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Mekong Capital and mobile world (B): bob Willett

Andrew Delios and Markus Taussig wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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For Mobile World Joint Stock Company (Mobile World), a Vietnamese retailer of mobile phones and electronics, 2011 and 2012 went well. Its number of stores quadrupled, revenue doubled, and net profits tripled (see Exhibit 1). Also, growth was accelerating. Three-quarters of this growth came in 2011, aided by the 2010 addition of a major chain of retail electronics stores called Electronics.[[1]](#footnote-1) The new retail chain was conceptualized and led by the youngest of Mobile World’s five founders, Dinh Anh Huan. It had seven stores by the end of 2011. With this growth, the company had tripled in value, which could make it a good time for Mekong Capital (Mekong) to exit.

However, Mekong founding partner Chris Freund was not ready to move on from Mobile World. Freund thought Mekong was well placed to address some of Mobile World’s biggest challenges, such as how to work through growing pains and unlock the potential of the new Electronics chain. A related challenge was ensuring that the owners continued to think big in terms of a clear, consistent vision for both of its retail chains. Freund thought he had discovered a secret weapon for addressing both of these challenges in the form of an industry veteran named Bob Willett.

Bob Willett

Willett, a British citizen and self-professed simple shopkeeper, began his career at Marks & Spencer (M&S) in 1968. From shop floor beginnings, Willett progressed to become a store executive for M&S by 1978. After this bottom-up experience, Willett held a variety of management positions with different retail firms. However, it was his experience with the consulting firm Andersen Consulting in the 1990s that had the strongest influence on his career path.[[2]](#footnote-2)

Willett was a global managing partner of Andersen Consulting’s retail practice and a member of Andersen Consulting’s Executive Committee. He advised companies on strategy and best practices in the retail segment. Willett was enamoured with how new technology could transform the retail industry.

During his time at Andersen Consulting, Willett worked with many leading companies. For example, Willett helped one of the United Kingdom’s dominant supermarket groups build its customer strategy through its loyalty card and supply chain. Another key client of his was the American electronics retailer Best Buy International (Best Buy). Following this work, Willett left Andersen Consulting and transitioned to become Best Buy’s executive vice-president of operations and chief information officer in 2001.

Willett’s tenure at Best Buy was marked by a continuous series of successes. He co-led the company to become the largest multi-channel electronics retailer—not only in the United States, but also in the world. The company’s annual revenues grew to US$50 billion.[[3]](#footnote-3) The company expanded to nearly 2,000 stores, of which 1,000 were big-box stores. There were 415 Best Buy mobile stores in the United States. Other areas of strength were Canada, Mexico, and China, where the number of Electronics stores grew from 14 to more than 100.

The developments Willett led at Best Buy were due to leading edge technology in support of customer service. Willett’s beliefs and actions were centred around the core idea that technology supported customer service. At the time, social media was still a nascent medium for promotion, but Willett pushed the use of social media, particularly via YouTube, believing that technology had become consumer-friendly. For example, a transaction initiated remotely via the company’s retailing website could be completed in person in a Best Buy retail store. Best Buy’s Omnichannel, which was started in 2003, was critical to developing customer-centricity for the company.

Similarly, employees were critical to developing and strengthening the company’s customer centricity. Employment practices, driven by the chief executive officer (CEO) at the time, Brad Anderson, emphasized the importance of empowering employees. Employees shared in the success of the store at which they worked as well as in the overall success of the company. Motivations and incentives moved from individual sales to collective sales at the store.

This change in incentives and compensation structure led to a focus on the customer’s needs. Instead of a sales floor employee focussing on a customer to sell the customer something within the employee’s domain, the sales colleagues worked together to find the best solution for the customer’s needs. This was part of Best Buy’s strategy for employee empowerment. Employees were trained and motivated to connect with the customer. The strategy worked on an inverted pyramid model, with the most important people in the process being the employees who interacted with the customers. The fundamental point was that a retail organization could not be customer centric without being employee centric.

