



ADM 3396 Entrepreneurialist Culture—Mid Term Exam Questions

"Whether you believe you can, or whether you believe you can't, you're absolutely right," Henry Ford.

1. You are advising the CEO of Digicel, Denis O'Brien, who has mobile operations in 32 markets in the Caribbean, Central and South America and the South Pacific. After nine years of operation, Digicel Group Limited has 11 million cell phone customers.
2. Your CEO has decided to enter the Haitian market, the poorest country in the western hemisphere and one of the poorest in the world.
3. What's worse, the Board of Directors is skeptical since not only does Haiti have a reputation for poor governance but it is also thought to have a massive problem with corruption compounded by violence.
4. But you remember reading a quote on Entrepreneur Sayings when you were in ADM3396 way back in 2006 attributed to Baron Rothschild, an 18th century British nobleman and member of the Rothschild banking family, who said: "The time to buy is when there's blood in the streets." Rothschild knew what he was talking about since he made a fortune buying in the panic that followed the Battle of Waterloo against Napoleon. You believe that the original quote was: "Buy when there's blood in the streets, *even if the blood is your own.*"
5. So you believe that this is the right time to enter Haiti when no one else would dare. If nothing else, the survivors of the horrific earthquake will understand the importance of being able to quickly communicate with family members and others and will take to your cell phone service quickly, you think.
6. There is also the fact that you know Haiti has a veritable army of craftspersons, artists, small scale entrepreneurs, contractors plus you believe there will be an influx of aid providers—all these people will need fast communications even if it is only cell phone service and not Internet at first. So you are doubly determined to move forward.
7. Pick from the following menu the elements you believe should go into your business model for your Haitian venture. Remember, even though you are advising the CEO of a largish company now, you know that he still believes that each new venture should stand on its own two feet and be bootstrapped. Draw a business model for Digicel's new venture into Haiti from your selection.
 - a. Enter the market at the top end only with post-paid service and higher end smart phones costing \$70 to \$200 USD.
 - b. Require every user to have a fixed address.
 - c. You advise that you should take only the 'cream' from the top of the market and leave the masses either without service or let someone else/some other provider take that risk.
 - d. Get a local partner and back him or her.
 - e. Build a cell phone network that only covers the capital of Port-au-Prince where the majority of the people live. Leave the rest of the country for later thereby saving about half the \$370 million you think it will cost to enter and develop the market.
 - f. Outsource customer service/call centre work to another Caribbean island where it is safer to work from.
 - g. You recommend providing cell phones for the masses.
 - h. You enter the market with cell phones as low \$12.50 USD.
 - i. You are going to charge fees for activation.
 - j. You are not going to charge fees for activation.
 - k. Require every user to sign a contract.
 - l. Make incoming calls free.
 - m. Charge for incoming calls but not by the minute but by the second.
 - n. Set up a call centre and customer service centre in a new, earthquake proof building you plan to construct in Port-au-Prince.
 - o. Market penetration in 2006 in Haiti is 5%; you believe by 2010 you can get it to 10%.
 - p. Market penetration in 2006 in Haiti is 5%; you believe by 2010 you can get it to 40%.
 - q. Market penetration in 2006 in Haiti is 5%; you believe by 2010 you can get it to 25%.
 - r. Your largest current market is Jamaica. You believe Haiti has the potential to be the 2nd largest market for you out of the 32 you operate in because there is no competition.
 - s. Your largest current market is Jamaica. You believe Haiti has the potential to be the 2nd largest market for you out of the 32 you operate in because although there is competition, you believe that you can

outcompete them and that the marketplace has such low penetration that you can go nowhere but up—all boats will rise.

- t. Create a Charitable Foundation in Haiti to build schools.
- u. Raise money for disaster relief.
- v. A Foundation is nothing but a distraction and should not be part of your business model.
- w. Raising money for disaster relief is up to other people and organizations and should not be part of your business model.
- x. Your top Manager for Haiti should not be based in Haiti—it's too dangerous and difficult to operate from there.
- y. Your top Manager should be based in Haiti and your duty of care to him or her is accomplished by providing armed security.
- z. Your top Manager should be based in Haiti and your duty of care to him or her is accomplished by providing unarmed security.
- aa. You are going to establish two or three retail stores where people can come and buy your services and products.
- bb. You are prepared to do whatever is necessary to be successful in Haiti—including paying bribes to get your product released from customs.
- cc. You refuse to pay bribes and your product is being delayed every week in the harbour.
- dd. You will get involved in the rebuilding of Haiti's vast, iconic Iron Market building where 900 vendors work in downtown Port-au-Prince and raise the \$12 million needed to do it.
- ee. You believe that this is outside the scope of Digicel.
- ff. If you are successful, you believe you could employ 900 people in Haiti becoming Haiti's top private sector employer if you put CS in country.
- gg. You expect to build your network in five years—by putting a toe in the water first in Port-au-Prince, you can not only save investment dollars, you can see if your model will work before making a full commitment to the island.
- hh. You decide to go all-in and build out the entire network in just 10 months.
- ii. You decide to have mini-franchises with men or women on practically every street corner wearing a Digicel vest.
- jj. They can top up a customer's cell phone minutes for a minimum of \$10.
- kk. They can top up a customer's cell phone minutes for a minimum of \$5.
- ll. They can top up a customer's cell phone minutes for a minimum of \$1.
- mm. They can top up a customer's cell phone minutes for a minimum of 25 cents.
- nn. They can charge your cell phone too for a fee from car batteries.
- oo. No they can't charge your phone but they can sell you a charger for your home or office.

