

## 7.6 Case study Calisto

### Discussion

**1** Calisto, IMM and Reysonido sell musical instruments in Central America. Look at the figures and compare the three businesses.

	FY	FY -1	FY -2
<b>IMM</b>	(M\$)	(M\$)	(M\$)
Sales	21	20	25
Cost of Sales	10.5	10	12.5
Total Operating Expenses	8	9	10
<b>EBIT</b>	<b>2.5</b>	<b>1</b>	<b>2.5</b>
<b>CALISTO</b>	(M\$)	(M\$)	(M\$)
Sales	15	18	20
Cost of Sales	7.5	9	10
Total Operating Expenses	9	9	9
<b>EBIT</b>	<b>(1.5)</b>	<b>0</b>	<b>1</b>
<b>REYSONIDO</b>	(M\$)	(M\$)	(M\$)
Sales	10	11	12
Cost of Sales	4	4.4	4.8
Total Operating Expenses	6	6	6
<b>EBIT</b>	<b>0</b>	<b>0.6</b>	<b>1.2</b>

### Reading

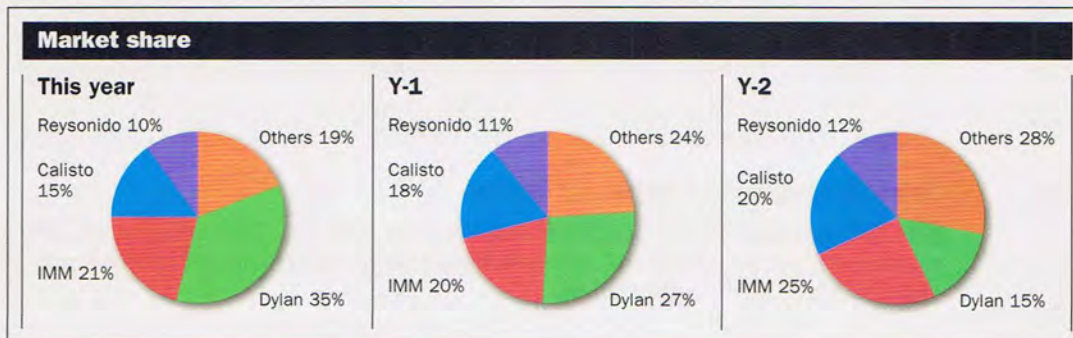
**2** Read the newspaper article and answer the questions.

- 1 How has Dylan achieved its impressive growth?
- 2 What effect has it had on the market?
- 3 Which company has adapted best to the new market leader?

## Dylan rocks instrument market

New figures yesterday confirmed the meteoric rise of Dylan Instruments to number one in Central America's musical instrument market (see charts). Panama-based newcomers Dylan, who have modelled their business on PC direct sales giant Dell, have pushed former market leader Instrumentos Musicales Mejicanos (IMM) into second place. Under the charismatic


leadership of CEO Abejundio Dylan, the firm has used slick marketing and aggressive discounting to capture market share from all its competitors. 'We aim to have 50% of the local market in two years' time,' trumpets Dylan. Competitors like IMM, Calisto and Reysonido are considering alliances to ensure their survival; several smaller players have already gone out of business.



**Internet research**

How can smaller companies compete with a dominant market leader? Search for the keywords "Avis: We Try Harder" to read about how Avis took on a giant.

**Listening for gist**

**3**  3:15 Listen to a presentation by Calisto's President to the Board of Directors and list the company's six options in column 1 of the table.

Options	Notes
1 Cut jobs	- same strategy as _____ - would reduce operating expenses by _____ %
2	- same strategy as _____ - would reduce production costs by _____ % - would increase operating expenses by _____ per year
3	- next year's sales: _____ - cost of sales would increase to _____
4	- price: _____ - advantages: _____ - disadvantages: _____
5	- price: _____ - bonus: _____ - repayments: _____ - combined sales: _____
6	- sell off our _____

**Listening for detail**

**4** Listen again and complete the notes on Calisto's six options in column 2 of the table above.



**Discussion and presentation**

**5** In small groups, meet as consultants to Calisto's Board of Directors.

- 1 Review Calisto's six options, as well as your own ideas, and decide what strategy you will recommend.
- 2 Prepare a presentation outlining your recommendations to the Board, using slides to structure and support your arguments.
- 3 Give your presentation. Yours will be in competition with those of other groups. As Calisto's Board of Directors, the class should ask questions and vote for the best presentation.