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# **JOURNAL OF THE INTERNATIONAL ACADEMY FOR CASE STUDIES**

**Special Editor**

**Maria Claret M. Ruane**

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## LETTER FROM THE EDITOR

Hafa adai from Guam, U.S.A.!

It is with great pleasure that I welcome you to this issue of the *Journal of the International Academy for Case Studies (JIACS)*, a journal published by the Allied Academies to expand the boundaries of case teaching by supporting the exchange of case teaching materials.

This issue features teaching cases about businesses on the island of Guam, U.S.A., in the Western Pacific region. It is hoped that this issue will be the first of several issues that will bring to educators and their students around the world the stories of entrepreneurs from the Asia-Pacific region and highlight the universality of the entrepreneur's persistent and untiring spirit and the rewards for his or her hard work. May these stories serve as an inspiration to aspiring entrepreneurs, wherever they may be!

The teaching cases featured in this issue show how:

- life experiences led an entrepreneur to open his own business (Paradise Chiropractic);
- a business on Guam is forced to explore new strategies to
  - survive the tough competition it faces (Gloanne's Store);
  - sustain its decades and three generations of existence as a family business (Svette Corner Store; or
  - operate in a saturated market of Chinese fast-food (Yummy Tummy Restaurant);
- a new company aligns with the tourism authority and designs its business and service to create; and
- a foreign owned, U.S. based company faced challenges in adapting its compensation and benefit policies and procedures for an integrated workforce to the U.S. environment (Anonymous).

I express my sincerest gratitude and appreciation to my Dean at the School of Business and Public Administration at the University of Guam, Dr. Anita Borja Enriquez, for her support and encouragement of this collaborative work between several of our faculty and our select students.

I am also grateful to the Academy for providing us with the outlet through which we can share with scholars, educators, students and entrepreneurs around the world the stories of business hardships and successes from our island in the Western Pacific. Special thanks are due to the members of my Editorial Review Board for their collegiality and service to our profession.

Consistent with the editorial practice of the Academy on all 17 journals it publishes, each paper in this issue has undergone a double-blind, peer-review process.

Information about the Allied Academies, the JIACS, and the other journals published by the Academy, as well as calls for conferences, are published at <http://www.alliedacademies.org>.

Si Yu'os Ma'åse!

From the Editor,

Maria Claret M. Ruane, Ph.D.  
University of Guam





**JOURNAL OF THE INTERNATIONAL  
ACADEMY FOR CASE STUDIES**

**Special Issue Number 1**

**Teaching Cases**



## **PARADISE CHIROPRACTIC: UNIQUE SERVICE DELIVERY IN A VERY PERSONAL MARKET**

**Dennis Borja, Paradise Chiropractic**  
**Erica Borja, University of Guam**  
**Cheri Marie M. Sumalpong, University of Guam**

### **CASE DESCRIPTION**

*The primary subject matter of this case is product differentiation through the unique delivery of a service in a very personal market. Secondly, the case highlights how an entrepreneur's personal experiences, along with work history and training, provide the motivation for starting the business enterprise. This case has a difficulty level of three and up, appropriate for junior level and beyond. The case is designed to be taught in two to three class hours in a management, managerial economics, or an entrepreneurship course, and is expected to require about three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business environments on the U.S. territory of Guam in the Western Pacific region.*

### **CASE SYNOPSIS**

*This case is about Dennis Taitingfong Borja, Doctor of Chiropractic, and his Guam-based business named Paradise Chiropractic. This case documents the life experiences of Borja and how these experiences led to his decision to become a chiropractor, practicing first in the U.S. mainland and later moving to Guam and founding Paradise Chiropractic. The remainder of the case describes the operation and growth of Paradise Chiropractic as well as Borja's future plans for his business.*

### **THE ENTREPRENEUR**

Dennis Taitingfong Borja is a native of the island of Guam, a United States (U.S.) territory in the Western Pacific region. He has been a United States Naval Nuclear Operator, a bus boy for Sizzler's Steakhouse Restaurant in Agana (the capital city of Guam), a bodyguard for the music industry, a bartender, a barista at a coffee stand, a bouncer, an annoying telemarketer, a salesperson for Sears and Roebucks, an unloader for the United Parcel Service, and before he left Iowa, he owned an internet WiFi franchise in a mall. Among these activities, Borja considers the eight and a half years he spent in the U.S. Navy the most significant and what made him who he is today.

In 1986, Dennis Borja was 18 years old and terrified of heights. While a Petty Officer Second Class in the U.S. Navy which he joined partly in hopes of living the lives of movie characters Maverick or Goose from the 1986 movie, *Top Gun*, he found himself standing in the doorway of the airplane from where he was getting ready to jump from a ridiculously high altitude. Then, the brilliant thought came to him: There are definitely easier ways to make a living. With yet another pivotal event that is described below, Borja was able to narrow down his choice of livelihood to that of being a chiropractor.

Borja's event of jumping out of a perfectly good airplane miles above the ground was not so much the *Top Gun* experience he was hoping for but was more reminiscent of another movie in 1994, *Forrest Gump*, and the advice of a dying mother to his son: "It's funny how life is really like a box of chocolates. You think your getting one thing when in reality you get something else. Sometimes it's good, sometimes you put the chocolate back half eaten more wise for the experience."

Yes, he was facing one of his greatest fears and took comfort in his chief's advice: "You didn't have to like it, you just had to do it!" Indeed, he did not know which chocolate piece he was going to bite into. What happened next took a relatively few seconds however, in life and death situations, as the adrenalin starts to flow, time appears to slow down.

He found himself traveling towards the ground at a speed between 120 and 156 miles per hour. His experience would have been routine, after all, many men and women in the military have been through this type of training, except as luck would have it, his main parachute failed to deploy properly. As panic was starting to set in, he put his training into practice by immediately fixing the problem at hand, in this case, by reaching for his reserve parachute and praying that it worked. The good news was that his reserve parachute did deploy. The bad news was that his body was incorrectly positioned—sideways and somewhat parallel to the ground—which meant that the full force of the parachute opening was at just the right angle and just the right amount of force to make his head touch his feet sideways in a very unnatural fashion. By the time he landed, his back and legs were in so much pain that he could not stand and had to be rushed to the hospital.

The doctor whose help Borja sought gave him pain medication that did not help and later referred him to a physical therapist. Several weeks of physical therapy also did not help, and to make matters worse, he felt his foot starting to feel numb. He was later referred to a surgeon, who reviewed his case and said that there was nothing that could be done for him because his condition was not bad enough to necessitate a surgery. He was ready to give up when the same surgeon suggested that perhaps he should approach a chiropractor.

Taking the advice of his surgeon, he walked into the office of a chiropractor and did not know what to expect. He explained what had happened to him. The chiropractor said that she could not promise to help but will try her best. The chiropractor adjusted him three times over the course of two days, with the third adjustment being a charm, eliminating his pain and

symptom. He was amazed that the chiropractor succeeded in helping him and did so without the use of drugs or surgery.

It was this single, pivotal event, which Borja describes as “earth shattering”, that prompted him to want to become a chiropractor. After eight and a half years of service in the U.S. Navy, he left and went to school. For the next eight years, he worked on becoming a Doctor of Chiropractic so that he could fulfill his goal: To make a difference in other people’s lives the way that the chiropractor had made a difference in his life.

### **HIS EARLY YEARS OF PRACTICE**

Borja received his Bachelor’s Degree in Nutrition/Dietetics from the University of Florida in 1998 and his Doctorate from Palmer College in Davenport, Iowa in 2003. He practiced for four years in the U.S. mainland before he returned to his native island of Guam in 2007. He has a strong sense of his cultural heritage and a strong attachment to Guam.

While Borja was an associate doctor with HealthQuest, “the Official Chiropractors of the Detroit Lions” in Burton, Michigan, he met a patient by the name of Lee “Russell” Polk, who had been in Guam years ago. Mr. Polk and his wife Nola were in the waiting room of Borja’s office when Borja noticed Mr. Polk wearing a red cap with the number “6” and the word “Micronesia” written on it. Borja told the couple that he is from Guam which is part of the Marianas Islands. Borja later found out from Nola that Mr. Polk was a former Marine Corp Raider who helped to liberate Guam during World War II. The next day, Borja left a book entitled “The History of Guam” written by author Pedro Sanchez in his waiting room for Mr. Polk to read while Borja attended to Nola.

When Borja returned, Mr. Polk pointed at a particular picture in the book and tearfully recounted “I was there”. You could hear a pin drop in the room. It was like someone saying they were on-board the USS Missouri when the surrender document that ended World War II was signed.

The picture was that of the U.S. Marine Corp barracks in Guam the day the American flag was raised for the first time following the two and a half years of Japanese occupation on the island. That picture brought back a lot of memories of the war that continued to bother Polk. He was age 20 when they landed in Guam. He lost a fellow Marine who was shot and instantly killed by an enemy tank.

Upon hearing the former Marine relate this story, Borja took the book and wrote on the inside cover: “With eternal gratitude from the people of Guam for your efforts in helping to liberate our island you are forever in our prayers” then he gave Polk the book.

Borja’s encounter with the Polks did not end there. He contacted the Governor of Guam and nominated Polk to become the grand marshal for the Guam Liberation Day parade on July 21, 2005. Polk returned to Guam to be honored at the parade. Borja’s pride, personal attachment and sense of history of Guam made this chance encounter with Polk helped the

former Marine to reach some closure for painful experiences from World War II. (Dutkiewicz, 2005)

## **START OF THE BUSINESS**

### **Unique Service Delivery**

The stereotypical doctor sports a traditional white laboratory coat over a shirt and tie and locates his/her trade in a large building where patients wait for hours to be seen for a few minutes. The laws of supply and demand dictate this to be the most efficient manner where a relatively few number of available professionals can most efficiently see the largest number of patients. In other words, most patients are not able to afford their own personal physician so they engage in the type of “cost-sharing” arrangement previously described.

While Corporate America has duplicated this system with just about every business model, a few bastions of independence have broken from the pack and developed truly unique selling points that distinguish them from others in the industry. Enter Paradise Chiropractic, a business that exclusively does house-calls by a board-certified doctor of Chiropractic. This is an example of a long abandoned way of practicing that has been revisited and has again become “new.”

The company’s CEO and Chief Practitioner is Dr. Dennis T. Borja, a native of Guam. His attire is more appropriate for the island paradise on which he hangs his shingle. On any given day, dress shoes are replaced by flip flops and the coat and tie is replaced by an island print shirt. However, do not be mislead by his casual demeanor and misinterpret this for a lack of professionalism. On the contrary, Borja has over ten years of formal higher education and seven years of experience as a practicing physician.

The unique set-up of his business requires him to be mobile as he visits his patients at their homes. All of his equipment is portable including a doctor’s bag with the necessary diagnostic tools and a highly specialized portable table capable of adequately supporting even the largest of patients.

By the year 2007, he had been working in offices in the U.S. for the past 4 years. He emphasizes that the most fun he has had working as a chiropractor was when he did house-calls. The only disadvantage for him during that time was that during winter, the snow made it difficult for him to carry around a 40 pound table and a doctor’s bag. He knew that when he would return to the tropics that house-calls was exactly what he wanted to do. When he returned to Guam in 2007, he started doing screenings in Chamorro Village and his unique business started from there.

Like most businesses in their start-up stage, there are necessary requirements to help in the success of starting the business. For Borja, all he needed was to acquire his Doctor’s license,

find a mode of transportation around the island, and a little motivation to get him through the day.

### **A Very Personal Market**

In addition to having appropriate professional training and years of experience in Chiropractic, Borja's work experience prior to being a Chiropractor came in handy in a very small and personal market in Guam. His previous work experience all involved face-to-face interaction with customers. Customer service or more aptly, "getting to know your customer" takes on an even higher level of importance in certain service industries such as health care. In Borja's case, it helps to have a good reputation and, more importantly, it helps to be local and to understand the subtleties of the local culture. It is his "localness" along with being the only board certified primary care physician in Guam who does house-calls that differentiate Borja from his competitors and is his unique selling point.

### **THE BUSINESS MODEL**

The largest percentage of patients that a house-call Chiropractor like Dr. Borja sees are involved in motor vehicle accidents. These patients tend to be the most severely injured being left with limited mobility from the accidents and usually requiring the highest quantity of care as set forth by industry standards. The care is usually paid for by the motor vehicle insurance of the party responsible for the accident.

If the person in the vehicle is not responsible for the accident then this means that not only will the other party's insurance (called the "third party") be required by law to pay for the patient's care but the patient gets the added bonus of selecting the doctor from whom he/she will receive care. Given this choice, the patient will invariably choose the doctor who will attend to him/her at his/her home or place of business. This is understandable given the alternative, which involves an hour trip to the doctor's office, an hour of wait and an hour trip back home. With a typical motor vehicle accident patient requiring upwards of seventy-six doctor visits, the numbers add up to 228 hours or 28 days wasted in transit. It is therefore not surprising that Paradise Chiropractic's business model has been a success.

One disadvantage of the above business model is the long time that Paradise Chiropractic has to wait to receive payment from insurance companies. In some cases, it could take up to two years after care has been provided to the patients before payment is received. This two-year waiting period simply does not match the speedy service that Paradise Chiropractic promises on their advertisements.

Worse yet, insurance companies could delay making payment for several reasons and have been known to hire lawyers to dispute claims in court in the hope of not having to make the

payment. In this case, Paradise Chiropractic could end up providing care to its patients and not get paid for it.

The minority of Borja's patients who are receiving care for injuries not related to motor vehicle accidents are expected to pay on a cash-only basis. This ensures timely payments and helps Paradise Chiropractic maintain liquidity during long waits before insurance companies pay for motor vehicle accident patients' care. The case-only basis also saves Paradise Chiropractic the need to hire someone with medical billing expertise which is required to process patients who experienced motor vehicle accidents.

An additional benefit of Paradise Chiropractic's unique service delivery, with Dr. Borja doing house-calls, is that Borja gets to enjoy the beautiful and changing scenery of a tropical island in the middle of the Pacific Ocean.

Since starting the business in 2007, Borja considers it to be successful financially but, more importantly, it has been personally and professionally rewarding. The uniqueness of his business gives him the opportunity to assist hundreds of patients who otherwise could not have been helped or would not have received the same care, comfort and convenience that his house-call service delivery provided. He attributes his business success to working both hard and smart as well as his mastery of his practice.

### **CURRENT OPERATION OF THE BUSINESS**

Paradise Chiropractic is a house-call business and does not have a current location. It operates long hours sometimes from six o'clock in the morning to nine o'clock at night. Until recently when Borja added an on-ground, office building practice, he was assisted by his loving wife, Erica, who ran and still attends to the many business aspects of his house-call business. He recently added another assistant, Stephanie, who is in charge of the office practice. Borja said that adding this office practice will provide more options to his current patients as well as allow him to expand delivery of chiropractic care to more patients. More importantly, giving patients options (house-call or office practice) allows each patient the option which he/she finds most comfortable, which increases the effectiveness of the chiropractic treatment he/she is seeking. For example, a patient who opts for house-call tends to prefer the more personalized relationship with Borja, who will show up in his island print shirt and flip flops. On the other hand, a patient who opts to consult with Borja in his office practice is likely to prefer and be more comfortable in seeing Borja in a white laboratory coat.

### **CONCLUSION**

Paradise Chiropractic is looking at a bright future because of the hard work and dedication of Dr. Dennis Borja. His experiences have helped him hone in on what the island of Guam needs in terms of a new and unique business. His house-call delivery of chiropractic care



in Guam has assisted many patients who needed this care the most. His recent addition of a more traditional care delivery by setting up an office practice will only improve his customer service.

The success of Paradise Chiropractic has reaffirmed Dr. Borja's ability to live life with fear in check and under control. Most of his life he has lived with an "Old man and the sea"-style tenacity that makes success the only way to view life. This is why he jumped off that plane! Indeed, failure is not an option for Dr. Borja, and he is not afraid of the hard work, commitment and dedication that are required to make sure he succeeds. It is this type of belief and attitude that underlies his advice to aspiring entrepreneurs in Guam and around the world:

*"If you do what everyone else does, you will get the same result as everyone else does. There is safety and familiarity in that choice, and there is no shame in taking that route. However, if you are cut from a different type of mold, your journey will take the path less traveled. All the greatest characters in history have always been entrepreneurs. Be honest with yourself and ask yourself the question: who are you?"*

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## DISCUSSION QUESTIONS

1. How do you evaluate Dr. Dennis Borja's business idea and entrepreneurship?
2. Identify the key success factors that Paradise Chiropractic and its rivals compete on.
3. What lessons can we learn from Paradise Chiropractic's experience as a small business in Guam?



# **HUMAN RESOURCES MANAGEMENT CHALLENGE FOR A FOREIGN COMPANY DOING BUSINESS IN THE UNITED STATES**

**Yingjie Liu, University of Guam**  
**Karri Perez, University of Guam**

## **CASE DESCRIPTION**

*This case is about global human resource management. Specifically, this case addresses the issues surrounding forming a cohesive HR policy to be applied to both local and expatriate employees. This case has a difficulty level of three and up, and is appropriate for junior level and beyond. The case is designed to be taught in two to three class hours in a management, human resources, organizational behavior or an entrepreneurship course, and is expected to require approximately three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business environments and human resources laws and common practices in the U.S. and Taiwan.*

## **CASE SYNOPSIS**

*The primary subject matter of this case is the ability of a foreign owned, U.S. based company (Taiwanese origin and Taiwanese owners) to adapt its compensation and benefit policies and procedures for an integrated workforce to the U.S. environment. The case is complicated by the inability or refusal of the partnering company (INTE) to send expatriate employees with necessary skill sets to the project site, thus exacerbating the need for the primary contractor (CNX) to hire expatriates. The internal compensation and benefit issues that the company faces stem from the employee pool composition; there are two distinct groups of employees: local and expatriate. It examines the challenges in retaining foreign staff in the U.S., while trying to establish a fair policy for both local and foreign employees; how having foreign workers affects the human resources functional area; and how the expectations of foreign workers sometime conflict with American business practices and U.S. employment laws.*

## **BACKGROUND**

In 2009, a U.S.-based corporation CNX joined forces with a Taiwan-based company (INTE) to bid for a U.S. government project. CNX had a history of successful projects within the U.S. and INTE has a rich history and vast experience in energy in Taiwan and wanted to work

with CNX to gain entry into the U.S. market. CNX itself was a young company that was put together to bid on energy construction projects.

