

ICON: GROWTH CHALLENGES

ALTAF HUSSAIN

NORASHIDAH HASHIM

*Co-operative and Entrepreneurship Development Institute,
Universiti Utara Malaysia*

ABSTRACT

Mr. Amir Ghouri, a young entrepreneur of the Sukkur (Pakistan) successfully started the new venture Known as ICON in retailing after crossing several hurdles erected by regulatory authorities. Mr. Amir inherited the business from his forefathers and tried the diversification after the long stuck up of 30 years. Since his graduation in business studies from the USA, he had come up with two successful ventures in retailing and now considered to be the trend setter in retailing business in the vicinity of Sukkur. In his new venture of ICON he is concerned with the challenges of supply chain and getting sales increased. His ventures are perceived to serve up market; while his new venture of ICON has product ranges for the middle and lower middle class also.

Background

Mr. Amir, sitting in his office, was quite happy to see the rush of customers entering into an elegant building of his new venture, ICON Super Store, in Sukkur. He felt proud in establishing the first of this type of super store in the region after facing a lot of regulatory, bureaucratic and supply chain challenges. It took him 5 years to make this second diversification from well established business of retailing of cloths to the superstore (Groceries). The first successful venture was of the Ghouri Departmental Stores.

Although the sales grew by 50% per year from the last year when ICON was inaugurated; he realized that the major chunk of sales was coming from the upper-middle and middle income earning customers. The majority of them were also the customers of his Ghouri Departmental Store; established 12 years ago. He saw the opportunity to attract an untapped market of the middle and lower middle class customers, who constituted the majority population of the region and could be attracted to a large variety of grocery items at discounted prices and experience of self service and convenient environment at ICON.

Ghouri-Family Business Background

Forefathers of Mr. AamirGouri had lived in Barely, India, until 1947 and at the time of partition they migrated to Pakistan and settled in Sukkur, Sindh. Ghouri's forefathers were in the cloth business in India. On arrival in Pakistan, his grandfather started a cloth shop in 1948. Later, the same business was taken over by Ghouri's Father in Mid-60s.

Aamir's father was a man of novelty, he came into the business and started aggressively investing in the establishment of a Door Locks and Metal Button Factory in Sukkur, Towel Making Company in Karachi, and Automatic Laundry Factory in Karachi but these all investments proved not more than a failure.

These failures compelled his father to pay more attention to his forefathers clothing business and till thirty years the family stuck with same businesses. Aamir Gouri joined his father in his family business in 1995 after his return from USA. A young ambitious guy with B.Sc in Physics from Sukkur went to pursue his BBA from Pennsylvania, USA. With his outstanding performance in classes he thought to continue his MBA from the same college. Everything went well upto the first few months of MBA classes, but slowly and gradually Aamir discovered that he is fade-up of the structured life from waking up early morning, attending classes, workings on assignments and projects, preparing and reading all the times, that he used to do since his BBA program. One day without letting anybody know, he left Pennsylvania and started exploring the beauty of nature. As his father was supporting him financially so he never required to work along with his studies even for a single day. "This exploration was much the self-exploration, I basically discovered that I should have been a writer, musician, painter, as I was more artistic in my nature" says AamirGhouri.

He told his family regarding incompleteness of his MBA degree after his arrival in Pakistan. Within a year he realized that he has two options "One option was to look for a job in any firm but the degree was a major hurdle" says Aamir. "Then at the suggestion of my father I joined my father in his business" he further added.

There has been no significant change or improvement in the business as it has remained the same since last 30 years, so Aamir decided to expand the business and started selling goods like ready-made garments, crockery, gift item and other goods. By the Year 2000 the small shop of

Ghouri cloth has been turned into Ghouri Departmental Store, in Shahi Bazar, Sukkur which was facilitating the customers from Sukkur and surrounding city with quality products.

Being a business graduate, he has always kept customer convenience, attitudes and preferences in his mind and has been a great observer of his own. Aamir experienced “Self-Service” in ready-made cloths but against his expectations it did not turn into profitability by generating more sales. He associates the failure of these experiments with the market approach as its more based on ‘Customer Assisted Sales Model’ – where a sales person assists the buyer to buy what they may even not prefer to buy. It’s been years now, the Ghouri Departmental Store has developed a lot of potential customer base with a specialty in the clothing business and more known due to its quality products and services.

