

**Business case**

Company Mikonos operates 6 stores in Slovenia. All the stores are identical and operate in the same way:

* big formats with ~6000sqm of selling area
* assortment consists of 20,000 different products covering all food needs as well as non-food (including SDA, LDA, Media, Apparel, household goods, gardening, kids toys)
* Prices are identical in all stores
* Employee structure is identical and every store operates independently with it’s own operations team (Store Manager, 2 deputy store managers, goods receiving 15 people, replenishment 45 people, cashiers 20 people, security 6 people and cleaning 6 people) as well as administration (1 person for HR, 1 for accounting, 1 for IT, 6 for general administration).

Stores were built in 2 waves:

1. 3 stores were open in 2005 (2 in Ljubljana and 1 in Maribor)
2. 3 stores were open in 2010 (in Kranj, in Celje, in Koper)

The first 3 stores became profitable within 3 years of operations and that’s the main reason the expansion continued in other cities.

After 5 years of operations the stores from the second wave are struggling to reach breakeven. Lower population in the 3 cities leads to lower sales. Stores are not able to sell quickly enough some of the fresh articles which increases the shrinkage, non-food goods especially in media were becoming outdated and need to be heavily discounted in order to be sold to make space for new products. This results into lower margins. Main cost driver is salaries where a lot of people are needed to handle all the articles but also to cover the working hours of the stores even if there isn’t any need for the respective function during all the hours.

What can the management of the company change to make the stores profitable or closing them it’s inevitable? **Take a look at page 3 where you can find more detailed information about each store (including Sales, Total Income, Costs and EBIT) and analyze it. Develop your business plan with concrete actions for the next 6 to 12 months and back it up with numbers.**