The intention of this joint effort was for CNX to build up its reputation in the Micronesia area and for INTE to explore its first overseas market outside of Taiwan. The agreement between them was that CNX would provide local assistance, including counsel on local business practices, coordination of manpower, assistance in purchasing American-made supplies (an American Recovery & Reinvestment Act funded project requires companies to buy American products), administrative work, bid bonds and help with all kinds of non technical issues, while INTE would be in charge of the technical parts of the project, such as design, installing and commission consultation.

### **Issues Between CNX and INTE**

The proposal and bid price was finalized on the last day before the deadline July 15, 2009. INTE sent its part of proposal on July 14 midnight, leaving one day for CNX to finalize the bid package. The price INTE submitted to CNX was too rough and too high and was not based on the market rate, as they were unfamiliar with the local rates. After several discussions, CNX suggested a price to INTE. INTE agreed with the bid price, in order to make sure they would have a better chance to win. As a result, the project was awarded to CNX in December 2009. After the project was awarded, CNX tried to finalize the scope of work with INTE and bargained for a fee that was to pay for local assistance expenses.

CNX was cautious with INTE, as the project was federally funded, meaning that CNX had all the liability for project implementation. The INTE executives noted that there was some risks in taking this project because INTE did not have any manpower in the U.S. currently to develop any networks before the project began, but insisted on their company's participation in this project. They wanted to show their internal partners that INTE should look at overseas market development instead of being a traditional domestic public company.

In order to save costs, INTE wanted to work on the designs for the project in Taiwan instead of sending people to the U.S. This project had to be finished within 300 calendar days. However, within the first 60 days INTE had not submitted any designs as they did not send any employees to the U.S. for any of the project work.

CNX had urged INTE many times to petition its employees to come to the U.S. to work with a proper work visa as soon as possible, otherwise its employees could not legally work on site or legally be paid. The project required that the prevailing wage be paid to the employees at least at the market rate of any position that was involved in the project job site. Paying the prevailing wage made the project costs higher. INTE did not want to increase its employee's salary from the Taiwan wage level to the U.S. prevailing wage level, which is at least double the standard pay for similar work in Taiwan. CNX complained to INTE many times regarding its

performance over the first few months of the project, urging INTE to make corrections as soon as possible. However, due to internal politics at INTE, they did not have the flexibility to make any quick decisions to resolve these issues.

Soil test reports and professional engineer selections are two of the critical factors for this type of project, as both have a big impact on the project timeline. Neither INTE nor CNX had any certified professional engineers to sign the design in order to get approval from the government. Additionally, CNX informed INTE about the cost of soil test report, but INTE did not respond quickly enough which lead to a complaint from the customer.

INTE was hesitant to send any employees to U.S. was because the employees would be required to be paid double the salary they were getting in Taiwan as required by the law. Additionally, they had to be provided accommodations, transportation and food allowance as per the company overseas worker policy. INTE's intent had been to hire local employees to provide the expertise and work at a lower cost; however that labor supply and skill set was not available. The increased cost of providing qualified staff that were not U.S. citizens or eligible to work in the U.S. without visa issues to implement this project led to INTE's inability to fulfill its part of the contract.

Before addressing their relationship with ITNE, CNX needed to address their own internal labor issues. They needed to review their human resource policies and adapt them to the U.S. laws while addressing the concerns of both the local and foreign workers for clarity and consistency.

### **H-1B Foreign Skilled Employees**

Half of the employees in CNX held H-1B or E2 working visas. In order to encourage American companies to hire local employees, the U.S. has set prevailing wages for foreign workers, including H-1B skilled workers. It is to ensure that foreign workers will be paid at least the current market rate; the intent is that the foreign workers will not be less expensive than hiring the U.S. workers. When a company has half of its staff paid at the prevailing wages rate, the company has to set fair pay scales for the other positions, based on the foreign benchmark scale. As a result, the cost of staffing can be more expensive for companies with foreign workers.

At CNX, both chief engineer and civil engineer had more than 15 years of related work experience and master degrees, enabling them to be paid in the upper range of the pay scale at CNX. However, when they were transferred to the U.S., they were confused as to how their rates compared with the local rates of employees with their skills, knowledge and abilities. They began to compare their salaries to their U.S. peer group of employees, not what they would have earned in Taiwan. Despite earning more than twice what they would have earned in their "home" country, they were not satisfied with their salary.

Before this U.S. project, both engineers had been sent by Taiwan companies to their overseas offices to support projects. However, this was for temporary periods of time. During

these stints of employment, their compensation was paid at one and half times to twice that of their salaries they earned in Taiwan, the company also provided accommodation, transportation and food allowances; in addition, they did not have to pay local tax, since they were paid in Taiwan. The purpose of this compensation method was to make sure they didn't lose money by working overseas, compared with the home base salary (Davidson & Carswell, 2009).

But the compensation method that CNX was using in the U.S. was the home-country concept, which pays the local rate of wages and other premiums. To CNX, the U.S. local economy was its home base. Although transportation and gas was provided by CNX, the employees had to pay other daily expenses and income tax. CNX also provided these employees accommodations, including power, water and Internet. The employees also had to pay U.S. tax based on the U.S. tax system. With their prevailing wages and their status, the tax payment was substantial compared to what they were used to paying or expecting to pay.

Thus, there were moral issues because of the compensation and benefit issues as well as being sent by themselves on assignment and having to leave their families behind. As with many expatriates, living alone in a foreign country far from family and friends caused the employees to be lonely and unhappy. Because the cost of living was high in the U.S., the employees did not explore their surroundings, make friends or develop local interests. They also did not want to invest in improving their accommodations or make them more comfortable as they were not going to be long term residents. Lastly, because of cultural differences, they did not have that many friends and making friends was difficult.

CNX viewed the employees as a very costly asset compared to the locally hired employees. CNX also had to hire administrative staff to take care of the administration of the added benefits, housing, food, and utilities and to make sure that the needs of the employees were being met. Because of U.S. law, the foreign workers were unable to provide certification services that local workers would have been able to provide. Thus, the company had to hire outside companies to provide those services. Lastly, the engineers were not just engineers, they provided management services. But, since they were unfamiliar with the U.S. laws and regulations they were unable to carry out many of the management tasks that local managers were able to perform. They also were unable to manage efficiently due to their lack of knowledge of common local supply costs and permitting requirements.

There was also another conflict: The engineers were also shareholders of CNX. As an employee they were concerned about benefits and compensation, but as shareholders they wanted to maximize profits for more dividends for themselves as shareholders.

To mitigate the conflict CNX established the following principles:

- Outside of the shareholders meetings there are no "shareholders", only employees.
- Every employee fulfills his or her job and is responsible for his or her position.
- Every position will have an evaluation once a year to determine if employees shall be retained and if so, will they receive changes in their compensation and benefits. As an

employee, there is no permanent position in the company; if the person does not perform efficiency, the employee will not be kept.

With these principles in place the company theorized that shareholders will be rewarded as the more efficient and effective employees are, the more profitable the company will be.

Because the foreign workers were away from home, they wanted to have more holidays given them as foreign workers, and to be able to return home to spend time with their families. They suggested that off-island hires have up to 30 days off (exclusive of holidays and weekends) per year. They did not know that holidays and vacations are not required by law in the U.S. In Taiwan (exclusive holidays), each employee receives seven days off in their first year, with increases in time off each year they stay with the company. They also requested the company pay the full amount of health insurance because of the expense of health insurance in the U.S. In Taiwan the government provides a national health insurance program.

### **Local Employees**

CNX not only employees foreign workers, but also has a staff of local workers. The local workers were aware of the benefit packages that were given the foreign workers. They complained that they were not being given the same benefits as the foreign workers even though they contributed equal efforts to the success of the company. They begin to question if they were being given “special” benefits for being shareholders. In addition, the local employees were concerned about the company’s long-term development, and the impact that giving “generous” benefit packages to certain employees would have on profitability.

The company needed to have a stable group of local employees who were looking for career longevity to form the core of their employment base, since they were planning on continuing to do business and grow in the U.S. Local employees are more cost effective for a company in terms of providing compensation and benefit packages and with regards to ease of employment.

Because of the issues with benefits, benefit administration and fairness between groups of employees, the company needed to come up with a standard benefits policy that would meet the needs of the entire company as a whole.

### **Company Policy**

When CNX established its company compensation and benefit policy, it debated on whether the policy would be applicable to both local and foreign employees. The wage issues were separated from the benefit issues, as wages were impacted by prevailing wage requirements.

However, the company reviewed the policy on housing and transportation and determined that housing would be paid for by the employees and that gas would be reimbursed by the company for company business purposes.

In terms of holiday and annual leaves, CNX decided to follow federal holiday schedule for holiday benefits instead of U.S. local holidays as most of the U.S. holidays have their grounding in the celebration of religious holidays. CNX decided not to observe traditional Chinese holidays because they may or may not have been applicable to the other employees. The new policy addressed time off based on status. Exempt position employees would receive twelve days off while non-exempt position employees would receive ten days off after one year of employment. This policy applied to all employees. Since the vacation policy was revised, the company only provides one round-trip ticket for foreign hires instead of the previous four.

Payment is biweekly, which is different from in Taiwan where employees are paid monthly. Whenever a foreign employee gets paid for the first time the administrator always needs to explain to the employee that being paid 26 times a year is the equivalent of 12 monthly payments, and the taxes that are required to be deducted by law. Otherwise, the foreign employees assume they are not being paid the amount they should be paid.

In an effort to retain employees, CNX provides health insurance. CNX pays 100% of health insurance premiums for all the employees. CNX is hoping to negotiate good health insurance rates for the future as the team expands.

## **CONCLUSION**

With the changes in the benefit policy, CNX has realized a 15% benefit cost savings and has standardized the benefit package for the employees. This type of strategy yields more than just a monetary savings, as employees feel the company values both the foreign workers and local workers equally. Hopefully this will lead to higher moral and an even more productive workforce who will work better together as a team.

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### **DISCUSSION QUESTIONS**

1. What could CNX have done to minimize the issues it faced since it partnered with INTE?
2. What are some of the key human resources issues that CNX had to address?
3. How could they have prevented (or minimized) the situation between local employee and expatriate benefits and compensation.
4. What are factors to consider when developing an integrated compensation and benefits plan?
5. If you were assigned the task of setting up an integrated compensation and benefits policy, how would you go about doing it?



# **GLOANNE'S STORE: SURVIVAL OF A MINI-STORE**

**Starsky Peru, University of Guam**  
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## **CASE DESCRIPTION**

*While many business case studies review large business operations, this case focuses on business strategies employed by a small, family-owned business in Guam. This case has a difficulty level of three and up, appropriate for junior level and beyond. The case is designed to be taught in two to three class hours in a management, strategic marketing management, or an entrepreneurship course, and is expected to require about three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business environments on the U.S. territory of Guam in the Western Pacific region.*

## **CASE SYNOPSIS**

*This case is about Gloanne's store, one of the many family-owned mini-stores operating on the island of Guam. Gloanne's store is similar to the many small neighborhood stores found throughout Guam's villages that sell produce, sweets, soft drinks, alcoholic beverages, magazines, newspapers, cigarettes, and water, as well as a few imported snacks from Philippines. The business opened in 1999 by Mrs. Gloria Taguam. The store's current customers are people living in the same area and people that are on their way to work. With the increasing numbers of mini-stores in Guam, the rivalry for customers is very competitive. Gloanne's Store must continue exploring new strategies to stay in business and expand someday.*

## **INTRODUCTION**

Gloanne's Store is a family-owned business that has been in business for over a decade now. It is located in the northern Guam village of Dededo, in an area called Ysengsong. The founder of Gloanne's Store, Gloria Taguam, is a mother of three. Although she did not have any experience in owning a business, she had always wanted to open a small store.

Before owning Gloanne's Store in 1999, Gloria Taguam worked three jobs at once. Before she acquired the store, she worked as a cashier at E and A Fairmart in the morning, which is now Gloanne's Store. She then worked as a waitress in the afternoon at a local Pizza Hut restaurant and a file clerk in the evening at Quality Distributors. She was earning minimum wage at all three jobs. In 1999, the owner of E and A Fairmart decided to sell the store, which encouraged Taguam to go into the business.

For E and A Fairmart, the flow of customers coming inside the store was decreasing every day. Merchandise in the store was not moving constantly. Some of the products had expired because there seemed to be no demand for them. The owner of E and A Fairmart decided to sell the store for the amount of USD12,000 because the store was not generating enough revenue to stay in business. Taguam, who worked as a cashier for E and A Fairmart decided to purchase the store but could not afford to pay the USD12,000 so the previous owner offered her a deal. The deal was a monthly payment of USD1000 for twelve months. In addition to the monthly payment, Taguam also agreed to pay USD400 as a rental fee for the water refilling station inside and outside the store, and the coolers inside the store.

As a small family owned business, Gloanne's Store provides a friendly environment. Each customer that comes inside the store are acknowledged and greeted. The employees are well trained and are able to assist customers in their daily needs. As an owner of a small family owned store, Gloria Taguam's motto is to be fair to the customers and to always deliver customer satisfaction.

### **BUSINESS DEVELOPMENT**

After Taguam took over the business, she changed the store's name to Gloanne's Store. She decided to rearrange the store and add more merchandise that she believed would attract prospective customers. This type of merchandise included a variety of magazines, imported snacks from the Philippines, a few over the counter medicine such as Tylenol, Advil, Motrin, Aspirin, antibiotics, and a few selection of beauty products from the Philippines. Unlike the previous stores, which closed after over two years in business, Taguam's store improved and brought in more customers.

In 2000, she decided to purchase the remaining assets, which the previous owner still owned. Taguam paid an additional USD27,000 for the remaining assets. The remaining assets include the water refill stations and the coolers inside the store. Her decision to purchase the remaining assets was excellent because her store was the only one in the area that offered a water refilling station. The water refilling station is not offered in the other stores, so Gloanne's Store had an advantage over the other stores nearby.

After Taguam took over the store, the business improved. The store's daily sales increased after a few months. Before Taguam took over the store, A and E Fairmart's average daily sales ranged from USD500-USD700. Taguam's innovation improved the store's daily sale with an average of USD1000 - USD1500. With the addition of new merchandise, the store's average daily sales doubled.

An average of 15 percent of the total sales comes from the water refilling station, 40 percent from cigarettes, 30 percent from soft drinks and alcoholic beverages, and the remaining sales comes from the variety of merchandise sold in the store such as chips, sandwiches, and candies. The sale of water refill is significant in the early mornings when construction workers

are on their way to work. Working under the hot sun requires a lot of water to be consumed to stay hydrated. Since Gloanne's store is on the way to their job site, the construction workers never miss a day when getting water refill. Below is a comparison of water refill cost per gallon and per 5 gallons.

Table 1		
Name of Store	Cost per gallon	Cost per 5 gallons
Gloanne's Store	USD0.25	USD1.25
Payless Supermarket	USD0.30	USD1.50
Aqua	USD0.30	USD1.50
Fresh Water	USD0.30	USD1.50

Table 1 shows Gloanne's Store offering the least expensive when it comes to water refilling station.

### **THE SEPTEMBER 11 ATTACK EFFECT**

After the terrorism attack on September 11, 2001, the United States economy took a downturn and unemployment rose. Tourism in Guam plummeted, causing massive losses in revenues to most businesses in Guam. Total number of tourists visiting Guam after the attack decreased causing revenue loss for businesses that relied on tourists visiting Guam. Hotel occupancy fell and employees were laid off.

Although the economy state of Guam was not as bad as the U.S. mainland after the September 11 attack, Gloanne's Store felt the effect of a bad economy. The store could not be replenished with new goods because most of the shipments were restricted. The products that were usually ordered from Philippines to be sold in the store came late due to the added restrictions after the September 11 attack. Since the store did not have much to offer, and many people were hesitant to spend their money, fewer people were coming inside the store and monthly revenue declined.

The economy was so bad that she almost could not afford to pay rent for the building. When she took over the store, her monthly rent was USD1600, which excluded utilities, such as the power and water bill. The store's monthly revenue was not enough to cover these cost so Taguiam negotiated with the building owner about lowering her monthly rent, at least until the economy recovers. Surprisingly, the building owner agreed to lower Taguiam's monthly rent to USD1400.

### **BUSINESS STRATEGY**

In Ysengsong Dededo, there are two other mini-stores. Both of the stores are one hundred meters away from Gloanne's Store. In the early months of 2002, Gloria Taguiam decided to take

a few steps to bring more customers in. She wanted to get the word out about what her business offers. She decided to use the local radio stations for her advertisement. Out of the three stores in the Ysengsong area, her store was the only store that offered a water refilling station. In addition to advertising her water refilling station, she also advertised about her small selection of goods from the Philippines.

### **Back to Business**

On the same month after her advertisement came out, Taguam noticed that her strategy was working well. More people were coming inside the store. People who came in to buy water also picked up a few items on their way out. Although only approximately 15-20% of revenue comes from the water refilling station, the additional items that the customers purchased increase the store's monthly revenue.

Several months after her advertisement came out, a few local magazines approached Taguam. She was offered a deal to advertise her store. One of the magazines that approached Taguam told her that the magazines would be circulated to most of the gas stations in Guam and a few other places including some stores at the Micronesia mall. Since her first advertisement attempt was successful, she then decided to trust her instincts in using the local magazines for her future advertisement. Taguam felt that if more people knew about what her store offers, more customers would come in.

Taguam had an idea that if she advertised her water refilling station customers who are nearby would just visit her store instead of driving far just to refill their water containers. Besides being the only one with a refilling station in the Ysengsong area, the cost of a refill for one gallon is USD0.05 cheaper than the nearest competitor. In addition to advertising her water refilling station, she also advertised a few items such as the selection of goods from the Philippines that is only available in her store. One of the items that she highly emphasized was a few selected flavors of Mr. Brown iced-coffee. She advertised them below competitors' prices for a specific reason. Her strategy was to advertise the beverage like the Mr. Brown Coffee below competitors' price just to attract customers to come to the store.

The purchases of the beverages advertised in the local magazines were important but did not increase revenue at all. The items that were purchased along with the advertised beverage increased revenue significantly. In addition to buying the advertised beverage, customers who came in to buy the advertised beverage also ended up buying other items in the store such as cigarettes, snacks, and other items inside the store.

### **New Competitor**

Since there are no barriers to entry for the mini-store business in Guam, it is not a surprise that more mini-stores open in Ysengsong. In addition to the two other mini-stores near

Gloanne's Store, another mini-store opened in 2007. The addition of another competitor affected Gloanne's Store's monthly revenue, which declined from USD40,000 to less than USD30,000.

