Introduction and Usage:

These cases were initially written to help prepare Entrepreneurship and Management Decision Making teams prepare for competition at the State and National level. However, many of the cases are appropriate for other role-play events as well.

I have flagged the most directly relevant events at the top of each case. Despite this, more practice is always good – gaining familiarity with the process of preparing and presenting is more important than the specific content of the case.

Many of the cases cover business concepts that may be new to high school students. This is done intentionally. A good way to practice is to make a first attempt with your existing knowledge, decide what additional information would help you present the case, then make a second attempt once you have done additional research.

If you have any questions, please feel free to reach out to me at bholstege@cafbla.org
Sample Case 1

Recommended Events: Entrepreneurship, Management Decision Making, Banking and Financial Systems

Your team has been hired by 3DTomorrow, a growing manufacturer of 3D printers. 3DTomorrow manufacturers its devices in-house at their headquarters in City of Industry, CA. Although some components are imported from international suppliers, more specialized proprietary components are fabricated at 3DTomorrow’s internal manufacturing facility. While a high degree of control over the manufacturing process allows for excellent quality, it also limits the firm’s ability to scale production to accommodate spikes in customer demand.

3DTomorrow devices are generally targeted at industrial users, with an average selling price of $10,000 per unit. The printers are profitable on a per unit basis, with a gross margin of 44%. However, 3DTomorrow reinvests a considerable portion of its operating income into engineering and spends aggressively on sales staff to bring in key corporate clients. As a result, in the last fiscal year 3DTomorrow generated an operating margin of -8% on 16M in revenue.

In order to achieve profitability, 3DTomorrow leadership believes it is essential to spread operating costs over a wider base of sales. In preparation for aggressive growth, it is necessary for the company to build out manufacturing capability. However, making these capital investments will be challenging given 3DTomorrow’s negative operating cash flow. While the company has so far been funded from the founder’s initial capital contributions, the management team is willing to consider external financing to support increased capital expenditures.

Your team will be presenting its recommendations to 3DTomorrow’s management team. You are expected to address the following challenges:

1) How can 3DTomorrow grow to a positive operating margin over the next 2 years?
2) How can 3DTomorrow afford the capital investments needed to pursue an aggressive growth strategy?
3) How can 3DTomorrow acquire new enterprise customers in a cost-effective way?
Sample Case 2

Recommended Events: Entrepreneurship, Management Decision Making, Marketing

Your team has been hired by Textbook Robinhood (TR). TR was founded last year in Claremont, CA, by a group of college seniors. The business operates by paying students cash at the end of the semester for used textbooks and reselling those textbooks to subsequent students at a lower price than the school bookstore.

TR’s business model has been effective when applied over the 5 undergraduate colleges in Claremont. Students prefer the ease of on-campus cash transactions to online sales through eBay or Amazon. Because TR can acquire inventory at a lower cost than competitors, it has been able to undercut the campus bookstore and remain competitive with online resellers. Over the last academic year, TR sold 8,000 textbooks at an average price of $50, acquired at an average cost of $30. Further growth is expected over the coming year.

TR’s founders believe that the business model is promising, and that the company can expand to other college campuses. However, there are a number of possible challenges that could hinder such expansion. TR was able to grow quickly in Claremont because of the founder’s connection to the college community – which they will have difficulty replicating at unfamiliar schools. TR must develop a way to expand without the benefit of local connections.

Several business problems also face TR. The founders are unsure how to manage inventory across multiple locations, since purchased textbooks are currently stored over Summer/Winter breaks. Currently inventory is all kept centrally at TR’s rented office in Claremont. TR’s business model also requires a significant amount of working capital, since books are purchased with cash at the end of term, and not sold until several months later.

