Image. **Freepik, 2024.**

TuSurtiferretera: Planning to Grow



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2-SP28-11-241

Publication date: August 23, 2024

Last review: August 23, 2024

Tecnológico de Monterrey

CIC Centro Internacional de Casos

This problem situation was written by Marcia Lorena Rodríguez Aldana (marlore@tec.mx) and translated by Laura Elena Morales Garza of Global Words with the purpose of serving as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices. Some data on the problem situation has been modified at the request of the persons and institutions involved.

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GROWTH

Julián Ochoa, at 50, had decided to become independent from his job as manager of a national hardware company. Thus, in December 2018, he quit the job where he had been for more than 15 years, and together with his wife, Cristina Loaiza, decided to open his own business in the same area. Both looked for a retail space in a shopping center in the center of the city of Guadalajara. In less than a month, they already had a 50-square-meter space, and they signed a lease contract for one year. Julián said:

> I will do everything in my hands for our hardware store to be successful. Based on my knowledge, I will make sure to have a wide range of goods, so that our customers find everything in a single visit; customer's assistance will be my religion.

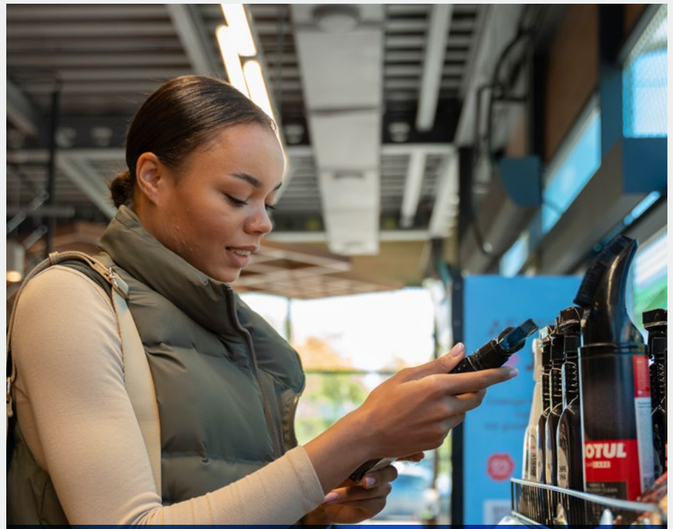


Image. **Freepik, 2024.**

TuSurtiferretera opened from Monday through Saturday, from 8 in the morning to 8 at night, and on Sundays from 10 in the morning to 5 in the afternoon, including holidays.

Julián achieved his objective and managed to offer over 10 thousand goods. Although his prices were 20% above his competitors', his customers were loyal, and his sales showed a steady growth since the first year. This was the result of his customers' finding everything they needed and preferred to pay a little more, but purchasing everything they needed in a single visit, in only one place.

Additionally, *Don Julián*, as his customers called him, was close to them and would get them products in one or two days if he didn't have them. Most of his customers were plumbers, or people in the construction industry. Albeit there always were people who independently came to TuSurtiferretera.

The administration of the store was managed by Julián. He and Cristina had a son, Carlos, who had worked as assistant in the store, to learn the trade, since 2018. In December 2019, Carlos graduated from the bachelor's in Business Strategy and Transformation and he was now working full-time in the family business.

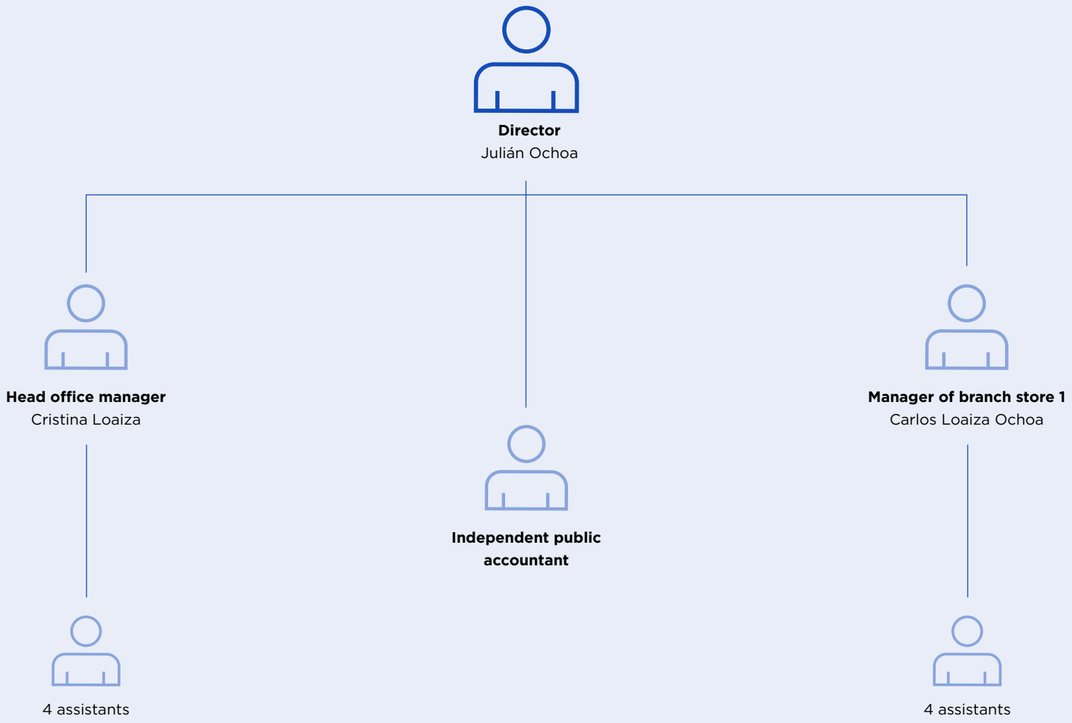
DRAWBACKS

Thus, in 2022, TuSurtiferretera opened their second store, in a 35-square-meter retail space, 15 kilometers away from the head office. Now, Julián was the Managing Director, Cristina, manager of the head office, and their son Carlos, the manager of the new shop.

