

**Global Lab
Winter 2016
Projects**

Capital SAFI – Bolivia

We want to tackle the following business challenges:

Are you ready to actually make a positive impact with social and financial returns?

If yes, Capital Safi brings this great opportunity to those daring social entrepreneurs. Explore opportunities in social impact investing to positively impact Bolivia, Peru and Colombia. Here in the Andean region there are a number of social (e.g. food and hunger, health, affordable housing, education, clean water, etc) and environmental (e.g. climate change, resource constraints & productivity, energy and water, agriculture and food) problems that plague these countries. The idea is to turn all these social ills into opportunities in innovation, an attractive return on investment, and ultimately into a viable marketplace while benefiting the public.

The test is to figure out how many of these social issues might be opportunities or problems are where we can apply market models. How many of these are market failures whereby realigning incentives, benefits, and returns we can actually turn a problem into an opportunity (marketplace) and address market failure. Definitely a wonderful opportunity to apply innovation, finance, and analytic tools learned @ Kellogg.

The challenge is to take these huge problems by understanding the benefits vantage model and incentives and create financial instruments that result in solutions addressing these issues.

Capital Safi is soon to start operations in Peru and later in Colombia. As we move into these markets we want to extend our cost advantage model whereby most of the back office sits in Bolivia. To that end, we need strengthen our cost advantage model to then further leverage into other markets and regions. The 2008 financial meltdown has constrained the banking systems across the globe presenting opportunities for growth in privately placed debt. We seek to explore growth opportunities in southern Europe, particularly Spain.

Baxter – Colombia

Baxter International Inc., through its subsidiaries, develops, manufactures and markets products that save and sustain the lives of people with hemophilia, immunodeficiency diseases, chronic and acute medical conditions including infectious diseases, kidney disease, and trauma. As a global, diversified healthcare company, Baxter applies a unique combination of expertise in medical devices, pharmaceuticals and biotechnology to create products that advance patient care worldwide. Baxter had 2014 sales of \$17.3 billion and has approximately 55,000 employees. On July 2015 Baxter spin-off its bioscience business into a new independent company (Baxalta), and after it the company is currently divided into two businesses:

Medical Products: Baxter's Medical Products business manufactures products used in the delivery of fluids and drugs to patients. These include intravenous (IV) solutions and administration sets, premixed drugs and drug-reconstitution systems, IV nutrition products, infusion pumps and inhalation anesthetics. The business also provides products and services related to pharmacy compounding, drug formulation and packaging technologies.

Renal Business – Products and Therapies: Baxter is focused on providing renal patients the best possible life by elevating the standards of care across all therapeutic options, whether that be in-center or home for chronic care, or in a hospital setting for acute care. Baxter's Renal portfolio addresses the needs of patients with kidney failure or kidney disease, and their healthcare providers, with a comprehensive range of therapeutic options across home, in-center, and hospital settings for better individualized care. The portfolio includes innovative technologies and therapies for peritoneal dialysis, in-center and home hemodialysis, continuous renal replacement therapy, multi-organ extracorporeal support therapy, and additional **Renal services**. Worldwide renal business had 2014 sales of \$4.2 Billion.

Market I currently serve:

Renal Services: Renal services include a broad spectrum of services that Baxter provides to customers and patient as a complement of the product sales. Also, these services include the dialysis services offering through which Baxter delivers direct care to patients needing renal replacement therapies (Dialysis) as a result of terminal chronic disease. This service is provided to patients through an independent subsidiary (Renal Therapy Services – RTS) that has presence in seven countries in Europe and LATAM and looking for expanding in selected countries mainly in western Europe. RTS is providing RRT to 14,000 patients and offering pre-dialysis care to other 12,000. RTS had sales of \$210 million in 2014.

What year was the company established, and how would you describe its stage of development (e.g.: start-up, early stage, mature, etc.)?

The company was founded in the 1930s. It is currently in a mature stage.

How many employees does the company currently have?

Approximately 55,000 employees.

