THE UPS STORE: A STUDY OF CURRENT OPERATIONS AND SOLUTIONS FOR THE FUTURE

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THE UPS STORE: A STUDY OF CURRENT OPERATIONS AND SOLUTIONS FOR THE FUTURE

A Project

by

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Abstract

of

THE UPS STORE: A STUDY OF CURRENT OPERATIONS AND SOLUTIONS FOR THE FUTURE

by

Inderdeep Singh Atwal

The UPS Store franchise system has failed to address the changing consumer and economic patterns. As a result, franchisees have failed to build and maintain revenue sources. In this study, the operations of one franchisee is studied in detail to determine the underlying reasons for declining revenue and identify potential solutions that address these issues. Data was collected from the 7 locations owned by the ownership group and analysis was conducted to identify patterns and reasons for revenue decline. Additionally, solutions are offered to the franchisee and the optimal solution was selected for a trial which was conducted at one center for a 6-month period. Results from this trial were studied and it was found that the solution showed signs of significant success. The optimal solution is a strategy of building partnerships with consumers to sell additional products and create consumer loyalty. The success of the trial gives a blueprint for the ownership group to deal with current and future challenges.

______________________, Committee Chair
Beom-Joon Choi

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Franchisee systems present many challenges to both the corporate franchisor and the franchisee in terms of operations and strategic goal management. The UPS Store franchisee system is an example of a troubled relationship between franchisor and franchisee. This particular study looks at the operations of a franchisee and the challenges to growth and business development that have troubled the operation and looks at potential solutions to these underlying issues. This study will take an in-depth look at a small ownership group that owns and operates seven stores in The UPS Store network. The study will identify the major challenges that are affecting the franchisees ability to generate additional revenue originating from the external business environment, its corporate franchisor and its own internal operations and approaches. Based on this research several potential solutions are offered to the franchisee with the goal of addressing the need to grow revenue currently and into the future.

Purpose

The goal of this study is to identify the underlying problems in the organization that have hindered growth and offer solutions that will provide a roadmap for the organization to increase revenue today and into the future.
Problem

The ownership group in this study has failed to achieve meaningful growth since its acquisition of The UPS Store centers in 2005. The ownership group and its corporate franchisor also have failed to map out a coordinated strategic plan to deal with business changes and to create new revenue sources.
Chapter 2
BACKGROUND OF THE STUDY

The UPS Store system is composed of two distinct stakeholders. The first stakeholder is the corporate franchisor. The second stakeholder is the individual franchisee, which in this study is Atwal Investments, Inc/Kartar S. Atwal Investment Company, Inc. These stakeholders share many of the same goals in terms of business growth but often times the two are at odds and these goals are not congruent.

The UPS Store Corporate Organization

*Mail Boxes Etc. Inc (MBE)*

The UPS Store franchisee system was developed by Mail Boxes Etc. Inc (MBE) in 1980 (“Mail Boxes Etc.: History MBE”). The company was founded on the principal of servicing the small business and retail customer with corporate mailroom type services. As the business grew, the range of services grew to include copying, shipping and other services that complimented the original mailroom service. The company grow to nearly 3500 locations throughout the US and Canada in the late 1990’s(Id.). By 2003, the corporate franchisor was nearly bankrupt and was then acquired by UPS, Inc. At which time, the MBE brand was rebranded into The UPS Store(Id.).

*UPS: History and Goal in the Market Place as Corporate Franchisor*

UPS is a company with a long and rich history in the American corporate culture. Established in 1907, the company has had a long history of revolutionizing the private
courier delivery service and providing delivery options for retail and corporate clients. Today, the UPS mission has morphed and the focus shifted on providing a variety of services for the business and retail consumer. UPS defines this goal as follows: “As the world's largest package delivery company and a leading global provider of specialized transportation and logistics services, UPS continues to develop the frontiers of logistics, supply chain management, and e-Commerce . . . combining the flows of goods, information, and funds”("UPS Corporate: Company History").

The 2003 acquisition of MBE, Inc by UPS was an attempt to broaden its penetration in the retail market and to broaden its availability to the retail and small business consumer. Stuart Mathis best summarized UPS’s strategy in terms of Mail Boxes, Etc acquisition in his press release on April 7, 2003 stating “pooling MBE’s expertise in retail business services with UPS's expertise in shipping and other expanded capabilities, The UPS Store offers an extensive portfolio of products to our franchisees and their customers”("Pressroom."). UPS was attempting to use the reach of the 4000 locations throughout the world in the form of The UPS Store to provide greater access to its shipping products.

Structure of the Franchisor and Franchisee Relationship

The franchisee in this relationship buys into the system established by the franchisor, in exchange for support and the prepackaged business plan the franchisee pays a royalty. The corporate owner takes an 8.5% royalty off of sales subject to royalty(gross sales minus cost of stamps and any governmental fees)("The UPS Store:
The franchisees are private owners who spend between $150-350,000 to establish the business, which includes a $40,000 franchisee fee. In this system, the corporate franchisor generates revenue in two streams: 1) shipping and 2) franchisee fees and royalty.

*Shipping Revenue*

In terms of shipping, The UPS Store solely ships via UPS service and offers drop off points for UPS packages (packages shipped on private UPS accounts). UPS then generates revenue from every packaged shipped via The UPS Store. UPS offers a discount on UPS shipping retail rates to the franchisee and then allows the franchisee to charge retail customers the advertised UPS retail rate and keep the discount as profit. Furthermore, UPS Store franchisees are required to accept all UPS packages dropped off for shipping on private UPS accounts. Thus, the stores offer broader access for customers to drop off their UPS packages for shipping and increased access to the ability to ship via UPS in a retail environment.

In addition to the traditional shipping revenue, UPS has broadened its grasp into supply chain management and service options for corporate customers. Supply chain management is an outsourcing option for corporate customers, which allows these companies to outsource shipping and receiving of goods from customers.

Recently, UPS has expanded supply chain solutions to include The UPS Store in the catalogue of potential solutions for clients. An example of this integration is a recent service plan for Apple, Inc. UPS has created a system whereby consumers can call Apple
and obtain a fix order for a malfunctioning product then take this product into a UPS Store and have the item packaged and shipped to Apple for repair at no cost to the consumer. UPS bills Apple for the service and pays a fee to the franchisee for each transaction it processes.

*Royalty and Fees Charged to Franchisees*

UPS via its subsidiary MBE, Inc also generates revenue via charging fees to its franchisees and royalty. The corporate owner takes an 8.5% royalty off of sales subject to royalty (gross sales minus cost of stamps and any governmental fees) and thus generates more revenue as the sales of centers increase ("The UPS Store: FAQ.").

Furthermore, the corporate franchisor generates revenue via fees charged for opening of new centers, transfers of ownership of centers and renewals of franchisee agreements. Examples of such fees include $20,000 franchisee agreement fee (10 year agreement for use of the franchise system) and $10,000 franchisee transfer fee when transferring ownership of center to a new owner (Id.).

