Foodco and the Beachland Market

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Abstract

Purpose – To provide a case study with instructor's note to help students learn about the problems of possible closure of a business or other alternatives for the specific store from the points of view of management of the company, employees, town leaders and possible buyers of the store.

Design/methodology/approach – A large regional supermarket chain in northeastern United States which has European ownership is considering what to do about a small obsolete store in a beachfront community. The supermarket chain could close the store, refurbish it, build a new store, or sell the present store to employees of the store or sell it to competitors. The store is the only supermarket in town. Closure would have adverse economic impacts on the community, which concerns the leadership of the town. Management of the chain needs to consider these options. If management decides to close or sell the store, local employees of the store need to consider whether they should attempt to purchase the store if they can raise the capital needed to buy and refurbish the store.

Findings – Students must come up with solutions to the problems posed in the case. The instructor's note provides some possible findings.

Practical implications – This case will help prepare students to study such issues as closing a business, sale or other disposition of a business and the role of the community in such decisions.

Originality/value – This paper consists of an original case study based upon an actual experience of one of the authors in a supermarket facing possible sale or closure.

Keywords Supermarkets, Business analysis, Corporate ownership

Paper type Case study

Foodco is a large regional supermarket chain in the northeastern United States. Among its operations it runs five stores in Ocean County, which is a popular summer vacation area for the region's urban well to do. Beachland is a small shore town in Ocean County. It has a picturesque central shopping street and wide sandy beaches, making it popular with tourists. It is also renowned for its large estates mixed with more moderately priced dwellings. Beachland has only one supermarket, a store operated by Foodco. The next nearest supermarket is a 20 minute drive away in the town of Seaside. Foodco's top competitor FullBasket operates that store.

Foodco was one of the pioneers in opening supermarkets in the mid 20th century. Although it is a publicly traded company, Foodco is controlled by a Swedish entrepreneur who owns several supermarket chains throughout Europe. He has placed his youngest son, Johannes, in the USA to run Foodco directly. Foodco had been struggling with minimal returns for several years. This was the impetus for the family to take the company over. Unfortunately Johannes has been an ineffective leader, and the company barely remains profitable. FullBasket is a relatively new entrant to the supermarket business. Ironically, it is owned by a consortium of investors in Denmark. They have been very successful in opening a number of stores throughout the region and have created a company with dependably high returns year in and year out.

Beachland's store highlights many of Foodco's problems. The store was built in 1948. Virtually none of its physical plant has been replaced or refurbished since then. The only addition is a new ice making machine. This is used to cool the produce on the shelves out on the shopping floor, because the old cooling units broke down over 20

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years ago. The store was large as supermarkets went in the 1940s, but in the present day it is far smaller than the industry standard. The freezers and storage bays are full to the brim. They do not have the capacity to handle new packaging and the higher volumes demanded. The loading bay behind the building can barely accommodate the larger trucks that suppliers now use for deliveries. Many Foodcos across the region were built in the same period and are similarly equipped, although actual floor plans vary widely. Foodco has decided not to issue debentures in order to refit any stores. In contrast, most of FullBasket's stores were built in the 1980s and 1990s. They are outfitted with the finest capital stock available. Loading bays are built to maximize efficiency with mechanical unloaders and wide access ways. Stores are of uniform design and size and are a third larger than the industry average. FullBasket will not construct a store in a town unless the town acquiesces to its specifications.

