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**INVESTIGATIVE TECHNIQUES WORKSHOP:  
MERGERS AND ACQUISITIONS**

**Interview Materials**

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**United States Department of Justice  
Antitrust Division**

**and**

**United States Federal Trade Commission**

**INTERVIEW MATERIALS**

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### **Interview Information for Pedro Fillol**

Background information for the person playing the role of Pedro Fillol.

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Pedro Fillol

Job title: Production Manager

Employer: Martucha Tomato Sauce Company (a Panagra corporation owned by Conglom, a Spanish conglomerate)

You have worked at the same factory for thirty years. You are an engineering graduate of Martucha University, with a specialty in production engineering. You began working as a beginning engineer in the former Ogorco company. Over the years, you were promoted several times, and now you are in charge of all production at the Martucha factory. You own a small amount of Martucha stock.

If asked, you can explain the following about the history and production processes. You are fond of the historical side of things and often will answer questions mainly with historical stories rather than direct answers. Thus your answers should wander and not be very responsive to the questions asked.

### **Production Processes**

Historically, the manufacturing of tomato sauce was a relatively simple operation. Tomatoes grown in the southern region are crushed and mixed with tomato paste and herbs. For certain variations, meat and spices may be added. The mixture is then cooked. At the end of that time, the tomato sauce is ready to eat or be canned. The tomato sauce was sold at open air markets to customers who provided their own containers. At the turn of the century, producers began to offer the tomato sauce in jars so that they could be shipped and stored without risk of spoilage. The producers adopted home-style canning operations: glass jars were boiled to remove any bacteria, then filled by hand and sealed. This method, however, was quite expensive because it was labor intensive and the glass jars used for canning were purchased in small quantities at relatively high prices. Furthermore, the home canning methods used by the local producers did not always eliminate all of the bacteria and other contaminants, so there was a relatively high rate of spoilage. A large number of small local tomato sauce producers came into

existence, mostly selling in their local regions where the glass jars could be easily and cheaply shipped without breakage, and where they could be delivered quickly to minimize the risk of spoilage.

Fifty years ago, the government took over the manufacture and distribution of tomato sauce as part of a broad program to nationalize various industries. A large number of small tomato sauce producers in the south of the country were taken over by the government and joined into one enterprise. The small scale manufacturing processing plants were replaced by three separate factories, each housing a large, 5,000 liter stainless steel vat. The tomato paste is prepared at a central location and shipped via tank truck to the vats. An ancient recipe is used to prepare the tomato paste. The manufacture is as follows: the vats are filled with tomatoes, tomato paste and herbs. For certain varieties, meat and spices are added. Proper flavoring requires the mixture to be cooked at particular temperatures for several hours. It is then allowed to cool completely. Heating elements in the vat bring the mixture to the proper cooking temperature. Because the tomato sauce is mixed and cooked in the same container, the more modern approach reduces the processing time. It takes about two days for each 5,000 liter batch. With vats so large, it takes a lot of time to fill them, get them back up to the correct temperature, and to clean them.

Each of the three factories has a substantial canning facility built 15-25 years ago. Each canning facility is modern and automated, capable of canning 3,000 one-liter jars of tomato sauce per day. Because of the automation, the labor component is dramatically reduced and the cost of canning has also been reduced. In addition, the quality control is much better, and spoilage of canned tomato sauce is a rare occurrence. Each canning facility is also equipped to can larger, commercial size 100-liter drums of the tomato sauce.

You know that the Sanfor and Candaro factories have exactly the same equipment and capacity as the Martucha factory. All three were built from the same plans and at about the same time. This was part of a modernization process that took four years in the early 1970s.

With the upgrading of the manufacturing and canning facilities, Conglom/Martucha, Sanfor, and Candaro were able to increase production of the tomato sauce tenfold, and as a result of the increase in volume, the cost of the tomato sauce was cut in half (in constant terms). At the same time, consumption patterns changed. Today, the number of people who produce tomato sauce at home is dwindling; many find that it is too time consuming to make tomato sauce, and since the price of Ogorco-style tomato sauce has decreased significantly, it is more attractive to purchase tomato sauce rather than make them. Commercial purchasers, such as restaurants or soup companies, account for an increasing portion of the tomato sauce manufactured in Panagra

## **Input Purchasing**

The tomatoes used in making tomato sauce are normally grown by hundreds or even thousands of local farms in the regions of the factories. Farmers commonly enter a contract with a particular factory in advance of the growing season; and then grow tomatoes according to the instructions of the factory and are paid the contract price. Some farmers grow tomatoes without a contract and sell their crop to the factory offering the highest price. If they expect the price to be unattractive in a particular year, farmers may grow tomatoes for the fresh vegetable markets, or else may grow soy.