*Services Provided by The UPS Store*

The UPS Store provides a variety of services to small businesses and individual with the goal of providing an environment of superb customer service. The services offered by these centers can be grouped into the following categories: Packaging, Shipping, Document Services, Mailbox Service and much more.

*Mailbox & Postal Services, Moving Supplies, and Miscellaneous Services.*
Packaging Services

Centers provide customers the access to certified packaging experts who can pack items in preparation for shipping. The packaging service is guaranteed by centers when shipped through UPS. Items that are packaged and shipped via the center will be guaranteed to the declared value against damage or loss.

Shipping

The centers provide access to all UPS services including Next Day Air, freight and ground services. The stores also offer access to US Postal service for shipping of items. Centers will prepare labels for shipping and manage any claim issues that arise in terms of lost or damaged packages ("Products & Services.").

Mailbox Service

The centers provide private mailbox service allowing customers to establish a mailbox with a private address for receipt of mail and packages for business or personal use. Included in the services is 24 hour access to mailboxes and email notification of package arrival (Id.).

Document Service

These services include copying, binding, scanning and document management for small business and retail customers (Id.).

Moving Supplies

Centers offer a variety of boxes and packaging materials for use when preparing for a move (Id.).
Miscellaneous Products

Centers provide a variety of other services including notary, livescan fingerprinting, passport photos and much more (Id.).

Key Challenges Facing the Parent Company

UPS and its subsidiary MBE, Inc face challenges from the macro economic environment as well as challenges from competitors in its market segment. UPS, as is the case with all brick and mortar businesses, are facing challenges within the recessionary economic climate. Specifically, UPS faces challenges from decisions by its customers to reduce costs in many of their operations and the loss of business activity results in a reduction of need for business services such as shipping.

In terms of the franchisees, UPS faces challenges with ensuring that sales increase for franchisees and to ensure that they are able to maintain profitability. The failure to maintain a profitable business model has led to significant closures of centers and several lawsuits by franchisees. Many franchisees have become disgruntled with the system and begun forming associations to combat UPS such as Brown Board and others. UPS must find a way to ensure franchisees are able to be profitable and happy within the system otherwise they face a crisis in maintaining franchisees across the country.

Furthermore, UPS faces growing pressure from shipping rival FedEx. FedEx acquired Kinko’s in February 2004, the acquisition by FedEx was an attempt to directly compete with the business model offered by The UPS Store/UPS combination of 2003
("FedEx Wraps Up Kinko's."). UPS must build services within the context of The UPS Store and in its own marketing structure to compete with FedEx.

Franchisee: Atwal Investments, Inc/Kartar S. Atwal Investment Comp., Inc

Currently, the company owns seven locations throughout the Northern California and Nevada region. It is a family owned business primarily grouped into two separate companies. Atwal Investments, Inc is primarily owned and operated by Inder Atwal and Kartar S. Atwal Investment Company, Inc is owned and operated by Inder Atwal and Inderbir Atwal in a 50/50 partnership. The business began with the acquisition of the first UPS Store in Vallejo, CA in 2005 and in the following 4 years additional locations were purchased. Locations are as follows:

<table>
<thead>
<tr>
<th>Owner</th>
<th>Atwal Investments, Inc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store #</td>
<td>Address</td>
</tr>
<tr>
<td>1129</td>
<td>3505 Sonoma Blvd, Vallejo, CA</td>
</tr>
<tr>
<td>2110</td>
<td>2401 Waterman Blvd, Fairfield, CA</td>
</tr>
<tr>
<td>3954</td>
<td>5055 Business Center Dr., Fairfield, CA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Owner</th>
<th>Kartar S. Atwal Investment Company, Inc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store #</td>
<td>Address</td>
</tr>
<tr>
<td>4149</td>
<td>2945 Bell Rd, Auburn, CA</td>
</tr>
<tr>
<td>2527</td>
<td>3053 Freeport Blvd, Sacramento, CA</td>
</tr>
<tr>
<td>5024</td>
<td>1040 Lincoln Rd, Yuba City, CA</td>
</tr>
<tr>
<td>4364</td>
<td>550 W Plumb Lane, Reno, NV</td>
</tr>
</tbody>
</table>

Table 1. Atwal Investments, Inc/Kartar S. Atwal Investment Comp., Inc Locations

These centers were existing franchisees, which were purchased from owners that wanted to leave the system. The focus for the first years of ownership of the centers was a strategy of cost cutting and operational changes to create economies of scale and efficiency to increase profitability. As those operation programs have been
implemented with great success the shift has moved to building sales and revenue to grow the business.

Although, the company has several locations it is a family owned business with constant interaction with its associates and customer base. As a result, the company has the ability to change direction quickly and ramp up knowledge and have a consistency in staff that allows for implementation of long term plans and operations.

Data from sales trends paint a picture of the environment and potential opportunities for growth and revaluation of the business. The data collected and analyzed below paint a picture of the issues that are arising in the business and the areas were improvement must be made to maintain profitability.

Macro Environment surrounding The UPS Store Franchise

The macro environment for The UPS Store franchisee business must be further defined to develop a strategy going forward. To define this picture, there are 4 elements that need to be defined: Company, Customers, Competitors and Climate.

Company

As defined earlier, the UPS Store is branded by its connection with UPS shipping but the services provided by the centers include packaging, mailbox rentals, livescan fingerprinting, document services and much more. The UPS Store business model has the objective of providing business services for the small business and individual with a high level of customer service. The marketplace perception seems to conform with this perception of UPS connection with strong customer service.
The connection with UPS has provided its franchisees with a technological advantage over competitors providing resources in terms of developing fundamental processes to manage services and produce top quality products. One example of such systems is the CMS, Counter Manifest System, the system developed by UPS for the retail environment gives a cost effective and transparent way to ship items for customers. CMS gives an associate a clear way to compare prices and delivery options for a customer’s package and allows them to communicate that to the consumer. Furthermore, UPS has developed an innovative POS system and is beginning to introduce online printing systems to provide better services for customers ("The UPS Store: FAQ."").

Another differentiating characteristic of the UPS Store system is that they are privately owned and have the ability to offer a high level of customer service because ownership is physically close to the consumer. Compared to a FedEx Kinko’s or USPS Post Office, the level of service is superior at The UPS Store because corporate and governmental employees are detached from ownership and management and are not stakeholders.

Although some of The UPS Store services are relatively new such as livescan fingerprinting and document services; other services have been provided by The UPS Store for nearly 30 years including shipping, mailboxes, and packaging services. Again, culture in the vast majority of centers is that typical of many small businesses in the country. Being privately owned, the vast majority of businesses are owned by small groups of owners often times are family businesses. This creates a culture of ownership
and accountability with the staff and managers and often time leads to a shared community interest in success.

