Assignment 4 (Group): Newspaper Wars

You have been hired by the Daily News as a strategy consultant. Since Rupert Murdoch took over the archrival New York Post, a series of price cuts and retaliatory moves have taken place. These events have severely affected industry profits.

During your first meeting with the management of the Daily News, the situation was summarized as follows:

   Everything was fine until Murdoch took over the Post. Currently, we are both pricing at 25¢, down from our normal 50¢. True, circulation and advertising revenues have gone up, but the problem is that our net profit is down by more than 50%. You can look at it from two points of view. One is, with low prices we are leaving a lot of money on the table. The other one is, we are playing the game against a fellow named Murdoch.

At the meeting, you were provided with the values in the Excel file “dailynews.xls”. You were also told that overhead costs are in the order of $525K a week.

Your mission: Advise management on a pricing strategy for competing with the Post. They would like, specifically, a quantitative analysis of the likely result of various pricing policies.

Written by Luis Cabral and David Backus for the purpose of class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. While this case was inspired by real-world events, some of the quotes and figures are fictional. © 2001 David Backus and Luis Cabral.