

# ANALYSIS OF COUNTRY'S BEST'S EXPANSION



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# CURRENT FINANCIAL SITUATION



Profitability, Liquidity, Efficiency and Debt

# Financial Analysis

Financial Analysis of Country's Best in 2016				
	Ratio	Result	Trend	Industry benchmark
Total revenue ↓ 9.2 %				
Operating expense ↑ 23% ≈ 15% of total revenue				
Liquidity	Current ratio	0.8	-	1.7
Efficiency	Stock turnover	26.9	↓	41.8
Debt	Debt/Equity ratio	1.7	↓	2.3

# SUMMARY

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Increase sales revenue

Reduce operating expense

Improve liquidity

Improve stock efficiency

# IMPROVE FINANCIAL STATUS



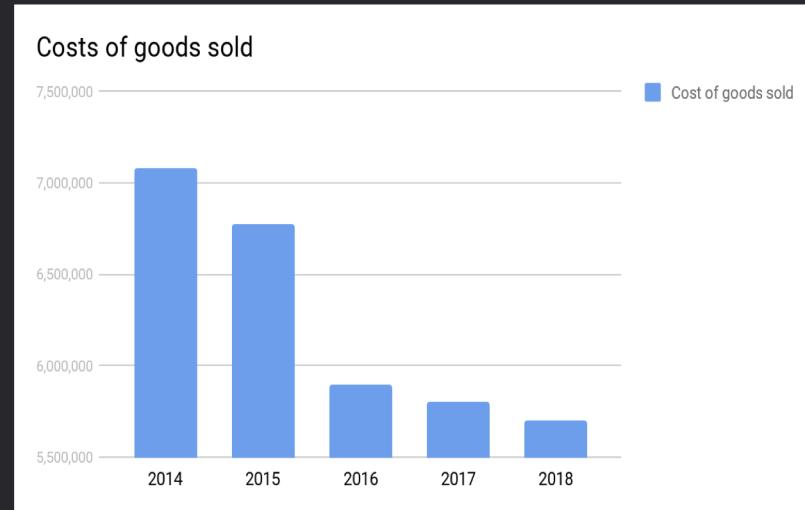
## 1. Decrease the costs of goods sold by negotiating with suppliers

### Our token:

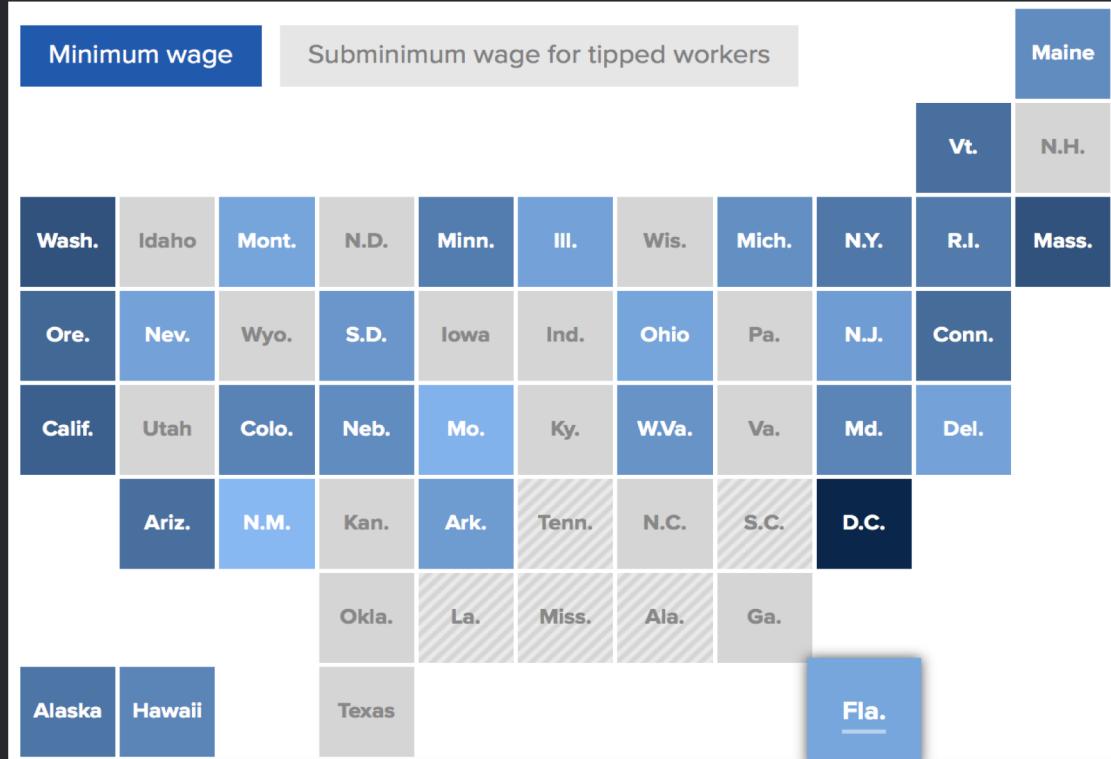
1. Our expansion plan.
2. The advertising benefits brought by our brand effect.

