) Regulations 2000.
- **The Price Marking Order 2004** applies to sales to consumers (not sales to other businesses) and requires the prices of products to be clearly displayed and stipulates that prices must include VAT and other taxes. See www.bis.gov.uk/files/file8175.pdf for more information.
- **The Health and Safety at Work etc. Act 1974** stipulates that employers and the self-employed have a duty to protect the health and safety of their employees, customers and anyone affected by their business activities. In Northern Ireland, the Health and Safety at Work (Northern Ireland) Order 1978 applies. See BIF 466, A Guide to the Health and Safety at Work etc. Act 1974. For more information on health and safety legislation visit the websites of the Health and Safety Executive (HSE - www.hse.gov.uk) and the Health and Safety Executive Northern Ireland (www.hseni.gov.uk).
- **The Management of Health and Safety at Work Regulations 1999** require businesses to carry out health and safety risk assessments and to monitor employee health in accordance with any risks identified. Go to www.opsi.gov.uk/si/si1999/19993242.htm for details and see BIF 140, A Guide to the Management of Health and Safety at Work Regulations 1999 for more information. In Northern Ireland the Regulations are the Management of Health and Safety at Work Regulations (Northern Ireland) 2000. Go to www.opsi.gov.uk/sr/sr2000/20000388.htm for details.

Other regulatory issues

Businesses that play background music must obtain licences from PRS for Music (www.prsformusic.com) and from PPL (www.ppluk.com).

Further information

For practical start up and small business tips, ideas, know-how and news, go to:

Website: www.enterprisequest.com

To access hundreds of practical factsheets, market reports and small business guides, go to:

Website: www.scavenger.net

UK Market Synopsis 41 Clothing and Accessories Retail

BOP 3 Fashion Designer
BOP 106 Jewellery Retailer
BOP 109 Fashion Accessories Retailer
BOP 218 Shoe Shop
BOP 272 Designer Clothing Retailer
BOP 344 Lingerie Retailer
BOP 441 Men's Fashion Retailer
BOP 524 Children's Clothing Shop

Trade publications

'Drapers'

This publication provides news, job information and trends within the fashion industry.

Tel: (020) 7728 5000

Website: www.drapersonline.com

'Retail Week'

This publication provides news, jobs, analysis and data from all areas of the retail sector.

Tel: (020) 7728 5000

Website: www.retail-week.com

Useful contacts

The British Shops and Stores Association (BSSA) is a trade organisation representing independent and specialist non-food retailers. It provides advice and guidance on all aspects of retailing.

Tel: (01295) 712277

Website: www.british-shops.co.uk

The Association of Retail Trade (ART) is a trade association for the retail industry. It is free to join and aims to increase retailers' buying power.

Tel: 0845 388 1402

Website: www.associationofretailtrade.com

The Association of Suppliers to the British Clothing Industry (ASBCI) is a trade association for clothing industry businesses from all sectors of the supply chain, including retail, distribution and aftercare.

Website: www.asbci.co.uk

The British Retail Consortium (BRC) is a trade association for the UK retail industry. It provides news, publications, details of events and business information including regular updates on market trends such as the retail sales monitor and shop price index.

Tel: (020) 7854 8900

Website: www.brc.org.uk

The Interactive Media in Retail Group (IMRG) aims to promote and encourage retail via the Internet, telephone and through home shopping.

Tel: (020) 7189 5533

Website: www.imrg.org

Skillsmart Retail is the Sector Skills Council for the retail industry. It aims to be the foremost authority on retailers' skills needs.

Tel: (020) 7462 5060

Website: www.skillsmartretail.com

Useful sector portals and websites

Retail Rehab is an online resource for small shops and businesses, providing trading advice and discussion.

Website: www.retailrehab.co.uk

CONTACT-

scavenger@cobwebinfo.com
0191 461 8000

for further information.

This information is meant as a starting point only. Whilst all reasonable efforts have been made, the publisher makes no warranties that the information is accurate and up-to-date and will not be responsible for any errors or omissions in the information nor any consequences of any errors or omissions. Professional advice should be sought where appropriate.