In order to continue operating with substandard capital stock, the Beachland Foodco, like most Foodcos, is highly labor intensive. There must be a worker constantly working in the produce section in order to replenish the stocks of crushed ice on the shelves. The worker must do this with a bucket and a shovel. There is not enough shelf or storage space to meet the demand. As a result, workers must restock the shelves every 2-3 hours, at the same time as customers are trying to shop. FullBasket only stocks once a night and so does not inconvenience shoppers. Deliveries must be made nearly everyday for products that would remain fresh for over a week because coolers are too small or too old to keep the product fresh. A staff of strong men must be maintained to perform the near daily back breaking task of unloading 500 kg shipments with manual hand carts. The job is equally dangerous, as the workers must unload the heavy loads down a ramp. The older hand carts and storage spaces have none of the safety features of FullBasket's equipment. All crates must be broken by hand. Each of several thousand boxes must be placed individually on a shelf. Because the compressor is less than one tenth the industry standard, an employee must spend hours first folding and cutting waste cardboard boxes into small pieces and then crushing them. There is the added problem that the composter is placed in front of one of the delivery bays, and so the worker must frequently stop to let wholesalers come in and out. At Beachland, the store is so crowded that the manager's office has been turned into a storeroom and is surrounded by a wall of cola bottles.

Beachland presents numerous local problems that are not true of all Foodco stores. These all revolve around the seasonal nature of the town. Tourists and wealthy summer residents pour into local hotels, short term rented homes, and for the more affluent, second homes. The season begins in the late spring, accelerates through June, reaches a fever pitch in August, and slowly winds down in the early fall. People enjoy the beaches, golf, tennis, the quaint town, and sailing. This is Beachland's prime industry. The only other significant source of income is a small fishing fleet in the harbor. In the winter the town is nearly empty, filled with a few year round retirees, fisherman, and individuals working in necessary services.

Thus, the Foodco in Beachland experiences a highly variable demand. In the summer it sells up to five times as much product as it does during the winter. The product mix is also variable. In the summer, tourists demand special types of goods such as charcoal, hamburgers, crushed ice, colas and watermelons. They have a relatively low demand for many staple products. In the winter, the relative balance must shift to a more normal basket of goods. In order to meet the variable demand, Foodco must operate with a larger staff in the summer than winter. The permanent year round staff is higher paid. It attracts more skilled and older employees for positions such as: management, butcher, baker, and serviceman. They are easy to hire from the regional full time job market. However, it is very difficult for Foodco to hire temporary summer labor. Many of the people in the town in the summer are tourists – they have no interest in working. Year round residents already are employed in full time positions. Furthermore, Foodco's capital stock is so old and dangerous that company regulations effectively require most employees to be at least 18 years old. Yet the strenuous physical demands prevent many retirees from taking jobs at Foodco. Thus, the only local labor market would consist of 18-25 year old students, who are children of year round residents or summer residents. Neither is a large group. Foodco is also competing against many other seasonal businesses, such as four star hotels, summer camps, and golf resorts. These businesses pay far more than Foodco and present better working conditions. As a result they hire nearly the entire local summer market. Moreover, Foodco's hourly salaries are so near the minimum wage that many children of affluent summer residents would rather leave the labor force than work there.

The government understands the problems faced by Foodco and other businesses. It implements a guest worker program that brings summer help from countries X and Y. Country X is a former Communist nation in Europe. Its guest workers are highly educated university students. They live in crowded boarding houses together, working up to 80 hours a week at various businesses in Beachland. They earn enough money from the summer in Beachland to pay their expenses at home for the remainder of the year. Because of their university careers, they are known to have a strong work ethic and have a good command of English. Country Y is a very poor tropical island. Its workers are in their late 20s and early 30s. They are poorly educated, although most speak at least some English. They are regarded as unfamiliar with American culture and as possessing a relatively poor work ethic. Because their nation is so impoverished, it is economically beneficial for them to work only in the summer at Foodco, even if they must be unemployed at home. The guest worker program has numerous problems. The year round unionized staff tends not to get along with the foreign non-unionized workers. The foreign help does not know the layout of the store nor the meaning of certain food terms in English. Xenophobic feelings cause shoppers to prefer to deal with Americans, and there are potential racial prejudices that could ignite as well, as the workers from country Y are from the "wrong" racial group in the eyes of many of the native shoppers. There is also a limit to the number of guest workers. Foodco is not guaranteed a full staff. The legal status of many of the workers is also often in question. Foodco is not supposed to hire workers without proof, but it is a well known secret around Beachland that the store often does not properly check the papers of foreign workers or waits two weeks to do so (during which the workers are employed in the store).