Customers

The UPS Store Marketing Reference guide defines the customer base in two major groups: Busy Household Managers and Chief Everything Officer. The Busy Household Manager are adult women between 25-54 (skewed female), median income of $75k and is the householder manager and is attempting to quickly complete errands in a cost effective manner (The UPS Store: Marketing Handbook). Major characteristics of this consumer is keen awareness of price, service is a priority, needs to manage needs related to career, family and home management. This individual is also likely a participant in family activities (PTA, parent groups) and en charge of family social activities (gifts for relatives etc).

The second group, the Chief Everything Officer, is a small business owner between the ages of 25-54 (skewed male). This individual is an owner or partner of a company with five employees or less (Id.). As a consumer, this individual is concerned with strong service, being recognized as a frequent shopper, brand loyal and is likely to use a broad range of services. Overall, The UPS Store customer is concerned with Service, Experience, Price, Product and Access.
Competitors

The UPS Store has several major competitors in the arena of shipping, miscellaneous business services, document services and mailboxes. Listed below are details about the major competitors.

FedEx Office/Kinkos

Recently, rebranded as FedEx Office, the chain is corporate run and presents a direct competition on several of The UPS Store core businesses. They are the 7th largest document service provider with a brand that has become synonymous with copying and printing ("Online Printing - Copy, Print, Pack and Ship - FedEx Office."). With the recent buyout by FedEx, the chain has widened its reach into the pack and ship profit centers. The company is well branded but the recent name change could affect that leverage in the future. A competitive opportunity does exist in that recent changes in copier leases which have allowed The UPS Store to compete with FedEx Office on many of their core businesses such as faxing, copy services (i.e. b/w & color copying), printing and scanning services. The UPS Stores’ have broadened their ability to produce high quality documents at a lower price to the consumer compared to FedEx Office. Additionally, an opportunity exists now to compete on the specialty services once dominated by this company; such services include wide format printing and graphic design.
Postal Annex/Post Net

Both Postal Annex and PostNet are franchise-based businesses that directly compete with The UPS Store (Compare Shipping Rates FedEx UPS USPS, Compare Shipping Charges, Compare Shipping Costs of UPS FedEx USPS at PostalAnnex.). But unlike The UPS Store and FedEx Office neither has been able to directly align with a big box shipper and thus both have a competitive disadvantage on pricing. Furthermore, The UPS Store model has been able to utilize its size to leverage steeper discounts in terms of fixed costs (ie copier leases) to be able to give our stores a competitive advantage on pricing. But these competitors still represent a challenge to the business because they do have many strategic locations, which allow them to compete based on geographic convenience.

Independent Box Shippers

Beyond the Postal Annex and PostNet franchisees, there are a significant number of independent outlets that are not affiliated with any type of corporate entity. These shops have an even greater competitive disadvantage but again compete with The UPS Store directly on all major profit centers and can compete on geographic convenience.

Major Copy/Printers & Independent Copy Shops

The UPS Store is attempting to enter the document service business. The major competitors in this market segment are Minute Man Press, Sir Speedy and other local print shops. Both are franchise systems that use many of the same local marketing
channels as The UPS Store. These businesses have a first to market advantage and have built a local reputation for quality and competitive pricing.

**Big Box Stores**

Another growing competitor in the Shipping/Document service sector is the major office supply chain stores. These companies have begun to broaden their product lines to advertise shipping and document services directly competing with our core profit centers. The major players in this segment are OfficeMax, Office Depot, and Staples. These major chains have added customer-shipping counters and expanded their copying services; they have also begun to grow the advertising for these profit centers with the intent of a grabbing larger market share.

**Overall Climate**

General economic conditions have significantly declined since 2007 as the country has entered into a deep recession ("Financial Crisis of 2007–2010."). The recession has resulted in a nearly $6 trillion loss in wealth of US homeowners. Furthermore, the economic recession has taken a toll on small business owners and resulted in record high unemployment. These factors have put strain on the customer base for The UPS Store and resulted in declines in revenue.

In terms of the competitive situation, the economic downturn has forced consumers to determine the most cost effective options to getting things done. As a result, consumers are beginning to find that The UPS Store has an advantage over other
providers such as Postal Annex and private postal centers in terms of UPS pricing. The macro economic environment is creating awareness in the consumer about the competitive advantage The UPS Store can provide compared to competitors.

*Below is a detailed breakdown of the competitive advantages and disadvantages of The UPS Store*

**Advantages:**

The UPS Store has several major advantages in the competitive landscape:

1) A name recognition which is synonymous with shipping.
2) The strong corporate connection allows for competitive purchasing power greatly reducing costs for shipping and copying (national contracts greatly reduce our equipment charges etc).
3) Base group of customers that we can market new services too.
4) Local ownership with major support from a national brand.

**Disadvantages:**

The UPS Store has several major disadvantages in the competitive landscape:

1) A great proportion of our revenue is generated by UPS Shipping.
2) UPS and The UPS Store has a reputation for being an expensive service in terms of add on services such as packaging.
3) UPS Store does not have the connection to other services such as mailboxes and document services (copying and printing).
**Societal/Cultural Environment**

The broader economic downturn is changing customer perception in regards to service and the willingness to pay for services they can do themselves. Such premium services as having items packaged, coming to the center to ship an item as opposed to producing a label at home or dealing with the post office to have items shipped for a lower cost become options that customers are considering in order to save money. This broader societal trend to save money could result in a dramatic reduction in many core services if they begin to take hold for the long term.

Micro economic Environment surrounding the Franchisee: Atwal Investments, Inc./Kartar S. Atwal Investment Comp., Inc. Group of Stores

Looking at sales data for several years, trends begin to emerge and it becomes clear what issues are present in the business. The trends seem to indicate the need to develop new products and services to supplant services that are trending down.

**Data: A Look into Sales Data from the Previous Three Years**

The data for this study was taken from the 6 centers open for the three-year period (2007, 2008, & 2009). Combined data was used to gather an image of the broader trend in the four major profit centers for all 7 of our stores.
Overall Gross Sales—Analysis of the Gross Sales for the Previous Three Years

Looking at the three-year comparison, the trend has been strikingly negative and although some of the decline can be attributed to the downturn in the economy, broader trends are at work within the numbers. The decline seems to be localized to a core profit center.

Table 2. 3 Year Comparison of Adjusted Gross Sales for All 7 Locations

UPS Shipping—Analysis of the UPS Shipping Sales for the Previous Three Years

UPS Shipping represents nearly 60% of the loss in revenue over the three-year period. This is not necessarily significant in itself; especially in the context that UPS Shipping represents nearly 55% of the overall revenue for the centers and thus overall declines in revenue would be seen in this profit center. But this is striking in the context of other major profit centers and the lack of such dramatic dips in those profit centers. The decline in UPS Shipping is likely the result of a shift in the overall business with increasing competition from online shipping and competition from the other big carriers (ie. FedEx and USPS). Although this profit center represents the single biggest revenue
generator; it also is one of the lowest profit margins (40% profit margin) giving hope for the ability to grow other major profit centers to make up losses in this core profit center.

