WEST TEXAS A&M

COLLEGE OF BUSINESS

Jay Creighton

BUSI 6105: MBA Portfolio
Fall 2018

I propose this body of work for consideration as fulfillment of course requirements for the MBA portfolio.

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Jay Travis Creighton

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Education

Baylor University

Bachelor of Arts   Degree Conferred: May 2009
Major Areas of Study: Economics, Anthropology
Minor Area of Study: Religion
Grade Point Average: 3.42
Scholarships: Baylor University President's Scholarship, Baylor University Achievement Scholarship, Dr. Robert G. Packard Scholarship
Memberships, Activities, and Honors:

- Research Assistant for Dr. Sara Alexander and the Baylor Anthropology Department under the Gus C. Glasscock, Jr., Endowed Fund for Excellence in Environmental Science
    - Designed a study on the effectiveness of economic and community development programs in Belize
    - Lived in Belize for two months while carrying out an ethnographic field study
    - Results of the study received second place honors at the 2008 Society for Applied Anthropology's Annual Conference Student Research Contest in Memphis, Tennessee
- Lambda Alpha, the Anthropology Honor Society
- Dean's List - Two semesters with at least a 3.70 Grade Point Average
- Member of the Freshman Class Council
- Member of the Practice Squad for the Baylor Women's NCAA Basketball Team
- Member of Kappa Omega Tau, a Service Fraternity
    - Fourteen leadership positions held in Kappa Omega Tau, including four semesters on the executive committee
    - Top leadership positions held in Kappa Omega Tau include:
        - Chief Justice: Served as Internal Vice President, presided over executive meetings, and handled disciplinary measures
        - Vice President - Service: Organized weekly service projects for over 100 people
        - Float Chairman: Built the 2008 Judges' Award (First Place Overall) float for the Baylor Homecoming Parade
        - Mission Trip Chairman: Organized and raised funds for a mission trip involving over seventy people to Camp White Horse, a small Christian summer camp near Sandy Hook, Mississippi

West Texas A&M University

Masters of Business Administration   August 2011 - Present
Grade Point Average: 3.545   Expected Graduation: December 2018

- Recipient of the Graduate School Scholarship

Employment History

Fly Fishing Outfitters

Orvis Endorsed Guide & Instructor   May 2012 - Present

- Licensed as the highest level of river guide & instructor
- Instructor at the Orvis Fly Fishing School, the oldest fly fishing school in the nation

Vail Resorts

Ski Instructor   December 2013 - Present

- Certified by the Professional Ski Instructors of America as Alpine Level 2 and Children's Specialist Level 2
- Participated in Small Champions (a non-profit for special needs kids), Eagle County Schools Learn to Ski, and SOS (a non-profit for underprivileged kids)

El Quinto Ranch

Ranch Manager & Head Guide   November 2012 - March 2013

- In charge of marketing, strategic planning, and ranch operations

- Guided big game hunting trips in South Texas

Reel Action Outfitters
Guide   October 2013 - December 2013
- Guided steelhead fly fishing trips in Western New York
- Licensed by the State of New York

Eagle County Schools
Guest Teacher   March 2015 - Present
- Substitute Teacher for all ages, grades, and subjects

Cactus Feeders - Stratford Feedyard
Feed Delivery Manager   August 2010 - May 2012
- Supervised and trains multiple crews
- Managed a multi-million dollar budget and up to $100 million dollars in inventory
- The fastest and youngest ever promoted to manager through the company's highly competitive and rigorous management track
- Invited to speak at management training class about career development

Cactus Feeders - Wolf Creek Feeders
Shipping and Receiving Foreman   January 2010 - August 2010
- Supervised and trained a primarily Spanish speaking crew
- Coordinated the processing, medicine, and sorting programs and managed medicine inventories
- Inspected all incoming and outgoing cattle and oversaw all necessary paperwork in order to maintain proper billing and compliance with the Beef Safety and Quality Assurance Program and all applicable laws and regulations
- Educated employees on proper cattle handling techniques to ensure minimal stress

Feed Delivery Foreman   June 2009 - January 2010
- Coordinated the delivery and feeding of up to 1.8 million pounds of feed per day
- Determined the ration type and amount fed to as many as 65,000 head of cattle each day

References

Con Allday
Vail Resorts
Supervisor
(970) 754-4459

John Muir
Fly Fishing Outfitters
General Manager
(404) 245-7027

Ross Kelso
Cactus Feeders
General Manager
(806) 662-4741

Tres Hess
Cactus Feeders
General Manager
(806) 396-5501

Introductory Statement

My career to this point has taken a unique path. Since graduating college, I have taught clients how to catch their first fish and helped others catch the fish of a lifetime. I've introduced people to the wonderful sport of skiing and taught others to tackle the most challenging ski lines of their life. I've navigated clients down wild Western rivers with class IV rapids and guided people along small Eastern creeks. I've educated my students in diverse classrooms, ranging from the side of a river to the side of a mountain to a high school science lab. I've also taken care of hundreds of thousands of head of cattle, managed a deer herd, overseen fleets of equipment, managed inventory valued in the millions, and trained and supervised multiple crews. I've worked with clients young and old and from across the globe.

My diverse background has taught me a few things that have guided my professional goals. My experience and training in education and my understanding of the ultimate importance of communication have lead me to want to be in a position with the opportunity to influence others. The ability to influence others is the ultimate determinant in a successful outcome.

In addition, from both work and my MBA studies, I have developed a passion for quantitative analytics. Opportunities from my work experience and working with key individuals along the way created a spark that led to the creation of projects and further exploration of analytics and were a key motivation for beginning work on an MBA. My MBA Finance and Statistics classes furthered my education on the topic, and the Data Mining elective I took created another spark by introducing exciting new technologies.

My career to this point has evolved into what I would essentially call a unique career in education. I intend to take that to the next level by moving into a more distinctly business role. My goal is to transition into a role in financial and/or data analysis in order to develop a strong foundation of analytical skill and experience. From there, I plan to combine that experience with my communication ability to excel in management roles and roles with ever greater influence.

| GOAL 1: Professional Communication | OBJECTIVE 1.1: Professional Writing |

Financial Analysis of RadioShack Corporation

Course Name: Financial Accounting
Course Number: ACCT 6300-70
Term: Fall 2011
Professor: Dr. Friske

Project Requirements: For this project students were required to compile financial statement and industry data to provide an assessment of the company as a potential investment.

Goal and Objective 1.1: Professional Writing Assessment Form

Executive Summary: An executive summary is presented prior to the rest of the paper. The analysis is introduced, the primary topics are covered briefly, and the recommendations are concisely summarized. The executive summary meets all the requirements of exemplary demonstration by inclusion of the topic, organization, main points, and recommendations, all presented in in a clear, concise, informative manner.

Introduction: The introductory section of the paper briefly sets the stage for the rest of the paper. The primary topics are covered as they are organized in the paper. The introductory elements of any written communication are vital as they draw readers in, prepare them for the information and arguments to follow, and set their expectations. Setting the tone early is critical to the success of the entire communication. The ability to engage the reader and to provide a map of the organizational structure using the introductory material is clearly demonstrated.

Background: Background information about RadioShack Corporation is given along with information about the company's stated focuses. Further industry background and comparison information is provided as needed throughout the analysis. This background information is essential to the reader's understanding of the company and the industry in which it operates. Without this industry information, recommendations based solely on the financial data and the associated ratios would likely have led to a very different set of recommendations. Extensive overview and background information relevant to the important parts of the overall paper are included in this section.

Analysis of Issue: Several methods of analysis are used to assess RadioShack's suitability as an investment. Financial statement data and key financial ratios are analyzed, including changes over time as well as industry comparisons. An industry analysis considers historical changes, current trends, and RadioShack's necessary potential adaptations. The analysis paints an accurate picture of the company's financial situation and prospects. As a requirement of the assignment, supporting financial documents were constructed and calculated from financial data and are included as an appendix.

The ability to both provide and communicate thorough analysis of the topic is demonstrated in this section. The appropriate analysis methods, financial statement analysis, ratio analysis, and industry analysis are used to paint the necessary picture. Additionally, the relevant hand-calculated supporting documents demonstrate both the ability to perform the analysis and to provide the necessary support.

Recommendations: Following the financial analysis, recommendations on RadioShack's investment suitability are given. Based on the financial metrics, RadioShack is rated as a hold in the short-term and as a sell in the long-term due to the changing industry outlook. These recommendations were based on solid financial analysis and proved quite prescient in the years since the paper was written.

The ability to both provide and communicate recommendations that are relevant, high quality, feasible, and based on a solid theoretical foundation is demonstrated throughout the paper. The recommendations weigh all relevant metrics from the analysis and provide actionable steps that lead to good outcomes. Years after the recommendations were made, they proved to be remarkably accurate.

Conclusion: The conclusion section of the paper summarizes the important points, ties all of them together, and puts the analysis and recommendations into perspective.

The conclusion section of the paper clearly demonstrates the ability to summarize the results of the analysis and reinforce the recommendations made.

References: APA

Style: The writing style used in the paper is clear, concise, and free from errors. The paper is organized with a simple, intuitive structure, which moves the reader easily through the important points.

The paper demonstrates the ability to communicate without spelling, typographical, or grammatical errors. Furthermore, the layout of the paper clearly demonstrates the ability to use the structure of the paper to contribute to the effectiveness of the communication.

Comment: Looking back on this work years later, I am proud of both the writing and the analysis. The recommendations about the company and predictions about the industry turned out to be remarkably accurate. If I could change anything, I would have liked to use a more in-depth analysis and analyze the company using techniques learned in the time since taking this class. Given the class and the nature of the assignment, however, I think the analysis was appropriate.

Financial Statement Analysis Project

Analysis of RadioShack Corporation

Prepared by Jay Creighton for

Dr. Karyn Friske

ACCT 6300-70

7 December 2011

Executive Summary

In consideration of RadioShack, Corporation as an investment, this article explores the background of the company, its place in the industry, and its stated focuses. Key financial measures and ratios are explored to evaluate performance trends. Short-term measures paint a mixed picture, while the company's long-term financial position has improved by reducing long-term liabilities. RadioShack operates in a fast-changing industry, and its ability to compete in the long-term will be a result of its ability to adapt to changing trends in electronics and the nature of retail. RadioShack is rated as a hold in the short-term and as a sell in the long-term.

Analysis of RadioShack Corporation

RadioShack is a familiar storefront for many and a consistently strong player in the electronics retail category. For decades RadioShack has owned the niche for electronics parts, and they have successfully adapted to changing industry trends to sell all manner of electronics, including stereos, computers, and, most recently, wireless phones and plans. Due to those adaptations, their financial performance has consistently been strong. In order to assess the suitability of RadioShack as a short or long-term investment, the company's background and place in the industry will be considered, followed by analysis of key financial measures and ratios. Industry trends and outlook affecting RadioShack will be considered, and, finally, recommendations will be made.

Background

RadioShack Corporation, headquartered in Fort Worth, Texas, is the fourth largest player in the Electronics Retailers industry (YCharts). They boast over 7100 retail locations, including storefronts and kiosks, in the U.S. and Mexico, along with several other stores located around the world. The company's stated product focus is on mobile devices, accessories, and services. RadioShack provides wireless services through all major carriers (Investor Relations).

Analysis

While still higher than the industry average, the trend in RadioShack's current ratio from 2009 to 2010 does not portray a picture of financial strength. Current liabilities were up significantly which was coupled with a sharp decline in current assets. The year-to-year change

in working capital, which is derived from the same two figures, echoes the statement made by the current ratio. However, a contributing (and offsetting) factor in the increase in current liabilities was a very significant decrease in long-term liabilities. As long as current liabilities may be met, the reduction in long-term liabilities paints a very positive picture for the long-term solvency of the company. The increase in the debt to total assets ratio indicates a position of overall lower solvency; the change comes primarily from a decrease in current assets but is offset some by an overall decrease in liabilities (YCharts. RadioShack).

Several of the company's measures of return have shown improvement despite already being well ahead of the industry average. The Shack's return on equity ratio is up five percentage points after being just shy of the industry average a year ago, and the return on assets ratio is up a percentage point from 8.44% to 9.47% while the industry average hovers around 7.2%. The gross profit margin stays well above the industry average despite a slight drop on the year. One of the company's stated competitive advantages is its ability to keep costs low (Investor Relations). During 2010, they were able to create an increase in sales sufficient to outweigh the increases in the costs associated with selling and producing the goods, but only by a slight margin. Net income increased slightly from $205 million to $206.1 million. Gross profit was up by nearly $50 million, but the selling and administrative expenses increased by almost the same amount due to incentive plans used to sell wireless services (YCharts. RadioShack).

RadioShack operates in a very difficult segment of its industry. The electronics industry is certainly booming due most specifically to the popularity of mobile devices. RadioShack

started out selling parts needed to repair radios. Today, mobile devices have converged with nearly every other technology we use and therefore dominate the marketplace. Mobile devices are many consumers' primary means for music, communication, photography, and more. They will likely continue to erode the market share of all other electronic devices. RadioShack has seen this phenomenon and has situated itself to take advantage of it. However, the industry itself has restructured. Brick and mortar superstores and online superstores dominate a great deal of the market, and many consumers go directly to their carriers to purchase devices. RadioShack must compete with Wal-Mart, which is not even included in RadioShack's industry segment (electronics stores) and Best Buy. Amazon owns a large portion of the online market. AT&T sells a great deal of its phones directly to customers (YCharts). One tactic RadioShack has chosen to compete is by partnering with Sprint (and in the past, T-Mobile) to operate kiosks. They operate several hundred kiosks in Target (though not under the RadioShack name) (Investor Relations).

Recommendations

RadioShack has been a solid performer for years, which has led to many of the company's financial measures being well ahead of industry averages. Recent changes in many measures, however, have been a mixed bag. Some have shown slight improvement while some have slightly faltered. There are some bright spots in the company's financial picture, most notably the significant repayment of long-term debt. In short, the company appears to be improving their long term position, showing mixed results in shorter-term measures, and doing it all in a very difficult industry. In the short-term, the RadioShack can be rated a hold, and

despite the reduction in debt, the long-term outlook for RadioShack's niche is too bleak to be considered anything but a sell.

Conclusion

RadioShack has a healthy niche that has remained strong for years, but with the direction the industry is heading, consumers may no longer see a need for the Shack. Financial measures in the short-term are mixed but still mostly higher than the industry average; some measures, however, may be indicating the start of a downward trend. The substantial decrease in long-term liabilities indicates a positive long-term financial position, but that position, along with initiatives to adapt to changing industry trends, may not be enough to combat the changes that retail is facing. With or without the financial measures, the outlook for the Shack is bleak.

References:

Electronics Industry Rankings: EPS. (n.d.). Retrieved December 01, 2011, from

http://ycharts.com/rankings/industries/Electronics Stores/eps

Financial Results: RadioShack. (n.d.). Retrieved December 02, 2011, from

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Investor Relations. (n.d.). Retrieved December 02, 2011, from

http://ir.radioshackcorporation.com/phoenix.zhtml?c=84525&p=irol-sec

RSH: Summary for RadioShack Corporation. (2011, December 01). Retrieved December 01,

2011, from http://finance.yahoo.com/q?d=t&s=RSH

Appendix A

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RadioShack Corporation
Comparative Income Statements for the Periods Ending December 31

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	2010		2009	
	Amount	**Percent**	**Amount**	**Percent**
Net Sales	$4,472.7	100.0%	$4,276.0	100.0%
Cost of Goods Sold	2,462.1	55.0%	2,313.5	54.1%
Gross Profit	2,010.6	45.0%	1,962.5	45.9%
Selling and Administrative Expenses	1,554.7	34.8%	1,507.9	35.3%
Income from Operations	375.4	8.4%	369.4	8.6%
Interest Expense	(41.9)	-0.9%	(44.1)	-1.0%
Other Income (Expense), net	2.6	0.1%	3.2	0.1%
Income Before Income Taxes	336.1	7.5%	328.5	7.7%
Income Tax Expense	130.0	2.9%	123.5	2.9%
Net Income	$206.1	4.6%	$205.0	4.8%

Appendix B

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RadioShack Corporation
Comparative Balance Sheets for the Periods Ending December 31

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			Increase (Decrease) During 2010	
Assets	**2010**	**2009**	**Amount**	**Percent**
Current Assets	$1,778.7	$2,015.7	($237.0)	-11.8%
Property Assets (net)	274.3	282.3	(8.0)	-2.8%
Other Assets	122.4	131.3	(8.9)	-6.8%
Total Assets	2,175.4	2,429.3	(253.9)	-10.5%
Liabilities and Stockholder's Equity				
Current Liabilities	908.1	654.5	253.6	38.7%
Long-term Liabilities	424.8	726.5	(301.7)	-41.5%
Total Liabilities	1,332.9	1,381.0	(48.1)	-3.5%
Stockholder's Equity				
Common stock	146.0	191.0	(45.0)	-23.6%
Additional Paid in Capital	147.3	161.8	(14.5)	-9.0%
Retained Earnings	1,502.5	2,323.9	(821.4)	-35.3%
Treasury Stock (Cost)	(949.0)	(1,621.9)	672.9	-41.5%
Accumulated Other Loss	(4.3)	(6.5)	2.2	-33.8%
Total Stockholder's Equity	842.5	1,048.3	(205.8)	-19.6%
Total Liabilities and Stockholder's Equity	$2,175.4	$2,429.3	($253.9)	-10.5%

GOAL 1:
Professional Communication

Video Book Review: Everybody Lies

Course Name: Seminar in Evolutionary Marketing
Course Number: MKT 6352-70
Term: Spring 2018
Professor: Dr. Gerlich

Project Requirements: Students were required to read the book *Everybody Lies: Big Data, New Data, and What the Internet Can Tell Us About Who We Really Are*, by Seth Stephens-Davidowitz, and provide an insightful video review of the book including its implications on society, business, and our lives. Students were graded on the use of media, presentation skills, and the quality of the content.

Goal and Objective 1.2: Oral Communication Assessment Form

Organization: The opening statement draws the audience in by covering some of the more riveting topics covered in the book, while introducing some of the key points and structure of the review. The primary arguments of the book are outlined, as are the arguments that I make in my review concerning the book. The reader is given a clear understanding of what to expect throughout the presentation.

The manner in which the introductory material engages the audience, provides an outline for the rest of the material, and sets up the viewer's expectations, demonstrates the ability to craft and deliver an appropriate opening statement. The logical nature of the organization which leads the viewer through all important points in a progressive, understandable manner and maintains focus demonstrates the ability to organize an effective speech or presentation.

Content: In the review, I wrestle with the primary arguments of the book, I qualify the claims he makes using the most current data available, present alternatives to his claims, and use the tools and sources that he relies upon.

The author presents several arguments which in my review I distill from the many supporting tools and arguments that he employs. Among those arguments are that big data analysis will be a driving force in the social sciences, and therefore, that lay people will be able to contribute to the social sciences in a much greater way going forward. I challenge some of his arguments by seeking to quantify some of his claims. Using the very tools and data sources that he uses and using up-to-the-minute data, I paint a picture of the landscape which he is describing. The data from I obtain from Google Keywords and Google Trends demonstrate that the phenomena which the author describes have not happened yet, but may still be on the horizon. I distinguish a point which he makes but which may not be abundantly clear by saying, "He isn't documenting a revolution, he's predicting one." My use of up-to-the minute data, using the very tools the author of the book uses, and wrestling with all of his major points in an objective, logical manner demonstrates the ability create and deliver exceptional content for a presentation of this nature.

Summary: The summary of the review includes a recap of the main points of the review: that the entertaining anecdotes and results of the author's findings are merely support for his primary arguments, that a new era for the social sciences is on the horizon, and that big data is more available and accessible than ever before.

By distilling the volumes of information and anecdotes that the author provides into a set of actionable takeaways, the reader, upon listening to the presentation, is equipped with an understanding of the primary arguments of the book.

The inclusion of key concepts and issues in a useful, relevant, and meaningful way at the end of the presentation demonstrates that I have the ability to summarize and conclude a presentation in a concise and memorable manner.

Delivery: Throughout the presentation, I maintain a comfortable, confident body position, which allows me to meaningfully convey my message to the audience. I speak slowly and clearly for easy, unimpeded understanding. I consistently use emphasis on key terms to convey meaning and successfully convey my enthusiasm for the topic through my tone.

Because my delivery in the presentation is confident, clear, and creative, the presentation demonstrates that I can effectively communicate orally.

Mannerisms: Throughout the video, I consistently engage the audience and demonstrate enthusiasm by employing confident, natural body language. My use of body language both encourages and facilitates focus on the content and meaning of the presentation. My use of appropriate body language demonstrates that I have the ability to use non-verbal communication to enhance the meaning of a presentation because it is confident, natural, and enthusiastic.

Use of Media: The requirements of the assignment were to record a video review and publish it to YouTube. It can be accessed at https://youtu.be/6hEzHJ1AVRI. All technical requirements were met and the review has been broadcast to the world via YouTube. The presentation quality, with a focus on simplicity, aids the viewer in focusing on the content and absorbing meaning without distraction.

The high quality of the video recording demonstrates that I have the ability to create a professional video presentation. Posting the video to YouTube per the requirements of the assignment demonstrates that I have the ability to make use of available media channels to interact and communicate with the broader world.

Comment: There are several changes I would have made if I were to do the project over. The lighting was slightly too low and may have taken away from the overall impression of quality. Additionally, the placement of my prompts did not lead to ideal eye contact with the camera, which could have been a distraction for some viewers.

Video Review: Everybody Lies

Access the video on YouTube from this link: https://youtu.be/6hEzHJ1AVRI

Transcript:

In his book, Everybody Lies, Seth Stephens-Davidowitz presents the potential of the Big Data Revolution in the social sciences. Using fascinating findings from topics as diverse as sexuality, racism, and abortion, he paints a picture in which we can use new types of data as a mirror for humanity, and perhaps it is the clearest lens available to peer closely and accurately at ourselves.

The book is filled with surprising (and sometimes not so suprising) insights that would likely never show up in traditional survey data. We learn about unreported abortions, how racism affected recent elections, and more about sexual preferences than I ever wanted to know. But as provocative and sometimes shocking as his findings are, they're not the point of the book. In his words, "this book is more than a collection of odd facts or one-off studies, though there will be plenty of those. Because these methodologies are so new and are only going to get more powerful, I will lay out some ideas on how they work and what makes them groundbreaking" end quote. The book is not about the findings, but about the data itself, its power and potential, and its effects on our understanding of the world.

I decided to use a few of Stephens-Davidowitz's own tools to answer a few questions that were raised for me while reading his book. First, he deals primarily with big data for social sciences. According to Google Adwords, the keywords "big data economics", "big data psychology" and "big data social science" all rank very close to Google Adwords lowest ranking, ranging from 100 to 1000 searches per month or less. We can only read so much into those numbers, but many of Stephens-Davidowitz's premises rest on the assumption that Google searches are a proxy for relevance and interest. So how do these compare to the bigger world of big data and data analytics? According to Google Adwords, terms like "big data marketing" and "big data business" are searched for significantly more frequently, up to 10,000 searches per month for each of those two. "big data analytics" is searched for up to 100,000 times per month, and the more generic "big data" is searched for up to a million times each month.

