

Fixer Upper: Expanding the Magnolia Brand

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In the spring of 2018, Home and Garden Television (HGTV) aired the *Fixer Upper* season finale closing five years on the network during which the series had become increasingly more popular. Not only had the program drawn attention to the other properties of Chip and Joanna Gaines, the stars of the show, but a spotlight had also been focused on the site of the show—Waco, Texas. With the end of *Fixer Upper*, people wondered what would happen to the various Magnolia businesses, as well as the host city whose prominence had grown along with the popularity of not only the *Fixer Upper* show, but also the Gaines family.

BACKGROUND ON CHIP AND JOANNA GAINES

Both Chip and Joanna Gaines graduated from Baylor University, but they graduated three years apart and had not met until after they had left Baylor. Chip received a degree in marketing and started a few small businesses. He had hoped to play professional baseball until he was cut from the Baylor baseball team after his sophomore year. Joanna majored in communications and planned on becoming a broadcast journalist. Joanna's father owned an automobile shop—Jerry Stevens' Firestone—in Waco, Texas, and it was there that the couple met. Chip had come into the store and noticed a picture of Joanna and immediately decided that was the girl he wanted to marry. Later when he brought his car in to have the brakes fixed, he met Joanna and later asked her out on a date. That was in 2001, and in 2003 after many dates, the couple got married. For the next few years, the couple began to establish a real estate business for themselves, invested in other ventures, and become the parents of five children. A timeline of Gaines' real estate investments is presented in [Exhibit 1](#).

EXHIBIT 1 Timeline of the Gaines' Properties

Date	Initiation of Property
2003	House flipping Magnolia Market
2013	Pilot of <i>Fixer Upper</i>
2015	Silos opened (Magnolia Market at the Silos) Magnolia House
2016	The Magnolia Journal
2017	Hearth & Home for Target Hillcrest House
2018	<i>Fixer Upper ends</i> <i>Fixer Upper: Behind the Design</i> Magnolia Warehouse Shop (opens periodically for warehouse sales) Magnolia Table

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House Flipping

When Joanna married Chip, she decided to join him in his latest entrepreneurial venture of “flipping houses.” This was the practice of buying a home as inexpensively as possible, renovating it, and then attempting to sell the house at the highest possible margin. Then the entrepreneur normally takes the profits from the first home and invests in another home to start the process all over again. With the first home they flipped, the couple found they had much to learn about the practice. Joanna said of the experience,

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“We painted over the wallpaper, left the popcorn ceilings intact, and spent most of our bathroom renovation budget on double shower heads.”¹

Magnolia Market

Soon after flipping their first house, the Gaines borrowed \$5,000 and opened their first retail store named Magnolia Market in 2003.² They privately called the operation the “Little Shop on Bosque.” It was in this store that Joanna suggests she developed her design style and skills, grew as a business owner, and gained confidence in the store and herself. However, after their first two children were born, Chip and Joanna decided to close the store and concentrate on their Magnolia Homes real estate company. The store was reopened later for a couple of years and then began to be used in March 2018 as a type of “outlet” for the Magnolia Market at the Silos. The shop featured last chance items and slightly damaged products at a discount. It was renamed the Magnolia Warehouse Shop and opened periodically for warehouse sales.³

Pilot of *Fixer Upper*

The show’s pilot aired on April 23, 2013, on HGTV. The full season began on April 2, 2014. After five years of filming, the final season premiered on November 21, 2017. The thesis of the show was to showcase the work that Chip and Joanna Gaines had been doing in Waco, Texas, helping their clients to purchase and remodel homes. Normally, the buyers had an overall budget of under \$200,000 with at least \$30,000 to be invested in renovations. Viewers were often surprised to find that some of the homes selected for renovation sold for as little as \$35,000. The Gaines were paid a fee by the television production company plus an undisclosed fee by the people for whom the renovations had been performed. [Exhibit 2](#) presents a summary of estimated revenues from *Fixer Upper* and the Gaines’ net worth. The program was immediately popular, and the Season 4 finale attracted more than five million viewers. This made it the second most watched cable broadcast in the second quarter of 2017 only behind *The Walking Dead*.