### **Interview Information for Juana Olguin**

Background information for person playing the role of Juana Olguin:

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Juana Olguin

Job title: General Director

Employer: Candaro Tomato Sauce Company (a Panagra corporation)

Candaro markets its tomato sauce mostly in Southern Panagra. Candaro sells the bulk of its tomato sauce in Candaro, Miramonte, Valle Viejo, Costa Bonita, Villa Antonio, and Sevillana. However, Candaro does sell smaller quantities of tomato sauce in other cities in Southern Panagra.

Candaro feels it competes with both Martucha and Sanfor. However, Candaro feels that it competes much more vigorously against Martucha than it does against Sanfor. For instance, Martucha has recently engaged in a series of discounting practices that have dramatically encroached on Candaro's territory. Candaro has responded by offering higher discounts, but the effect on Candaro's profits would be significant.

Candaro is very concerned about the deal. Candaro believes that by combining with Sanfor, Martucha will become such a powerful entity that Candaro will no longer be able to compete with it. Candaro fears that the combined entity of Martucha and Sanfor would be able to undercut Candaro's prices and take away all of Candaro's business.

Candaro also expects that, with its increased buying power, Martucha could force tomato farmers close to Candaro into exclusive contracts, thereby controlling the supply of tomatoes. Candaro believes that once Martucha purchases Sanfor, it will want to do all of its contracting with farmers near Candaro so that Candaro will either have to get its tomatoes from the Sanfor region or be driven out of the market. Candaro knows of tomato farmers in Sanfor who are very concerned about this happening. If asked, you would refer them to Esteban Ardiles as an example of such a farmer.

Candaro has data for the past three years on its sales. However, Candaro is very concerned about the confidential nature of this information. You should refuse to provide the

information, giving evasive answers. You should answer only if the questioner tells you that the Competition Law (1) allows the Agency to compel you to produce the information and (2) requires the Agency to keep it confidential. **[hand out Candaro document 1 - sales data]**. To the extent that the Competition Agency needs more detailed information, Candaro will try to get it. However, Candaro's records are not organized in a way in which it can provide any more accurate information.

Candaro produces tomato sauce in 5,000 liter batches. On average, Candaro can produce 150 batches a year. To produce more would require squeezing in additional more batches in each year. This would be expensive, because Candaro would have to hire overtime shifts and pay workers extra to work on the holidays.

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**Candaro**

<b>Year</b>	<b>Bids Submitted</b>	<b>Bids Accepted</b>	<b>Barrels sold</b>	<b>Cases Sold</b>	<b>Liters Sold</b>	<b>Revenue*</b>
1999	not known	6	3876	30068	748416	3205680
2000	36	12	3809	29032	729284	3308440
1995	48	25	3563	27684	688508	3011112
2002 (full year)	63	24	4037	31563	782456	3170108

\* In constant currency, i.e., adjusted for inflation.



### **Interview Information for Eduardo Galvan**

Background information for person playing the role of Eduardo Galvan

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Eduardo Galvan

Job title: Deputy General Director

Employer: Norco Tomato Sauce Company (a Panagra corporation)

You are the Deputy General Director for the Norco Tomato Sauce Company. In your current position you assist the general director in administering all aspects of the Norco business. You have held the position for two years. Prior to holding your current position, you were director of sales and marketing.

You think that the Norco Tomato Sauce Company is the equal of any other tomato sauce company in Panagra, even though it consists of a collection of small, old plants assembled under one owner over fifty years ago. Some of the plants have been somewhat modernized over the years, although none of them had the major modernization and enlargement that happened at Ogorco in the south. Being from the less heavily populated north, you generally tend to resent what you perceive as an attitude of the more urban southerners -- an assumption that everything that they do is bigger, faster, and better. Indeed, you believe that Norco tomato sauce is superior because of the smaller batches and more traditional production process.