Since the mini-store business in Guam is very common, it is a price-taker business. The mini-stores in Ysengsong area cause the market to be a price taker because they are competing on such a small market. A Price Taker is a firm that operates in a competitive economy where it is crucial to accept the current market price in order to make sale (MSN Encarta, 2009). The mini-store business cannot set the price of the product it sells because it is determined by the demand of the current market. Because of this, Gloanne's Store must follow the prevailing price in order for the business to stay open and generate revenue.

### **New Strategy**

Gloria Taguam decided to again capture the market by advertising what her store currently offers and that her store is currently the only store that has a water refilling station in her area. Since advertising on the newspaper is costly, she decided to advertise via social networking such as Facebook and Myspace. Facebook and Myspace are social network tools that connect people, friends, family, and businesses and customers. Currently, there are 500 million Facebook users. Guam has its own fair share.

Taguam believed that with the help of social networking, she would be able to reach more customers and communicate about the merchandise her store offers. When she advertised using local magazines, she was only able to advertise a few of the products her store offers because of the high cost. With social networking, she will be able to advertise most of her products. Using social networking, she will be able to update her customers about what is available and what will be available during the week or the following week. Customers are also able to request for an item if the store does not offer it yet.

Facebook and Myspace social media allow its users to write comments or send messages to each other. Taguam plans to communicate with her current and prospective customers by using Facebook and Myspace. Current and prospective customers are able to inquire about the store's current offerings by messaging or writing on Gloanne's Facebook account. One of Facebook's many features allows users to write comments on a user's wall, which is visible to everyone.

Taguam encourages her customers to write about their experience when shopping at her store. Since Gloanne's Store's Facebook's account is public, all comments on the account is visible to everyone. Taguam believes that transparency creates trust. Customers will be able to write about their experience whether it is good or bad. She believes that she can use the social networking to improve her store by knowing what the customer wants and what improvement she can make. By knowing about the customers' experience in her store, she will be able to correct any mistakes to fully deliver customer satisfaction.

Taguam believes that with the help of social networking, the voices of the customers are better heard. She will be able to easily document the needs and wants of the customers because they can easily request it on the store's Facebook and Myspace account. For example, Taguam receives merchandise from the Philippines and it is sold in the store. If a customer has a request about a product that is only available in Philippines, the customer can simply request for it on Gloanne's Store Facebook or Myspace account. Social networking does not only help increase revenue but it also attracts customers.

Will social networking help Gloanne's Store in reaching more customers? Or will she need to go back to advertising in the local media? With the ever-changing landscape of electronic media and the major changes anticipated for the market mix in Guam's population, only time will tell.

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### DISCUSSION QUESTIONS

1. What were some of changes Taguam made when she took over the business? What seemed to be the change that most benefited the performance of the store?
2. How did Taguam compete with other stores that sold the same merchandise? What else gave Gloanne's store an advantage over others?
3. How did the September 11 attacks affect Gloanne's store? What did Taguam do in response to these effects?
4. With new competitors entering the market, what strategies must Gloanne's explore in order to compete with the newcomers?



# **THE EVOLVING BUSINESS MODEL WITH CONVENIENCE STORES IN GUAM: SUETTE CORNER STORE CASE STUDY**

**Annette Taijeron Santos, University of Guam**  
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## **CASE DESCRIPTION**

*The primary subject matter of this case concerns a family owned convenience store and its evolving business model. Issues examined in this case include unique business dynamics in Guam, daily struggles, competition, and how the dominance of larger wholesale stores impacted small, family-owned convenience stores. This case would be appropriate for undergraduate courses in entrepreneurship and small business management as well as graduate level business courses. This case may also be appropriate for analysis at a Small Business Seminar or Workshops for new business owners. Students are expected to spend about two hours for outside preparation, consisting mainly of reading the case and familiarizing themselves with the business environment in the Western Pacific Region. Discussion could be designed to span a one to two hour class session.*

## **CASE SYNOPSIS**

*This case is about Suetette Corner Store, a family-owned convenience store located in the southern part of Guam, U.S.A. The store opened its doors to the local community in 1965 and has endured an interesting 45 years of business. The intent of this case is to provide an opportunity for students to explore the evolving business model of convenience stores in Guam. It delves into the unique socio-cultural, economic, technological, political, and demographic changes that could be generalized across most small family-owned businesses. The case prompts further investigation into these environmental factors and how each segment may have affected various aspects of the business contributing to its successes as well as its failures. Core components of this case were supported by primary and secondary research, and the first-hand experience of a third generation family member. The overall purpose of this study is to better understand the local business community and the challenges of sustaining a small family-owned business in Guam. This case study will also serve to explain how convenience store businesses in Guam have evolved into something entirely different from what it was fifty years ago.*

## COMPANY HISTORY

Chua, Chrisma, and Chang define family businesses as organizations in which either the individuals who established or acquired the firm or their descendants significantly influence the strategic decisions and the life course of the firm (2004). A working definition offered by Hoy (2010) defines family business as a blend of the following: (1) Fifteen percent or higher ownership control by two or more members of a family or a partnership of families; (2) strategic influence by family members on the management of the firm; (3) concern for family relationships; (4) the dream (or possibility) of continuity across generations. The case of Suetter Corner Store offers an opportunity to learn about one woman's dream to start a business for her family and the challenges of sustaining the business enterprise dream.

In 1964, Maria Sablan Fejeran convinced her husband to run a Chamorro<sup>1</sup> Food concession booth during the island's traditional Liberation Day<sup>2</sup> carnival. The booth ended up being a huge success and was very profitable. From this experience, Maria quickly realized that she wanted to start her own business. Using the earnings from the carnival booth, she invested in the startup costs for a convenience store, more commonly known in Guam as a "mom and pop" store. This investment laid the groundwork for the pursuit of this entrepreneurial venture. The following year, Maria opened the doors to her very own business, aptly named Lucky Corner Store.

Lucky Corner Store was located in Agat, in the southern part of Guam. The idea for this business venture was to establish a small store to provide goods and services to the residents of the neighborhood community, particularly those within walking distance. She started this business as an opportunity to produce steady income as a housewife, to keep busy with her daily life and to create a long-term business foundation for her family. The store was purposely built adjacent to her home connected by a carport driveway. The store building is divided roughly in half and the back end was designed for living quarters. In the rear of the store building, there is a small kitchen, full bathroom with a shower, a tiny living room and a bedroom. A wall and door entrance separates the store operations from the living area. In the section of the building where the store is located, it is slightly larger and contains one restroom for employees and mop-sink functions. There are two main doors for the entire building; one is in the front of the building for store customers and vendors while the other is on the side of the building, in the carport, for access to the living area. The proximity of the store to the home made it easy to manage. Building the business near the home or living space was how many family-owned businesses started in Guam. The business was quite prosperous for several decades and it proved to be a reliable source of revenue for Maria and her family. As a survivor of World War II, Maria was extremely hardworking and always believed that one should work hard for whatever one wanted.

As Maria got older, she no longer had the desire to run the business herself. Consequently, she decided to explore leasing options for the store. After much thought, she created a plan in which she would lease the store on a seven-year lease agreement. With this plan

in hand, the store was run by a couple of local families. While the timeframe is unknown, the Ada and Barnhart family managed the Agat store for some time until 1998. The Ada family had experience with running local convenience stores because they also owned and managed the Mini Camachili store in Yona. They knew and understood the customer demographics, product preferences and were all too familiar with local vendors and distributors.

Without a vision and leadership from members of two generations and the thoughtful selection of family, management, and governance practices, the future of family-controlled businesses is suboptimal (Poza, 2010). Around 1998, Maria began thinking about the long-term sustainability of this business she built from scratch and wanted very much to keep the business within the family. She wondered how she might begin passing the responsibility on to her children. Rather than simply giving the business to her children or having them merely inherit it, she wanted her children to value the experience of running and operating a business and assuming the risks and rewards. Maria believed her seven-year lease plan was a clever way to accomplish this. Maria took the concept of her seven-year lease agreement and decided that she would lease the store to each of her children for seven-year terms. Pulling from her past experience, Maria believed seven years was sufficient enough to get in, get started, and run a profitable business before having to renew the lease agreement. Not to mention, seven is her lucky number. The plan also offered an opportunity for her children to explore and develop their individual business sense. Maria believed that providing her children an opportunity to run the family business under the seven-year lease agreement would far outweigh any other approach to gain some valuable business experience.

In 1998, Maria began leasing the store to her eldest daughter, Regina under her seven-year lease agreement. In an effort to preserve the local culture and create a strong connection to the island, the store was renamed Svette Corner Store to reflect its Chamorro translation. In Chamorro, the word, *svette* means lucky. Under Regina's management, the business performed well for the first several years. This could be most likely attributed to the enthusiasm of the new management group. Towards the end of the lease, however, business performance began to slow and there was an evident decline in sales. At the close of the lease agreement, the store was struggling and difficulties were encountered with moving store-end inventory. With Regina's lease up in 2005, a new lease agreement was offered to another one of Maria's daughters, Mary Ann, who would take over management of the store and hopefully discover her hand at running a family business. Poza (2010) states that ongoing dialogue across generations of owner-managers about their vision for the company is important to build a family business so that it continues. Maria's children learned the business of running the store from merely being there everyday, observing the daily activities and assisting with running the cash register, stocking shelf items, and other operational functions. Mary Ann had no formal training or education in business. The performance of the store under Mary Ann's management would put to the test her knowledge and experience gained through her lessons at the store. In family businesses, it is important that focus on the vision, intentions and behaviors be supported by strategy, succession, and continuity

of the owners (Poza, 2010). Beyond her life experiences at the store, what more would Mary Ann need to sustain the business at optimal performance?

### **BUSINESS MODEL**

A business model is defined as how a venture is designed to make money, demonstrating a clear method of getting it to the market for sales (Kuratko, 2009). The success of a business is determined largely by its business model, whether it is explicit or not. The seven-year lease agreement created by Maria was very simple and clear. Every seven years, Maria would solicit interest from among her children to determine who would manage the store. Once the next store manager was identified the contract is drawn up and becomes formalized. The names are signed to the lease contract agreeing to all standard terms of rent, utilities, performance, etc. In this agreement, Maria is acknowledged as the owner and lessor. Maria's children enter as the lessee or store manager. The lessee is yielded the freedom to manage the store as they deem appropriate and set up their own terms in regards to hours of operation, products, pricing, employees, and customers. When the lease is completed or terminated, the cycle begins again in which another one of Maria's children may opt to run the business.

Maria had seven children. In order from eldest to youngest, they are: Jesus (deceased), Francisco, Regina, Teresita, Enrique (deceased), Mary Ann, and Aurora. Jesus was born in 1943 but passed away shortly after as an infant due to sickness. During WWII, medical help and assistance was not readily accessible to the locals. Her other son, Francisco, spent most of his life serving in the U.S. military and currently resides in Georgia. Regina also spent most of her time in the continental United States but relocated her family to Guam in 1999 when she learned that her mother wanted the children to begin managing the store. Teresita left Guam at an early age and currently resides in Missouri. Enrique loved to spend his time outdoors and was jokingly dubbed as Maria's handyman ready to fix or repair almost anything. He passed away in 2001 and never had the opportunity to run the family business. Mary Ann spent most of her time in California but relocated to Guam in 1997 to help take care of her mother. Lastly, Aurora has lived her entire life in Guam raising a family of three and will most likely be the next in line to run the family store. While Maria had great intentions to let each of her children run the family store, the personal decisions of her children to live off-island were not factored into this vision. Sadly, some did not live long enough to experience the opportunity to run the store.

It is evident that Maria adopted a generational transition model as she planned out the manner in which the family store would exist. Generational transition is often described as a relay in which a baton is passed from one generation to the next. To effectively pass the baton of entrepreneurial spirit across generations of family, members of both generations must be well prepared for their respective job of handing and taking over the family firm. Timing and communication between the two generations must be well managed (Hoy and Sharma, 2010).

## COMPETITIVE LANDSCAPE

The importance of industry dynamics is tightly connected to the competitive dynamics of the playing field. In general, business owners and managers should be looking for what they can do to improve their competitive position. Most firms utilize strategic tools such as Porter's Five Forces model and many have moved towards more action-oriented and strategic-implementation-focused approaches. A competitive profile matrix (David, 2009) is a tool that poses such questions as, Who are the major competitors accounting for 60 to 80 percent of the market share? What is the basis of competition – quality, customer service, speed, breadth of product line, cost, or some other factor? How does the company stack up against each one of its major competitors on each of the factors that make up the basis of competition? To assist the owner-manager of Suette Corner Store, the following tool offered in Poza (2010) is set up as follows (see Table 1). In order for Suette Corner Store to understand its competitive environment, it must adopt tools like this to better analyze its competitive landscape.

<b>Table 1: Basis of Competition</b>				
Product Line (or Basis of Competition)				
Competitors	Market Share, %	Location + / - / 0	Customer Service + / - / 0	Product Offerings + / - / 0
A (Own Firm)				
B (Other competitors)				
C				
D				
E				
F				
Total Market	100%			
Basis of competition may be change to better reflect the industry. Rating scale: (+) means the company competes favorably (is strong); (-) means the company is weak relative to the competition; (0) means they are neutral, the factor did not represent a strength or a weakness relative to the competitor.				

It is uncertain how many convenience stores were in existence back in 1965. However, there are quite a few in existence today. In the village of Agat alone, there are approximately ten convenience stores running. Not listed in any particular order, they are listed below inclusive of vicinity to the main road, Route 2, and store type:

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Bay Dollar Mart and Bay Video	Main Road	Hybrid Mom and Pop Store
Agat Kim Chee Store	Main Road	Supermarket
A-Market	Main Road	Mom and Pop Store
Oceanside Market	Main Road	Mom and Pop Store
Agat Oriental Supermarket	In the village	Supermarket
Santa Ana Market	In the village	Mom and Pop Store
Agat Village Mart	In the village	Mom and Pop Store
Agat Washerette and Mart	In the village	Hybrid Mom and Pop
Suette Corner Store	In the village	Mom and Pop Store
Sablan Store (closed)	In the village	Mom and Pop Store

It is interesting to note that of all the stores listed above, only two are locally owned: Suette Corner Store and Sablan Store. The type of ownership is significant because it has an impact on customer relationships, customer loyalty, and business practices. These factors and issues will be discussed later in this case study. Another important point for consideration is the business location relative to its placement along the main road. The stores on the main road have the advantage of store frontage and visibility for passersby, both locals and tourists. The stores located in the village do not have this opportunity because the only customers who frequent these stores are those who live nearby or who are familiar with its location within the village. Suette Corner Store is the only store located within the inner village that has placed signage along the main road in hopes of attracting new customers.

Of the stores mentioned above, the key competitors are those located closest to Suette Corner Store. The first main competitor is Agat Village Mart (formerly known as Canaan Store), which is located in the next block over, parallel to Suette Corner Store. Agat Village Mart is considered a main competitor because of its additional services, which includes a flower shop on the second floor and an adjacent laundromat. The second closest competitor would have been Sablan Store because it is located one block away from Agat Village Mart and like Suette Corner Store, it is locally owned. The store has been closed for some time and, currently, is not deemed a viable competitor. If the store reopens, it definitely is positioned to attract the employees, students and families of the nearby Mount Carmel Catholic School as well as Mount Carmel Catholic Church patrons. During its heyday, the store was known for having a pool table where locals would hang out, then, it was known for selling wreaths and candles and had a strong reputation throughout the island. Lastly, the Agat Washerette and Mart, which is located across the street from Oceanview Middle School, is another strong competitor. Agat Washerette and

Mart holds the advantage of being closely located to a local public school and receives much business from school employees, students and their families.

Against its competitors, Suetie Corner Store holds some core competencies. First, many village customers value locally owned mom and pop stores and establish loyalty with them. Customers naturally wanted to support local owners. In an interview with Mary, who co-managed the store with Maria's daughter, Mary Ann, stated, "Customers tell me they come to this store because they would rather support a local owner rather than a foreigner." This highlights the strong connection and lasting relationship that is built between the customer and the store. In Guam, going to the village store was a social behavior where one would receive updates on family and friends. In close-knit neighborhoods like Agat, customers sought out and valued this form of social interaction. Customers were known by name and family affiliation. Everyone knew each other at a personal level. The physical location of the store itself and its literal attachment to the family home allowed access to immediate family support to help out with the store when needed. Instances occur time and again when help is needed to run the cash register, stock shelves and clean the store. Having the store as part of the home was ideal and convenient. Suetie Corner Store's core competencies are significant because they play a huge role in the store's ability to operate smoothly as well as understand its target market.

### **Perfect Competition**

The convenience store market structure reflects the characteristics of perfect competition. Most convenience stores sell a range of identical products such as beer, cigarettes, and assorted pickled items at the front counter, plus a variety of canned foods, snacks, ice cream, and soda on the shelves. Products are generally the same at most stores throughout the village and the island. This is probably due to local distributors with the same practice of purchasing products in bulk with the intention to sell to the smaller stores located throughout the island. By nature of their size, small mom and pop stores are considered price takers who are not influential enough to negotiate the price of an item with the exception of tobacco due to the local tobacco tax law.

Like most places, where customers will typically shop around for better value and cheaper prices, most local customers have good, general knowledge of where they can get certain products and the best price for those items. However, in most neighborhoods located beyond the main road and central Guam, customers will pay the price offered by their neighborhood stores for those last minute items or must have items that they need right away at stores within walking distance. In Guam and much truer at the village level, market share is relatively small usually limited to the neighboring community or daily traffic commuters.

Observing business behavior in the local convenience store industry, much freedom of entry and exit exists because there is a presence of many buyers and sellers, little product differentiation and rivalry among the industry players is highly competitive. There are low

barriers for new stores to enter the arena and correspondingly, barriers for struggling stores to exit the competitive arena are low.

### **FORCES FOR CHANGE**

Societal forces have influenced the competitive dynamics of convenience stores in Guam. Social factors have influenced how customers shop and where they shop. Today's customer expects to enter the store and purchase items without having to wait in long lines. This is different from the customer who took the time to converse with the store operator and catch up on the latest village gossip or happenings. The convenience seeking, time-sensitive customer is typically in a rush and in need of a specific item or a minimal number of items to hold them over until they could get to a bigger grocery store or supermarket. In addition, social conditions have caused many families to seek public assistance. Growing customers of mom and pop stores include those whose purchases are covered by programs such as: Women, Infants, and Children (WIC) and Federal Food Stamps. The growing number of customers who are recipients of these programs are evident early each month, with a long wait in lines due to the cashier's need to review and process the coupons. Customers rarely want to wait for anything these days. They simply want to get in, grab exactly what they need, and exit as soon as possible.