The next tool I turned to was Stephens-Davidowitz's original source, Google Trends. Searches for the terms "big data marketing", "big data business", and the more general "big data" have all increased more than 20 fold in the past decade or so. And what about the corresponding data for terms such as "big data psychology", "big data economics", or "big data social science"? In Google's exact words: "Hmm, your search doesn't have enough data to show here." In other words, the ultimate topics that Stephens-Davidowitz addresses and comments upon, in their most general terms, don't yet even register on his own original medium.

But this doesn't detract from his argument; in fact, I think it strengthens what becomes one of his main points. According to the Bureau of Labor Statistics, there are many times more marketers and analysts than there are psychologists and economists. Big Data in the world of business and marketing is a much more mature and crowded field than the social sciences. And the search data confirms that. But what I think is also confirmed by these search numbers is that there is significant potential in the social sciences. Just because the searches aren't currently there, doesn't mean they won't be there eventually. While Stephens-Davidowitz references many interesting facts and findings from his own current research, he speaks more about what could be than what currently is. He isn't documenting a revolution; he's predicting one.

And all of this potential sets the stage for what is ultimately his call to action. He says that he expects that the next great social scientists will be data scientists. But I think he is implying much more than he is saying. Not only will the next big breakthroughs in the social sciences come from big data, but many of them may come from lay people. They may come from you and me. The cost of analyzing search data is miniscule compared to running traditional studies and trials, and therefore research is no longer limited to PhDs with research budgets and access to grants. The requirements, according to Stephens-Davidowitz, are actually quite minimal. After stating what I think is his primary objective in writing this book, he spells out those requirements, and then follows with his call to action, when he says: "I hope there is some young person reading this right now who is a bit confused on what she wants to do with her life. If you have a bit of statistical skill, an abundance of creativity, and curiosity, enter the data analysis business."

Everybody Lies is entertaining and enlightening on multiple levels: not only are the findings Stephens-Davidowitz presents riveting in their own right, they lend support to the arguments he makes. They demonstrate that big data has brought about a new era for the social sciences, and that we have barely scratched the surface of the potential of the new data. Most importantly, he implores us that this data is more accessible than ever before, and that anyone can access and learn from it. Perhaps I am one of those young people he was hoping to reach. I still count as young, right? Perhaps I have a few questions that could be answered with search data. Perhaps I'll have to make some more of these videos!

GOAL 2:
Leadership

OBJECTIVE 2.1:
Capacity to Lead

Discussion Paper: Group Behavior

Course Name: Seminar in Organizational Behavior
Course Number: MGT 6334-70
Term: Spring 2013
Professor: Dr. Mills

Project Requirements: Groups were required to discuss topics related to group behavior, leadership, and communication, and their effects on the organization and its goals.

Goal and Objective 2.1: Capacity to Lead Assessment Form

Relating to Group: Given that the primary topic of the paper is group behavior, many aspects of relating to a group are demonstrated. Communication, group decision-making, leadership, and motivation are all discussed thoroughly. The section on communication thoroughly discusses the importance of effective communication within the organization, and a source is cited recognizing that communication represents up to 80% of a managers responsibility. The basic process of communication as well as relevant topics that influence the outcome of communication including feedback, formal and informal communication, and verbal and nonverbal communication are presented.

Ability to Listen: Much time in the paper is spent on the topic of communication. Many aspects of listening are covered in depth, from the basic level of decoding messages from the speaker to engaging emotions in the listener. Managers are implored to be good listeners and to develop their listening skills. A clear understanding of the topic of listening is demonstrated.

Ability to Manage: Effective management requires effective communication, decision-making ability, and the ability to give useful feedback. Each of these topics is covered thoroughly in this paper. The entire process of communication is covered, including the basic steps of encoding and decoding messages, verbal and nonverbal communication, listening skills, and formal compared to informal communications. The importance of giving useful feedback is covered, and guidelines for doing so effectively are presented. An eight-step process for decision making is presented, and many factors that influence that process within organizations are recognized.

Balance: A good manager is balanced in their priorities, abilities, and focuses. They must be able to bring about and affect change, communicate with team members, provide feedback, and make decisions in a group setting. The different ways that a manager can bring about change are discussed, along with examples of each. Organizational communication is covered thoroughly, from the basic process of communication to key factors affecting the outcome of communication. Feedback is essential to every organization and itself is a catalyst for change. Group decision-making is covered including benefits as well as hindrances.

Decision: Decision-making in organizations is one of the primary topics addressed. An eight-step model of decision-making is given as well as a discussion of different types of decisions, the implications of the quality of the decisions for the organization, considering potential outcomes, and the benefits of group decision-making. The role of uncertainty, emotion, time, politics, and economic considerations are recognized and guidelines are given for dealing with each.

With the step-by-step process provided as well as an understanding of the influences on decision-making that are discussed, a complete framework for decision making is presented. The tools and considerations presented allow for the many difficulties of making decisions to be managed effectively in order to determine the best possible course of action in a given situation.

Understanding Change: Understanding, analyzing and communicating change is vital to a manager's role. The paper thoroughly discusses leadership styles and how each contributes to positive change as well as the way in which leaders effectively communicate that change. The section on transformational leadership specifically notes the inherent change in the society or organization that goes along with that particular style. Even transactional leaders, which are presented in opposition to the focus on transformation, are defined by the way in which they change processes, roles, and systems. Excellent examples are included of leaders who contributed substantial changes to their respective organizations and society as a whole. By introducing change into their organizations, these exemplary leaders changed the way their entire industries worked, and their influence has spread throughout society.

Comment: Reading back through this paper years after completing it, I am very proud to have written it. The topics are covered thoroughly and professionally. More importantly, while thinking back over the years that have passed, it is apparent that the information in this paper has been internalized and put to use in my professional career. As with many roles, professional communication, decision making, and leadership have always been critical in my career. This paper was clearly a formative experience in those areas.

Discussion 2: Group Behavior

Group 12:

Jay Creighton

Autumn Greer

Sarah Kauhl

Christie Russell

There are many facets of organizational behavior, some more integral than others. Group behavior is extremely important to take into consideration when analyzing the behavior of an organization. Group behavior covers a wide breadth of subjects, including – but not limited to, group decision making in organizations, organizational communication, and transactional vs. transformational leaders.

Decision Making in Organizations

We all make countless decisions every day. Some are large; some are small. Some decisions have profound impact on our lives, and others are so routine we do not even realize we have made them. We have certainly all made our share of both good decisions and bad decisions. Just as the decisions we make come to define our lives, organizations are also shaped by decisions.

Organizations have both large and small decisions, too. Some decisions are structured; some are not. Some decisions are only made by high level executives, while others are made by the people most impacted by the decision. Some decisions involve many millions of dollars and must be made very quickly. The way an organization approaches each of these issues can have a significant impact on the quality of the outcomes of these decisions and, therefore, on the success of the organization.

The text outlines a general model of decision-making. While sometimes followed explicitly, these steps are much more often implicit and informal. Some problems fit the model better than others, and some require more or less time spent on certain steps.

1. Recognize and identify the problem
2. Define the objectives or goals
3. Make a predecision
4. Generate alternatives
5. Evaluate the alternatives
6. Make a choice
7. Implement it
8. Evaluate and follow up

This model defines the structure of the decision-making process. Generally speaking, decisions will be better made if the structure is explicitly followed. In other words, only vaguely understanding the problem and not being clear about goals, then ending the generation of alternatives early and glossing over the evaluation of those alternatives is not likely to produce quality outcomes. Imposing this structure on different decisions helps to systematize them and leads not only to higher quality but also more consistent outcomes.

To help deal with the variety of decisions an organization may face, we can classify them several ways. Programmed decisions and nonprogrammed decisions

refer to the relative routine nature and complexity of decisions. Simple decisions made on a routine basis are said to be programmed decisions and usually have lower consequences associated with them. What to eat for breakfast and what to wear every morning are examples of programmed decisions from our personal lives. Programmed decisions made in organizations include how to classify a sales order or what office supplies to order. On my first job out of school, I had to decide whether or not to give more feed, take feed away, or do nothing to as many as different 400 pens of cattle every day. "Programmed" is an excellent description of those decisions. There were times that I finished the several-hour-long job and was unable to remember doing it. Nonprogrammed decisions, on the other hand, are both more complex and generally less routine in nature. What career path to choose and what kind of car to buy would be classified as nonprogrammed decisions from our personal lives. Dealing with unexpected shortages in supply or choosing a new advertising venue are examples from the business realm. A subset of nonprogrammed decisions worth mentioning is the group we call strategic decisions. These types of decisions involve the direction of an organization; they are major moves made at the top. Management can maximize the likelihood of consistency in nonprogrammed decisions by imposing structure with a specific decision-making process. Whether or not a decision lends itself easily to such a structure, the outcomes will likely be better and certainly more consistent.

Information, or the lack thereof, plays a key role in the decision-making process. Situations where the outcome is not known are said to have high uncertainty, and uncertainty equates to risk. Because uncertainty means the lack of information, effort can be made to simply find the information. However, doing so may be expensive or even impossible, so the value of the information should be compared to the potential for gain.

Upon recognizing uncertainty, decisions makers will evaluate the probabilities of one or more of the potential outcomes. Sometimes these probabilities are clearly defined and well understood. Other times they are simply unknown. People naturally draw upon personal experience and intuition in these situations. While doing so is not always a bad thing, relying on experience and intuition has the potential to be very dangerous and lead to poor decisions, especially if these factors are not recognized as such.

As companies move towards "flatter" corporate structures, the decision-making process is greatly affected. Traditionally, subordinates gathered information and presented it to a manager, who then made a decision. Today, however, there is a trend towards empowering employees to make decisions without approval. The benefits from this model are twofold: first, the decision maker is often much closer to and may better understand the problem at hand; second, the employee is likely to be more committed to a self made decision than to an imposed decision.

We are all rational thinkers and decision makers, right? Who would call themselves otherwise? However, taking a step back, it is easy to see that people

(including ourselves) often make decisions that are not entirely rational. We make decisions based on emotion, convenience, and every now and then we just neglect to think things through completely. There are several ways we can classify constraints on our ability to make rational decisions. We cannot possibly generate all of the potential solutions to a problem. We do not have perfect and complete information. We do not always have the resources necessary to evaluate the problem or to implement the solutions. These limitations together comprise what we call bounded rationality. They are natural and often unavoidable limits or barriers that keep us from perfect decision-making.

Furthermore, decision makers often stop the process when one acceptable solution is found, even if a better solution may be out there. This is essentially cutting short step 4, generate alternatives, in the decision-making model above. Because an optimal solution is not found, this situation is called a satisficing decision. One cause of satisficing decision, as well as other poorly made decisions, is the inevitability of time constraints in today's business environment. Ever increasing workloads and pressures from every direction have certainly contributed to their share of poorly made decisions. Management can stem this problem by not only providing time, but mandating that it be used to make significant decisions. A rushed decision of the right magnitude can cost much more than the labor saved by an overworked staff.

Political pressures undeniably take their toll on decisions. Every decision made against the grain is paid for in political capital, a currency that is hard enough to come by as it is and is certainly in high demand since many careers are bought and paid for with the same.

We have all experienced the effects of framing an issue in order to gain its acceptance or approval. More importantly, we have all been guilty of purposefully using framing to our advantage. Every story has two sides, and giving just the right emphasis in just the right place can make all the difference in how a problem is perceived. Option B sounds much better after Option A, which costs ten times as much, is introduced first. Think of all the great things that will happen if only we invest in X.

Heuristics are another double-edged sword in decision-making. Heuristics are rules of thumb used to simplify a problem. Heuristics can provide structure and proper perspective to decision-making. Many times, however, they cause problems when we try to force fit a rule of thumb onto a problem it does not fit. One example of a heuristic is the availability heuristic. This occurs when people make decisions based on whatever information they have available rather than what is actually necessary to properly assess the situation. Another heuristic, the representativeness heuristic, involves giving more consideration to a stereotype than to a probability.

By disregarding the economic principle of ignoring sunk costs, organizations can find themselves facing an escalation of commitment. Once money has been

invested in a project, the organization becomes attached. Their name is on it. Individual careers may be riding on it. In poker terms, they are "pot committed". This emotional attachment causes them to pour more money in when that money could be put to better use elsewhere. Management can curb this tendency by ensuring that only future costs are considered.

Organizations often take the task of making decisions out of the hands of the individual, and assign it to a group. The logic behind group decision-making is easy to see. Involving more people means more experience, more opinions, and more ideas. Furthermore, the issue can be approached from different angles when group members come from different backgrounds or specializations. Another major benefit is that the decisions made by the group will likely be more widely accepted than one made by an individual.

There is, however, a downside to group decision-making. Groups have a tendency to be inefficient with their time. Time is wasted socializing before and after a meeting and travelling to and from. Group meetings also have a tendency to be redundant. While there are many aspects of the decision making process that can be done in half the time if twice as many people are involved, there are also many aspects that take as longer or even longer no matter how many people are involved. One simple example involves step 1 and 2 from the model above. These steps may be defined by upper-management before being passed to the individual or group. It takes no more time for one person to read and understand the constraints than for a whole room full of people. Additionally, presenting findings to the group is inefficient if other things are equal because doing so is unnecessary when working alone.

In addition to time related issues, political issues can certainly hinder group decision-making. Leaders and strong personalities can intimidate. Young stars may not speak up if they disagree. A phenomenon known as groupthink can also be a hindrance to effective decision making in groups. Deriving more confidence in the group than it realistically deserves can lead to hasty decisions. Good leadership within the group can help curb these factors. A structured, focused, open environment can lead to good decisions and an effective use of time.

When is a group decision better than an individual decision? Generally speaking, the more complex the decision, the more suited it is for a group. Work can be divided amongst group members and different specialties may be necessary to deal with the many pieces of the puzzle.

Techniques have been developed to most effectively realize the potential benefits of group decision-making. One technique, the Delphi technique, brings experts together through correspondence. The use of mail or email cuts down on the countless time wasting activities and travel expenses associated with physical meetings. In this process, the experts are each sent a definition of the problem. They each propose a solution and send or mail it back. Each proposed solution is

distributed to each expert for comment and consideration, then each expert resubmits a proposal. The leader looks for consensus. If it is not found, the process is repeated until consensus is reached. An informal implementation of this practice common today in many organizations is known as the "email chain".

Another useful structure groups may use is the nominal group technique. In this method, each member presents a proposed solution, discussion occurs, and proposals are voted on. Because the voting is anonymous, the political pressure often found in similar environments is greatly reduced.

Decisions can fundamentally alter the fate of a company. Unfortunately, decisions of this magnitude are rarely straightforward or easy to make. Many impediments stand in the way of good group decision-making, from political pressures to overconfidence to simply rushing. Generally speaking, management will do well to standardize and provide structure to the decision making process wherever possible. Structure increases the likelihood that alternatives will be considered and challenged and that the decision will be made in line with standard practices or criteria. Good decision-making can take a company far or bring it crashing to its knees just as quickly. A strong repeatable process is the key.

Organizational Communication

Organizational Communication is an important topic in the field of organizational behavior, as it has a direct impact on the organization's efficiency and effectiveness. Communication is a multistep process and can be either formal or informal within the organization. Types of communication can be further broken down into verbal and nonverbal, and managers can strategically utilize each type to increase the effectiveness of their communications. Organizational communication is an area that managers should seek to better understand and to further develop their mastery of, as being an effective communicator can increase their performance as a manager and the satisfaction of their employees. Additionally, the global marketplace represents some challenges in communication as different gestures and expressions can have different connotations in different countries.

Effective communication is essential in any organization and must the practiced by managers and employees at all levels to ensure the organization's overall success. At its most basic level, the act of communication must take place so that a business can execute its day to day operations. Notably, as one moves up the ranks of a company, the ability to effectively communicate becomes increasingly important, such that at a managerial level, up to 80% of managers' time is being spent communicating within the organization. (Greenberg, p. 223) While the content of communications can vary greatly, the elements of the communication process tend to be consistent and the majority of communication follows the same basic pattern. The process begins with an individual that has information or a message that they wish to send to another individual or group. The individual must take the idea that is in their head and change the idea into a format that can be understood

by their receiver or chosen audience. This transformational process is called encoding. After a message has been encoded, it must be accurately transmitted to the receiver or chosen audience and this transmission via a channel of communication is the second step in the process. In the modern era, there are numerous visual and auditory communication channels available. After a message is transmitted and received, decoding must take place. Decoding is the conversion of a message back into the original sender's ideas, and this step in the process offers much in the way of opportunities for misunderstandings and misinterpretations. Decoding can be a nuanced process, as a speaker's word choices, facial expressions, and overall tone can affect the recipients understanding of the sender's ideas.

Two additional factors can influence the process of communication: feedback and noise. Feedback is a part of the communication process in which the receiver of the original idea provides information about the message. This feedback follows the same process of encoding, transmission, and decoding, but occurs in the opposite direction from the original communication. The sharing of feedback in both directions is an important part of the communication process, as it allows both the sender and receiver to obtain clarity on and confirm understanding of their communicated ideas and messages. While feedback helps senders provide clarity and gain consensus, noise does just the opposite. Noise is the term given to factors that distort a message's clarity and provide barriers to the sharing of ideas. Noise can be the result of a failure in any of the three steps in the communication process. Examples would include faulty encoding, as in the case of poor word choices on the part of the sender that fail to convey the sender's meaning, or the result of faulty decoding on the receiver's part, such as an inattentive listener. Noise can also result from faulty transmission, as in the case of an illegible fax or an email with an attachment unable to be opened by the receiver.

While the basic steps in the communication process are consistent regardless of the number of recipients, communication takes on a great deal more complexity when it takes place within an organization. Organizational communications related to job duties and the necessary information items required for their performance are termed formal communications. As many formal communications are made from a supervisor to their subordinates, they often take place along the predefined lines of an organization chart. An organization chart is an outline of the connections between the supervisors and employees in each business unit of an organization, and provides a framework for communications within the organization. The type of communications sent and received will vary according to an individual's position within the organization. Downward communication occurs when a supervisor communicates with their employee. Typical downward communications are directions, orders, and instructions. A notable issue with downward communication is that as instructions and orders move from level to level, there tend to be omissions and distortions, particularly when the information is spoken rather than written. Information that travels from subordinates to their supervisors is termed upward communication. Upward communication involves the information that managers need to execute their own jobs, including feedback, status reports, and

new ideas shared by employees. A notable issue with upward communication is that it tends to be far more infrequent than downward communication, likely because employees are reluctant to share negative information that might put themselves or their coworkers in a negative light. The third type of communication seen along the lines of an organization chart is horizontal communication. Horizontal communication refers to that information which is shared between people at the same organizational level. Horizontal communication is that information required for units and team members to coordinate and work together. While the information and the tone of its delivery tends to be more casual than upward or downward communication, it is still information that is necessary for the performance of job duties.

In contrast to formal communication, informal communication involves the sharing of unofficial information about the company and its employees. A key aspect of informal communication is that it does not necessarily follow the lines of an organization. Informal communications create a rapid flow of internal information, in large part because they tend to be delivered orally. Informal communications are particularly vulnerable to distortion and inaccuracy due to this fact. Researchers show that up to seventy percent of the information that people learn about their companies is obtained through informal chat with their coworkers. (Greenberg, p. 228) Of particular concern to managers and stakeholders in an organization is the spread of rumors. Rumors are unverifiable speculations that lack basis in fact, and can have a very negative impact on an organization. As an example, in the case of a rumor about a potential corporate takeover, an organization would run both the risk of losing valuable employees over concerns about their job security, and the risk of a negative impact on their company's stock after the rumor was disproved. Strategies to combat or dispel rumors must be carefully thought out, or else they run the risk of further inflaming the rumors rather than putting them to rest. The most effective strategies often seek to turn attention away from a negative rumor by redirecting attention onto a positive beliefs already held by the public about the organization.

Communications can be expressed via either non-verbal communications or verbal communications. Non-verbal communications are those things expressed without words, such as an individual's posture, clothing, and gestures. Verbal communications is a very broad grouping, as it encompasses both oral communication and written communications. Written communications are often conversational, as in the case of faxes, letters, or emails. Two important forms of more "formal" written communications are newsletters with information about the company or its policies, or employee handbooks that outline formal policies. These formal documents can help prevent conflict and misunderstandings within the organization, and as such are invaluable tools. Both written and oral communications offer their own set of benefits and their own set of challenges. While written communications provide an excellent tool for later reference, they are often one-directional. Similarly, oral communications offer the advantage of immediacy of delivery, but are often unable to be directly referred back to should

suture questions arise. Most effective managers utilize a combination of the two, utilizing oral communications for more ambiguous situations where quick feedback and confirmation of understanding is required and written communications for those situations where policies are being detailed and enacted.

In recent years, online communication has opened up a new area of research for the effectiveness of communication. Many businesses have found online meetings and conferencing to be a very cost effective way of communicating with others. Some initial studies have shown that participants in online communications were less likely to make comments or to elaborate further on their own ideas than they would have been in a face-to-face situation. (Greenberg, p. 233) Similarly, online communications via email represent a new area for both expression and misunderstandings. Email can frustrate users, as it is difficult to convey emotion and their sentences can sometimes be misinterpreted. Over the past twenty five years, email users have resorted to using emoticons to help "soften" their message or to convey sarcasm or irony. However, research shows that the emoticons themselves are often misinterpreted, gaining their user no further clarity in their communication. (Greenburg, p. 234)

As the discussion of the risks of misinterpretations and unintended perceptions reveals, many supervisors and employees would benefit by improving their non-verbal and verbal communication skills. Important non-verbal cues that demonstrate leadership skills or leadership potential include erect posture, consistent eye contact, and a tidy appearance. Important verbal communication skills include projecting an air of confidence and using words that engage a listener's emotions. Additional verbal communication skills include demonstrating credibility through use of supporting data, tailoring your message to your listener, being direct in your messages, creating interesting messages that help get attention from listeners, and avoiding unneeded words or phrases that dilute your message, such as "like" or "you know." These skills can be seen in many inspirational leaders and communicators, and many managers can benefit from further development of these skills. However, inspirational leadership is only one area of successful communication. Managers and leaders much also be supportive communicators. Supportive communicators show their listeners that they are engaged and interested in what the other person has to say. Necessary skills for supportive communicators include the ability to focus on a problem instead of the person and to acknowledge the other person's ideas. Additionally, the ability to match your body language to your words and the ability to keep a conversation going are key skills that can reinforce the perception of a supportive communicator. While these are tools that managers can use on a personal level, the organization at large must be a supportive communicator as will. As subordinates can be hesitant about providing feedback, the organization and its management should solicit feedback through formal programs, idea suggestion programs with employee rewards, and corporate hotlines for employee comments and questions.

As part of being a supportive communicator is improving both communication skills and listening skills, there are some additional practices that

can help managers to be successful in this area. Managers can avoid overload and filter out more noise by utilizing gatekeepers, screening their phone calls and filtering their email. Managers must also be consistent with what they communicate, as it does little good for a manager's credibility to say one thing to your employees and to do the opposite. Managers should also strive to be good listeners and to be sensitive to their employees' feelings. This is particularly true in the area of cross-cultural communications. As expressions, gestures, and business practices can vary by country, managers should work to learn local cultural rules and to show respect for everyone.