You have only tried to sell tomato sauce in the south a few times. In 2000, while you were director of sales, you tried to make some sales in the closest part of the southern region. You did make some sales, but most of the customers went back to their former supplier after making one or two purchases from you. You were never really sure why this happened. You did not care too much, however, since the only way you had been able to make those sales was to reduce you price almost to the level of your manufacturing costs. You really almost had to take a loss on the sales.

Transportation is a problem in your region. Indeed, the poor roads and railroads are one reason why Norco has maintained its separate factories, so each one can stay near to its customers. In your view, the transport sector is not well organized for long-distance shipment.

You use your own small trucks for the local and short distance deliveries that you need now. If you were to start selling many tomato sauces in the south, you would have to start hiring a long-distance trucking firm. When you did that for those few sales in 2000, you found that the firms were not reliable because they had many more customers than they had capacity on their trucks. The cost of shipment added about 15% to your costs in those sales.

If asked, you believe that you could sell more tomato sauce in the south. You think that the better taste of your tomato sauce would compensate for the slightly higher costs that you have, with a resulting higher price needed.

### **Interview Information for Maria Passarella**

Background information for person playing the role of Maria Passarella.

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Maria Passarella

Job title: Manager

Employer: Cachin, S.A. (a Panagra corporation)

Cachin owns 12 small pasta restaurants throughout Panagra.

Cachin started from a small stand five years ago, and after its product was well accepted by consumers, expanded one restaurant at a time to its present 12 locations. Growth has slowed after other pasta chains entered Panagra, but Cachin still plans to expand to 5 additional locations in the next year.

Cachin feels it is in substantial competition with other pasta chains, including recent Western entrants and other, smaller Panagran-based chains. It also competes with single-location pasta restaurants. It also feels that it competes with other fast food restaurants and stands selling pizza, asado, and other foods. It also feels it competes with home cooking and with larger, more elaborate restaurants.

All Cachin pasta is served with tomato sauce on it. Customers expect tomato sauce on their pasta. All pasta restaurants that Cachin most closely competes with, such as Ripo and Los Años Viejos, serve their pasta with tomato sauce on them. Customers identify the type of pasta that they want as having tomato sauce.

Cachin buys tomato sauce from three sources: Martucha/Conglom, Sanfor, and Candaro. All three provide consistent quality and have the taste that Cachin expects from tomato sauce on its pasta.

Cachin has not considered buying imported tomato sauce because of their much higher cost and because Cachin is a Panagran company and likes to promote itself as the Panagran alternative to foreign pasta chains.

Cachin has not considered making its own tomato sauce because it does not use enough to justify investing in the machinery. Nor does it have enough expertise.

Cachin has considered buying tomato sauce from Norco, but is not sure of quality or if the delivery would be reliable. Once, four years ago, when Ogorco still owned all three southern tomato sauce plants, there was a strike at Ogorco. Cachin was a small chain then. It could not get any tomato sauce from Ogorco because of the strike. For several days, it had to sell pasta without tomato sauce; some customers commented unfavorably about the absence of tomato sauce. As soon as possible, the owner of Cachin borrowed a friend's truck and drove to the north and bought several cases of Norco tomato sauce from one plant or a wholesaler. Several of the glass jars broke in transit on the way back and the tomato sauce was thinner and more watery than normally put on pasta, but this arrangement allowed some tomato sauce to be put on the pasta during the rest of the strike, which only lasted three weeks.

Cachin buys tomato sauce by placing orders with the tomato sauce producer nearest to each of its restaurants. A salesperson from each of the three companies calls on Ms. Passarella to try to sell her tomato sauce. She tries to order some from each, so that she has several sources of supply. Usually the prices are the same. Sometimes one of the salespersons will offer a special incentive, for example, *If you buy another 20 cartons, I can give you one carton for free.*<sup>6</sup> She also makes choices based on the service provided. In particular, if a company has given her bad service, such as by missing a promised delivery date, she switches some purchases away from that company.

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**Interview Information for Elizabeth Tarantini**

Background information for person playing the role of Elizabeth Tarantini.