According to the U.S. Bureau of Labor Statistics, there are more women working today than in the past. From 1975 to 2008, the number of women in the workforce has grown by 40 percent, which created greater demand for convenience. In 2008, the sales for U.S. convenience stores was 624.1 billion dollars, which accounts for 4.4 percent of the nation's gross domestic product. High sales associated with convenience stores could be attributed to the increased number of convenience stores opening in various communities across the U.S. By the end of 2008, there was a reported 144,875 convenience stores across the U.S. According to the National Association of Convenience Stores (NACS), with a population of 305.5 million people in the U.S. in 2008, that would translate to one convenience store for every 2,100 people. In Guam, convenience stores were very successful, too. According to Jerry Toves, who has been with the Coca-Cola Beverage Company for over 10 years as a sales manager and has extensive experience with the different businesses around the island, there are approximately 350 convenience stores in Guam (the island measures 30 miles in length and a variable width between 4 to 12 miles wide) and has a population of approximately 180,865 (2000 census). This would translate to one convenience store for every 517 people, a seemingly more profitable statistic for Guam than the U.S.

The business dynamic in Guam is very unique. First, with a vast distance of over 10,000 miles between Guam and the continental United States, normal business operations can be quite challenging. Businesses in Guam confronted with a variety of challenges such as shipping delays and costs, product limitation, and service restrictions. Suetie Corner Store did not suffer direct costs for inbound shipments. However, the business naturally absorbed increased costs in



wholesale due to rising prices of fuel and shipping. The store also had to accept the fluctuations in numbers of products available and limited product breadth. Second, there is a unique working force or influence that is deeply embedded in getting things done through *who* you know. This politically influenced dynamic holds the most potentially advantageous and/or disadvantageous outcomes. For example, one of the commodities in high demand is bagged ice. The ice cooler to hold the bagged ice is given to Suetie Corner Store by the company that manufactures and supplies the product. It was important for Suetie Corner Store to ensure that the ice cooler would be located on the store property, arrange for dependable delivery, and continually follow up. In return, the store was expected to advertise the supplier's products and place specific products inside the cooler. If the products ran low, it was dependent on *who* you know to ask for a special delivery or to reserve and hold orders on ice. Lastly, Guam is quickly changing as a result of the anticipated military buildup scheduled to reach full force in 2014. The buildup will be accompanied with growing population challenges: crowded roads, changing market behavior, shift in residential numbers in the villages, and other anticipated changes related to environmental, socio-cultural, political/legal, and economic activities that Guam must position itself to address. Might Suetie Corner Store be able to identify opportunities to position it to take advantage of the military residents and buildup that is taking place right outside its village border?

## AREAS OF CONCERN

### Operations

The store operations are fairly simple with minimal fluctuations in daily workflow and revenues. The hours of operation are from 6am to 10pm daily. The store is open 16 hours a day to accommodate the maximum number of customers. The morning business from 6am to 8am is the busiest time of day as customers make purchases for their day at school and work. Students make up most of the morning rush with their purchase of breakfast items, snack items such as chips, beverages, candy, and gum. The mid-morning and lunchtime operations from 10am to 3pm is slower than the morning and customers are typically the surrounding neighborhood residents coming in for various needs. Purchases during this time usually include items for cooking, various cold beverages for consumption during the hot, humid island day, as well as ice cream, and a few cleaning products. After 9am, an increase in sales of alcohol and beer purchases is experienced. With the store's location near the Agat Marina, a lot of bagged ice is purchased to preserve freshly caught fish and to fill coolers for long rides on the fishing boats. While, Suetie Corner Store's location is not along the main road, locals familiar with the store often stop by during trips that take them to the southern part of the island. Located inside the village neighborhood, the store lacks frontage to the main road. Consequently, the store does not attract many tourists. It is located one block inside the residential area away from the main road.

Lastly, business from 3pm to 10pm consists mostly of tobacco and alcohol purchases as the neighborhood community is winding down from their workday. Weekend sales are substantially higher than weekday sales by about 104 dollars per day. Most of the neighborhood residents are home all day and travel back and forth on foot to the store for impulse purchases of snacks, drinks, and food. Many customers do not want to travel to the bigger stores because that would require driving to the other store locations. Agat Kim Chee Store is located about two miles from Suette Corner Store and is located along the main road, Route 2. Customers can probably get a slightly better deal on price and product variety; however, most customers do not want to drive just to get there so they will settle with what is available within walking distance. Also, during the weekend, most Guam families get together for barbecues or host fiestas. This presents opportunities for sales of party-related items such as paper products, bulk drink purchases, bags of ice, and beer.

The types of products convenience stores offer range from a variety of beverages, snacks, tobacco products, alcohol, processed food, and few groceries. The top selling items are usually beer, cigarettes, and small snacks such as gum. These products are the “anchor items” that bring the customer into the store. The entire store practices a cost-plus pricing strategy in which prices are set by the wholesale cost plus a certain profit margin. This strategy is somewhat complex because the profit markup percentage varies based on the item. For example, beer is marked up only fifteen percent (15%) whereas laundry detergent would be marked up by seventy five percent (75%). The driving force for this pricing system is based on what consumers are purchasing. Store managers hope that the lower-priced or spectacular items attract the customers into the store and while they are inside, they pick up a few of the other items with higher profit margins. An example of a typical neighborhood customer purchase would be a pack of cigarettes, a beverage, candy and/or gum, a can of corn and shampoo and conditioner. This represents a good balance between the lower and higher profit margin items.

Inventory and inventory turnover ratio is important in any type of business. Unfortunately, Suette Corner Store does not have an electronic system in place to manage products and its movement or track the ordering process. The daily, weekly and monthly ordering and stock inventory were tracked merely through observation. There was no systematic process or formal record keeping of inventory data. This is a challenge faced by Suette Corner Store and most small businesses. The lack of recorded data leaves little for managers to plan goals for the store’s future as well as report on business operations and manage inventory.

Suette Corner Store’s inventory is conducted the same way every year. The store manager closes the store for one day, usually at the beginning of the year before taxes, and the entire inventory is counted manually, by hand. There is usually a team of about three people with notepads and each one is assigned a section to count. Based on firsthand experience, the item is noted, size indicated, and information regarding the unit price and quantity on shelf is recorded. Once the three-member inventory team has completed their count, the written reports are compiled to calculate the total dollar amount in the store. This figure is used for tax purposes.

The total inventory amount is given to an accountant and based on the store's financial performance of profit and loss, the inventory will dictate if taxes are to be paid and how much. A quote used in the store to better understand the inventory concept is, "What's cold is sold."

Another struggle of running a small business in Guam is the ability to retain reliable and dependent employees and maintain profitable sales. In a very small business such as Suetie Corner Store, very little, if any investments are made toward technology which would include basic equipment and systems such as an electronic price scanner, employee time clock, security cameras or inventory monitoring software. Consequently, a heavy burden is placed on personnel, most of which requires "doing things yourself." It is not uncommon to find the store manager operating the cash register. A punch-key type of register is used with a z-reading of all transactions punched into the machine. The machine generates two identical tapes; one, which continually rolls underneath the front panel as the z-reading, while, the other tape dispenses for customer receipts. At the end of the business day, the z-readings are removed and computed to match the cash in the register plus other forms of payments such as credit card sales, food stamps, Electronic Benefits Transfer (EBT) cards, and credit. Information on daily sales were then hand-written in a master notebook to track the store's financial performance, verify that deposits to the bank are correct, and ensure there are funds to pay for incoming invoices. Furthermore, store theft, while rare, is a problem in small neighborhood communities where everyone knows everyone else. To prevent theft, most stores install security cameras. Without cameras, it is difficult to detect theft and deter employees from stealing directly from the register. Subsequently, family members and close friends whom the store-owner and managers trust are sought after to run the cash register. This practice of placing only family or trustworthy individuals behind the register helped Suetie Corner Store avoid pilferage problems. But this also resulted in time-consuming and labor-intensive strategies. The desire to stay in business is stressful and requires commitment to maintain a level of performance that is nothing less than a profitable sale. The small mom and pop store simply cannot afford the risk of theft and will take appropriate steps to avoid it. Without much choice due to family members and friends holding other jobs or other personal commitments, the store is forced to employ individuals outside of family and close trusted friends, for daily maintenance jobs such as daily sweeping, mopping, and re-stocking.

Like many small businesses, there is little to no money for any marketing promotions that would include advertisements on television or radio, product campaigns, or point-of-purchase materials. The store was compelled to identify more economic approaches. This entailed free marketing tools such as word of mouth, homemade posters, social networking, and signage from vendors. For example, if there was a special like 2-for-1 cigarettes, customers would hear about it through word of mouth and customers would flock into the store due to that promotional sale. This is a sale that neighborhood customers could never get enough of. They loved the value in buy-one-get-one free cigarette deals. Moreover, signage from vendors like Coca-Cola and Pepsi were always vying to provide materials to ensure a higher share of the market. Suetie Corner

Store would receive marketing materials in the form of window decals or point-of-purchase posters to promote the products of the companies who provided those advertising pieces that would hopefully attract customers and woo them through the store doors.

### **Cultural Values and Practices in the Workplace**

Although the local ownership status may primarily be regarded as a strength, it can also be a weakness that could potentially lead to some undesirable situations. In Guam, a common practice in most mom and pop stores is offering store credit to regular customers. This practice of putting purchases on credit is widely attractive to local customers. While this practice is still honored in most locally owned stores and expected by new generation customers, it leaves most of today's store owners feeling obligated to follow the practice even if they recognize it is not in the best interest of the store. The practice of credit allows regular customers to "charge" purchase amounts and pay it back later, usually the following payday. This works fine if all credit charges are paid on time and is a great way to build trust and sustain customer loyalty. However, because the practice of credit is neither formal nor well defined in writing, the chance of full payback is typically low. With most convenient stores now run by non-local Chamorro families, the opportunity to place purchases on credit is not available at these stores. The indigenous island people are called Chamorros and are revered as very generous and kind people. They are strongly family-centric and will genuinely go out of their way to help one in need. So the practice of allowing credit is a social act of kindness embedded in the heart of Chamorro culture. Because most southern villages are tightly knit communities, it is difficult to refuse credit when the store manager knows every customer who walks through their doors. The economic forces at play such as soaring utility costs and average family income at approximately 32,000 dollars, there is a more compelling need to help those customers in the village neighborhood.

In Guam, it is difficult to draw the line between family and business. Many times the line between the two is blurred and business decisions are heavily influenced by cultural values and beliefs. The new generation store manager will have several issues to contend with. The Chamorro culture requires people to be sensitive and to help each other out. This makes it very, very difficult to try and manage a thriving business. Small mom and pop stores, usually locally owned like Suetie Corner Store suffer the consequences of uncollected cash due to the practice of credit.

### **Store Closure**

In 2004, the Suetie Corner Store managers began to recognize a decline in the business' performance. Sales, customer traffic, and the movement of inventory continually declined. It seemed that each time the store embarked on a new lease, business would pick up. Customers were probably attracted to the idea of a new store with fresh products and good value for their

dollar. As past trends would forecast, business performance was steady in the first couple of years with decent sales figures but, shortly thereafter, the numbers began to slow down. The store managers noticed business was not improving and things only got worse, to the point where it became difficult to afford the simple daily costs. Unluckily, Suetie Corner Store officially closed operations on July 31, 2010 after over fifty years of business in Guam. The products and inventory were liquidated or sold in bulk to quickly get rid of the remaining inventory. Anything leftover was kept in the store for the next management team or discarded. The decision to close the store was contingent on Mary Ann, the current lessee. At this time, Maria, the owner of the store, did not have control or influence over the decision. Although Maria is the owner, she could only recommend the store remain open. Ultimately, her recommendation would bind her to find the next store manager from among her children to operate the business.

As more customers place higher value on the need for convenience, they seek out stores where they can easily obtain items on their shopping list. Retail warehouse club style stores offer this convenience through their one-stop shopping strategy. Selling items in bulk and highlighting freshness and better value poses a major advantage for these types of stores which would include Cost-U-Less, Island Fresh grocery store, and perhaps Kmart. When Suetie Corner Store first opened, many people did not own vehicles so travel outside the village was not a threat at that time. Many residents simply shopped at a nearby store because it was *convenient* and not necessarily because of price. Today, customers drive out of the village for work and school and are presented with more choices. Customer habits have changed such that, they plan out their shopping with efficiency in mind. They often plan to purchase most of their groceries and necessities over the weekend at a larger store taking advantage of sales and low prices. Customers are also confronted with economic forces such as the recession. Without the disposable income they once had, items that used to sell well like trinkets, mini toys, knick-knacks, fashion tattoos, candy and gumballs do not sell as much. Customers are found spending their money on need rather than want.

The culmination of these events led to a very heart wrenching situation when a huge “for sale” sign was placed in front of the Suetie Corner Store and family home. For over fifty years, it was a place Maria and her family called home. The family legacy and reputation that Maria had built among villagers and other island residents who held close connection to the family and the store was now coming to an end. Maria’s family members found it very difficult to digest all this. Everything was up for sale — the store, three homes, and the land. The situation built much tension, bitterness, and spite that would lead to the demise of this family legacy, which was the underpinning of most of the family’s history and fond memories.

### **SHOULD SUETTE CORNER STORE REOPEN?**

It is 2011 and Maria’s granddaughter, a third generation family member has learned much about the history and situation surrounding the family store. Joyce is a Professional

M.B.A. graduate at the University of Guam and is interested in reviving her grandmother's legacy. How might she fulfill her grandmother's dream to sustain a family business for generations to come? As she explored the history of the store and analyzed different environmental factors, she developed a SWOT analysis.

### **Strengths**

Suette Corner Store's strengths are premised on its inherent origin as a locally owned establishment in Guam, its close proximity to the family home, and its location in the middle of an active and populated neighborhood. Having a long and rich history in the Agat community, Suette Corner Store is a historical landmark that new generations of neighborhood customers trust and support. Their parents and grandparents were customers and there is a natural bond that is built on that observed practice. Because the store and family home were constructed in the same structure, the connected arrangement allows for immediate nearby help and support from family members. With family members living close by there is always extra manpower to help run the cash register, stock items on the shelves, and clean the store when needed. These strengths are significant as they support the fundamental basis for a business to survive. These strengths support the historical image and reputation of the store, sustains customer loyalty from one generation to the next and offers convenience of close family support. These outcomes support the store's ability to operate smoothly and cater to their loyal target market.

### **Weaknesses**

Some weaknesses that emerged from a study of the store's history included poor store visibility, a deficiency in information and inventory systems, customer credit arrangements, and a viable management succession plan. While the store is located in a heavily populated neighborhood, it is located in the inner village and not visible from the main road. Poor store visibility prevents the store from building new customers that would include local commuters from outside the neighborhood, military residents from Big Navy and tourists. With the military build up and tourism as a major industry in Guam, Suette Corner Store is missing an opportunity to tap into those markets with its current location and low visibility. While researching the store's history, information regarding the store's past performance was not available. In addition, inventory information was also inaccessible. Much of the store's history is accessed through interviews with family members relying on memory and personal experience. The practice of credit is found mostly in locally owned stores that allow regular customers to put purchases on a running credit or tab which is typically paid the following payday. This arrangement is informal and risky, often leaving the store unable to collect money that is owed. While many store managers would like to do away with the practice it goes against the fabric of local culture to help others, particularly when it comes to food. A key factor affecting the success of Suette

Corner Store is having a viable management succession plan in place. When Maria came up with the idea to have each of her children lease the store for seven-year terms at a time, she envisioned that this would lead to a sustainable business for generations to come. However, over time some factors surfaced to challenge the viability of her lease plan. The most pressing challenges include the level of skills and talents of family members to be effective store managers, whether or not her children possessed the desire to even run the business, there was no written strategy that anyone could recall to document short and long term plans of the store, heavy reliance on family relationships rather than clear policies and control systems and non-business issues.

### **Opportunities**

The village of Agat is described as the “commercial center of the south” and is home to the Agat Marina and borders the Naval Base Guam. The village population is reported to be 5,656 as of the 2000 U.S. Census. The village of Agat offers great opportunity for Suetie Corner Store to position itself for long-term growth. To build a loyal customer base, it must position itself to use its nontangible benefits such as personal relationships established with customers. This nontangible benefit will naturally support a positive financial benefit and result in an advantage over bigger store rivals who lack the ability to engage in one-on-one interaction with its customers. The company’s behavior, particularly their high level trust and commitment built with customers and employees will reflect the family’s personal integrity that is highly valued by customers and will convince them to return. As more tourists seek truly genuine local experiences, Suetie Corner Store has an opportunity to fill a need demanded by this growing trend. With military residents close by, the store may offer some services or products that would engage them and acclimate them to the local village community. Creating greater visibility in community events may lend support to the store’s reputation. By supporting social programs in the village, the business is building a positive image and is likely to obtain the patronage and support of the members of that community.

### **Threats**

Some of the common threats that affect small businesses like Suetie Corner Store include changing customer preferences, growing competition resulting from foreign-owned mom and pop stores, and economic constraints. As mentioned previously, today’s customers are more inclined to plan their purchases rather than submit to impulse buying. They seek out the lowest cost and are more likely to purchase in bulk. There is also a growing trend for convenience shopping which allows for one-stop shopping and not necessarily location based convenience such as neighborhood stores or those stores located in close proximity to one’s home. In viewing the convenience store landscape in Agat, research shows that all but one store is operated by a

non-Chamorro. Foreign-owned convenience stores are part of a bigger community where support is given to help other foreign-owned stores. This makes it difficult for Suetie Corner Store who must fend for itself in a tight-knit clique of competitors where, ironically, it is the outsider. The underlying factor for these threats are related to the economic constraints such as high unemployment rates, soaring utility costs, and overall high cost of living in Guam that results in lower consumer spending, increases in federal assistance programs, and growing disparity among Guam residents in terms of socio-economic standing.

In light of the forces for change, the company's ability to respond to these external trends and events greatly influences the company's competitive position. Speed of response and adaptability to change are key to determining a company's competitive advantage. Aware of the opportunities presented to Suetie Corner Store, the company must develop strategies to compete more effectively against its competitors. The next owner-manager must develop courses of action that Suetie Corner Store might implement to minimize the impact of the threats presented.