New Business Idea

Since his childhood when his mother asked him to buy groceries, shopping from *Karyana Store* (Grocery shop) was the most unwanted task he ever wanted to do in his childhood. He detested the attitude of the shopkeepers who were usually in hustle, preferred to sell sub-standard groceries and overcharged particularly from credit sales customers. He noticed, while interacting with his female customers at the Department store that they wanted to purchase grocery items themselves instead of asking their males, who were not interested in buying such petty items and shopped not according to their requirements. Females along with their male family members and children spent hours in shopping at Ghouri Department Store. In contrast to males, for females shopping was not only buying but also feeling the whole experience of outing and enjoyment and they were more impulsive buyers.

The urge of the shopping grocery by females and a ratio of female buying were increasing day by day in the region, as bi-polar gender roles gradually diffused in the society due to increasing education and employment of females. But convenient stores and wholesale market of grocery have never been pleasant for females. The wholesale market was in a congested area, where families avoided to go. From all this experience Mr. Amir spotted the need for a superstore in Sukkur region where families could conveniently buy groceries.

During his business visit to Thailand in 2005, he incidentally bought a book “Blue Ocean Strategy”. While reading the book, he was overwhelmed by the idea of value innovation (The *innovation* in product,

service, or delivery that raises and creates value for the market, while simultaneously reducing or eliminating features or services that are less valued by the current or future market and resulting in competition irrelevant and exponential growth). Instantly, he was hit by the spark of enthusiasm to open the superstore which would offer direct experience of buying of wide variety of groceries to local families.

Sukkur: The Location of Icon

Sukkur is the third largest city of Sindh province with a population approximately 1.5 million people, situated on the west bank of the Indus River in Pakistan. Due to its location it has remained the city of immense importance in history. This is the city of the Sindh province that is considered to be the hub; as it connects to the Punjab and Baluchistan; the other two provinces of Pakistan. There are many historical places in this district. Worth mentioning are Minaret of Masum Shah (known as Masoom shah Jo Munaro in local language), Saad Belo and Kalka Devi Hindu temples, Shrine of Hazrat Sadruddin, graveyard of the seven sisters (Known as Satiyun Jo Aastano) and Sukkur Barrage. The Minaret of Massom shah is named after Mir Masoom Bakhri, the Lieutenant of the army of Mughal Emperor Akbar, who got it constructed more than four hundred years ago. He along with his family is buried in a tomb near the Minaret. This Minaret was considered to be the tallest in the vicinity at that time.

Sukkur city is trading and commercial hub in northern Sindh. Sukkur is connected by road, rail and by air with all major cities of Pakistan. The people living in rural areas of this district and other surrounding districts economically depend on agriculture. It is the hub of the small scale industries like cotton, sugar, cement, rice, flour, dates, lock making, boat making, and ceramics.

Icon - Business Development Process & Challenges

To convert his idea of opening a superstore into reality; Mr. Amir selected a site near the historical place of Monument of Masoom Shah (Masoom Shah Jo Munaro). That location having a wide road where the customers can conveniently come along with their families and could find a parking space for their vehicles. This location is at the center of the city. Having purchased the site Mr. Amir thought of constructing a unique building having a beautiful Architectural look. For this purpose he contacted

Mr. Anel Athrom (Srilanka) a friend who had first hand experience of working in desert areas and motives to work near the monuments. Mr. AnelAthorm made four visits to project site and suggested a unique building with under-ground parking and Storage (Guddam) plus three floors. Once the design of the building completed MrGhouri had to get the map of the building approved by the local government authorities as per local laws. It took him 7 months to seek approval from TMA (Taluka Municipal Administration), which normally requires 15 days time as per government policy of encouraging new investment and business in the city.

Once the map was approved, including basement ground with 4 floors by authorities, he decided to start the construction work. In order to get the construction of a building completed within short time Mr. Amir rented the heavy construction machinery. As the construction started; within the first hour of the start of construction work TMA authorities arrived at the site and stopped the work and produced no reason for the first 15 days which caused set back to Mr. Ghouri. The construction machines were of no use to Mr. Ghouriand he kept on paying the rent along with taking responsibility for stay and food of the labor as it was hired from Karachi. It escalated to the cost of the project and delayed the process of building construction.