Table 3. 3 Year Comparison of UPS Shipping Revenue for All 7 Locations

Mailbox Profit Center—Analysis of the Mailbox Sales for the Previous Three Years

During this period, this particular profit center has consistently grown and represents an opportunity to shift the direction of the business. Although, mailbox revenue is a smaller portion of the overall revenue it represents a huge profit margin opportunity. Mailbox service has no extra variable cost and thus is a 100% profit center for the stores.

Table 4. 3 Year Comparison of Mailbox Revenue for All 7 Locations
Notary—Analysis of the Notary Sales for the Previous Three Years

Notary much like the mailbox profit center is also a profit center with no variable cost and has 100% profit margin. Much of the growth in this specific profit center is attributed to the introduction of a new service: Livescan Fingerprinting. This system of fingerprinting allows digital fingerprinting to be taken for the purpose of getting FBI/DOJ clearance for a variety of career and licensing purposes. Again, like mailbox rent there has been dramatic increases in this profit center and ownership have taken additional steps to broaden introduction of the service to 6 of our 7 locations.

Table 5. 3-Year Comparison of Notary Revenue for All 7 Locations

Copying Profit Center—Analysis of the Document Services Sales for the Previous Three Years

This profit center is another center with huge profit margins, comprised of 90% profit margins, this profit center represents a huge opportunity with the ability to dramatically effect the companies overall profitability. There have been significant declines in this profit center rivaling those in the UPS shipping profit center. This dramatic decline is especially significant in light of the fact that the corporate franchisor
has put significant effort and money in initiatives to grow the document service sector of the business. Although this profit center has been marked by dramatic declines several factors make this profit center an area with potential for future growth. First, document services are a billion dollar industry. Second, due to changes in equipment costs the barrier to entry into the broad spectrum of document services offering (ie banners, pamphlets, mailers etc) has greatly reduced and the store have built up the ability to produce a variety of products.

<table>
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</tr>
</tbody>
</table>

Table 6. 3-Year Comparison of Copying Revenue for All 7 Locations

Challenges and a Changing Environment

Looking at the data, two disturbing trends are emerging across the stores and the overall network of stores. First, overall sales in key shipping metrics are declining and have been for nearly a decade. Second, customer counts are decreasing while average customer transaction amount has been steadily increasing. There are a variety of reasons why these trends are occurring below are a number of the prominent ones:
1) Changing consumer patterns- especially the shift to online purchasing (consumers no longer rely on retail shipping to get gifts to family and friends across the country rather they now order online and have the shipping sent directly to the recipient).

2) Emergence of online shipping- Online shipping from UPS, USPS, FedEx and other shipping distributors makes it unnecessary for consumers to use retail outlets to print shipping labels.

3) Stronger competition from corporate competitors- FedEx and USPS have attempted to compete with The UPS Store and launched strong ad campaigns to take greater market share away from The UPS Store has a whole.

4) The UPS Store- has been attempting to push programs that upsell and raise prices in the stores. This has been increasing the revenue per customer but also begun to drive customers away because of the perception of high cost.

Changes in the dynamics and sources of revenue require the implementation of new strategies of growth and product lines to supplant loses due to consumer changes. Furthermore, a reevaluation of product pricing models and product lines must be completed in order to be competitive with national chains and local competitors.
Overall Issue-The Loss of Revenue from the Predominant Profit Center

The predominant issue currently facing the business is the fact that UPS Shipping has been the leading profit center in the revenue decline. While this is a major issue, it may present a blessing in disguise. The decline has forced a reevaluation of where revenue growth must come from in the future and what area offers the greatest bottom line benefit. Although, UPS shipping revenue has taken a significant hit; the low profit margin in this group makes it easy to counter the effect on the bottom line. Mailbox and Notary(including both Notary and Livescan Fingerprinting) offer an opportunity to counter losses from UPS shipping and grow the bottom line because of the 100% profit margins from this profit center. Furthermore, the corporate partner has indicated that growth in the document service sector will provide diversity and sustainability for the business. Looking at the major competitors in this sector, The UPS Store have a geographical and business structure that would be conducive to success (ie the ability to market at the local level) in this market. Entry into this market segment requires a launch of a new line of products that have not previously been marketed and provided to the level required by the marketplace.
Chapter 3

THE UNDERLYING PROBLEM FOR THIS ORGANIZATION

The Atwal Family has owned a chain of UPS Stores and is currently struggling with a shift in consumer shopping patterns particularly in the arena of shipping. The UPS Store retail model currently relies heavily on retail shipping for a bulk of its revenues. But in the past decade, consumers have shifted from solely relying on retail storefronts for shipping of their gifts, business items, etc. Rather, the emergence of online shipping and the ability to print labels from home have dramatically and steadily cut into shipping revenues. Further affecting the business has been changes in consumer buying patterns. In the past, consumers traditionally bought items at “brick and mortar” retailers and then shipped items via retail shipping outlets for the purpose of gifts etc. With the emergence of online shopping, consumers now just buy items via the web and ship these items to the final destination eliminating the need for retail shipping outlets for these items.

Because of these consumer shifts, The UPS Store model and the individual owners of these franchises must adapt the business model to deal with shifts in consumer patterns and be more nimble in the future. A new business model must be adapted that will allow the individual stores to constantly innovate and be relevant in terms of its product offering. The constantly changing technological environment of the world will continually have an effect on consumer shipping and business processing trends and The UPS Store business model at the franchisee level must have a strategy to adapt to this change.
The current challenge is to figure out a strategy to deal with the current and future loss of UPS Shipping revenue and to develop a framework to revitalize the business today and in the future.
Chapter 4

POTENTIAL SOLUTIONS: OPTIONS FOR DEALING WITH THE UNDERLYING PROBLEM

Requirements for the Solution

Any a solution to the underlying issue must address two major factors: 1) create new product lines and revenue opportunities and 2) the solution must be sustainable and allow for long term development of new opportunities to allow constant revitalization of the business.

Three potential solutions to the problem of this organization are listed below and evaluated:

1) Rely on the corporate franchisor to develop strategies and direction for the franchisees.

2) Use marketing at the local store level to sell more products to customer using cross-selling and informational marketing campaigns.

3) Develop a new way of marketing products. Rather than selling individual products to customers offer solution based product packages and market these items in a collaborative fashion.

Option I: Rely on the Corporate Franchisor to Develop Strategies and Direction for the Franchisees

This strategy would involve relying on the corporate franchisor to develop new marketing and product strategies for future growth of the business. Traditionally, in a
franchisee/franchisor relationship, the franchisee gives up a significant portion of its revenue to the franchisor in exchange for a cookie cutter business plan. Apart of this business plan would be strategies for future growth and new product development, which will allow the business to continue to thrive as the economic environment changes.