As the strengths and weaknesses of a company are examined, the owner-manager of Suetie Corner Store must understand that the underlying logic of a company is driven by its business model and its ability to achieve a strategic fit. A strategic fit is achieved by a company when its value chain of primary and support activities are aligned with the business level strategy. A company's strengths and weaknesses help to identify whether the company was able to achieve this strategic fit. It is important that Suetie Corner Store identifies how it might utilize its strengths to overcome weaknesses, as well as take advantage of future opportunities and minimize the impact of threats. Mindful of its weaknesses, Suetie Corner Store's owner-manager must also identify how it will address its deficiencies in light of impending threats and how it would pursue future opportunities.

### **Reflections as a Professional M.B.A. Graduate**

Joyce contemplated, if the store reopened, some fundamental changes were necessary. First and foremost, the family needed to establish the store's business strategy, create a mission and vision statement that would reflect the founder's dream. With old inventory from the previous lease, it was imperative that the store adopts an inventory management system to track product sales as well as collect additional information to handle orders more efficiently. Noticing the trend of small mom and pop stores to expand offerings through laundromat or video rental service, it may be necessary for Suetie Corner Store to identify what offerings they may extend to attract and retain customers. Some possible business opportunities could follow similar services offered by their competitors such as the laundromat service or venture into other services such as an internet café, adult game-room, and/or printing service. These services may appeal to residents who prefer not to travel far or experience an unexpected situation. Store cashiers are all too familiar with situations in which parents resolve to meet school project deadlines because their child waited until the last minute. These urgent situations send parents



and students running to the store for supplies and other resources needed to complete the project. With escalating utility costs and economic pressures, laundromats offer a cost-effective alternative forgoing the cost of having to purchase a washer and dryer plus the associated costs of power and water.

Cognizant of the struggles facing this family business enterprise and an inherent personal connection, Joyce found herself feeling torn and undecided. Part of her recognized the value of social and cultural practices while the other part of her knew the benefits that would result from strictly professional business relationships. She felt that the biggest obstacle was the inevitable mix of family and business. It is difficult enough trying to manage a business in an environment with strong forces emanating from the socio-cultural segment. This becomes more complicated when family is involved. It becomes almost impossible to satisfy the different perspectives in regards to running a business.

Deeply reflecting on this situation, left Joyce more confused and with grave concern. She felt obligated to assist her mother, Mary Ann with the management concepts she had learned in her college courses. She shared the business theories, concepts, and practices she had read about in her textbooks and encouraged her mother to implement them to address the issues confronting the store. As a granddaughter, Joyce empathized with her grandmother's anxiety of what would happen to the family enterprise after she is no longer around. As a Professional M.B.A. graduate who should be an advocate for small business and a resource to the community, Joyce felt that the fight to keep the family business alive was futile.

Leaders of entrepreneurial family firms need to possess an understanding of effective resource management. Effective resource management involves three critical aspects: (1) structuring which involves acquiring, accumulating and divesting resources so that they are available to the company when needs and opportunities change; (2) bundling or integrating resources to form capabilities; and (3) leveraging or mobilizing, coordinating, and deploying resources to exploit capabilities to avail advantages of market opportunities (Sirmon, 2003). It is imperative that the next owner-manager of Suetie Corner Store learns how to incorporate these critical aspects of resource management in order to build wealth for the family's business and the history it hopes to build.

## ENDNOTES

- 1 Chamorro refers to the ethnic origin of Guam's indigenous population.
- 2 Liberation Day is celebrated annually on July 21 to commemorate Guam's release from the Japanese occupation in the 1944 by the U.S. The island celebrates with a carnival typically spanning July 4 – July 21.

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## DISCUSSION QUESTIONS

### Case Analysis Assignment:

1. Suetie Corner Store has sought your consulting expertise and asked you to assess the company's strategy, competitive market position, and overall situation, and recommend a set of actions to improve the company's future prospects. Please prepare a report to the owner of Suetie Corner Store. Be sure your report includes:
  - a. An identification of the key elements of the company's strategy,
  - b. A discussion of which of Porter's five generic competitive strategies most closely match the competitive strategy that Suetie Corner Store is employing,
  - c. The pros and cons of the company's strategy,

- d. An assessment of Suetie Corner Store's strengths, weaknesses, opportunities, and threats,
- e. An evaluation of the key success factors that Suetie Corner Store and its rivals compete against,
- f. The strategic issues and problems that Suetie Corner Store need to address, and
- g. A set of action recommendations to deal with these issues and problems.

The report should be 5-6 pages; plus it should include an assortment of charts, tables, and exhibits to support the analysis and recommendations.

- 2. What are the pros and cons of Suetie Corner Store's strategy? What evidence indicates that the strategy is working well or not so well?
- 3. What does a SWOT analysis reveal about Suetie Corner Store's overall situation?

**Assignment Questions:**

- 1. What are the major issues confronting Suetie Corner Store? Using the dimensions of urgent and important, develop a matrix illustrating the relevant issues. What problem statement would you propose for Suetie Corner Store?
- 2. Identify five factors that are critical for a convenience store to be successful in Guam. Discuss the importance of each.
- 3. Using the strengths, weaknesses, opportunities and threats stated in the case study, develop a SWOT matrix to recommend some strategies that Suetie Corner Store may implement.
- 4. Should Suetie Corner Store reopen? Why or why not? Discuss.
- 5. What major lessons have you learned from this case? Discuss.



# CHALLENGES OF A CHINESE RESTAURANT IN A SMALL COMMUNITY: YUMMY TUMMY RESTAURANT'S STRUGGLE TO SURVIVE

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## CASE DESCRIPTION

*The primary subject matter of this case is a review of challenges faced by the owner of a Chinese restaurant in a small island community that has an abundance of Chinese restaurants in proportion to the ethnic Chinese population. In particular, this case presents students with a scenario, along with data from restaurant survey, to encourage discussions on strategies to improve the restaurant's performance under these conditions. This case has a difficulty level of three and up, appropriate for junior level and beyond. The case is designed to be taught in two to three class hours in a management, strategic marketing management, or an entrepreneurship course, and is expected to require about three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business environments on the U.S. territory of Guam in the Western Pacific region.*

## CASE SYNOPSIS

*Yummy Tummy Restaurant is one of many Chinese restaurants on the Micronesian island of Guam. The restaurant opened its doors in the year 2002 in the northern village of Yigo, Guam and later relocated to the central, more populated village of Tamuning, Guam in the year 2005. The business began as a sole proprietorship and was later acquired through a partnership. The partnership dissolved shortly due to irreconcilable differences between the two partners and the restaurant is now a family business. Through the change of ownership over the years, an individual by the name of Mr. Chen now solely owns the restaurant. A brief history of the business is provided along with Mr. Chen's struggles to keep the business running. The battles that the company faces today along with the company's internal and external environment are examined. The strengths, weaknesses, opportunities, and threats of the company are used in evaluating the business's current strategies. This study will examine the Chinese restaurant industry in Guam as compared to other similar communities in an analysis to measure the saturation of the market. It will then present recommendations for improvement in the restaurant's performance as well as changes to the company's current strategy.*

## **START OF THE BUSINESS**

The name Yummy Tummy Restaurant was given to a new ethnic restaurant to provide a catchy image with a different appeal to various customers on the island of Guam. The restaurant first opened its doors as a Chinese/Filipino fusion restaurant in the northern village of Yigo in the year 2002. The family that owned the restaurant at the time also owned a fish mart in the island's central village of Tamuning. The travel time between the villages for the owner to oversee both operations was ineffective and inefficient. The owner then found a commercial space that would accommodate both a fish mart and a restaurant in the village of Tamuning.

Combining the fish mart and the restaurant created the opportunity to provide customers with fresh seafood, which differentiated the restaurant from many of the other Chinese restaurants in Guam. In 2005, business slowly thrived as the restaurant tried to rebuild its clientele in the new location. The slow growth of the business and the owner's loss of interest in the industry led to his decision to sell the business to a close friend, Mr. Chen, whom he trusted to maintain the culture of the restaurant in 2009.

The owner chose to work closely with Chen before his departure from the business. Chen was aware of the slow growth in the restaurant and decided to take on a partnership with another close friend, Ms. Wong, to pool capital for improvements in the restaurant. In 2009, the partnership began as Ms. Wong and Mr. Chen joined forces to revamp the service in the restaurant.

The partnership started as a friendly venture, but conflicting business philosophies soon became a recipe for disaster. Ms. Wong and Mr. Chen had different views on several aspects of the business and its future direction. The collusion of ideas affected business operations and drew a wedge in the owners' friendship with each other. Mr. Chen had long discussions and negotiations with Ms. Wong to claim the business and dissolve the partnership. In December of 2009, after months of unpleasant engagements, Mr. Chen repaid Ms. Wong for her share of the company and claimed the restaurant as a sole proprietor.

## **CURRENT STRATEGY**

Since the dissolution of the partnership, Mr. Chen revamped the business model and recreated the image the restaurant portrayed. Under the partnership with Ms. Wong, a flexible-price strategy was used to offer frequent customers the benefit of discounts and complimentary items to maintain their loyalty. Under this strategy, Mr. Chen found it difficult to properly track inventory and expenses. He chose to focus on the quality of the cuisines he provides to the customers rather than adopting a low-cost strategy to differentiate the restaurant from others in Guam. Mr. Chen preferred to offer quantity discounts to encourage large reservations by providing an unadvertised 10% discount for parties with orders of USD500 or more. He also

eliminated all psychological pricing strategies, such as pricing above competitive levels, odd pricing, etc.

Mr. Chen saw the desperate need to improve lunchtime business and explored different routes to keep the doors open for the afternoon. In addition to the a la carte menu that is usually offered during lunch and dinner, Mr. Chen incorporated lunch specials and promotions to attract workers from surrounding businesses. Banners and radio advertisements were used to bolster the lunch specials and promotion. Unfortunately, the promotional tools used did not provide the return Mr. Chen expected, which led to the decision of closing the restaurant for lunch and to only serve dinner in order to lower expenses.

It was apparent that more information was required to develop a sound strategy for the future direction of the business. A written survey was conducted with customers in the restaurant during the week of November 15, 2010, to analyze the business's current strategy and to provide recommendations for improvement. Surveys are often offered in various types of restaurants in Guam to benefit the business and the customer. Surveys may not be a unique method to gather information, but it is definitely a reliable source of primary research when conducted properly. There are limited resources that offer information for the restaurant industry in Guam especially for Chinese restaurants. The survey methodology provides results that are unique to the restaurant analyzed.

## **RESEARCH METHODOLOGY**

A written survey by questionnaire was distributed to all customers within a one-week period in the restaurant (see Appendix I). The period of distribution was randomly selected, as it was typical to any other week of the business year. A sample size of one hundred (100) was desired to properly reflect the results of a population.

The survey consisted of demographic, qualitative, and restaurant related questions. The survey was developed in a multiple-choice format with an area for comments and suggestions. Because the survey contained mainly qualitative data, a statistical test exclusively for data of nominal scale of measurement was used. The goodness-of-fit test is one of the most commonly used statistical tests (Lind, Marchal, & Wathen, 2008). The goodness-of-fit test is used to compare an observed distribution to an expected distribution. This statistic model can determine whether there is a relationship between two qualitative factors in the survey.

To arrange the data for testing, a pivot table was used. The pivot table organizes the data in a chart based on the selected factors for comparison into cells. The chi-squared distribution is then used as the test statistic for the goodness-of-fit test. As a limitation, the chi-square cannot be used if more than twenty percent (20%) of the cells have expected frequencies of less than five (5) (Lind, Marchal, & Wathen, 2008). In other terms, if the grand total of a certain category in the pivot table is less than five (5), then the category cannot be used.

Due to the limitation of the chi-square test statistic, results from the survey that were less than five (5) in grand total from the pivot table were either eliminated or combined with other factors for the analysis. Surveys that contained more than one response to a certain question were excluded from the testing. The null hypothesis for the tests is that there is no relationship between the tested factors and the alternate hypothesis reveals a relationship between the two factors. All tests are based on a 95% confidence level, alpha of 0.05 ( $\alpha=0.05$ ). The null hypothesis is rejected if the p-value is lower than alpha.

Secondary sources of information were also used to analyze the microenvironment of the business. The saturation of the market was analyzed through a comparison of the Chinese population relative to the total population of a city in the United States (U.S.) and the amount of Chinese restaurants listed relative to the total amount of restaurants listed in those cities. The cities chosen for comparison were selected randomly based on their relevance to Guam's Chinese population of 1.7% relative to the total population. The telephone directory was the source used to obtain the amount of Chinese and total restaurants in a particular location. The Yellow Pages was used for the cities in the U.S. and the Guam Phone Book was the source for Guam. Due to the fact that the Guam Phone Book excludes many restaurants in the general and specified categories for restaurants, a reputable restaurant guide, Guam Diner, was used for data comparison in addition to the Guam Phone Book.

## **ANALYSIS**

### **Macroenvironment**

#### **Economic**

The anticipated military build-up for Guam has created economic optimism for the island of Guam in 2010. The tourist arrivals in the first half of 2010 also created an encouraging start for 2011 as the prospects for further growth were forecasted in the most recent regional economic report (First Hawaiian Bank, 2010). Unfortunately, the restaurant remains in the recession stage of the business cycle as the growth of the business remained stagnate for months after the holiday season. According to the survey conducted within the restaurant, dining habits for customers of the restaurant do not leverage a strong relationship with their reported annual household income (see Appendix II). The frequency of dining out in the restaurant varies among financial classes. The results revealed that households with an annual income of USD45,001-USD65,000 dine out more frequently than households with annual income of USD65,001 and over. The results indicate that the financial composition of a household is not a significant factor in dining decisions for the customers of the restaurant.



## **Legislation and Regulation**

Consistent with many states in the U.S., the territory of Guam is also subject to public laws uniquely created to regulate the daily operations of the food and beverage industry. Guam, as compared to the other states, enforces more stringent requirements for restaurants and its employees. The public law in Guam requires all employees of a food or food-related establishment to obtain a health certificate before employment (Guam Public Health and Social Services, 1997), as compared to the state of California where food facilities are only required to have at least one Certified Food Handler (CFH) (State of California, 2009). A recent public law was also set in place to regulate tobacco smoking in public areas, including restaurants (GCA, 2005). Emerging regulations will always serve as a concern for all businesses in the food and beverage industry as new regulations can alter the operations of a business without discretion.

## **Demographics**

Guam is expected to see a shift in demographics as the population of the island will increase due to the military buildup. During the peak of the military buildup, Guam's population is expected to increase by 79,178. The expected increase in population includes permanent military personnel, dependents, transient military personnel, and overseas Department of Defense civilian workforce (Joint Guam Program Office, 2010). The preferences of the expected military population will create new opportunities for restaurants as their dining habits may differ from the current population. According to the results from the survey conducted within the restaurant, the age of the survey participants did not reveal a relationship with their dining out frequencies. Customers were asked how often they dine out in this restaurant and others and the responses from the different age groups varied dramatically. Participants in the age group 41-50 dine out more frequently than the other age groups (see Appendix II). Also, diners under age 30 and above age 51 dine out less frequently than the other age groups. In conclusion, the survey results assert that restaurants in Guam currently receive dine-in customers from various age groups and the upcoming military buildup may shift the current demographics. Instead of offering cuisines that satisfy the general population, restaurants may find the need to serve niche markets to capture certain consumers depending on the outcome of the population shift.

## **Societal and lifestyles**

Restaurants are penetrating the lifestyles of individuals from every age group. As described by George Ritzer in his 2008 publication, "The McDonaldisation of Society 5," people view restaurants as an efficient alternative to complement their busy lifestyle (Ritzer, 2008). Based on a survey conducted in 2010, 40% of adults in the U.S. agree on purchasing meals from restaurants, take-out, and delivery places to make them more productive on a daily basis and

44% agree that restaurants are an essential part to their lifestyle. The success of restaurants and an indication of their future growth are demonstrated by the increase of restaurant sales in the past 30 years. In 1970, total restaurant sales amount to USD42.8 billion and in 2010 the figures increased to USD580.1 billion (National Restaurant Association, 2010). It is apparent that restaurants have become socially accepted in many individuals' lifestyles and the growth of restaurants will only intensify in the upcoming years.

### **Technology**

Advances in technology do not only affect industrialized industries in the U.S., the food and beverage industry suffers and benefits from technological changes as well. As customers consistently crave for efficiency in their lifestyles, restaurants must be able to adequately accommodate the customers' needs. Many restaurants have adopted technologies that increase the speed of food delivery and improvements to customer service. Restaurants that cannot afford to upgrade their facilities with the constant technological advances lose their competitive edge to other restaurants with the ability to do so. Technologies such as point-of-sale systems and dish washing machines can improve the efficiency of the restaurant. However, the Yummy Tummy Restaurant suffers as financial constraints restrict the restaurant's ability to upgrade technologically.

### **Microenvironment**

#### **Threat of new entrants**

With the forecasted surge in the island's population from the military buildup, more investors are interested in seeking business opportunities in Guam including restaurants. Tamuning is one of the prime locations for business development. Guam may have tedious regulations that control the operations of food and beverage establishments, but those regulations are not so stringent as to discourage new entrants into the market. Restaurants can be easily replicated as their concepts are usually not unique. More competition will be seen in the near future for the food and beverage industry posing a threat to all existing restaurants.

#### **Suppliers**

The anticipation of more competitors in the food and beverage industry may lead to higher prices in raw materials as the demand for certain goods increase if volume is not increased by suppliers. Currently, the restaurant does not have strong relationships with many major suppliers in Guam and Guam is limited to a handful of major distributors. Once larger companies start to compete for the same goods, the restaurant will not be given the priority and advantage of

lower prices due to the small size of the business. According to an interview with Lan Liu (L. Liu, personal communication, August 15, 2010), general manager of Yummy Tummy, small restaurants often will not obtain the materials they need for their daily operations without placing a large order with suppliers. Small restaurants often cannot meet the minimum purchase order set by the suppliers for weekly delivery. Items as simple as green onions are difficult to locate in certain weeks of the month. With the anticipated increase in competition to the market, smaller businesses such as this restaurant will face a greater limit to daily essentials, higher minimum orders set by the suppliers for purchases, and increase in prices from the suppliers.