Transformational vs Transactional Leadership

Leadership is quickly becoming the most important facet of a successful business, organization, team or group. A good leader provides direction and motivation for his/her subordinates. According to an article in the *Organization Development Journal*, "Effective Leadership has been recognized as a central determinant of growth and success within organizational settings ranging from profit seeking enterprises to amateur and professional athletics, religious organizations, and military units." A group of people will always be more efficient and effective with a strong person on the front lines. There is not one way to lead a group of people – many types of leadership can be effective for different industries and organizations. One way to distinguish leadership types is to identify transformational leaders versus transactional leaders.

Transformational leaders, according to Greenberg are "people who do things to revitalize and transform society or organizations" and can be characterized by people who have the following key qualities - "charisma, self-confidence, vision, environmental sensitivity, intellectual stimulation, interpersonal consideration, inspiration, and morality." These types of leaders are most successful in changing environments – industries like sales, marketing, or advertising. To put it simply, "transformational leaders don't follow the path walked by others, they engage with their employees and forge a new path" (*EHS Today)*.

Apple Incorporated is an example of a company that quickly rose to the top due to a phenomenal transformational leader. Steve Jobs and Steve Wozniak founded the company in 1976, but it was not until much later that it became a technology powerhouse (*NY Times*). When Steve Jobs became CEO after an absence in the company, he had a specific vision for Apple Incorporated. Although, some of his ideas and did not seem feasible in the beginning, the risk that he took as a leader paid off tenfold. He has created a company that started with computer and has now entered almost every sector of the technology industry with the iPod, iPad, iPhone, and various versions of the MacBook. All of these devices have a unique software platform that is only compatible with other apple devices and only run through an iTunes background. All of this specialization has allowed Apple to avoid outside viruses and create a system where customers are forced to buy other Apple products, as they are the only ones that are compatible. This platform was all a part

of Jobs' vision. Without the support of his many colleagues, none of it would be possible. His ability to lead a company of this size to sell at almost $450 a share is remarkable.

Steve Jobs' unique vision for Apple Incorporated did not stop at its unique products and software platforms. He also has implemented innovative supplier tactics. For example, iPhone screens are made by more than three different vendors. By not allowing one company to be responsible for Apple's entire inventory, Jobs' has ensured that he will not be out-priced or over-charged for the products Apple sells. In fact, he took it a step further to put his suppliers in competition with each other, ensuring the best supplier prices in the market. Lastly, he was revolutionary in marketing the first iPhone in 2007. Jobs and the rest of Apple Incorporated let the new media be a secret to the public. The absence of information and a stir crazy public created a new frenzy about the iPhone. By not saying anything, Apple got a lot of free advertising for their product. Steve jobs used transformational leadership skills to inspire enthusiasm among his workers and used innovative tactics in the entertainment, media, advertising, technology, customer service, and services industry to turn Apple Incorporated into the biggest technology firm in the world (*How Jobs Transformed Apple*).

Transactional leaders, according to the *Organizational Development Journal*, are "leaders who identify the needs of their followers and engage in exchange relationships with them based on objectives to be met." Transactional leaders typical strive in different environments than transformational leaderships. These types of leaders are most successful in manufacturing and other types of straight forward 'nuts and bolts' type work. A fast food restaurant will be successful with a strong transactional leader, one who is less concerned with how to serve French fries better and more concerned with making sure their employees do it correctly.

One of the most famous transactional leaders in U.S. history is Henry Ford. Ford was a large contributor in the starting of Ford Motor Company and the man behind the Model T first came out in 1908. Henry Ford was conscious of the vision of Ford Motor Company, but was more concerned with the process of how cars were made. According to TIME Magazine, "Ford's great strength was the manufacturing process--not invention." Although, many think that Ford invented the car, he really invented the assembly line and the process of making cars more efficiently. His attention to detail in the process of assembling vehicles helped catapult Ford Motor Company to one of the top known car companies in the world.

Not only did Henry Ford pave the way for the manufacturing industry's efficiency, but he also was an advocate for his workers. He implemented many workplace rules and regulations that have remained intact today. In 1916, Ford gave his workers a $5 per day minimum wage and cut the work day from nine hours to eight. In TIME Magazine's words "in those years it was unthinkable that a guy could be paid that much for doing something that didn't involve an awful lot of training or education" but "Ford instituted industrial mass production, but what really mattered to him was mass consumption. He figured that if he paid his factory

workers a real living wage and produced more cars in less time for less money, everyone would buy them." The way he led his workers by paying them a fair wage and designing a process to produce cars more efficiently created a multi-billion dollar corporation one-hundred years after the Model T.

Both transformational and transactional leaders can be successful or unsuccessful. The roots of good leadership come from good followership. One trait that both of these opposite leaders had in common was a band of faithful employees and colleagues. Good leaders have an innate ability to make everybody around them better. Without the support of those closest to both Steve Jobs and Henry Ford, neither company created would have seen the same success they share today.

Overall, there are many facets of group behavior to take into consideration when analyzing the behavior of an organization. There are certain aspects of group decision making in an organization, organizational communication, and transformational vs. transactional leadership that work and certain aspects that do not work. It is important to take both the pros and cons into consideration when deciding which leadership, communication or decision making processes are necessary to make your specific company run efficiently.

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GOAL 2:
Leadership

Business Plan: Who's Paying it Forward

Course Name: Seminar in Evolutionary Marketing
Course Number: MKT 6352-70
Term: Spring 2018
Professor: Dr. Gerlich

Project Requirements: The objective for this project was to create an original social media app and write a detailed business plan. The class was instructed to do everything but actually start the business.

Goal and Objective 2.2: Goal Setting Assessment Form

Goal Recommendations: The business plan for the proposed community service app entitled *Who's Paying It Forward?* (WPF) outlines strategic, marketing, and revenue goals. The majority of the document is comprised of goals and the basis and assumptions on which they rest. The "Strategy" section outlines the app's goals as they relate to business and product development. The "Revenue Model" section outlines revenue goals. The table entitled "Projected Revenue Calculations and Assumptions" and the pro forma financial statements provide specific projections that support the revenue goals. The goal recommendations included in the business plan demonstrate the ability to provide quality recommendations because they are relevant, clear, and feasible.

Measuring Outcomes: The various goals outlined in the business plan are measured in different ways. Included with each goal is the benchmark for its accomplishment. The targets for the revenue goals are shown in the "Projected Revenue Calculations and Assumptions" table and the pro forma financial statements. Targets for Costs are similarly described in the "Cost Structure Benchmark" section and listed specifically in the "Cost Breakdown for App" table and the Expenses section of the Income Statement. The ability to measure outcomes at a high level is demonstrated because the plans presented are detailed, specific, and realistic.

Conclusion: The business plan outlines a set of goals that, if accomplished, will result in a new, successful, viable business. Business value will be created and the result will be the creation of a successful business. Revenue and cost goals are the essential drivers of profit goals, and the marketing and implementation goals are the vehicle that moves the organization towards the overall goals. The goals presented in the business plan demonstrate the ability to provide tangible value to the organization based on their resulting outcomes and their dealing with the essential drivers of profit.

Presentation: The business plan is organized in a logical way that allows for the goals to be easily accessed and verified. The financial statements, tables, and graphics add a clarity, meaning, and credibility to the content and to the entire proposal. The organization and presentation of the business plan demonstrate the ability to produce a high quality business document because the document is organized, the structure is easy to follow, and there are no errors.

Comment: This project was a huge undertaking and a great team effort, and the result was an outstanding proposal. Looking back, I would have liked to make some of the projections and goals with greater specificity. This would only aid in their usefulness and increase their likelihood of being accomplished.

MKT*6352 70 Seminar in Evolutionary Marketing

Dr. R. Nicholas Gerlich

Final Project- Team 4
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"Who's Paying It Forward?"

Table of Content

Executive Summary

"Who's Paying It Forward?" (WPF) is an app designed with the intent of generating more community service. The app consists of a leaderboard showing who is the most charitable within the community -- the "leader". The app will incorporate friendly competition into giving back to communities.

While the target market is that of Millennials, all are welcome to participate. The incorporation of and advancement in technology has placed society behind screens, leaving smaller amounts of participation among activities that assist the community. The neglect of community involvement is dependent on numerous factors, one of which this app will focus, the absence of community service opportunities online. Constructing an app with the goal of promoting community service will require excellent strategic planning in order to capture the attention of Millennials and obtain buy-in from the largest social media platform, Facebook, whom of which has the power to create the largest online charitable app through social media **See Appendix C**. WPF offers large businesses the opportunity to create shared value and utilize cause-related marketing to attract consumers and generate revenue through increased sales of products purchased through Affiliate Marketing.

The goal of the marketing plan is to inspire and expose millennials to community service and the associated feeling of fulfillment that accompanies being part of that "something" that is bigger than themselves. Throughout this paper, major points such as revenue, strategy and the promotional plan all play a large part in the success of this app and growing charitable contribution from the target market, Millennials.

Case Statement

Millennials are continuously seeking opportunities to participate in community service activities. Due to the scarce amount of community service opportunities available online and via app, there is little participation among this group, but a strong desire to do so.

According to Achieve's 2013 Millennial Impact Report, Generation Y'ers support causes they feel passionate about and if inspired through exhibiting the significant impact their support and contributions have on one's mission, they'll become a company's number one supporter (Millennial Impact Report, 2013). The results showed that nearly "four in five Millenials were motivated by the opportunity to work on a cause they are passionate about" (Millennial Impact Report, 2013). **See Appendix A.** When provided with online or app based community service opportunity, "40% of respondents donated between $1 and $50 to nonprofits in 2012, while 23% gave between $51-$100" (Millennial Impact Report, 2013).

With a median income (year-round, full-time) of $33,883 (Antonow, 2017), millennials yield about $1.3 trillion in annual buying power and are estimated to have the most spending power of any generation by 2018. (Barton, 2014). "Specifically, their spending power is estimated to reach $3.39 trillion by 2018." (Oracle Financial Services, 2010).

Millennials are well-known for their generosity when given opportunity to contribute to causes of which they believe in and will support the community. According to the 2013 Millennial Impact Report, "Millennials give to have an impact and are consistent in their desire to see how dollars translate into people helped." "They want their contributions, no matter the type or amount, to help achieve tangible results for a cause." While members of this generation are more likely to give smaller amounts to multiple organizations than to focus their giving on any one recipient, the stronger their relationship with an organization, the more likely they are to give larger gifts over time (Millennial Impact Report, 2013). **See Appendix B.**

Executive Management Team

CEO/Founder, Wendy Chriss
- Original idea and conceptual design
- Great experience with leadership in the medical field
- Great experience with responsibility and delegation
- Ability to creatively problem solve
- Competitive, resourceful, and organized
- Has a great deal of knowledge regarding community service and market opportunity

Chief of Staff and Human Resource Officer, Della Lyle
- Psychology undergraduate and graduate experience
- Active listening skills
- Responsibilities include coordinating the responsibilities of the company's team

Chief Marketing Officer, Malika Ouédraogo
- Great deal of experience and knowledge in the advertising and marketing industry
- Outgoing, creative, open, and personable
- Unique experiences in foreign markets, will work to bring exciting marketing techniques to the company
- Knowledge of the best practices and novel innovations in the field

- Responsible for WPF marketing plan; app formatting; and competitive situation

Chief Financial Officer, Jay Creighton
- Detail Oriented and great experience with analytical activities
- Good communicator
- Responsible for the organization of WPF's revenue, pricing, and financial statements

Chief Legal Officer, Mahayla Smith
- Outgoing, open-minded, great people skills
- Enjoys working with others and learning new skills
- New to the industry, but is a fast learner and willing to adapt to the novel challenges associated with online marketing
- Responsible for the knowledge of compliance with legal issues related to WPF, including community services and social media regulations

Chief Operating Officer, Danielle Hartman
- Effective communication skills
- Caring and compassionate, with enjoyment for working with others and bringing people together
- Excited about growing the business and creating a marketable app for community services
- Responsible for exploring and pursuing novel community service opportunities in the areas associated with the app and overseeing her future outreach team

Graphic Designer
- Individual with interest in community service and improvement of the community and world
- At least 1-2 years of experience in the app-graphic design field including moving graphics, app formatting, and photo design
- Experience with adobe photoshop and other app formatting programs

Programmer(s)
- Individual(s) with a passion for community service and improvement of our world through local and individualized community service opportunities
- At least 1-2 years of experience with the appropriate app programs
- Will help design and upkeep the apps operation and design
- Experience with the appropriate operation tools and programs for the set-up and maintenance of mobile and online apps
- Works closely with the graphic designer

Strategy

An integrated marketing communication is required to promote the app so that potential Millennials can be reached efficiently. The goal is to exploit multichannel marketing communications that amplifies the marketing campaign and that reveals the uniqueness of the app. Thus, offline media and online media will be used to expand the campaign so that the target market is informed and captivated by the concept of the app.

WPF is an app conceived for talented individuals that strive for integrity, performance, value and appreciation. WPF enables talented individuals to express their work ethic and values by aligning themselves with significant projects where they can execute their competences for a

significant cause. The uniqueness of this app is to get individuals to be involved in various projects to support and help community services. The app itself is challenging because it advocates competition between users, and they can be rewarded based on their productivity. WPF is more than investing in something, it is a matter of sharing your value.

The marketing campaign promotes the app by providing an engaging online interaction targeting Millennials through attractive incentives. As a result, the use of a digital strategy via various social media platforms is a necessity to communicate effectively with the target market, given that the Millennials are in essence connected to their devices. Furthermore, the marketing campaign is to reach out to the target market by offering them a quintessential app that satisfies the need and habits of the target market and that adds up value to their lives and professional careers.

The Business

WPF provides Millennials the opportunity to give back to the community while competing to provide the most community service. The goal is to inspire and expose millennials to community service and the feeling of fulfillment that is associated with being part of "that something that is bigger than themselves."

WPF is a volunteer app that will provide its users with a collected list of needs, such as products, groceries, etc. of people within its network. Recipients include individuals, families and communities. Following the selection of individuals in need within the network, the app will provide a detailed list of items needed. Users will then select which products and/or groceries from the detailed list of which they wish to purchase. When users place items in their basket they will also have the ability to personalize the items purchased which gives them a sense of control over their experience. The final step prompts users to check out. Payment is received for user's selected items and then the products and/or groceries will be delivered to the individual, family or community. While WPF is a volunteer app, it also provides its users with a game of healthy competition.

Rules of the Game:
1. The user will choose an individual, family or community that they would like to help within the network.
2. The user will purchase the items, including products or groceries, for the individuals within the network with the option to personalize.
3. The more items the user purchases, the more reward points the user will earn.
4. The user also has opportunity to earn reward points for every like, share and/or new member of which they recruit to join the app.
5. A leaderboard will be on the front page of the app showing the placement of each user.
6. One game cycle is 30 days. On the 31st day the winner with the most points will be announced. The winner's profile will highlight the users contribution as well as the community of which it served.
7. On the 31st day, all points will reset, and a new game cycle will begin.

The game's cycle will last 30 days. Therefore, the more points a user accumulates, the better the chance the user has to win. Throughout the game cycle, the leaderboard will show the placement

of each user and how many points each user has accumulated. At the end of the game cycle, a winner will be announced, and they will win the prize chosen/provided for that game cycle. On the 31st day, all points from the previous cycle will reset and a new game cycle begins.

Business Demand

The WPF app is needed because there are significant amounts of individuals, families and communities that live in poverty. According to the 2017 United States Census, the nation's official poverty rate in 2016 was 12.7%, which means 40.6 million people were living in poverty (Census, 2017). The poverty rate for families in 2016 was 9.8%, which means 8.1 million families were living in poverty (Census, 2017). The poverty rate for child under the age of 18 in 2016 was 18.08%, which means that 13.3 million children were living in poverty (Census, 2017). Though many individuals and families in America live in poverty, there is a significant amount of the population that is also homeless. According to Social Solutions, 564,708 people are homeless in the United States (SS, 2016). This means that over half a million people are either living on the streets, in their cars, or in some type of shelter (SS, 2016). Within that half a million people there were 358,422 individuals and 206,286 families with a quarter of that entire group being children (SS, 2016).   According to Feeding America there are 200 food banks that provides meals each year to individuals and their families through food pantries and meal programs throughout the United States (Food Bank, 2018). The individuals, families and communities within this network need help, and this app will allow its users the ability to use their money to provide impoverished populations with products and/or groceries. The WPF App will allow its users to volunteer from their *own home,* not only in their community, but across the world.

Demand Determinants for Community Service Opportunities
- Per Capita Disposable Income: it is expected that the discretionary income levels of the general population will increase. As individuals have larger amounts of money to spend on non-essential items, it is expected that more will contribute to community service events and social service aid (Roth, 2018).
- Federal Funding for Social Services: The amount of financial aid contributed to social services in America is expected to decrease in the future. Such a decreasing trend may increase the need for companies and organizations that provide services to underrepresented populations (Roth, 2018).
- Consumer Price Index (CPI): The CPI in America (or the average price of a basket of consumer goods and services) is expected to increase. Such a trend may make it more difficult for impoverished populations to buy important items, like food and beverages; this may also make the introduction of companies willing to aid such populations increasingly important (Roth, 2018). **See appendices D**

Demand Determinants for Social Media Networking Sites
- Advertising expenditure: if advertising expenditure in the country increases, a portion of said expenditure will go to social media platform advertising. When/if expenditure drops, so, too will the allowances set aside for social media advertising (Hadad, 2017).
- Increasing Disposable Income Levels: when individuals have more money to spend, they may increasingly spend it on subscriptions to social media outlets, advertised products on

social media outlets, and virtual products associated with said social media outlets (Hadad, 2017).
- Technology Change: mobile technology has allowed for the consumers' more convenient consumption of social media products and services (Hadad, 2017).

Other Key Determinants in this industry rise include:
- Increases in Services Conducted Online
- The rising number of mobile internet connections
- Increases in total advertising expenditure in the U.S.
- Increasing internet connection in the U.S. (Hadad, 2017)

Key Performance Indicators
IBIS World notes the "Top Five Key Success Factors" for new entrants in the Social Networking Site industry in the U.S. Based on their recommendations WPF plans to follow the Key Performance Indicators noted.

1. Based on our revenue model, the app plans to have a symbiotic relationship with the advertising industry. As the advertising industry is the basis for most all of WPF's revenue, continuing an amicable relationship between the two should certainly benefit the app within the industry (Hadad, 2017).
2. WPF will also provide a consistent and transparent level of security for its consumers. An increasing amount of focus has been on the secure and legitimate communication among consumers and between businesses and consumers; therefore, WPF will ensure their trustworthiness and legitimacy to find increased success in the marketplace (Hadad, 2017).
3. Success is contingent upon access to a highly skilled workforce. WPF will be reliant upon employees with exemplary knowledge in computer systems and operations, and will experience increased success in the industry when the app has a large pool of possible employees (Hadad, 2017).
4. Who's Paying it Forward will also increase its opportunities in the market, because it will endorse an attractive product presentation. The increased competition and advertising noise in the social networking industry makes a company's product presentation imperative, especially upon first entering the market (Hadad, 2017).
5. IBIS World reports that the ability to adapt to new technology is paramount in a company's success in the social networking industry. This success factor is fairly intuitive, as ever-changing technology is one of the bases for the social networking industry in the U.S.; therefore, WPF's ability to change based on the current technological innovations is something that the app will work to possess (Hadad, 2017).

Revenue Model

Primary Source Of Revenue: Affiliate Marketing
The structure of WPF allows for a revenue model that is simple, scalable, and powerful. By encouraging and facilitating users to purchase items of need for others, an opportunity is

created to earn a percentage of each sale through affiliate marketing. The primary affiliate service to be used is the Amazon Associates Program, which provides access to Amazon's vast inventory and online shopping infrastructure, and also pays a percentage of each sale. The Amazon Shopping App ranks atop the list of apps that Millennials "Can't go without" with 35% of votes, and 74% of Millennials report that they have the Amazon app on their phone. Amazon's widespread acceptance and use among the target market will lend itself to increased acceptance, trust, and ultimately, use of WPF.

The percentage paid by Amazon Associates ranges between 1-10% of the sale, based on the product category ("Associates Program Policies"). Products will be seamlessly integrated into the app and purchased through Amazon. In order to develop assumptions and project revenue, the appendix includes a selection of possible products, along with their retail price as of 3/25/18, category, percent earned on that category, and the revenue earned for that product. This list is simply comprised of products that represent the type of items families may select to participate and is by no means exhaustive. **See Appendix F.** In order to achieve the targeted revenue each year, certain assumptions and calculations can be made. The average revenue per purchase from the selection above and the targeted purchases per user are used to calculate the required number of purchases and users each year. **See Appendix G**

Revenue Opportunities
Advertising is about 90% of the industry's revenue, while other forms of revenue may include access fees and selling virtual goods through the social media platform (Hadad, 2017). It is paramount that social media establishments focus on preparing their online platform in a way that caters to the accurate targeting of messages that advertising companies wish to utilize. Advertising through many social media platforms has also been associated with increased power in regards to measuring advertising effectiveness and reach of message (Hadad, 2017). **See appendices D**

Cost Structure Benchmark

Though many companies in the Social Networking industry in the U.S. are able to create a profitable existence quickly, it is important to note that many (if not most) companies experience revenue losses, especially in their first few years in the market. Data concerning the whole industry, however, is recorded as experiencing revenue gains; this may be a skew based in the high revenues associated with large companies in the market like Facebook, Twitter, and LinkedIn (Hadad, 2017).

Companies in the Social Networking industry in the U.S. have been reported as experiencing certain costs. Wages have been reported as having some of the greatest cost factors for companies in the social media industry. Employees are increasingly experienced, educated, and skilled in the computer systems and computer operating field; as such, wages have increased to appropriately compensate individuals working within the field (Hadad, 2017). Purchase costs have also been described as having a reasonable effect on social media companies. Despite the tendency for social media companies to deal with non-tangible items, purchases, and exchanges, they may be involved with purchasing patent costs to protect many aspects of their company (Hadad, 2017). Other costs, though not initially imperative, may include depreciation, rent/utilities of company headquarters, marketing, research development, administrative, fringe

benefits, as well as costs associated with acquiring other companies (Hadad, 2017). **See appendices D**

Market Opportunity

The market opportunity for the WPF App will include all users, especially millennials that would like to volunteer and use their money for good. According to the 2014 Millennial Impact Report, millennials engage with causes to help other people, not institutions and millennials support issues rather than organizations. According to 2015 United States Census, the millennials make up 83.1 million people which equals to more than one quarter of the nation's population (Census, 2015).

Despite many opportunities in the *Social Networking Industry in the U.S.* marketplace, IBIS World hypothesizes that the industry may experience a slowing of growth (from 38.5% in the years 2012-2017, to 6.6% in the years 2017-2022), as saturation approaches (Hadad, 2017). The marketplace of the *Social Networking Industry in the U.S.* Industry is extremely concentrated, where few companies hold the majority of the market share (Hadad, 2017). Increased market opportunities may be found in niche social media outlets, where there is decreased competition and potentially smaller costs for starting a running the company (Hadad, 2017).

