

Play It Safe at Home, Or Take a Risk Abroad?

Problem Statement:

Coe's, a rent-to-own chain fostering 1,000 stores and generating over \$2 billion a year in revenues, has come face to face with the difficult decision of whether or not international expansion into Mexico is worth the risks the venture may pose. The company has flourished domestically, causing CEO Stan Windham to find the idea of expanding into Mexico appealing and necessary. Concerns have been raised, though, by the company's CFO Carl Amirault who believes there can be more growth found within the United States that eliminates all the risks brought by international expansion.

Situational Analysis:

From the beginning, Coe's has emphasized the idea of ownership. Differentiating itself from competitors through its monthly payment schedule and shorter contract period, the business has flourished greatly in the United States with many of its customers finding the fact that they can rent from the business without worrying about credit extremely enticing. More than half of Coe's customers find themselves becoming owners of the offered pieces compared to the 25% seen with the company's largest competitor, Mr. Rental. With the exponential growth the company is seeing, CEO Stan Windham alongside company headquarters, employees and even Coe's customers have latched onto the idea of international expansion into Mexico and the plentiful benefits that the market there can provide. Previously, Coe's had been led through a successful expansion into Canada where there now resides over 100 stores. However, a venture into Puerto Rico fell short, causing the closing of a pilot store after only one year. This unsuccessful trial has led the company's CFO, Carl Amirault to have doubts regarding jumping into yet another expansion internationally. He believes that there are plenty of growth opportunities domestically that the company should be prioritizing and his team seems to agree, giving Windham an analysis stating the company would only have a 35% chance of success in Mexico. This is a case of taking a leap of faith and risking it all versus playing it safe and alleviating any uncertainty. After making a phone call to his father and the founder of Coe's, Windham realizes that the decision is now in his hands and he is faced with the task of answering the question: Should Coe's expand to Mexico?

The decision to expand into Mexico can be backed with strong strategic evidence as the country poses a large market with little competition. Companies similar to Coe's don't pose a threat as there are not similar alternatives for customers to choose from. The customer demand in Mexico aligns almost perfectly with the makeup of Coe's as a company as many of the residents there don't have the option of cash or credit or even access to credit at all. With any new journey, though, comes a risk and therefore it is necessary to weigh alternative options. Amirault took an opposite approach stating that Coe's should be placing a store next to every Walmart and that the company could even experiment with their own product line by expanding to goods outside of basic household items. This alternative option comes with less risk but could also prove to be less rewarding. A third alternative could be for the company to expand into Europe rather than

Mexico. The culture and regulatory environment is far more similar to what the company is experiencing domestically, but, this can be construed as a negative especially considering the cost of opening stores in Europe is so similar to the United States that the growth would ultimately be limited. The decision is either in or out and there is no in-between. Now, Windham must determine if the potential reward is worth the treacherous risk.

Recommendations:

As the type of person that believes in getting out of your comfort zone, I immediately resonated with Windham's perspective on the issue at hand. Hearing both a Coe's employee as well as a customer who actually gives money to the business state that they think not only the company, but also the citizens of Mexico could benefit greatly from the expansion leads me to my recommendation of simply going for it. Without taking the risk and moving forward with the international expansion, the question of "what if?" will continue to linger. I think with a more in-depth analysis hand in hand with personal statements from others who believe in the benefits, Amirault could be persuaded in stepping out of his comfort zone. An alternative recommendation would be to enter a joint venture or partnership with another company and taking the leap of faith together. This would reduce some of the risk whilst still allowing the company to expand its business. Similarly, the company could consider a merger or an acquisition by acquiring a company of similar manner that is already part of the market within Mexico. This, however, may come with complications as the concept of Coe's is not seen greatly in Mexico at this very moment.

Implementations:

Implementation of the recommendations listed above are of course easier said than done. Plenty of research and a good amount of persuasion will have to be performed for the flight to take its course and to do so successfully. A thorough market analysis should be done to ensure that the demand is truly there. This market analysis along with a potential risk assessment is a good start at implementing the recommendation of simply going for it. As mentioned in the case brief by Windham, I think that starting with two or three stores and testing the model is a good introduction to Coe's in Mexico. By doing so, the company can gain a feel for the performance of the business through the expansion before placing all their eggs in one basket. In the case of a merger or an acquisition, Coe's should work to find existing businesses within the market that hold similar benefits and values to find the right fit for their situation. Overall, I truly believe that if Windham and Coe's as a company moves with strategy and confidence, they will be prosperous in the international expansion of their company into Mexico.