EXHIBIT 2 Estimated Revenues From *Fixer Upper* and Gaines’ Net Worth

Revenues from <i>Fixer Upper</i>
\$30,000 per episode for first 4 years × 14 episodes = \$420,000 each season
4 first seasons = ×4 seasons
Total = \$1,680,000
Plus the last season = <u>540,000</u>
Total for 5 seasons = \$2,220,000
Not included in these revenues are undisclosed fees from families helped with renovations.
The Magnolia Brand was estimated to be worth more than \$5 million in 2018. ¹¹
The net worth each of Chip and Joanna Gaines was estimated at \$9 million in 2018. ¹²

Sources: Here’s How Much Chip and Joanna Gaines are Really Making for the Last Season of *Fixer Upper*. <https://www.cheatsheet.com/money-career/heres-much->

Silos Opened

After the television program *Fixer Upper* began to take off, the Gaines spent most of 2015 renovating and preparing to open their new Magnolia Market in two rusting silos near downtown Waco (see [Exhibits 3](#) and [4](#)). In order to avoid painting the massive silos, the couple had to get permission from the City of Waco to let them remain as they were—adding to the historic nature of the site. In addition to the silos, there was a 20,000 square foot barn that now houses a marketplace full of decorating accessories. The market covers 2.5 acres and provides a large outside play area for children and a space for food trucks to park and deliver food to the store’s patrons. At the far end of the property, Joanna established the Magnolia Seed & Supply store complete with flower beds filled with seasonal herbs and flowers.

EXHIBIT 3 The Silos



©Magnolia Market

EXHIBIT 4 Outside of Magnolia Market



©Magnolia Market

In 2016, not long after the silos became operational, Chip and Joanna secured a small building on the corner of their property that had previously housed a floral shop and converted it into the Silos Baking Co. The shop serves a variety of cupcakes and breads whose names are associated with *Fixer Upper* such as “The Silo’s Cookie” and the “Shiplap” cupcake as well as the classic cinnamon roll and the “Prize Pig” biscuit.

The Magnolia Journal

Building on the success of the Magnolia brand, Chip and Joanna launched the Magnolia Journal as a quarterly lifestyle publication in 2016. Joanna said of the magazine:

My goal in creating this magazine was to connect with readers from all walks of life, to share content so valuable and so meaningful that you hold on to each issue and return to them again and again.⁴

The journal contains Joanna’s personal reflections and design tips with a focus on entertaining and seasonal celebrations. [Exhibit 5](#) presents a review of the brand footprint, which describes the typical journal reader.

EXHIBIT 5 Magnolia Journal Typical Reader

Median income	\$92,540
Home ownership	81%
Married	83%
Millennials	36%
Parents	44%
Median age	50

Source: www.meredith.com/brand/themagnoliajournal/.

Hearth & Hand with Magnolia

On November 5 of 2017, Target released an exclusive home brand line of home goods in collaboration with Magnolia. The Hearth & Hand collection includes 300 items that range from home décor to gifts. Most of the items are priced under \$30. Gaines said of the collaboration:

Just as we've never created an exclusive line of product for a retailer before, Target has never done anything like this before either. Let me try to give you a visual; it's like a little shop inside of Target. Jo keeps calling the look "modern farmhouse," whatever that means. All I know is she's so excited about this collection that she wants to register for our wedding all over again.⁵

Fixer Upper Concludes

In fall 2017, Chip and Joanna announced to the public that their *Fixer Upper* television program would be coming to an end in the spring of 2018 (end of Season 5). The couple said they had mixed emotions about the closure, but that the taping schedule was beginning to wear upon them. Initially, they had anticipated that they would be filming about eight hours a day, but they soon found that was not to be. They discovered that to put together a season of programs, they had to film 11 months out of the year. They decided to spend more time with their family and have time to welcome a new baby to the family in the summer of 2018. However, a source told *Vanity Fair* magazine that Chip and Joanna clashed with HGTV executives over not being able to showcase their furniture line on the show.⁶ The *New York Post* reported that Chip and Joanna were unhappy with their contract because it was so restrictive. The source reported in the *Post* suggested that their present contract would have prevented them from taking advantage of some lucrative deals.⁷

Fixer Upper: Behind the Design

The Gaines' brand would not be separated from television for long. On April 10, 2018, Joanna launched a *Fixer Upper* spinoff series entitled "Behind the Design." In this series, Joanna plans to share details on her design strategies, decorating, and staging a home. The program will cover all the elements that go into home makeovers. The format of the program took the viewer through the designs in the original *Fixer Upper* series room-by-room offering design secrets, insights, recommendations, and tips.