Life Cycle Stage

Social Networking Sites in the U.S. are in the Quality Growth stage. This stage is defined by high growth in economic importance, the prominence of weaker companies closing down, and the increasing development of technology and markets (Hadad, 2017). Other aspects of the Quality Growth life cycle stage include:

- More Industry Value Added (IVA) growth than Gross Domestic Product (GDP) growth
- Rapid technology change
- Significant rise in the number of enterprises and rise in acceptance by downstream users over the 10 years to 2022 (Hadad, 2017).

Industry Volatility

Companies within the industry are expected to experience a medium level of volatility (Hadad, 2017). There is an exponential increase in consumers on social media platforms, as well as great increases in consumers utilizing mobile phones and tablets for their communication needs (Hadad, 2017). However, the great deal of competition and technology change associated with the industry requires that companies make the right decisions at the right times. An untimely error may be highly detrimental to the company in such an industry (Hadad, 2017).

Regulation

The current industry has a hypothesized medium level of regulation and is expected to increase in the future (Hadad, 2017). Governmental regulations are expected to increase, especially regarding copyright laws and intellectual property. It is also expected that consumer identity and protection may be an important factor in the current industry's regulation (Hadad, 2017). Companies are advised to be compliant with such laws and regulations, as well as the Digital Millennium Copyright Act (DMCA) and the Patriot Act to avoid painful and costly litigations (Hadad, 2017).

Industry Assistance

Companies operating within the Social Networking industry in the U.S. should not expect any assistance from the industry. The trend for such aid is none, and this trend is expected to continue (Hadad, 2017).

Positioning/Competition

Competition
The industry of Social Networking Sites in the U.S. is hypothesized as experiencing a high and steady level of competition. As the world moves to more and more involvement online and through mobile applications, companies in the industry are expected to have a high level of competition, especially internal competition (Hadad, 2017).

- *Internal Competition*: social networking companies generally compete on the number and involvement of their Monthly Active Users, or MAU. To help aid a company in their pursuit of increased MAU, they must provide a user-friendly interface, ubiquity and compatibility, security for users, and also provide helpful opportunities for advertisers (as they provide a majority of the industry's revenue) (Hadad, 2017).
- *External Competition*: companies in the current market will continue to compete with other mass media outlets as they provide goods and services to their consumers. Other online websites, search engines, and mobile applications may be a basis for some competition for advertising in the marketplace. The more traditional media platforms of television, radio, newspaper, and magazines may also provide some competition to social networking companies. The ability for social networking sites to appropriately target consumers based on preferences and demographics, however, is a huge competitive advantage for them in their competition against traditional media outlets (Hadad, 2017).
- The major players in the industry of Facebook, Twitter, and LinkedIn may provide some information regarding social networking competition in the U.S. Facebook holds 72.3% of the market share and generated about $27.6 billion, globally, in 2016 (Hadad, 2017). It has increasingly utilized targeted information to generate individualized advertisements to its monthly users based on their interests (Hadad, 2017). This has been a great way to generate revenue for the social media network. It is also important to note that Facebook has diversified its services through acquiring other social media apps like Instagram and WhatsApp (Hadad, 2017). Over the five years to 2017, the company's revenue in the U.S. was expected to increase to $18.5 billion (Hadad, 2017).
- Another major player in the industry is Linkedin. This social networking site holds 11.1% of the market share, and is mainly targeted to individuals interested in educational and career services and connections (Hadad, 2017). Users are provided with services that provide information regarding their education, training, and experience in the field. The site also provides the ability to connect with others in similar industries and career/educational areas (Hadad, 2017). LinkedIn has been especially fruitful in its ability to connect potential employers to potential employees and can act as great job searching tool (Hadad, 2017). In the five years to 2017 the company was expected to increase its revenue 36.9% to $2.9 billion (Hadad, 2017).
- Twitter is one of the last major players in the industry and currently holds around 5.8% of the market share (Hadad, 2017). Users on this social media platform are encouraged to

'tweet' their thoughts on a platform that is in real-time, and encourages interaction between its users (Hadad, 2017). Its financial performance has experienced historical increases, perhaps in relation to its many acquisitions and the recent deal with the National Football League (NFL) for live pre-game and football focused talk shows (Hadad, 2017). The company was expected to have experienced an annualized $1.5 billion (41.5%) increase in the year 2017 (Hadad, 2017).

- Lastly, Snap Inc. is a major player in the Social Network industry in the U.S. (Hadad, 2017). This company, with the major social networking site, Snapchat, allows its users to send and receive individualized photo messages within a fleeting timeframe (Hadad, 2017). It has increased its service offerings to also include text messages, and photo storage options to provide its users with communication that lasts (Hadad, 2017). In 2016 the company earned an estimated $404.5 million, primarily through advertising revenues; the company was expected to increase its financial successes to $500.0 million in the year 2017 (Hadad, 2017). **See appendices D**

After examining the market, research has revealed that the app market is a labyrinth of apps that offer diverse services to a large target market in a global scale. Various apps are offered in Google Play and Apple App Store and these platforms reply consistently to the public needsby monetary donations. Yet, WPF is exploring a niche of which allows the target market to provide support and service to their desired community by means of their own control. It is the user who selects to whom and what they wish to send to lend support.

That being said, WPF has distinctive positioning compared to potential competitors because the app values Millennials as investors, achievers and supporters. WPF's competitive advantages are very distinct and include a catalog of recognition: Millennial of the day, Millennial of the year, highlights on valuable influencers emerging in the industry of community services, sponsoring ethical causes, collaboration with celebrities, and elaboration of charity events. All of which drive the target market.

Competitors within the niche field of Community Services include:

- Helpers Helpers - an app that provides its users with a way to keep track of their volunteer and community service hours.
- Just Serve - an app that allows its users to look for community service/volunteer opportunities in their zip code.
- Golden Volunteer - an app that offers users the ability to view and participate in volunteering opportunities in their area that are in line with users' interests and capabilities/time restraints.

Who is the target market?

The WPF app will target all individuals who are interested in giving back to their community, but will more specifically target Millennials. Millennials represent an increasing percentage of the buying power in our economy and are continuously looking for ways to be a part of something bigger than themselves. They have a strong desire to be a part of an exclusive club. Millenials not only have money but are ready to spend it (Scott, 2015). They readily

support the needs of the community. As we all know, the majority of the millennial group loves, not only competition and reward, but have a strong desire to be in the spotlight. This app provides millennials the opportunity to give back to the community while competing to provide the most community service.

Market Segments

- Ages 50-64= represent the highest population for social media use. Individuals consume mostly casual and niche types of social media. They may have been slower to adopt, but are hypothesized as increasing consumption in the future (Hadad, 2017).
- Ages 30-49= represent the second highest population for social media use, and consume mostly casual and professional social media platforms (Hadad, 2017).
- Ages 13-29= represent the third highest population for social media use. Individuals in this category mostly consume casual and professional social media services (Hadad, 2017).
- Ages 64 and over= represent the fourth highest population for social media use; though they may have been slow to adopt, their use is expected to increase in the future (Hadad, 2017). **See appendices D**

Promotional Plan

WPF is more than an app, it is a tool that can change the world and that gives significant responsibilities to any Millennial who strives for concrete achievements in one's life. *With WPF, your volunteering skills are turned into mentoring competencies.*

Execution

To promote the app massively, digital marketing tactics and tools of communication will be utilized so that the advertising campaign can be implemented.

Online Media

- Co-branding and collaboration

  Set up collaborations with celebrities, digital influencers who have a significant impact on the Millennials.The target market is essentially attracted by entities where they can identify themselves to the entities.

The endorsed entities are as follows:

- Celebrity endorsement (Pop Stars, TV Hosters, Athletes)
- Youtubers
- Digital Influencers
- Bloggers/Vloggers
- Hashtag campaign:

The use of a hashtag must reflect the essence of the app, and it should be integrated into the campaign so that the Millennials can utilize it to share their support and commitment regarding the project in which they are involved. #PayIt4ward #PayIt #PayItReward

Social Media Optimization

- Social media platforms have demonstrated the power of interaction and the ability to create and share content exponentially.
- Social media platforms targeted are as followed: Facebook, Instagram, YouTube, Twitter, Dailymotion.
- Advertising tools used are as follows: Commercials, Advertisements, Selfie-contest
- The Selfie-contest will consist of posting the best Selfie (photo or video) that reflects creativity and the essence of being involved in a valuable project. Recognition and reward will be used to highlight the Millennial of the Month.

Marketing Affiliation

- Promoting the app throughout some significant websites, which cover a large audience.
- Targeting websites that encourage investment and support for any projects.

Email Marketing

- Collecting emails from game-contests or selfie-contests are used to create a database.
- Buying a database from a third party should be considered, so that emails or newsletters can be sent.

Here are the keywords to integrate in the email marketing:

- Millennials
- Community
- Projects
- Contests
- Rewards

Mobile Commerce

- Whatsapp
- Text message
- Receiving Digicode-Coupons to earn points or to attend a show.

Buyout and Growth Potential

WPF app would appeal to:

- Existing community services including food banks and local shelters as WPF provides additional sources of donations through it's advertisement via social media which also provides awareness to local citizens.
- Large retailers that would like to encourage their employees to participate in community service.
- Retailers and/or Vendors who see WPF as an opportunity to generate additional revenue.

Alternatives to Buyout:

- Utilize and participate in additional affiliate marketing opportunities offered by other vendors and/or retailers.
- License WPF technology to another community service provider.
- Consistently reevaluate and update marketing plan in order to appeal to target audience.

Conclusion

Getting folks in the age range of 18 - 29 (i.e. Millennials) to participate in charitable acts can be difficult with the current priorities in today's society being how many "likes" a photo or Tweet can get. Technology is moving quickly into the future, and every generation is experiencing and participating in decreased amounts of face-to-face interaction. This new app is prepared to take advantage of that. The ability of an app to provide an opportunity that combines social media with giving back to underserved populations can do a tremendous amount of good for the world including both the communities and businesses.

The revenue generating power for those companies willing to participate in such a program will only benefit their bottom line and increase their footprint in the community in a positive way. Not to mention the potential tax break each company could obtain for charitable contributions, because while charity should not be for the money, every business is still in the business of making money. Large companies lending a helping hand to underserved communities reflects positively on the stakeholders and opens the door for even more opportunities to help those in need and gaining investments through affiliate marketing.

WPF will provide the target market with an opportunity to feel a sense of accomplishment, self-satisfaction and humbleness for helping those in need, which is what millennials strive for. A chance to give to a cause one believes in is what this generations appreciates.

As discussed throughout this proposal, putting a competitive edge on something that should come from the heart may seem a little out-of-the box, but no great idea ever came from being ordinary. Something good needs to come from constantly being glued to smartphones and tablets… community service is a great place to start.

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Appendix A

Millennial Engagement

Reasons for Millennial Engagement

■ Period 1

Reason	% of Millennials
Meeting new people who share same interest	56
Ability to lend pro-bono skills and expertise.	46
Understanding impact that their gift has on an	49
Company gives back to society instead of just	75

% of Millennials

https://blog.hubspot.com/marketing/nonprofit-millennial-stats-list
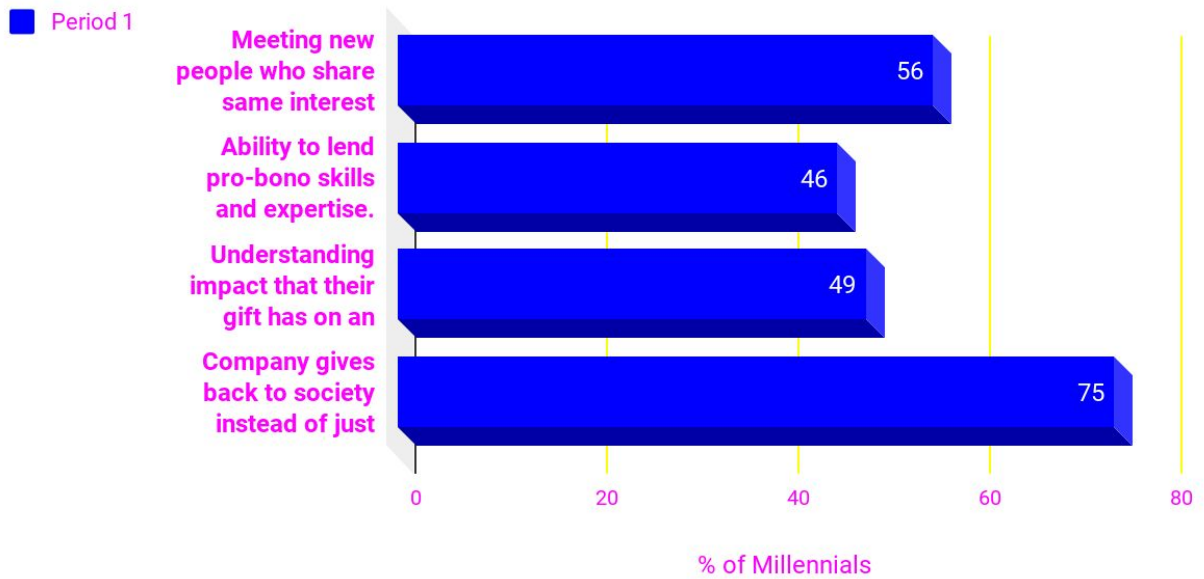
Appendix B

Millennial Donation- Willingness to Give

http://cdn.trustedpartner.com/docs/library/AchieveMCON2013/Research%20Report/Millennial%20Impact%20Research.pdf

Appendix C

Share of Mobile App Category Time Spent

http://www.businessofapps.com/data/app-statistics/#1

Appendix D

Products and services segmentation (2017)

9.8%
Interest based social networks

24.3%
Photos and short
video social networks

2.0%
Other
social networks

2.3%
Professional
social networks

61.6%
General social networks

Total $25.6bn

SOURCE: WWW.IBISWORLD.COM

Industry revenue

% change

200

150

100

50

0

Year 09 11 13 15 17 19 21 23

SOURCE: WWW.IBISWORLD.COM

Volatility vs Growth

1000 Hazardous   Rollercoaster

100   Social
                                  Networking
10   ✗Sites

1

0.1   Stagnant   Blue Chip

      −30   −10   10   30   50   70

Revenue volatility* (%)

Five-year annualized revenue growth (%)

* Axis is in logarithmic scale

SOURCE: WWW.IBISWORLD.COM

Major market segmentation (2017)

10.1%
People aged
65 and over

15.2%
People aged 50 to 64

40.4%
People aged 30 to 49

34.3%
People aged 13 to 29

Total $25.6bn

Products and services segmentation (2017)

2.0%
Other
social networks

2.3%
Professional
social networks

9.8%
Interest based social networks

24.3%
Photos and short
video social networks

61.6%
General social networks

Total $25.6bn

Percentage of services conducted online

Total advertising expenditure

SOURCE: WWW.IBISWORLD.COM

Major players
(Market share)

LinkedIn Corp. 11.1%

Twitter 5.8%

Facebook 72.3%

10.8% Other

SOURCE: WWW.IBISWORLD.COM

Per capita disposable income

Poverty rate

SOURCE: WWW.IBISWORLD.COM

Sector vs. Industry Costs

Appendix E

Selection of Potential Products and Associated Revenue

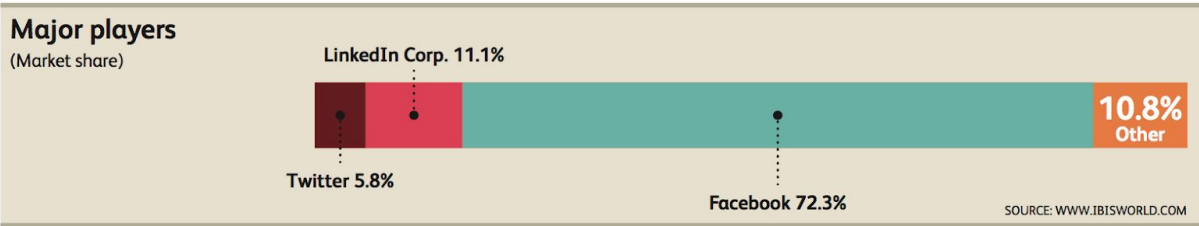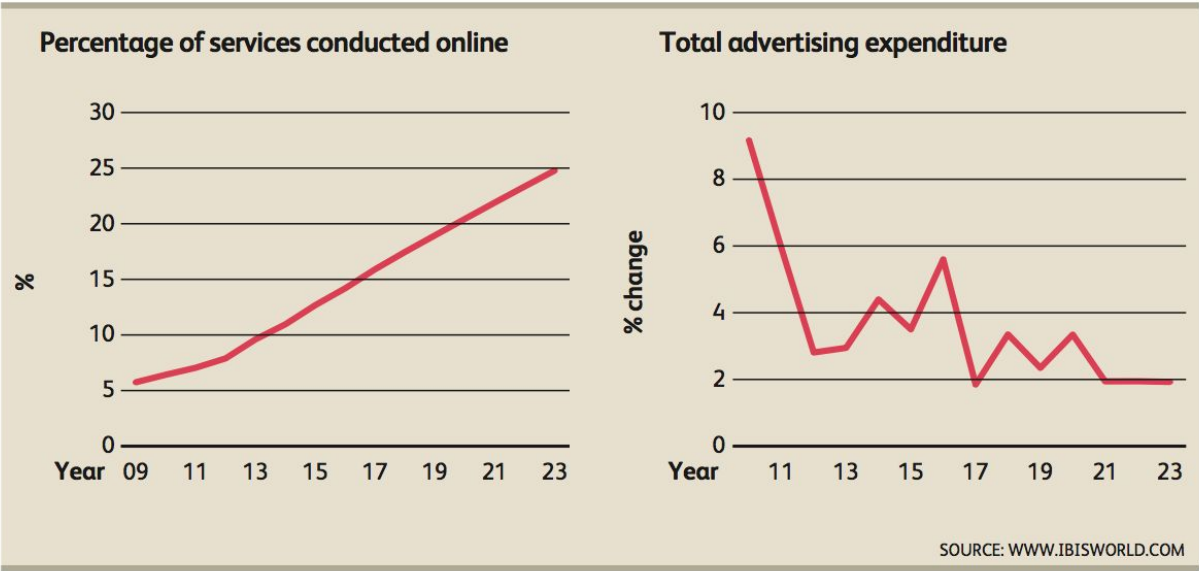| Item Name	Price	Category	Percent Earned	Revenue Earned
Dial Antibacterial Bar Soap, Spring Water, 4 Ounce, 30 Bars	$14.73	Beauty	6.00%	$0.88
Pantene Pro-V Daily Moisture Renewal Hydrating Shampoo, 25.4 FL OZ	$6.47	Beauty	6.00%	$0.39
All Ultra with Stainlifter Free & Clear - 225 Oz	$24.98	Home	8.00%	$2.00
Cascade Gel Dishwasher Detergent, Lemon Scent, 75-Ounce (Pack of 2)	$21.78	Home	8.00%	$1.74
Angel Soft 2 Ply Toilet Paper, 48 Double Bath Tissue	$21.99	Home	8.00%	$1.76
Viva STRONG and SOFT towels, 24 Big Plus Rolls, Choose-A-Sheet* Paper Towels	$28.99	Home	8.00%	$2.32
Post Raisin Bran Whole Grain Wheat & Bran Cereal 25 oz (Pack of 12)	$49.32	Grocery	5.00%	$2.47
Mr. Coffee 12-Cup Programmable Coffee Maker	$22.93	Home	8.00%	$1.83
RCA RMW733-BLACK Microwave Oven, 0.7 cu. ft.	$49.88	Home	8.00%	$3.99
Hamilton Beach Power Elite Multi-Function Blender with Glass Jar and Chopper	$34.85	Home	8.00%	$2.79
Cuisinart 55-11BK Advantage Nonstick 11-Piece Cookware Set,	$69.71	Home	8.00%	$5.58

Black				
AmazonBasics Fade-Resistant Cotton 6-Piece Towel Set	$17.99	Home	8.00%	$1.44
AmazonBasics Microfiber Sheet Set	$19.99	Home	8.00%	$1.60
Fruit of the Loom Men's 10-Pair Everyday Work Crew Socks	$11.97	Clothing	4.00%	$0.48
Simple Designs LF2000-SLV Floor Lamp with Reading Light	$26.60	Home Improvement	8.00%	$2.13

Appendix F

Projected Revenue Calculations and Assumptions

	2018	**2019**
Projected Revenue	$480,000	$640,000
Average Revenue Per Product	$2.09	$2.09
Required Products Sold	229358	305810
Average Items Bought Per User	20	30
Required Users	11468	10194

Appendix G

Mobile Apps Millennials Use Most

Most Essential Apps 18-34 Year-Olds Said They 'Can't Go Without'
Source: comScore Custom Survey, U.S., Age 18+, 2017 Wave

http://www.businessofapps.com/data/app-statistics/#1
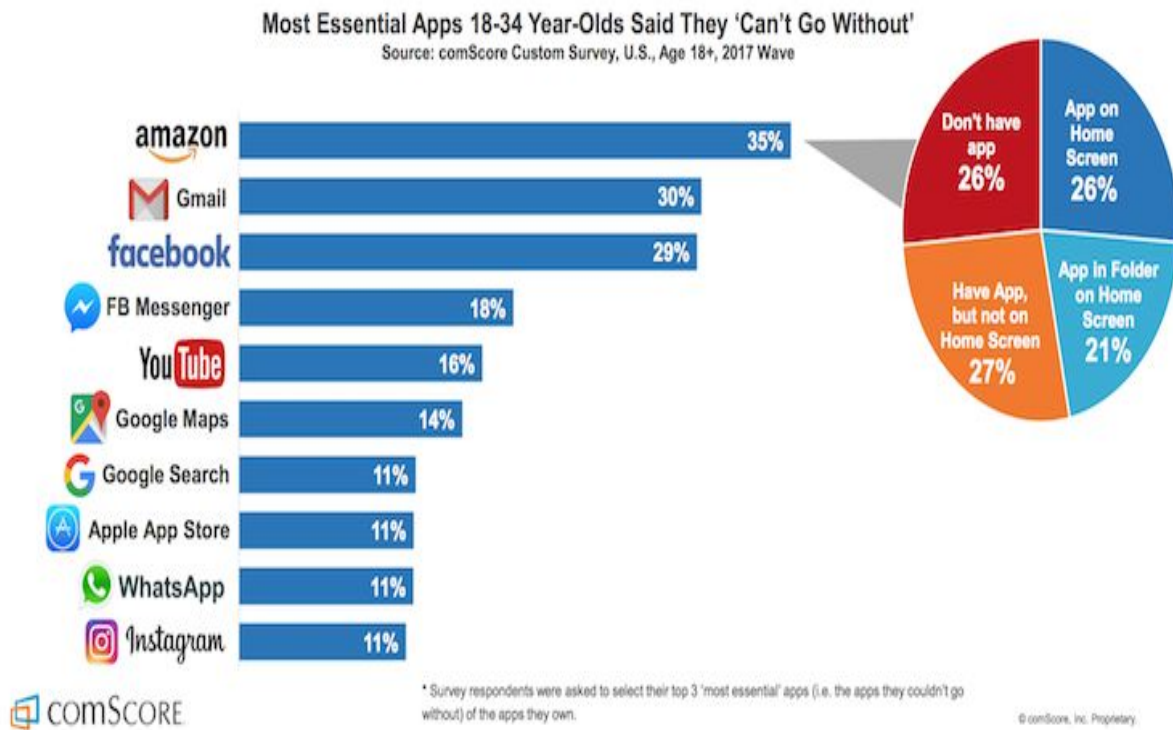
Cost Breakdown for App