After intense persuasion the TMA Authorities came up with a reason that the digging process for construction of the building can cause damage to the monument (Masoom-Shah-Jo-Minaro) ¹and this multi story proposed building will be overshadowing the look of the monument which is the identity of Sukkur and Historical architecture.

After intense negotiation the TMA asked Ghouri to alter the construction plan and map of the proposed building and make it ground plus one floor only. This resulted in exclusion of under-Ground and Third Floor and the building capacity was almost reduced to 50%. The machine digging for the construction was also not allowed by TMA. Mr. Amir was advised to use manual digging that involved more cost and additional time. Looking at these hurdles Mr. Ghouri had also given thought to shun the idea of superstore and converting the site into the marriage hall. The Architect redesigned the building as per the suggestions of the TMA and it took two months to come up with new architectural plan of the building. The total construction was to be done only on 500 square yards. It took him more than five years to convert his dream into reality which includes a construction period of 2 ½ years.

It was November 2010 when Mr. Ghouri was finalizing the invitation card for the inauguration ceremony of ICON; he received a phone call from TMA authorities informing him that the main entrance of the superstore cannot be used by him as the front plot (200 sq yards) was the state property and state want to build a garden there. This was a great shock and a dilemma for Mr. Ghouri as he had made irrevocable investment and he had not been left any options to do with this purpose built building. After several days with the consultation of his family members he decided to have a small gate equivalent to small house gates in the street as an entry point for the ICON supermarket while putting banners on the main road and street indicating the entry gate. He started the business without arranging any inauguration ceremony.

The customers' response in initial days was satisfactory but every second customer kept on asking about why the closure of main entry. Mr. Ghouri kept telling them the true reason. Customers' blunt response to Ghouri about these hurdles was "The Authorities need a bribe to allow you to open the main entrance". In a few days this became the talk of the town as most of the customers visiting to the ICON belonged to the middle or upper middle class. They kept discussing the story in the gathering which mounted social pressure to the bureaucracy and politicians of the city. After several months Mr Amir Gore received a call from the politician who had assured him to solve the problem due to social pressure. He was finally allowed to open the main entrance. Keeping his image of socially responsible entrepreneur MrGhouri constructed a small garden in front of the main entrance along with allowing passage for the customer to main entrance for ICON.

Existing Business Model

Customers

The ICON is now providing Crockery, Food, Cosmetics, Stationary and Medical services to its customers. About 90% of its customers are female and 10% are male. These are the customers whom ICON Management is calling 'the happy customers'. The 50% of the customers belong to the Upper Middle Class with a spending of Rs. 20 thousand per month. The 30% of the customers are from Middle Class with average spending of Rs. 7thousandper month and the rest 20% belong to lower middle class spend about Rs. 3000 per month. In the first week of the month which is a peak shopping season, and on festival days about on average1000 customers visit a day, whereas during the other days about on average

500 customers pay visits to ICON. About three persons show up with one customer on every visit. The Crockery business offers 10-15% margin whereas the rest of the others offer 6% margin. An estimated first year growth in total sales for ICON is 50%.

Employment

The ICON is based on Self-Service based business model, whereas product information and further purchase assistance to every customer is provided by a team of 40 sales persons, solely employed by ICON. There is no formal organizational structure with written policies and procedure of ICON. In its management line there is one Executive Manager, who is managing the whole business of ICON supervised by AamirGhouri. He has also appointed two Customer Managers, three Procurement Managers, four Cashiers with Electronic Cash Counters, two Accountants, and two IT-Persons for most of them have an office-setup in the building just beside ICON. This building plays two fold role, one for office another as a warehouse for ICON. This office accommodates AamirGhouri, Executive Manager, Procurement Managers, Quality Control Department and IT People.