In addition to these challenges, there may be other issues that have not yet occurred to TR’s management team. What else needs to be considered? What strategy should Textbook Robinhood follow to ensure a successful transition from a local to a national business?
Sample Case 3

Recommended Events: Entrepreneurship, Management Decision Making, Marketing

Your team has been hired by AppFactory. AppFactory is a small application and web design firm that was recently started in Seattle, Washington. AppFactory’s three founders previously worked for large tech firms in the Seattle area, and have financed AppFactory out of their own savings. AppFactory is currently structured as a general partnership, and its founders are currently the only employees.

AppFactory’s business model is based upon the fact that many small and medium business would benefit from a digital presence, but lack the size to afford dedicated technical resources. AppFactory acts as an outside contractor and consultant to assist these businesses with development of mobile apps, interactive websites, or other sophisticated digital services.

AppFactory’s founders have been able to generate business in the local area through personal connections. However, they are concerned that an ad-hoc approach to generating business is unsustainable and want to develop a more comprehensive strategy to attract customers. If the business is to grow, customers will have to come from somewhere other than the founder’s personal network.

The founders are also concerned that they do not have standardized pricing or service contracts to offer customers, which can make negotiations time-consuming. Furthermore, AppFactory’s practice has been to charge large lump sum payments for individual developments, which has made it difficult to generate consistent revenue.

As AppFactory grows, it will be necessary to attract external talent. The Seattle area has a highly competitive labor market for technically skilled workers. AppFactory will need to figure out how to attract top talent despite a lack of name recognition and limited financial resources. Additionally, the founders are unfamiliar with other general steps that are needed to onboard external employees and develop formal business processes.

How can AppFactory scale up its business, attract new customers, and develop a strong talent pool while maintaining quality?
Sample Case 4

Recommended Events: Entrepreneurship, Management Decision Making, Hospitality Management, Marketing

Your team has been hired by Gemüse, an upscale healthy “fast-food” restaurant located in downtown Chicago, IL. Customers at Gemüse are able to order custom salads and sandwiches, which are made in front of them from fresh ingredients. Gemüse charges relatively high prices compared to local competition, but hopes to compete with high quality.

Historically, Gemüse has targeted business customers during the lunch hours, generating more than 75% of total revenue between 11AM and 3PM, Monday-Friday. Over the last year, competition has become increasingly fierce, with the corporate customers choosing to purchase from meal ordering apps like UberEats and Seamless, rather than from physical restaurants. Revenues have declined by 15% over the last fiscal year.

Adding to these difficulties is an increasingly challenging cost structure. Gemüse had opted to maintain fulltime employees rather than part time labor in order to ensure a reliable and motivated labor force. The combination of high rents and fixed labor costs make it difficult to scale down costs in response to declining revenues. Last month, Gemüse recorded an operating margin of -4%, the first monthly loss in years.

Gemüse needs to return to profitability. Your team has been tasked with presenting a turnaround strategy to the management team. What do you recommend?
Sample Case 5

Recommended Events: Management Decision Making, Global Business

Your team has been hired by GameBuddy. GameBuddy is a private corporation based in San Francisco, California, and creates mobile games for iOS and Android.

GameBuddy was once a star of the venture capital community, with a peak private valuation of $1.2 billion at the end of last year. Since then, the company’s fortunes have fallen. Lower than expected revenue growth and failure to reach profitability projections in the last quarter forced GameBuddy to delay its IPO. Running low on cash, GameBuddy had to accept down round funding, issuing preferred convertible shares at a $600 million valuation.

Although this decision allowed GameBuddy to keep the doors open, it had a dramatic impact on employee engagement. While prior venture capital investors were largely protected by anti-dilution provisions, common stock issued to employees lost almost all of its value. GameBuddy veterans have lost confidence that they will ever see an IPO, and employee turnover has reached an all-time high.

In order to preserve cash and operate a leaner organization, GameBuddy cut development timelines for its mobile games, and shifted QA responsibilities from a dedicated team to the engineering staff. These changes would have been difficult for an experienced and well-motivated team to handle. At GameBuddy, the engineering staff has not responded well to the additional pressure. The most recent release of one of GameBuddy’s flagship titles shipped in an almost unplayable state, greatly reducing sales.