Item	Total
Accept Payments	8,000.00
Custom User Interface	25,000.00
Email	2,000
Social Login	7,000
Dashboard	15,000
3rd Party API Integration	25,000
User Privacy Settings	5,000
Reporting	10,000
Payment Administration	15,000
User Administration	16,000
Feedback System	22,000
Total	150,000

Cost Breakdown for App

Who's Paying It Forward? App
Balance Sheet
March 12, 2018

Assets		2018	2019	2020
Current Assets				
Cash		150,000	200,000	225,000
Accounts receivable		50,000	60,000	70,000
Inventory		0	0	0
Prepaid expenses		0	0	0
Short-term investments		100,000	175,000	195,000
Total current assets		300,000	435,000	490,000
Fixed (Long-Term) Assets				
Long-term investments		200,000	220,000	230,000
Property, plant, and equipment				
(Less accumulated depreciation)				
Intangible assets				
Total fixed assets		200,000	220,000	230,000
Other Assets				
Deferred income tax		0	0	0
Other		0	0	0
Total Other Assets		0	0	0
Total Assets		**500,000**	**655,000**	**720,000**

Liabilities and Owner's Equity		2018	2019	2020
Current Liabilities				
Accounts payable		0	0 0	
Short-term loans		100,000	75,000	55,000
Accrued salaries and wages		150,000	250,000	255,000
Unearned revenue		0	0	0

Total current liabilities	250,000	325,000	310,000
Long-Term Liabilities			
Long-term debt	50,000	30,000	10,000
Deferred income tax	0	0	0
Other	0	0	0
Total long-term liabilities	50,000	30,000	10,000
Owner's Equity			
Owner's investment	150,000	200,000	250,000
Retained earnings	50,000	100,000	150,000
Other			
Total owner's equity	200,000	300,000	400,000
Total Liabilities and Owner's Equity	**500,000**	**655,000**	**720,000**

Common Financial Ratios			
Debt Ratio (Total Liabilities / Total Assets)	0.60	0.54	0.44
Current Ratio (Current Assets / Current Liabilities)	1.20	1.34	1.58
Working Capital (Current Assets - Current Liabilities)	50,000	110,000	180,000
Assets-to-Equity Ratio (Total Assets / Owner's Equity)	2.50	2.18	1.80
Debt-to-Equity Ratio (Total Liabilities / Owner's Equity)	1.50	1.18	0.80

Who's Paying It Forward? App

Income Statement

For the Years Ending Dec 31, 2018 and Dec 31, 2019

Revenue	2018	2019
Sales revenue	480,000	640,000
(Less sales returns and allowances)	0	0
Service revenue	0	0
Interest revenue	0	0
Other revenue	0	0
Total Revenues	**480,000**	**640,000**

Expenses		
Advertising	8,000	10,000
Interest expense	4,200	5,200
Payroll taxes	15,000	25,000
Research and development	150,000	50,000
Salaries and wages	150,000	250,000
Travel	5,000	5,000
Web hosting and domains	300	300
Total Expenses	**332,500**	**345,500**
Net Income Before Taxes	147,500	294,500
Income tax expense	9,920	14,936
Income from Continuing Operations	**137,580**	**279,564**
Net Income	**137,580**	**279,564**

Who's Paying It Forward? App

Cash Flow Statement

	12/31/18	12/31/19	12/31/20
For the Year Ending			
Cash at Beginning of Year	150,000	200,000	225,000

Operations

	12/31/18	12/31/19	12/31/20
Cash receipts from customers	530,000	700,000	900,000
Cash paid for			
Inventory purchases	0	0	0
General operating and administrative expenses	(178,300)	(75,364)	(69,500)
Wage expenses	(150,000)	(250,000)	(255,000)
Interest	(4,200)	(5,200)	(6,200)
Income taxes	(9,920)	(14,936)	(32,800)
Net Cash Flow from Operations	**187,580**	**354,500**	**536,500**

Investing Activities

	12/31/18	12/31/19	12/31/20
Cash receipts from			
Sale of property and equipment	0	0	0
Collection of principal on loans	0	0	0
Sale of investment securities	0	0	0
Cash paid for			
Purchase of property and equipment	0	0	0
Making loans to other entities	0	0	0
Purchase of investment securities	100,000	175,000	195,000
Net Cash Flow from Investing Activities	**100,000**	**175,000**	**195,000**

Financing Activities

	12/31/18	12/31/19	12/31/20
Cash receipts from			
Issuance of stock	150,000	200,000	250,000
Borrowing	50,000	30,000	10,000

Cash paid for

Repurchase of stock (treasury stock)	0	0	0
Repayment of loans	(100,000)	(75,000)	(55,000)
Dividends	0	(50,000)	(100,000)
Net Cash Flow from Financing Activities	**100,000**	**105,000**	**105,000**
Net Increase in Cash	**387,580**	**634,500**	**836,500**
Cash at End of Year	**537,580**	**834,500**	**1,061,500**

GOAL 3:
Business Environment

OBJECTIVE 3.1:
Business Ethics

Nigeria: Cursed

Course Name: Seminar in International Economics and Development
Course Number: ECON 6341-70
Term: Spring 2018
Professor: Dr. Francois

Project Requirements: The objective of this paper was to explore the disparity between Nigeria's natural abundant natural resources and the extreme poverty that plagues the nation. The primary underlying cause, explored in detail in the paper, is corruption throughout the government. The paper discusses the ethical implications of governance and management of natural resources.

Goal and Objective 3.1: Business Ethics Assessment Form

Detection: Nigeria suffers from what is known as the resource curse, a situation in which the country is especially rich in natural resources yet unable to use those resources to benefit the general population. Despite massive oil reserves, Nigeria suffers from extreme income disparity and much of the general population lives in poverty. The driving force behind this poverty and inequality is extreme corruption and mismanagement of resources by top government officials who choose to line their own pockets instead of fulfilling their duty to their constituents. Exemplary achievement of the objective is demonstrated by the detailed description of the relevant ethical issues and the alternatives that must be sorted through by Nigerian leadership.

Considers Stakeholders: Much of the corruption and mismanagement occurs within the state-created national oil company (NNPC) and within the government itself. Many of the leaders of NNPC were appointed to their posts through well-documented bribes of government officials. Furthermore, it has been reported that NNPC has failed to remit billions owed to the government, and the government has simply failed to enforce those debts. The government's responsibilities are to its constituents, and they have historically failed in their duties. New leadership, including a new president, has been established on an anti-corruption platform, but they face substantial challenges in removing entrenched systems of bribery and corruption. They will have to turn down millions in order fulfill their responsibilities to the Nigerian people. In this paper the ability to compare and contrast ethical frameworks is demonstrated as both the rights and responsibilities of all stakeholders are presented in detail.

Chooses an Action: The first and most important step in ending corruption has been taken with the election of former general Muhammadu Buhari as president. He reportedly does not live the lavish lifestyle that most government officials and oil executives in Nigeria live, so saying no to the millions that will be offered to him may be more likely for him than others. However, Buhari will face more challenges than just turning down bribes; he will face resistance of many kinds as the systems are built on a corrupt foundation. Buhari should enlist help from independent parties outside the country in dealing with rebuilding the government and structure of NNPC. A commitment to complete restructuring will be necessary for the change to have real and lasting effects for the Nigerian people. The course of action presented in this paper demonstrates an exemplary level of achievement of the objective by considering all stakeholders, considering the benefits and risks of each course of action, and demonstrates the challenges facing each.

Comment: My heart goes out to the Nigerian people, as there is little the general population can easily accomplish to improve their situation. Similarly, President Buhari has a noble but very difficult task in front of him. Looking back on this paper I would have further explored Buhari's road towards eliminating corruption and included accomplishments to date.

Jay Creighton

Nigeria: Cursed

Econ 6341

16 April 2018

Abstract

Nigeria is among the top 20 oil producing nations in the world, and yet is still a notably poor country. This paradox is caused by rampant corruption and the proceeds failing to be reinvested in the economy. The state-owned national oil company is known for hiding funds and widespread use of bribery. Much of Nigeria's situation can be explained by examining the principle of the resource curse.

Despite having abundant mineral reserves, Nigeria is one of the poorest nations in the world. Nigeria produces 2,037,000 barrels of oil per day and ranks 14th in the world in oil production, and yet ranks just 139th in the world in per capita Gross Domestic Product (GDP). When comparing Nigeria with the other countries that comprise the top 20 of oil production, only one country on the list, India at number 20, has a lower per capita GDP.

Country	GDP per capita (current US$) 2014	World Rank in Total Petroleum and Other Liquid Production
Norway	97,200	15
Qatar	86,853	13
United States	54,599	1
Canada	50,454	4
United Kingdom	46,783	19
United Arab Emirates	44,450	8
Kuwait	42,996	10
Saudi Arabia	24,575	2
Venezuela, RB	15,692	12
Russian Federation	14,126	3
Kazakhstan	12,807	16
Brazil	12,027	9
Mexico	10,453	11
China	7,684	5
Iraq	6,703	7
Iran, Islamic Rep.	5,541	6
Algeria	5,466	18
Angola	4,709	17
Nigeria	**3,222**	**14**

| India | 1,573 | 20 |

Sources: World Bank (2018), U.S. Energy Information Administration (2018)

The primary reasons that the country is so poor despite having such abundant oil have to do with the way oil revenue is managed and corruption. The federal government of Nigeria owns all oil and gas reserves according to the Nigerian Constitution (Awogbade, et al, 2017). The Nigerian National Petroleum Company (NNPC) is a corporation created by the government to execute its oil business. According to several reports in recent decades, NNPC has failed to remit billions of the money owed to the government from oil revenue (PWC, 2015, KPMG, 2010). Additionally, there are several well-documented alleged bribes of government officials. Nigeria's former oil minister, Diezani Alison-Madueke, was repeatedly payed millions by Nigerian businessmen in exchange for giving them lucrative oil contracts (Kazeen, 2017). The Economist has described Former President Goodluck Jonathan as "an ineffectual buffoon who let politicians and their cronies fill their pockets with impunity". The new president, former general Muhammadu Buhari, aims to eliminate the corruption from previous regimes, but there are many challenges. It is said that he is unique among Nigerian politicians in that he does not live the lavish lifestyle afforded to the others from repeatedly accepting bribes. He has jailed and otherwise removed many corrupt government officials (The Economist, 2016).

In 2006, oil revenue made up 76% of the Nigerian government's revenue and accounted for 40% of GDP (The Economist, 2007). The reliance on oil exposes

the entire country to shocks related to a change in oil price. In just the past few

years, crude oil prices have dropped from a high of over $108 per barrel in 2013

to under $30 in 2016. Nigeria's GDP has dropped accordingly.

Year	GDP per capita (current US$)
2013	2997
2014	3222
2015	2655
2016	2176

Data from database: World Development
Indicators
Last Updated: 03/01/2018

One of the primary implications of the reliance on oil and the corruption is that in

addition to having a low GDP, income is distributed unevenly. According to data

from 2009, the wealthiest 10% hold 32.7% of the nation's income, while the

poorest 10% hold just 2%. 53.5% of the population earns under $1.90 per day,

77.6% earn under $3.20 per day, and 92.1% earn under $5.50 per day (World

Bank, 2018).

The resource curse is defined by the Natural Resource Governance Institute as:

> "The failure of many resource-rich countries to benefit fully from their
>
> natural resource wealth, and for governments in these countries to
>
> respond effectively to public welfare needs." (NRGI, 2015)

Nigeria is undoubtedly a victim of the resource curse and meets many of the criteria defined by NRGI. Higher rates of conflict and authoritarianism are one criteria. Nigeria has gone through many changes in government and been under military rule as recently as 1999. The current government is democratic, but the changes over the years indicate the issues relating to the resource curse. NRGI also cites lower economic stability and economic growth. Nigeria's low per capita GDP and dependence on the price of oil discussed above certainly meet the criteria (NRGI, 2015).

Nigeria has the fortune of massive oil reserves, but the misfortune of falling into the resource trap like so many other countries. Despite being one of the world's leaders in oil production, it remains an incredibly poor country. New leadership and outside pressures may move the country in the right direction, but the challenges are many.

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GOAL 3:
Business Environment

OBJECTIVE 3.2:
Global Business Environment

Case Study: Global Wine War

Course Name: Seminar in Advanced Microeconomic Theory
Course Number: ECON 6305-71
Term: Summer 1 2018
Professor: Dr. Rosa

Project Requirements: Upon review if the case study, "Global Wine War: New World Versus Old", students were required to analyze the global market for wine, establish the historical context, and provide recommendations to various parties in the industry across the globe.

Goal and Objective 3.2: Global Business Environment Assessment Form

Identification of Global Factors: The global wine industry can be divided into two classifications. The old world producers (from countries such as France and Italy) have built a reputation based on quality, but strict regulations limit the potential for growth. New world producers (from countries such as the United States, Australia, and Chile) are producing quality wines, but cannot command the same prices as their old world counterparts due to a perception of lower quality. The ability to identify global business factors at an exemplary level is demonstrated by the detailed discussion presented in this paper.

International Trade Theories: Wine producers, particularly from the old world, are experiencing a glut of wine production. Oversupply has led to governmental purchase of excess supply only to distill it into industrial alcohol. In order to stop the plowing-under of vineyards, producers all over the world have set their sights on the largest untapped market: China. China has not historically consumed wine in any meaningful amount and therefore represents an immense potential market. The presentation of trade theories in this paper demonstrate a thorough understanding of the relevant global issues.

Analysis of Global Factors: Producers face substantial challenges at home and abroad. The most promising answer to the oversupply and pricing issues is the opportunity to break into the Chinese market. There is a great cultural risk as the Chinese population will have to be taught to enjoy and appreciate wine. Investment in time and resources have will be required, along with cultural sensitivity and understanding. The analysis of global factors in this paper is clear, accurate, and detailed, and therefore demonstrates the ability to analyze such factors at an exemplary level.

Application of Analysis to Management Situation: Great opportunity and great risk both exist in China. Recommendations are given to the owner of a vineyard in Australia, as well as the Australian Minister of Agriculture, the Australian wine industry, the French Minister of Agriculture, and the French Wine Industry. While specific recommendations are given, all are encouraged to focus strategic resources on expansion into the Chinese market. Marketing and branding initiatives, along with education of consumers, will be key for all parties. Breaking into the Chinese market in a substantial way will require an understanding of and sensitivity to the Chinese culture. The application of analysis to specific management situations in this paper is presented clearly, includes valid conclusions and recommendations, and, therefore, demonstrates the ability to apply and communicate such analysis at a high level.

Comment: The global wine industry is facing great challenges but also great opportunity. The potential to expand into the Chinese market could transform the industry. Looking back, I would have liked to spend more time discussing marketing initiatives that have been successful in China and developed more in-depth recommendations on brand development in China and marketing to the Chinese people.

Jay Creighton

Case Study: Global Wine War

Econ 6305-71

6 July, 2018

Identify The Case

The wine industry is a millennia old industry with a history as deep and rich as the flavor profile of the best Bordeaux that money can buy. With a modest but thriving past, winemaking has been a part of civilization for millennia (Röse, 2011). According to the International Organisation of Vine and Wine, in 2016 7.5 million hectares worldwide are considered "under vine", or destined for the production of grapes, and 7.8 million tons of grapes are produced. Of those 7.8 million tons, 47 percent went to wine production, leading to a total wine production of 267 million hectoliters. However, wine consumption in 2016 was only 241 million hectoliters worldwide. Of the wine produced, 104 million hectoliters were traded internationally, creating an industry worth 29 billion euro ("OIV Statistical Report on World Vitiviniculture", 2017).

Initial Situation

According to Bartlett & McAra, the wine industry can currently be categorized into two important classifications: the Old World Producers and the New World Producers. The predominant Old World Producers include Italy, France, and Spain. The largest New World Producers are Chile, Australia, and the United States. The Old World, primarily European, producers have been working at their craft for centuries, while the New World Producers are relatively recent entrants to the industry. Old World wines are known for their quality, but the producers are constrained by strict traditions and regulations. The New World Producers are able to craft quality wines, but struggle with the perception of such quality (Bartlett & McAra, 2016).

Problems Presented

The primary issue presented by Bartlett & McAra facing the wine industry was that of oversupply. In 2014, France overproduced by a margin of 10,864 thousand hectoliters. Collectively, Europe's excess supply of wine is known as the "wine lake", much of which is distilled to be used as an industrial alcohol. The wine lake represents a major inefficiency for the European Wine industry, a problem which is being addressed in multiple ways. The European Union is aggressively pursuing uprooting efforts in an

attempt to reduce supply and is expanding its promotion of exports (Bartlett & McAra, 2016).

New World producers had their own set of challenges as well. In their attempts to gain footing in the market, they had trapped themselves into a value driven but low quality image. Other challenges include energy and water prices driving up production costs, as well as unfavorable exchange rates (Bartlett & McAra, 2016).

The set of challenges facing each set of producers has necessitated an alternative approach for growth in a difficult and mostly mature market. The producers and the relevant governing bodies must turn rethink their strategies in order to remain competitive and profitable.

How did the French producers remain dominant competitors for centuries in an increasingly global wine industry? What sources of competitive advantage were they able to develop to support their exports? Where were they vulnerable? Some French wine producers have merged with US wine producers in the production of some brands of U.S. wine. How successful has this been?

French producers have long enjoyed a competitive advantage in selling their wine. They have centuries more experience than the new world producers, and have developed a well-deserved image which commands a premium price. The wine producing regions of France became synonymous with the most expensive varieties of wine; Bordeaux, Burgundy, and Champagne, in particular. Their industry was supported by exports, but a real, lasting source of competitive advantage is that the French had long been the worldwide leading consumers of wine on a per capita basis. The domestic demand supported the industry and contributed to its development over the centuries. Other factors contributed as well: environmental factors such as climate and soil composition are worth noting. As the industry evolved, French producers

developed the expertise that not only led to high quality wines, it defined quality wine (Phillips, 2016).

But the French wine industry was vulnerable as well. The industry as a whole was fragmented: vineyards and wineries were almost universally small, such that economies of scale were not present. Additionally, French producers were subject to incredibly strict regulations based on preserving the great tradition of French winemaking. Winemakers were unable to implement modern technological advances, and the categorization system meant to distinguish consumers was effectively placing them under a ceiling. In effect, they were strangled by their own adherence to tradition (Bartlett & McAra, 2016, Phillips, 2016).

In recent decades, several French producers have merged with or invested in vineyards in California. Two of the more notable examples include Opus One, involving Robert Mondavi of the U.S. and Baron Philippe de Rothschild of France, and Dominus Estate, represented a partnership between Robin Lail and Marcia Smith of the U.S. and Christian Moueix of France but is currently owned by Moueix ("Our Estate", "The Story"). The two have been immensely successful according to both reputation and cult status, but their price per bottle has not quite reached the heights of their European counterparts. For example, both of the aforementioned wineries sell most bottles between $100-300; Moueix's high-end French merlot sells for $4,500 (Irving, 2014).

What changes in the global industry structure and competitive dynamics allowed challengers from Australia, United States, and other New World countries to take market share from France and other traditional producers in the later twentieth century?

While France and the other Old World Producers long enjoyed competitive advantages, globalization and modernization have taken their toll on their position at the top.

According to Hussain, Cholette, and Castaldi, three factors have contributed to the Old World's relative decline within the industry. They include:

(1) a worldwide over-supply of grapes and the incumbent pricing pressures,

(2) increased consolidation at the producer, distributors and retailing sectors, and

(3) shifting consumer behavior patterns.

(Hussain, Cholette, Castaldi, 2008)

The oversupply of grapes put stress on countless individual producers. Because of the European tendency towards smaller producers, the stress in the Old World was even greater. Partially because the Old World producers were so deeply rooted in tradition and regulations that protected such tradition, they were not able to take advantage of the opportunity to capture value along the supply chain in the way that New World producers were positioned to do from the start. Additionally, consumer demand has shifted due to movements fighting alcoholism and drunk driving while health promotion has increased (Hussain, 2008).

Focusing in particular on opportunities and risk presented by the Chinese market, what advice would you offer to the French Minister of Agriculture and to the head of the French wine industry association as they develop strategic initiatives to build global market share?

Both great risk and opportunity exist in China. Having the largest population of any country in the world, the market is certainly appealing. The risk, however, is cultural; wine is not a traditional part of China's culture. Recent history demonstrated this dichotomy in that the decade from 2003-2013 China's imported wine market grew by an average of 60% per year, but in 2014, growth rates finally slowed, demonstrating that a peak may have been reached (Rieger, 2015). That peak may have been a result of cultural limitations. Until the Chinese culture changes, a process which often takes

significant time, by opening up to and embracing wine, there may be natural limits on the amount of wine producers can export to China.

In order to combat the cultural limitations, Chinese officials should seek to grow demand through education. Wine is already seen as a healthier and more enjoyable alternative to traditional Chinese spirits (Rieger, 2015), but many Chinese still do not regularly partake. An effort to educate more of the population could lead to increased overall consumption.

Based on the material presented in this case with particular attention to the Chinese market, what advice would you give to the Australian Minister of Agriculture, the Australian wine industry, and to owner of a midsize, well regarded vineyard in the Barossa Valley of Australia producing wines in the premium and super premium categories?

Recommendations to the Australian Minister of Agriculture:
According to Hussain, et al. the three primary strategies to be taken by government officials in wine exporting countries include the following:
1. Increase Emphasis on Market Orientation
2. Increase Export Assistance
3. Manage Trade Barriers
   (Hussain, et al. 2008)

Hand in hand with producers, government officials can increase overall exports by focusing on the above objectives. An emphasis on market orientation will lead to more target product development, marketing, and pricing. Export assistance will increase opportunity for producers that may not consider or be able to efficiently pursue such avenues. Managing trade barriers will facilitate the process of delivery, which in many cases can take months (Bartlett & McAra, 2016).

Recommendations to the Australian Wine Industry:

In addition to working closely with the Minister of Agriculture on the three aforementioned strategies to promote wine exports, the wine industry as a whole should focus on education of Chinese consumers about the benefits, joys, and appreciation of wine. Because wine is not a part of the Chinese culture, many Chinese consumers do not think of wine as an everyday option. Tastings and other promotional and educational events have the potential to change that over time. Additionally, in recent years, several instances of branding relating Chinese symbols and culture to wine consumption have been successful and should be pursued further (Bartlett & McAra, 2016).

