

## *Situation*

A national apparel retailer owned the U.S. distribution rights to an upscale European clothing brand and had opened a small number of boutiques that featured this clothing line. The boutique financial results were mixed, with highly unprofitable locations more than offsetting the profitable locations. The key question facing the retailer was whether to open new boutiques nationwide, or to close out the boutique "experiment" as the existing leases expired.

## *Approach*

Avondale consultants worked with the business managers to analyze store operations and develop a granular understanding of the business. In this case store size, retail productivity (measured as sales per square foot) and lease expenses were the key drivers of financial success; the NYC 5th Avenue location was highly profitable despite significant lease expenses due to the high productivity of the relatively small store. In contrast, the Beverly Hills location, a much bigger store with lower lease expenses due to an off-Rodeo Drive location, was highly unprofitable due to low productivity per square foot; much less than required to cover lease costs.

## *Result*

Management opened new boutiques in locations with relatively lower lease expenses. The new boutiques were smaller on average than the existing boutiques (comparable in size to the NYC store). In addition the retailer acquired the European brand in its entirety and opened several boutiques throughout Western and Eastern Europe and now operates 40 boutiques worldwide.