

La casa de las botas essay sample

[Business](#), [Customers](#)



1. Summary

La Casa de Las Botas is a small company which has luxurious retail space in downtown Buenos Aires and a little workshop located about 10km to the west. El Señor Jorge Da Silva Villagrán, the company founder and owner, used to work as an apprentice for Pierri Company for fifteen years. When Mr. Pierri was retiring along with some of his employees, Jorge decided to buy the business from him in 1989, since he has learned all the techniques and secrets for manufacturing first-class leather boots. Jorge renamed the company La Casa de Las Botas. Currently he supervises ten highly trained craftsmen to product the luxury boots. Their products are sold in Argentina and other 15 countries with the help of his son, who is the only one speak English and give a hand in marketing. From beginning of his business, Jorge applied the business philosophy oriented towards product quality and customer satisfaction.

He acknowledged both of them are the key success factors which benefit the firm reputation as well. Hence, Jorge had managed to develop reliable local procurement sources to select superior quality leather, also the skills in selecting and measuring for a perfect fit of the boots were considered key factors in producing high-value boots. Based on these, the life time of boots made by La Casa de Las Botas was of about ten to fifteen years. The high quality of boots has benefited firm to build up word-of-mouth recommendations and customers satisfactions. Jorge respected all his clients because he believed that respect was essential to growth. Customer service and personalized attention were critical in the entire selling process including pre-purchase phase and addressing after-sale situation. The stability of

business depends on trust and long-term relationships with its customers. Jorge has setup the company website in 2000 so that customers outside of Argentina could order a pair of boots.

By 2010, about 60 percent of overall sales were made outside of Argentina, and the customer base of La Casa de Las Botas included more than 1000 end-users. Some customers bought the boots through several direct and indirect channels, such as workshop store in Buenos Aires and equestrian events staffed by Jorge or his son, or from the intermediaries outside of Argentina. Some other customers ordered boots by phone or through the company website. They received their boots via international couriers about one month after placing order. However, there were some issues for these end users to pay for their boots especially to the foreign customers, they only could pay in cash in the store or by bank draft. Jorge did not equip the website to conduct full transaction because there were still many issues he was concerning. After Jorge took over the business from Mr. Pierri, he soon created a new line of fashion boots to attract non-horse-riding customers, not just specialized in riding boots.

Currently, the firm has segmented its boots into “ Equestrian” and “ Fashion”. The “ Equestrian” segment contributed 70 percent of firm’s overall sales. In this segment, professional users, who have high frequency of use, focused on the quality of boots due to the practice of equestrian activities and sports. Although these professionals contributed very minor to the overall sales (less than one percent), they were important due to their advocacy power. The other 30 percent of sales were from “ Fashion”

segment, which mainly composed of women with superior purchasing power. This group of customers tend to look for unique designs and color combinations rather than the technical qualities. Jorge wondered if he should further attend to this segment because the number of potential buyers was much larger than in the Equestrian segment, and the margins were considerable.

Although the production capacity could still be improved by some twenty percent with current resources, Jorge was not interested in expanding his business significantly. He believed that moving production up to larger quantities will bring risk to the qualities and customer services and it takes years to train an employee to be good enough to meet Jorge's requirement. In addition, the Argentine economy will collapse every eight or nine years, Jorge was going to retire and none of his sons would like to take over his business. Jorge did not want to undergo major changes but just maintain the current situation due to the all these elements. However, many factors shows that Jorge has opportunities to expand his business globally. What he should do becomes a problem that he has to figure out.

2. Problem

Should La Casa de Las Botas embrace expansion or maintain the status?
Which segment Jorge should focus on if he plans to expand the markets?

3. Alternatives

1. Maintaining the current status without the expansion to avoid any pitfalls
2. Further developing the Fashion segment to increase potential growth
3. Focusing on the Equestrian segment to stick to its core business

4. Alternatives Analysis

1. Maintaining the current status without the expansion to avoid any pitfalls

Jorge applied product quality and customer satisfaction as his business philosophy to run his company. He believed that larger quantities would damage to the La Casa de Las Botas high quality and customer service. Although there was still opportunity to improve the production capacity by about 20 percent with current resources, Jorge was not interested in expansion. Once Jorge determined to expand his business, he had to employ more craftsmen in order to meet the increasing demand for its products. By 2010, Jorge had ten craftsmen in his workshop to manufacture all the products, all of them were experienced and skilled.