### Our goal:

1. Get long-term supply agreement in a lower price.
2. Reach the gross profit margin of 25%.



## 2. Gift card option to lower labor cost



3 out of 10 states covered by our stores raise minimum wage in 2017

## 2. Gift card strategy

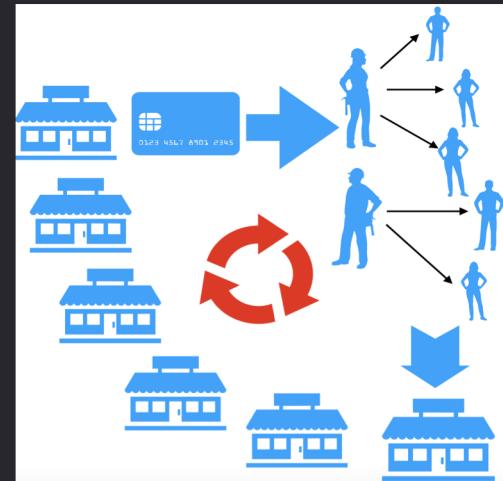
- As employees' bonus
- As a small part of salary (optional) (e.g.  $15\$/h * 12h = 180\$/160\$$  in cash + $25\$$  in gift card)

**Short  
term**

→ Save cash and reduce labor cost

**Long  
term**

Construct a closed loop for gift card  
Stimulate sales  
Reach more underlying customers



### **3.Incentive Stock Option & Attract More Investment**

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<b>For employees</b>	<b>For investors</b>
Incentive Stock Option	Attract more investment
<ol style="list-style-type: none"><li>1. Sell stock for more cash</li><li>2. Increase employees' motivation and sense of belonging</li></ol>	<ol style="list-style-type: none"><li>1. Our fast-growing earnings per share (<b>24% annual growth</b>) attract investors</li></ol>

## 4. Build our own store credit card

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1. An entice to customers to consume more
  - Customers owning amazon credit card spend 16 % more than Amazon Prime members
2. Chance to negotiate for a lower credit card processing fee
3. Keep a close tie with customers that informs them of our events



## 5. Cut down credit card expense

Our feature:  
Low marginal profit  
Small average ticket size  
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Thus the credit card expense is heavy