The corporate franchisor in this case is made up of two entities, a parent and sibling company. The parent company is UPS, Inc., which is the largest domestic private shipper. UPS’s primary business is first and foremost the shipping of goods. UPS is driven by a need to constantly compete for market share of the shipping business primarily from corporate clients and secondarily from retail consumers. The bulk of its revenue comes from large corporate clients and increasingly its revenue is generated from providing its corporate customers with supply chain solutions. Supply chain solutions are becoming an increasingly important part of the UPS business model. In providing supply chain solutions, UPS uses its core competency in shipping to develop customized solutions for its corporate customers. For example, UPS will work with a corporate customer to develop technology interfaces, shipping systems, pickup and service options in order to make distribution of their product occur in a cost effective fashion. These solutions often allow corporate customers to outsource their distribution systems to UPS that in turn create long-term dependencies and relationships between UPS and its customers.

Child to the UPS corporate parent is MBE(Mailboxes Etc.). This corporate child is responsible for administration of The UPS Store franchisees, new product development, and support of franchisees. Recently, MBE has implemented several new
initiatives to attempt to rejuvenate revenue for the stores and to drive new revenue. In the past three years, MBE has attempted to create a new line of mailbox product, create a document service initiative, develop a freight shipping profit center, and a mystery shopper program to emphasize customer service in centers. These initiatives show MBE’s commitment to make the franchisee system work but it also shows one of its major flaws.

Traditionally, most franchisor/franchisee systems rely on the franchisor to develop marketing plans and product development but in this case there are real issues with relying on such a strategy. MBE has often times been inconsistent and unfocused in development of a strategy for The UPS Store business model. Furthermore, MBE derives its revenue from royalties on gross sales. Often times this causes a discrepancy in the goal of the franchisor and franchisee; with MBE focusing on gross sales and not actual profitability of centers.

Furthermore, UPS as the corporate parent has a different focus in developing The UPS Store business model. UPS is concerned with ensuring that consumers have wide and easy access to UPS shipping options and also in providing supply chain solutions to its corporate clients. For example, UPS has begun pushing corporate accounts at The UPS Store. An example of such a corporate account is the relationship between UPS and Apple Inc. Apple was having an issue providing its customers quick options to return defective products to Apple for repair or replacement; customers would essentially have to pay for the item to be packaged and shipped to Apple. UPS created a supply chain solution, which consists of customers coming to UPS Store locations bringing in their
defective items and the center would pack and ship the item to Apple. UPS would charge Apple and pay the individual center for its time in packaging and preparing the item.

The relationship with Apple is an example of how UPS envisions the individual UPS Store franchisees into its overall business plan. While UPS requires The UPS Store franchisees as an essential part of its attempt to grab larger market share, it is still primarily focused on its core revenue streams. And MBE is unable to focus and develop a long-term strategy for its centers to ensure profitability. Thus, relying on the franchisor to develop a long-term strategy will likely leave centers without strategies to ensure profitability and continual relevance in the marketplace.

Option II: Use Marketing at the Local Store Level to Sell More Products to Customers using Cross-Selling/Up-Selling and Information Marketing Techniques

Cross-selling/up-selling and information marketing techniques are traditional marketing strategies, which involve selling more products to current customers and acquiring new consumers. Such a strategy would rely on selling current products via marketing initiatives. Each center would develop strategies to sell products to existing customers. Examples of such initiatives would include presenting customers with receipt tags advertising other products, creating dialog with customers about other services etc. The second front of this strategy would be informational marketing campaigns, which would entail billboards, newspaper ads, radio and internet advertisement designed to sell products to new consumers.
Cross-selling and informational marketing are core techniques utilized by every business and are essential to building market share. But in the current situation, such a strategy fails to address the underlying products and their validity and relevance in the marketplace. These strategies are simply attempting to sell existing product but fail to address questions about what consumers want and require. Furthermore, it offers no feedback to rejuvenate the business.

In the article, “Pricing Promotional Product Under Upselling”, Goker Aydin and Serhan Ziya using mathematical modeling illustrate the optimal situation in which up selling techniques are effective. The study illustrates that in the unique situation where a consumer in the target segment of the regular product is in the non-target segment of the promotional product. Other than this unique scenario, the team’s research indicates that up selling techniques tend to bring negligible returns for merchants in other scenarios. Up selling in the context of The UPS Store tends to be the opposite scenario as that identified by Ayden and Ziya. Rather, in the context of these centers up selling is isolated to products of the same target market and thus such strategies are likely to be ineffectual ("Pricing Promotional Products Under Upselling." 2008).

The primary strategy implemented for the last 5 years by the Atwal Investment group was to use these techniques to increase revenue. The owners attempted to use local marketing programs to sell additional products and for the most part the strategy was marginally successful and has failed to make any dramatic changes to revenue. An example of the failure of this program to bring significant returns was 2008 program to use cross-selling and upselling techniques to promote Mailbox services for a 3-month
period of Jan-Mar 2008. The program consisted of retraining staff in early December 2007 to use scripts selling mailbox services to existing customers, receipt tags advertising mailbox services and a national TV ad campaign advertising these services. The results for this program showed marginal gains and failed to dramatically turn around the mailbox revenue in the future. This can be seen from the combined (all 7 stores) Same Store Sales Data for Mailbox Service for the period of the initiative.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>Variance</th>
<th>% Change</th>
</tr>
</thead>
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<tr>
<td>Jan</td>
<td>$9,505.00</td>
<td>$10,534.00</td>
<td>$1,029.00</td>
<td>10.83%</td>
</tr>
<tr>
<td>Feb</td>
<td>$11,185.00</td>
<td>$8,631.00</td>
<td>-$2,554.00</td>
<td>-22.83%</td>
</tr>
<tr>
<td>Mar</td>
<td>$11,462.00</td>
<td>$10,000.00</td>
<td>-$1,462.00</td>
<td>-12.76%</td>
</tr>
</tbody>
</table>

Table 7. Comparison of Mailbox Revenue for the Sales Period when the Cross-Selling/Up-Selling Marketing Campaign was Implemented

Although there was an initial increase in revenue for the month of January, it quickly drops off and declines even though extensive advertising expense and effort was being expended promotion this service during the period.

Option III: Develop a New Way of Marketing Products.

A different approach to marketing and product development must be taken in order to have a marketing plan that will deal with today’s challenges and future challenges. Taking a lesson from UPS, Inc. this strategy would revolve around a different approach to selling products. Similar to the selling of supply chain solutions by UPS to its corporate customers; our centers would look to create solutions for small
business and households satisfying their need for shipping, document service and mailing logistics. For instance, rather than using cross-selling and informational techniques to sell our newly introduced document service (color copying, printing, and booklet capacity) we would attempt to create a customized solution for our customers. As an example of this approach, we would setup a meeting with a real estate agent and ask questions about what materials do they need in their business and then offer them solutions for their copying and document production needs (ie. Flyers, brochures etc). In this process, we would offer suggestions for types of products that are successful and work with them to achieve the goals of their organization.

This approach has been advocated by a number of business management experts. In “The Quest for Loyalty: Creating Value through Partnership”, Fredrick F. Reichheld advocates that for a business to be successful in tough economic times it is critical for businesses to have loyal customer base. Reichheld advocates that the creation of partnerships between consumers and merchants and these partnerships lead to long-term revenue sources. Similarly, in the article “Why Major Account Selling Works”, John Barrett illustrates several examples where creating partnerships and selling to major accounts is a highly effective methodology.

