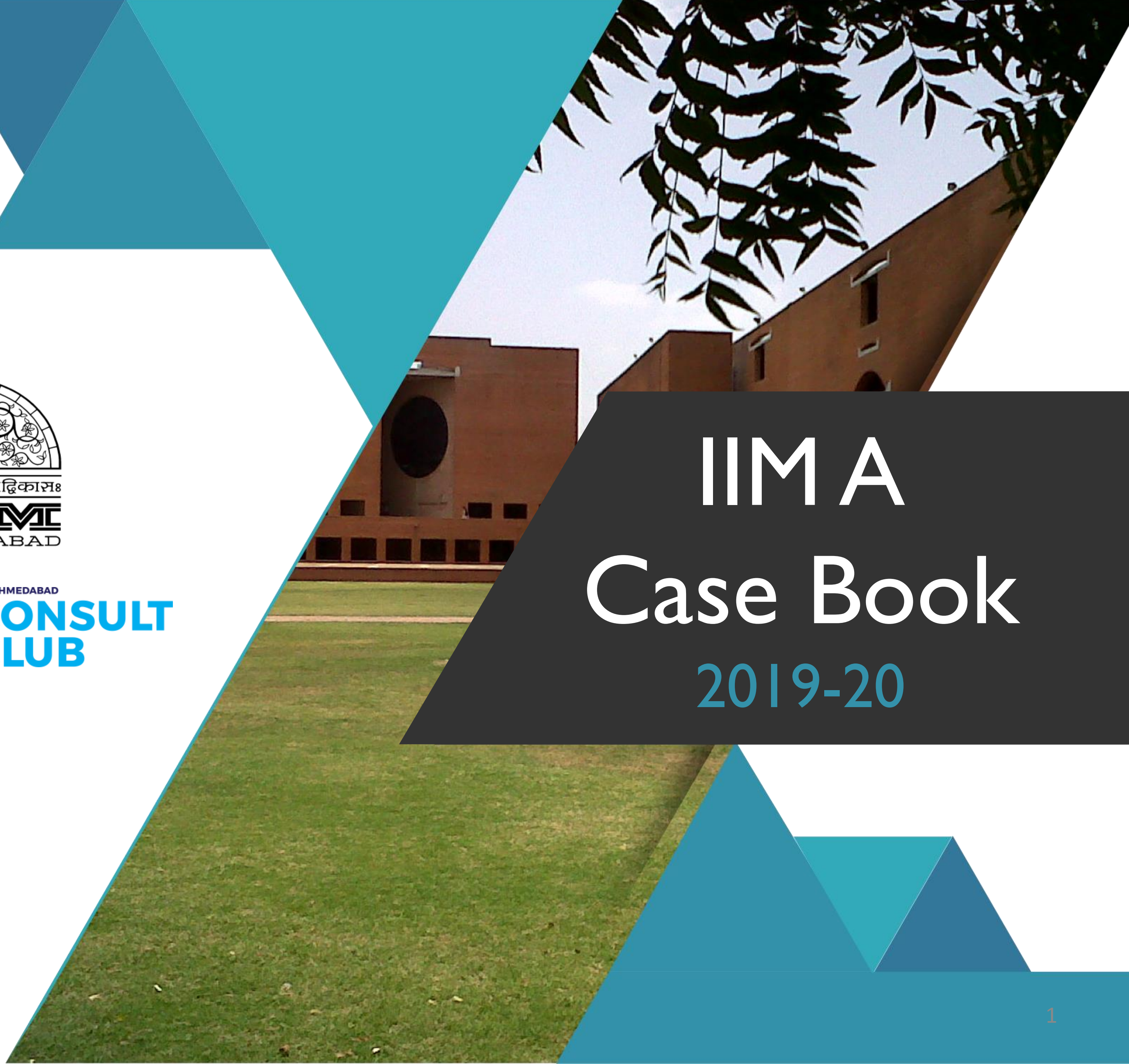

# IIM A Case Book

2019-20

# Issue details and copyright

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| First edition: | July 2014 |
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| Sixth edition: | August 2019 |