GameBuddy’s management believes they are caught in a vicious cycle, where poor quality impacts financial performance, poor financial performance impacts employee retention, and employee retention impacts quality. How can they turn the company around?
Sample Case 6

Recommended Events: Entrepreneurship, Management Decision Making, Banking and Financial Systems, Hospitality Management

Your team has been hired by Prandium, a group of four up-scale restaurants located in the New York area. Prandium has been highly successful for more than 25 years. Each restaurant is profitable, and the company as a whole generated approximately $6M in net income on a revenue base of $40M in the last fiscal year. Prandium has roughly $10M in assets, and no substantial liabilities aside from standard operating categories such as accounts payable and outstanding leases.

Prandium’s founder and primary owner currently exerts a great deal of control over the business, working on menu selection, marketing, purchasing, and staffing for all of Prandium’s locations. Although each location has an independent manager who is accountable for day-to-day operations, the owner is still very important to overall operations of the company. However, he has decided to transition to retirement, and would like to move out of direct management of the business over the next year.

Your team has been hired to decide on an exit strategy for the company’s owner. Prandium previously solicited purchase offers from middle-market private equity firms and received an offer for $25M in cash in exchange for ownership of Prandium.

Your team must decide if this offer is reasonable and should be accepted. If not, how should Prandium proceed?
Sample Case 7

Recommended Events: Entrepreneurship, Management Decision Making, Global Business

Your team has been hired by Nimbostratus, a large cloud software company that offers a wide range of enterprise and SMB solutions, located in Daly City, CA. Nimbostratus is publicly listed on the NASDAQ, with a market cap of ~$30B and $4B in annual revenue. Historically Nimbostratus was one of the fastest growing companies in the sector, although this growth rate has begun to level off over the last two years.

A major strategic problem facing Nimbostratus is disruption from smaller startups. When employees identify weaknesses in the offerings of Nimbostratus or competitors, they tend to leave to start their own software companies rather than work through internal processes. As a result, smaller and more agile competitors have tended to enter new markets more quickly, and can adapt their solutions faster than Nimbostratus. The management team is concerned that over time this effect will erode growth potential.

Nimbostratus has also had difficulty retaining top talent. Innovative employees leave for startups, and take other top talent with them. Because Nimbostratus is a large post-IPO firm, it is unable to offer stock options with the same upside that a pre-IPO startup can provide. Additionally, the best employees prefer to work in flatter and less process drive organizations, compared to the large corporate structure that is necessary at a large public firm. Over time, the management team is concerned that attrition of top employees will have a negative impact on the company’s future.

Your team has been hired to address these challenges. How can Nimbostratus be as innovative as a startup, retain top employees, and avoid being disrupted by new market entrants?
Sample Case 8

**Recommended Events: Entrepreneurship, Management Decision Making, Global Business, Marketing**

Your team has been hired by Anzug, a company started by a small group of fashion industry employees. Anzug has not yet established a formal corporate structure, nor have they publicly launched any products for sale.

Anzug’s founders believe that the fashion market is ripe for disruption. There is a large difference between the cost of goods for high-end clothing and the price charged to consumers. This price difference is caused in part by the high expenses associated with retail sales, seasonal inventory turnover, and consumer marketing. Anzug plans to offer premium quality clothing produced in-house at a substantial discount to retail prices, through direct web sales.

Anzug faces several challenges. They will need to find a way to convince consumers to purchase their clothes without the opportunity to try them on in-store. Additionally, they will need to find a way to establish a premium brand without the benefit of physical stores or a large marketing budget. Consumer trust is hard to gain and easy to lose.

Production is also a challenge. Anzug’s business model requires them to sell clothing at a discount to upscale retailers, while maintaining competitive quality. Setting up production and shipping, and obtaining the financing necessary to begin these operations, is likely to be challenging. If Anzug cannot execute successfully on initial orders, the reputational damage to the business could be critical.

