

YOUTH FOR UNDERSTANDING (YFU) USA

INCREASING PROFITS THROUGH DIVERSIFYING REVENUE STREAMS

Student Team:

Alp Kiremitci – EGL (BSE/MSE Industrial & Operations Engineering)
Justin Koehler – EGL (BSE/MSE Industrial & Operations Engineering)

Project Sponsors:

Ann Durham – Executive Coordinator
Michael Hill – President & Chief Executive Officer

Faculty Advisors:

Amy Cohn – College of Engineering
Anne Harrington – Stephen M. Ross School of Business

Youth for Understanding (YFU) USA is a nonprofit intercultural exchange organization based in Washington, D.C. Since 1951, YFU has grown into a global network of 60-plus YFU partner organizations and has placed more than 250,000 exchange students, relying on an international community of dedicated volunteers for outreach, host family recruitment, and student support.

YFU USA has underperformed in the volatile and competitive student exchange industry, recording annual net losses up to \$2.00 million in fiscal years 2011-2014. In August 2015, the organization operated with \$4.4 million in cash reserves, less than three months' worth of working capital needed to run the organization. Reliance on the inbound program for 80 percent of total revenue, shifting market dynamics away from long-term high school exchange, and cash volatility in the annual placement cycle put financial pressure on YFU USA's operations and limit its ability to grow. Therefore, YFU USA management recommended the Tauber team focus on increasing profits and diversifying revenue sources.

To achieve this goal, the team performed a competitive analysis to benchmark YFU USA against more than 50 intercultural exchange competitors. The team classified and allocated fixed and variable expenses to accurately determine the profitability of inbound, outbound, and Community College programs and discovered a \$748,867 annual structural operating deficit in the Travel Department. To determine student program preferences, the Tauber team surveyed more than 200 students and conducted 70 phone interviews with YFU students, non-YFU students, parents, Field Directors, and school staff.

The Tauber team made recommendations in five key areas: 1) implement new Travel Department policies in Q3 of 2015; 2) grow a nascent F-1 visa inbound exchange program; 3) focus on short-term and impact-based programs; 4) cultivate school relationships by establishing a student-driven "Campus Ambassador Program"; and 5) develop English and foreign language courses as a cross-selling opportunity. Taken together, these recommendations have the potential to generate \$2.29-\$2.80 million in additional profit over the next two years. By implementing these recommendations, YFU USA can recover 114.5%-140.0% of its \$2.00 million loss in 2014. Upon project completion, the Tauber team's deliverables include a two-year implementation plan for future initiatives, a financial modeling tool to project costs and revenue for future program implementations, and a framework for potential strategic partnerships.