Recommendations for the Australian Vineyard Owner:

Much work has been done and continues to be done in exposing Chinese consumers to wine. Much of the increases in everyday consumption have been in the entry level category. A producer in the premium and above categories should place marketing efforts in increasing sophistication among wealthier consumers who already appreciate wine to some extent. The groundwork for developing a taste for wine has been laid and the means (income) are in place for many, but much of the country is still new to enjoying wine. Education and increased appreciation can lead to increased demand.

Recognizing the opportunities that exist in the fast-growing Chinese wine market, what advice would you offer to China's Minister of Agriculture, to the head of the Chinese wine industry association, and to a well-funded Chinese entrepreneur planning to buy a major established vineyard and enter the Chinese wine market?

Recommendations for China's Minister of Agriculture:

One of the greatest hurdles to be faced by the Chinese wine industry is the perceived lack of quality. As the head of the agriculture department, effort should be placed in developing standards to increase quality and consistency. The Old World producers

have had systems of classification for centuries, and many models around the world have improved upon those models (Bartlett & McAra, 2016). Emulation of the current systems can lead a classification system that instills confidence in the Chinese product.

Recommendations for the Head of The Chinese Wine Industry:
The wine industry in China should focus on two primary strategies: increasing exposure to and appreciation for wine, and developing the image of Chinese wine as a whole. The absence of wine in traditional Chinese culture creates both the biggest hurdle and the greatest opportunity. Developing a taste for wine throughout the population would create the largest market in the world; even falling short of that could create tremendous opportunity. Because Chinese wine production does not have the history that even the New World producers have, they do not enjoy the same reputation for quality. The wine industry should put forth a significant effort to change that perception and develop an image associated with quality, consistency, and taste.

Recommendations for the Chinese Investor:
To a great extent, the entrepreneur entering the wine industry in China should follow the model set forth by the New World producers: embrace modern, innovative production techniques in order to achieve the highest quality for the price point; branding and marketing should be a core competency from the start; and create a hierarchy of ranges so that consumers can remain loyal to the brand as their sophistication and tastes develop.

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Analysis of the Acquisition of Whole Foods by Amazon

Course Name: Seminar in Corporate Finance
Course Number: FIN 6320-71
Term: Fall 2018
Professor: Dr. Lei

Project Requirements: For this assignment, students were required to analyze a potential, ongoing, or past merger or acquisition and to recommend the best course of action. Qualitative and Quantitative analyses of the situation were required.

Goal and Objective 4.1: Decision Making Assessment

Identifies Alternatives: The proposal not only considers the two most relevant alternatives, to acquire or not to acquire, but also considers the prices levels that affect the interaction between the two alternatives. The primary purpose of the project is to make an argument for one alternative or the other taking in relevant considerations. The value of taking action at relevant price levels is weighed against the standard of no action being taken. Techniques used to evaluate the alternatives include quantitative valuation as well as qualitative and strategic synergies to come from the deal. The discussion of the alternatives, especially the argument for acquisition, demonstrate an exemplary level of achievement as the argument is in-depth and requires a deep, thorough level of understanding.

Appropriateness: The goal of a merger or acquisition is to create synergy that did not previously exist. In this project we used both quantitative and qualitative models to assess the acquisition. Quantitative models of valuation, net present value, and cash flow analysis are used to evaluate the financial impacts of the acquisition. Qualitative models used include a SWOT analysis and a thorough analysis of synergies to be created.

The use of these models allows for the acquisition to be evaluated from all relevant angles. It is necessary to use multiple models and evaluation criteria, because the quantitative models used only tell a part of the story. The target company (Whole Foods) had been declining in profitability and other measures for several years, making it a less attractive target. However, the SWOT analysis highlights the strategic potential of the deal, regardless of what the quantitative models show. Taken together, the variety of models and evaluation methods demonstrate the power in the potential deal. It is clear that the models chosen demonstrate exemplary appropriateness as the analysis used is clear, balanced, and uses a variety of accepted techniques to address the issue in a thorough manner.

Interpretation: The interpretation of management's decision alternatives in this deal is highly complex. Many factors must be weighed against each other since they are not all in agreement. Management faces potential scrutiny in the decision making process by taking on a company which is faltering, and must use foresight to envision the ways to create value using Whole Foods assets. The ability to estimate outcomes from the relevant options is demonstrated by weighing all factors and evaluation criteria along with potential future initiatives to create synergies between the two companies to present an argument for the acquisition.

Comment: This project was one of the more educational experiences I had during my MBA. I gained an understanding of the valuation process and of the many factors that aren't reflected in the financial analysis that go into the decision making process. Furthermore, the project gave me a great deal of insight into nuances and potential of the actual acquisition of Whole Foods by Amazon.

Proposal of Acquisition of Whole Foods by Amazon

Acquires

Final M&A Project

FIN 6320-71

Frank Cordova

Rodrigo Barquero

Lateef Jimoh

Jay Creighton

4 November 2018

Executive Summary

The merger and acquisition unit of Amazon find Whole Foods Market attractive to acquire as a means of expanding and redefining the grocery industry, similar to what Amazon has done over the years with the retail market. Amazon as a company has plans for the grocery market, which has the potential to derive the next wave of its growth. Over the last few years, Whole Foods has experienced a consistent decline in profit and the stock value, which makes the company a prime target for acquisition, not only by Amazon but many other companies.

Based on our review, the acquisition of Whole Foods will give Amazon a large portion of the grocery industry and enhance the company's existing fresh delivery service. Whole Food Market Inc. is an American supermarket chain company that specializes in the selling of organic products. The company has 445 stores in both North America and the United Kingdom. The acquisition of Whole Foods, by Amazon, will not just be about two companies. The combined strength of Amazon and Whole Food Market will move the tech and food industries a step ahead of the competition. Amazon intends to set a new standard and experience for the online grocery customers. Additionally, Whole Foods Market will add a vast network of stores and provide the e-commerce giant with experience in food distribution, storage, and sales. Next, Whole Foods, with over 35 years of experience in the grocery industry, will have the facilities to help broaden Amazon's distribution network and product offerings, which will be utilized by Amazon Go and AmazonFresh Pickup. Furthermore, Amazon's premium loyalty program, Amazon Prime, will draw in more customers to Whole Foods Market.

Background Information and Overview of Amazon's Industry Penetration into the Grocery Market

The retail industry is very crowded by giants like Amazon, Walmart, Kroger, Target, and Costco. All of them are trying to expand and grow by organic, inorganic means or a combination of both. Growth can be limited by competition and may require businesses to cut back expectations and even consider the possibility of closing down stores due to limited opportunities; inorganic growth may be the best approach through mergers or acquisitions. The retail industry is looking to tap into the grocery business market which is worth $675 billion per year in the United States (Forbes, 2017). In 2016, Amazon holds only 0.19% of the grocery market share and Whole Foods only 1.21%. 1.4% may seem like a very small percentage of the grocery market but when combining Amazon and Whole Food's numbers, the whole becomes greater than the sum of its parts. See Figure 1 (Berk, 2017).

In examining the importance of tapping into the grocery market and how Amazon and Whole Foods can complement each other better, we used SWOT (Strengths, Weaknesses, Opportunities and Threats) methodology to analyze the industry in our consideration of the acquisition of Whole Foods.

Strengths

Both Amazon and Whole Foods enjoy strong brand names. Amazon dominates the e-commerce market and owns its own fulfillment network to get to the customer. The acquisition of Whole Foods would provide the missing component of physical presence that Amazon currently lacks. With 30 years experience in the grocery industry, Whole Foods would allow Amazon to have immediate access to brick and mortar presence with over 450 stores

across the country in addition to stores in the United Kingdom and Canada. See Figure 2 (Nusca, 2017).

According to research made by Kantar Worldpanel for the percent of households that shopped at Amazon, Target, and Walmart, Amazon has continuously and steadily increased the number of shoppers since 2007 when the research began. During the same period, Walmart and Target have decreased in the number of shoppers. The acquisition of Whole Foods would allow Amazon to better compete with these retailers in the grocery market. See Figure 3 (Kowitt, 2018).

Weaknesses

Both the retail industry and grocery industry suffer of increased competition. This translates into constant price changes and weaker margins. Amazon does not have brick and mortar presence to compete in the grocery market. Amazon also does not have extensive experience in the grocery industry and has been experimenting with it without significant success. Whole Foods does have experience but it is limited to higher income demographic areas. The integration of Whole Foods and Amazon may be a challenge because of different work cultures.

Opportunities

According to research made by Food Marketing Institute and Nielsen, online grocery shopping will grow five times its current size over the next decade. In the United States consumers will be spending over one hundred billion on online grocery items by 2025. (Daniels, 2017)

Online grocery shopping is the future method for consumers to get their groceries. The grocery industry business has been slow to transition to online shopping mainly because of the nature of its perishable products and the issue of pricing due to slim profit margins of grocery products. Amazon's acquisition of Whole Foods would be able to solve these problems.

An Amazon and Whole Foods merger would allow for lower prices of high quality natural and organic products for customers. Amazon would be able to cut down delivery expenses and improve margins by reducing shipping costs. Amazon can use information gathered from its consumers to know what they want before they buy their groceries. The grocery industry has very slim profit margins which has been a large deterrent for online grocery shopping. Hiring more employees to pack and make deliveries of groceries would increase costs significantly. Amazon would be able to use its robotics, delivery, and shipping infrastructure to efficiently allow it to provide low cost online groceries to consumers.

Amazon, with the acquisition of Whole foods, could take advantage of having lower debt loads than more traditional competitors. Kroger Company (the largest grocery store operator in the U.S) has high debt load compared to many of its competitors. It has $9.2 billion of debt on its balance sheet (Marketwatch, 2015). Most Amazon competitors do not have the financial capital to make the moves Amazon can take to better place itself in the online grocery industry (Kroger Co, 2018).

Threats

Other competitors such as Walmart, Target, and many others are also looking to grow their grocery online business. Walmart has a vast national presence that includes lower income demographic areas. Economic downshifts in recent years (2008 and 2009) and the deflationary

environment have led to a continued price competition among big players in the grocery industry. See Figure 4 (USDA, 2018).

Amazon has expanded into many industries such as: pharmacy, package delivery and logistics, bookstores, food delivery business, electronics, department stores, etc. This involvement in so many industries may expose it to lawsuits.

Background Information and Overview of Whole Foods Market

Founded in Austin, Texas, Whole Foods Market was incorporated in 1978. The company has since grown its business over a span of three decades through mergers and acquisitions of natural and organic food stores (Whole Foods Market, 2018). As of the year 2016, there are 456 Whole Foods Market stores in operation, 436 stores are located across the United States, 11 stores in Canada, and 9 stores in the United Kingdom (U.K). While 97% of its sales are generated in the United States, Whole Foods Market ranks 5th as the largest public food retailer and ranks 10th in terms of sales ranking, in the U.S food retailing business. In addition, Whole Foods' emphasise on natural and organic foods market is driven by consumerism of an affluent population who are health and environmentally conscious, value ethical standards, have concerns for the quality of food, and how food is produced (Whole Foods Market, 2016).

In general, the retail sale of natural food products has experienced a 9% increase in growth over the previous year. Whole Foods Market (WFM) has experienced an average of 8.5% year-over-year growth for the past five years; the growth of WFM is attributed to opening of new stores and increased sales at comparable stores. For fiscal year 2016, WFM reported sales of $15.7 billion, which is a 2.2% increase from the previous year, net income was $507

million, EBITDA was 8.6% of sales or $1.4 billion, cash flow from operations was $1.1 billion, from which $716 million was invested for capital expenditure, resulting in $400 million of free cash flow (Whole Foods Market, 2016).

We consider Whole Foods Market to be a viable acquisition for Amazon because it has a strong foothold in the natural and organic foods retail industry and has generated respectable earnings and increasing cash flow. Whole Foods Market has and continues to evolve its business by gaining a competitive advantage and staying above the curve through new marketing initiatives, such as the "365 by Whole Foods Market" (Whole Foods Market, 2016).

Overall Description of the Deal

Our deal with Whole Foods is targeted to be sealed with a final price proposal of $42 per share; therefore, equalling about $13.5 billion, which may include financing with debt (Keyes, 2018). This price is a 27 percent premium to the stock price (Trainer, 2017). In line with our strategic planning at Amazon, more than 70% of the acquisition cost will be attributable to goodwill (Keyes, 2018). This reflects the intention of Amazon to buy the opportunity that exist in Whole Foods, rather than the current operational capabilities, in order to gain a strong entrance into the grocery industry.

By acquiring Whole Foods, the market value of Whole Foods will increase. This will be accompanied with the highest quality, convenience, innovation, and experience. As part of the deal, Whole Foods will continue to operate under its existing name and brand. The chief executive of Whole Foods will remain after the acquisition, and the company will keep its headquarters in its current location, which is Austin.

Amazon and Whole Foods Market's vision is to make high-quality organic food affordable for everyone. With this idea, customers are expected to enjoy lower prices on a wide range of items, especially products like organic large brown eggs, organic avocados, whole trade bananas, organic responsibly-farmed salmon and tilapia, baby lettuce, organic baby kale, animal-welfare-rated 85% lean ground beef, organic Gala and Fuji apples, creamy and crunchy almond butter, 365 Everyday Value organic butter, organic rotisserie chicken, and many others (Thomas, 2017). In addition, Amazon Lockers will be accessible in select Whole Foods stores. Customers will have a choice of having their products shipped from Amazon.com to their local Whole Foods Market store for pick up, or send returns back to Amazon during a trip to the store (Thomas, 2017). Whole Foods Market's healthy and high-quality private label products — including Whole Foods Market, 365 Everyday Value, Whole Catch, and Whole Paws — will be made available on Amazon Fresh, Amazon.com, Prime Now, and Prime Pantry (Thomas, 2017). As we progress to raise the standard and taking advantage of technological advancement, Amazon Prime will become Whole Foods Market's customer rewards program that will be providing special savings and other in-store-benefits to Prime members.

Quantitative Description of the Deal

Revenues/ Profits

The valuation of Whole Foods was determined by calculating the enterprise value, which takes into account market capitalization, preferred stock, debt, and cash/ cash equivalents. The estimated value was found to be about $13.5 billion, and a share price of $42 (see table 2). According to Amazon's most recent 10-K filings, Amazon has about $19 billion in cash, which

is more than enough to purchase Whole Foods. Despite this, Amazon should conserve some of its cash flows to be able to handle future business endeavors. Thus, Amazon should finance some of the acquisition through other means. An NPV was calculated utilizing a WACC with and without incorporating equity. The calculations show that if the entire project is funded with equity and debt the NPV is negative, around $11 billion (see table 2). In contrast, if the entire project is funded with debt then the project has a positive NPV, around $4 billion (see table 2). These calculations show that acquiring Whole Foods would be profitable, and Amazon has several ways to finance it. Lastly, Amazon should not pay more than $42.149 per share to acquire Whole Foods because the NPVs are negative beyond this point (see table 2).

From the historical revenue (see Figure 5), the growth at Whole Foods Market has been rapid, when compared with the industrial average in the grocery business (Kobayashi-Solomon, 2015). The growth experienced by Whole Foods can be associated with the company opening new stores, and the company's ability to increase sales in comparable stores. The reason for the same store sales experienced by Whole Foods is because of its customers' loyalty to their brand, and until recently, an unmatched selection of organic goods. Whole Foods Market, according to the historical report (see Figure 6), is more profitable when compared to mass-market grocery chains like Kroger (Kobayashi-Solomon, 2015). In addition, our team believes that Whole Foods' profitability advantage is connected to pricing power associated with scarcity and quality. Based on our findings, organic products are becoming more mainstream, so one element of its pricing power, the scarcity, is eroding. In order to remedy this, Whole Foods' has had to spend more money on marketing to inform and entice customers with their very high quality products, as a way of differentiating themselves.

Although Whole Foods' sales have been on a steady decline since 2015 (see figure 7), there is substantial potential in online sales. According to L.E.K, a global management consulting firm, online sales could account for as much as 20% of the overall food and beverage market by 2025, with brick-and-mortar retail being most affected at around $140-$150 billion (see Figure 8) (Wilson et al., 2017)(Wilson, Picciola, & Steingoltz, 2018). Furthermore, by utilizing Amazon's established behemoth retail position, both companies stand to take a large share of U.S retail sales, through ecommerce, because the forecast of food and beverage sales is expected to increase thirteen percentage points from 2017 to 2022 (see Table 1) (Wilson et al., 2017).

Qualitative/ Strategic Benefits of Whole Foods Acquisition

Amazon's intent to acquire Whole Foods has far more to do with Amazon's own strategic development than with the financial performance of Whole Foods. Amazon has for years placed strategic emphasis on breaking into the market for groceries but has experienced only limited success. The acquisition of Whole Foods will bring about the accomplishment of several key goals much more quickly than Amazon can accomplished on their own. But the acquisition is about more than just groceries. The three key strategic areas in which Amazon stands to benefit include gaining access to key Whole Foods brand assets, using the Whole Foods stores as multi-purpose physical hubs, and gaining access to a significant amount of consumer data.

Key Whole Foods assets that Amazon will utilize include: the Whole Foods brand name, the "365" private label brand, and management's expertise in the grocery industry. The Whole Foods brand name is synonymous with quality and organic foods. Amazon's current foray into

the grocery industry, AmazonFresh, has never garnered the same trust among consumers. Additionally, Whole Foods "365" private label brand will fit nicely with Amazon's ongoing strategic emphasis on vertical integration through development of private label brands, which tend to return higher margins than third-party brands (Petro, 2017). Furthermore, Amazon will be acquiring Whole Foods' experienced, competent leadership team, which will provide expertise in an industry in which Amazon has experienced only limited success to date.

   Amazon will also use the Whole Foods stores to augment their existing business in many ways. First and foremost, they will serve as distribution hubs. Amazon's Prime Now service operates in only half of the zip codes currently served by Whole Foods stores (Bruno, 2017). Having the stores serve as warehouses for the one hour delivery service will allow for substantial expansion of Prime Now. Amazon will also outfit stores with Amazon lockers, which will allow for customers to pick up orders or drop off returns. These key distributions benefits alone could make the deal worthwhile for Amazon, even if Whole Foods were to stop selling groceries (Thompson, 2017). AmazonFresh is another service that will benefit from the physical stores. Amazon has long struggled with the delivery of perishable grocery items, but by acquiring the 456 Whole Foods stores, that are already stocked to the brim with high quality groceries and situated primarily in affluent urban and suburban neighborhoods, they will be acquiring an established supply chain network and the ideal set of "warehouses" for the difficult to store perishable items. Furthermore, the physical stores will provide an opportunity for cross marketing. For example, Amazon will have the opportunity to display products such as Echo devices, or to promote services such as Prime by giving discounts on groceries to members.

Amazon, which has pioneered the use of data to intelligently market to its customers, will also gain access to a massive amount of data in an area in which it currently has very little. Whole Foods has substantial data regarding its customers buying habits, preferences, patterns, and correlations between purchases of different products and categories (Petro, 2017). No one understands the value of consumer data better than Amazon, or how to profit from it because of its proprietary data capture and analytical tools that are able to track activities of their customers and optimize distribution logistics for suppliers and consumers (Wilson et al., 2017). Due to Amazon's limited success in the grocery industry, this data will be key to Amazon developing an understanding of the way that people buy groceries.

Summary and Conclusion

Amazon has long viewed the grocery industry as a potential driver for the next wave of the company's growth. Whole Foods' brand name, existing infrastructure and assets, and expertise in the grocery industry make it an attractive target for acquisition for Amazon. Whole Foods boasts one of the most trusted brand names in the industry, 456 physical locations, a treasure trove of consumer data, among other strategic assets that will create a foothold in the industry that would take Amazon years to develop on their own. The use of brick and mortar as a compliment to its online platform, the "365" private label brand, and the significant amount of consumer data all fit perfectly with Amazon's key strategic initiatives. Amazon has determined that the company is appropriately valued at $42 per share, or $13.7 billion. While this represents a premium over Whole Foods current market price, Amazon believes that the opportunities provided by the acquisition will drive far more value than the price paid.