# What is this year's IIMA Casebook all about?

**Foreword**

Building on the first 5 editions of IIMA Case Book, the Consult Club of IIM Ahmedabad is proud to present the 6th edition of the IIMA Case Book. Leveraging feedback from alumni and the student community the Case Book aims to give the reader a comprehensive view of the type of cases that form a major part of consulting interviews. This Case Book brings an extensive range of completely new cases and guestimates, along with a wide range of previous discussed and explored cases. Throughout the Case Book, we have tried to ensure enhanced readability while retaining the comprehensiveness of the cases.

This document is organically built over many years through efforts of students engaging with global content. While utmost care has been taken to keep the content unique, a lot of problems look similar to each other. Similarly, the frameworks look essentially similar for most people. Any resemblance of a case here to any problem elsewhere is pure coincidental and regretted. Kindly let Consult Club, IIMA know (*message us on LinkedIn*) in such a situation.

Therefore, we have a heartfelt gratitude for stalwarts of the field like Victor Cheng and all casebook writers and compilers before us everywhere in the world. We are putting this Casebook in public domain hoping that this fuels creativity and brings the reader one step closer to their goals.

**How to make the most of it?**

While reading this Case Book, we would suggest the reader should use the interview transcripts to set up a case between 2 people (or groups), and after solving the case, the solution process sheet should be looked into to gain a broader understanding of the approach and areas of improvement.

The frameworks are there to give a direction initially to new case-solvers and should not be treated as a fixed boundary, but could be utilized by the reader to cover any case which comes up their way according to their own logical structure. Also, the reader should leverage the recommendations, tips, and suggestions to apply learnings from one case to another.

Remember, journey is as important as the destination. Case preparation is a group exercise with individual self-preparation as well.

*Enjoy the process of preparation and let's crack the case!*

*-Aaditya Agarwal (Coordinator, Consult Club, 2019-20)*

# Acknowledgements

We are grateful to all the people that have helped by sharing their cases and interview experiences, that has enable us to put together a comprehensive preparation resource for the future batches.

We would like to thank Aditya Daga, Arpit Lahoty, Chhavi Gupta and Sankalp Agarwal (PGP 2018-20) for leading the Case Book initiative and putting together this edition of the IIMA Case Book. We would also like to acknowledge the efforts of Kannan Adlakha, Kshitij Jain, Shubham Agrawal, Vineet Mall and Yash Goyal (PGP 2019-21) for helping the Club put together this case book. They have ensured breadth and depth in the cases to give the reader a comprehensive view of the kind of cases they may be administered.

We are also grateful to the alumni of the Consult Club, IIM Ahmedabad for their feedback on the cases which has helped us further enhance the overall quality of the book. We would also like to extend a special acknowledgement to the contributors of the previous editions of the IIMA Case Book.


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# Structure of a consulting interview

Interviews usually test the candidates on both or any of the following criteria:
- Personality/behavioural questions (through HRQ)
- Problem solving (through cases and/or guesstimates)

**Personality / behavioural (through HRQs)**

Candidates are strongly advised to be prepared for any kind of question that may pop-up from the information mentioned in their CVs, particularly past work experience, internships or projects, besides the most famous questions like what are your strengths and weaknesses, why consulting, why this particular firm.

**Problem solving (Case interviews)**

- Expectations

  Case interviews are used as a means to measure candidates' ability to assess an unfamiliar situation, uncover relevant and minute details while applying their thought process to come up with one or more possible solutions to the problem, and finally communicating their recommendations in a structured manner.

