

# MBA students advise home store, deli

UT's full-time MBA Innovation and Entrepreneurship program selects venture client partners to allow MBA students to "walk in the footsteps" of entrepreneurs and apply classroom learning to real-world business challenges. A recent partner was the Knoxville Area Urban League.

**The project:** The Knoxville Area Urban League requested support for two of its clients, Smoky Mountain Deli and Bliss Home, with the expectation that the students would provide these businesses with another enabler for their success.

**Clients:** Sherman Jones, vice president, Knoxville Area Urban League; Koudou Broux, founder, Smoky Mountain Deli; Scott Schimmel, owner, Bliss Home

**Students:** J.R. Hertwig, project manager, and Amy L. Lambert, collaborating with faculty adviser, Glenn Swift.

"We were pleased that we could partner UT's MBA students — future entrepreneurs themselves — with our clients as part of our program to help start and expand businesses in the empowerment zone," Jones said.

**Client 1:** Smoky Mountain Deli is a delicatessen, gas station and convenience store offering an array of signature Greek salads, gourmet hot dogs, sandwiches and weekly specials.

**The opportunity:** Smoky Mountain Deli asked the MBA students to evaluate a change in location, as well as to help them better understand the deli's customers, customers' needs, and revenue and profitability sources.

**Approach:** The students evaluated the deli's current business model, needs of the business, and plans for the future. They looked at pro forma cash flows of the business before and after their proposed changes to the deli's business plan, and they evaluated how these changes would affect the long-term viability of the business.

"Working with Smoky Mountain Deli helped me understand how important it is to plan and project cash flows to spot problems before they become a reality," Hertwig said. "An entrepreneur must do whatever it takes to fill in the gaps in their skill levels when forming a new venture."

**Results:** The students recommended to Smoky Mountain Deli a revised pricing structure; new locations to consider within Knoxville's Empowerment Zone; ways to control inventory and costs, such as through supplier consolidations and through better control of maintenance and repair costs; a revised product mix (for example, stop selling gasoline); ways to increase customer traffic, such as by increasing deli seating; and ways to reduce fixed costs.



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Lisa Sorenson and Scott Schimmel, owners of Bliss and Bliss Home, worked with UT MBA students to determine the feasibility of expanding its stores on Market Square.

"The students helped us better understand our cash flow, revenue, and margin issues," Broux said. "They helped us better understand what drives our success. Working with the students has been a great, great experience."

**Client 2:** A successful business of four years, Bliss Home is currently operating in two locations on Market Square.

**The opportunity:** Bliss Home asked the MBA students to analyze the marketing impact of expanding the business to a larger location and to recommend best practices for an integrated marketing communications plan.

**Approach:** The MBA team designed both a customer-value survey and an observation study to better understand the spending habits of Bliss Home's customers, to determine the effect of a store expansion on sales and to evaluate the impact of its Market Square location on attracting and retaining customers. The team also researched industry-wide response rates for various marketing tactics to benchmark best practices.

**Key findings:** The key conclusions of the survey were that the majority of customers are visiting Bliss Home

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because of the store's presence on Market Square and because of referrals by friends or family members. Research showed that a large store selection is important because customers want to see and touch the furniture before buying. The observation survey revealed that about 12 people visit Bliss Home per hour, approximately 18 percent of visitors make a purchase and the average purchase totals \$640.

**Results:** Based upon its data analysis, the team made three recommendations to Bliss Home: use marketing research to better identify, segment and target prime customers; implement several different direct and mass marketing programs; evaluate each one's effectiveness in driving customer visits and generating revenue; initiate a formal referral program; and consider expanding to a larger location on Market Square.

"The students were able to verify our target market, marketing strategies and confirm that our Market Square location was appropriate," Schimmel said. "The packet of information the MBA students provided will be incredibly valuable when we work with financial institutions to discuss a potential expansion."

Lambert said the students learned more "about the challenges that entrepreneurs face trying to balance strategic tasks with day-to-day operations."

"This project reinforced not only the importance of listening to one's customers but understanding that an entrepreneur's assumptions about its customers and business model may differ significantly from that learned through research results and analysis," Lambert said.