The result of the seasonal labor market is that though the Beachland Foodco operates a labor intensive store, it is always critically short of labor. Shelves run near bare at times, while deliveries of produce will sit outside for hours in the rain and sun. Lines of shoppers attempting to check out may stretch from the front to the back of the store. Spills may go unnoticed and uncleaned. Foodco has two other problems. State law prohibits supermarkets from selling alcohol. The local fishing industry sells only at the pier. Thus, there are many dismayed tourists who must be told by staff where the nearest liquor store or fish store is.

Foodco runs its operations centrally from large regional offices. It allows little independence for management lower down the line, especially in hiring, capital investment, and product mix. Despite high demand in Beachland for barbecue supplies such as charcoal, hamburgers, and rolls, the store is not allowed to order more than a maximum supply of the ingredients. On July 4th, there is a great demand for strawberries and blueberries (to make red, white, and blue pies). The Foodco is unable to acquire these goods in sufficient supply. Irate customers were forced to drive to the Seaside FullBasket. This represents lost sales. Meanwhile the central office instigates bulk special sales all throughout the multistate region. They promote them through circulars that are often distributed with regional newspapers. Management at the local Foodco are not told by the central company when and which products will be on sale in a given week. They must read the circulars in the newspaper the day before the sale begins and accordingly arrange for the distributor to bring the products the next morning. The product mix often represents goods that tourists and local residents have no interest in purchasing, such as 50 lb bags of potatoes. At other times, there are sales on products whose demand is already high. When blueberries are on sale, supplies are quickly exhausted and profits that could have been earned are lost to people who were never attracted to the store in the first place. As a result, the store is perennially overstocked with certain goods and short on others. To make matters worse, the store is so cramped that all goods on special must placed at the very front. There is little downstream purchasing, thus eliminating virtually all point of selling goods on special.

The store general manager is overworked due to the labor shortages. He does not have permission to order products beyond quotas. He must sit at his small desk and make three phone calls to the central office in order to release funding for the next day's milk supply. There is no trust account for the store, no wiring facilities, and only a limited supply of cash. The general manager frequently meets with representatives of the central Foodco Corporation. He must ensure that many forms are properly filed for the firm's safety, process, and employment bureaus. Company policy has dictated that these officers' time is more important than the manager's. When he is in a meeting with one, he cannot be called out of his office, even to address critical issues occurring in the store. The manager began his tenure with Foodco as a stockboy 34 years ago. He never talks about his company other than in vulgar, hostile, and graphic language. One day he openly breaks down in tears in front of his employees about the treatment he has been receiving at the hands of the company. He is one of the few qualified managers in the local area to run a Foodco store. Meanwhile, the picture of the CEO is prominently displayed in all storerooms.

Foodco is under increasing pressure from creditors and the stock exchange due to its lackluster performance. All the stores in the Beachland region are performing at a loss or marginal profits. It is considering several different alternatives to address the situation:

(1) Sell all the stores in the region to a different supermarket chain and reinvest the capital into newer and more profitable stores in other regions.

(2) Close down all the stores, liquidate assets in firesales, reduce the size of the firm and focus on the remaining stores, and write off any losses for taxes.

(3) Raise new capital either through equity or debentures and invest the money in the region's stores in order to improve capital resources.

(4) Reorganize the central management structure. This could include a sale of the entire company by the controlling family, a hostile takeover by outside investors, asking for state or federal government aid, a merger of Foodco with a different supermarket chain, working out concessions with the national service workers' unions, or a spin-off of the region's Foodcos into a separate and new company.

(5) Reorganize middle and local management of the company. Thus Foodco will attempt to run the stores in the region in order to turn higher profits. This will involve giving more authority to individual store managers and developing new methods of supply chain management.

