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**Deb Venman**, executive vice president, **Bill Kenerson**, president, Beau Ties Ltd. of Vermont

# A Classic Act

Product diversification enables Beau Ties Ltd. of Vermont to tighten its hold on a niche market, p. 14

by *Matt Griffin*

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# A Classic Act

Product diversification is enabling Beau Ties Ltd. of Vermont to tighten its hold on a niche market

**W**hile you might think bow ties are a fashion statement best made by tuxedoed grooms, maître d's and waiters, the founders of Beau Ties Ltd. of Vermont would disagree with you. So would Beau Ties' customers, whose love of the butterfly-shaped neckwear has allowed this catalog to grow from a one-page flier mailed to 3,500 names in 1993 to a 56-page book with annual sales in excess of \$2 million.

In the 13 years Beau Ties has been in business, founders Bill Kenerson and Deb Venman have learned a thing or two about marketing to a niche audience. For this catalog, the right mix of preparation, product and attention to customers' needs has made all the difference.

## Product Search Led to Catalog Creation

With the idea of developing a small business to keep him and his wife busy in their impending retirement, Kenerson, then heading up the Addison County Economic Development Corp., thought he'd kill two birds with one stone. As an avid bow-tie wearer, he knew the

travails of hunting through menswear stores searching for bow ties that suited him.

"Bow-tie wearers of the world have a problem," Kenerson says. "They simply can't find bow ties." Armed with this knowledge, he proposed the concept of a direct marketing business to his wife, Deb Venman, a partner at a local law firm.

In their initial research, Kenerson

and Venman found there were 100 million to 200 million ties sold in the United States every year. With an estimated 3 percent to 5 percent of those numbers representing bow-tie wearers, they felt those numbers represented a substantial niche that could be served by a catalog. The only catalog company they were aware of that sold bow ties had gone out of business years prior, so they felt the time was ripe for a new entry into the market — if it could be done properly.

Launched in November of 1992, Beau Ties Ltd. of Vermont consisted of little more than a small room off of a bedroom in their home in Middlebury, Vt. Initially outsourcing nearly every function of the business, including the manufacture of the ties, Kenerson and Venman took it upon themselves to provide the fabric choices for the fledgling catalog. Research uncovered the Neckwear Association of America, which provided the names of several fabric suppliers. Armed with these names, the couple sought suppliers in New York's garment district.

With little knowledge of the vernacular and characteristics of the

## About Beau Ties Ltd. of Vermont

**Headquarters:** Middlebury, Vt.

**Year founded:** 1992

**Merchandise:** neckwear and other men's accessories

**Average order value:** \$86

**Annual circulation:** 400,000

**Channels:** catalog, 57 percent; Web, 38 percent; retail, 5 percent

**Housefile:** nearly 100,000

**Number of employees:** 30

**Printer:** Springfield Printing, North Springfield, Vt.



Bill Kenerson, president and co-founder;  
Deb Venman, executive vice president and co-founder

Photo by Todd Balfour, Balfour Studios, Shoreham, Vt.

fabrics they needed, they relied on the expertise of the fabric suppliers. Some of the suppliers were so helpful, says Kenerson, Beau Ties continues to work with them today.

The next hurdle in their path was finding prospective customers for their catalog. The couple was able to acquire names from John Field's, a defunct mail order bow-tie company based in California. They simultaneously began a print advertising campaign in *The New Yorker* and several Ivy League alumni magazines. What happened following Beau Ties' initial mailing would

influence every catalog the company mailed from that day forward.

Bow-tie wearers not only responded to the mailing by purchasing, but they sent letters to Kenerson and Venman thanking them for making a wider selection of bow ties available. Venman says there were so many positive responses, she included some of the testimonials in the second mailing. And that practice continues today, with particularly passionate customers including photos of themselves and their families wearing bow ties. The photos often are printed in

subsequent catalog mailings.

### Tying Together the Right Mix

While you may not think a category like bow ties allows for a wide merchandise mix, think again. Even within this narrow product niche, Beau Ties' co-founders have managed to give their customers choices. Each new Beau Ties catalog contains 150 fabric choices, with 25 to 30 new patterns. Price points also vary significantly, ranging from \$33 to \$120. And while bow ties comprise nearly 85 percent of the business, the

catalog successfully has introduced cummerbunds, ascots, cravats, pocket squares, shirts and most recently, four-in-hand (or long) neckties.