Supply Chain

The ICON keeps fifteen days stock in its stores (warehouse), as the supply chain remains the major hurdle in this business. The major issues with supply chain are Law & Order situation in Karachi and an outdated Transport Model (city to city) Specially from Karachi to Sukkur. The Transport Issue within the city is also one of the major hurdles, as the dry port is outside city at national highway, and loaded trucks are not allowed to enter into the city due to traffic issues. It takes a huge time in loading and unloading the trucks, bringing goods from port to shops and warehouses via *donkey carts*. The attitude of the local whole-sellers is also not satisfying, most of them remained understaffed and that is why they could not provide ordered goods to any of the departmental stores within city on time. "They take too much of our time to deliver goods and need a lot of follow-ups" says the procurement manager. "It's hard to place an order and trust it will be delivered on time" he further added. Aamir is working on its own Supply Chain, trying to bring in local, small transport facilities so that goods could be transferred from one place to another well in time. Aamir believes in bringing variety, so that ICON could provide better alternatives and wide selection range to its customers, but this all requires more investment. It further needs the

inventory management skills. "We need to have high quality products and an offer of a wide range of alternative products for our customers" says Aamir.

Quality Control

At ICON you will find no sub-standard quality product and 75% of the customers' requirements are met. For ICON, the procurement is divided into two categories. First, is *Repeat Purchase*, it's for the products which has already been in stock and has a demand. Second, the purchase of new products (first time purchase), for this a meeting takes place between AamirGhouri, Executive Manager and all purchase Managers with their inputs to reach at the decision point. ICON is also ensuring product quality through product sampling, for new product purchases.

"We invest about twenty to twenty-five thousands per month in product sampling" says one Purchase Manager. In its office building, (beside ICON) it has a Kitchen available to test food items.

"We don't sell only but we use products by ourselves. We use different items in our homes, my family has been a source of feedback for different new products" says Aamir. The ICON has created a culture where Managers and other staff and their families are also providing feedback regarding different products.

To remain in touch with *what's going on in the markets*, and to ensure supply of the products at the time, One of ICON's Purchase Manager remains in Karachi on a permanent basis.

"Being retailer I cannot improve the quality of brands, but can choose number one quality brands and sell them at the lowest possible prices" says Aamir.

Sales: The Major Concern

On 15thOctober 2012, Mr. Aamir in a meeting with his staff was contemplating how to improve the sales and profitability of his new venture. In that meeting with Executive Manager and Customer Relationship Manager, Mr. Aamir discussed his concerns regarding untapped market of middle and lower middle customers. "That market is perceiving the ICON as up market store and reluctant to buy from fancy stores. They believe that they cannot afford to buy expensive products and they usually purchase from convenient shops on credit. They don't

prefer to travel from long way to buy from us" Executive Manager said. Customer Relationship Manager added, "Majority of our customers is wealthy and well educated and they come with their families and like the hassle free environment of the store, they don't prefer to shop with the poor class."

Mr. Aamir with dispassionate looks said, "Core idea of the superstore is to facilitate local families by making their shopping cheaper and friendly under one roof, majority of them belong to lower class, how can we ignore them?" After a few seconds of silence he added, "We are offering the cheapest and quality products in large variety in the most beautiful building in the region, for which they earlier had to go to Karachi and Lahore." Customer Manager asked "but how could we bring more the lower middle class? "

Mr. Aamir murmured, "With current profits, we will recover our investment in more than ten years, whereas a normal business recovers in three to four years. We need to do something, we need to increase profits."The business is overall providing 6 to7% margin.

References

- Baron, R., & Ensley, M. (2006). Opportunity recognition as the detection of meaningful patterns: Evidence from comparisons of novice and experienced entrepreneurs. *Management Science*, 52(9), 1331-1344.
- Burns, P. (2001). *Entrepreneurship and small business*. Palgrave Macmillan.
- Chetty, S. (1996). The case study method of research in small-and medium-sized firms. *International small business journal*, 15(1), 73-85.
- Kim, C. & Mauborgne, R. (2004). *Blue ocean strategy: How to create uncontested market space and make the competition irrelevant*. Harvard Business School Press.
- Kirzner, I. M. (1979). *Perception, opportunity, and profit: Studies in the theory of entrepreneurship* (pp. 142-143). Chicago: University of Chicago Press.
- Perry, C. (1998). Processes of a case study methodology for postgraduate research in marketing. *European Journal of Marketing*, 32(9/10), 785-802.
- Shane, S. A. (2003). *A general theory of entrepreneurship: The individual-opportunity nexus*. Edward Elgar Pub.