Jorge understood it was difficult to find good employees for manufacturing boots and it could take years to train them. The process of making a pair of boots was complicate. Jorge didn't want to take any risks because the production quality was strongly tied to the craftsmen he employed. In addition, since Argentina has suffered a recession in 2001, Jorge believed that the economy could collapse in years. How to maintain the business in long term was more important than any short term peak in Jorge's business development. Jorge is going to retire within the next decade and none of his sons wanted to take over his business, he was not interested in expanding his business but just maintain the current situation.

2. Further developing the Fashion segment to increase potential growth

According to the case, the " Fashion" segment of Jorge's business has grown to present about 30 percent of its entire sales, and the main customers

of this segment are women with superior purchasing power. This group of customers focus on unique designs and color combinations rather than the technical qualities. They use the products for daily pedestrian activities, not the specific activities such as polo, horse ball, or hunting. Comparing with the niche market (“Equestrian” segment), the “Fashion” segment can gain more potential customers easily by offering various kinds of designs and color combinations. Furthermore, professional users who practice specific activities pay more attention to the qualities of boots made by La Casa de Las Botas. The boots are very high quality that the lifetime could be ten to fifteen years.

This means it’s very difficult to persuade these professional users to repurchase another pair of boots in a short time, which will limit the sales of Jorge’s products. In addition, according to the case, in 2010, a pair of boots made by La Casa de Las Botas was sold by representatives, on average for: €700 in Spain, €1,000 in France, and USD 1,250 in the United States. However, the price in Argentina was only about USD 400. The “Fashion” products are categorized entirely into luxury, where there are seldom-direct competitions. The margins were very high that La Casa de Las Botas could benefit from selling the luxury “Fashion” boots.

3. Focusing on the Equestrian segment to stick to its core business By 2010, “Equestrian” segment, which made up Jorge’s major customers, contributed 70 percent of overall sales. Different from Fashion segment, Equestrian segment pays more attention to the qualities of the products. This segment is composed of professional users who requires high frequency of use of the

boots and practice specific activities like horse ball, jumping and hunting. Although the professionals make a very minor contribution to the sales, Jorge believed they are important to his firm. Their satisfaction will benefit the products with word-of-mouth recommendations. The professionals' approval were powerful advertising and promotion in magazines and on shows.

5. Recommendation

I recommend Jorge can adopt the second alternative. The firm should pay more attention to the Fashion segment in order to increase the sales. After all, Equestrian segment has limit customers compares to the Fashion part; the number of buyers restrains the growth of Equestrian segment. Expanding the Fashion segment will benefit La Casa de Las Boats with considerable profits as well due to the big margins. Larger number of potential customers and growth in sales can provide the financial support to improve the company website and hire more employees and launch training programs. In addition, the demand and flavor always change. There is no firms can maintain the businesses without any changes and developments. Only with continuous improvement, La Casa de Las Boats can have a place in the market and maintain its business. Comparing all the three alternatives above, expanding the Fashion segment is the best choice to Jorge's firm.

6. Implementation

In this case, in order to expand the Fashion segment, Jorge should enhance the advertisings to attract those potential customers, estimate the demand of this market to adjust the production capacity. Along with the increasing demand of Fashion customers, La Casa de Las Boats should fulfill its

production capacity with the current resources. At meanwhile, Jorge should to recruit new employees and start the training programs. Since the training could be last for years, it is a long term and continuous strategy. The production and quality are strongly tied to the number of employees. This will also benefit customers to receive their boots faster than before.

In addition, Jorge needs to improve the website and add the online payment function to convenient the foreign customers. While the oversea markets expanding, more workshop stores could be opened in other countries based on the markets expansion. This approach will give potential customers more channels to get the products. Keeping business oriented towards product quality and customer satisfaction is also important in firm's expansion.