Project Description

Describe the business challenge or opportunity that you are looking for the student team to help you solve. (Please note that the most attractive projects are typically those of high priority to the client company and center around issues of corporate strategy, marketing, finance and/or operations.)

We have two business challenges:

1. Renal division has been selling products and technologies (instruments) for the treatment of kidney disease but these products have been packaged with some services (Training, education, Technical services, software, etc), that the customer receive for free with a significant cost for the company. Our proposal is to debundle the current offering (products and services), and establish an independent brand (and perhaps a legal entity as well) in order to sell these services independently from the products. Additionally we could define the boundaries of the regulatory requirements of our entire offering.
2. There is a Baxter Subsidiary (functioning as a separate legal entity) for delivering renal replacement therapies (dialysis) to patients with kidney disease. This entity was created around 1996 under the brand name of RTS (Renal Therapy Services). Since that time, RTS has presence in some few countries but looking to expand into others in selected geographies. According with the conclusions of an external contracted market research study, RTS brand is not recognized as kidney care provider and our internal peers do not feel that that brand represent what this company does and the value it offers to stakeholders. The decision made is to change the brand name of it or explore the best way to endorse this brand with the Baxter name but it will have legal implications we need to work with.

Dialysis care and patients/customers related services are the largest growth opportunity for Baxter. It is a \$60B market with a lot of potential for growing the complete Baxter renal product portfolio into new channels, expand the utilization of home therapies, maximize the product pull-through and improve overall profitability. Also, the debundle of products and services package would reduce the burden of the overall cost it represent for the company and we are talking around a couple hundred million dollars.

With these couple of business challenges in mind, we need to allocate a Kellogg dedicated team for developing the brand name, concept, strategy and equity for both businesses.

The headquarters for this project are located in Deerfield, IL at the campus of Baxter International. We

expect that the Kellogg team be capable to establish very good communication with the business owners of selected countries for the dialysis services business (RTS), and also with the most representative countries (according with level of revenues/profits and opportunities). This project will be led by the Global Renal Services Marketing Director in partnering with global legal, global marketing analytics and the leader of the global Acute/RTS and connectivity franchise head.

It is expected that the Kellogg team:

- Dive in Baxter renal products and services and map out the status of the current offering in selected countries.
- Engagement of the regional, local, and global teams. This engagement could imply the definition of a primary research activity in specific countries for capturing the insights of local teams regarding services, and/or testing draft proposals.
- Understand the conclusions of the 2011 RTS brand' assessment and recommendations. Note: Taking into consideration the conclusions of the study, the brand:
 - o Should be a separate brand from Baxter
 - o Likely this would be an endorsed brand or a sub-brand of Baxter in terms of structure.
- Conduct an additional trademark searches on the naming finalists before a full search is conducted for the chosen name
- Get a very good understanding of all legal and regulatory implications around products and services offering including dialysis services.
- Conduct a quick survey for selecting additional brands/names that could be used for the services.
- Make a final proposal for solving the business challenges described above.
- Create strategic roadmap for Baxter renal services brand/name.
- Test what the underlying brand perception and values that exist with Hospal brand name and legal entity and then create some sort of Hospal Care, Hospal Therapy Services (Test the brand equity in Spain, France, Italy, Colombia.)

What are the key deliverables that the team should provide at the end of the project?

The key deliverables will be:

- Develop the brand strategy for our services offering and developing the brand recognition and building a strong equity." – It includes the naming and branding for both dialysis services and other paid services.
- Develop the brand positioning and at least the first draft of the brand architecture before you commence the naming project.
- Select the recommended brands (all – including existing one – RTS – but with Some Sort of Mocked Up New Graphic Element), and test them among internal and external stakeholders.
- Define, develop, test and establish a brand name that represent and communicates the Baxter

renal broad spectrum of services - Brand scope:

- a. Globally (it would mean a rebranding)
- b. By region (it could consider specific brands)

- Work with legal and corporate communications on the on the definition of the services brand structure and policies
- Develop the brand architecture, positioning and strategies to maximize brand awareness.
- Communicate the new brand/name to all operations and define the implementation plan.