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Elizabeth Tarantini

Job title: Owner

Company: Almacen del Tarantini (a grocery store in Costa Bonita, Panagra)

You are the owner of a small corner store that sells food and beverages including tomato sauce. You began operating the store eight years ago. Your store is used almost exclusively by people that live in the neighborhood. Most of your customers use your store because of the convenience of shopping at a store near their home. There are a few other grocery stores in your area. Many customers do not have a car and thus cannot go to the Cisco, a large grocery store on the outskirts of town. Your prices are a little higher than Cisco's, but you are also much more convenient. You stock basic foods (bread, pasta, potatoes, tomato sauce, etc.) and beer and wine.

When the price you are charged by your distributor for a product increases, you increase the price you charge. Over the years the prices of tomato sauce have changed, which has changed the prices in your store. When there have been price changes, you have usually noticed that some consumers buy less tomato sauce than they did before. You observe this because you do not have to order tomato sauce as often as you otherwise would. Also customers tend to complain when the price goes up.

You cannot think of some other kind of food that customers would choose to buy instead of tomato sauce. You also have never seen a customer decide to buy something else instead of tomato sauce because the tomato sauce is too expensive.

Your food distributor carries two kinds of tomato sauce: Martucha's and Sanfor's. You stock both on your shelves, charging a proportionately higher price than your distributor charged you. Usually there is some kind of special offer when you buy the tomato sauce, making one cheaper than the other. However, the specials switch back and forth between the companies. You reflect the lower prices that you are charged by offering lower prices to your customers. Thus, sometimes Sanfor's tomato sauce is cheaper, sometimes Martucha's.

Most customers buy the cheaper jar of tomato sauce, regardless of brand. However, there are some customers who will only buy one kind of tomato sauce. Those customers tend to wait for their brand to go on sale. Occasionally, though, you see those customers purchasing the more expensive brand of tomato sauce because they have run out and need to get more. When that happens, you usually get complaints from the customer.

Up until about five years ago, you used to make your own tomato sauce using a family recipe and sell it in the store. However, because it is so expensive to purchase tomato sauce spices in small quantities and time consuming finding the right size tomatoes, you decided it wasn't worth making it yourself. You still have friends who refuse to eat anything but home-made tomato sauce, but most people you know buy it rather than make tomato sauce themselves. It is just much cheaper and easier to buy the ones made by a big company.

### **Interview Information for Esteban Ardiles**

Background information for person playing the role of Esteban Ardiles.

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Esteban Ardiles

Job title: General Director

Employer: Cooperativa Ardiles (a cooperative farmers= association in Sanfor, Panagra)

You, and your family before you, have always been farmers in Sanfor. You have recently formed the Cooperativa Ardiles, a group of farms that have grouped together to more conveniently sell your produce. The cooperative has been very successful at negotiating higher prices with food companies, primarily because you are able to consistently provide a greater quantity of produce as a cooperative than you could individually.

Your farm has always grown a mixture of soy and tomatoes. Usually, your crop contains a mixture of large and small vegetables. The percentage of large vegetables works out to be about 10% of the overall crop. You always sell the large vegetables to food markets in the local area.

You have found that you can usually get better prices from food companies than you can from food markets for the small vegetables. There are a number of factories that make canned food products to whom you can sell these vegetables. Specifically, there are three large food companies in Sanfor that buy your vegetables: The Conglom Salad Company, a subsidiary of Conglom that sells prepared foods to restaurants; Sanfor Tomato Sauce Company; and Acme, a large Panagran food company that sells a variety of canned, frozen and dehydrated foods.

At the beginning of each planting season, you talk to fellow farmers and contacts to gauge the prices you could get for soy and tomatoes. Based on the expected demands of the different food companies, you decide what mixture of soy and tomatoes you will plant.

When tomato farmers in Martucha have a bad year, the Martucha food companies usually try to purchase their vegetables from both the Sanfor region and the Candaro region. In the past you have sold tomatoes to the Martucha Tomato Sauce Company when this has happened. However, Panagra has just finished a new highway connecting Candaro and Sanfor, so you think

it is more likely that in the future, Martucha will purchase most of its additional produce from the Candaro region. You have never sold tomatoes to the Candaro plant when it had a bad year, because it is too expensive to transport them to Candaro.