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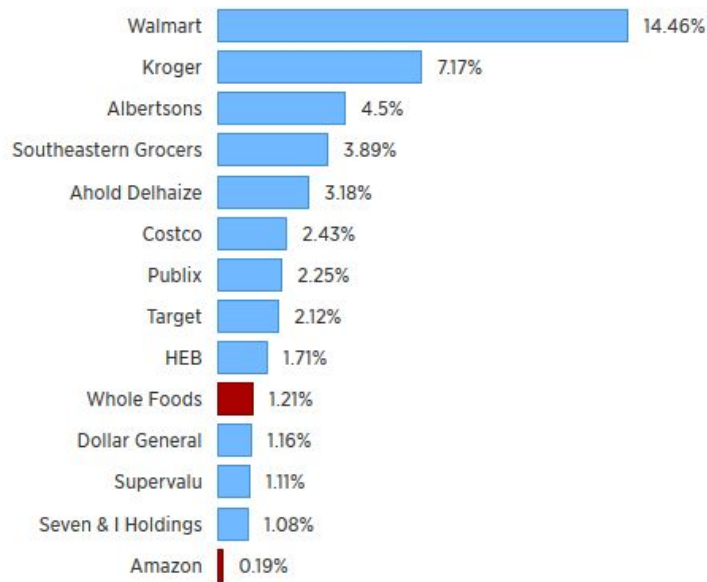https://www.wholefoodsmarket.com/company-info/whole-foods-market-history

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Figure 1: (Berk, 2017)

U.S. Grocery Market Share in 2016

Retailer	Market Share
Walmart	14.46%
Kroger	7.17%
Albertsons	4.5%
Southeastern Grocers	3.89%
Ahold Delhaize	3.18%
Costco	2.43%
Publix	2.25%
Target	2.12%
HEB	1.71%
Whole Foods	1.21%
Dollar General	1.16%
Supervalu	1.11%
Seven & I Holdings	1.08%
Amazon	0.19%

Source: GlobalData Retail estimates and analysis

Figure 2: (Nusca, 2017)

Whole Foods store locations as of June 2017   Nicolas Rapp/Fortune/Time inc

Figure 3: (Kowitt, 2018)

PERCENT OF HOUSEHOLDS THAT SHOPPED THESE RETAILERS DURING PAST FOUR WEEKS

WALMART (ALL FORMATS) 66.6%

AMAZON.COM

66.1%

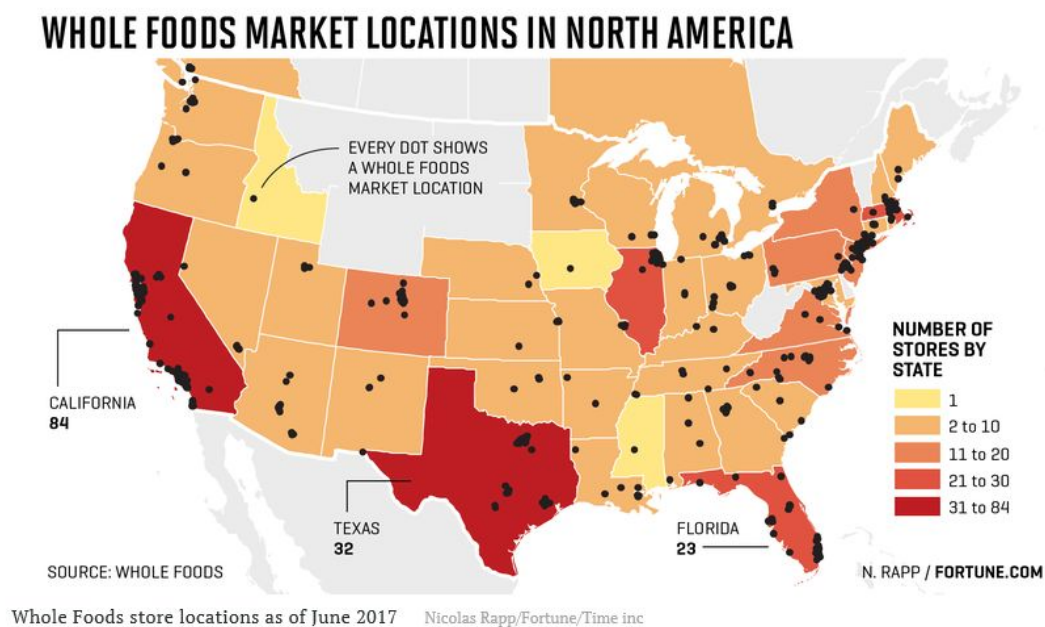TARGET (ALL FORMATS) 32.5%

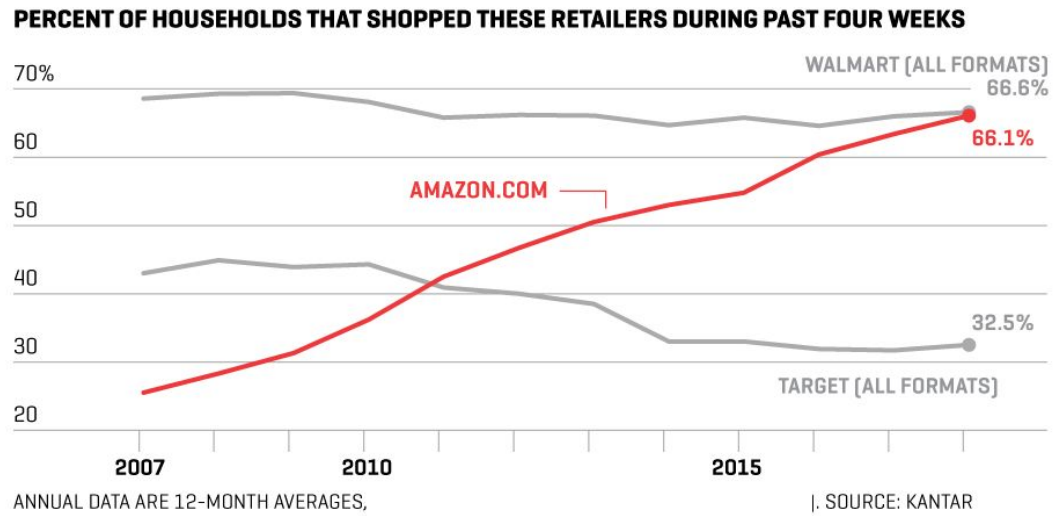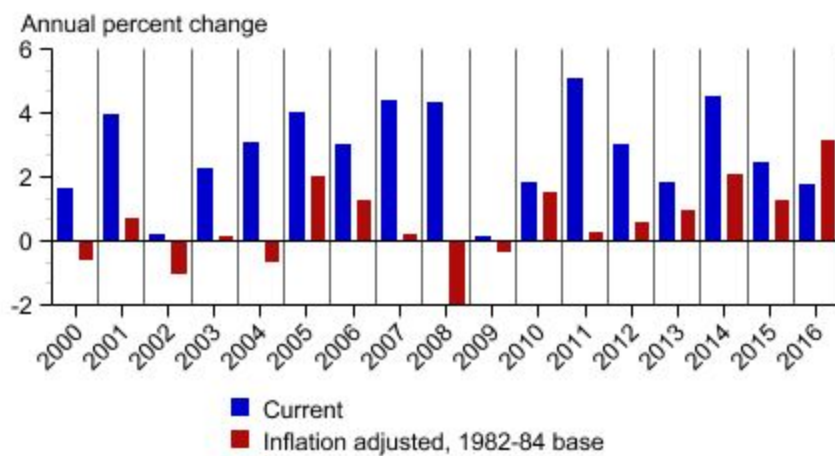ANNUAL DATA ARE 12-MONTH AVERAGES, |. SOURCE: KANTAR

Figure 4: (USDA, 2018)

Growth of sales at grocery stores (excluding convenience stores), 2000-16

While inflation-adjusted growth was negative during 2008-09, sales growth rebounded to positive levels in later years

Source: Prepared by USDA, Economic Research Service, using data from U.S. Census Bureau, Annual Retail Trade Survey; and Bureau of Labor Statistics, Consumer Price Index, 2000-2016.

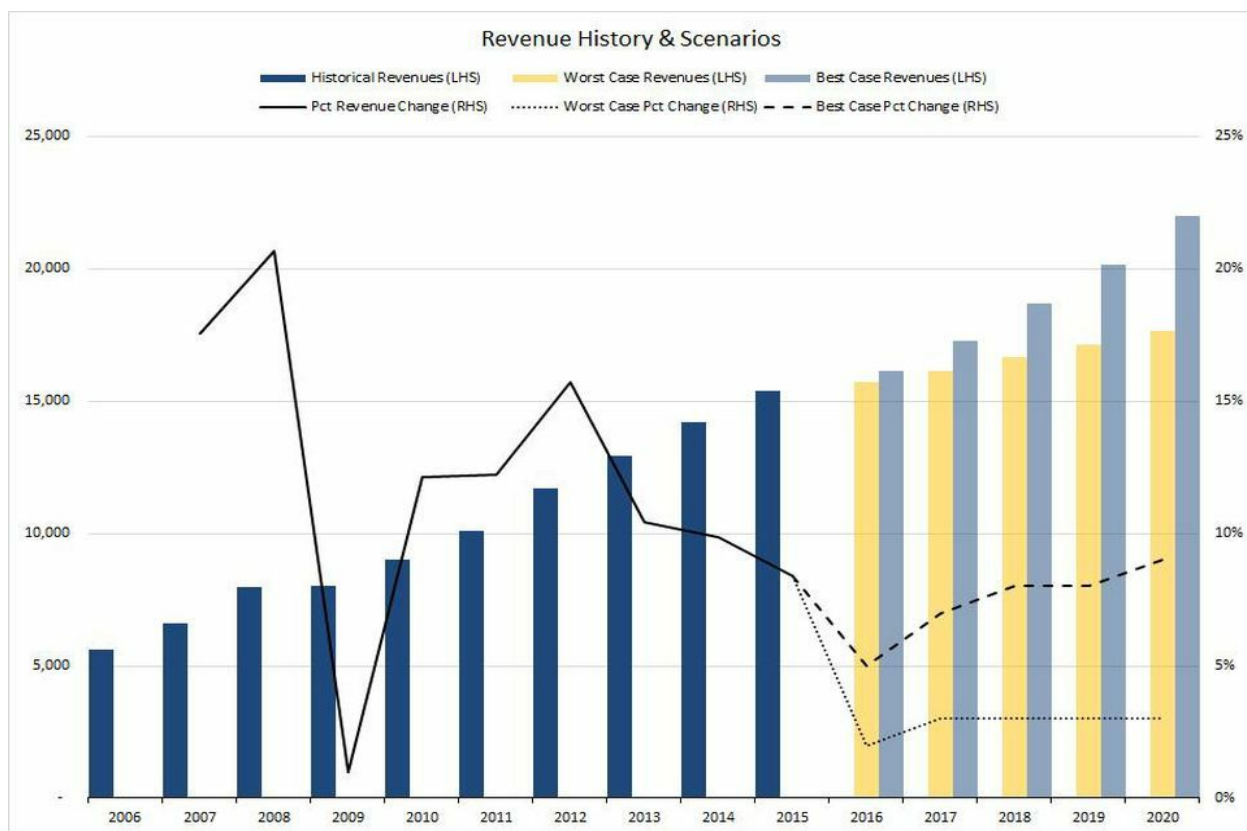Data as of March 2018.

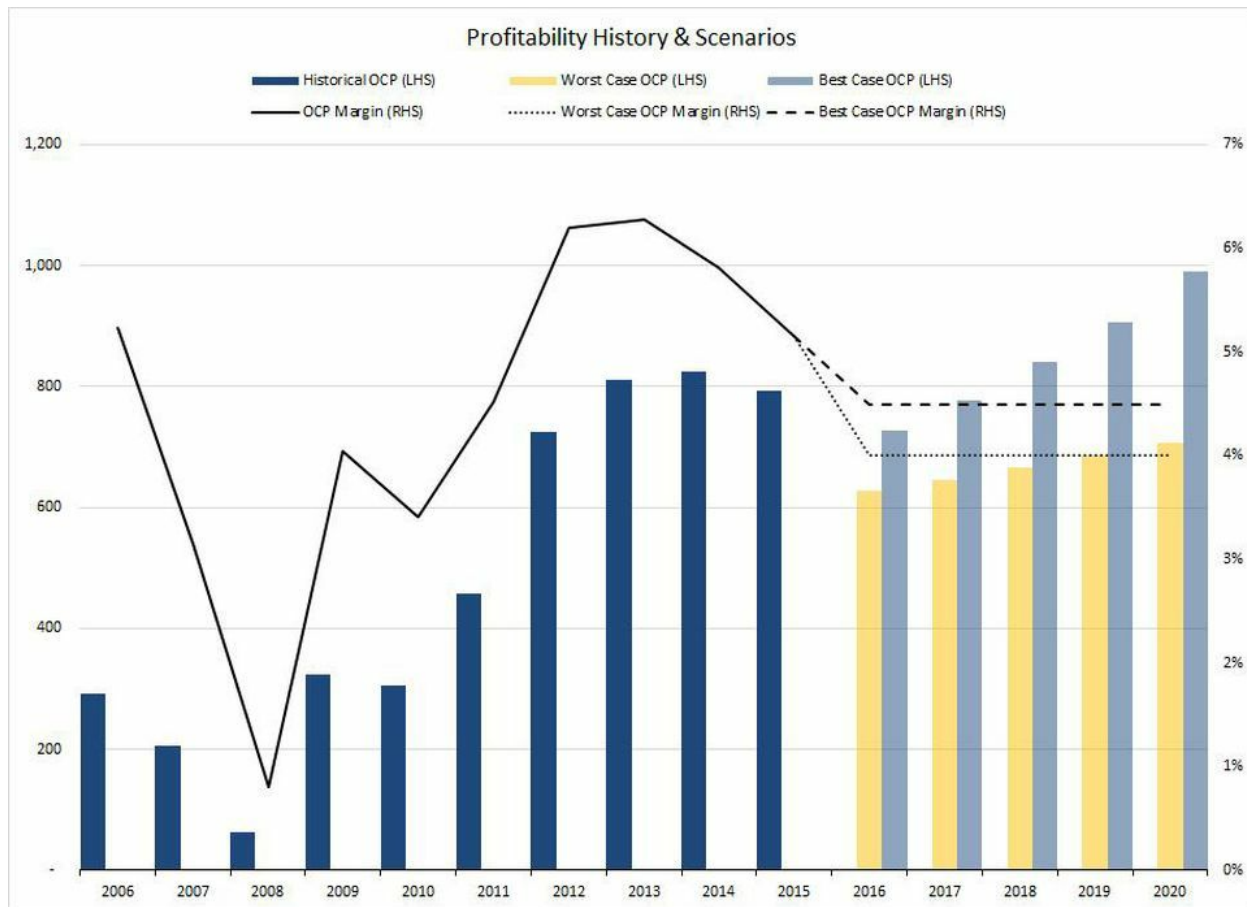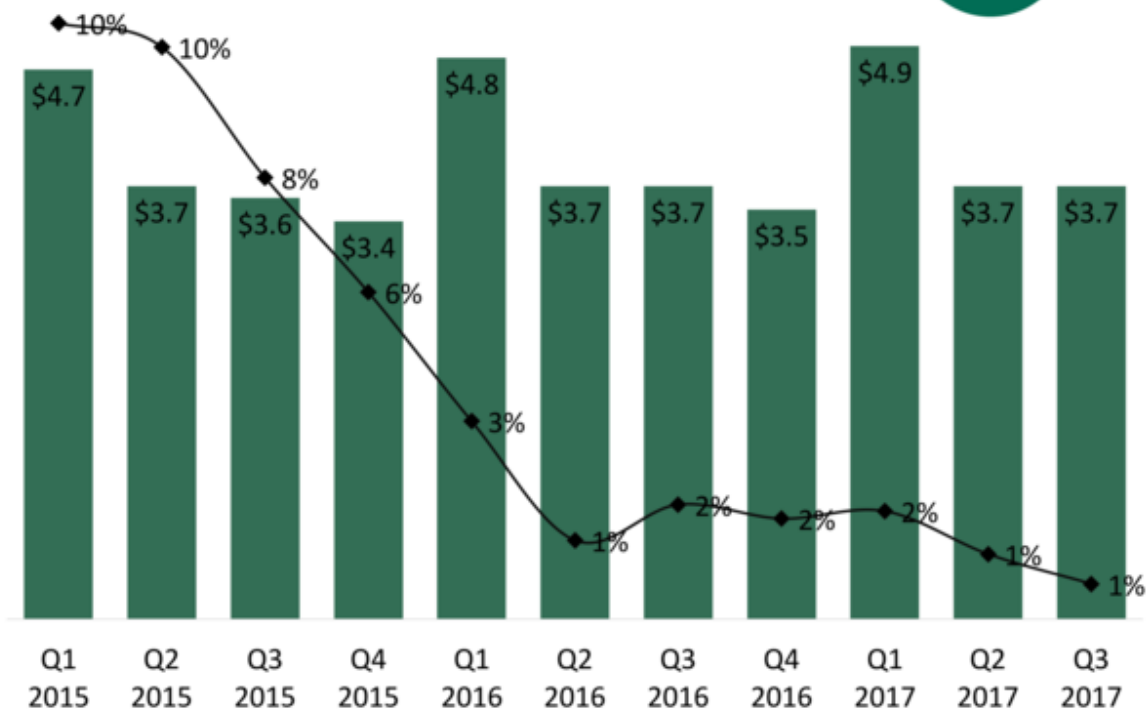Figure 5: (Kobayashi-Solomon, 2015)

Figure 6: (Kobayashi-Solomon, 2015)

Figure 7: (Keyes, 2018)

Whole Foods Total Sales
Billions ($)

Figure 8: (Wilson, Picciola, & Steingoltz, 2018)

Figure 2
Online share of the $800 billion food and beverage market

2016 vs. 2025

Online share
~2%

Online share
~15-20%

Online grocery   Meal kits   Brick and mortar
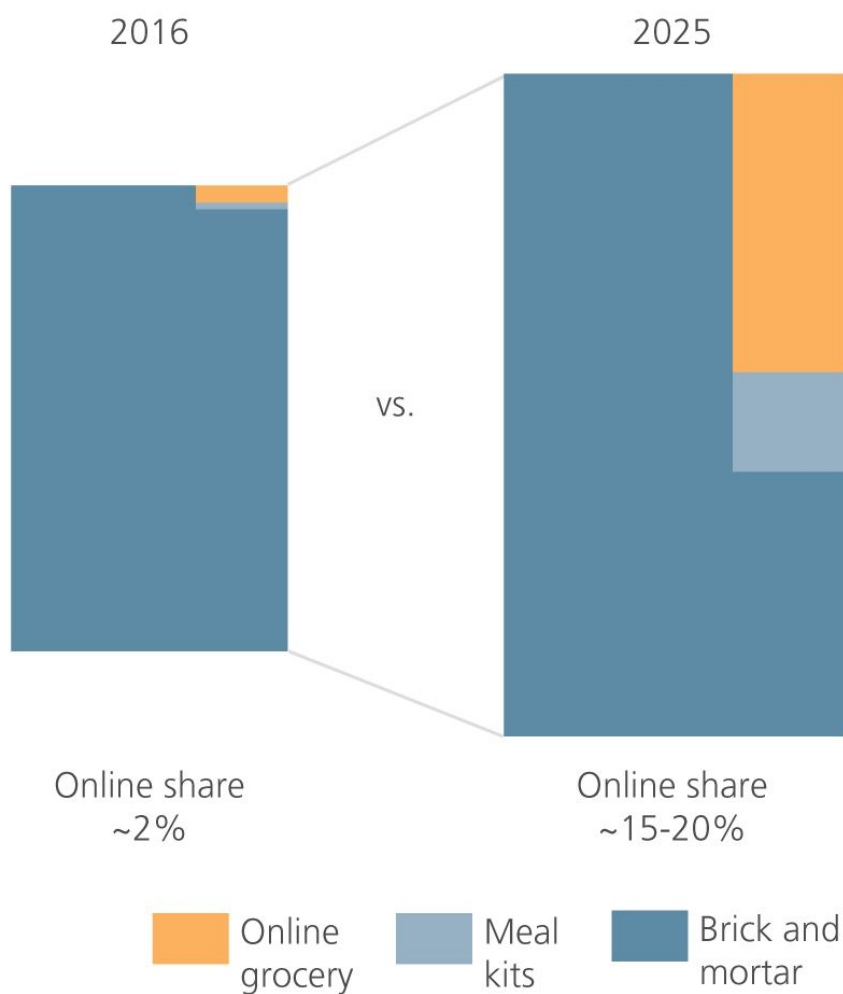
Note: Online share figures include meal kits; total market figures include food and beverage sales by ecommerce firms and sales by food and beverage firms
Source: U.S. Census; Euromonitor; Guggenheim; Nielsen; FMI; L.E.K. analysis

Figure 9: (Kobayashi-Solomon, 2015)
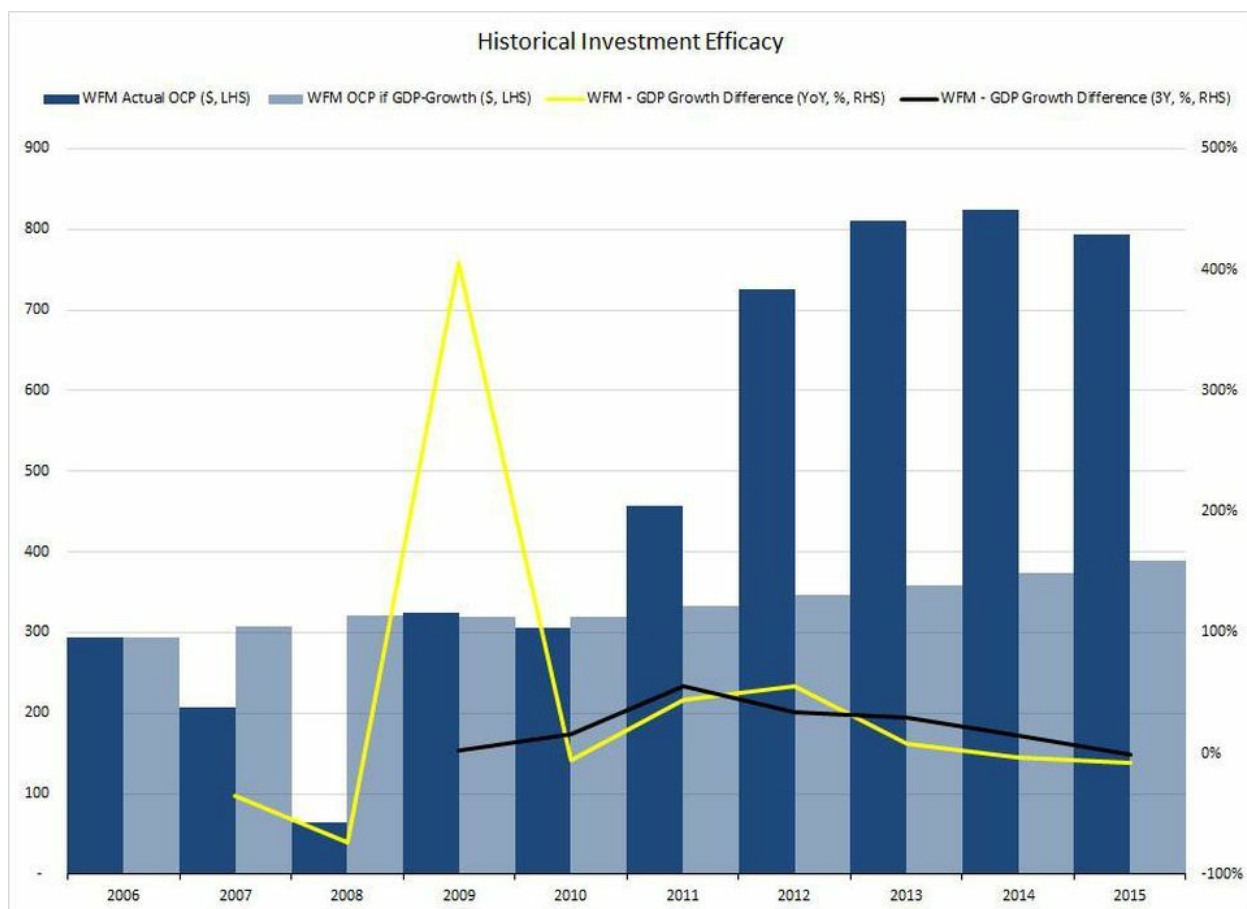
Table 1: (Wilson et al., 2017)

Table 1
Forecast share of U.S. retail sales (value) attributable to ecommerce, by selected categories

	Percentage point change	
	2012-2017F	2017F-2022F
Sporting goods, hobby, musical instruments and books	13	13
Electronics and appliances	12	11
Furniture and home furnishings	13	7
Clothing and clothing accessories	9	11
Health and personal care	3	5
Food and beverage	1	14

Table 3: (Guru2, 2018) (SEC, 2018) (Guru3, 2018) (Guru, 2018) (Barchart, 2018)

Table of Calculations		
RWACC		
	with equity	**without equity**
project	13,498,358,300	13,498,358,300
cash flow	400,000,000	400,000,000
cost of debt	3.192%	3.192%
Cost of equity	14.7800%	14.7800%
Debt to value ratio	0.0316	1
Tax	0.28405	0.28405
WACC	14.39%	2.29%
PV	2,780,629,466.06	17,505,109,321.70

NPV	(10,919,370,533.94)	3,805,109,321.70
Cost of Equity		
Risk free rate	3.14%	
Beta	1.94	
Market premium	6%	
Cost of equity	14.78%	
Cost of Debt		
Interest expense	848,000,000	
Book value of debt	26,569,500,000	

Cost of Debt	3.192%	
WACC		
Market capitalization	814,391,919,000,000.00	
Long-term debt	0	
Long-term debt & cap obligations	26,569,500,000,000.00	
Weight of Equity	0.9684	
Weight of Debt	0.0316	
WACC	14.39%	
Enterprise Value		

Market capitalization	13,449,358,300	
Preferred Stock	0	
long-term debt & cap lease obligations	1,046,000,000	
current portion of long-term debt	2,000,000	
cash, cash equivalents, market sec.	999,000,000	
==Enterprise Value==	==13,498,358,300==	
Price per Share		
Enterprise Value	13,498,358,300	
Shares Outstanding	320,250,000	
==Price per Share==	==42.14944044==	

NPV of Acquisition		
Enterprise Value	13,498,358,300	
Shares Outstanding	320,250,000	
NPV at Offer Price of 42	47,858,300	
NPV at Offer Price of 43	(272,391,700)	

GOAL 4:
Business Integration

OBJECTIVE 4.2:
Strategic Planning

Strategic Analysis and Recommendation Report for Vail Resorts, Inc.