A minimum credit card purchase

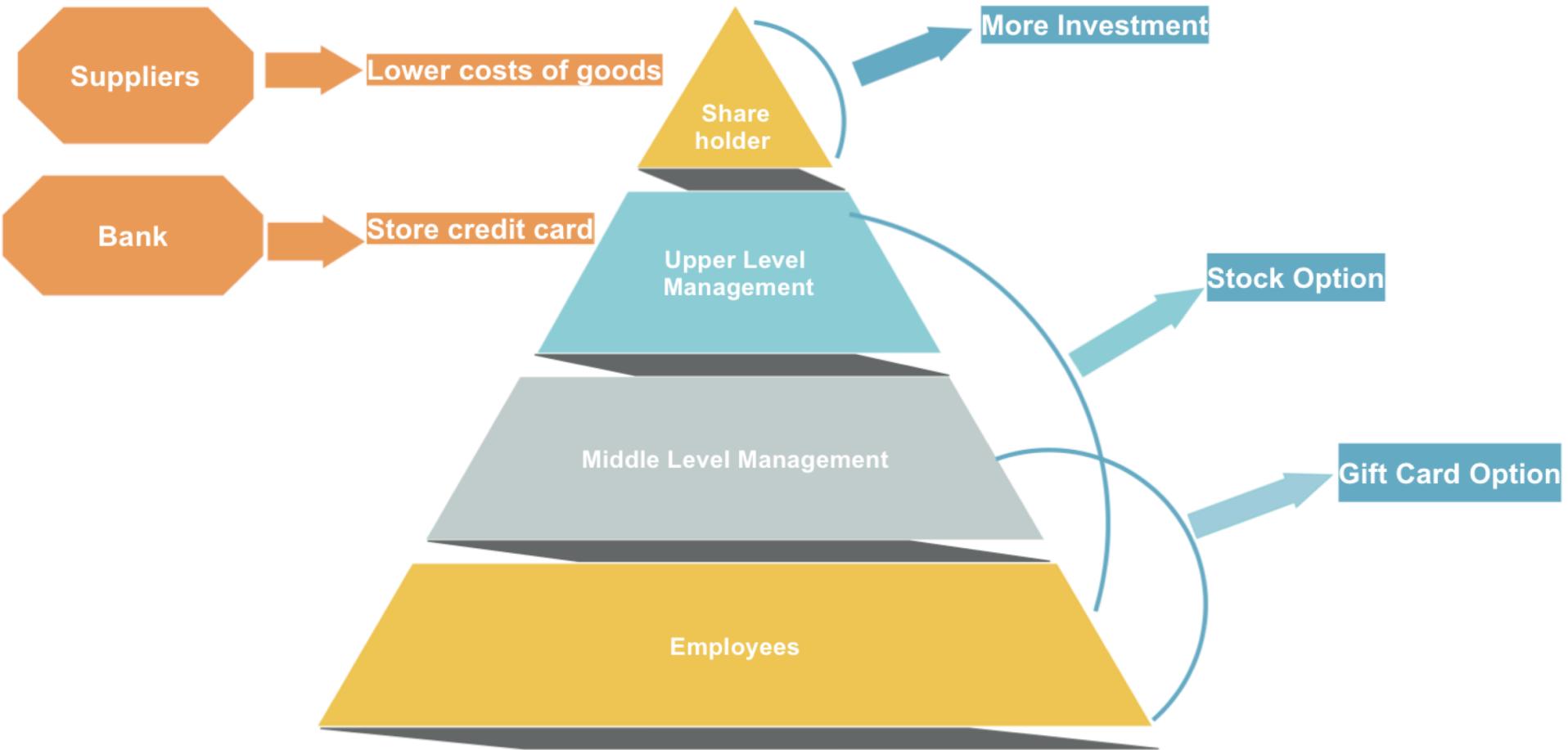
Using positive way to build relationships and educate customers on the cost of credit card



Not convenient and friendly  
Young people are going cashless



Encourage customers to use more cash or our store credit card;  
E.g. Hold monthly contest for gift card to reward people