You have become very concerned about Conglom=s acquisition of Sanfor. You think the tomato sauce companies already have too much power over the tomato farmers. You have a friend in the purchasing department at Sanfor who told you that he had heard the entire Sanfor purchasing department would be fired after the merger.



## Interview Information for Felipe Gallego

Background information for person playing the role of Felipe Gallego

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Felipe Gallego

Job title: Director of Purchasing

Employer: Panagra Soup Company (a Panagra corporation)

You are the Director of Purchasing for the Panagra Soup Company. In your current position you negotiate with farmers, distributors and food companies to obtain the ingredients for your soups. You have held the position for three years. Prior to holding your current position, you worked in the recipe department, where you did cost analyses of adding different components to new soup recipes.

Your experience is that it can be difficult to obtain the necessary ingredients for your soups. It is difficult to find reliable suppliers. Some suppliers cancel contracts at the last moment, provide you with low-quality goods, miss deadlines or deliver long before the agreed upon date, and generally violate the terms of your agreements.

In order to adapt, you have done two things. First you develop ongoing relationships with specific salesmen. You have found that when you can guarantee repeat business, you have a much better chance of forcing the supplier to fulfill the agreement. Second, you have learned ways to keep suppliers honest by maintaining a second source, or sometimes a third source, for the supplies you need.

In the tomato sauce industry in particular, you have dealt with representatives from Candaro, Martucha and Sanfor. You would describe Sanfor as the least reliable source of tomato sauce. Their sales representative sometimes offers you good deals -- especially in 2001, they offered good prices. But with Sanfor, you are always suspicious that he will back out at the last moment. On the other hand both Martucha and Candaro are very reliable suppliers. You particularly like Candaro because of its proximity to Valle Viejo. Martucha is good too, though you find their sales representative, Larrosa, to be very pushy. He calls you up a lot looking for business and, even when you are practically rude, he will not leave you alone.

If asked, you do remember an instance where Larrosa tried to get your business for a new soup recipe after you had already agreed to get the tomato sauce from Sanfor. Larrosa had come to you and proposed that you do a side-by-side comparison of Sanfor's tomato sauce with his when you got the first shipment. This is typical Larrosa, assuming that you were not aware of exactly what kind of tomato sauce you would be getting.

As it turned out, though, it all worked for the best, because a day later you got a call from the Sanfor representative who told you that he would not be able to deliver the tomato sauce on time. You immediately threatened to cancel the entire deal, saying that if you did not get your tomato sauce on time you would do the deal with Larrosa. The Sanfor representative ended up not only delivering the tomato sauce only three days late, but he also gave you a free barrel for each delivery.

You are a bit concerned about the merger. The quality of the deals you can make are directly related to the number of alternatives you have. However, Sanfor is by far the worst supplier in your opinion, so you are not as concerned about the acquisition as you would be with a combination of Candaro and Martucha. Still, you imagine that with more tomato sauce to sell, Larrosa will be even more persistent about bothering you.

**Interview Information for Ana Kempes**

Background information for person playing the role of Ana Kempes.

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Ana Kempes

Job title: Director of Sales

Employer: Martucha Tomato Sauce Company (a Panagra corporation owned by Conglom, a Spanish conglomerate)

You were formerly employed as a sales person by another Panagra food products company. Then you began working as a salesperson for Martucha, were promoted to regional sales manager, and just recently promoted to Director of Sales. You report to the General Director, Jose Bertoni.

You are an enthusiastic, active person. You are eager to advance in the business world, and want to make a good impression on your bosses.

In your job, you see Sanfor and Candaro as your big competitors. Most of your time and energy is devoted to directing your staff to compete with them. Both you and your staff are paid in part on a commission, that is, a percentage of the sales revenue that you generate.

**February 1 memo.** You wrote this memo in response to a request from your boss, Jose Bertoni. Basically, you just asked questions of your subordinates and included their responses in the memo. If asked, you will disclaim first-hand knowledge of the things reported in the memo.

**Strategic Plan Document:** You wrote the strategic plan after you were given the assignment by Jose Bertoni. You had never before written a strategic plan. In your prior employment, such formal documents were not common. You talked with Bertoni in preparing the strategic plan, and many of the ideas in it are ideas you obtained from him.

