

# The Bookstore Awakens: SMO's Retail Rebellion on the East Coast

**Authors:** Norfazlirda Hairani, Nadia Hanum Amiruddin and Nik Syuhailah Nik Hussin

## Prologue

From a wooden bookstore in Pasir Mas to a retail network covering Malaysia's East Coast, SMO's journey is one of resilience, reinvention, and purpose. It has confronted competitors, economic slumps, and digital disruption, yet continues to prosper by balancing heritage with innovation. SMO's story serves as a reminder that retail is not merely about transactions, but about transformation. Every sale, customer interaction, and operational challenge contributes to a larger narrative of perseverance.

## Background and Company Overview

Founded in the 1930s in Pasir Mas, Kelantan, SMO began as a single bookstore serving a community that prized education. Under the stewardship of the founder's sons in the 1970s, the business expanded its scope, securing distributorships with Dewan Bahasa dan Pustaka (DBP) and becoming a major supplier of educational materials across Kelantan. What began as a family legacy gradually transformed into a regional retail network, with outlets in Kelantan, Terengganu, and Pahang. This expansion, while fruitful, brought complex challenges in operations, logistics, and workforce management.

## Evolution of Retail Operations

SMO's operational model evolved from a traditional manual system into a semi-digital retail structure. The timeline of change reflects both growth and adaptation:

1. 1970s–1990s: Expansion of product lines and distributorships.
2. 2000s: Emergence of new competitors; strategic expansion beyond Kota Bharu.

## THE AUTHORS

Norfazlirda Hairani<sup>1</sup>, Nadia Hanum Amiruddin<sup>1</sup>, Nik Syuhailah Nik Hussin<sup>1</sup>

<sup>1</sup> Faculty of Entrepreneurship and Business, University Malaysia Kelantan, Malaysia.

## KEYWORDS

Retail Operations, Supply Chain, Technology Adoption, Consumer Behaviour, Family Business, Resilience, Retail Transformation

## Disclaimer

This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision-making. The authors may have disguised names; financial and other recognisable information to protect confidentiality.

3. 2010s: Centralised supply chain management through IT systems.
4. 2020s: Integration of online platforms and e-commerce operations.

Each phase introduced operational complexities that ranged from inventory control to staff training, and forced SMO to rethink how it managed efficiency, costs, and customer engagement.

## **Key Issues in Retail Operations**

### **i. Supply Chain Coordination**

As SMO's network grew, maintaining efficient inventory flow became a key challenge. The centralised system initially caused delays and high logistics costs. A shift toward direct vendor-to-branch deliveries later improved responsiveness and reduced expenses.

### **ii. Technological Adoption**

SMO's digital transition enhanced real-time sales monitoring and data visibility but exposed weaknesses in technical capacity, employee readiness, and system integration. Balancing innovation with operational stability remained a persistent concern.

### **iii. Market Competition**

The entry of competitors such as Pustaka Seri Intan in 2000 disrupted SMO's market dominance. To stay relevant, SMO adopted a geographical diversification strategy, expanding to smaller districts and tailoring product offerings to local demand.

### **iv. Changing Consumer Behaviour**

Data from SMO's loyalty programme revealed that young parents aged 31–40, and not students, were the highest spenders. Understanding this insight allowed SMO to plan targeted promotions and manage seasonal inventory aligned with school terms and exam seasons.

### **v. Security and Shrinkage**

Retail theft posed operational risks, contributing to a 3–4% annual shrinkage rate. Investments in CCTV systems, electronic tagging, and entrance sensors helped minimise losses but underscored the realities of managing a multi-outlet retail business.

## **The COVID-19 Challenge**

The global pandemic severely tested SMO's resilience. Store closures, supply chain disruptions, and labour cuts threatened profitability. Yet, the crisis accelerated SMO's digital transformation, pushing it toward online platforms such as Shopee and TikTok Shop. To reduce costs, SMO decentralised distribution that allows direct supplier deliveries to outlets, and invested in online visibility. Despite digital growth, physical retail remained the company's financial backbone, proving that in-store experience still matters in the age of e-commerce.

## **Strategic Adjustments and Retail Reinvention**

SMO adopted a multi-dimensional response to sustain growth and remain relevant

- Optimising Retail Space: Outlets were redesigned to reflect local demographics and needs.
- Technology Integration: Enhanced POS systems for real-time sales tracking and analytics.
- Customer Loyalty Programmes: Personalised rewards and promotions based on buying patterns.
- Omnichannel Approach: Blending physical retail with online convenience to expand market reach.

These initiatives strengthened SMO's operational efficiency and market positioning amid constant industry transformation.

SMO's experience embodies several key principles in retail operations management and strategic adaptability. Its operational resilience has been evident through continuous restructuring and innovation, ensuring business continuity even amid crises such as market competition and the COVID-19 pandemic. At the heart of its success lies customer-centric retailing, where data-driven insights inform decision-making, inventory control, and promotional strategies to align closely with evolving consumer behaviours. The company's technological integration through the gradual adoption of digital tools, centralised systems, and online platforms has successfully bridged the gap between traditional retail practices and modern market trends. Furthermore, strategic diversification beyond major urban centres into smaller districts has allowed SMO to mitigate risks, tap into underserved markets, and enhance accessibility across the East Coast. Despite these achievements, persistent challenges such as digital upskilling, supply chain efficiency, and cost control continue to demand attention to ensure long-term sustainability and competitiveness in Malaysia's evolving retail landscape.

From its eight-decade journey, SMO's story offers a rich tapestry of lessons for small and medium-sized enterprises (SMEs). The company's resilience demonstrates that adaptability drives survival, as markets evolve faster than tradition can sustain. In navigating change, SMO learned that customer data serves as a compass, guiding strategic decisions that must align with real consumer behaviours and expectations. Moreover, technology acts as an enabler rather than an end goal, supporting efficiency and insight without overshadowing human connection or service quality. The company's experience during economic and health crises underscores how crisis often creates opportunity, revealing that true resilience emerges from continuous reinvention and strategic response. Finally, SMO's ability to balance its family-based roots with modern retail practices proves that heritage and innovation can coexist when shaped by a clear, forward-looking vision. Together, these insights offer enduring principles for SMEs striving to remain relevant and competitive in a dynamic retail landscape.

## **Epilogue**

From a wooden bookstore in Pasir Mas to a retail network covering Malaysia's East Coast, SMO's journey embodies endurance, reinvention, and purpose. It has confronted competitors, economic slumps, and digital disruption, yet continues to prosper by balancing heritage with innovation. SMO's story reminds us that retail is not merely about transactions but about transformation. Each sale, each customer interaction, and each operational challenge contributes to a larger narrative of perseverance.

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