(20 marks)

8. Do you see an example above where Digicel is working with more than 1-dimension on the client side of the business? (2 marks)

Yes. Mini Franchises & Phone Users/Professionals

9. Do you think that Digicel would provide a higher or lower level of service if they centralized customer service in one location outside of Haiti and why? (4 marks)

It could be higher in as much as some parts of the Carib. b. can have better trained work forces but in all likelihood it would be lower. (a) they might not speak French (b) they would not understand the local culture

10. Which of the elements of Digicel's business model has allowed it to reduce its marketing problem from-one-to-many to one-to-a-few? (4 marks)

Instead of selling to everyone they sell to mini-franchises that sell to everyone

Also, retail stores allow reduction of 1 to many to a few

11. Identify three examples of DV, differentiated value, or 'pixie dust' in the above model. (3 marks)

- a. call centre in Port-au-Prince
- b. Charitable Foundation - bldg schools
- c. Minimum of just 25 cents to top up a phone
- d. Battery charges for cell phones.
- e. no activation fee
- f. refuse to pay bribes

12. In just three sentences, can you sum up the value proposition of Digicel Haiti? (4 marks)

Low price to buy a phone. 225 cent to top up of minutes. Pre-paid minutes. That's based. Battery charges. Community involvement. Sweet/Call center - in country.

13. Why would Digicel build its own building in Haiti? What are the two main reasons why Digicel might decide to do that? (2 marks)

- a. Commitment / trust / Brand
- b. Security
- c. low labour costs.
- d. creates jobs in country

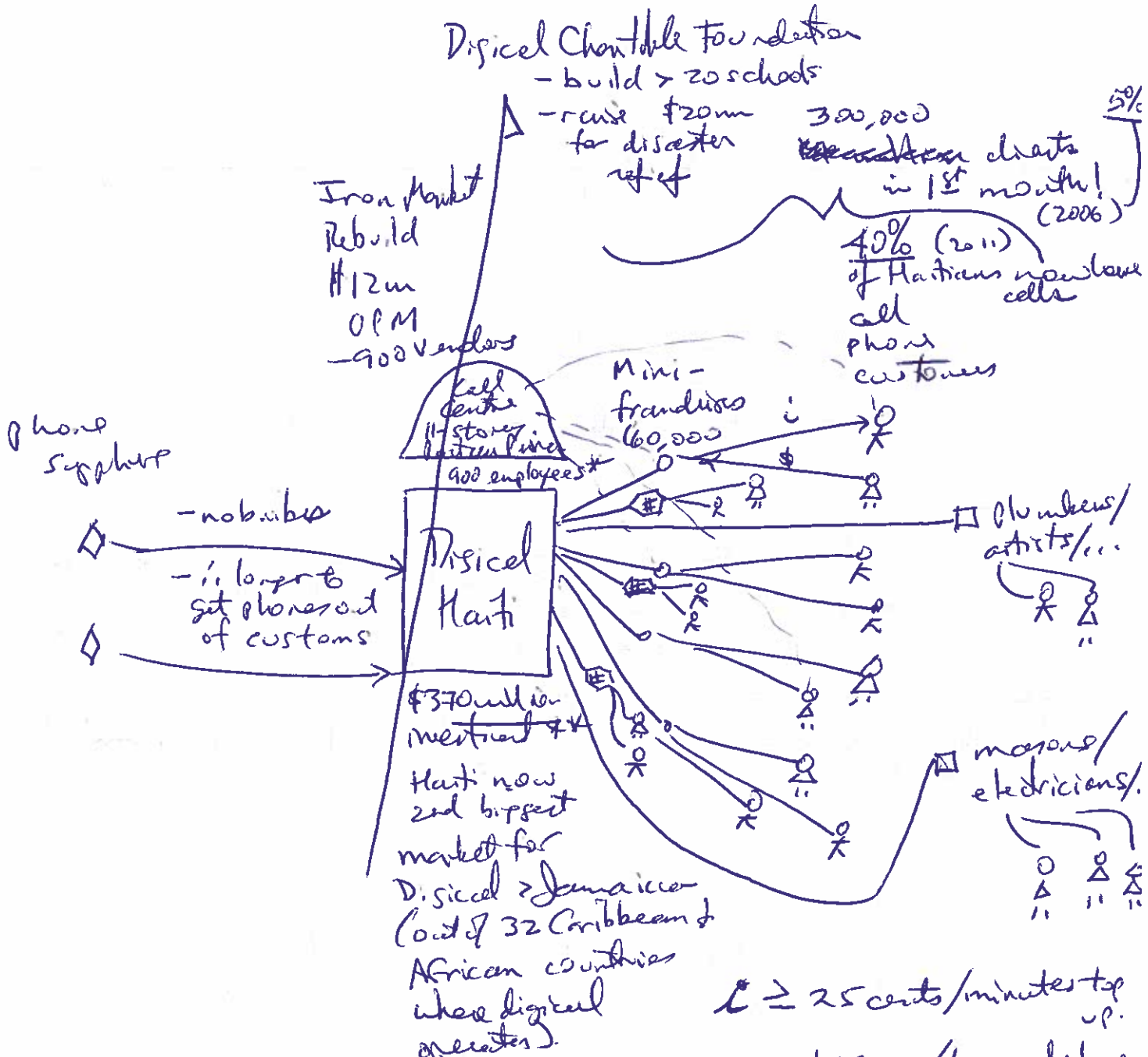
14. What are two GM (Guerrilla Marketing) things that Digicel might do? (2 marks)