Store managers became the focal point for energizing employees and growing sales. Supportive practices such as flexible work schedules coupled with scheduling the best employees at the busiest times increased the effectiveness of floor sales.

Best Buy relied heavily on customer and employee feedback to gauge the success of initiatives as well as the performance of employees. Feedback was gathered by independent organizations, with costs often rising to $2 million per year to gain such feedback. The company also used qualitative measures of employee satisfaction, such as gauging whether employees had a friend at work.

Willett was a vigorous proponent of growing a company’s service culture. He firmly believed that the Best Buy store was not retailing products but was providing solutions and services to its customers: from education and advice, to recommendations, to sales and after-sales service. A retailer providing effective solutions for its customers should understand how products fit into the customers’ lifestyles. Therefore, the solutions model empowered and appropriately motivated employees. Developing a service culture in retail involved careful consideration of how the company structured almost all aspects of store operations.

Mobile World’s Challenges in 2012

A return to growth had done wonders to ease tensions among founders Nguyen Duc Tai and Tran Le Quan, and between the founders and Freund. In fact, Freund was now enthusiastic about the degree to which Tai and his team were thinking deeply about how to build common purpose and incentives throughout the network of stores that were rapidly expanding across Vietnam.

According to Freund, “a critical issue to Mobile World’s development was the corporate cultural transformation they did.” This transformation came about in response to a Mekong initiative to introduce investees in its portfolio to the same leadership training that Freund had made a focus within his own organization in 2009. In 2010, Mobile World became one of the first of Mekong’s portfolio companies to follow suit.

This transformation was consistent with the underlying thinking Tai had employed with his employee incentive scheme: the need to empower and delegate to middle managers. Tai could see that many key employees had not bought into the company’s mission. Instead they saw critical tasks like setting up a new store as simply another job. According to Tai, “We needed to do something different from what we’d been doing in the past; we needed to create a new trust, a new belief in the company.”

The cultural transformation also had an important impact at the top. Quan, Mobile World’s chair of the board explained the change:

The program that Mekong introduced gave us a new language for conflict resolution. It didn’t solve everything, but it gave us tools for moving forward. We certainly still had our contrasting perspectives, our points of dissatisfaction. But, whereas in the past we buried these and just avoided each other, the new language helped us to meet more often, clearly communicate our own positions and rationales, and listen carefully to the opposing views.

Freund agreed that Mobile World had embraced the cultural transformation even better than he had hoped and that this gave the company a serious advantage going forward, as he explained:

They became really effective at creating the culture they wanted. Most companies haven’t done anything to influence their culture, so it’s not enough for the CEO to just say, “Okay, now we’re focused on this particular culture,” because nobody is going to change their behaviour. But Mobile World could because the work they had done on their culture was so deep.

However, a new challenge emerged in 2012. This challenge related to Huan and his leadership of the nascent Electronics chain. Huan was a true visionary. His strength was identifying how markets and trends evolved, and developing strategies to be well positioned for those opportunities. However, implementation and day-to-day operations were not his area of expertise.

Indeed, it was Huan who first had the idea of developing a national chain of big box electronics stores. But the first incarnation of the Electronics branded stores was far from strategically coherent. Low-quality products were spread across a wide range of categories, with no clear focus or sales strategy. As a result, his fellow owners felt increasingly worried.

Mobile World and Bob Willett

Willett left Best Buy in January 2010. Just months earlier, Freund’s right-hand man, Thomas Lanyi, reached out to Willett to inquire about his interest in meeting with the Mobile World founders to share his knowledge and experience about building a major electronics retail brand.

Despite the distances involved, things moved fast. Willett conducted several conference calls with the founders. They invited him to Vietnam. During his first visit with the founders in Vietnam, which lasted a week, he provided valuable insights on issues such as customer experience, store layout, and category management. Willett felt reticent about the potential marriage; he could sense tension between the founders. He was also critical of the ways they were still far from meeting, or even accepting, the value of many global standards that he held dear.