This approach would be different from the traditional marketing approach, rather than selling individual products the focus would be on consulting with the customer and crafting solutions for them. The benefit of this type of an approach is two fold: 1) creates a non-confrontational platform to up sell products and creates long-term relationship with customers and 2) creates a two-way exchange of information and dialogue about
customer needs. First and foremost, creating such integrated solutions between customers and the center builds long-term relationships and customer loyalty. The UPS and Apple relationship is an example of success of such an approach. Successful implementation of this strategy drives the two companies together and more integrated resulting in a long-term customer relationship. Furthermore, by having conversations with customers about their goals a dialogue about the product needs begins. This dialogue gives vital information about products that are in demand and about fading product lines. Using this information, the organization can take steps to make changes to product lines and take steps to seek out new product services to better serve its customer base.

Approach to this solution: This type of marketing approach would require three critical stages.

1) Market research

2) Marketing to Clients (information meeting, customized product solution and follow-up meeting)

3) Evaluation of product line

Market Research Phase:

During this phase, research must be conducted on two areas: 1) customer base (who are they, what industries, concerns etc) and 2) product lines (what is required by customers, new product lines and pricing). This research must be conducted using data
mining firms, internet, market research and consulting with the franchisor and industry trade magazines.

The goal of this research is to determine what products are in demand and to look at the availability of such products and pricing. Also, it is the basis for the next phase, in terms of defining good customer prospects and essential to have successful initial sales meetings.

**Marketing to Clients:**

The emphasis in this phase is identifying quality customer leads and then developing those leads. First, a list of potential customers needs to be generated based off of market research and exploring existing customer base. The key is to identify consumers with a need for document service, shipping and other business services.

Second, meet with these potential customers and begin to discuss their service needs. Use information from this meeting to craft a solution for the customer and attempt to bring them aboard. The goal of this phase is to create a partnership with the consumer with the common goal of accomplishing their business needs.

**Evaluation of Product Line:**

Based on these information sessions, timely meetings must occur where sales representatives can discuss the products required by their customers and give input about the status of current services. Additional information would also be collected from trade magazines, websites and business information by upper level management. This
information would be combined and analyzed at a yearly level to ensure pricing and product selection is in conformity with market demand.
Chapter 6

OPTIMAL SOLUTION: THE SOLUTION WITH THE BEST CHANCE FOR SUCCESS

Considering the three potential solutions available, the third approach is the only one that dynamically changes the organization to really deal with the realities of the new business environment. The dynamic changes occurring now and likely to occur in the future require a new approach to product sales and development. The past approaches were static and had no strategy for developing new product lines or addressing stale products. By establishing partnerships with customers to achieve completion of their goals, this strategy achieves the marketing objectives of the individual franchisees. The franchisor has failed to innovate the business and replace declining profit centers with new revenue streams. This failure has left the franchisees in this system without a fighting chance against changing consumer patterns. A strategy of marketing existing products and services through informational and promotional marketing campaigns will fail to address the underlying issues facing this business. The approach advocated by this study is a novel way at approaching the customer. Rather than selling to the customer, it attempts to partner with the customer to develop products that meet their needs at affordable and desirable price points. The type of partnership that would be developed in implementation of this solution, allows the organization to develop a framework by which it partners with consumers to sell additional products while building a relationship which can facilitate a dialogue between consumer and merchant where by information about new product lines becomes available and can be acted upon. The other solutions
fail to take any revolutionary stance in terms of approach to the consumer and fail to address the underlying issue in the business model. Whereas, the approach advocated here would allow the business to continually adapt and ensuring its relevance in the marketplace now and in the future.

New product development is essential to continually reinventing the business and necessary due to the rapid changes in consumer patterns brought on by the rapidly advancement of technology. Past strategies failed to deploy product development in any effective manner. Relying on the corporate franchisor has resulted in negligible return on new product development. For example, in early 2009 the franchisor began a national advertising campaign and launch of an online printing solution. Following this period, the document service business has only increased by 1-2% across 7 stores in the 12-month period following introduction of this new service. This example has been repeated over the past 4 years with every attempt by the franchisor to introduce a new product line. For this reason, relying on the franchisor is likely to yield no reliable result.

Within The UPS Store system there are several examples of successful product development. One example of successful product development is a center in Susanville, CA which was able to take his revenue from 120,000 a year to 435,000 year by providing a wide arrange of document service solutions including wide format (banner printing), color and black/white printing. Another example of successful product development is from the seven stores in this study. In 2008, the stores invested in Livescan Fingerprinting equipment after receiving calls inquiring about the service. Livescan Fingerprinting is a digital fingerprinting service which allows agencies to perform
background checks on prospective applicants, volunteers etc. The service generates $25-30 rolling fee per fingerprinting session for the store. Introduction of this new product line increased revenue at all centers by an average of $2500.00 a month; amounting to a nearly 10% increase in revenue across the organization.

Successful new product integration is a key factor to continued success of the organization and is the only way to combat the loss of fading revenue from shipping. The issue in the past has been that new product development has not been a part of any marketing plan and reliance on the corporate franchisor has proved to be unreliable. This particular solution creates dialogue between the customer and the organization, which will provide timely and relevant data and consumer needs. This information will be critical in bringing in new product lines.

Beyond product development, this approach creates a new dynamic with prospective and current customers. Rather, than the traditional goal of selling products to customers the approach advocated by this solution creates a partnership to solve and serve the needs of the consumer. Examples of successful implementation of this strategy can be seen in some of the largest names in corporate America; UPS and Xerox.

For instance, UPS has made a significant push towards providing its corporate customers with Supply Chain solutions. These solutions allow corporations to outsource their shipping and distribution operations to UPS and UPS handles the logistics of shipping for these customers. UPS goes beyond just giving them shipping supplies and account numbers; it develops customized solutions like in the case with its relationship with Apple, Inc. In this case, Apple required locations for its customers to be able to
have defective items packaged and shipped for repair. UPS and its Supply Chain solution group created a system whereby Apple customers could come to any UPS Store retail location and have the item packaged and shipped. From that point UPS logistics would manage the shipment of the item to an Apple repair facility and back to the customer. This type of integration between the operations of a customer and supplier creates loyalty by virtue of such a tight integration of operations. Similarly, Xerox uses the same type of approach when soliciting new business. They approach potential clients with solutions to their document service needs and craft an equipment, training and supply strategy customized to the needs of the customer.

Challenges for Implementation of this Solution

Although this consulting marketing plan addresses several of the issues addressed by the problem in this organization. It has several challenges associated with it: 1) time consuming, 2) requires knowledgeable point person to develop relationships with current and prospective customers and 3) require a fundamental change in the approach to selling by associates.

