**!!! You Decide Assignment – Week 3 – Guidelines**

**Updated as of July - 2014**

**OVERVIEW**

This first “You Decide” assignment is based on the Merck – Medco Case in Chapter 5. It is a scenario (a bit real and a bit fictitious) of various executives making recommendations based on their own analysis to the Chairman-CEO, who in turn will add his own analysis and recommendations regarding the acquisition of Medco to the Board of Directors of Merck.

**The paper must be written in your own words, and you are welcome to make references to the outside sources you use; then you should list all of these sources in your Bibliography.**

Your paper should be written in hindsight of what happened after Merck acquired Medco. You should **analyze the facts in historical format:** Merck decided to acquire Medco, and then it had to divest it.

**Consider the following questions: What factors motivated Merck to acquire Medco? What factors forced Merck to divest Medco? What was the financial size and impact of this decision.**

**GENERAL GUIDELINES FOR THE YOU DECIDE**

**The Analysis on the Merck - Medco Case**

1)  You can comment on marketing synergy and operating synergy.

2)  You can do some **SWOT analysis:**  Looking for Strengths and Weaknesses of the two companies, and also looking for Opportunities and Threats in the deal.

3)  I am also posting in Doc Sharing summaries of Merck’s 1994, 1995, 1996 10-K’s. Be sure to observe the level of revenues of Medco in relation to Merck’s total revenues. . You are welcome to you these financials as part of your analysis.

4)  Consider the market share rank of Merck at the time when this decision is being made (1993).   How does Merck's market position compare with its competitors in 1993.  This information should be free on the internet.

5) Consider, **the $6.6 Billion** price Merck paid for Medco.

6)  Consider the stock price of Merck.  If you go to Yahoo.Finance pages on Merck, you can find a stock chart, and you can select a chart that goes back 20 years.  Where was Merck's stock price in 1992, what happened in 1993, and what happened after 1993 after Medco was acquired.

7) Then consider **the Federal Trade Commission report of August, 1998**, that Merck’s acquisition of Medco was an anti-competitive.

8) Merck could not sell Medco through an IPO in 2002, and decided to spin off Medco to its shareholders in 2003. The IPO price would have been $20 - $22 per share for 46.7 Million shares of Medco: **$934 Million to $1,027.4 Million**

9)  You are welcome to use outside sources from the internet, as well as the information I posted in Doc Sharing.   Just make sure you state the information in your own words.  Then list the source in the Bibliography at the end.

**EXAMPLES OF ANALYSIS SECTION – SUB-SECTIONS**

**ANALYSIS - SUB SECTIONS**

You Can have about 5 **Sub-Topics**  under the **Analysis Section** of your You Decide:  
  
1)  SWOT Analysis - This is  strategic and covers all topics:  Marketing & Distribution,  Profit Margins for the two companies, Regulatory Risks.  
  
2)  Marketing & Distribution Issues in detail.  
  
3)  Financial Issues:  Price to be paid $6.6 Billion. Merck, which is in a high profit margin industry is buying into a Low Profit Margin Industry (Medco).  
  
4)  Regulatory Risks:  Possible Anti Trust Ruling re PMB’s (Pharmacy Benefits Mangers).

5) The pullback of the IPO for around $1.0 Billion; then the spin-off to existing shareholders.

**SPECIFIC GRADING RUBRIC FOR THE YOU DECIDE**

Class, here is the grading **RUBRIC** for the You Decide:

1. **One page “Executive Summary”**:  You summarize your whole paper (including the analysis and the recommendation) in bullet format (with full sentences), double spaced: 25 points

2.  Detailed **analysis** of the synergy, marketing strategy, financial and other issues.  ( 5 - 7 pages, double spaced including any financial tables.): 90 points. Do not flood your paper with financial data, use the dollar information from the various sources in your discussion.

3.  Conclusions (Half Page to One Page, double spaced): 10 points

4.  Bibliography (One Page): 10 points

5.  There should also be a cover page with the title of the paper and your name, and this does NOT count as one of the 8 – 10 pages.

Please note that all items 1 - 4 above are double spaced.

**SAMPLE EXECUTIVE SUMMARY**

!!! Class, please note the posted Sample Executive Summary as a separate file in Doc Sharing.

This file is on two pages, and the outline of the Executive Summary is on page 2. Be sure to scroll down to Page 2.

**WHAT HAPPENED TO MEDCO?**

On July 21, 20111, there was announcement from news sources that Express Scripts acquired Medco for $ 29.1 Billion.  
  
You might review news sources on the internet re the strategy of these two companies in the future for operating as one entity. Observing what is going on now, can help your SWOT Analysis with 20/20 hindsight.

**PLAGIARISM & CITATIONS**

!!!Class, be sure to read the section of the Syllabus on "Plagiarism and Citations."  
  
You are welcome to use references to support your positions on the You Decide; **however, be sure to** **restate the information in your own words.**  Then use one of the styles suggested in the Syllabus to list your references for these outside sources in the Bibliography at the end of your paper.  
  
You are of course welcome to develop your analysis on this case.