Now that you have reviewed the document again in the context of the Competition Agency's merger investigation, it does seem a little too strong in some ways. It was only a draft, never finalized, as far as you know. Initially, you should try to say that the memo contains mainly your own ideas, (but if pressed with questions, admit to the input from Bertoni and that

many of the ideas are his). You should try to say that you were just trying to impress the corporate headquarters that you were an aggressive marketer, and maybe you over-stated some things. You should try to say that you are a salesperson by nature, and it's your nature to be enthusiastic and tell things in a dramatic way, and this doesn't necessarily reflect reality. In general, you should try to avoid admitting anything from the document unless directly forced to do so by the questions.

### **Interview Information for Jose Bertoni**

Background information for person playing the role of Jose Bertoni.

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Jose Bertoni

Job title: General Director

Employer: Martucha Tomato Sauce Company (a Panagra corporation owned by Conglom, a Spanish conglomerate)

You have been with Martucha Tomato Sauce Company and Ogorco before that for over twenty years. You started out as an engineer supervising the delivery of tomato sauce. You started out in the Martucha factory, but moved up to being in charge of the delivery schedules for all three factories. When Ogorco was privatized, you decided to stay with Martucha and started out as the assistant to the General Director, an officer of Conglom. You quickly developed a good relationship with Conglom and, when the General Director moved to another division of Conglom, you were appointed General Director.

After you became General Director, the company began to experience a decline in sales. You are not really sure what happened to cause the decline, but through hard work and by bringing in new people, you were able to turn the company around. Over that period, you were monitored very closely by Carlos Menotti, the Regional Director for South America at Conglom. While you were able to develop a good working relationship with him, you found his constant demands somewhat frustrating. In particular, he would often demand you to write reports describing the problems you were having rather than just let you fix them.

For one of those reports, you asked Ana Kempes to describe the situation in Southern Panagra. You vaguely recall her writing a memo and sending it to you, which you then forwarded on. However, you did not pay much attention to what she wrote, being very busy at the time. Rossi was apparently pleased with it, however, because he called you back and bothered you about writing a strategic plan. Again, you delegated the assignment to Kempes, and discussed it at length with her. She produced a strategic plan document that you forwarded to Rossi.

After you were required to submit these two documents to the Competition Agency, you

looked over the documents again yourself, and they seem to overstate the case. You are now embarrassed to admit that some of the ideas in the strategic plan -- even some of the specific phrases -- came from you. You have not admitted this to anyone, and certainly would not admit it to the Competition Agency.

In the first place, while Sanfor and Candaro are your two main competitors, there are a number of other competitive factors which affect you. For instance, you think that customers are just as likely to make their own tomato sauce as buy Martucha=s. Also, customers are increasingly buying imported tomato sauce. Finally, there are a number of other pasta sauces that people will buy instead of tomato sauce if they feel tomato sauce is too expensive. For instance, customers often purchase cream sauce or cheese instead of tomato sauce. The problem is that the document was written by Ana Kempes out of a desire to demonstrate how hard she and her people were working. However, to take the document out of context and claim that it describes the state of the tomato sauce market is preposterous.

More importantly, Kempes is still relatively new to the tomato sauce market and does not know the tomato sauce business. Thus it is easy for her to concentrate on the obvious competitors and not properly consider other relevant forces.

### **Interview Information for Enrique Luque**

Background information for the person playing the role of Enrique Luque.

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Enrique Luque

Job title: Director of Finance

Employer: Sanfor Tomato Sauce Company (a Panagra corporation)

As Director of Finance, you are the top responsible person in the Sanfor company on financial issues. You have had this job for two and a half years. Before that, you worked in a bank, the Commercial Bank of Sanfor Province. One firm that you worked with was the former Ogorco Tomato Sauce company. After it was split up, you continued to work with the Sanfor Tomato Sauce Company. Your bank was one of the major lenders to the new Sanfor Tomato Sauce Company, and when that company got into serious financial difficulties, its bank lenders traded their debt for ownership shares. At that time, you were installed as Director of Finance for Sanfor.

Except for a brief period right after the banks took it over, the company has never been in good financial shape.