- a. Put a charitable Foundation in front of its main Biz Model
- b. Rebuild Iron Market w/ OPM
- c. Vendors wearing Digicel vests



Digicel is a multi-national corporation active in 32 countries in Africa & the Caribbean. Its mission is to provide low cost, accessible telecom/cellular services as well as to contribute to the safety & economic development of the nations in which it operates by tying together the people of each country. Digicel also provides a platform for the creation of economic opportunities for all its stakeholders - employees, suppliers & customers

Digicel's Haitian Business Model



3x retail stores

- * armed guard & bulletproof SUV for top in-country mgr.
- ** built country-wide n/w in 10 mths.

- no activation fee
- free in-country calls
- prepaid system
- no contracts
- no deposits
- no fixed address

Source: The Montreal Gazette

15. Francis has purchased a mini-franchise from Digicel. Calculate Francis' cash conversion cycle based on the following data: (5 Marks)

- a. Cost of mini-franchise: \$100
- b. Accounts Payable to Digicel at year end: \$80
- c. Accounts Receivable from clients at year end: \$42
- d. Inventory (minutes purchased and phones) at year end: \$74
- e. Francis annual sales are: \$2,075
- f. His COGS is: \$33

Francis' cash conversion cycle is: - 58.4 days (Remember to put a + sign or a - sign in front of your CCC.) *

If Francis' inventory at year end increases by 10%, his cash conversion cycle changes significantly to: + 21.4 days

16. There is a source of Bootstrap Capital in the above Biz Model. What is it and explain why it is bootstrap capital? (4 marks)

The ChewLife founder, the Iron Model of mini-franchises all contribute capital/OPM to (a) mtg (b) vendor (c) inventory costs.

(Note: Total marks available 50)

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* See attached spreadsheets

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9-Mar-11 CASH CONVERSION CYCLE (CCC) MEASUREMENT

CCC Measurement- Digical Mini Franchise**

	Number	Units
Accounts Receivable at Year End (AR)		
Days Per Year		\$42
AR x Days Per year		365.25 Days
Annual Sales		\$15,340.50 Dollar-Days/Annum
AR x Days Per year/Annual Sales		\$2.075 Dollars/Annum
		7.393012048 Days
		ART
Inventory at Year End (INV)		
Days Per Year		74.00
INV x Days Per Year		365.25 Days
Cost of Goods Sold (COGS)		\$27,028.50 Dollar-Days/Annum
INV x Days Per Year/COGS		\$33 Dollars/Annum
		811.6666667 Days
		INVT
Accounts Payable at Year End (AP)		
Days Per Year		\$80
AP x Days Per year		365.25 Days
Cost of Goods Sold (COGS)		\$29,220.00 Dollar-Days/Annum
AP x Days Per year/COGS		\$33 Dollars/Annum
		877.4774775 Days
		APT
CCC*		-58.41779876 Days

* CCC = ART + INVT - APT

** Guesstimated numbers- for demonstration purposes only.

COGS

E&OE

0.45 of retail sales

9-Mar-11 CASH CONVERSION CYCLE (CCC) MEASUREMENT

CCC Measurement- Digicel Mini Franchise**	Number	Units
Accounts Receivable at Year End (AR)		
Days Per Year		\$42
AR x Days Per year		365.25 Days
Annual Sales		\$15,340.50 Dollar-Days/Annum
AR x Days Per year/Annual Sales		\$2,075 Dollars/Annum
		ART
Inventory at Year End (INV)		
Days Per Year		81.40 Increase inventory by 10%
INV x Days Per Year		365.25 Days
Cost of Goods Sold (COGS)		\$29,731.35 Dollar-Days/Annum
INV x Days Per Year/COGS		\$37 Dollars/Annum
		INVT
Accounts Payable at Year End (AP)		
Days Per Year		\$80
AP x Days Per year		365.25 Days
Cost of Goods Sold (COGS)		\$29,220.00 Dollar-Days/Annum
AP x Days Per year/COGS		\$37 Dollars/Annum
		APT
CCC*		21.35288101 Days
		0.45 of retail sales

* CCC = ART + INVT - APT

** Guesstimated numbers- for demonstration purposes only.

COGS

E&OE

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