How much time will the CEO or Managing Director have to spend with the team when they're visiting one country?

The Kellogg team will be partnered in the country with the respective Renal business unit director.

Who are the other members of the senior management team that you expect to be involved in this project, and what are their titles?

Richard Marritt – VP and Global Franchise Head of Acute/RTS and Connectivity

Stacie Phillips – VP Legal Counsel for Renal Business.

Corporate communications Department.

Bruce Peatey – VP International Marketing

Next Media – Taiwan

Briefly describe your company's business, your major product and service lines, and the markets you currently serve.

The international news team at Next Media Animation produces animated news for its TomoNews website and mobile app and NewsDirect service, available via Reuters subscription to more than 40 clients around the world. Primary sources of revenue come from advertising, subscription and contract business. Its primary markets are the United States and Japan.

What year was the company established, and how would you describe its stage of development (e.g.: start-up, early stage, mature, etc.)?

The agreement between Next Media Animation and Reuters to distribute NewsDirect animations was formalized in 2012. TomoNews was launched in 2013. The company is early stage.

How many employees does the company currently have?

There are roughly 50 members of the international news team and 300 animators on the animation news pipeline.

Describe the business challenge or opportunity that you are looking for the student team to help you solve. (Please note that the most attractive projects are typically those of high priority to the client company and center around issues of corporate strategy, marketing, finance and/or operations.)

1. The international news team generates \$100,000 in monthly revenue and is targeting to grow this to \$300,000 monthly, primarily from advertising. How much web traffic and video views should the TomoNews website generate to reach its advertising goals? How can this be achieved? What is the mix from programmatic and native advertising? What opportunities are there for contract business (e.g. from 2016 election cycle spending)?
2. The international news team is heavily weighted toward editorial operations, with few resources for marketing, business development, IT development, advertising sales and advertising operations. What are organizational structures at competitors such as NowThis News, AJ+ and BuzzFeed Video. What is the ideal organizational structure for the international news team to achieve its revenue goal?

What are the key deliverables that the team should provide at the end of the project?

1. Business model for achieving \$300,000 in monthly revenue.
2. Ideal organizational structure and headcount (editorial, marketing, IT dev, bus dev, ad sales, ad operations)?
3. Market intelligence: who are the nearest competitors for digital news? How does TomoNews compare?

How much time will the CEO or Managing Director have to spend with the team when they're in country the last two weeks of March?

The content director can be available for the last two weeks of March.
The COO can be available a few hours a day on the last week of March.

Who are the other members of the senior management team that you expect to be involved in this project, and what are their titles?

Michael Logan - Content Director
Mei-Ling Sze - COO

Turkish Airlines – Turkey

Turkish Airlines is expanding in the USA; as of today we have triple daily flights in and out of New York and with daily flights from Chicago, Boston, Washington DC., Houston, Los Angeles, San Francisco we have 7 gateways; starting from October 25th we will have Miami and Atlanta May 2016 Turkish Airlines will have 9 gateways.

The Kellogg School of Management is recognized internationally as the leading business school in marketing and brand studies, as the best airline Of Europe for the last 5 years we would like to partner with Kellogg School of Management under your direction.

As agreed, scope of the project this year will be:

- Analysis of Turkish Airlines option of having the second flight out of Chicago.
- Profit analysis of Turkish Airlines flights to and from the USA.
- Identification of target market mainly Corporate Travellers.

We will expect from The Kellogg student team final recommendation report at the end of the scheduled period with Objectives; Methodology used; result and analysis of research with final recommendations.

