

Teaching Case

Starlight Optical : Embracing All That Glitters ?

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Tracy hung up the phone, and twirled her pen nervously. She then paced up and down her office restlessly. She just got off the phone with one of the salesmen. He was urgently pushing for her decision to whether or not to place any orders for an assortment of top designer eyewear. It was to be an assortment that was rather exclusive by the Malaysian eyewear retail industry standard. To compound to the urgency of her decision, it was not every day that salesmen carrying such top designer eyewear would travel all the way to small towns like Changlun to promote such products. It was only due to intense road-shows by the top brands, as part of their concerted large-scale promotion in Asia, that the salesmen were carrying such exclusive high-end brands. If Tracy were to postpone her decision and not place any orders, it could be a long wait for her before the next chance came by. That was why Tracy had to make up her mind overnight, though she had been mulling over it for the past week.

Overview of Starlight Optical

Starlight Optical in small-town Changlun was established by Madam Ho in 1996. It started off as the first and sole optical store in Changlun. By 2013, Madam Ho handed the full operation of the business to her daughter, Tracy Chao. Tracy had obtained a professional optician qualification, i.e. the Fellow of British Dispensing Opticians (FBDO) professional degree. This would qualify her as a licensed dispensing optician. Towards the end of her studies at the Axismatics Professional Institute, Tracy put her knowledge and skills to practice by working with optical retail stores in Kuala Lumpur. She first worked with Radiance, a family-owned optical business with a number of branches scattered around the capital city. After graduating, and with her FBDO qualification, Tracy worked at Focus Point, one of the largest optical chain stores in Malaysia.

Upon gaining experience and exposure in the optical industry, Tracy returned to Changlun to assist Madam Ho with the daily operations of Starlight Optical. Towards the end of 2005, Starlight Optical opened its first branch in Changlun, managed by Tracy. In 2013, Madam Ho closed down her store and shifted all her stocks of frames and lens to Tracy's store. In terms of Starlight's management organisation, Tracy would now be the managing director (MD) while Madam Ho the assistant MD. Both of them were also the shareholders of Starlight Optical. There were two store assistants manning the store and running its daily operations, with customer services and sales making up the bulk of their responsibilities.

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Starlight Optical was located at the heart of Changlun's retail centre, where Tracy had initially rented the premise and bought it eventually. With high volumes of car and foot traffic, it was the busiest retail precinct in Changlun. Most of the businesses, retail stores, eateries, and banks converged in that area. The Bukit Kayu Hitam sprawling industrial area was situated to the north of Changlun, University Utara Malaysia to its east, and the Changlun Matriculation College to its west, all within a 10-kilometre radius. A larger town, Jitra, lied 20 kilometres south of Changlun.

Product And Services

For any optical stores, frames would be the main product. In addition to prescription lens, contact lens, and sunglasses, Starlight Optical carried a diverse array of frames, ranging from a price of less than RM250 to approximately RM600. Starlight had in its ready stock approximately a total of 1,000 pairs of frames to cater for different tastes and preferences. Starlight had a good credit reputation with its frames/lenses/sun-wear salesmen. In small towns such as Changlun, it is the norm of the optical industry for the salesmen to only choose one retail store to place their brands. Since Starlight Optical had good credit reputation all these years, Starlight was the natural choice for the salesmen.

Frames with a price tag of RM250 or less made up about 50% of Starlight's assortment of frames. Midrange-priced frames were between RM250 and RM400, and these made up about 40% of the frames carried by Starlight. Among Starlight's highly priced frames, i.e. between RM400 to RM600, were brands such as Police, Seiko, and Oris. Starlight also had in its collection Rayban sunglasses with a price range between RM400 to RM800.

Every frame could be affixed with different types of prescription lenses such as multi-coated lenses (i.e. with anti-reflective, scratch-resistant, anti-static, and anti-smudge coatings), high-index lenses (i.e. thin and light lenses), and photochromic lenses (i.e. lenses that darken when exposed to sunlight), and bifocal/multifocal/progressive lenses (i.e. to see at different distances). Starlight's prescription lenses are mostly from established brands such as French-originated Essilor and UK-based Hoya Lens. These two companies are among the top global manufacturer and supplier of ophthalmic lenses.