But the right product mix didn't materialize overnight. Kenerson admits that at one point he hoped to develop a full menswear catalog. In the first few years of the business, they added a leather traveling tie case. That product led the couple to add other leather goods, such as briefcases, belts and gloves. The difficulty in selling these items, however, was maintaining an inventory. It became problematic to forecast how quickly these products would sell, and sourcing eventually became strained due to unreliable suppliers.

Adding still more trouble to the multiple product stew: At that time, only one employee besides Kenerson and Venman was working for Beau Ties. When it was all said and done, they decided to pull the leather product line and stick with their niche.

"People know us for bow ties, and that's what they really want to buy," says Kenerson. "And while we didn't lose money on most of those [leather] products, we just decided it cost more money than it was worth."

Even without those additional products, Beau Ties still is able to offer a product mix that extends beyond simple fabric choices while serving its niche market. The bow ties come in three styles, and each style is available in a freehand, pre-tied with strap, or pre-tied clip-on version in adult and children's sizes. And if that doesn't work for customers, Beau Ties will take it a step further.

"We have close to 500 customers who don't really want to buy our standard-size ties," says Kenerson. And for those customers, Beau Ties offers a custom business. For an additional fee, customers can specify the size and style of the tie, perhaps even substituting a diamond cut instead of the standard flat ends

avored by most bow-tie wearers.

Further, Beau Ties gets about two dozen requests a week to convert four-in-hand long ties to bow ties. For \$30, the company's seamstresses will convert everything from brand-new ties from Nordstrom to old ties hanging in the back of a customer's closet.

To grow the business, Kenerson and Venman have learned to listen to their customers and explore new possibilities within their chosen niche. One recent development is a new line of four-in-hand ties. Until last year, even with the custom business, they had turned down requests for four-in-hand ties in their popular fabrics on the grounds that bow ties were the specific piece of the neckwear market in which they were interested.

Last year, however, a foray into the vertical tie market with sports logo fabric proved successful enough to warrant further testing. The recently mailed fall catalog offered four-in-hand ties in various fabrics, with a larger rollout to follow in the holiday catalog.



**Officials at Beau Ties received so many personal responses to their first mailing, they decided to include testimonials in every new catalog.**



Venman stresses the experimental nature of such a test. "If it doesn't develop into a solid part of the business in 12 to 15 months, we will probably gracefully back out of it," she notes.

Another piece of the merchandise mix that's gained ground recently is a venture titled Bill's Private Stock, a collection of more expensive, upscale fabrics available only in limited quantities. These ties are marketed via direct mail campaigns (separate from the catalog) mailed First Class to a select group of Beau Ties customers. Venman cites the recent surge in luxury goods and apparel as the primary reason for launching this product line.

Outside of ties, one product that's performed well is a line of shirts. Manufactured by a company in New Jersey, what's made this product an easy addition is the fact that Beau Ties never sees a single shirt. Each shirt is made to order and drop shipped from the manufacturer. Beau Ties continues to serve its niche through this offering, filling a specific void and broadening its product line. "We thought shirts were natural because we needed shirts to

display bow ties,” says Kenerson.

### Challenges: Prices and Staffing

Managing this niche business is not without its challenges. Despite their varied product mix, one of the problems Kenerson and Venman faced in the past year was a slip in the pricing mix. Although sales were going well, revenue appeared lower than it ought to have been. As it turns out, they gradually had removed some

higher-priced items without replacing them, which eventually took its toll on the company’s bottom line.

“We started to wonder why our sales weren’t what we had anticipated them to be,” Kenerson recalls. “We had to quickly readjust and get that mix up higher, because you could sell the same number of ties and not have the same sales. We should have tumbled to that much earlier.”

A continuing challenge for Beau

Ties is developing and maintaining quality staff. As the company has grown, the couple has hired more people to run certain aspects of the catalog, while Kenerson and Venman focus on growing the business.

While they provide oversight in most cases, they’d like to allow their employees to work more independently. But as Kenerson notes, this is a problem for many small businesses at this stage of growth.

### A Movement Into Wholesale Distribution

Part of Beau Ties’ plans for growing the company includes extending the business beyond the catalog’s reach. Largely built on word of mouth and print advertising, the Beau Ties customer base has grown to include some retail stores, but that was not by design.

Early in the business’s history, Kenerson decided not to market to retail stores for two reasons. First, he didn’t believe he could get stores to pay attention to the company without dedicated field reps. And second, stores return unsold merchandise at the end of a season. But as it turned out, field reps weren’t necessary. Stores bought from the catalog outright, and so Kenerson developed wholesale prices for those customers.

