



## **Economics, Finance and Case Analysis**

### A Brief Introduction to Cases, Case Analysis and Presentation

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## **What is a case?**

- ◆ **Field-based**
- ◆ **Decision focus**
- ◆ **Not an exercise or problem**
- ◆ **Must consider context, environment**

## Why cases?

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**After all,**

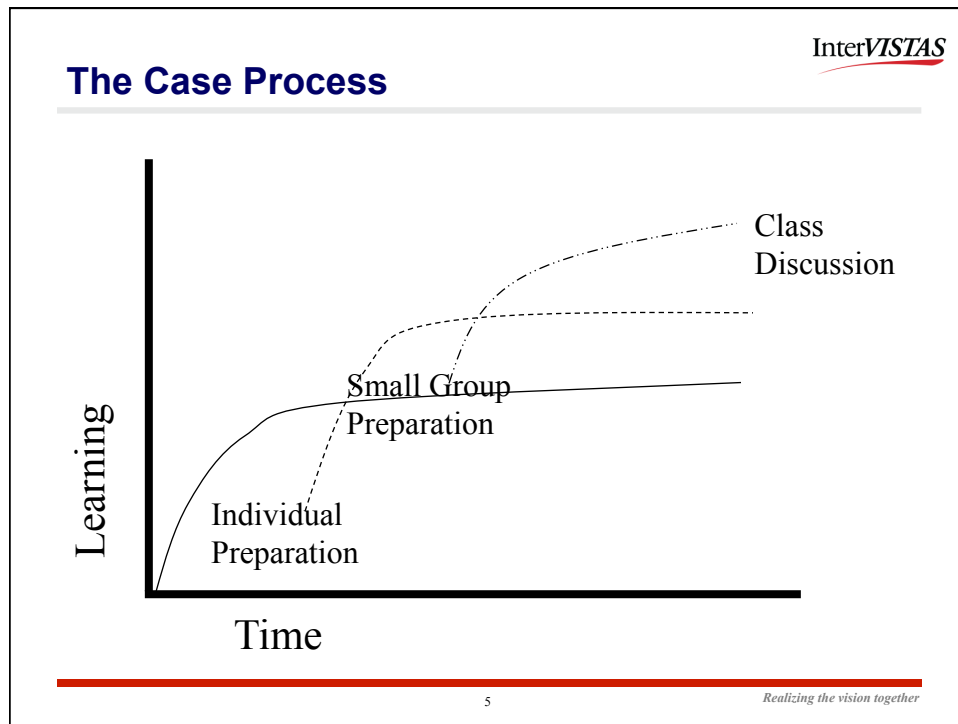
- **they' re messy**
- **there' s no right answer**
- **data often incomplete**
- **too many inferences needed**
- **this is too frustrating**

## Why cases (2)

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**But, reality is like this, too:**

- **problems do not come neatly packaged**
- **there is never enough time, information**
- **often (usually) there is no perfect “solution”**
- **answers must be based on “best bets”, since the future is uncertain**
- **personalities and organizational capabilities matter**
- **clear communication is critical to having ideas adopted**



InterVISTAS

## Q&D Case Prep

- 1. Read the first and last paragraphs, find out what the problem is.**
- 2. Skim the case, pay attention to headings, exhibits (this is where information can be found). Note key facts about the industry and the company. Crunch a few numbers.**
- 3. Sketch out a way of approaching the decision that needs to be made (criteria, what data you need, etc).**

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## Q&D Case Prep (2)

InterVISTAS

4. Use strategy framework to (quickly) organize the data.
5. Test a “solution” to the problem against the numbers, see if it makes any sense.
6. Do it again, time permitting.
7. Note any interesting observations or questions you may have about the company or the industry, and bring to class.

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## The case is your raw data

InterVISTAS

- **1. Generate information from the case which is:**
  - relevant
  - ordered
  - well defined
- **These are your “stylized” facts**

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## Interpretation and explanation of the stylized facts:

- ◆ **how do these facts fit together ?**
- ◆ **what effects can you associate with a particular stylized fact?**
- ◆ **what are the relative magnitudes of the stylized facts**
- ◆ **to what extent do some effects amplify or counteract other effects?**

## Identify the key issues

- **What do the issues appear to be after a superficial reading of the material**
- **Did your interpretation of the issues change after stage 2? why?**
  - Example: “ On the face of it, Canadian Airlines International faced a cost-efficiency problem, however analysis of the data reveals that the key issue facing CAI was in the area of revenue generation: pricing & yield management, marketing and cash-flow management”.

## Economic concepts to apply to case problems

- ◆ **What is the appropriate market structure?**
  - Competitive?
  - Monopolistically competitive?
  - Oligopolistic?
  - Monopoly?

## Economic concepts to apply to case problems

- ◆ **Market boundaries**
  - Product definition
    - E.g. Newspapers vs. Media vs. Information
  - Market concentration
  - Price, Income, Cross Elasticities
    - Current measures
    - Factors that affect future measures
      - ◆ Demographics
      - ◆ Preferences
      - ◆ New products or technologies

## Economic concepts to apply to case problems

- ◆ **Pricing:**
  - Single price?
  - Price discrimination?
  - Multi-part pricing?

## Economic concepts to apply to case problems

- ◆ **Costs:**
  - Opportunity costs
  - Sunk costs
  - Marginal costs
  - Fixed costs
  - Variable costs
  - Average costs

## Economic concepts to apply to case problems

- ◆ **Technology**
  - Short run production
  - Long run production
  - Economies of scope
  - Economies of scale

## Economic concepts to apply to case problems

- ◆ **Strategic competition**
  - Interdependence
  - Dominant strategies
  - Barriers to entry - threat of entry
  - Credible threats



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## Conclusions

- **Conclusions should follow from (and link to) your analysis**
- **Perform sensitivity analysis (like comparative statics)**
  - How sensitive are your conclusions to the assumptions (either explicit or implicit in your analysis)?
  - Be self-critical – missing data? – key assumptions?

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## Conclusions

- **Rather than conclude “we don’ t know”, think about the sorts of assumptions you require in order to make a definitive conclusion.**
  - Make these assumptions the focal point of your discussion.

## Recommendations

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- ◆ **There may be several competing recommendations that apply to the conclusions you reach:**
  - Rank or qualify your recommendations
    - Impact (probability of success, magnitude of success)
    - Cost of implementation (dollars, logistics, organizational process)
    - Variability of end results