Willett agreed with the emerging consensus that Huan had great ideas but needed support from Tai and the rest of the team to run Mobile World’s online stores (Thegioididong.com), to effectively execute a winning strategy for the Electronics brand stores. In this way, as an objective outsider, he helped bring greater clarity to the board’s thinking on how to move forward.

However, Willett and his deep well of global experience brought new tensions to the ownership team. Willett was challenging the ownership team’s views of what a brand stood for, and the values within that brand. Importantly, Willett was not satisfied with Tai’s commitment to his hallmark, customer-centricity (see Exhibit 2). Willett believed that customer service had to be strong, so that the promises and expectations created by the brand would be met by the customers in their experience in the store.

Nothing symbolized this more than the way Mobile World presented its products in its stores. “Everything was under glass, big counters,” said Willett. “Getting served was secondary to getting products in customer’s hands. None of the employees were making eye contact with customers.”

As well, the store design was not set up to suggest a solutions environment. Accessories were displayed in another part of the store, separate from the mobile phones. Willett wanted the team to consider how the customer experience could be improved by thinking of products as solutions. For Willett, there was no reason for the leading mobile phones and electronics retailer in the country to be providing any less than the interactive experience made famous by the Apple Store.

Even with Willett’s advice, the presentation of products in both the Mobile World and Electronics stores was a large-scale, cleaner, more modern version of the Vietnamese mom-and-pop shops. Phones were locked under glass, with employees standing behind the large counters. According to Freund, “Tai acknowledged that the customer experience at Mobile World was no better than at FPT or Viet Thong A, the key competitors.”

Tai, in turn, was adamant that there were valid reasons for this local model, which was still consistent with a customer-centric strategy, as he explained:

He asked me to take out the glass in front of the mobile phones. . . . “Customers don’t like to see things behind the glass.” I know that! But it’s too risky! Even when I don’t open everything, sometimes we lose products. When we give it to a customer to try, sometimes we come back and only the box is there. I see that! So now if I open everything, then I must put a lot of people in front of the cabinet and they’ll be looking at customers like they are potential thieves. It’s not a good idea to look at your customers like that!

Willett was also pushing Mobile World to limit its product offerings. Much like other retailers in Vietnam, Mobile World had little depth but great breadth in its product lines. Willett wanted the company to cut its stock-keeping units by at least half. Willett observed that “DienMayXANH had 33 options for rice cookers—really they only need 10.”

Willett wanted to revisit the sensitive topic of employee incentives based on gross profits. He saw it as a potential threat to the goal of teamwork, which was essential to driving customer-centricity. Willett’s objection occurred even when Freund had come around to endorse the system:

By organizing around gross profits, everything quickly shifted towards what was most profitable, which was not necessarily what the customer wants to buy. You are giving independent advice to the customer, not advice that is tarnished by what the employee is incentivized to sell.

And then there was the issue of cost, as Tai explained: “I know that if we introduce something for the customer, it costs a lot of money! We need to have value for money. But Bob says, ‘Don’t worry about that. If you do this, everything will be fine.’” Cost control was clearly deeply ingrained in Tai’s entrepreneur personality. Willett noted that this was clearly an important strength. “That’s one good thing: they are not extravagant.” Mobile World’s headquarters was famously frugal in nature. A lunchtime visitor would arrive to find all the lights and air-conditioning turned off.

Nevertheless, after having walked around the company’s stores with him, Tai did see potential value in what Willett brought to the table. Tai explained the importance of Willett’s advice:

I have some ideas, but I am not 100 per cent sure, I do not know who to ask. I did not have any tutor as an entrepreneur. Chris was not the one. He did not understand. Who else? I don’t care about his [Willett’s] background, I care about his contribution, his advice.