- Approach

  The basic approach to solving a case interview is: First, understanding the problem and requirements, then identifying a structure that would help one solve the problem, then analysing the information available and finally, reaching a conclusion & giving recommendations

Clarify | Structure | Analyse | Conclude

# How to approach a case interview

## Understand & clarify the problem statement

- Candidates must be absolutely sure that they have clearly understood the problem statement, a mistake committed here has the biggest potential to ruin the entire interview.
- Ask clarifying questions in the beginning; someone who asks the right questions is better able to understand the complete problem and has a higher chance to come up with an accurate solution.
- It is not unusual for the interviewer to not divulge all the relevant information at once because they also try to test the candidates on their ability to extract information; the obvious purpose is to see how well the candidate may be able to do the same while interacting with clients.
- Do not make any assumptions unless necessary; if a candidate wishes to do, then its always better to communicate with the interviewer to get them validated

## Structure the problem

- This involves putting all the data received together and making a sense out of it. The A4 sheet technique is very helpful for this, however, candidates may use their own methods according to comfort level.
- Candidates should try to keep their structure as simple as possible because in some cases, the interviewer may ask for the working sheet, and accordingly should be able to understand the approach followed by just glancing at the sheet at once.
- Frameworks can be used for in structuring of data; however, do not try to force fit any framework just for the sake of using it. Also, whenever a framework is used, the candidates should communicate their approach of reaching the solution to the interviewer rather than saying that "I'm using market entry framework".

## Analyse the case

- This is the main stage of the problem-solving process wherein the candidates are required to draw inferences from the gathered information. The process is aided by the structure they decide to follow using the chosen framework, if any.
- Candidates should ask two questions to themselves: a) How did this data point look like earlier for us?, and b) How does this data point look like for the competitors?
- It is suggested that candidates develop a hypothesis consisting of various possible solutions, ask leading questions to validate their hypothesis, and keep on narrowing their set based on the discussion. The candidate should continuously communicate with the interviewer to let them know of one's thought process. More often than not, the interviewers will help the candidate get back on track if they see that the person is thinking in the wrong direction.
- In case the candidate realizes that some data is still missing, do not hesitate to ask questions to extract it from the interviewer. No one will provide the information on their own but will surely help if well-directed questions are asked.

## Arrive at a conclusion

- This is the last stage of problem-solving and perhaps the determinant of a candidate's success in getting through the interview. All efforts put in thus far are of little use if the candidate is unable to come up with a proper conclusion backed by a logical implementation plan.
- Try to ensure that the recommendations are close to reality since it increases their chances of being implementable in real life scenarios. Remember, concrete solutions fetch more marks than broad vague answers.
- Before finally communicating the solution, do a quick "sanity check", that is, evaluate if the proposed solution, particularly if its quantitative in nature, makes sense or not. This can be done by using bottom-up strategy if the original answer was derived following top-down approach or vice-a-versa.

# Some Do's & Don'ts for the interviews

**Do's**

- <u>Build rapport</u>: It plays a crucial role in how the interview pans out eventually. The opening interaction, continuous communication and patient-listening skills contribute in building rapport and thus, strengthening the candidature from the communication aspect of the interview.

- <u>Be Confident</u>: Remain confident throughout the interview even if there's a feeling that things aren't going as expected. This exhibits an important trait of being able to maintain composure and handle critical situations, which are part and parcel of a consultant's life. Also, it has been seen that the interviewers more likely than not drop hints to help the candidate get back on track, hence, watch out for those in case there's a feeling of getting stuck

- <u>Drive the interview towards your strong zone</u>: The candidates can try to drive the interview towards the areas they are comfortable talking on. This can be done by using examples related to their domain area while answering the questions put forward by the interviewers. However, be mindful of not making it an irrelevant reference or overdoing it if the interviewer isn't interested in talking about that.

- <u>Positive body-language</u>: Try to be positive and cheerful throughout the interaction as it may help to cover a small mistake, if any, the candidate might have committed while solving the case. Further, candidates are evaluated on their overall presentation, that includes body language and communication skills apart from the most sought-after problem-solving skills.