Be advised that there are a number of problems with each solution. Solutions 3 and 5 will take considerable effort, expense and time. Creditors and Wall Street may demand immediate results, and the remainder of the Foodco chain might suffer as a consequence. Solution 1 may not be practicable. Is it likely that FullBasket will consent to buying small, out of date stores? There are few other chains in the region, all of which operate under a business model similar to that of FullBasket or are having cash flow problems like Foodco. It is unclear what effect Solution 2 will have on Wall Street or creditors. It could be seen as a sign of careful strategic planning and rejuvenation. It could also be seen as a sign of weakness, with a large one time write off. This could precipitate a loss of confidence in the company and a run on the stock. Closure is difficult at the store level as well. Employees will inevitably hear rumors before the final action. Their morale and incentive to work hard in the last few months will decrease dramatically. There could be considerable problems with unions and with the public reputation of Foodco as hundreds of loyal and long term workers face layoffs possibly without the potential to be rehired in the industry. Solution 4 is problematic in the sense that whoever ends up running the company will most likely still need to implement some combination of Solutions 1, 2, 3, and 5 to cope with the profitability problems. What should Foodco do?

Hearing rumors that the Foodco company is experiencing a business crisis and that there is a possibility that the Beachland store as well as all of those in Ocean County may be closed, a group of managers at the Beachland store explore the possibility of forming a partnership to run an employee buyout of the local store and operating it independently. Rumors of potential closure shock the people of Beachland. It is the largest store in a shopping center. It is possible that no successor store can be brought in and that the local commercial district could become depressed because of a potential closure of the store. If the Foodco closes, there will be no supermarket in the entire town. For many towns, the existence of a supermarket is a sign of pride and potency. Some fear that the closure will have a sizeable negative impact on local real estate values. Skilled employees are unlikely to be hired by FullBasket, and there is no other Foodco to transfer to. They will have to move or risk prolonged unemployment. Many are lifelong residents of the community and are deeply attached to it. The partners believe that there is enough profit to cover the interest payments on a loan to raise enough working capital to continue the business. The workers will then be able to keep their jobs. They hope that their superior knowledge of local conditions and free hand in management will increase profits at Beachland such that the business will become profitable even beyond the interest payments.

The partners propose to call the new store the Beachland Village Market. Their plan calls for a distinctive local character, focusing on local needs and cuisine. Realizing that it is difficult to compete on long term groceries with FullBasket, the partners will specialize in meats, produce, and prepared foods. They will offer choice products to the upscale summer residents as well as selling cheaper products to the weekly summer rental crowd. Through an emphasis on personal service and a better supply line, they feel that they will also be able to run profits during the winter months with local residents.

The Beachland Market would potentially have several advantages due to its independent status. First, it would no longer have to deal with the local service union. The employees and partners would run the store as a cooperative. There would be no union regulations, no threats of strikes, and no paycheck deductions for the union. Many of the workers who would normally have been unionized would be happy because the partners would have rescued their jobs. A profit sharing system and further incentive structures have been considered by the partners to boast loyalty and performance. Foodco did not have its own system of distribution, instead relying upon an independent supplier. This is the opposite of the strategy pursued by FullBasket, with its own fleets. Consequently, the Beachland Market could sign a contract directly with the supplier and could continue supply without disruption. Without the central corporation, it could set up its own account with the supplier. Management could order up to its credit limit with the supplier whenever it wishes. Promotional sales could continue, but these would now also be decided by the local store management itself. Circulars would be sent in the local town newspaper only. As an independent store, the Beachland Market would now also allowed to apply for a special liquor license from the state, which would allow it to sell beer and wine. It could make substantial profits from beer and wine sales, despite competition from local liquor stores.

The Beachland Market does have some problems due to independence. Since they would no be longer part of the umbrella organization of Foodco, the store would have to take into account higher overhead costs. For instance, the store must retain its own lawyer, it must file its own paperwork with state authorities, must hire its own inspectors, and must negotiate for its own employee health plan. With fewer workers, it is unlikely that the store could negotiate as good a rate with an HMO for employee care as Foodco did. Moreover, Foodco was able to send a few well trained workers on a temporary basis to the Beachland store whenever there was illness or a vacation. These workers would work at different stores throughout the region on this basis. It is unlikely that the Beachland Market will be able to replicate this temporary help system. The Beachland Market would also be at a decided disadvantage in hiring seasonal workers from overseas due to its dramatically reduced bargaining power at the state level.