Magnolia Table

In February 2016, a Waco landmark, the Elite Café, was closed due to lack of profitability. The café had been opened 97 years earlier at a busy traffic circle in Waco and had served as a meeting place for local customers as well as tourists traveling between Dallas and Austin. One of the favorite stories about the restaurant concerned a young soldier stationed at nearby Fort Hood named Elvis Presley who had eaten at the Elite. The café had also become a favorite gathering place for Baylor University football fans in the fall of the year.

After the closing of the Elite, the Gaines acquired the 8,356 square foot facility, renovated it and opened it under the name "Magnolia Table" in early 2018. Some history buffs in the city complained that the name "Elite" should have been retained since the café's history had been so intertwined with that of the town. However, Chip and Joanna Gaines realized that the success of the renovated restaurant depended upon the Magnolia brand.

The Elite Café is a big part of Waco's history, and we wanted to honor that legacy, so we really, really struggled with whether to keep the original name or not. We knew that changing it could be an unpopular decision here in town, and we nearly kept it for that reason alone. But as we considered all that we hoped for this place—what we wanted this new iteration of the old restaurant to be—we quickly realized that the new hope and old name were diametrically opposed. After much deliberation, we decided to name the café Magnolia Table. We chose this new name because we wanted our restaurant to be a clear representation of a place where *all* were welcome.⁸

Shortly after the opening of Magnolia Table, customers had already resigned themselves to waiting in line for 30 minutes to get their name on the list for a table and then another hour-and-a-half to finally get seated. However, because of the friendly greetings and accommodations of the staff who invited waiting customers to have a seat in a pavilion outside where they could purchase hot or cold beverages as well as some pastries, customers appeared to take the wait in stride. Some have even waited as long as two and-a-half hours to be seated with no complaints. Magnolia Table is only open from 6am until 3pm Monday through Saturday. They do have a Take Away area and gift store.

Magnolia Stay

During the taping of the *Fixer Upper* show, Chip and Joanna Gaines were able to secure a property in McGregor, Texas, 20 minutes outside of Waco known as the "Magnolia House." The renovation was featured on the show and it was available to reserve with a two night minimum at \$695/night (sleeps 8 people). They also purchased "Hillcrest Estate" in Waco, Texas, which was built in 1903 and renovated this home that can be reserved as well with a two night minimum at \$995/night (sleeps 12 people). These two properties at Magnolia Stay are another part of the Magnolia/Gaines properties (businesses).⁹

THE EFFECT ON WACO

Rarely had a business have the kind of impact on a city that *Fixer Upper* and its brand extensions have had on Waco, Texas. The impact on the city of Waco was a realization of the company's mission to "Do good work that matters." Chip commented on the selection of the city for their television program: Page C-55

People typically reacted to the news of my being from Waco with sympathy or disdain. After the Branch Davidian incident, the name of our town even became part of popular culture. Considering Waco's reputation and small size, it was hard to convince HGTV to believe that basing our show solely in Waco, Texas, would be a recipe for success. . . . The network tried to talk us into doing just the first few homes in Waco and then branching out into neighboring cities like Austin or Dallas. . . . After some discussion, the network understood that if they wanted us, a show based in Waco, Texas, had to be enough for them.¹⁰

The Waco Convention Center and Visitors' Bureau reported that the Magnolia Market at the Silos attracts a minimum of 30,000 visitors a week to the city. Parking had become a major challenge near the Silos, and some organizations are charging up to \$10 a car for a favorable place to park. The Convention Center predicted that the Silos attraction could potentially draw 1.6 million visitors annually with roughly 50 percent of those visitors from outside of Texas. Local hotels and restaurants have been the recipients of increased traffic since the opening of the Silos; however, some locals have complained about the increased traffic, which makes it harder to maneuver downtown Waco. In March 2015, properties in Waco on [Realtor.com](https://www.realtor.com) were reported to be viewed at four times the national average. There had been speculation about whether the Silos would be able to maintain its popularity after the demise of the popular television program *Fixer Upper*.

FUTURE OF THE MAGNOLIA BRAND

By 2018, the Magnolia brand had been leveraged into such undertakings as a real estate company, television program, bed and breakfast, retail store, magazine, and restaurant. Magnolia now had 200 employees at Magnolia Table and approximately 800 employees companywide. The sky seemed to be the limit for the company and the city in which it was located. However, skeptics speculated about how sustainable the brand would be in the future with its primary driver—*Fixer Upper*—now canceled.