Storey, D. J. & Greene, F. J. (2010). *Small business and entrepreneurship*. Financial Times Prentice Hall.

Tang, J., Kacmar, K. M. (Micki), & Busenitz, L. (2012). Entrepreneurial alertness in the pursuit of new opportunities. *Journal of Business Venturing*, 27(1), 77–94.

TEACHING NOTE

Yin, R. K. (2008). *Case study research: Design and methods* (5). SAGE Publications, Incorporated.

Zimmerer, T., Scarborough, N. M., & Wilson, D. (2002). *Essentials of entrepreneurship and small business management*. Upper Saddle River, NJ: Prentice Hall.

ICON: GROWTH CHALLENGES

Learning Objectives

This case can be discussed in the course of entrepreneurship, small business management and retailing offered at undergraduate level. The focus of this case study is to help the students in understanding the role of entrepreneurial alertness in the process of entrepreneurial opportunity recognition by understanding the qualities and characteristics of an entrepreneur. The other objective of this case study is to identify the hurdles and challenges faced entrepreneur during the venture development process.

The purpose of this case is to help students in understanding the application of the following concepts at the end class discussion.

- The role of prior knowledge and entrepreneurial alertness of an entrepreneur in opportunity recognition process.
- What are the qualities and characteristics of an entrepreneur?
- The different sources of competitive edge in small business
- Understand the challenges in Small business growth
 - Supply chain
 - Marketing
- Small development business growth is primarily a matter of chance or strategy.

Context

This case is about a young educated and ambitious guy Mr. Aamir Gouri from Sukkur (Pakistan) who developed a new venture “ICON super store”. He tried the diversification after the long stuck up in cloth retailer’s business from his forefathers business which was operated by them for 30 years. His education of business studies from USA and family background of business community played a vital role in developing two successful ventures in retailing. Now he is considered to be the trend setter in retailing business in the vicinity of Sukkur. The case describes the various hurdles faced by him during the new venture development process. But the resilience of Mr Aameri overcame all the hurdles that started from developing a map for the super store till the construction of building and opening of super store by local bureaucracy and regulatory authorities. Later with the problem of attracting the various social and economic classes of Sukkur and surroundings to ICON super store as this venture is perceived by the people to serve upper class of Sukkur because the image of Ghouri retail store to serve the upper segment of society. The other major concern for him was to deal the challenges of supply chain and getting sales increased by providing all the products needed by customer under one room called “ICON”.

Proposed Lesson Plan

Time required	Class Plan
10 Minutes	Introduction
30 Minutes	Reading of individual
30 Minutes	Form groups in class for the case discussion.
20 Minutes	Question and their possible answer.
20 minutes	Wrapping up and conclusion.

Discussion Questions

1. How prior knowledge helped Mr Aamer to become alert entrepreneur in recognizing the business opportunity?
2. What entrepreneurial qualities and characteristics can be associated with Mr. Amir Ghouri?
3. What are the sources of competitive edge for ICON that Mr. Aamir Ghouri relies on?

4. How can Mr. Aamir improve upon the supply chain issues like the responsiveness of the local suppliers, local transportation issues, and late delivery due to bad law and order situation in Karachi?
5. What marketing strategy will you suggest to Mr. Amir Ghouri for attracting the lower middle class customers?
6. Small business growth is primarily a matter of chance. Do you think this it is true or otherwise? Justify your response.

ANSWER KEY

1. **How prior knowledge helped Mr Aamer to become alert entrepreneur in recognizing the business opportunity?**

The process of opportunity recognition and the decision for exploiting the opportunity are two different phases of the entrepreneurial process. Entrepreneurial alertness informs an understanding of how opportunities with business potential are discovered which has been overlooked by others (Krizner, 1979). Mr Aamer Ghouri who belongs to a traditional family business has been able to identify the new business opportunity by connecting the dots need of family shopping under one roof. This ability of to identifying the opportunity requires prior knowledge which is the antecedent of entrepreneurial alertness. Prior knowledge is an idiosyncratic information of a person concerning with three dimensions i-e understanding the market, customer problems and ways to serve the market (Shane, 2003). Prior knowledge about the market which helps in understanding the market demand and facilitate in opportunity identification. Prior knowledge about ways to serve the market help in understanding the operations of the market and rules understanding of which facilitate opportunity identification. And prior knowledge about customer problems help in understanding the customer problems so that their need can be satisfied. The knowledge support in triggering a new product or service to fulfill customers unmet needs. Mr. Aamer has acquired the relevant prior knowledge about the market described above because of family business background and business education from USA. This helped him to identify the market gap and need of solving the retailing problem of local people in the form of a super store named "ICON".

