
FOXY ORIGINALS: THE ONLINE EXPANSION

Jessica Bond wrote this case under the supervision of Elizabeth M.A. Grasby solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In May 2014, Jennifer Ger and Suzie Chemel began to re-evaluate Foxy Original's existing sales strategy. Foxy Original's jewelry designs had grown in popularity since the company's inception, and were sold in retail locations throughout Canada and the United States. Ger and Chemel, the founders and owners of Foxy Originals, had typically secured their retail customers through the use of trade shows, which they personally attended, and through hiring sales representatives. More recently, Foxy Originals products had become available for sale online to end consumers. Ger and Chemel wondered whether they should focus on increasing sales through the online store, or continue attending trade shows to attract more retailers willing to carry their product line.

BACKGROUND

History¹

Jennifer Ger and Suzie Chemel believed that life, like fashion, should be fun, bright, and full of excitement. Foxy Originals (Foxy) was founded on this belief. The owners' goal was to create unique and playful jewelry pieces that would help women everywhere find their own way to sparkle and shine — without breaking the bank. Both partners possessed experience in the jewelry industry prior to launching Foxy. Chemel's parents owned a metal manufacturing company that made jewelry and medals for companies and community groups, and Chemel had been involved in this family business from a young age. Ger had been designing and selling her own line of necklaces since she was 16 years of age.

In 1998, while attending Western University, Ger and Chemel started Foxy. Prior to graduation, Ger and Chemel spent their summers attending various outdoor festivals and summer concerts to promote and sell pieces from their collections. Foxy jewelry was primarily targeted to young, professional women between the ages of 20 and 45. After very positive sales results, the partners decided to turn Foxy into a full-time endeavour upon graduation from the Ivey Business School.

With growing popularity and demand from festivals and summer concerts, Ger and Chemel began selling a separate line of jewelry to retail stores. Each retail account took a significant amount of time and effort to

¹ Foxy Originals, accessed November 27, 2015, www.foxyoriginals.com/Store-Finder.html.

develop since the partners personally contacted and met with each Canadian retail store's product buyer. In the first three years of operations, Foxy's sales had doubled every year, and thereafter continued to grow at a rapid pace. Ger and Chemel were very enthusiastic about their designs; they displayed high energy and had a thorough knowledge of their products. Canadian retailers often placed orders for Foxy jewelry after meeting these dynamic owners. Prior to expanding their business into the United States, the partners managed all operations.

Upon Foxy's expansion into the United States in fiscal 2005, Ger and Chemel continued to attend trade shows, but they also hired sales representatives to sell directly to boutique owners and run trade shows across the United States on the partners' behalf, thereby promoting greater exposure for the Foxy brand. During the first fiscal year of U.S. sales, 10 per cent of Foxy's overall sales came from the United States and 90 per cent came from Canada. By fiscal 2007, due to the significant number of boutiques carrying the Foxy line in the United States, U.S. sales accounted for 70 per cent of Foxy's total sales.

In 2009, in addition to their retail locations, Ger and Chemel began selling their products online directly to the end consumer. End consumers could purchase pieces from any Foxy collection online for the same price as the pieces were sold in retail locations. Online sales represented 15 per cent of overall sales in fiscal 2013.

Designs

The partners designed all of the company's jewelry and were constantly on the lookout for inspiration for new designs. Different collections (product lines) were designed to satisfy a broad range of customers' preferences and fashion sense. Each collection had an overarching theme, including a number of different necklaces, earrings, and rings designed to match the theme. For example, inspiration for one collection struck while Chemel was vacationing in Berlin, Germany, when she visited Berlin's love lock² display. Upon returning to Canada, the partners designed a collection of necklaces and earrings with the same name — "Love Locks" (see Exhibit 1).

Manufacturing

To provide high-quality pieces at an affordable price, all of Foxy's jewelry was designed and produced in Toronto, Canada. A small production team of professional craftspeople assembled all designs. All Foxy jewelry was made from pewter and coated in sterling silver, matte gold, or bronze with a matte finish. From this common starting point, the pieces were transformed into original works through the integration of enamel, stones, leather, and Ultrasuede.

TRADE SHOWS

Trade shows offered a one-stop marketplace for retailers to source products from wholesalers and importers. They were usually not open to the general public and were targeted to registered retailers only. Ger and Chemel focused on attending trade shows consisting of buyers from women's fashion accessories and giftware boutiques. These exhibitions historically attracted upwards of 75,000 buyers in attendance. Exhibitors set up booths to display their merchandise. Typically, the booth's layout and its presentation

² A love lock was a padlock couples fastened to a public location to signify their love. These public locations were typically bridges from which the couple then threw the key to the padlock.

proved to be very important in attracting a potential buyer; the more attractive and “flashy” booths appealed to a greater number of visitors. If interested, buyers selected the merchandise they wanted to carry in their stores and then placed their orders with the exhibitor.

Ger and Chemel founded Foxy with the notion that they wanted their business to be fun. During Foxy’s early years, the partners spent approximately 50 per cent of their working hours travelling to trade shows. Now that both partners were married with children, they wondered whether personally attending more trade shows was still viable, since both women believed in a healthy work-life balance.

In 2015, throughout Canada and the United States, there would be 10 potential trade shows that the partners would be interested in attending. Registration for each of these trade shows would cost on average CA\$3,000³ and would need to be completed by November 2014. Preparation for each trade show would take five days, and each show would last three days. Both partners expected they would have to work nine hours a day at each event.