Your team has been asked to present a plan to get Anzug off the ground. What do you recommend?
Sample Case 9

Recommended Events: Entrepreneurship, Management Decision Making, Marketing, Hospitality Management

Your team has been hired by FoodZone, a chain of 5 neighborhood stores located in the greater Los Angeles area. FoodZone operates relatively small stores that are focused on stocking common household goods like food, toiletries, and cleaning supplies. Competitors include grocery stores, convenience stores like 7-11, and larger stores like Wal-Mart and Target.

The convenience store industry has fierce price competition, which has historically led to compressed margins. To carve out a competitive niche, FoodZone has focused on employee friendliness, community relationships, and store cleanliness to command a modest price premium over larger competitors. FoodZone gross margins are around 12% for a typical transaction, and as low as 8% for credit card purchases.

Over the last year, FoodZone has suffered serious human resource problems. Employee attrition has increased from 10% to 30%. A high attrition rate has a direct impact on company profitability, since it takes time to ramp employees to full productivity, and resources must be allocated to recruiting. Additionally, shrink has trended upwards, and customers have reported lower satisfaction with store quality. If these problems are not addressed quickly, FoodZone’s financial health could be jeopardized.

Your team will be meeting with FoodZone’s management team to discuss possible causes of this crisis and determine possible solutions.
Sample Case 10

Recommended Events: Entrepreneurship, Management Decision Making, Banking and Financial Systems

Your team has been hired by Denarii, a cloud based personal finance platform located in Stamford, CT. Denarii offers customers an online service which can integrate with banks, credit cards, and investment websites to provide a complete financial picture to users. Denarii also supports automatic data analytics on spending, so users can create budgets that vary based on time of year and identify areas to save money.

Denarii currently employs 25 engineers, and 15 other staff members at their Stamford office. The engineering department rents rack space at a nearby colocation facility but purchases their own physical servers. Denarii has been very successful at attracting users, with almost 2 million users now active on the service.

Unfortunately, Denarii has been less successful at making money. The management team pursued a strategy of aggressive growth financed by venture capital funding and did not initially develop a strong monetization plan for their platform. Currently all revenue is generated by on-site advertisements, which only provide $500,000 a year in revenue. Denarii spends $.25 per user per year on direct service costs. An additional ~$12M a year is spent on salaries and other G&A expenses.

Denarii’s management team would like to reduce the need for additional external funding, so they can retain a larger portion of the company’s equity. To do this, the company must improve per user revenue, get the cost structure in shape, and avoid alienating current and future users. What do you recommend?
Sample Case 11

Recommended Events: Entrepreneurship, Marketing

Your team has been hired Dave Ricardo and Johnny Mill. They are currently employed by a large national accounting firm in the Denver, CO area. Both were recently licensed as CPAs in Colorado and want to leave their current employer to start their own accounting practice.

Dave and Johnny plan to provide tax advisory services to small and medium businesses in the Denver area. However, they are divided over how to proceed. Dave believes that they will not have a comparative advantage in serving larger clients, and that they should focus on building a base of small business clients. Johnny believes that they should directly pursue larger regional businesses, which will provide a more stable source of revenue. Dave is worried that pursuing larger clients will put them into direct competition with their former employer.

The pair is also divided over how to leave their current position. Johnny believes that the pair should begin searching for potential clients while remaining at their present employer, so when they exit they will be certain of revenue. Dave wants to make a clean break, establish a formal business, and attract clients by advertising in the local community.

Your team needs to determine a strategy for Dave and Johnny. How should they structure their new business, attract clients, and separate from their current employer?
Sample Case 12

Recommended Events: Entrepreneurship, Banking and Financial Systems

Your team has been hired by Amelia, a biking enthusiast with a degree in aeronautical engineering. Amelia lives in the greater Atlanta, GA area. She currently works in the TechOps department of a local airline but is interested in starting her own company.

Amelia has developed a prototype of a device she calls the AmpTorque. The AmpTorque consists of an electric motor and battery back which can be installed on the rear wheel of an existing bicycle. When cyclists are going up hills, the device can be used to provide extra power to the wheels. When going back down hills or when braking, the electric motor is run as a generator to slow down the bike and recharge the battery. The AmpTorque can also be charged directly from a wall socket.