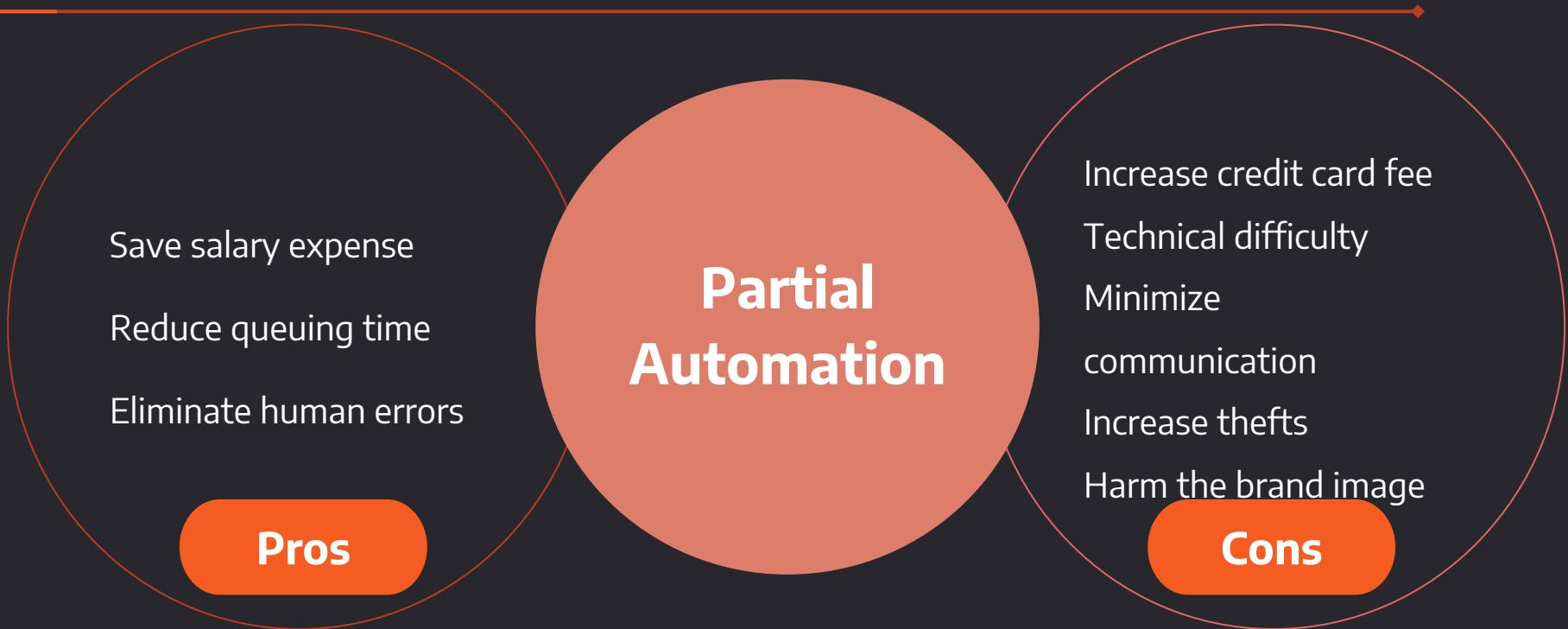


# IS AUTOMATION OUR CHOICE?



Finance, Customer Experience, Efficiency, Brand image

# Is Automation our choice?



# Automation Tier Comparison



## Tier I (Densely populated areas)

High market wage

More customers queuing

More job opportunities for laid off employees

## Tier II & III (Suburban areas)

Interactions and emotional bonds with customers

Need to strengthen engagement with local communities

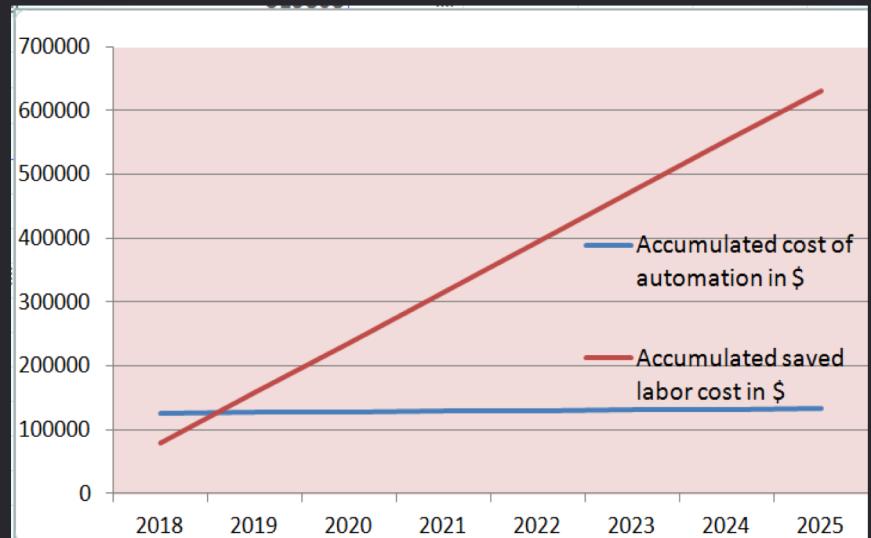
# Estimated Result of Partial Automation

## Initial Investment

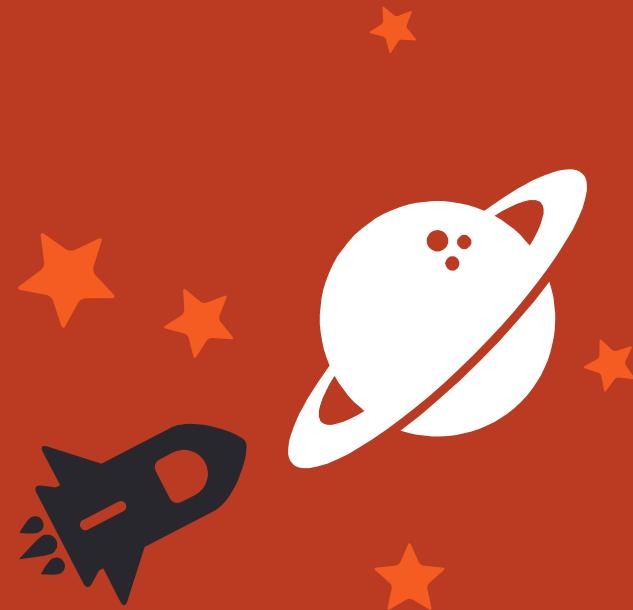
\$130k / store, including fees for changing interior design of stores