Creating a consultative relationship with potential customers is several steps beyond running a traditional retail shop. Currently, staff is trained to simply process transactions and at the most offer items that are discounted. Effectively implementing the strategy proposed by this solution will require significant retraining and production of training materials. Furthermore, entering customers into dialogue about their needs requires multiple contacts and relationship building, which is again time consuming.
Additionally, creating these types of collaborations required for this strategy to be successful requires the individual in charge to be knowledgeable and creative. This ability is beyond the skill set of the average associate running the register. But it is likely that the individual store managers and operations manager can become point people for customer contact with administration support from staff to achieve the level of service required.

Finally, the largest hurdle is to change the culture in the organization to approach their relationship with customers in a different way. The organization needs to shift from selling items to customers to working with customers to achieve goals. This type of shift is going to require training and constant follow-up.

Trial Program of the Optimal Solution

After selecting this solution, a trial program was implemented at the Yuba City location focusing on the document service profit center. The program focused on identifying and marketing document services to customers in the Yuba City Area. The program utilized several phases of marketing with the end goal of creating a partnership with organizations and businesses, which would result in increased revenue for the center.

Using the framework described above, the ownership analyzed their current offering in the document service profit center. As a result of this analysis, the ownership used competitor information to reevaluate the pricing for services and expanding the offering to include wide format printing and other add-on services. They then built a
comprehensive list of potential businesses and organizations that would need these services and used this as an initial starting point for targeted marketing.

The advertising portion of the program consisted of three phases: 1) Letter campaign to create leads with local businesses, 2) Advertise through regular channels and 3) One-on-One with potential clients to create solutions and sell product/services. The first phase of this program, was the utilization of letters and mailers to create initial interest in the new product offerings and the ability of the centers to help other businesses and organizations achieve their goals. The second phase of the program, relied on the use of traditional advertising channels to do informational marketing. Using billboards and newspaper advertisements the center advertised it’s offering of copying, printing and other document services. Apart of this program of advertising, ads emphasized the competitive pricing and speedy service of these document services. The final phase of the program was the use of leads with individuals to setup one-on-one appointments with local business and organization decision. During these one-on-one appointments the storeowner was able to go through a questionnaire and build a program that would help facilitate their service needs while building business for the center.

Results of the Trial Program

The data for this limited run program showed successful results and promise for the program in the future. Document Service sales are logged into two categories by the centers: Copies or Color Copies. The current trial program was run for 9 months at the Yuba City center and data was collected for the period and compared to previous sales
Looking at the sales data for each of these profit centers and comparing them to previous years sales data it is then possible to see the effect of this new initiative. Furthermore, data for the same period data was collected from the Yuba City center and a compared to data collected from a comparable center in Fairfield for the same period to see any differences in growth that would be isolated to the Yuba City and presumably a result of this new sales initiative.

Although, the program was a success it was time consuming and requires an individual that has authority and knowledge about the products being sold. For instance, the owner in this case made many of the initial contacts with potential big customers but these customers would work with the owner only and it was difficult to educate the clerks at the centers about how to work with these consumers and to create a system where they could make price breaks for these customers without contacting the owner. Another challenge was creating meaningful contact opportunities. The approach requires mailers and phone calls which more times than not fail and require persistence throughout the process.

*Same Store Sales Data for the Copy and Color Copy Profit Center*

Looking at the data, the Yuba City center had enormous percentage gains on both profit centers. The following chart illustrates the gains and variances from 2009 to 2010 for the months that the new initiative was in effect.
<table>
<thead>
<tr>
<th>MONTH</th>
<th>2009</th>
<th>2010</th>
<th>VARIANCE</th>
<th>PERCENT CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAN</td>
<td>$35.00</td>
<td>$466.00</td>
<td>$431.00</td>
<td>1,231%</td>
</tr>
<tr>
<td>FEB</td>
<td>$39.00</td>
<td>$393.00</td>
<td>$354.00</td>
<td>908%</td>
</tr>
<tr>
<td>MAR</td>
<td>$58.00</td>
<td>$176.00</td>
<td>$118.00</td>
<td>203%</td>
</tr>
<tr>
<td>APR</td>
<td>$50.00</td>
<td>$238.00</td>
<td>$188.00</td>
<td>376%</td>
</tr>
<tr>
<td>MAY</td>
<td>$57.00</td>
<td>$148.00</td>
<td>$91.00</td>
<td>160%</td>
</tr>
<tr>
<td>JUN</td>
<td>$21.00</td>
<td>$91.00</td>
<td>$70.00</td>
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</tr>
<tr>
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<tr>
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<tr>
<td>SEP</td>
<td>$10.00</td>
<td>$209.00</td>
<td>$199.00</td>
<td>1,990%</td>
</tr>
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Table 8. Yuba City Location’s Same-Store Sales Data for Copy Profit Center

<table>
<thead>
<tr>
<th>MONTH</th>
<th>2009</th>
<th>2010</th>
<th>VARIANCE</th>
<th>PERCENT CHANGE</th>
</tr>
</thead>
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<tr>
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<td>FEB</td>
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</tr>
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<td>$8.00</td>
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<td>$32.00</td>
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</tr>
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<td>APR</td>
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<td>$221.00</td>
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</tr>
<tr>
<td>MAY</td>
<td>$6.00</td>
<td>$199.00</td>
<td>$193.00</td>
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</tr>
<tr>
<td>JUN</td>
<td>$11.00</td>
<td>$188.00</td>
<td>$177.00</td>
<td>1,609%</td>
</tr>
<tr>
<td>JUL</td>
<td>$1.00</td>
<td>$295.00</td>
<td>$294.00</td>
<td>29,400%</td>
</tr>
<tr>
<td>AUG</td>
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<td>$334.00</td>
<td>$292.00</td>
<td>695%</td>
</tr>
<tr>
<td>SEP</td>
<td>$2.00</td>
<td>$453.00</td>
<td>$451.00</td>
<td>22,550%</td>
</tr>
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</table>

Table 9. Yuba City Location’s Same-Store Sales Data for Color Copy Profit Center
The Same-Store sales figures for these two profit margins show incredible percentage gains and evidence that this new form of marketing has created new opportunities and brought growth to the center. These numbers become striking when compared with a demographically similar center under the same period.

Performing the same analysis on the comparable Fairfield Center, which continued past marketing strategies, shows the true success of this new program.

<table>
<thead>
<tr>
<th>MONTH</th>
<th>2009</th>
<th>2010</th>
<th>VARIANCE</th>
<th>PERCENT CHANGE</th>
</tr>
</thead>
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<tr>
<td>JAN</td>
<td>$155.00</td>
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</tr>
<tr>
<td>FEB</td>
<td>$119.00</td>
<td>$119.00</td>
<td>$0.00</td>
<td>0%</td>
</tr>
<tr>
<td>MAR</td>
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<td>$16.00</td>
<td>12%</td>
</tr>
<tr>
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<td>$141.00</td>
<td>-$49.00</td>
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</tr>
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<td>MAY</td>
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<td>$128.00</td>
<td>$1.00</td>
<td>1%</td>
</tr>
<tr>
<td>JUL</td>
<td>$139.00</td>
<td>$187.00</td>
<td>$48.00</td>
<td>35%</td>
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<td>AUG</td>
<td>$141.00</td>
<td>$139.00</td>
<td>-$2.00</td>
<td>-1%</td>
</tr>
<tr>
<td>SEP</td>
<td>$104.00</td>
<td>$99.00</td>
<td>-$5.00</td>
<td>-5%</td>
</tr>
</tbody>
</table>

Table 10. Fairfield Location’s Same-Store Sales Data for Copy Profit Center
Comparing the two centers percentage change in Same Store sales figure for both profit centers shows that the program had significant success.
This trend is repeated when making the same comparison for the Color Copy Profit Center.

