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Task

- Description: Individual task
- Submission format: Report
- Tasks you are required to perform

You are asked to develop and write a report to assess the following case study from El Mejicano

The directors of fast food chain of restaurants based in Barcelona named El Mejicano were considering whether to begin the promotion for their new line of menus than originally planned. "I think we should go ahead with the price cuts," Pedro Morales said. "After all, it couldn't hurt! At the very worst, we'll sell these menus cheap for a little longer than we had planned, and on the other side we could beat Panchito to the punch. Panchito is the most important competitor of El Mejicano in Barcelona and they are also a fast food chain specialized in Mexican food. "That's really the question, isn't it?" replied Ana Perales, the marketing manager of the firm. "If Panchito really is planning their own menus promotion, and we start our promotion now, we would beat them to the punch. On the other hand, we might provoke a price war. And you know what a price war with that company means. We spend a lot of money and resources fighting with each other. There's no real winner. We both just end up with less profit."

Manuel Pereira, the finance manager for El Mejicano, piped up, "The consumer wins in a menus price war. They get to buy things cheaper for a while. We ought to be able to make something out of that."

Antonia Lozano, CEO for El Mejicano, looked at the finance manager thoughtfully. "You've shown good horse sense in situations like these, Manuel. How do you see it?"

Manuel hesitated. He didn't like being put on the spot like this. "You all know what the sales projections of menus are for the 4-week promotion as planned. Ana Perales tells us to expect sales of 2 million euros. The objective is to gain at least 2 percentage points of market share of the fast food market in Barcelona, but our actual gain could be anywhere from nothing to three points. Profits during the promotion are expected to be down by 10%, but after the promotion ends, our increased market share should result in more sales and more profits."

Pedro Morales, the sales manager, broke in. "That's assuming Panchito doesn't come back with their own promotion in reaction to ours. And you know what our report is from Laura Valencia. She says that he figures Panchito is up to something."

"Yes, Laura did say that. But you have to remember that Laura works for our advertising agent. Her incentive is to sell advertising. And if she thinks she can talk us into spending more money, she will. Furthermore, you know, she isn't always right. Last time she told us that Panchito was going to start a major campaign, he had the dates right, but it was for a different menu line altogether."

Antonia wouldn't let Janice off the hook. "But Janice, if New Morning does react to our promotion, would we be better off starting it early?"

Manuel thought for a bit. If he were working at Panchito and saw an unexpected promotion begin, how would he react? Would he want to cut prices to match the competition? Would he try to stick with the original plans? Finally he said, "Look, we have to believe that Panchito also has some horse sense. They would not want to get involved in a price war if they could avoid it. At the same time, they aren't going to let us walk away with the market. I think that if we move early, there's about a 30 % chance that they will react immediately, and we'll be in a price war before we know it."

"We don't have to react to their reaction, you know," replied Antonia.

"You mean," asked Ana Perales, "we have another meeting like this to decide what to do if they do react?"

"Right." "So," Manuel said, "I guess our immediate options are to start our promotion early or to start it later as planned. If we start it now, we risk a strong reaction from Panchito. If they do react, then we can decide at that point whether we want to cut our prices further."

Ana Perales spoke up. "But if Panchito reacts strongly and we don't, we would probably end up just spending our money for nothing. We would gain no market share at all. We might even lose some market share. If we were to cut prices further, it might hurt profits, but at least we would be able to preserve what market share gains we had made before Panchito's initial reaction."

At this point, several people began to argue among themselves. Sensing that no resolution was immediately forthcoming, Antonia Lozano adjourned the meeting, asking everyone to sleep on the problem and to call her with any suggestions or insights they had.

Please answer the following questions:

- 1) Would you add a different alternative to the given decision- making alternatives? From your point of view, what other decision variables would you also take into account in this important decision- making for el Mejicano?
- 2) Develop and draw a decision tree and an influence diagram for this decision analysis. What roles do the two diagrams play in helping to understand and communicate the framework and structure of this decision- making to the team of directors?
- 3) Based on the information in the case, what are El Mejicano's objectives in this decision-making?
- 4) Describe and assess the different risks associated to each alternative of the decision making and select your risk preference or tendency to choose a risky or less risky option.

Your analysis should be thorough and include concepts, theories and methodologies studied in class

Formalities:

- Wordcount: between 2500- 3000 words
- Font: Arial 12,5 pts.
- Text alignment: Justified.
- The in-text References and the Bibliography have to be in Harvard's citation style.

Submission: Week 8 – Via Moodle (Turnitin). Final assessment will be due on week 8 by the 19th July at 23.59

Weight: This task is a 60% of your total grade for this subject.

It assesses the following learning outcomes:

- Outcome 3: To apply the framework of effective decision- making within the business context of Risk Management
- Outcome 4: To critically appreciate the framework of problem analysis with the context of decision-making

Rubrics

	Exceptional 90-100	Good 80-89	Fair 70-79	Marginal fail 60-69
Knowledge & Understanding (20%)	Student demonstrates excellent understanding of key concepts and uses vocabulary in an entirely appropriate manner.	Student demonstrates good understanding of the task and mentions some relevant concepts and demonstrates use of the relevant vocabulary.	Student understands the task and provides minimum theory and/or some use of vocabulary.	Student understands the task and attempts to answer the question but does not mention key concepts or uses minimum amount of relevant vocabulary.
Application (30%)	Student applies fully relevant knowledge from the topics delivered in class.	Student applies mostly relevant knowledge from the topics delivered in class.	Student applies some relevant knowledge from the topics delivered in class. Misunderstanding may be evident.	Student applies little relevant knowledge from the topics delivered in class. Misunderstands are evident.
Critical Thinking (30%)	Student critically assesses in excellent ways, drawing outstanding conclusions from relevant authors.	Student critically assesses in good ways, drawing conclusions from relevant authors and references.	Student provides some insights but stays on the surface of the topic. References may not be relevant.	Student makes little or none critical thinking insights, does not quote appropriate authors, and does not provide valid sources.
Communication (20%)	Student communicates their ideas extremely clearly and concisely, respecting word count, grammar and spellcheck	Student communicates their ideas clearly and concisely, respecting word count, grammar and spellcheck	Student communicates their ideas with some clarity and concision. It may be slightly over or under the wordcount limit. Some misspelling errors may be evident.	Student communicates their ideas in a somewhat unclear and unconcise way. Does not reach or does exceed wordcount excessively and misspelling errors are evident.



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