Unfortunately the partners are low to middle income workers at a supermarket. By implication, they do not have a vast store of capital or savings to invest in the store. The natural source of capital to purchase the store, create a supply of working capital, and make necessary renovations would be a loan from a bank or the SBA (Small Business Association of America). The problem is that the managers only have hope and beliefs that the store will increase in profitability. There is no guarantee to the bank that this will happen, and there is no quantifiable security to the loan. If the store fails, there is little for the bank to foreclose on. The store is an old one with a strong modern and well funded competitor 20 minutes away. The partners must also continue to work their regular 9-5 jobs as they negotiate these loans. They are unfamiliar with the loan process or financing. The partners' only sizeable assets are their respective equities in their homes. It is possible that they could use their homes as collateral, but this would set them up for considerable risk. If the Beachland Market were to fail, the banks would likely have to foreclose on the partners' homes. They would now both be unemployed and homeless. The partners have children in school, retirements to plan, and all the regular expenses of the middle class.

Potential questions for the partners to consider:

(1) Should they try an employee buyout if Foodco closes the store?

(2) How would they convince the bank to make a loan?

(3) Is there enough time to arrange a loan from the bank or the SBA before the closure or will Foodco's timetable doom the process?

(4) Should the partners put their homes up as collateral for the loan?

(5) Is there any way of raising equitable capital in order to fund the buyout?

The partners may have one additional advantage in their favor. That is the local support of the workers and the potential negative economic impact of the store's closure on Beachland. First, the shopping center is owned by a prominent member of the community who was once guaranteed a long term loan with Foodco. Foodco has devised a means to extricate itself from the long term lease based on a clause in the contract relating to adverse business conditions should they need to close. Nothing more than nominal damages may be collected. The owner would want specific performance (having a store in operation to draw patrons into the shopping center), and the only way he could do that would be to have the partners engage in an employee buyout. Perhaps the partners could secure his aid in their endeavors. The town government possesses a lot of power both financially and through its moral suasion. It is possible that the partners could use the public good as an argument to gain support from the Board of Selectmen to support their loan requests. Perhaps one of the local town banks would accept a guarantee from the Selectmen or would agree to the loan in order to increase its popularity in the local community. One thing is for certain, the potential closure of the Foodco is now the biggest issue in the town and is on the front page of the local newspaper nearly every week.

1. Case overview

Foodco is facing a decision as to whether it should close one of its branches or should refurbish it or rebuild it or sell it to a competitor or to local employees in the town.

The decision to be made by Foodco is more than an economic decision. The particular store is of economic importance to the town of Beachland. It is the only supermarket in town; closure will adversely affect the economy of the town. Closure of this supermarket would cause this town to lose summer visitors and summer residents to neighboring towns. Tourism is the largest business in town. A reduction would adversely affect other local businesses, reduce property values of real estate in the town, and lead to unemployment of local workers and summer employment of visitors to the town. Such a closure would be unpopular with community leaders and with politicians at the state level, causing adverse impact on Foodco especially since Foodco is controlled by a Swedish entrepreneur rather than a local person or group.

The management of Foodco must consider the possible reaction in the town and state if it closes the store. It must also consider the normal economic factors that are described in the case as it makes its decision.

Employees of the store need to consider whether or not to try to purchase the store if management decides to close the store. They need to consider how they can get enough capital to purchase the store from Foodco, renovate it, and whether it can provide the income to pay for the cost of capital and costs of operation and to return some profit to the new owners.

If Foodco decides to close the store, the community leaders in Beachland need to consider whether they should help the employees of the local store purchase the store and, if so, how they can help keep the store open under local ownership.