The partners had attended trade shows in the past, and they recognized that it was time to create a new booth to display their collections. The booth would cost \$4,000 and could be used for 30 shows. The booth would need to be shipped to each trade show at an average cost of \$1,500. Travel costs would average \$1,000 per show for each of the two partners, and promotional materials and product samples would cost \$2,800 per show.

For 2015, based on past experience, the partners estimated that an average retailer order would consist of 25 necklaces and 12 pairs of earrings. All necklaces consisted of a chain, a pendant, a label, a clasp, and labour fees, for a total cost of \$8.05 per necklace. A pair of earrings cost approximately \$5.50 to manufacture. Retailers would purchase necklaces for \$17 and earrings for \$12 from Foxy, which they would mark up and then sell to their customers for \$34 and \$24, respectively. Shipping terms were FOB shipping point, and the average cost was \$15 per order. All products would continue to be sold for the same amount in both the United States and Canada (i.e., a necklace that sold for CA\$34 in Canada would be sold for US\$34 in the United States).

The partners expected anywhere from 20 to 45 orders from each trade show. Historically, 50 per cent of the retail buyers at the trade show reordered products approximately two times a year.

ONLINE SALES

Since the introduction of popular online shopping websites like Amazon and eBay in the mid-1990s, online shopping had grown exponentially in popularity. In 2014, retail sales exceeded \$22 trillion dollars worldwide, of which approximately 5.9 per cent related to online sales. Online sales were projected to increase to 8.8 per cent of total retail sales worldwide by 2018.⁴ Since launching Foxy’s online site, Ger and Chemel had seen tremendous growth in sales from the online store and now wondered whether it was the right time to place more focus on growing Foxy’s online purchases. By offering Foxy collections online, sales were no longer limited to the United States and Canada, allowing Foxy to reach customers worldwide.

³ All currency in Canadian dollars unless otherwise specified.

⁴ eMarketer Inc., “Retail Sales Worldwide Will Top \$22 Trillion This Year,” *eMarketer Online Newsletter*, December 23, 2014, accessed November 27, 2015, www.emarketer.com/Article/Retail-Sales-Worldwide-Will-Top-22-Trillion-This-Year/1011765.

While the online market was growing, Ger and Chemel wondered how likely it would be for a person who had never purchased a Foxy product to purchase an item for the first time online. Without having prior knowledge of the merchandise and its associated quality, first-time customers may not be as willing to purchase Foxy jewelry online as they would be to purchase it in a retail store.

By 2014, of all female Internet users, 76 per cent used some form of social media, increasing to 89 per cent for women between the ages of 18 and 49.⁵ In the past, Ger and Chemel had experienced success in advertising on popular social networking sites like Facebook, Instagram, and Pinterest using a variety of different methods, such as free giveaways and discount codes to be used on Foxy's site. If the partners were to focus on increasing online traffic, any annual cash recurring costs that would have been incurred by attending trade shows would instead be spent on online promotions. However, placing more focus on this area would be insufficient to eliminate any time, effort, or expenses incurred for retail sales. The partners still planned to maintain existing retail relationships while growing online customer purchases.

In the past, the partners had used a cost per click model when advertising online, and they planned to continue using it in 2015. Using this model, Foxy was charged a specific amount per click (set by the partners) when the reader clicked on their advertisement.⁶ A daily budget was set and, once reached, the advertisement would no longer be shown that day. If the partners opted to devote more focus to online sales, Foxy's annual budget would be equivalent to the amount of the annual recurring cash costs to attend the additional trade shows. Ger and Chemel estimated that Foxy's competitive bid price per click would be \$1.05.

If, instead of attending additional trade shows, they allocated all of the recurring annual cash costs of attending 10 trade shows toward an online marketing campaign, the partners estimated that between 3 per cent and 5 per cent of all website visitors would make a purchase. On average, each order would consist of one pair of earrings and two necklaces. Shipping terms were FOB shipping point and totalled \$8 per order, regardless of the size of the order and its final destination. All items for sale online would be priced the same as they were in retail stores.

CONCLUSION

Ger and Chemel had built their business on the principles of having fun, gaining exposure for Foxy's new collections, and staying ahead of fashion trends. To date, they had been highly financially successful in doing just that. The partners were excited about the prospect of continuing to grow Foxy, but they wanted to ensure that whatever decision they made could be implemented in a way that would be good for both the company and their families. Regardless of their decision, the option chosen would be entirely financed internally (in-house). Based on the company's previous success and current stability, Ger and Chemel hoped their decision, when implemented, would increase Foxy's overall profits by at least \$100,000. They needed to make a decision quickly to prepare for a January 2015 launch.

⁵ Pew Research Center, "Social Networking Fact Sheet," *Pew Research Center Website*, accessed November 27, 2015, www.pewinternet.org/fact-sheets/social-networking-fact-sheet/.

⁶ A competitive maximum bid price was one that allowed a company to have the greatest amount of exposure to potential customers. If a maximum bid price was set lower than other competing company's maximum bid prices, then that competing company's advertisements were shown instead. If a maximum bid price was set much higher, then this advertisement appeared more often; however, the cost of this level of exposure was much higher than necessary.

EXHIBIT 1: LOVE LOCKS



**Forever Locks Necklace
in Gold**



**Forever Locks Necklace
in Mixed Metals**



**Forever Locks Necklace
in Silver**



Locks Earrings in Gold



Lock Earrings in Brass



Lock Earrings in Silver



Source: Two Plus One Group, "Exhibition Application," *Mode Accessories Website*, 2013, accessed November 27, 2015, mode-accessories.com/fall-show/exhibit-application.