- <u>Closing note</u>: The candidate should end the interview with a smile even if it wasn't the best of the interviews; sometimes even the candidate's positive approach may work in the favour and overshadow a mediocre interview.

**Don'ts**

- <u>Interrupt the interviewer</u>: This should never be done since there is a risk of missing out on some important information which the interviewer would have otherwise divulged. Further, it gives an impression that the candidate is impatient, and might not be a good team player.

- <u>Assume any information unless explicitly given by the interviewer</u>: Usually on getting a case from a familiar background or applying association rule, candidates tend to presume certain information. This should strictly not be done unless the interviewer gives the information explicitly. However, if a candidate has some prior information, either clarify that through questions from the interviewer or suggest that as a possible solution to the given problem.

- <u>Get bogged down by frameworks</u>: Frameworks are useful in structuring one's thoughts but should not become an impediment to "out of the box" thinking. For instance, an acquisition may be used to improve profitability; however that would not fall under any of the conventional frameworks.

- <u>Be Mechanical</u>: Candidates are advised not to be mechanical while answering questions related to their personal experience as it gives an impression that the answer has been well rehearsed. Try to read the cues of the interviewers and involve them in the discussions.

- <u>Panic</u>: Mistakes do happen, either in calculations or while speaking on a topic. It is important not to freak out in such moments; rather as soon as a mistake has been committed, be ready to own up and admit it.

# Cases

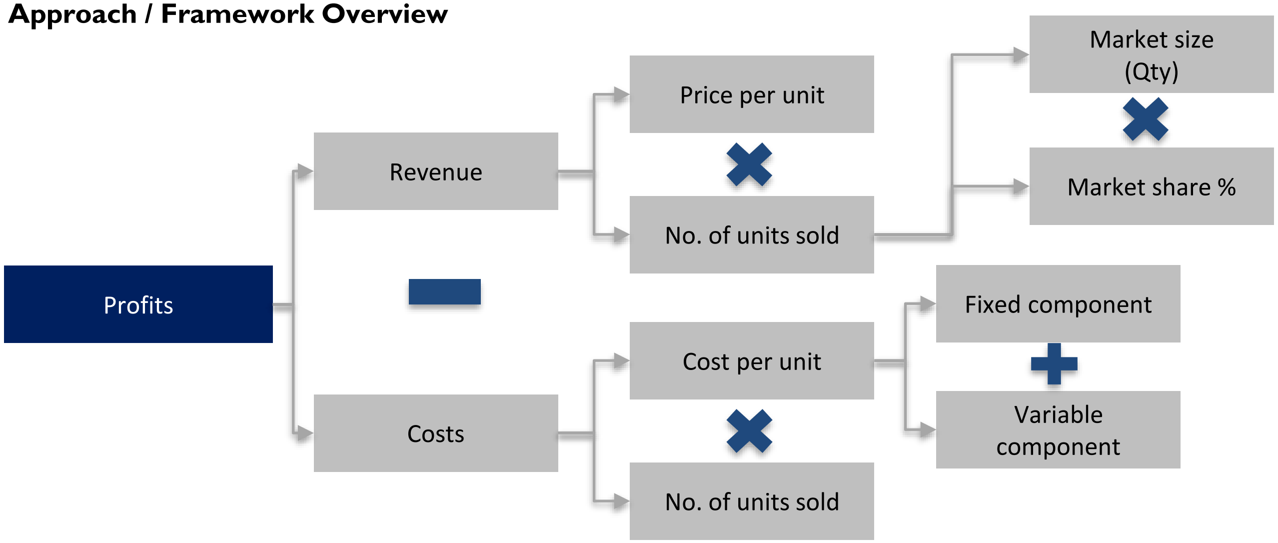
## Overviews & Transcripts

# Profitability

# Profitability – Overview

A profitability case could deal with revenue-side issues, cost-side issues or both. The candidate is expected to identify the key revenue and cost heads, and isolate the 'problem areas'