2. Objectives

This case familiarizes students with the need t o consider more than standard economic factors in making a decision on possible closure of a business. The employees are concerned with keeping their jobs. The leaders of the town are concerned with the effect of closure on the economy of the town and with convenience in purchasing food for residents. Management is concerned as to whether the store can be renovated or replaced with a larger store to be of economic benefit to the company and is also concerned as to possible adverse effects of closing a store owned and managed by a chain controlled by foreigners on the position of the chain in the community and in the state.

Closing a specific location of a business may cause long term effects on business in a state. If there is extensive opposition to closing a particular store, the state may be pushed to adopt legislation that may adversely affect the attraction of business to the state in the long run in order to benefit current employees and/or a particular town in the short run.

Students may also benefit from the economic analysis of a decision whether or not to close a store.

3. Courses and levels

This case is particularly suited to undergraduate and graduate courses in marketing, social control of business, and strategic management.

The strategic management and social control of business courses can best use this case if the instructor will focus both on the economic decision of what to do along with the long term strategic effect of the decision on the company and on the communities involved. The opportunity for students to devise and write policies for the company on possible closing of a store will help students understand the difficulties of writing clear policies for all to understand. Students will also benefit from gaining an understanding of the external environmental factors present in a decision as to whether or not to close a store. Students in marketing courses will learn about the importance of external factors in making marketing decisions as well as learning more about what is needed for success in the supermarket business.

It is important to observe that business decisions often involve external environmental factors as well as standard economic factors. Clearly distinguishing these external environmental factors will help students better understand the importance of the role of external environmental factors in making good business decisions both for the short run and the long run future.

4. Classroom approach

After several iterations of this case, the authors have found that it is often useful to combine some role playing with some lecture on closing a business.

Students could be asked to play the role of the Swedish entrepreneur who controls the supermarket chain, a local employee interested in keeping his job and possibly investing in new ownership of the store, a community leader, the landlord of the shopping center, other tenants of the shopping center, customers of the store and the management of the leading competitor of this supermarket. Students will maximize what they learn about closing a business from the case by supplementing their classroom work by consulting the internet for literature on closing and if the case is supplemented by a short lecture by the instructor on the problems of closing a business.

5. Discussion questions

(1) As a manager of Foodco, outline the economic options of closing the store, refurbishing it, replacing it with a new store, selling it to employees or selling it to a competitor.

Clearly, to continue to operate the store without additional investment will not be successful. If management considers keeping the store open, it must invest funds in refurbishing the store at the least or must build a new store if land and zoning conditions permit. Refurbishing the store will incur additional costs beyond the refurbishing as the store may have to be closed while the refurbishing takes place. A new store would be a major investment decision and needs to be tied in with what will happen with other old stores in the area, after analyzing the competition and prospects for long term economic success.

Selling the store to employees or to a competitor willing to purchase the store would provide some funds to the supermarket chain.

Selling to a competitor would have the disadvantage to the chain of increasing the market share and possible economic efficiency of the competitor which might hurt the supermarket chain in the future.

(2) As a manager of Foodco, analyze the external environmental factors of closing the store, refurbishing it, replacing it with a new store or selling it to employees or to a competitor.

Closing the store will impact Foodco adversely as town leaders and others in the state will be unhappy with the closing. This might lead to legislation or regulation that could be harmful to Foodco if it decides to close more stores later or may otherwise negatively impact Foodco in its dealings with government agencies or with community leaders in the town or state. For example, the state legislature might increase the benefits that must be paid to workers whenever a company closes a store.

Refurbishing the store would apparently have little or any adverse external environmental threats except short term disadvantages if the store has to be closed while refurbishment takes place.

Building a new store to replace the present store may have external environmental effects such as problems with zoning land to permit building a larger store, parking and traffic impacts, septic impacts, and possible esthetic problems with permission to build larger buildings in a quaint town.

Selling the store to present employees, other investors or even to competitors will have no apparent external environmental impacts.

