

Case Assignment

Case: Salem Telephone Company, Harvard Business School, #9-104-086 (in Harvard reader)

Task:

Answer all questions and indicate what question you are answering before you start writing for each answer. Answer in essay form, do not use bullet points. 2 pages of writing maximum with 1 additional page of tables or figures , etc.. You must turn in a Word file and an Excel file. The Excel file must show all calculations and equations (your work). This is individual work.

Question 1:

Calculate the contribution per hour for sales to commercial customers at the current price. How much total contribution is generated for the first quarter of the year from commercial customers? Using revenue hours for the month of January as a reference for sales to commercial customers, calculate the difference in total contribution in January that would be generated for the first 2 scenarios outlined in question 5 of the case (first two bullet points of increase price, decrease price). Compare against the reference case of January.

Question 2:

What are the strategic implications of the potential price changes? For each scenario, what changes would the company need to make to align itself with each pricing change scenario. Given the questionable future of Salem Data Services and Salem Telephone Company, which pricing decision do you suggest and why? Why is it the best solution for the company?