Although sales and profits were not a problem, staff turnover was. Extended workdays at the store were not compensated due to a lack of competitive salaries for the staff, who would stay between four and eight months, as they said they were paid too little for so many work hours.

Another problem was that, as employees stayed for a short time, the owners did not place undue reliance on them. This resulted in a vicious circle. The staff did not feel appreciated, and adding to the salary issue, they quit in the short term, or they simply did not return after receiving their payment.

ORGANIZATION CHART OF TUSURTIFERRETERA



Source. Own elaboration, 2024.

On the other hand, since the business opened, Julián's position as a leader was to give orders and not delegate activities to the employees, preventing the development of trustworthy relationships with the staff. However, as soon as his son took control over the new store, the director felt that he should change his leading style.

Julián told his wife and son:

I think I have been very controlling. I need to delegate, starting with you. As of August, you will oversee the stores' inventories and deal with suppliers. I suggest that you do the same in the branch stores and that you involve some of the employees to reach some of the decisions. They must master the best sold products and know what the supply needs are. We must involve them and have them participate. This will help to make them feel they are an important part of the business. I know it will be hard, but if we want to grow, we must change.

On the other hand, Cristina agreed with her husband's remarks. Although she wanted to be as much as possible in the store, Cristina sought to involve her team in some tasks, and she treated employees with respect. She sometimes took into consideration the suggestions of an employee to arrange the products in a better way. However, Cristina was not sure that Carlos would involve and have the employees participate, as he was known for his nature to centralize decisions and always keep control.

Images. **Gravisio, Anditii Creative Marsiholo and Gravisio in Flaticon, 2024**

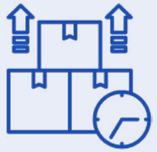
The Reyes Family was careful to keep an adequate control and kept an eye on inventory management. Some of the key performance indicators that they monitored were:



(a)
Accuracy of the physical inventory versus the one registered in the system.



(b)
Time of registration of entry into the stores, which had to be less than 24 hours.



(c)
Time of registration of goods' sales, which had to be done in less than two hours.



(d)
Inventory rotation. This enabled the optimization of operations, cost reduction, and improvement of customer's satisfaction by guaranteeing the availability of products.

THE HARDWARE INDUSTRY

In Mexico there were around 65 thousand local hardware stores ("de barrio" in Spanish, name given to small hardware stores), which reached sales of $975 billion pesos (MXN) (INEGI in Escobar, 2023). This sector had a 3.5% annual growth and contributed significantly to the country's GDP (ENF in *El Universal*, 2023).

Even when the COVID-19 pandemic represented challenges for different industries, in the case of the hardware sector it was positive thanks to its growth. The latter was the result of people who remodeled their homes, and a 12.3% growth was reached in 2021, with a 7.4% increase in sales in 2022 (Sánchez in Escobar, 2023; *El Universal*, 2023).

In 2023, nearshoring, a term that defines the relocation of companies (Escobar, 2023), provided opportunities for the hardware industry in Mexico due to the proximity and logistic advantages with the United States, as it favored the relocation of supply chains (El Universal, 2023; Escobar, 2023). It was expected to have a large part of the production of goods manufactured in Asia sent to Mexico, which would boost its growth (Escobar, 2023; *El Universal,* 2023). Nearshoring projected a 6% increase in the market by 2023 and a feasible growth of one or two percentage points by 2024 (Escobar, 2023).

It is important to highlight that the T-MEC (Free Trade Agreement between Mexico, the United States, and Canada), includes some environmental and work regulations that the companies of all three countries must follow, whose impact affects the operations and costs of the hardware industry (The Office of the United States Trade Representative, 2020). Additionally, the T-MEC increased the requirements of regional content for products, which compels manufacturers and distributors of hardware items to include a higher percentage of materials and original components from the member countries (The Office of the United States Trade Representative, 2020).

Likewise, in Mexico, International chains such as Home Depot compete with local hardware stores. Additional to the latter, e-commerce platforms such as Amazon and *Mercado Libre*, offer a wide range of products to purchase hardware goods.

CHALLENGES TO GROW

In July 2024, despite the positive numbers in sales and profits, Julián wondered the steps he should follow to make a new branch store grow in the following four months. "It would be a waste not to take advantage of this moment to grow, especially with the opportunities nearshoring brings. It would be ideal to open a new store on the first days of September to have time to get people to know us before the Buen Fin", he thought. "I hope that this first step I took delegating tasks to Cristina and Carlos and asking them to do the same will help us to develop better relationships with the staff. We must reverse staff turnover and be able to focus on the next branch store". Julián also decided to ask Carlos to find out market salaries and to make an immediate adjustment to prevent staff from leaving due to a bad salary.



Image. **Freepik, 2024.**

El Buen Fin is an annual event in Mexico, similar to Black Friday in the United States, which encourages consumption with significant promotions and discounts. It takes place in November, making the dates consistent with the holiday of November 20, day in which the Mexican Revolution is commemorated.

Simultaneously, he decided to work on preparing the growth plan as he needed to answer the following questions: Which should my short and long-term goals be? Which actions should be taken to accomplish them? How do I structure my work team? Which leadership strategies should I implement to accomplish all these?". Julián sipped his coffee and started working.

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