

Case study «play it safe at home, or take a risk abroad» essay sample



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Coe's is a big lease-to-own chain in U. S., which has been established by Terry Windham from 1950's from investing \$600 in 32 chairs to rent out to auction. Starting from this the business expanded to party equipment and sickroom gear and later on in 1970's it is oriented on furniture and the household goods. Stan Windham, a CEO of Coe's chain and the son of Terry, has opened the 1, 000's store in South Tucson. Not looking for a market saturation, such as Mr. Rental and Walmart, the company doing great as it is differ from them. Unlike its competitors, Coe's is accented on ownership offering a monthly payment schedule and a shorter contract period, as well as free delivery of items and free repairs. The policy of a chain is to train Coe's managers in way that they only approve lease agreements only for people who could afford the payments. The policy of a company to identify customers who were not aware about renting-to-own before, but though he economy has a recession, were afraid about committing a big-ticket items at once. Another things, which make Coe's chain more attractive to customers is that, in case they couldn't afford to make payments, it is possible to resume the contract with no penalties whenever the financial situation improved.

The situation is that investors want the Coe's chain to grow. One expansion which was rather successfully done in the 1990's into Canada and there are over 100 stores now. But they have one failed expansion into Puerto Rico a several years ago. It was a bad experience as many customers took products and did not make their payment so that managers can't find them. After that a Coe's share price had plunged so that time before to take any decision it is necessary to think twice. Stan is thinking about such a market as Mexico.

And there are some evident pros. Firstly he see that customers interested in Coe's chain there and there are a potential demand on loan-to-own stores, as people can't afford to buy households items and many cases they don't have an access to a credit. And in Coe's company run by Stan and previously his father there always were said that they wanted to help as possible to have an access to the goods they need. Secondly the benefit of expansion to Mexico is that is relatively inexpensive place, including lower transportation, labor and costs for real estate.

Thirdly the U. S. market is becoming crowded with similar business, even if there is a potential to develop it. Of course Coe's stores can have location next to every Walmart to provide an alternative for customers whey they are turned down for credit. Also there are a good idea for broaden a range of goods without taking a risk. And another area where lease-to-own stores can be opened is Europe, it is cultural and regulator environment is similar to U. S., probably the business will done good, but the price for opening a store as high as in U. S. In the fourth the company now has a revenue of \$2 billion a year and has 1, 000 stores, so to open several stores in Mexico will not change much positions of the company. That only will bring a company more experience. Team analyses say that expansion in Mexico has only 35% chance on success. But it has that chance, and no one can predict the future, but it is a new market with great potential and no competition that, of course, an advantage but it will take some time make customers to get to know about such a own-to-lease service.

In the fifth Puerto Rico can be a good experience, from which the company can learn that it may be better to have a local manages in Mexico, with the <https://assignbuster.com/case-study-play-it-safe-at-home-or-take-a-risk-abroad-essay-sample/>

help of experienced Aubrey, who poses a desire to train the staff. Also Coe's have Spanish-language commercial, which appeals very popular in U. S., which means it could be also a part of success. In the end, as I think, Coe's can adopt the ownership strategy in Mexico as in U. S. and to have their chain store near Walmart as well. Stan's business development team has done some marker research and has data about several cities at the border such as Matamoros and Monterrey. That places are good for the venture and even lead on potential partnership. To play safe they just need to make a survey about family income and cultural features to make purchases. To summarize the whole my idea is that I think that Coe's should try to expand to Mexico, but starting their business with a choice to test how it will do in 2-3 border cities and look for a good personnel to control the business. But as I think to make that business mode work in Mexico it needs to be adapted to it, especially what concerns managing credits and choosing prospective customers, as in reality there are many cultural differences. But that can create a lot of new opportunities for Coe's own-to-rent chain.