Practice Case 17 (British Times)

Case Background:

You're a new senior strategy associate and have just finished your orientation training. You are immediately assigned to our British Times team.

The British Times is an upscale, highly respected newspaper. It is the most widely read newspaper in Great Britain, especially its very strong business and financial section. The paper is a cross between the Wall Street Journal and the New York Times, both in content as well as in reputation.

The team has already had one meeting with the newspaper's online spin-off: BritishTimes.com. You are going to join the team for the second meeting, which will be held with only the CEO of the BritishTimes.com. Currently, their web site is nothing more than an online version of the newspaper, otherwise called brochureware.

The newspaper's and the web spin-off's single biggest asset is the highly respected brand name: British Times. The purpose of this second meeting is for the consulting team to present its response to the CEO's current predicament: how to realize greater revenues from their current online spin-off (BritishTimes.com).

Company Background:

Your team has provided you with the following information as background about BritishTimes.com:

- BritishTimes.com conducted a viewer survey, receiving a high enough number of responses to be statistically significant, allowing them to feel comfortable using the following information for planning purposes.
  - Their web site has a large number of hits, only 30% fewer unique visitors than the number 1 site in the UK.
  - Their hits are from viewers in the 75th percentile of customer income.
  - Their viewers are also highly educated: 60% have a university education and 30% of whom have graduate degrees.

- BritishTimes.com is a spin-off from the newspaper.
    - However, the same parent corporation owns both.
    - The CEO of the dot-com does not report to the CEO of the newspaper.
    - The dot-com CEO has worked for the newspaper for a long time and knows its operations well.
- The brand name is very strong in the UK, but not outside.
    - The newspaper's content is primarily focused on the UK, but it does have an international section.
    - The CEO wants the dot-com to use the newspaper's content and brand, but otherwise has no need to connect to the newspaper.

Your Challenge:

Create 3 or more ideas for the BritishTimes.com company to increase their revenue through their Internet strategy.

Possible Solution:

Candidate: In general, it's fair to say that the bulk of Internet revenues comes from three sources: advertising, subscriptions, and transactions. I think that the key to helping the CEO is to tailor these initiatives to British Times.com core assets.

[Great way to start. The candidate did not try to use an ill-fitting framework such as 3Cs or 5 forces to approach this case. Instead he's showing a good understanding of the Internet's major sources of revenues. He also acknowledges that further discussion of the company's core assets is critical to formulating a robust solution.]

Interviewer: Good points. Can you give me more details on each of these sources of revenues?

Candidate: Well let's look at advertising first. We could suggest two avenues: banner ads and corporate sponsorship. Upscale or corporate banner ads such as insurance companies, banks, or brokerage firms would make a lot of sense with our audience. They are highly educated and more importantly, have the highest level of disposable income. In addition to banner ads, we should look into corporate sponsorship. We should take full advantage of the fact that the strong business section can obtain corporate sponsorships; for example, banks or e-trade companies pay for their section of the site.

[Well-structured answer. The candidate is using the case facts to support his answer.]

Interviewer: Good. They do some of that already but probably not as much as they could. You also mentioned other sources of revenues. Could you explain your subscription model?

Candidate: We could imagine a three-tier approach. For example, in tier 1, readers could have access to today's news for free. For a small fee, Tier 2 subscribers could research up to one-week-old articles in the archive. Finally, in the last tier, subscribers could have access to the entire archive.

Interviewer: Coming from a traditional publishing company, they are fairly familiar with these two models. I would be interested in hearing more about your third option.

Candidate: One way to "monetize" their attractive audience would be by offering targeted products and services. Some examples could be a tollbooth model similar to Amazon Z shop concept or selling tabs on their site. This would clearly require a deep analysis of the competitive landscape and of the company's capability (technical, people...) to start a completely new line of business.

These products or services would have to be:

- High margin,
- Upscale,
- Highly profitable vertical businesses; for instance: golf store, tax advice, investment advice, upscale travel (cruises, etc.)

Interviewer: Golf equipment? This is interesting. How would you go about sizing the market for golf equipment in the UK?

[The interviewer decides to test the candidate's ability to do some real time analysis, to articulate a methodology, and to make reasonable and explicit assumptions in order to arrive at a ballpark estimate. Here the interviewer could have chosen to discuss more in detail how the candidate would have thought about launching a completely new line of service.]

Candidate: To determine the golf store's (equipment only) first year total revenue, we would have to figure out the following:

- The population of the UK
- The percentage connected to the Internet in the UK
- The number who browse this site
- The number who browse the golf store
- The number who buy from this site: the buy to browse ratio
- The average amount spent per transaction
- The number of times they buy per year
- The commission received by BritishTimes.com

There are approximately 60 million people living in the UK. If we assume that a third of them are connected to the Internet, we have:

60M x 1/3 = 20M

[It's always a good idea to take numbers that are easy to manipulate. Do not hesitate to round up the number to help your calculations. The examiner is not looking for an accurate answer.]

If we assume that 20% of the people connected will visit the British Times site, we now have:

20M x 20% = 4 million visitors

Not all of them will click on the golf site. Probably about 20% will do. We can now estimate the number of people browsing the golf site:

4M x 20% = 800,000 visitors

If we assume that only 10% of them will actually purchase on the site, we now have:

800,000 x 10% = 80,000 buyers.

Each buyer may spend on average $100 each time they visit and they may visit the site 2 times each year.

If we assume a 5% margin, we now have a rough idea of the golf equipment first year revenues:

80,000 x $100 x 2 x 5%= $800,000