**MBAB 5P04**

## Exam

# Barry Wright October, 2018

# Time – 80 minutes

You may write with pen or pencil and use the back of the pages if necessary to develop your answers. Read the Case and then follow our six-step process to provide your thoughts and wisdom. If you need assistance please raise your hand. Please write clearly.

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**A Case Analysis of Cheap and Chic**

Dana Cheapie opened Cheapie’s Market in Minneapolis in the year 1912. Cheapie’s Market remained in the family for many years and expanded into a nationwide retailer known for its good quality products and fair prices. In 1960 the re-named Cheap and Chic wanted to expand to a new market: the discount store. They had a vision of providing a superior shopping experience for customers on a budget. On May 21st, 1970 the first Cheap and Chic opened its doors in Minneapolis. Fast-forward to the year 2013 and Cheap and Chic is a multi-billion dollar corporation with plans to expand across the border taking over the leases and renovating numerous stores that had been previously occupied by the company Zealous. By the end of 2013 Cheap and Chic had opened 130 stores across Canada.

Susie Anne Miller is the CEO of Cheap and Chic, she cannot believe how poorly Cheap and Chic has been doing in the Canadian market. She has visited multiple Canadian stores to speak with store managers and employees and found that no one seems happy with how the company is being run in Canada.

The five main issues being cited for Cheap and Chic’s poor Canadian performance are significant issues with inventory, not meeting Canadian shoppers desires and expectations, high prices and lack of selection, no on-line presence, and intense competition from Cheap and Chic’s biggest rival; Brickmart. Susie met with Cheap and Chic’s President of finance Shannon Price and President of Cheap and Chic Canada, Billy Brinkert, last week and both had alarming news for Susie. Shannon made it clear that Cheap and Chic was losing money by staying in Canada. The company announced a $992 million dollar loss on its operations in Canada for 2016 and reported the discouraging revenue of $1.1 billion dollars for the year.

During the 2016 Christmas season numerous Cheap and Chic stores in the United States experienced a security breach where close to 50 million customers had their debit/credit information compromised. This security breach caused issues for the reputation of both American and Canadian Cheap and Chic’s which had a negative impact on the sales revenue for both American and Canadian stores. The first quarter in 2017 revealed a $220 million dollar loss for Cheap and Chic Canada and yet Billy Brinkert made the decision to open numerous stores throughout Canada in hopes of increasing revenue by targeting back to school shoppers. Shannon made it clear that in order for Cheap and Chic to start making a profit, every Canadian store needed to start performing better and increasing its revenue. Lastly, Shannon told Susie in confidence that her calculations show that it is unforeseeable for Cheap and Chic Canada to start making profits until the year 2021 if nothing changes and it will likely bankrupt Cheap and Chic Corporation before it reaches profitability.

Billy had a different viewpoint of the current situation of Cheap and Chic Canada… he believes that things will turn around, customers will soon forget about the security breach and that Shannon is being too drastic in her view of Cheap and Chic Canada’s future profitability. He believes that the five main issues with Cheap and Chic Canada that were brought to Susie’s attention by the store managers and employees are fixable and he strongly believes that Cheap and Chic has not yet cracked the Canadian market. Billy believes that once they are able to determine the products that Canadian markets are craving from their stores, they will start making a profit much sooner than what Shannon has predicted. However, he needs time to conduct that market research and implement a new sales strategy involving the desired products. Billy also raised the question of what would happen if Cheap and Chic were to leave Canada. All of the time and money that was put into their Canadian expansion would be wasted, thousands of Canadians would lose their jobs, and numerous buildings would be left empty with money still owing on their leases. This would definitely leave Canadians with negative opinions about Cheap and Chic, which would result in even fewer Canadian customers shopping at Cheap and Chic.

These points really concerned Susie. She did not want to be responsible for so many Canadians losing their job and she certainly did not want to be the individual in charge of the decisions resulting in the bankruptcy of Cheap and Chic. What was she to do? She needed to make a decision quickly as the numbers for the 2017 second quarter were going to be announced soon and the media and stock holders would surely have questions regarding the future of Cheap and Chic in Canada after those numbers are made public.

1. After carefully reading the case, sort out the relevant data and present a diagnosis of the current situation. Key in this step is to summarize the **core elements** of the case. In the opening paragraph provide a “Readers Digest” summary of the case using MBA “language”.
2. In this step you need to isolate the most critical issue or problem apparent in the case. A good general approach is to find the issue that threatens the survival of the organization or triggers the crisis. This is central to your presentation – without finding the real problem, any solution offered will be inappropriate. Look for cause and effect connections. I expect a **one-sentence statement** that concisely conveys the main concern.
3. In this important step, **discuss the relevant theories** we are covering in the course that apply to the situation. The goal here is to draw from the theories to gain insight as to how to proceed. Ask yourself – within the topic area, what set of variables, ideas and theories drawn from the course are illustrated in the case? A few paragraphs may be needed in this section to connect theories to the case.
4. In this step I am asking you to **provide three possible solutions** to the challenge presented. Central to this section is that the solutions are realistic rather than merely possible. Be creative but grounded as well. Provide a paragraph or two per suggestion is a good guide.
5. Drawing from your narrowed list of alternatives, **provide a sound (read – supported) solution** to the critical issue. You need to logically argue why this alternative is the best. Generally a “pro / con” format is a useful approach. As well, be sure to identify how your solution/plan will address the problem and what the ramifications are from implementing this course of action. As an aside - be sure that the actions are possible for the “person” the case is written around. For example, a junior individual would not have the authority to increase budgets, sell a division, or maybe even fire someone. Sometimes a chart format to report and support your answer is a good way to present information.
6. Then, provide an **action plan** on how you will carry out the prescribed solution. Focus primarily on what you would do in the first 30 days / 6 months.