### **Rival firms**

It is apparent to the local residents of the island that there are many options available for Chinese dining. To gain an understanding on whether there are too many restaurants offering Chinese cuisines in Guam, an analysis was conducted to compare the saturation of the market by measuring the amount of Chinese restaurants available in other cities in the U.S. As mentioned in the research methodology portion of this case, the saturation of the market was analyzed through the comparison of the Chinese population relative to the total population of a city in the US and the amount of Chinese restaurants listed relative to the total amount of restaurants listed in those cities. The population of Chinese residents in Guam represents 1.7% of the total population on the island (U.S. Department of Commerce, 2004). In comparing Guam with other cities in the U.S., Los Angeles, CA, Annandale, VA, and Rochester Hills, MI were selected as their populations of Chinese residents relative to their total population were 1.7%, 1.7%, and 1.8% respectively (Cities with the Highest Percent Chinese Population, 2000). In comparing the percentage of Chinese restaurant to total restaurants in those cities, it was discovered that 5.63% of restaurants in Los Angeles, CA provide Chinese cuisines, 5.95% and 4.82% applies for the cities of Annandale, VA and Rochester Hills, MI respectively (YellowPages, 2010). The percentage of Chinese restaurants in Guam in relations to the total restaurants available according to the Guam Phone Book is 7.44% (Guam Phone Book, 2010). Based on a more comprehensive source for Guam restaurants, the Guam Diner guide, the percentage is 9.94% (Stewart, 2010). Regardless of the source utilized for Guam's comparison, it is apparent that the market for Chinese restaurants in Guam is highly saturated. Rivalry among competing sellers is definitely high and it can be expected that competitive pressures will grow stronger as businesses vie for attention from the new military population.

### **Substitute products**

From a consumer's perspective, there are many alternatives to dining out in a restaurant. Reiterating the argument made by Ritzer (2008), consumers today now seek efficiency and convenience as the primary decision factor to many situations. From frozen, microwavable meals

and pre-cooked takeout meals to drive-thru windows, consumers are given the power to select their choice of dining based on the amount of efficiency they would like to employ. Considering the amount of wait time for food preparation, dining in restaurants can be time consuming. Some companies have capitalized on the concept of offering Chinese cuisines in an efficient manner through fast food outlets such as the malls and food courts. Imitations and alternatives to authentic Chinese cuisines is a major threat to restaurants that remain consistent in their authenticity of food preparation.

### **Buyers**

Based on the survey conducted, repeat customers of the restaurant are mainly of Chinese descent as 67 correspondents indicated that it was not their first visit in the restaurant, and 49 of the 67 responses indicated Chinese as their ethnicity (see Appendix III). Results also revealed that there is a relationship between the frequency of participants dining in the restaurant and dining out in other general restaurants as the p-value of the goodness-of-fit test is 3.87E-05, which is below the  $\alpha$  of 0.05 (see Appendix III). This indicates that customers dine out frequently often choose to dine out at the Yummy Tummy Restaurant. However, the saturation of the market for Chinese restaurants creates greater power for the buyers. Customers now have greater discretion in their dining out choices. Customers are now able to influence the prices restaurants set for their menus as customers can show greater preference and dine out in restaurants with lower prices. The success of low cost differentiation in many Guam restaurants can be seen by the customer flow received for restaurants that offer specials and discounted prices. Since Yummy Tummy Restaurant does not engage in price differentiation as a competitive strategy, the restaurant may lose appeal to low cost dining customers.

## **SWOT**

### **Strengths**

A strength recognized in the business's current marketing strategy is its presence in the Chinese community. Through the various restaurants Mr. Chen was employed with, he was able to build creditability with major groups of customers. Through word-of-mouth, Mr. Chen's former customers have discovered his new domain and have brought in their business to Yummy Tummy Restaurant. Since the restaurant is located near commercial and residential areas in Tamuning, the business also has the advantage of attracting both workers and residents in the village and other nearby villages. Additionally, the central location of the business creates fewer barriers for customers from other villages to travel to the restaurant. The restaurant is also visible and easy to find as it is located near one of Guam's largest shopping centers and alongside Chalan San Antonio road, which is one of the main streets in Tamuning.

## **Weaknesses**

Every strong point of a company is usually accompanied by weaknesses. Yummy Tummy Restaurant displays several weak points that require attention. One of the major weaknesses of the restaurant is the lack of parking spaces. The restaurant only provides approximately fifteen (15) parking spaces, which includes staff parking. The lack of parking deters customers from dining in the restaurant especially for large events. The lack of staff during large events is also an issue. Mr. Chen struggles to find hosts/waitresses that are bilingual and with the ability to take orders in Chinese. The restaurant usually experiences a shortage of service due to the lack of assistance on busy nights. The appearance of the restaurant could also be improved to entice guests for formal events. In addition, not offering lunch is a weakness that can provide the company's competitors with the opportunity to attract the restaurant's clientele. The restaurant is located in a prime location with the advantage of being able to attract employees from surrounding businesses. Based on the results from the survey, no respondents dined in for business purposes. One hundred percent (100%) of the survey participants dined in for pleasure and almost 50% do not live nor work in the area of Tamuning (see Appendix IV). These results indicate that the restaurant is not capitalizing on their prime location. Their location within a residential setting and close proximity to various businesses should attract more customers for business dining. The restaurant's inability to capture their primary customers in these categories serves as a major weakness.

## **Opportunities**

The restaurant is presented with numerous opportunities for expansion and improvements to the current business. The restaurant has not advertised since the discontinuation of the lunch specials. Many of the loyal customers have suggested to the owner that he should resume advertising. The restaurant has the opportunity to expand the floor space of the dining area as there are unutilized storage rooms that can be created into VIP rooms. The restaurant has been experiencing the inability to serve large reservations as the current dining space is limited to only three large round tables that each seat approximately 12 customers and small side tables that can seat 2 to 6 people. Another opportunity presented for the restaurant is an expansion to the current menu. Out of the total Chinese restaurants available in Guam, only a handful offer dim sum dishes. The restaurant has the ability to expand its menu to incorporate dim sum dishes without losing the focus of the restaurant's Cantonese style. These opportunities are recognized by the owner and the only restraint described by the general manager is the financing needed to support the expansions.

### **Threats**

The military buildup on the island can serve as an advantage for the restaurant to capture a larger customer base, but it can also serve as a threat to the business. It is apparent that many businesses have begun to capitalize on the anticipated surge in the island's population. New restaurants, mainly well-known western franchises such as Chili's and Ruby Tuesdays, have developed in the same vicinity as the Yummy Tummy Restaurant. Although the newly developed restaurants offer different cuisines to the consumers, their existence captures the attention of current and potential customers of the restaurant. With the buildup of more businesses and restaurants in close proximity to the restaurant, it can be forecasted that the lease price for the restaurant's commercial space will increase once the restaurant's current contract expires.

### **RECOMMENDATIONS**

Based on the internal and external analysis of the restaurant and its current strategy, it is apparent that there are several areas in need of improvement. The military buildup serves as the biggest concern for the restaurant's future as the population surge can affect the restaurant directly and indirectly. The business must focus on retaining the restaurant's current customer base and take advantage of marketing the authenticity of their cuisines in hopes of capturing new customers in the Tamuning area and from the military population. This can be accomplished by communicating the authenticity of the restaurant's menu items to potential customers via various media channels available in Guam.

The restaurant owner must also establish better relationships with the suppliers as the authenticity of their cuisines can be limited by the amount and type of ingredients they can gather. By placing consistent orders with a single distributor to display loyalty and by reestablishing a line of credit with suppliers will assist in this effort.

The other current opportunities presented for the restaurant are greatly restricted by the amount of financing the business can obtain. In order to build an adequate amount of capital to support the desired expansions, the restaurant must increase sales and cut costs where feasible. The owner may explore opportunities to renegotiate lease terms and vendor terms as well as seek higher profit opportunities via menu engineering.

By identifying cost effective ways to advertise to target markets, the restaurant owner may succeed in gaining recognition for its niche of offering authentic Cantonese cuisines. By creating and growing a strong customer base that recognizes the value of authentic cuisine, it should help the business maintain a steady cash flow on a daily basis to achieve the long-term goal of expanding the restaurant.

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## DISCUSSION QUESTIONS

1. What were some of changes Mr. Chen made in pricing strategy after the dissolution of his partnership with Ms. Wong?
2. What promotional tools did Mr. Chen introduce in an attempt to improve lunchtime business? Were they effective? Why or Why not?

3. Based on the authors' analysis of the macro environment, how will changes in demographics in Guam affect the business?
4. After reviewing this case study, what kind of recommendations would you make to the owner to improve business at the restaurant?

## Appendix I

### *Yummy Tummy Restaurant*

How did you hear about us?

- ☐ Radio
- ☐ Magazine
- ☐ Banners
- ☐ Recommended
- ☐ Walk/Drive by

Do you:

- ☐ Live in the area
- ☐ Work in the area
- ☐ Both
- ☐ None of the above

Is this your first visit? If yes, will you visit again?

- ☐ Yes ☐ Yes
- ☐ No ☐ No

How frequent do you come to this restaurant?

- ☐ Once a week or more
- ☐ Once a month or more
- ☐ Once a year or more
- ☐ First time in the restaurant

How often do you dine out for dinner in this restaurant and others?

- ☐ Once or twice a week
- ☐ More than 3 times a week
- ☐ Once or twice a month
- ☐ Once every other month
- ☐ Once every 6 months
- ☐ Once a year

What persuaded you to come?

- ☐ Good food
- ☐ Service
- ☐ Atmosphere
- ☐ Recommendation
- ☐ Name of the restaurant
- ☐ Other: \_\_\_\_\_

Purpose for dining in:

- ☐ Business
- ☐ Pleasure

Dish portions are:

- ☐ Unsatisfactory
- ☐ Satisfactory
- ☐ Excellent

Prices are:

- ☐ Unsatisfactory (too high)
- ☐ Satisfactory (just right)
- ☐ Excellent (very reasonable)

How important is variation in menu/specials to you?

- ☐ Not important
- ☐ Somewhat important
- ☐ Very important

How important is authenticity of Chinese food to you?

- ☐ Not important
- ☐ Somewhat important
- ☐ Very important

Age:

- ☐ 10-20
- ☐ 21-30
- ☐ 31-40
- ☐ 41-50
- ☐ 51-60
- ☐ 60 and over

Annual household income:

- ☐ Under \$20,000
- ☐ \$20,001-45,000
- ☐ \$45,001-65,000
- ☐ \$65,001-90,000
- ☐ \$90,001-125,000
- ☐ \$125,001 and over

Gender:

- ☐ male
- ☐ female

Occupation:

- ☐ Self-employed
- ☐ Student
- ☐ Professional/Technical
- ☐ Laborer
- ☐ Homemaker

Ethnicity:

- ☐ Chinese
- ☐ Vietnamese
- ☐ Chamorro
- ☐ Filipino
- ☐ Korean
- ☐ Japanese
- ☐ Caucasian
- ☐ African American
- ☐ Micronesian
- ☐ Other (please specify): \_\_\_\_\_

Comments/Suggestions:

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## Appendix II

### Chi-square Contingency Table Test for Independence

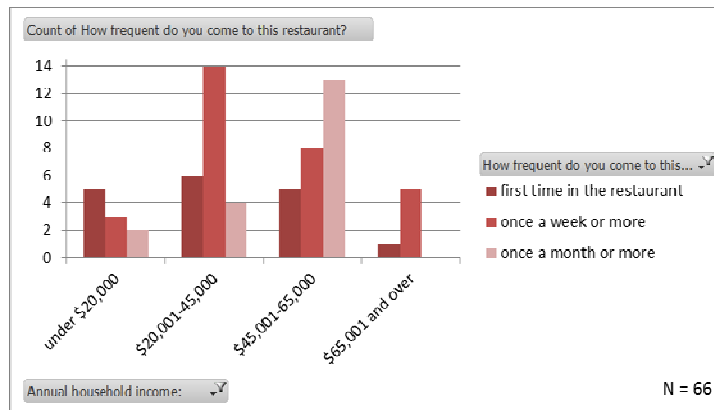
**Frequency of dining in the restaurant and annual household income**

	under \$20,000	\$20,001-45,000	\$45,001-65,000	\$65,001 and over	Total
first time in the restaurant	5	6	5	1	17
once a week or more	3	14	8	5	30
once a month or more	2	4	13	0	19
Total	10	24	26	6	66

14.72 chi-square

6 df

.0225 p-value



### Chi-square Contingency Table Test for Independence

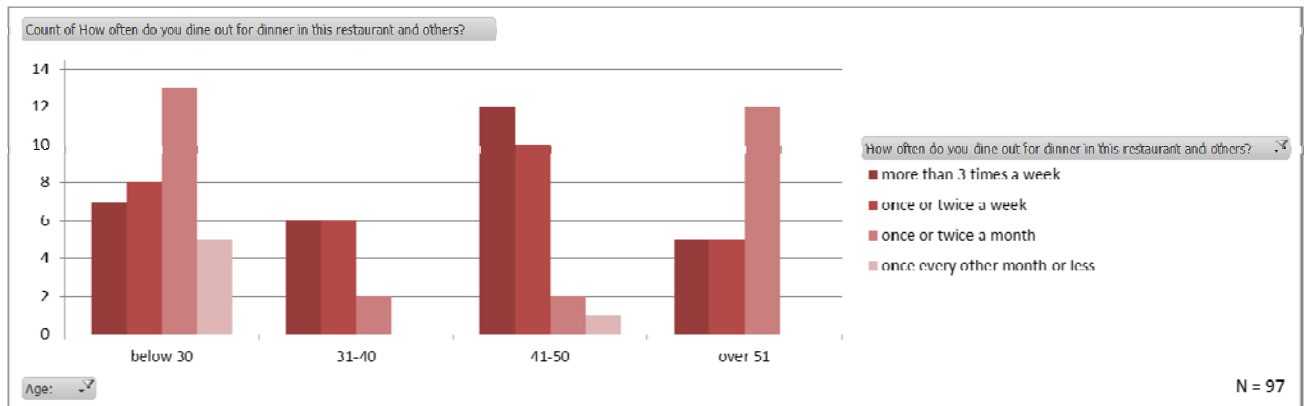
**Frequency of dining in the restaurant and age**

	below 30	31-40	41-50	over 51	Total
first time in the restaurant	9	4	6	4	23
once a week or more	11	8	16	6	41
once a month or more	12	1	8	11	32
once a year or more	0	0	0	1	1
Total	32	13	30	22	97

13.07 chi-square

9 df

.1595 p-value



### Appendix III

#### Chi-square Contingency Table Test for Independence

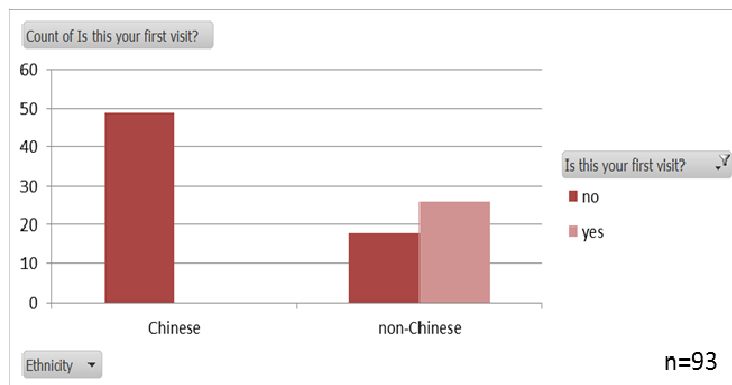
##### Ethnicity and first time customers

	no	yes	Total
Chinese	49	0	49
non-Chinese	18	26	44
Total	67	26	93

40.19 chi-square

1 df

2.30E-10 p-value

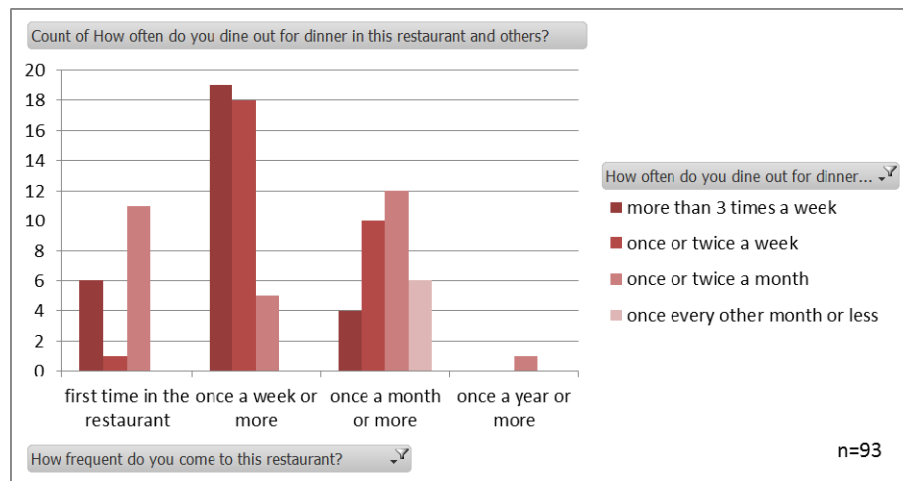
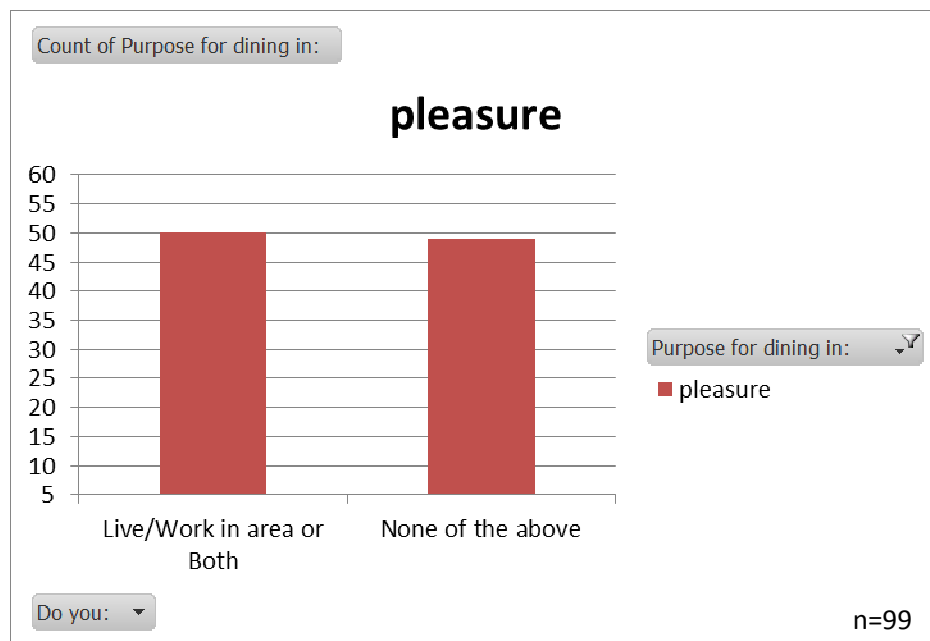


**Frequency in dining out in this restaurant and restaurants in general**

	more than 3 times a week	once or twice a week	once or twice a month	once every other month or less	Total
first time in the restaurant	6	1	11	0	18
once a week or more	19	18	5	0	42
once a month or more	4	10	12	6	32
once a year or more	0	0	1	0	1
Total	29	29	29	6	93

36.06 chi-square  
9 df

3.87E-05 p-value

**Appendix IV**



# FLY GUAM: THE AFFILIATION OF AN AIRLINE CARRIER WITH GUAM'S DESTINATION BRAND

Joseph Stadler, University of Guam  
Karri Perez, University of Guam

## CASE DESCRIPTION

*This case is about affiliating a carrier with a destination brand. In particular, this case discusses the creation of the first airline specifically tailored to market the island of Guam as a branded destination. This case has a difficulty level of three and up, appropriate for junior level and beyond. The case is designed to be taught in two to three class hours in a marketing, management, or an entrepreneurship course, and is expected to require about three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business and tourism environments on the U.S. territory of Guam in the Western Pacific region.*

## CASE SYNOPSIS

*This case is Fly Guam, the first airline specifically tailored to market the island of Guam as a branded destination. Aligned with the Guam Visitors Bureau's branding initiative, of the slogan, "I Am Guam" and "We Are Guam", Fly Guam will incorporate distinct characteristics of Guam throughout its aircraft and in-flight service, creating a physical representation of the island's unique culture and identity. Accordingly, the company seeks to position itself as the local carrier for travelers arriving from existing cities of origin while attracting multiple visitors from new and underserved travel routes in the Pan-Pacific region, in particular those from mainland China.*

## INTRODUCTION

Fly Guam (FG) is the product of a recently announced partnership between local air-service provider, Freedom Air, and Hong Kong based World Aviation, Inc. (WAI). Scheduled to start services during the spring of 2011, the company will operate flights between Guam and Southeast Asian destinations such as Manila, Taipei, Hong Kong, Palau, and Japan. FG plans to capitalize on WAI's extensive network of Asian travel agencies in combination with Freedom Air's technical expertise and local familiarity to effectively compete with existing air-service carriers operating routes to and from Guam. Differentiating the island from competing tourist destinations is a long-term goal the company shares with the Guam Visitors Bureau.