Amelia has approached small scale manufacturers for quotes and believes that she can produce the device at a cost of $150 for a minimum order of 500 units. However, Amelia only has $10,000 in personal savings, which will not be sufficient to finance an initial order. She is also unsure of the best pricing and distribution strategy and needs a plan to build awareness of her product.

Your team must develop a business plan to help Amelia get her company off the ground. How should she proceed?
Sample Case 13

Recommended Events: Entrepreneurship, Management Decision Making, Banking and Financial Systems

Your team has been hired by DataStorm, a technology startup based in San Jose, CA. DataStorm produces machine learning solutions for SMB and enterprise customers. DataStorm’s product allows customers to easily build predictive models using internal data sets. For example, local credit unions have used customer data to predict default risk and inform loan decisions.

DataStorm sells a variety of solutions, which vary in price and are limited by the maximum size of the importable dataset. DataStorm software is licensed on an annual basis to customers, and is billed annually. DataStorm has 600 current customers, who pay an average annual fee of $10,000. This compares to 200 customers at an average price of $12,000 two years ago.

DataStorm has 20 engineers and 5 staff in sales and operations. Initial funding was provided by a 250k capital contribution from the founders, and a 500k early stage angel investment. 70% of the company is owned by the founders, 20% by angel investors, and 10% is held by other employees.

The company has reached a stage in its development where the management team believes they need a substantial infusion of capital to finance future growth. Although the core product is highly profitable, overall cash flow is negative due to high spend on engineering talent and aggressive investment in marketing. As a result, DataStorm is forecasted to run out of cash within the next 3 months without an infusion of additional capital.

Your team has been asked to meet with a team of VCs to negotiate an equity investment in DataStorm. You will need to determine how large of an equity raise is needed and justify your plans for the cash.
Sample Case 13

Recommended Events: Entrepreneurship, Management Decision Making, Marketing

Your team has been hired by SofaWorld, a family run furniture business located in Richmond, VA. SofaWorld sources high quality furniture from both local suppliers and national chains and resells the furniture at its retail store. Aside from the owner, Sarah, SofaWorld employs 6 full-time employees and a variable number of part time staff depending on demand.

In 2013, SofaWorld was facing declining revenue, which threatened the financial viability of the business. Traditionally, SofaWorld had avoided large discounts, maintaining a constant price on its products. To combat declining revenue, SofaWorld launched an aggressive campaign in which high discounts were offered on a number of products. The campaign was successful, and revenue increased substantially. To keep sales volume high, SofaWorld continued a policy of aggressive rotating discounts.

Over the last year, Sarah has noticed a pattern. Customers have been trained to expect deals on the furniture they purchase and are no longer willing to buy items that are not on sale. Sarah has been forced to offer continually deeper discounts to get customers into the store. As a result, margins have been compressed – from a 50% average markup in 2013 to a 20% average markup today.

Employee morale has also declined over the last couple of years. To maintain positive margins, Sarah cut back on sales commissions paid to floor staff. Because commissions made up a substantial portion of full-time staff compensation, this policy effectively resulted in a pay cut. Customer service has declined and employees are visibly disgruntled.

Sarah believes this cycle is not sustainable. Your team has been asked to devise a strategy for SofaWorld. What do you recommend?
Sample Case 14
Recommended Events: Entrepreneurship, Sports and Entertainment Management

Your team has been hired by Mark and Doug, a pair of recent health science graduates living in Texas. Mark and Bill live in a mid-size town of about 50,000 residents.

The pair has noticed that their town does not have a gym or fitness center. Instead, residents rely on fitness classes offered by the town at local parks or exercise independently. Mark and Doug believe that they can capitalize on the recent healthy living trend and would like to open a gym to provide fitness services to local residents.