## Saved variable costs

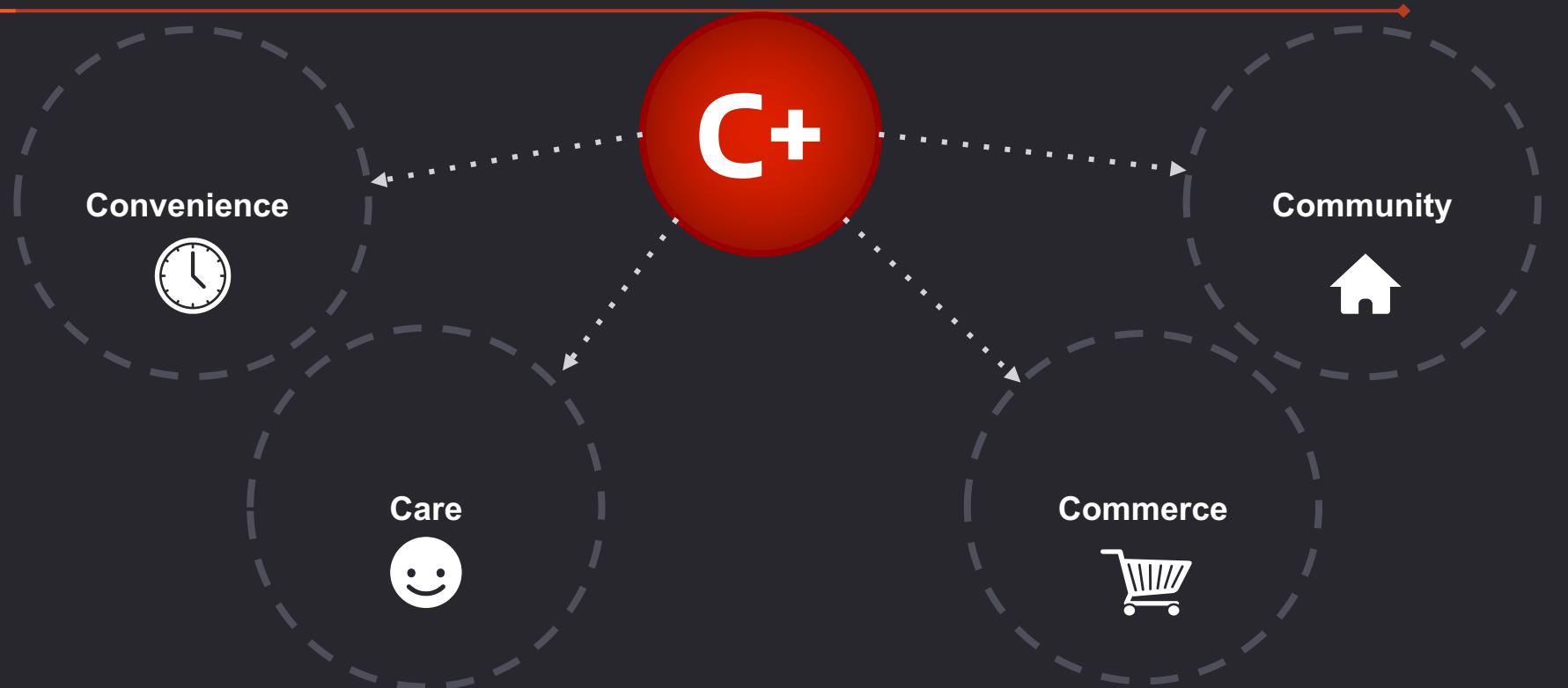
$$6 * 12 * 52 + 2 * 25k - 1k \\ = \$78,952 / \text{year} * \text{store}$$



# A NEW ERA OF C- STORES...



# The C+ Model (Convenience+)

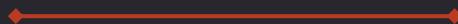


# 1. From Shopping to a Lifestyle

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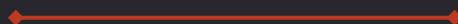
**Buy some snacks & drinks**

in our market section



**Grab some desserts & food**

in our interactive section



**Enjoy a wonderful afternoon**

with Country's Best Family and neighbors

## Loneliness As a Modern Epidemic 😞

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**1/4** respondents have no one to talk about personal issues

**More than 1/2** if family members are not counted

--McPhearson, Smith-Lovin, and Brashears

## Slower Pace of Life ☽

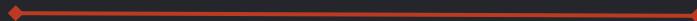
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Time and willingness to enjoy such lifestyle

## 2. Themed Shopping Events

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**CARE** for **CUSTOMERS**



**SURPRISE & FRESHNESS**



**LOYALTY → SALES**

# Product Line Optimization

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Trend: Consumers shop at multi-

Focusing on our reputation as “the neighborhood”, we aim to focus on what fits all prototype and traditional shopping experience into one that reflects customers’ unique lifestyle.