In addition to sales of eyewear products, it was Tracy's business philosophy to provide impeccable customer service. Starlight provided complimentary eye tests, advice on eye-care and eyewear product care, referrals to ophthalmologist, and product deliveries. Starlight also made periodic after-sales call-backs to gauge customers' satisfaction. As part of Starlight's corporate social responsibility, it offered special discount rates for students, senior citizen, and physically disabled persons.

Competitors & Customers

The first competitor to Starlight Optical joined the bandwagon August 2005 when Changlun's first retail centre, C-Mart opened. Starlight's competitor was situated inside C-Mart where the high volumes of foot traffic were usually translated into actual sales. As years went by, more and

more optical stores were set up in Changlun; Starlight Optical had to vie for a slice of the market with 5 competitors.

Starlight's products did not differ much from those of its competitors. Differences were mainly in the form of packaging and services. For example, Starlight had come up with a special price student package within the range of RM100 to RM200, which was inclusive of a pair of frames and lenses. The frames used for this package were mostly in-house brands from China. Unlike most of its competitors, Starlight did not engage in price wars. Tracy held on to her principle not to lower prices in order to attract more customers. To her, such price wars might be successful in the short-run to attract one-time customers, but would not be sustainable in the long-run if the strategy was to build a base of loyal customers and in retaining them. Instead, one of Starlight's missions was to provide value-for-money products and services, and never to compromise on quality.

Starlight had a strong customer base. About half of them were returning customers, and remaining were new customers. Customers aged between 21 and 40 made up the bulk of Starlight's customer base (35%). These customers were mostly young working adults and university/college students. This did not come as a surprise. Starlight was located in close proximity with three institutions of higher education, i.e. Universiti Utara Malaysia, Universiti Malaysia Perlis, and Kedah Matriculation College with a respective student population of about 30,000, 7,000, and 2,000. According to Tracy, the cohorts of student population change every 3 to 4 years. Starlight was also a frequent participant of UUM's annual sales carnival typically held during new student intake seasons. Among the UUM student population, there was the international student segment, mostly from China, Africa, and the Middle East.

The Issue : Luxury Eyewear

To Tracy, luxury is as much about established brand names as it is about craftsmanship and quality. In the eyewear industry, luxury eyewear typically refers to frames with high-end prices. At the moment, the highest-priced frames that Starlight was carrying were frames from the Police, Oris, and Seiko brands, i.e. in the range between RM400 and RM600. These prices were relatively low if compared to the even more exclusive top designer eyewear (i.e. with price tags of RM1,000 or higher) such as Miu Mui, Bvlgari, Burberry, Versace, Tiffany & Co., Tom Ford, Jimmy Choo, Valentino, Prada, Oliver Peoples, and Oakley.

According to Starlight's many frames and lens salesmen, any optical stores intending to order any of the luxury eyewear would have to register an account with, for example, the Oakley brand. After having registered, an optical store would be able to submit an order for the Oakley frames. Luxury eyewear orders could only be in the form of bulk orders. For the Oakley frames, any orders would come in a minimum of 50 pairs of frames (i.e. a full range collection of different shapes, sizes, and colours), and the cost had to be paid upfront upon ordering. This was Tracy's predicament – if Starlight was to carry a luxury eyewear brand that could not sell as well as expected, Starlight would be unable to recoup its investment. Nevertheless, Tracy was contemplating carrying the Oakley luxury brand as a start; she dubbed it as Starlight's 'Project Luxury'. If Tracy was to miss out on the salesmen's call this time round, it would be uncertain when the next opportunity would come by. This was because at the moment a number of the

exclusive eyewear brands such as Oakley were promoting their products in Asia with a special time-limited promotional retailer price. Tracy wanted to take advantage of the special retailer price offer. At the same time however, Tracy worried if her 'Project Luxury' could take off, and if Starlight could recoup the costs associated with the sales of luxury eyewear.