As recent graduates, Mark and Doug only have a few thousand dollars in personal savings they could put into the business. Their friends and family may be willing to contribute but are nervous about the odds of success.

How should they proceed?
Sample Case 15

Recommended Events: Entrepreneurship, Marketing, Management
Decision Making, Hospitality Management

Your team has been hired by Jake’s, an upscale steakhouse that was located in Portland, OR. Jake’s was known in the community for providing high quality food and an upscale ambience. The restaurant was a popular location for both personal and business dining.

Last week, a fire broke out in the kitchen after Jake’s had closed for the evening. By the time the fire department had responded, considerable damage had been done to the building. Almost all of the equipment was destroyed, and the building itself was deemed structurally unsound. Contractors have estimated that it would take at least 3 months of construction for the location to be restored.

Jake’s had purchased fire insurance and received a payment from the insurance company to compensate for lost equipment and damage to the building. Because business interruption insurance was not part of the policy, Jake’s will not be compensated for the loss of revenue during the period of non-operation. Although many of the servers were part-time and can be easily removed from payroll, key kitchen staff were hired as full-time employees. It would put a serious strain on Jake’s resources to maintain its payroll without a source of revenue.

Jake’s owners are also worried about damage to their reputation. If they remain out of business, people may have forgotten about them by the time they can reopen. The dining industry moves quickly, and a 3-month break could be fatal even if the business can re-open on time.

Your team has been asked to devise a plan for Jake’s to survive the interruption to their business. How should they proceed?
Your team has been hired by RandomWalk, a pre-funding startup located in Boston, MA. RandomWalk was founded by a team of 3 financial planners who worked for a large financial services firm located in the Boston area. The founding team became frustrated with the high-fee business model of their employer and struck out to start their own company.

RandomWalk was created around the idea that investors are charged too much for financial advice and asset management. The founders plan to offer robo-adviser services in which customers will answer a set of questions about risk tolerance and investment horizon and be automatically placed into appropriate passive index-tracking exchange traded funds (ETFs). As a result of this structure, RandomWalk believes it can provide investment management to clients at an average price of .25%, compared to 1% at a more traditional firm. Over time, this difference in fees can have a large impact on performance (see graph).

RandomWalk’s team has the necessary background to build the asset allocation model. The founders have relevant designations such as CFA/CFP and do have a strong network in the industry. What they are not sure of is how to attract clients and convince those clients that it is appropriate to invest with a small company without active portfolio management. Additionally, RandomWalk’s founder are unsure what other steps are needed to get their business off the ground.

Your team has been asked to create a business plan for RandomWalk. What do you recommend?
Sample Case 17

Recommended Events: Entrepreneurship, Marketing, Management
Decision Making

Your team has been hired by Granite Home Furnishing (GHF), a family owned manufacturing company located in Nevada. GHF produces premium quality items such as faucets, door handles, and light fixtures for the residential market.

Historically, GHF has distributed its products through its local store in Nevada, as well as retailers like Home Depot. When customers shopped in-person, they appreciated the high construction quality, which allowed GHF to charge a price premium over many of their competitors. In recent years the in-store retail market has shrunk, as customers have moved away from in-store purchases to online orders.

This shift to e-commerce has threatened GHF’s ability to maintain a price premium. Online shoppers have a harder time identifying the sturdier construction and premium materials and are less willing to pay higher prices for GHF’s products. Although online sales have increased to a small degree, the growth has not come close to compensating for the decline in retail. While some members of GHF’s management team have proposed cutting prices to raise revenue, others are concerned that lower pricing could hurt margins and erode the brand.

Another problem facing the business is the traditional lifetime warranty offered by GHF. Historically GHF has offered free repairs for 10 years after sale, and at-cost repairs for as long as GHF remains in the business. GHF management worries that this generous warranty policy is no longer relevant in the marketplace and imposes considerable costs on the business. While direct purchase customers appreciate the policy, it is unclear if online shoppers incorporate the warranty into their purchasing decision.

Your team has been asked to devise a plan for GHF. How should they proceed?