<table>
<thead>
<tr>
<th></th>
<th>Yuba City</th>
<th>Fairfield</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAN</td>
<td>1,879%</td>
<td>-76%</td>
</tr>
<tr>
<td>FEB</td>
<td>1,385%</td>
<td>433%</td>
</tr>
<tr>
<td>MAR</td>
<td>400%</td>
<td>26%</td>
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<tr>
<td>APR</td>
<td>22,000%</td>
<td>6%</td>
</tr>
<tr>
<td>MAY</td>
<td>3,217%</td>
<td>-71%</td>
</tr>
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<td>JUN</td>
<td>1,609%</td>
<td>-20%</td>
</tr>
<tr>
<td>JUL</td>
<td>29,400%</td>
<td>3,600%</td>
</tr>
<tr>
<td>AUG</td>
<td>695%</td>
<td>-60%</td>
</tr>
<tr>
<td>SEP</td>
<td>22,550%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Table 13. Comparison of Sales Data for Color Copy Profit Center for Yuba City and Fairfield Locations

Looking at the percentage change in sales of copies at both centers, shows that while copy sales were dropping by significant percentage points at the Fairfield center for the period between Jan-Sept 2010 compared to the previous year; the Yuba City center was making dramatic percentage increases.

New Partnerships Created

Speaking to the Yuba City store manager, it became clear that beyond the numbers new opportunities were created and continue to be created as a result of this new strategy. As a result of this program, the center was able to partnership with a local winery to service their document service needs; now that has expanded to include their shipping and mailing needs. Another example of success is a recently created partnership
with the local school district to print and produce documents for local schools. This partnership stands to be highly profitable if it continues to expand. These opportunities would not have presented themselves from the previous marketing strategies.

Applying this Approach Across the Chain of Stores

The approach advocated by this study offers great opportunities for the franchisee in this study but presents logistical challenges as well. The first major issue to arise when attempting to implement this approach to all the centers is the need for a point person. The approach requires a customer account manager type individual who will be in charge of contacting perspective customers and working to build relationships with these customers. The skill set required by this position is not the same as that required for the operation of the centers. Thus, an obstacle in implementing this approach will be the ability to train an associate/manager to become a client manager.

The key success factor in this approach will be the ability of the client manager to build relationships with consumers. This individual’s ability to generate perspective clients and to foster relationships is the critical success factor. Without the creation of a successful relationship with the key consumers the approach is dead on arrival. Key factors in a client managers success are going to be persistence in contacting clients, strong knowledge of the product (ie cost and ability) in order to offer products and craft solutions for the consumer, and the ability to bring back customer input in the business planning phase.
This approach has significant risk, in that attempting to implement this strategy across the centers will require a significant expense in training and employee time. Without an effective training program and planning phase driven by ownership the expense associated with implementing this plan could go wasted.
Chapter 6

MANAGERIAL IMPLICATIONS

A failure to adapt to the changing marketplace and needs of the consumer will doom a business. The UPS Store must continually innovate its products and services to stay relevant to its customers. The current management has failed to take steps to ensure that product development is a strategy employed by its operations and this failure is evident in the lack of sales growth.

Management must take note of current and future trends affecting its products and services and implement this information into its marketing strategy. The approach advocated by this study creates a framework by which the franchisee in this system can supplement its current business. By going after key customers in its local market and building partnerships with them, these centers have the opportunity to create long-term revenue sources and gain invaluable information about the current and future needs of its large customers. The information collected from these relationships must then be analyzed by ownership to identify new products and services that are in demand by its consumer base, which can then be added to the services offered.

The approach advocated in this study requires that management approach its customers in a different manner. Rather, than selling to customers, it must attempt to work with customers toward achieving their goals. Critical to success of this approach is a change in mission to reflect this approach for the organization. Also, a retraining of staff to reflect this new mission and to constantly be on the lookout for opportunities to
build relationships with customers. Management must ensure that it leads a small team that will constantly look for big customers and to ensure that these relationships are maintained and utilized to create revenue opportunities for its centers in the future.

For the approach advocated by this study to be successful on a full-scale; ownership must approach it in an organized and well thought out plan. Ownership must first identify key customers to approach, build basic documents for contacting these consumers, follow-up schedules for key associates to contact these consumers and potential programs to sell to these consumers. Furthermore, ownership must identify key individuals to be in charge of implementing this program at each center and to build a system where-by ownership will be able to train, supervise and assist these individuals to ensure no opportunity is wasted. Reflecting on the capacity of this organization, the well organized program is feasible but must be led by the ownership group and not store management (ie. paid staff).
Chapter 7

CONCLUSION

A failure of the corporate franchisor and the ownership group to develop a strategic focus in its marketing efforts has left the centers without a clear plan for the future of the business. This failure combined with a rapidly changing consumer and technological base has left the franchise system in crisis. The challenge for the ownership of these centers is to develop a new strategy for business development that will be adaptable in the future and will ensure increased returns. The solution advocated in this study approaches customers in a different manner. By approaching the customer base from the perspective of a partnership rather than the traditional retail perspective; creates a non-confrontational and collaborative spirit. By collaborating with customers, a retailer can better gauge customer needs and provide for those needs creating new lines of revenue and customer loyalty.

The UPS Store for many years viewed its customers as individuals and organizations to be sold to rather than creating new products and services that were tailored to the needs of customers. By shifting this perspective, these centers can better serve current customer needs and develop new products in the future which will serve the needs of customers. The Yuba City store trial run displayed the value of this new strategy. By working with customers at the local level and evaluating the price point and product needs in the arena of document service; the center was able to make huge gains in an underdeveloped profit center. The strategy has already created several partnerships...
between local businesses and organization for the outsourcing of their printing. These relationship have the potential to grow and expand incorporating other services and by the impetus to introduce new services. This strategy will allow the centers to be proactive and nimble in an ever changing and volatile economy; giving the centers the ability to survive into the future.

The challenge for management in the future is to translate this trial run into a successful strategy for its entire operation. The nature of this strategy will require the ownership to take significant steps toward identifying individuals that are capable of selling in the fashion advocated, to train them and to cultivate the plan with constant leadership and attention. The solution advocated and implemented in the trial requires the organization to shift its selling approach and philosophy. At all levels the organization must view customers as potential partners and ensure that the organization structure supports the mission.
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<http://www.ups.com/content/corp/about/history/index.html>.