Today, he’s making a conscious effort to grow the wholesale part of the business, and has assigned to an employee the task of developing those contacts. In addition to providing incentives for each successfully developed relationship, Beau Ties has given her a budget to create written materials explaining Beau Ties’ various products.

This employee also is charged with developing the wholesale business beyond relationships with retail stores. Beau Ties has developed a line of ties aimed at colleges and universities, for example, hoping to pull in sales from campus clubs and organizations. It offers striped ties in 12 color combinations. Beau Ties also has the ability to create custom colors.

College reunion groups are

## Kenerson and Venman’s Tips for Starting a Catalog

### ◆ Don’t give up your day job.

When starting any business, be sure you have a way to support yourself that isn’t the new company, says Deb Venman, executive vice president and co-founder of Beau Ties Ltd. of Vermont. Venman and her husband Bill Kenerson maintained their day jobs for about five years after starting the catalog.

If the business can’t support paying your salary, at least you’ve got something else to fall back on, notes Venman. As a bonus, if you’re not dependent on the new catalog for income, you can feed that revenue back into the business to facilitate growth, says Kenerson, president of Beau Ties.

◆ **Consider the reality of your concept.** “Just because you love an idea doesn’t mean there’s a market for it,” says Venman.

Kenerson, as a former commissioner of economic development for the state of Vermont, notes the importance of making sure someone else also thinks your idea is worth pursuing. He recounts the story of individuals who approached the small business development corporation he ran in Addison County, Vt., with the goal of opening a Japanese restaurant in

a town with a population of 2,000. They were very dedicated to the idea of opening this niche restaurant, but the support just wasn’t there, he notes.

Kenerson recommends reaching out to your local small business development center for help building a business plan and a viable strategy for your startup.

◆ **Build a sounding board.** One of the first tasks Kenerson and Venman took was assembling an advisory board for the catalog. They sought out established businesspeople in their community who could offer advice on the start-up and day-to-day running of a company. They meet with the advisory board quarterly to discuss Beau Ties’ financial outlook, as well as upcoming business plans.

Since the board exists simply in an advisory capacity, Kenerson and Venman are free to reject any advice; likewise, the board members aren’t liable for advice they give. Early in Beau Ties’ history, Venman says the board really helped to prepare them for doing business by providing a forum where they had to defend their ideas and decisions.

—M.G.

*ate Stock*



**\$65 Nicholas II**  
Small Eborge royal blue egg patterns paired in delicate green and silver mosaic swirls on black Italian silk twill.

**\$65 Stravinsky**  
The genius of this composer's genius is reflected in Fabergé's distinctive design of sapphire blue and gold arched centers on ruby red Italian silk twill.

**\$65 Tchaikovsky**  
Delicate flowers in exquisite shades of sapphire blue, tragic pink and silver grey on vibrant Italian silk twill.

**Please Note:**  
Because of the special fabric and treatment of these ties, we cannot offer our standard discounts. However, there will be no charge for standard domestic shipping and handling on any order that includes a Private Stock tie.

Ties in Bill's Private Stock, a collection of upscale fabrics available in limited quantities, are priced about \$30 more than the standard ties in the Beau Ties catalog, adding variety to its pricing mix.

another source of new customers. Venman calls it a "continually available customer," as a different class celebrates a reunion each year. Additionally, she notes, as college

reunion classes grow older, they're willing to spend a bit more money to create a memorable occasion.

She notes that after 13 years focusing on the catalog side of the business, growing a wholesale division has been a learning experience. But as they have from the beginning, she and her husband face the experience together.

As Venman says, "One of our theories is that everything we do in this business is something we've never done before. So we try to enjoy the challenge of paving new ground and finding out how to make it work or understand why it won't." ■

Codes ending in 4H indicate fabrics available as four-in-hand long ties.



**\$45 BACK 4H**      **\$45 BOST 4H**

Both ties are featured on shirts from our Prince of Wales Collection. See page 24 for information and color selection.



**Boston**  
Crisp colors on navy silk twill. Conservative with a kick.  
**\$35 BOST 8H**    **\$45 BOST 4H**

**Back Bay**  
Green, navy and gold paisley dazzler on freemarker and silk twill.  
**\$35 BACK 8H**    **\$45 BACK 4H**

Call 800-488-6437 M-F 8 a.m.- 6 p.m. ET Fax 800-368-7808

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Shirts are a growing source of revenue for Beau Ties; the company is on track to sell about 30 percent more shirts this year than last year.