## **The Guam Brand: “I Am Guam”, “We Are Guam” – Sharing the Goal**

The Guam Visitors Bureau (GVB) determined that Guam needed to better define their “sense of place” and what distinguishes Guam from other island destinations. They determined that the people, culture and history were key components in making Guam the unique place that it is today for travelers and residents. (Source: Guam Visitor’s Bureau website, April 15, 2011)

GVB launched a campaign to include villages and village mayors in the tourism and marketing efforts of Guam, highlighting Guam’s unique culture and the “Guam experience”. Thus the slogan reflecting that not just people involved in the tourism industry are who we are, but that everyone who lives in Guam plays a role in welcoming our visitors and promoting our island and culture. This campaign includes the *Hafa Adai Pledge*, whereby companies agree that they will support the destination brand image that has been unveiled through their business, incorporating the local greeting of “Hafa Adai” and ensuring that they practice the Chamorro and Guam elements that make Guam unique in their businesses.

The launching of Guam’s namesake carrier has dovetailed with the initial execution phase of the destination branding campaign and augments the efforts of the island’s tourism professionals to promote the island to off-island destinations and travelers. Fly Guam allows the island’s name and branding efforts to extend beyond the shores of Guam to into the countries in which the airline services.

## **Freedom Air: Local Roots**

Freedom Air began 35 years ago as a local partnership between brothers Joaquin and Norbert Flores, with the assistance of their sister and mother, to provide flight instruction services. They started with a 3-passenger plane and a helicopter that they assembled in their backyard. Their training program typically involved flights to the islands of Saipan, Tinian, and Rota, which soon led to the decision to include sightseeing tours within Guam and throughout the surrounding islands. Commercial travel services were then added and two years later the company acquired another plane, raising capacity to 12 passengers per day. Over the next 16 years the company added cargo services to each destination while slowly increasing the size of their fleet to nearly a dozen aircraft. A few routes throughout Palau were also added.

## **Operational Efficiency**

Today, the company services up to 400 passengers per day and takes pride in the close relationships they’ve built with their customers – of whom more than 90% are repeat customers – thereby eliminating the need to advertise through mass media. By filling a steady demand for travel and airfreight, the company has experienced healthy growth, yet continues to follow their principles to operate and expand only within their means. In fact, keeping debt to a minimum

proved to be a critical factor during the post-911 period when airline bankruptcies were increasingly common. In 1992, the company lost 5 aircraft as a result of Typhoon Omar, of which only one was replaced. This helped to preserve a high level of operational efficiency in reducing the number of vacant seats as flight schedules were streamlined in response to the economic slowdown of the previous year. In 2002, another typhoon destroyed their largest plane (30-passenger), which was replaced by a larger and more efficient 30-passenger plane.

In addition, Freedom Air continues to capitalize on what it considers its biggest asset – technical superiority. Flight cancellations occur rarely, and customers are confident that they will arrive on time and without incident. Not only does the company boast a perfect flight record, they also have contracts to service aircraft belonging to other air carriers. Customers from these larger companies are “big jet” customers (those who prefer mileage programs), and constitute a very small portion of Freedom Air’s customer base.

### **WAI: International Reach**

WAI is a subsidiary of Japan based Western Associates, who have more than 25 years of investment and marketing experience with air carriers around the world. Their diverse experience includes air cargo shipments from Europe to Asia and commercial passenger flights from Mexico to Japan. WAI, which is based in Hong Kong, has been around for nearly 3 years garnering ties with Asian travel agencies. Their primary objective is to find niche markets where they can channel investment money to improve the resources of a given air carrier, and work as a partner to fulfill the marketing portion of the business.

### **Marketing Expertise**

Jeffrey Stern, one of the company’s executives, approached Freedom Air less than a year ago to present the idea of working together to effectively target the mainland China market and a few secondary markets for Guam visitors. Using the travel agencies they work with in the Philippines, Taiwan, Hong Kong, Japan, and mainland China, they will engage in a directed marketing campaign to promote Guam as an island leisure destination, rich in culture and heritage, promoting an immersion into the island’s culture the moment customers board the plane.

### **Branded Destination: An Affiliation Strategy**

Fly Guam seeks to provide a service unparalleled by any current carrier by providing customers with a travel experience that is uniquely ‘Guam.’ The company serves as a perfect example of the *Hafa Adai Pledge* as proposed and envisioned by the Guam Visitors Bureau, whereby companies “introduce, contribute and practice elements of Chamorro and Guam culture

into their business protocols reinforcing the island's unique identity." (Source: PNC, August 13, 2010) Incorporating cultural awareness into the business is a vital aspect of the experience they intend to provide for customers. FG will outfit the interiors of their six 737 airplanes with aqua blue lighting and turquoise seats to mimic Guam's pristine ocean waters. The exterior of the planes will be painted with huge FLY GUAM logos across the fuselage with scenic photos of Guam's oceanic wildlife painted on the tailfins. On board, the company will provide an exclusive publication, appropriately named *Hafa Adai*, to inform passengers of the various activities on the island as well as provide articles on cultural topics of interest. Chamorro food will also be served as part of the in-flight meals. Flight attendants will be dressed in locally inspired outfits designed to complete the visual presentation.

### **Product, Price, Promotion, Point-of-Sale (POS)**

FG will offer direct flights from Guam to Hong Kong, Shanghai, Beijing, Guangzhou, Taipei, Manila, Osaka, and Palau a minimum of 3 times per week beginning in the fourth quarter of this year. Interisland routes will continue as normal. Passengers will be able to accumulate "Freedom Miles" as part of a customer loyalty program. Tour rates and flight and hotel packages will be available as well.

FG aims to maintain what they describe as "an aggressive pricing policy for niche markets while maintaining a structure that allows for healthy fare levels." Currently, their prices are aimed to be "lower than current rates" to existing travel destinations.

Airline promotion will take place through travel agents, advertisements online, in magazines and catalogues, and by direct mail. The airline will also participate in public relations programs and tourism fairs.

Other sales avenues include direct Internet sales on the airline's web site, and travel agent offices in the Philippines, Taiwan, Hong Kong, Japan, and mainland China.

### **SWOT ANALYSIS**

The Fly Guam brand benefits heavily from the individual strengths of its partners to create a model of operational efficiency and off-island marketing expertise. WAI is particularly effective as a promoter of the airline because of its ties to Chinese travel agencies. Carrying the Guam brand on the airline is also a beneficial tool to appeal to travelers who may not be familiar with the destination of Guam. As the company likes to word it, "carrying the Guam name over Asian skies." FG also seeks to capitalize on the appeal of their company as the local carrier of the island, where an island getaway begins the moment customers step aboard the plane. With Guam's close proximity to Asia, customers can look forward to a multitude of flight availabilities only a few short hours away from an island paradise.



From Freedom Air's humble beginnings and relatively slow growth over the last 35 years, this is quite an uncharacteristic endeavor of expansion for them to undertake in such a small amount of time. With an immediate injection of millions of dollars into the business, they must be careful how funds are appropriated to maintain their model of operating as efficiently as possible. Also, being a new company has its drawbacks when consumers seek experienced carriers that have brand recognition. Proving their market worthiness is a task all its own. Moreover, because Freedom Air will be handling all of the logistical and operational affairs of the partnership (aside from advertising), they must pay particular attention to their long-time interisland customers and refrain from neglecting their relationship with them.

FG's main objective is to capture visitors from mainland China. WAI's closest contacts are in Hong Kong and mainland China and these geographic locations will be of key importance if and when the Chinese visa-waiver program is granted. FG will not solely rely on this market segment or this opportunity being made available to them, but this market will be important for future growth and business in the next 10 to 20 years from now. Because of China's population size and with the increase in the standard of living and disposable income expected to continue, this market is considered a market for tourism growth. Currently, much of the explosive growth of overseas travel derived from the Asia region comes from Chinese travelers. However, there are other opportunities exist in the region for airlines aside from mainland China, if FG is successful in appealing to travelers from these destinations. As a whole, Guam stands to be the biggest beneficiary should FG succeed, and as the local airline, the company stands to a gain significant advantage above other carriers.

The biggest threat to FG, or any other airline for that matter, is the airline industry itself. With huge fixed costs and commodity pricing, the airline industry has claimed many unfortunate victims. In fact, Freedom Air has witnessed 25 other carriers folding in this region alone. One major problem with FG's partnership arrangement is that WAI is not a silent investor; they are an active partner. It's inevitable disagreements will arise between partners, and therefore a company policy needs to be strongly in place to determine who will make final decisions in any given circumstance. Another threat is that of natural disasters and the effect they have on travelers' decisions. A rise in competition and/or a lack of demand for Guam as a destination can significantly affect FG's ability to maintain operations.

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### **DISCUSSION QUESTIONS**

1. What strategy is Fly Guam using to market their brand? Why would they choose to use this particular strategy in this market?
2. Why is this important in this market?
3. What are some risks of affiliating with a destination brand?
4. What is Fly Guam's long term strategy for increasing their market share?
5. How else does Fly Guam benefit Guam's economy and community?

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**Instructors' Notes**



## **PARADISE CHIROPRACTIC: UNIQUE SERVICE DELIVERY IN A VERY PERSONAL MARKET**

**Dennis Borja, Paradise Chiropractic**  
**Erica Borja, University of Guam**  
**Cheri Marie M. Sumalpong, University of Guam**

### **CASE DESCRIPTION**

*The primary subject matter of this case is product differentiation through the unique delivery of a service in a very personal market. Secondly, the case highlights how an entrepreneur's personal experiences, along with work history and training, provide the motivation for starting the business enterprise. This case has a difficulty level of three and up, appropriate for junior level and beyond. The case is designed to be taught in two to three class hours in a management, managerial economics, or an entrepreneurship course, and is expected to require about three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business environments on the U.S. territory of Guam in the Western Pacific region.*

### **CASE SYNOPSIS**

*This case is about Dennis Taitingfong Borja, Doctor of Chiropractic, and his Guam-based business named Paradise Chiropractic. This case documents the life experiences of Borja and how these experiences led to his decision to become a chiropractor, practicing first in the U.S. mainland and later moving to Guam and founding Paradise Chiropractic. The remainder of the case describes the operation and growth of Paradise Chiropractic as well as Borja's future plans for his business.*

### **INSTRUCTORS' NOTES**

#### **Discussion Questions and Recommended Answers**

**1. How do you evaluate Dr. Dennis Borja's business idea and entrepreneurship?**

Dr. Dennis Borja's business idea was quite a unique one. He began the first on-call chiropractic service in Guam. This provides patients who cannot make it into a chiropractic office or who do not have time to wait to be seen by a doctor a different kind of service that suites their specific needs. Dr. Borja's entrepreneurship is a unique one in

itself because although he has explored a great number of occupations in his life, he has chosen the profession that he not only finds fulfillment in, but also gives back to the people who had once helped him.

**2. Identify the key success factors that Paradise Chiropractic and its rivals compete on.**

Location

Office location allows for walk-ins versus on-call service presents convenience for the patients.

Good doctor and patient relationships

This is significant because good relationships will help develop customer satisfaction and also help the business grow. Given the type of business (patient care), the patient's level of comfort and ease with the doctor/healthcare provider can make a significant difference in the effectiveness of the treatment method/procedure.

Availability

An office location can provide crowd control in terms of appointments, whereas an on-call service can only accommodate for the number of patients one doctor can see in a single day.

Differentiation in providing chiropractic services

Service quality

**3. What lessons can we learn from Paradise Chiropractic's experience as a small business in Guam?**

We can learn a lot from Paradise Chiropractic's experience as a small business in Guam.

First, we can learn that it takes a lot of will and motivation to make a simple idea come into reality. By providing on-call chiropractic service to the people of Guam, Dr. Borja gave patients something different, convenient, and reliable.

Secondly, we can learn that a business can be successful with a small, committed, and hard-working group. Other than Dr. Borja, his loving wife and another assistant make up the team in order to run his business. So far, they have been successful.

Also, we can learn that patience is key when working with insurance companies to be paid for services already provided. It is important to incorporate a realistic timeline and uncertainty into your business planning, in this case, any potential delay and uncertainty related to collecting payments.

Lastly, we can learn that there is no better time than the present to face your fears and take risks. In today's business world, competition can be a real challenge, especially in a small market like Guam, which has a population of approximately 170,000 residents. As an entrepreneur, Dr. Borja reminds us of the importance of differentiating yourself from your competitors, *"If you are cut from a different type of mold, your journey will take the path less traveled. All the greatest characters in history have always been entrepreneurs. Be honest with yourself and ask yourself the question: who are you?"*





# **HUMAN RESOURCES MANAGEMENT CHALLENGE FOR A FOREIGN COMPANY DOING BUSINESS IN THE UNITED STATES**

**Yingjie Liu, University of Guam  
Karri Perez, University of Guam**

## **CASE DESCRIPTION**

*This case is about global human resource management. Specifically, this case addresses the issues surrounding forming a cohesive HR policy to be applied to both local and expatriate employees. This case has a difficulty level of three and up, and is appropriate for junior level and beyond. The case is designed to be taught in two to three class hours in a management, human resources, organizational behavior or an entrepreneurship course, and is expected to require approximately three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business environments and human resources laws and common practices in the U.S. and Taiwan.*

## **CASE SYNOPSIS**

*The primary subject matter of this case is the ability of a foreign owned, U.S. based company (Taiwanese origin and Taiwanese owners) to adapt its compensation and benefit policies and procedures for an integrated workforce to the U.S. environment. The case is complicated by the inability or refusal of the partnering company (INTE) to send expatriate employees with necessary skill sets to the project site, thus exacerbating the need for the primary contractor (CNX) to hire expatriates. The internal compensation and benefit issues that the company faces stem from the employee pool composition; there are two distinct groups of employees: local and expatriate. It examines the challenges in retaining foreign staff in the U.S., while trying to establish a fair policy for both local and foreign employees; how having foreign workers affects the human resources functional area; and how the expectations of foreign workers sometime conflict with American business practices and U.S. employment laws.*

## INSTRUCTORS' NOTES

### Discussion Questions and Recommended Answers

**1. What could CNX have done to minimize the issues it faced since it partnered with INTE?**

CNX did not sufficiently address the details of their relationship with INTE. Before entering into any partnership or business teaming relationship, the company that bears the burden of liability for the project should ensure that the other parties who will be participating are clear as to their responsibilities. CNX should have better defined the scope of INTE's work, the requirements of human, physical and financial capital, timelines and the performance standards.

**2. What are some of the key human resources issues that CNX had to address?**

International human resources management is much more complicated than national human resources management, due to the difference in employment laws, regulations, common practices and culture. Culture plays a large role in defining the requirements of laws, thus each country usually has employment laws that address similar issues (wages, hours worked, time off), but the laws may differ as to their requirements.

**3. How could they have prevented (or minimized) the situation between local employee and expatriate benefits and compensation.**

To prevent (or minimize) issues in human resources in companies that are involved in projects requiring local and expatriate employees, top management must first ensure that they understand the requirements and common practices of employment in each of the countries (both the home country and the host country). They then must formulate policies based on their needs of skill sets. This is determined by what skill sets are available locally and what skills must be imported.

The company must come up with a policy that allows them to recruit and maintain both a local workforce and an expatriate force successfully. This should be done prior to beginning the project.

**4. What are factors to consider when developing an integrated compensation and benefits plan?**

Factors that should be included when considering developing an integrated compensation and benefit package include financial considerations (cost). The company must look at what is required by law and meet those obligations first. Then, based on budget, they can determine what they can and cannot afford to offer based on needs and desires of the employees.

Other considerations are the expectations of the employee groups (local versus expatriates). Employees tend to expect their compensation and benefit packages to be in line with what they have received historically. Each country differs in laws and common practice, thus expatriates may have different expectations than locals. Packages differ also depending on industry and company policy. Those issues also must be considered.

**5. If you were assigned the task of setting up an integrated compensation and benefits policy, how would you go about doing it?**

The first step involves research. The task leader would need to find out what are the laws, regulations and common practices of each of the employees' respective countries (both home and host). Next would be to review the standard practices and policies of other companies within the industry who have similar workforces (to develop a comparative). This would be followed by a review of the company's policies and a comparative of their policies to other companies within the industry who have similar workforces). The company's policies would also need to be compared to the laws, regulations and common practices of both the host and home countries.