2. **What entrepreneurial qualities and characteristics can be associated with Mr. Amir Ghouri?**

As an entrepreneur Mr. Amir Ghouri posses many qualities which are key ingredients for being a successful entrepreneur some of his qualities are :

- Continuous learning from external and internal environment changes and adapting business accordingly.
 - Risk taking ability which is visible from his action of starting a new business.
 - Adopting ethical behavior in doing business
 - Ability to deal with a series of tough issues
 - Resilience in the face of set-backs
 - Ability to learn and acquire the necessary skills for the tasks at hand
 - Willingness to work hard and not expect easy solutions
 - Being Flexible.
 - Developing a robust social network
3. **What are the sources of competitive edge for ICON that Mr. Aamir Ghouri relies on?**

For the growth and survival of small businesses continuously looking for the various sources of competitive advantages. Small business uses many different ways for achieving a competitive edge for getting ahead of the competition. Michael Porter categorizes it into four different primary categories i-e cost leadership, differentiation, defensive and alliance. The major source of competitive advantage for ICON is the adaptation of differentiation strategy which is visible from providing almost new retailing experiences under one roof to the customer. In this case it seems that Mr. Aamer has adopted a cost leadership strategy by providing the household grocery and other item at relatively lower price than retailers but he was not able to convey the message to the potential customers.

4. **How can Mr. Aamir improve upon the supply chain issues like the responsiveness of the local suppliers, local transportation issues, and late delivery due to bad law and order situation in Karachi?**

Mr. Aamir Ghouri can adopt the strategy of the few suppliers that calls for strengthening relationship with suppliers by ensuring them a major chunk of business. He can help them in developing their abilities to respond quickly to his needs by analyzing their existing system. This may require a short training. So far as local transportation issues are concerned; Mr. Amir Ghouri may prefer to outsource the movement of material from and to his store to a local transporter having a small auto carrier that can easily move in this congested city. This seems to be a superior option than purchasing the vehicle and taking care of its maintenance because it is not his core business.

Law and order situation is something beyond his control. However to avoid the stock out situation following measures can help:

- Increasing inventory (may not always be feasible)
- Making Karachi based merchandising manager more effective
- Direct procurement from the companies rather than relying upon the Karachi based intermediaries

5. **What marketing strategy will you suggest to Mr. Amir Ghouri for attracting the lower middle class customers?**

ICON seems to be badly affected by brand positioning problem as it is being considered the store for upper or upper middle class. Although adopted a cost leadership strategy by providing the household grocery and other item at relatively lower price than retailers but he was not able to convey the message to the potential customers. ICON needs to start mass advertising on local cable networks, FM radio and social networking make aware the customers about the availability of quality brands of grocery items at lower prices than retailers. The main objective of the advertisement campaigns should be to reposition the image of the store in the minds of the consumer. Besides this advertisement campaign ICON can go for some sales promotion tools like shows and exhibitions in which the gift hampers can be offered.

6. **Small business growth is primarily a matter of chance. Do you think this it is true or otherwise? Justify your response.**

The growth in small business has multifaceted dimensions and characteristics. It depends on the owners' ambitions, capabilities, organizational factors of the business, area specific resources along with the infrastructure, external relationship and network in which business operates. All these factors may impact individual and or together on small business growth orientations. Small business is not working in isolation we cannot say that it is because of a particular event or chance the business grew but the competitive edge the small business has over others, combined with the actions and abilities of the owners/managers can play a significant role in the performance and direction of the business. It showed that there is a common human factor going through all the effort which is owner-managed. The growth in small business is not represented by a phenomenon which is self evident nor it is a matter of chance, however it results in clearly motivated business strategy based on activities and actions of the owner-manager which is driven by his belief of desired results.