Course Name: Seminar in Strategic Management
Course Number: MGT 6318-71
Term: Fall 2018
Professor: Dr. Guerber

Project Requirements: The report requires the compilation of a financial snapshot, a strategic factor analysis summary, a SWOT analysis, key challenges facing the company, and strategic recommendations. For each recommendation, benefits, implementation, challenges and evaluation are to be discussed.

Goal and Objective 4.2: Strategic Planning Assessment Form

Theoretical Foundation: In this project several different frameworks to develop strategies are employed for the selected company. Background on the company and competition is developed through ratio analysis. Company and industry factors are explored through a Strategic Factor Analysis Summary matrix, and a SWOT analysis rounds out the background information. In developing the strategies, Richard Rumelt's model of the "Kernel of Good Strategy" is used to ensure that recommendations are appropriate and actionable.

Each of the frameworks and models used are considered standard practices in the industry and were chosen to ensure that the recommendations are powerful and actionable as possible. Rumelt's "Kernel" specifically was designed to ensure that recommendations have all the necessary tools for implementation and usefulness. The employment of this collection of frameworks in developing the strategies demonstrates mastery of the most important theoretical frameworks in the field.

Critical Elements and Feasibility: In formulation of the strategy recommendations, all relevant factors were considered. Financial position, both of the company and of the competition, is considered. Internal factors, external factors, strengths, weaknesses, opportunities, and threats are all explored in detail to ensure the appropriateness of the strategies recommended and their feasibility. This approach looks at the challenges from all angles: the company, the industry, the positives, and the negatives. This all-inclusive approach to feasibility ensures that all relevant information is considered in determination of strategic initiatives.

Evidence of Strategy: For each initiative, the overall guiding policy, benefits, timeline for implementation, major actions and investments, additional steps to be taken to ensure implementation goes smoothly, challenges to implementation, and evaluation of implementation and of the strategy's performance are all discussed. Inclusion of all of these nuances ensures that the strategies are complete, feasible, and useful. All of these nuances are discussed in detail. The evidence of exemplary level strategy is demonstrated in the complete and thorough discussion of the strategic initiatives.

Implementation: Included with each recommendation is a thorough discussion of implementation. This discussion includes the time line for implementation, major actions and investments necessary for implementation, actions to increase the likelihood of successful implementation, challenges to implementation, and evaluation of the implementation process. The section for each strategy discussing challenges to implementation explores all relevant issues that could occur throughout the process, including cultural and organizational issues, the difficulties of appropriate decision making when facing pressures to act, resistance from staff and management, staffing challenges, and adaptability of current staff in a changing environment. The sections addressing actions to be taken to ensure successful implementation provide solutions to each of the issues mentioned. The guiding policy of the company is stated and applied to the formulation of recommendations, ensuring that the strategic initiatives are

consistent with organizational goals. Taken together, consideration of organizational goals, challenges to implementation, and the recommended actions to ensure smooth implementation ensure the maximum likelihood of success of the recommended initiatives.

Conclusions, Implications, and Consequences: The long-term sustainability of the strategy is discussed in several places. The sections discussing challenges to implementation and steps to ensure successful implication address all relevant factors that may derail the initiatives, as well as ways to avoid them. The sections identifying threats to the company and industry establish the baseline for which organizational goals related to the "Key Strategic Challenge" are necessary. The long-term need for Vail Resorts to develop diversification to limit exposure to a variety of risks forms the basis for all recommended strategies. Challenges to this diversification are discussed within the recommendations for each initiative. The long-term sustainability of the company is dependent on the overall success of the recommended initiatives. Taken together, the discussion of the long-term sustainability of the strategic initiatives and how they relate to the long-term success of the company within the realization of organizational goals demonstrates an exemplary level of achievement and understanding.

Comment: Towards the end of the strategy formulation process, I began to realize the value of the structured approach presented throughout this semester and applied to this project. Once I had spent sufficient time analyzing and weighing the many factors inside and outside of the company, the areas of maximum leverage and need were fairly obvious. The logical nature of the process increased my confidence both in this process itself and the tools used throughout.

Jay Creighton

Final Project: Strategic Recommendations for Vail Resorts, Inc.

MGT 6318

2 November 2018

Strategic Analysis and Recommendation Report for Vail Resorts, Inc.

Financial Analysis Snapshot

In order to evaluate the financial health and outlook for Vail Resorts, Inc., a selection of ratios have been chosen for fiscal years 2016 and 2017, along with the same ratios for Vail's most direct publicly traded competitor, Peak Resorts, Inc., for fiscal year 2017. The ratios selected include the Cash Ratio, Return on Equity, Earnings Per Share, Asset Turnover, and Debt to Asset Ratio.

Selected Ratios

Category	Ratio	Vail Resorts FY 2017	Vail Resorts FY 2016	Peak Resorts FY 2017
Liquidity	Cash Ratio	0.19	0.13	0.92
Profitability	Return on Equity	14.75%	17.09%	1.68%
Profitability	Earnings Per Share	5.36	4.13	0.03
Activity	Asset Turnover	0.46	0.65	0.38
Leverage	Debt to Asset Ratio	30.95%	28.21%	57.90%

Ratio Analysis

Liquidity: Cash Ratio

The Cash Ratio is used to gauge the company's ability to meet its short-term obligations. Despite a large percentage increase in Vail's Cash Ratio from 2016 to 2017, it is still very low, both in absolute terms and when compared to Peak Resorts. While the low number could indicate the potential for issues if cash flow were to be interrupted, a more likely scenario is that Vail Resorts is confident enough in its cash flow that it chooses to direct funds to profitable projects rather than holding more cash than necessary. This prioritization of funds speaks to Vail's conscious choice to be efficient with their resources.

Profitability: Return on Equity

A company's Return on Equity (ROE) is a measure of how effectively the company turns

investors' dollars into profit. Vail's ROE dipped from just over 17% in 2016 to 14.75% in 2017, a decrease due primarily to acquisitions of several ski areas. These numbers are considered to be solid when compared to general rules of thumb, most notably that ROE's greater than 15% are considered strong. Vail's position is even stronger when compared to Peak at a mere 1.68%. This difference demonstrates that Vail is efficiently using stockholder equity to create profit.

Profitability: Earnings Per Share

One of the more important measures in determination of a stock's share price, Earnings Per Share (EPS) looks at the amount of profit per share. Vail's increase in EPS from 2016 to 2017 represents a substantial percentage increase (nearly 30%). Once again, the substantial increase is even more impressive when compared to Peak's value for 2017 of 0.03. Further analysis into Peak, however, shows slightly more to the story. Prior to the 2017 filing, Peak's EPS had been negative, and every quarterly report since has shown a very positive trend.

Activity: Asset Turnover

The Asset Turnover Ratio illustrates the efficiency by which a company uses its assets to generate sales. The nearly 30% drop in Vail's Asset Turnover Ratio from 2016 to 2017 is significant and warrants further exploration and analysis. The simple explanation is that Vail's Total Assets increased substantially from 2016 to 2017 due to the acquisition of several additional ski resorts, while Sales increased but did so less drastically. The values for both years are still higher than Peak's 2017 value of 0.38 for the same measure.

Leverage: Debt to Asset Ratio

The Debt to Asset Ratio provides a measure of the company's leverage. Vail's Debt to Asset Ratio increased moderately from 2016 to 2017 due to the financing of the acquisition of several ski areas. The values for both years are significantly better than Peak's value for 2017, which is nearly double that of Vail. Vail's strong position here indicates a relatively healthy amount of leverage, despite aggressive expansion through acquisitions.

Summary of Financial Snapshot

The majority of the ratios from Vail Resorts' financial statements indicate movement in a positive direction and a strong position compared to their most direct publicly traded

competitor. Vail's strong points include high profitability and a healthy amount of leverage despite aggressive growth through acquisitions. Potential red flags warranting further investigation include their relatively weak cash position and the potential for their aggressive growth to outpace actual revenue and earnings. In both cases, however, these potential weaknesses appear to be the result of conscious, long-term decisions by management to prioritize efficiency and growth.

Strategic Factor Analysis Summary

Vail Resorts, Inc.

Strategic Factors	Weight	Rating	Weighted Score	Duration	Weighted Comments
Pricing Structure (S)	0.05	4	0.20	Long	Demonstrated success using pass products to create customer loyalty and generate cash flow throughout the year
Brand Power and Reputation (S)	0.05	5	0.25	Long	Assets include many of the top ski resorts in the world
Diversification (S)	0.15	3	0.45	Long	Much more work must be done
Global Customer Base (W)	0.05	2	0.10	Medium	Exposure to currency fluctuations and other geopolitical factors from relying on foreign visitors
Labor Concerns (W)	0.10	2	0.20	Short	Reliant on a seasonal workforce, and facing pressure to raise wages
Struggling Independents (O)	0.15	4	0.60	Long	Well positioned for acquisitions
Business Model Innovation (O)	0.05	4	0.20	Long	Historical success, but opportunity still exists
Economies of Scale and Leverage (O)	0.10	5	0.50	Long	Best-positioned in the industry
Climate Exposure (T)	0.15	2	0.30	Long	Highly vulnerable in the Long Term
Economic Conditions (T)	0.15	3	0.45	Medium	Vulnerable to inevitable cyclicality
Totals	**1.00**		**3.25**		

Discussion of Strengths, Weaknesses, Opportunities, and Threats

Pricing Structure (Strength)

Vail uses two different pricing structures that effectively segment their customer base into two categories. Season passes are targeted towards locals and frequent returners. Day passes, which are much more expensive, are frequently purchased by high end vacationers. Season passes create customer loyalty and additional spending, and they must be purchased during the summer, creating cash flow outside of the ski season.

Brand Power and Reputation (Strength)

The very name of Vail is synonymous with prestige and class in the ski industry. Many of Vail's mountains have their own reputations for world class skiing or amenities, or both. Furthermore, the Epic Pass, Vail's multi-mountain season pass product, is known as the premiere pass option in the industry.

Diversification (Strength)

Vail has begun to diversify its assets in several ways in order to limit risk and to provide more steady revenue. Recent mountain acquisitions have sought to provide geographical diversification to limit exposure to potential low-snowfall winters. Until recently, all of the mountains were located in the Rocky Mountains; recent purchases are located in Canada, Australia, Michigan, Vermont, Minnesota, and Wisconsin. Furthermore, Vail has made a concerted effort to increase summer revenue from its mountains by providing more summer activities every year. Being located in the southern hemisphere, Perisher Mountain in Australia accomplishes both. However, as this is a relatively recent effort, much more must be done to provide sufficient diversification.

Global Customer Base (Weaknesses)

A significant portion of Vail's visitors are from overseas. A decrease in the buying power of the peso, for example, has led to substantially reduced visitors from Mexico. Vail is similarly exposed to decreases in visitors due to any global unrest.

Labor Concerns (Weaknesses)

The seasonal nature of ski resorts leads to high turnover and low retention rates among employees. Furthermore, housing availability and pricing in many of the towns where Vail's

resorts are located have led to many departments being consistently understaffed. Compared to competitors, Vail's employee housing is severely lacking.

Struggling Independents (Opportunity)

The landscape of the ski industry is still dominated by independently owned ski resorts. Many of these resorts are struggling in the face of the threats to the industry outlined in this very table, and Vail Resorts is one of the best-positioned companies to acquire these struggling independents. Much of Vail's growth in recent years has come in the form of acquisitions, and that is likely to continue in this difficult, competitive industry.

Business Model Innovation (Opportunity)

Ski resorts across the globe continue to rely on a business model that has barely changed in the more than half a century that the industry has been mainstream. Therefore, great potential exists for any company willing and able to reinvent that business model. Arguably the most significant innovation to the outdated business model came from Vail Resorts in the form of the Epic Pass, a low priced multi-mountain season pass that helped smooth out seasonal revenues and created massive customer loyalty. Due to their resources and forward thinking approach, Vail Resorts is one of the best-positioned players to reinvent the industry.

Economies of Scale and Leverage (Opportunity)

Because the vast majority of ski resorts are independently owned, the few larger players stand in great position to leverage their size and resources to create economies of scale. The few large companies are able to compete on their size and resources alone and have a massive advantage in marketing power.

Climate Exposure (Threat)

Climate exposure leaves all players in the ski industry at risk of poor performance. In the short term, a single bad winter or a stretch of two or three can substantially affect revenue. In the long term, changing climate patterns can lead to shortened seasons and conditions that could lead to a drop in the popularity of skiing. Vail has begun to take measures to mitigate this risk through diversification, but there is still substantial exposure.

Economic Conditions (Threat)

The industry relies heavily on vacation spending, which is highly discretionary and dependent on economic conditions. Across the economic spectrum, vacation spending is one of the first items to be removed or reduced from many families' budgets when economic conditions worsen, and it is not always the first to be returned when conditions improve. Vail, like all tourism companies, relies upon families from across the globe pouring out their hard-earned money on vacations, which is hardly viewed as a need by most people. Currency fluctuations can have similar impacts for Vail's global clientele. Vail has a well-established base of committed clientele, but is highly exposed to this risk.

TOWS Matrix: Vail Resorts

		Internal Factors	
		Strengths (S) Pricing Structure Brand Power and Reputation Diversification	**Weaknesses (W)** Global Customer Base Labor Concerns Seasonal Nature of Business
External Factors	**Opportunities (O)** Struggling Independents Business Model Innovations Economies of Scale and Leverage	**SO Strategies** Increase diversification by continued acquisitions of struggling independents. Optimize revenue through unique product offerings. Expand marketing to increase brand differentiation.	**WO Strategies** Develop products to take advantage of currency fluctuations, economic uncertainty, and seasonal nature of business. Develop global influence and brand.
	Threats (T) Climate Exposure Economic Conditions	**ST Strategies** Use seasonal, geographic, and industry diversification to minimize climate exposure and other risks.	**WT Strategies** Develop staff retention, and procurement strategies to ensure needs are met.

Benefits, Challenges, Costs, Risks

Increase diversification by continued acquisitions of struggling independents (SO)

Vail Resorts can benefit from continuing to acquire independent ski resorts. Given the nature of limited use at ski resorts, the primary opportunity for growth comes from acquisitions. Challenges include finding appropriately priced opportunities. Vail should seek to minimize risk by finding resorts priced to provide sufficient value.

Expand marketing to increase brand differentiation (SO)

Vail should leverage their size to become one of the most recognized names in the ski industry worldwide. By becoming top of mind for high end clientele globally, skier visits can be maximized. Challenges will include competition with many established resorts. Worldwide marketing campaigns can be incredibly expensive, so risk should be mitigated by focusing on the tactics most likely to be effective.

Develop products to take advantage of currency fluctuations, economic uncertainty, and seasonal nature of business (WO)

Vail Resorts is constantly exposed to global economic risks and fluctuations. They can leverage their past history of reinventing traditional business models to mitigate these risks and turn them into strengths relative to their competitors. This type of innovation is a challenge, as the pricing structure and basic business model has been the standard in the industry for decades. Attempts to innovate can come in the form of costly, risky projects that are not guaranteed to succeed.

Use seasonal, geographic, and industry diversification to minimize climate exposure and other risks (ST)

Vail can focus their resources to expand in several ways, including geographically, seasonally, and into adjacent industries. Such diversification through expansion can mitigate the many risks associated with operating in the ski industry. Appropriately priced opportunities will be scarce, so Vail runs the risk of overpaying if they attempt to rush the process. Expansion could lead to risk if they move outside of their areas of expertise.

Develop staff retention, and procurement strategies to ensure needs are met (WT)

Staffing concerns are a major burden for every member of the industry. Innovative programs to make Vail Resorts a more desirable place of employment can turn a major threat and traditional weakness into a strength. Staffing will present a challenge as long as the labor market is tight, and heavy investment can lead to risky outcomes.

Summary of SFAS and TOWS Matrix

Based on the TOWS Matrix for Vail Resorts, there are several ways that they can leverage their strengths and weaknesses to take advantage of industry opportunities and avoid the threats they face. In the long term, their most productive strategy will be to both grow and increase diversification through acquisitions of independent ski resorts when opportunities arise at appropriate prices. Vail should also constantly be evaluating opportunities to leverage their resources and resort and tourism expertise by expanding into industries adjacent to the ski industry. Moving into other industries will not only allow for opportunities for growth, but can mitigate the many risks associated with the ski industry. In the past, Vail has been successful developing products that challenge the traditional pricing structure and business model of the industry, and they should continue to seek to innovate in this area as they are the best positioned in the industry to do so. Being the largest player in the ski industry provides many strategic opportunities for Vail to continue to grow and to ward of threats and risks. As Vail moves forward, they should continue to leverage their position within the industry to solidify their strength and to be a desirable investment for shareholders.

Key Strategic Challenge

The primary challenge faced by Vail Resorts is the exposure to numerous risks as a result of its dependence on the recreational skiing market and lack of diversification.

Recommended Strategic Actions

Strategy 1: Increase diversification and drive growth by continued acquisitions of struggling independent resorts

Benefits

By acquiring struggling independents, Vail can grow as a company, increase the value of those

investments through synergies, increase the footprint of the Vail brand, and decrease exposure to climate risks associated with a lack of geographic diversity.

Implementation

Timeline for Implementation:

Given that this strategy will be the primary source of Vail Resorts' growth going forward, implementation will be ongoing until strategic priorities are changed. To begin with, a ten-year period of growth through acquisitions is recommended. Vail has demonstrated that multiple acquisitions per year is possible but not always feasible. Management should decide on a targeted number of acquisitions per year; averaging two acquisitions per year would lead to doubling the size of the company by number of resorts in 9 years. However, due to the limited number of quality opportunities, making sound business decisions outweighs the need to adhere to an arbitrary number.

Major Actions and Investments

1.   Identify potential acquisitions
2.   Perform preliminary analysis to determine whether further investigation is necessary
3.   Communicate with ownership and management of targets
4.   Perform sufficient analysis to determine business prospects, cultural fit, diversification potential, appropriate price, and overall strategic fit of potential acquisitions
5.   When appropriate, move to acquire targeted operations
6.   Perform necessary integration activities

Additional Actions to Ensure Above Steps Go Smoothly

Steps taken to increase the effectiveness of the above strategy will fall into two categories: before the acquisition and after. The primary purpose of actions taken before the acquisition will be to ensure that the potential acquisition is a good business decision. Steps will include gathering information from all necessary sources, thorough and complete analysis, and sound projections. The primary purposes of steps taken after the acquisition will be to ensure that the transition into the corporate structure and to take advantage of any potential synergies. Steps taken after the acquisition can include bringing in existing Vail Resorts management and staff to

the new resort, education of new employees on company policy, mission, and vision, and investments into the new resort.

Challenges

The primary challenge to implementation is finding appropriately priced, quality targets. Targets that meet all necessary criteria but are only available at too high of a price will not be considered wise investments, and should be avoided. In an industry that is naturally limited, finding quality investment opportunities will be extremely limited, and Vail should take decisive action whenever such a target is identified. Integration of acquisitions into the company organizational structure and corporate culture will create challenges as well. Resistance from management and staff could create dissent and ultimately lead to unrealized performance.

Evaluation

Evaluation of the Implementation Process:

Because thorough analysis is the key to discovering quality opportunities, management should monitor and track several activities. Activities to be tracked include the number of resorts analyzed yearly, continued communication with potential targets, and the continued monitoring of previously analyzed resorts.

Evaluation of the Strategy's Performance:

Quality of the acquisitions is far more important than the quantity, and therefore the measures of success lie in evaluating individual acquisitions. The ROI of each acquisition will be a key benchmark. Management should also monitor the quality of the analysis by comparing the acquisitions' actual performance to the predictions made during the analysis process.

Strategy 2: Use seasonal, geographic, and industry diversification to minimize climate exposure and other risks and to drive growth

Benefits

The ski industry is naturally limited in several ways: revenue is highly seasonal and dependent on weather, and development of new mountains is rarely feasible. Diversification across the calendar, across the globe, and across industries can help Vail continue to grow at an acceptable rate, limit risk, use existing resources for increased revenue, and stabilize revenue.

Implementation

Timeline for Implementation:

Because of the scope of this initiative, a ten-year period will be required for implementation. Many large projects will be required in order to achieve the necessary diversification, and each of these individual projects will require several years to find, analyze, develop, and implement.

Major Actions and Investments

1. Explore potential acquisitions in different geographical regions
2. Develop existing resorts as summer destinations
3. Analyze related industries in which Vail's expertise could be utilized

Additional Actions to Ensure Above Steps Go Smoothly

There are many challenges associated with expansion into new industries or geographic regions (discussed below). The primary action that Vail can take to ensure the effectiveness of the above steps is to commit to them from the top of the organization down. Support from top management for those making difficult transitions outside of their area of expertise will increase their likelihood of success. Being aggressive in their expansion will allow Vail to remain an industry leader, but being prudent in taking on new endeavors will ensure they do not become over extended.

Challenges

Each of the implementation steps above will not only require substantial investment of time and money, but will require many people to move into roles outside of their expertise. Ski industry professionals will have to become summer recreation specialists or move into another industry entirely. The company will have to expand geographically which will require cultural adjustments. Management will have to accommodate and adapt accordingly.

Evaluation

Evaluation of the Implementation Process:

Throughout the process, many diverse projects will have to be implemented. Each of these projects should demonstrate positive NPV and contribute to diversification against climate exposure and other risks. Additionally, management should target a number of projects per year

to be implemented throughout the ten-year timeframe. Monitoring the rate that quality projects are found and implemented will ensure that the process stays on track.

Evaluation of the Strategy's Performance:

Because the ultimate goal is of the initiative is diversification from climate risk, management should do a sensitivity analysis to determine the company's exposure to poor snowfall before and after implementation of the initiative. Because each of the projects should contribute to diversification, poor snowfall should have less of an impact on earnings after implementation.

Conclusion

Vail Resorts enjoys the position of the largest, most successful publicly traded company in the ski industry by a wide margin. Key ratios and financial metrics paint a picture primarily of strength, but with several areas of concern warranting further investigation. The strategic factor analysis demonstrates that the company faces significant challenges and risks due the nature of the ski industry, but also has potential for substantial growth due to its size, brand, and position in the industry. The primary challenges faced by Vail all members of the ski industry include climate risk, seasonal revenue, and global economic uncertainty. In order to deal with those challenges while capitalizing on opportunities, it is recommended that Vail undertake strategies to drive growth and achieve several types of diversification. Specifically, we recommend that Vail seek to acquire struggling independent resorts at appropriate prices, and to pursue seasonal, geographic, and industry diversification to minimize exposure to the many risks associated with ski resort operation.

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