**What Does  
the  
Community  
Want?**

# Product Line Optimization

## Lifestyle

- Food(FF)
- Beverage(FF)
- Condoms & Lubes(FF & HM)
- Stationary(FF)
- Chargers(HM)
- Cosmetics
- Automotive Parts
- Clothing
- Books



Fast-Flowing/  
High-Margin

Essential



**Over 3000 SKUs**



**2000 SKUs**



**Replacing 500-800 SKUs Annually**

# Community Involvement

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## Sponsor:

School Events  
Charity Events  
Local Sports Competition

## Cater:

Parties  
Conferences  
Graduation Ceremony



# EXPANSION METHODS



Business conversion program (BCP) franchising

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Company-owned operations

# Business conversion program (BCP) franchising



The conversion of independent dealers or unaffiliated businesses to franchisees

- Low capital investment:  
training fee(\$4000)<franchise fee(\$500,000)
- Fast rate of expansion:  
expertise of an established businessperson
- Existing communal bonds:  
strengthen friendly neighbor concept
- Undermine core values:  
conversion franchisees place profit before reputation
- Major changes implementation:  
managers are resistant to changes



# Company-owned operations

Net Increase (decrease) in Cash and Cash Equivalents	\$29,140	(\$78,217)	\$85,996
Cash and Cash Equivalents at Beginning of Year	\$51,939	\$130,156	\$44,160
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$81,079</b>	<b>\$51,939</b>	<b>\$130,156</b>

20%

Total cost of \$16,500k for setting up 55 stores per year

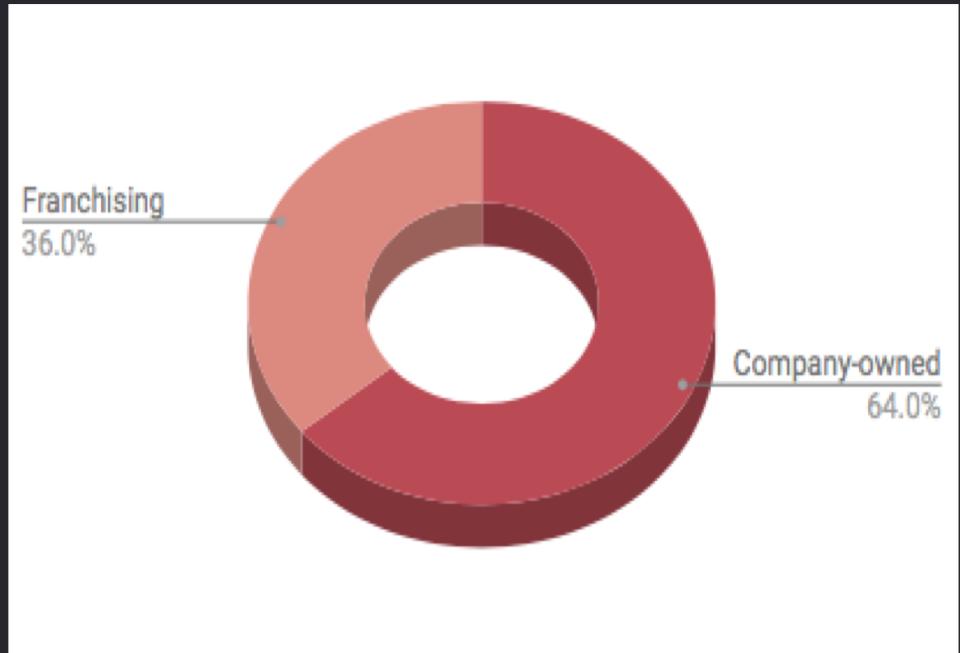
# Expansion plan

First 2 years:

Purely company-owned operations

Following 5 years:

50% company-owned and 50% franchising



# Reference page

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- <http://www.cspdailynews.com/category-news/general-merchandise/articles/winsight-s-2017-convenience-retailing-trends#page=4>
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# Thank you!