Decision

The impetus for bringing in Willett was his industry experience. Mekong had no such industry-specific expertise in-house. An expert of Willett’s stature, with his knowledge and experience, could help Mobile World conquer these challenges, and help the company avoid mistakes that other electronics retailers had made in scaling-up operations and expanding market share.

Willett had applied this knowledge and gained experience in the United States and United Kingdom, as well as in China and Turkey. Tai and his team could see value in what Willett was proposing, but there was still uncertainty involved in listening to his advice and that of Freund.

The prospect was raised of Mobile World’s top management team taking another step in the learning process to visit similar retail outlets in the United Kingdom, or even in the United States. CarPhone Warehouse was a leading mobile phone retailer in the United Kingdom. Best Buy was a leading multinational consumer electronics retailer based in the United States. Would visits to these companies, or others, provide added value to the Mobile World senior management team, beyond Willett’s advice and vision on technology, customer centricity, and employee empowerment?

Exhibit 1: Mobile World’s Financial Performance, 2009–2011 (in VND millions)

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| --- | --- | --- | --- |
|  | **2009** | **2010** | **2011** |
| Average exchange rate in year (VND per US$) | 17,955 | 19,690 | 21,186 |
| **Total Net Revenue** | **1,959,917** | **2,836,295** | **5,387,506** |
| Growth rate (%) | 27.8 | 44.7 | 89.9 |
| Revenue from sale of goods | **1,942,473** | **2,811,659** | **5,864,023** |
| Growth rate (%) | 27.7 | 44.7 | 108.6 |
| Online revenue | 2,994 | 38,523 | 310,338 |
| Growth rate (%) | – | 1,186.7 | 705.6 |
| Service revenue | **17,444** | **24,636** | **34,779** |
| Growth rate (%) | 31.9 | 41.2 | 41.2 |
| **Cost Of Goods Sold** | **1,730,633** | **2,327,853** | **4,422,169** |
| **Gross Profit** | **229,284** | **508,442** | **965,338** |
| Gross margin (%) | 11.7 | 17.9 | 17.9 |
| **Net Profit After Tax** | **48,559** | **110,756** | **156,827** |

Note: VND = Vietnamese dong.

Source: Company documents.

Exhibit 2: Building a Service Culture in a Retail Organization

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| --- | --- | --- |
| **Strategy** | **Operational Category** | **Questions and Issues to Address** |
| Store strategy | Brand identity | * What is the narrative? * What is the identity? * How does the store design communicate the brand identity? |
| Customer feedback | * What is the customer experience? * What do customers like about the store? * What do customers dislike about the store? * How is this information used to design the store? |
| How does the customer use the store? | * What steps does the customer go through to make a purchase in the store? |
| Internal visibility | * How should the store be designed to ensure that customers can see everything in the store easily and know where to find what they need? |
| External visibility | * How can the store signage and location attract customers? |
| Operational strategy | Leadership | * Employee health * Customer health * Financial health |
| Three categories of key performance indicators | * Employee engagement * Customer engagement * Financial and retail |
| Feedback | * How does management listen effectively to employee feedback? * Do employees know that their opinions matter? * Why do some customers not to buy anything in the store? |
| Store assignments | * When are new employees moved to higher-traffic stores? * When are new store managers moved to higher-traffic stores? |

Source: Interview with Bob Willett.

1. *Điện Máy* in Vietnamese [↑](#footnote-ref-1)
2. Andersen Consulting changed its name to Accenture in 2001; Roxanne Taylor, “Andersen Consulting Announces New Name—Accenture—Effective 01.01.01,” press release, accessed April 27, 2018, https://newsroom.accenture.com/subjects/accenture-corporate/andersen-consulting-announces-new-name-accenture-effective-010101.htm. [↑](#footnote-ref-2)
3. All currency amounts are in US$ unless otherwise specified. [↑](#footnote-ref-3)