

## **FIL 440 WIKI CASE THE RATIO ANALYST CASE**

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**RETAILING #1** - Companies A and B are discount retailers.

- (i) One company is a growing chain of upscale discount stores that competes on matching other discounters' prices but also offers differentiated products under private-label brands. Recent partnerships with designers have helped improve its quality reputation relative to other discounters. The company does offer its own credit card which has been very successful in supporting its growth.
  - (ii) The other company carries a wide variety of national brands and general merchandise, from apparel to electronics and groceries. The company has made its name on low prices and high volume. The company owns a massive network of distribution centers, but often leases, rather than owns its stores.
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**BOOKS AND MUSIC** - Companies C and D are book and music retailers.

- (i) One company sells mass market paperbacks, magazines, trade books, gifts, music, and café products. At the beginning of 2009, the company had about 800 retail stores.
  - (ii) The other company operates as a book and music retailer serving its customers through its retail website. Over 75% of its sales are from books and music, where the company focuses on providing a wide selection, offering low prices, and the convenience of stay-at-home shopping. The company has grown rapidly by acquiring many other online businesses.
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**NEWSPAPERS** - Companies E and F are newspaper companies.

- (i) One company operates as a diversified media company including both newspapers and branded web sites. While the company owns several newspapers, most of its revenue is derived from its flagship paper which is sold around the country and around the world. Given the importance of this paper, the company very centralized. The company recently built a new home office in a major metropolitan area.
  - (ii) The other company publishes 49 daily newspapers and approximately 300 weekly newspapers and specialty publications in 23 states. Since most of the newspapers are in relatively small markets, industry experts liken these holdings as a portfolio of local monopolies in publishing. It also offers. The company expanded its holdings rapidly by making several acquisitions.
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**COMPUTERS** - Companies G and H manufacture and market personal computers, portable digital music players, mobile communication devices, and related software and services.

- (i) One company is primarily a mail-order seller of consumer computers and related equipment. They outsource the manufacturing of the various components and use their own manufacturing facilities to assemble these components based on customer orders and specifications. The company strategy is to keep costs low and achieve higher sales volume.
  - (ii) The other company sells its products primarily through its retail stores (in 250 stores at the end of 2008) and through authorized dealers. The company has a leading brand name that is known for innovative and high quality products. Upon the introduction of new products, the company advertises heavily through many different media outlets. In addition, the company does most of its manufacturing internally (rather than outsourcing).
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**BEER** - Companies I and J manufacture and distribute beer.

- (i) One company is a mass-marketer of consumer beers sold under many different names. The company has an extensive network of company owned breweries and distribution systems.
  - (ii) The other company is a microbrewer that charges higher prices for producing seasonal, quality products on a small scale. As the company has expanded its product line, they have had to outsource a lot of its brewing activity. The company operates very conservatively.
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**RETAILING #2** - Companies K and L are retailers.

- (i) One company is a home improvement retailer. Up until now, the company has enjoyed a large local market share, but the popularity of their “warehouse” format has created significant competitive pressures. 90% of the company’s stores are owned.
  - (ii) The other company operates as a broadline, general merchandise retailer. The company offers two major store brands, one of which is a discount retailer. Many of its stores are in shopping malls and are leased rather than owned. The company has its own credit card to help finance major purchases such as furniture and major appliances which make up a good portion of its sales.
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**HEALTH PRODUCTS** - Companies M and N provide health and medical related products.

- (i) One company is a diversified health products company that produces both prescription pharmaceuticals and over-the-counter (OTC) drugs. The OTC segment has enjoyed tremendous brand name recognition but competition is fierce. The company also mass markets several well-known beauty products. One of the primary concerns of the company is managing how direct consumers view its brands.
  - (ii) The other company is a large prescription pharmaceutical company. The company operates a very large research and development program and holds a significant number of patents. Given the legal environment for pharmaceuticals, the company has spread much of its risk with partners through innovative joint ventures. The company markets prescription drugs to doctors and hospitals through a direct sales force.
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**FAST FOOD** - Companies O and P are quick service food and beverage retailers.

- (i) One company is in the quick service restaurant business, though their strategy focuses more on franchising rather than owning restaurants. The company heavily advertises major sporting events, using sponsorships and TV commercials. Given the company's substantial size, they have been able to form close relationships with food suppliers to demand high quality at very good prices.
  - (ii) The other company is a fast-growing company that sells specialty coffees, teas, and miscellaneous food items. While the company provides licenses to retailers, over 60% of their stores are company owned, but some of their coffee roasting facilities are leased. The company's strategy is to create superior customer service and increase their product line in hopes of getting customers to return to their stores multiple times per day.
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