For example, the company has not paid its local taxes for three years. You have told the local authorities that if they force payment of the taxes, they will risk shutting the plant and causing a lot of unemployment. So far, this approach has kept them from taking any strong action.

Currently the company is very slow paying its suppliers. Some have threatened to stop selling to the company, but so far they have continued to sell, because they do not have many other options.

Farmers have always been paid in cash for their tomatoes, and that has continued now. In the last harvest season, the company had great difficulty obtaining enough cash. It offered deep discounts to its customers if they would make advance purchases and pay in cash, and many bought extra -- a two- or three-month supply -- because the price was good and they knew the company needed the money. Even so, the banks had to make large new loans for the harvest

season. The result of the advance sales to customers was that the next few months showed low sales, and thus low cash coming in for the company. The company has barely been able to keep current on its new loan repayments to its owner banks.

In your time as Director of Finance, you have made substantial changes to reduce the company's losses. You sold the company's apartments to the workers who live in them. Although getting those purchasers to make payments that they owe has been difficult, you reduced the maintenance and repair expenses and the number of employees, because they now work for the housing cooperative. You gave the company's fire house and fire truck to the city, which reduced that expense. You sold the company's printing plant (built twelve years ago when there had been an extra-large budget) to the workers in that plant, giving them a contract to print the labels and boxes for the tomato sauce jars, boxes, and barrels. The cost of that contract to you has been less than the cost of operating the printing plant and paying its workers. The printing plant also prints labels for other factories in town now. But, in your opinion, you have made all the changes of this type that you can identify. There are no more big, obvious changes that would save cash for the company.

Over the past two years, a few people have expressed interest in buying the company or substantially all of its assets. You have not followed up on these because they seemed very preliminary and none of them really ever made an offer or pursued the question very hard. Some of them you thought were just very insubstantial people who did not have the money or ability to buy and run the plant. One person, for example, said the he was a broker for a Italian tomato sauce company, but you did not believe that he really represented them. A local man who recently became quite wealthy talked about making an offer, but he did not have any background in the food industry and seemed to be seeking publicity by offering to save a large local employer. You ignored him.

The current crisis arose because of the long term problems of high costs -- mainly labor -- and the price discounting that reduced the revenue of the company. This has been a recurrent problem, but as you have taken steps to sell assets or reduce costs, you have stayed ahead of the problem. Now, however, you expect to start showing regular deficits, and at next harvest season, you expect to have another cash crisis like this most recent year. If you have to, you will approach it the same way you did this year's cash crisis, but you are not sure how long you can continue doing this.

You have applied to the provincial office for a special Industrial Redevelopment Grant<sup>®</sup> which you sought for modernization of the company's management and marketing structure. This may provide some additional cash, if the grant is given to the company.



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**Interview Information for Francisco Ortiz**

Background information for the person playing the role of Francisco Ortiz.

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Francisco Ortiz

Job title: Owner

Corporation: Cafe Ortiz (a Fronteriza Restaurant)

You are the owner of a famous restaurant in Fronteriza. You are originally from Spain, where you grew up in a family that owned a small restaurant. You attended Le Cordon Bleu and graduated with a degree from the master chef and catering program. In Paris, you met and married the daughter of the mayor of Fronteriza, which led you to move to Fronteriza. In Panagra, you started your own restaurant. You are very proud of the fact that you just received a 12/20 rating from the Gault Millaut Restaurant Guide. This is a tremendous accomplishment as you are the first restaurant to be rated in Panagra.

You cater to the most elite clientele in Fronteriza, serving classic Italian and Spanish dishes. You serve two kinds of dishes in your restaurant involving tomato sauce. In the evenings, you serve a milanesa a la napolitana garnished with Cordillera-style tomato sauce as an appetizer. In addition, your restaurant is famous for its business lunches which consist of high quality meals sold in a formal, yet congenial atmosphere. One of the most popular luncheon dishes is a provoleta a la parrilla served with regular tomato sauce. Customers expect to find a tomato sauce served with both dishes.

Recently, Fronteriza has gone through an industrial boom and businesses are now having to entertain more and more visiting businessmen and women. You have been very successful at attracting these business people to your restaurant, both for lunch and dinner. Because they have such high expectations from your restaurant, you are particularly concerned about maintaining the quality of your ingredients.