Mobile Banking Study – Kenya and Chicago

Kellogg Global Lab - Mobile Banking for the unbanked of Chicago by Examining Successes in Kenya

Goal: A thorough market analysis that will provide state of industry and a deep market research study for B2C or B2B. If time allows, prepare a fixed cost and variable costs business model for mobile banking for the poor and unbanked implementable in the Chicago area. The B2C model solution should adopt a tried and tested mobile banking solution like the ones in Kenya. The B2B model can also be interesting especially if white labeling is considered and strategy is focused on assisting the global industry create its platform complete with interoperable devices that can initially be prototyped in Chicago. For example there are opportunities in designing and manufacturing next generation B2B and B2C payment processing devices for the unbanked. The aim of this project is provide decision making deliverable that allows Chicago based small minority banks or OEMs to assess whether they should enter the mobile banking industry that targeting the poor and unbanked. The model will factor in the results of an “academic” survey that will be performed this fall. This study will also include a trip to Nairobi, Kenya where mobile banking for the unbanked is at growth-mature stage.

FDIC research results: In June 2013, the Federal Deposit Insurance Corporation (FDIC) sponsored the third National Survey of Unbanked and Underbanked Households. They found that 7.7 percent (1 in 13) of households in the United States were unbanked in 2013. This proportion represented nearly 9.6 million households. This research shows that Illinois has 384000 unbanked households. The FDIC explains that the vast majority of unbanked households cited by almost 8 in 10 (79.4 percent) of these households, use the debit cards “to pay for every day purchases or bills” and “to receive payments”.

Harvard Report: Another study from Harvard explains that 17.8% of the unbanked mostly use pre-paid debit cards, while 49% of the unbanked used non-bank money orders. In other words, a fair number of people who don't use banks have found alternatives. Accordingly, the relevant question is whether those alternative services are reliable, easy to use, affordable and efficient.

Academic research: Given the above statements, it is important to confirm the problems of unbanked and while assessing whether they would adopt mobile banking technology as alternative to the pre-paid debit cards and money orders. To address this, we have scheduled a study for the fall 2015 to be conducted by collaboration between University of Wisconsin at Whitewater (UWW) and Chicago State University. UWW has worked on minority banking research before and recently won a grant to assess economic impact of minority banks. The research question and proposal is currently being developed however most likely it will seek to understand the technology adoption challenges. The sample of the study will be selected from the Chicago area, specifically in the south sides' neighborhoods Chicago State on 95th street. Partnership with local minority banks is being explored and two CEOs both Kellogg alumni are being approached.

Justification: Why Mobile Banking for the poor and unbanked? According to the World Bank Financial Development report of 2014, the last decade is marked by a rapid growth in new technologies, such as mobile payments, mobile banking, Internet banking, and biometric identification technologies. These technological innovations have led to significant reduction in transaction costs, leading to greater financial inclusion.

Globally, there are over 2.5 billion people that remain unbanked, majority of these in rural and developing nations. Accordingly mobile banking emerged in the Philippines in 2003, even though Kenya's Mpesa is the global market leader. The Mpesa started in 2007 and today has a penetration of 79% adoption with 20% of GDP now conducted on mobile phones using mainly short message service (SMS). The development of mobile banking in Kenya has allowed for increased financial services such as micro loans mostly to individuals that were previously unbanked.

However not all countries have had successes. Most countries still struggle with adoptions of less than 10% in countries like Nigeria, Ghana and other emerging markets.

There is legitimate worry that any attempts by US to target the unbanked will be difficult. Meaning the unbanked will not necessarily accept and adopt mobile banking perhaps because they already have pre-paid debit cards alternatives. In addition the unbanked in the US may be using free mobile phones given by the US government. These allocate 500 minutes for free calls per month. It estimated that 13 million free phones are available to mostly elderly and those earning less than \$15,000 per year.

Conclusion: Initiating a mobile banking system for the unbanked in the US may require meticulous and rigorous research to fully understand and mitigate the uniqueness of the USA problems. This must then be followed up by a well thought out product development process in order to replicate the successful adoption seen in countries like Kenya. However all this may be worth it since the benefits of a successful mobile banking system include increasing the economy activities through advancing financial inclusion. Furthermore low cost SMS mobile banking could be an interesting business development area for distressed minority banks that have cited technological innovation as a survival tactic. The FDIC reported there were just 25 black-owned American banks in 2014, a sharp plummet from 48 in 2001.