After conducting the research the task leader would then look at what the company can offer (financially) that best meets the needs and desires of both the local and expatriate population. The compensation and benefit policy at a minimum, must meet the legal requirements of the



# **GLOANNE'S STORE: SURVIVAL OF A MINI-STORE**

**Starsky Peru, University of Guam**  
**Fred Schumann, University of Guam**

## **CASE DESCRIPTION**

*While many business case studies review large business operations, this case focuses on business strategies employed by a small, family-owned business in Guam. This case has a difficulty level of three and up, appropriate for junior level and beyond. The case is designed to be taught in two to three class hours in a management, strategic marketing management, or an entrepreneurship course, and is expected to require about three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business environments on the U.S. territory of Guam in the Western Pacific region.*

## **CASE SYNOPSIS**

*This case is about Gloanne's store, one of the many family-owned mini-stores operating on the island of Guam. Gloanne's store is similar to the many small neighborhood stores found throughout Guam's villages that sell produce, sweets, soft drinks, alcoholic beverages, magazines, newspapers, cigarettes, and water, as well as a few imported snacks from Philippines. The business opened in 1999 by Mrs. Gloria Taguam. The store's current customers are people living in the same area and people that are on their way to work. With the increasing numbers of mini-stores in Guam, the rivalry for customers is very competitive. Gloanne's Store must continue exploring new strategies to stay in business and expand someday.*

## **INSTRUCTORS' NOTES**

### **Discussion Questions and Recommended Answers**

- 1. What were some of changes Taguam made when she took over the business? What seemed to be the change that most benefited the performance of the store?**

Taguam changed the store's name to Gloanne's Store and rearranged the store to add more merchandise that she believed would attract prospective customers. This type of merchandise included a variety of magazines, imported snacks from the Philippines, a few over the counter medicine such as Tylenol, Advil, Motrin, Aspirin, antibiotics, and a few selections of beauty products from the Philippines. Unlike the previous stores, which

closed after over two years in business, Taguiam's store improved and brought in more customers. Her later decision to purchase the remaining assets of the store benefited the most, making it the only store in the area that offered a water refilling station. This gave the store a distinct advantage over others.

**2. How did Taguiam compete with other stores that sold the same merchandise? What else gave Gloanne's store an advantage over others?**

The competitors do not have a water filling station. An average of 15 percent of the total sales comes from the water refilling station. The sale of water refill is significant in the early mornings when construction workers are on their way to work. Working under the hot sun requires a lot of water to be consumed to stay hydrated. Convenience is another advantage for Gloanne's store. Since Gloanne's store is on the way to construction workers' job sites, the construction workers never miss a day when getting water refill.

**3. How did the September 11 attacks affect Gloanne's store? What did Taguiam do in response to these effects?**

Although the economy state of Guam was not as bad as the U.S. mainland after the September 11 attack, Gloanne's Store felt the effect of a bad economy. The store could not be replenished with new goods because most of the shipments were restricted. The products that were usually ordered from Philippines to be sold in the store came late due to the added restrictions after the September 11 attack. Since the store did not have much to offer, and many people were hesitant to spend their money, fewer people were coming inside the store and monthly revenue declined.

Taguiam negotiated with the building owner about lowering her monthly rent, at least until the economy recovered. The building owner agreed to lower Taguiam's monthly rent.

**4. With new competitors entering the market, what strategies must Gloanne's explore in order to compete with the newcomers?**

Various responses can be used to stimulate discussion on possible strategies. The case study mentions the possible use of social networking. Analysis of data, such as profitability of merchandise categories, spending by market segment, sales volume of individual products, etc. will be necessary in devising a sound strategy.

# **THE EVOLVING BUSINESS MODEL WITH CONVENIENCE STORES IN GUAM: SUETTE CORNER STORE CASE STUDY**

**Annette Taijeron Santos, University of Guam**  
**Joyce Gamboa, University of Guam**

## **CASE DESCRIPTION**

*The primary subject matter of this case concerns a family owned convenience store and its evolving business model. Issues examined in this case include unique business dynamics in Guam, daily struggles, competition, and how the dominance of larger wholesale stores impacted small, family-owned convenience stores. This case would be appropriate for undergraduate courses in entrepreneurship and small business management as well as graduate level business courses. This case may also be appropriate for analysis at a Small Business Seminar or Workshops for new business owners. Students are expected to spend about two hours for outside preparation, consisting mainly of reading the case and familiarizing themselves with the business environment in the Western Pacific Region. Discussion could be designed to span a one to two hour class session.*

## **CASE SYNOPSIS**

*This case is about Suetie Corner Store, a family-owned convenience store located in the southern part of Guam, U.S.A. The store opened its doors to the local community in 1965 and has endured an interesting 45 years of business. The intent of this case is to provide an opportunity for students to explore the evolving business model of convenience stores in Guam. It delves into the unique socio-cultural, economic, technological, political, and demographic changes that could be generalized across most small family-owned businesses. The case prompts further investigation into these environmental factors and how each segment may have affected various aspects of the business contributing to its successes as well as its failures. Core components of this case were supported by primary and secondary research, and the first-hand experience of a third generation family member. The overall purpose of this study is to better understand the local business community and the challenges of sustaining a small family-owned business in Guam. This case study will also serve to explain how convenience store businesses in Guam have evolved into something entirely different from what it was fifty years ago.*

## INSTRUCTORS' NOTES

This case is a great opportunity for discussing some of the issues and challenges which small business entrepreneurs face. Instructors should spend adequate time assessing the opportunities and risks, which Maria Sablan Fejeran faced and that now confront her family. Students should be encouraged to anticipate other potential issues that might surface in the future and discuss the implications for both the short- and long-term.

The instructor can ask students to assume the point of view of Maria Sablan Fejeran (the owner and entrepreneur), her children (current generation of managers), or her granddaughter, Joyce (a Professional M.B.A. graduate and potential next general manager) so that they may present their arguments and discuss the varying points of views that may surface.

In higher-level courses, such as the business capstone course or master's level, the following teaching options are suggested: Case Analysis Assignment and/or Assignment Questions.

## DISCUSSION QUESTIONS AND RECOMMENDED ANSWERS

1. **What are the major issues confronting Suetie Corner Store? Using the dimensions of urgent and important, develop a matrix illustrating the relevant issues. What problem statement would you propose for Suetie Corner Store?**

Responses will vary for this question. This is a great opportunity for students to begin identifying what appears to be the issue of concern, problem, challenge or opportunity and its significance for the organization. Students should also address why the issue has arisen and why is the decision make involved now.

The point is to get students familiar with distinguishing between symptoms and problems.

The problem statement should be a clear, concise statement of exactly what needs to be addressed. This is not easy to write. Assist students by posing the following questions:

- a. **What appears to be the problem?**
- b. **How do you know that this is a problem?**

By asking these questions, you will be helping students to differentiate between the symptoms of the problem from the problem itself.



Some potential problems that students may identify:

- Declining performance
- Lack of coordination with suppliers
- Poor leadership
- Crediting customer purchases (deferred payments)
- Misalignment of goals
- No succession plan
- Lack of interest from family members
- Competitors have strong network of cooperative members
- No real marketing strategy
- Location

**2. Identify five factors that are critical for a convenience store to be successful in Guam. Discuss the importance of each.**

The most important part of a decision analysis is determining the criteria. A rational decision can't be made without appropriate criteria. The case study does not state the criteria, they have to be derived through careful study of the specifics of the case, with the help of specialized methods. The criteria are used to develop evidence to complete a decision analysis. The goal is to determine the decision that creates the best fit between the available evidence and the criteria.

There is no objectively correct decision. The standard for a good decision is the one that creates more benefits than the alternatives and has fewer or less severe downsides.

Here are some possible critical success factors that students may consider:

- Compete on price
- Market growth
- Customer service
- Store cleanliness
- Store environment that exudes quality and freshness
- Flexible, willingness to change
- Open to new approaches with the consumer –sampling additional services (dry cleaning, banking, pet care, etc)
- Conduct events to draw shoppers to the store (BBQs, ice cream for kids, performances, etc)
- Competitive on key products/items
- Local market knowledge
- Ability to “wow” customers

In order to develop alternatives for recommendations, factors must be considered in making a decision to solve the problem statement identified.

**3. Using the strengths, weaknesses, opportunities and threats stated in the case study, develop a SWOT matrix to recommend some strategies that Suette Corner Store may implement.**

Assist students in developing a SWOT matrix using the following template.

	<u>List Strengths:</u> 1. Locally owned 2. Located close to family home 3. Located in active and populated neighborhood 4. Rich history in the village 5. Historical landmark for new generations	<u>List Weaknesses:</u> 1. Poor store visibility 2. Deficient inventory system 3. Deficient information system 4. Customer credit arrangements No management succession plan
	<u>List Strengths:</u> 6. Locally owned 7. Located close to family home 8. Located in active and populated neighborhood 9. Rich history in the village 10. Historical landmark for new generations	<u>List Weaknesses:</u> 5. Poor store visibility 6. Deficient inventory system 7. Deficient information system 8. Customer credit arrangements No management succession plan
<u>List Opportunities:</u> 1. Agat is the commercial center of the south 2. Population growth from military buildup 3. Efforts to attract tourists beyond Tumon 4. Growing preference among customers for personal relationships	SO-Strategies Use strengths to take advantage of opportunities	WO-Strategies Overcome weaknesses by taking advantage of opportunities
<u>List Threats:</u> 1. Changing customer preference 2. Changing buying behavior 3. Growing competition from foreign-owned stores 4. Economic constraints	ST-Strategies Use strengths to avoid threats	WT-Strategies Minimize weaknesses and avoid threats

Source: SWOT Matrix - David, Fred. (2009). Strategic Management: Concepts and Cases 12th Edition. Pearson Education, Inc.

Challenge students to develop strategies by

- a. matching internal strengths with external opportunities and record the resultant SO strategies in the appropriate cell.
- b. matching internal weaknesses with external opportunities and record the resultant WO strategies in the appropriate cell.
- c. matching internal strengths with external threats and record the resultant ST strategies in the appropriate cell.
- d. Matching internal weaknesses with external threats and record the resultant WT strategies in the appropriate cell.

**4. Should Suetie Corner Store reopen? Why or why not? Discuss.**

Have students apply the strategies they developed in the SWOT matrix above. Position them as consultants to Joyce, a third generation family member.

On the one hand, students may recommend reopening the store due to the emotional aspects surrounding the case. The store was founded by Joyce's grandmother and was intended to be carried on for generations to follow. The responsibility of carrying on her grandmother's legacy is a strong factor in this decision.

On the other hand, students may pursue the situation with an objective position citing poor location, stronger competitors, and poor economic conditions as reasons to close the store.

Allow students to share their recommendation and support the reason(s) for their decision. Ask them to discuss the expected outcomes and contingency plan, if any.

**5. What major lessons have you learned from this case? Discuss.**

This is an open ended question that could be answered from a variety of perspectives. Here are some possible lessons learned:

- The importance of succession planning, goal planning, and performance measures
- The importance of company policy to establish acceptable business practice, record-keeping, business procedures, etc.
- Whether to automate or not (inventory systems, point of sales, etc.)

- The degree of responsiveness to customer needs (risks and opportunities) and forces for change
- Effectiveness of business strategies in unique environments
- Cultural values and its impact on company performance
- Importance of marketing strategies
- Difficulties of running a small business in difficult time and under complicated conditions

# **CHALLENGES OF A CHINESE RESTAURANT IN A SMALL COMMUNITY: YUMMY TUMMY RESTAURANT'S STRUGGLE TO SURVIVE**

**Fred Schumann, University of Guam**  
**Lisa Nguyen, University of Guam**

## **CASE DESCRIPTION**

*The primary subject matter of this case is a review of challenges faced by the owner of a Chinese restaurant in a small island community that has an abundance of Chinese restaurants in proportion to the ethnic Chinese population. In particular, this case presents students with a scenario, along with data from restaurant survey, to encourage discussions on strategies to improve the restaurant's performance under these conditions. This case has a difficulty level of three and up, appropriate for junior level and beyond. The case is designed to be taught in two to three class hours in a management, strategic marketing management, or an entrepreneurship course, and is expected to require about three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business environments on the U.S. territory of Guam in the Western Pacific region.*

## **CASE SYNOPSIS**

*Yummy Tummy Restaurant is one of many Chinese restaurants on the Micronesian island of Guam. The restaurant opened its doors in the year 2002 in the northern village of Yigo, Guam and later relocated to the central, more populated village of Tamuning, Guam in the year 2005. The business began as a sole proprietorship and was later acquired through a partnership. The partnership dissolved shortly due to irreconcilable differences between the two partners and the restaurant is now a family business. Through the change of ownership over the years, an individual by the name of Mr. Chen now solely owns the restaurant. A brief history of the business is provided along with Mr. Chen's struggles to keep the business running. The battles that the company faces today along with the company's internal and external environment are examined. The strengths, weaknesses, opportunities, and threats of the company are used in evaluating the business's current strategies. This study will examine the Chinese restaurant industry in Guam as compared to other similar communities in an analysis to measure the saturation of the market. It will then present recommendations for improvement in the restaurant's performance as well as changes to the company's current strategy.*

## INSTRUCTORS' NOTES

### Discussion Questions and Recommended Answers

1. **What were some of changes Mr. Chen made in pricing strategy after the dissolution of his partnership with Ms. Wong?**

Since the dissolution of the partnership, Mr. Chen revamped the business model and recreated the image the restaurant portrayed. This included changes in the pricing strategy that was introduced by the former partner. Mr. Chen also made a few attempts to improve lunchtime business.

2. **What promotional tools did Mr. Chen introduce in an attempt to improve lunchtime business? Were they effective? Why or Why not?**

Mr. Chen incorporated lunch specials and promotions to attract workers from surrounding businesses. Banners and radio advertisements were used to bolster the lunch specials and promotion. Unfortunately, the promotional tools used did not provide the return Mr. Chen expected, which led to the decision of closing the restaurant for lunch. More information was necessary to determine better strategies to achieve the desired results.

3. **Based on the authors' analysis of the macro environment, how will changes in demographics in Guam affect the business?**

The preferences of the expected military population will create new opportunities for restaurants as their dining habits may differ from the current population. Survey results assert that restaurants in Guam currently receive dine-in customers from various age groups and the upcoming military buildup may shift the current demographics. Instead of offering cuisines that satisfy the general population, restaurants may find the need to serve niche markets to capture certain consumers depending on the outcome of the population shift.

4. **After reviewing this case study, what kind of recommendations would you make to the owner to improve business at the restaurant?**

Various responses can be used to generate discussions about possible strategies, including:

- The business must focus on retaining the restaurant's current customer base and take advantage of marketing the authenticity of their cuisines in hopes of capturing new customers in the Tamuning area and from the military population;
- The restaurant owner must also establish better relationships with the suppliers as the authenticity of their cuisines can be limited by the amount and type of ingredients they can gather. By placing consistent orders with a single distributor to display loyalty and by reestablishing a line of credit with suppliers will assist in this effort.
- The owner may explore opportunities to renegotiate lease terms and vendor terms as well as seek higher profit opportunities via menu engineering.
- By identifying cost effective ways to advertise to target markets, the restaurant owner may succeed in gaining recognition for its niche of offering authentic Cantonese cuisines.
- By creating and growing a strong customer base that recognizes the value of authentic cuisine, it should help the business maintain a steady cash flow on a daily basis to a





# **FLY GUAM: THE AFFILIATION OF AN AIRLINE CARRIER WITH GUAM'S DESTINATION BRAND**

**Joseph Stadler, University of Guam**  
**Karri Perez, University of Guam**

## **CASE DESCRIPTION**

*This case is about affiliating a carrier with a destination brand. In particular, this case discusses the creation of the first airline specifically tailored to market the island of Guam as a branded destination. This case has a difficulty level of three and up, appropriate for junior level and beyond. The case is designed to be taught in two to three class hours in a marketing, management, or an entrepreneurship course, and is expected to require about three hours of outside preparation for students, consisting mainly of reading the case and familiarizing themselves with the business and tourism environments on the U.S. territory of Guam in the Western Pacific region.*

## **CASE SYNOPSIS**

*This case is Fly Guam, the first airline specifically tailored to market the island of Guam as a branded destination. Aligned with the Guam Visitors Bureau's branding initiative, of the slogan, "I Am Guam" and "We Are Guam", Fly Guam will incorporate distinct characteristics of Guam throughout its aircraft and in-flight service, creating a physical representation of the island's unique culture and identity. Accordingly, the company seeks to position itself as the local carrier for travelers arriving from existing cities of origin while attracting multiple visitors from new and underserved travel routes in the Pan-Pacific region, in particular those from mainland China.*

## **INSTRUCTORS' NOTES**

### **Discussion Questions and Recommended Answers**

- 1. What strategy is Fly Guam using to market their brand? Why would they choose to use this particular strategy in this market?**

Fly Guam is using a positioning and "destination" specific strategy to market their brand. They are positioning themselves to be the island's carrier. This airline reflects the Guam brand and "sense of place" that is Guam, when you see the Fly Guam logo; you will think

“Guam”. Guam is serviced by major airlines including Delta and Continental, as well as major Asian airlines. When visitors hear the word “Guam”, these airlines will not be associated specifically with the island. Fly Guam articulates a sense of place through its name.

**2. Why is this important in this market?**

The importance of the branding of the airline, specifically through the name is twofold; the airline has two major customer bases, local and visitors (tourists). The local market is proud of their heritage and island and the local carrier partner (Freedom Air) has built a close and trusting relationship with their local customer base. The name change may be more palatable to their loyal customers and relay the impression that the airline still knows where their “roots” are.

For tourists it is defining of the destination. Though the airline may fly to other destinations, Guam is their “home” and their name as well as corporate culture reflects the island.

**3. What are some risks of affiliating with a destination brand?**

Risks of affiliation with a brand include brand tarnishing and brand obsolescence. Any negative press or imaging of the island of Guam may reflect on the Fly Guam brand, which is an inherent risk in affiliating with a name, such as a celebrity name or a destination.

**4. What is Fly Guam’s long term strategy for increasing their market share?**

Capturing the expansive and lucrative China market is the main objective of Fly Guam. They are using a “first to market” strategy through their name selection and deciding to go after the Chinese market customers who are looking to experience a unique island experience that is convenient and within a few hours air travel.

**5. How else does Fly Guam benefit Guam’s economy and community?**

Fly Guam will be offering employment opportunities to local residents. They also will be purchasing services and products from the Guam business community. They also will continue to fulfill the needs of the local community, providing travel and airfreight services for local community members.

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