

Selling off a line of business

Introduction

Do this quiz. Begin at number 1, make your choice, and then go to the number indicated in brackets.

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1. You work for an international bank. This bank is in serious financial trouble, with losses in all lines of business. Do you ...
 - make some staff redundant? (go to 6)
 - sell off part of your business? (go to 8)
 2. The strike stops. You sack some of the staff. But compensation payments are so high, your losses get worse. Do you ...
 - close down some branches? (go to 6)
 - amalgamate with another bank? (go to 7)
 3. Your losses get worse. Do you ...
 - close down some branches? (go to 6)
 - amalgamate with another bank? (go to 7)
 4. A lot of customers leave to buy unit trusts from another bank. Do you ...
 - start a new unit trust subsidiary? (go to 3)
 - look for another way of reducing your losses? (go to 12)
 5. The new owner closes half of your branches. Do you ...
 - stay on and hope for the best? (go to 9)
 - look for another job? (go to 10)
 6. The staff go on strike. Do you ...
 - back down? (go back to 1 and start again)
 - threaten to sack all those who go on strike? (go to 2)
 7. No other bank is interested in amalgamating. They are willing to take over your bank. Do you ...
 - accept the takeover? (go to 5)
 - refuse? (go back to 1 and start again)
 8. What do you sell off ...
 - direct banking, the fastest expanding part of your business? (go to 3)
 - the unit trust subsidiary, the easiest to sell? (go to 4)
 9. You are made redundant yourself. Do you ...
 - look for a new job in banking? (go to 10)
 - set up your own business? (go to 11)
 10. You get a good job in a new bank. Unfortunately, this bank is losing money. Go back to 1 and start again.
 11. You go to the bank to ask for a loan to set up your own business. Unfortunately, your request is refused because the bank has serious financial problems. Do you ...
 - accept the offer of a job as a management consultant with the bank? (go back to 1 and start again)
 - ask your grandmother for a loan to set up your business? (go to 13)
 12. Do you decide to ...
 - sell off part of the business? (go to 8)
 - increase bank charges? (go to 3)
 13. Your grandmother dies suddenly. Do you think ...
 - you will have to look for another way to raise a loan?
 - she has left you all her money?
- (Your teacher has the answer.)

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Selling off a line of business

Situation

You work for Viljoen, the South African insurance company. Your head office is in Vereeniging, Transvaal, and you have offices all over South Africa.

You are in serious financial trouble. All your lines of business – vehicle, life, property, health insurance and personal pensions – have been losing money for the last two years.

You have made major efforts to remedy this situation. Amongst other things you have:

- increased the number of sales staff, given them training in new sales methods, and increased their sales commission
- greatly increased productivity, with organizational changes, and new investment in information technology
- worked very hard to improve total quality management
- extended the range of products at the same time as simplifying policies and speeding up the settlement of claims

These efforts have unfortunately led to no increase in sales or reduction in your losses. Competition from other insurance companies is simply too strong. Last year, you reduced many of your prices, but this led to no increase in sales and merely reduced your income still further. You also considered raising your prices, but realized that this would lead to a loss of business.

Now, your financial advisers have recommended that, to save the company from closure or from being taken over by a competitor, you should sell off part of the business. This would give you money to cover your losses and to continue investing, and enable the remaining lines of business to survive until the market improves, or competitors go out of business.

You are meeting today to consider the financial advisers' recommendation. You must consider the degree of integration of different lines of business, and how easy and profitable it would be to sell off any one of them.

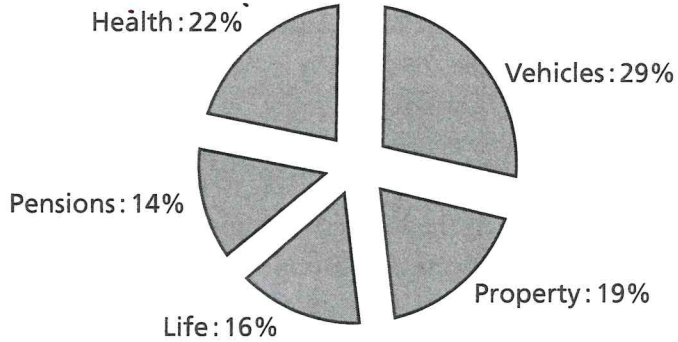
You must decide:

- if it is possible to sell off one of your lines of business
- and if it is, which line you should sell

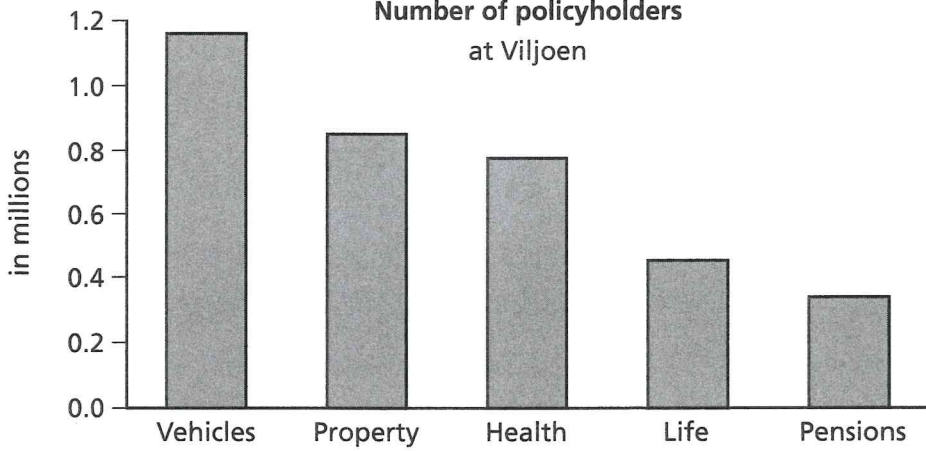


Fact sheet

**Percentage of turnover
at Viljoen**



**Number of policyholders
at Viljoen**



**Number of claims
at Viljoen last year**