(3) A group of employees is considering purchasing the store from Foodco. What are the pros and cons of such a purchase and how would this group of employees go about making an offer, if it seemed to be possible to gain necessary financing?

The group must consider the economic facts involved. Can they raise the funds needed to purchase the store and to refurbish it? Are their other investors in the community such as the owner of the shopping center where the store is located who might provide some of the financing of the purchase and renovation? What are the other employment opportunities of the present employees?

Pros

- Keeps the jobs of present employees.
- Possibility of making some return on investment especially if the store can get a beer/wine license once it becomes an independent store.
- Helps the town better compete with other towns in tourism.
- Provides convenience to local residents and other shoppers who do not want to travel to the next town to shop in a supermarket.

Cons

- Difficulty in finding sufficient funds to purchase and refurbish and operate this store.

(4) What should Foodco do with this store? Why?
Foodco can choose to renovate the store or build a larger store if it can meet the economic goals of the store chain for new or renovated stores.

Foodco can sell the store to employees to prevent ill will in the town, keep the employees employed in the new store and best satisfy the local community that the store will remain open.

Foodco can sell the store to a competitor if it can gain some economic return for sale of the location if it is not worried that such a sale will unduly strengthen the competitor in the long run to the detriment of Foodco.

Foodco can choose to close the store as not economic, but it must be willing to take the heat from the public in the community and possibly from the state legislature of going ahead with the closing. This is probably the least acceptable decision for Foodco because of long term regulatory effects on the company.

(5) What should the employees do if it is possible for them to buy this store from Foodco? How can they raise the capital to purchase the store?

Investing money in buying the store and operating it as an independent supermarket may be the best economic decision for some of the store employees if they cannot find other work in the area. If they do not have enough capital to buy and refurbish the store and to provide adequate working capital perhaps the owner of the shopping center where the store is located can help with the investment or by reducing rent rather than keep the space where the store is located empty. Some owners of other stores in the center may be willing to invest in order not to lose an anchor store for the shopping center. Perhaps community leaders can invest also or find ways to reduce costs of operation of the new store to increase its economic feasibility. Community leaders may be able to help the new owners of the store (former employees) gain tax incentives and other aid from local and state government or from the Small Business Administration and may be able to convince local banks to lend money on this project for the good of the town.

(6) What should the competitor from the next town do about purchasing the store if Foodco would sell to the competitor?

The competitor needs to analyze what economic benefit there would be if any in buying this store and refurbishing it or replacing it with their standard store (if possible) versus letting it close and possible be replace by another store operated independently by the employees or by a new competitor. There are not sufficient economic data in the case for students to make this decision but the competitor should do so if it learns that the store might close or be sold.

(7) Should government allow stores to import low cost "Guest workers?" How do such workers impact the community in the short run and in the long run?

Students often enjoy discussing "Guest worker" programs in the United States and their impact on the community. Some of these workers may be illegal and hiring of illegal workers may be ignored by government authority. The instructor may wish to compare the "Guest worker" program (legal and illegal) with "Guest worker" programs in western Europe. Discussion of this issue is often heated in class. The instructor may wish to ask the students to research this issue on the internet.

6. Epilogue

A small group of the senior managers of the store was able to successfully purchase the store from Foodco. They were helped by lease concessions from the landlord and from a low cost loan from a local bank that was offered after community leaders talked with the bank. The store has been refurbished with wider aisles, new refrigeration equipment, and other new fixtures and with new paint. Foodco has helped the new store with a low price for existing fixtures and inventory and has served as a supplier of some items to the store since it has been acquired by the employees. Local government helped the store by granting it a beer and wine license and by helping the store bring in low cost foreign labor to keep labor costs reasonable for the store. The store has so far successfully operated for more than two years after it was purchased by the employee group. Sales of beer and wine have been excellent since the store is well located in the town and it is convenient to purchase beer and wine along with groceries and other supermarket items. The competitor in the next town cannot sell beer and wine as it is a chain store and this is not allowed under the liquor laws of the state.

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