The tomato sauce you purchase is especially important to you. In particular, you are always concerned about maintaining a supply of Cordillera-style tomato sauce. Before Cordillera started selling in Panagra, you had to make special arrangements with food wholesalers in Italy and Spain. Now, the situation is moderately better in that you have a

relationship with Cordillera. Nevertheless, the representatives from Cordillera behave like thieves with you because they know that you have no choice but to buy from them. In fact, if you weren't so busy, you probably would have already complained to the Competition Agency about their practices.

As for the tomato sauce you buy for lunch, you have just switched from buying Martucha's tomato sauce to buying Sardinia's. The reason for this is that the sales representative you deal with just moved from Martucha to Sardinia. While you have always had a good relationship with Martucha, you believe it is largely because of the work of your salesman. The sales representative was actually an employee of Conglom before Conglom acquired Martucha and is very different from most of the other tomato sauce salesmen. For instance, once when Martucha mixed up orders and delivered you a thinner tomato sauce instead of the thicker sauce you need, the representative personally drove up to Martucha to get a replacement order.

In general, you would only purchase tomato sauce from Martucha and Sardinia. Friends of yours in the restaurant business have tried using Candaro and Sanfor and have had real problems both with quality and the companies meeting delivery schedules. As far as you know Candaro and Sanfor are equivalent in quality. In your opinion, besides Martucha, all Panagran tomato sauce companies are the same.

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**Interview Information for Pablo Houseman**

Background information for the person playing the role of Pablo Houseman.

(You should answer questions using the following information as a basis. If asked, you should provide the information in the answer, but do not try to volunteer information that has not been asked for. For questions not covered by the information below, you can invent answers that are generally consistent with the information below and the other facts of the hypothetical case.)

Name: Pablo Houseman

Job title: Owner

Firm: Euromarket (a grocery store in Costa Bonita, Panagra)

You are the owner of two upscale grocery stores that sell mostly imported goods. Before opening your store, you worked as a sales representative for a Spanish food importer. You opened the store five years ago and have since been very successful. You have since opened a second store in Costa Bonita and are contemplating opening a third store in Fronteriza.

Your stores primarily sell top quality Panagran and imported foods. Most of your goods are imported from Spain, France, and Italy. You sell a wide variety of smoked and cured meats, asado, and cheeses. You also sell a large selection of tomato sauced products including: premium tomato sauced tomatoes, Cordillera-style tomato sauce, tomato sauced onions, peppers, mushrooms, capers, mixed vegetables and beets. Your customers tend to have above average incomes.

Among the premium tomato sauced tomatoes, you sell both Sardinia and Martucha brands. In both cases, you only carry the top of the line product. You were one of the first purchasers of Sardinia tomato sauce, and you have had a relationship with them for over six years now.

About three years ago, you were not carrying Martucha tomato sauce. Martucha approached you and asked if you would be interested in carrying their tomato sauce under your own label. After long consultation, you agreed to a deal where they sell you tomato sauce meeting your strict criteria at a reduced rate and in return they can place a Euromarket label on the jars. The terms of the agreement permit each party to opt out of the contract at the end of five years. The Euromarket tomato sauce is only sold through your store.

You offer the Euromarket label as a cheaper alternative to Sardinia and have considerable success marketing it. While in your opinion customers consider all of your tomato sauced

products when making a decision about what to buy, you think that your customers are beginning to recognize the Euromarket name and associate it with quality products.

At first you were concerned about Sardinia's acquisition of Martucha. You were not sure if Sardinia would want to continue your arrangement with Martucha. However, you have since talked with Sardinia, and you now have an offer on the table to extend the agreement for another ten years.

Also, you have been approached by officials at Sanfor, who are interested in selling their tomato sauce under the Euromarket name. You are skeptical about doing so, since you do not believe Sanfor has high enough quality tomato sauce. The tomatoes grown in the Sanfor area tend not to be of the same quality as those grown in Martucha. Sanfor has assured you that they can buy tomatoes in Martucha and truck them to their factory. However, you have not yet discussed the costs of their premium tomato sauce and you suspect that Sanfor's will be more expensive because of the added transportation costs. Nevertheless, you plan to play Sanfor off against Martucha in renegotiating the Euromarket brand agreement.