

## Tuni and G – Mini-Case<sup>1</sup>

Antoinette ("Tuni") and G.G. ("G") have been best friends for almost 20 years, meeting originally at a high school they attended together in San Diego. They shared similar backgrounds, both coming from Iraqi Chaldean families that moved to San Diego in the 1960s and later as divorced, single mothers raising children. The Chaldean culture is very outgoing, and both women soon developed a passion for fashion clothing and retail shopping. From their web-site, it is noted that "Antoinette has always had big aspirations; the word "shy" is not in her vocabulary," while G.G originally had a successful career as a pharmaceutical sales representative, then resigned that position in 2003 to remarry and start raising new additions to her family.



Always interested in fashion design, in 2005 Antoinette and G.G. started a part-time business focusing on "Mommy and Me" t-shirts. The "Mommy and Me" product line strategy was to have sayings printed on both a mother's T-shirt and a baby's T-shirt that were cute and cleverly played on each others words.

They quickly found one combination of sayings that was inspired by a popular song. Changing the words a little resulted in developing their best selling word combination early in their business career. This combination was, "Don't ya wish your Mommy was hot like mine" on the baby's shirt, and "Don't ya" on the mother's shirt. Soon other Mommy and Me combinations were developed, including, "Attitude in Training" on the baby's shirt, and "Attitude" on the mother's shirt.



Early sales of the t-shirt line were in a few local San Diego boutiques where Tuni and G knew the owners; however G.G. started to aggressively seek interviews on local morning TV and radio shows in San Diego and Los Angeles to promote their business. Demand slowly increased for the Tuni and G line, and soon sales were expanding on their recently developed web-

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<sup>1</sup> This case was prepared by Professor Craig S. Galbraith, Ph.D. to be used only for discussions in an educational setting to illustrate various business situations. Copyright, Craig S. Galbraith, 2008.

site. A big break came when several movie stars who recently had babies were photographed with the Tuni and G sets. These included Christina Aguilera, Jennifer Lopez, and Halle Berry; with pictures appearing in various magazines, such as People magazine. Soon afterward upscale boutiques started to approach Tuni and G about carrying the “Mommy and Me” line. Finding that promotion strategy attractive, Tuni and G subsequently started to send their t-shirts to movie stars, organizers for award ceremonies, such as the Academy Awards and the Emmys, and other nationally recognized celebrities and sports stars, and approached several national talk shows for interviews. They subsequently appeared on Good Morning America, a popular national morning network TV show. Around this time Tuni and G started to attend various clothing trade shows in Las Vegas and New York to promote their line.

As demand grew in 2007, Tuni and G expanded their product line to Spanish versions of the sets, and more recently in early-2008 into a product line for “pets.” They also recognized that there was a natural life to the popular combinations, and new English version sayings were developed in order to keep their product line “fresh.” Within 2 years after starting the business Tuni and G sets were in about 50 upscale boutique retail stores, primarily in Southern California, but also Las Vegas, San Francisco and New York, with about 50% of their sales from their web page. The Tuni and G web-site is <http://www.tuniandg.com/index.asp>

The Tuni and G business model took an “upscale” quality, distribution and pricing approach, with manufacturing and printing sub-contracted to high quality U.S. shirt manufacturers. However with the small contracts that Tuni and G were offering, Cost of Goods remains a problem as well as delivery priority by the contractors. Currently Cost of Goods is about 40% (60% gross profit margin) for their web-based sales, but with the discount given for boutique mark-ups (retail pricing on web and boutiques were kept the same), their profit margin for boutiques was only 30%. Revenue for 2007 was up substantially from 2006, to approximately \$200,000, but with the low profit margins from boutiques plus travel and trade show cost for the principals, the firm continued to post a small loss. 2008 revenues were expected to be much higher, however with a forecast for a small profit.



Four recent developments have arisen that create both an opportunity and concern for Tuni and G.

First, both Bloomingdales and Nordstrom have recently agreed to carry the Tuni and G line, with the first shipment in summer, 2008. Very few small clothing lines ever get into the major chain operations and getting buyers from

both stores interested in the Tuni and G line was considered a tremendous achievement. The Bloomingdale deal is a guaranteed purchase, while the Nordstrom deal states that they can return unsold product. The product line originally is to be sold in a few test stores, and if successful may be placed in all of the outlets. In both the Bloomingdales and Nordstrom's test stores the Tuni and G line sold very quickly, and reorders have already been placed. Nordstrom's is currently in negotiations to extend the line to about twenty stores.

Second, the Oprah Winfrey show is currently in negotiations with Tuni and G to appear on their show, possibly in December, 2008.

Third, in the U.S. while in-store sales have increased, web-based sales have flattened or even decreased due to reduced coverage in magazines and shows. This is partly due to the lack of time by the principals to pursue these media due to increased focus on department store and boutiques.

Fourth, even though Tuni and G are careful to copyright and protect their sayings and word combinations, particularly the best selling versions such as "Don't ya . . .", other shirt companies are always pirating the most popular sayings. In fact, approximately 20 percent of G.G.'s time is spent protecting their property by writing "cease and desist" letters to competitors that infringe on the sayings. Most small competitors are quite cooperative and apologize, but recently one large firm that sold cheaper, lower-quality t-shirts versions of the "Don't ya ..." combination in over 250 outlets refused to cease their sales, forcing Tuni and G to take more aggressive action. The firm finally agreed to stop selling shirts only after Tuni and G hired attorneys. G.G. estimates that this large competitor probably sold over \$200,000 worth of shirts, more than the total Tuni and G revenues using the copy protected Tuni and G "Don't ya . . ." saying.

By late summer, 2008 Antoinette and G.G. know that their business was at a critical point, and have decided to review their strategy to decide upon a future path. Other than G.G.'s prior pharmaceutical sales experience, neither had any real professional business background and they were seeking advice.

*Question for Discussion:* What would you recommend to Antoinette and G.G, and why? Would there be a market for the Tuni and G product lines internationally, and in particular, in Mexico or Asia? Why or why not?