## Approach / Framework Overview




## Framework Summary

A profitability problem requires proper scoping and isolation to be solved effectively. Starting from the basic Profits = Revenue – Costs equation, each segment is to be drilled down to identify the 'problem areas'. Factors responsible could be internal or external

## Tips

- Be cognizant about whether the issue being dealt with is 'profits' or 'profitability'. Profits are merely a difference of Revenues and Cost, while Profitability refers to profit as a proportion of sales (could be gross margin, operating margin or net margin)
- Use Value Chain Analysis to cover all costs

## Key questions

- What is the quantum of profits / losses? How has the trend been like?
- Is it a company-specific phenomenon or is it being seen industry-wide?
- Is there a time period within which the issue is to be solved?
- How does the product-mix look like?
- Has there been any change in the competitive scenario?

# Cost Reduction – Overview *(subset of profitability cases)*

In a cost reduction case, a company is likely to aim for becoming more profitable by reducing their bottom line. An interviewee is expected to first identify various cost component, followed by validating them, identify major cost drivers along with levers affecting their values, and finally recommend how the company can change it's ways to become more cost efficient.

## Approach / Framework Overview

| R & D | Raw Material | Processing | Storage & Transportation | Distribution-Sale force | Marketing | Customer Service |
|---|---|---|---|---|---|---|
| Equipment | Cost of raw material | Machinery | Transport to warehouse | Sales Channel | Marketing channels | Repairs |
| Human Capital | Contract & bulk deals | Factory rent | Storage (Rent, Labor, Inventory) | Sales Force | Strategy | Spare parts |
| Cost of finance | Quantity used | Labor hours | Transport to customers | Training | | Returns |
| | | Technology | | | | |
| | | Capacity utilization | | | | |
| | | Packaging | | | | |

## Framework Summary

A company can reduce cost and become more efficient across its components. The best way is the look at the journey of a product/service right from the time its raw materials are bought to the time it is delivered to the customer and he is happy after the post sale support etc. This is called a value chain analysis as each step of the process adds some value to the initial raw material and accelerates its journey towards the final product. At each of these stages, we expect to find some levers which can be tweaked to make the process more efficient.

## Tips

- Clarify objective, especially the cost buckets the interviewer wants you to delve into
- Cost cases are generally very streamlined till the time you are identifying places where cost can be reduced. Creativity comes into play when recommendations are asked by the interviewer.

## Key Questions

- Is this particular company facing the problem of high costs or is it something that the industry is facing as a whole?
- Chalk the value chain and then ask if it is the correct way to do it? Or should it be done by splitting fixed and variable costs?
- What are the last 3 year trends in growth for the organization?
- Any major shifts in cost over time?
- Does any of these cost seem out of line?

# Beer manufacturer – Interview Transcript

Your client is a beer manufacturing company that operates in India. The cost structure for the company is poor compared to the international benchmarks, and you have been asked by the client to find out why.

Is the problem only on the cost side, or should I also analyse the revenues of the company to look for a problem there?

No, the problem is only on the cost side.

Alright. Is the problem with only one specific beer product, or is the problem spread out across different products? Additionally, is this an industry wide problem, or specific to our client?

The problem is not limited to one product. In fact, the client is facing the problem across many beer products. There is no relevance to the problem being limited to our client or the industry.

Okay. I think it would make sense to break the costs down into the value chain to see where the cost issue lies. Should I go ahead with the same?

Sure, you can do that.

I would start by looking at the raw material costs. Are they larger than the industry average?

No, our raw material costs are in line with the industry.

Okay. Next, I would look at the processing costs. Have there been any issues out there?

Yes, as a matter of fact, our processing costs are higher than the benchmarks.

Okay, in that case, I would like to delve deeper into processing costs. However, before I proceed with the same, I would like to see if this is the only cost head that has an issue.

You may proceed with processing costs. There are no other cost heads where the client is facing a problem.

Okay. Is the client facing labour or rent issues, or is having underutilisation of capacity?

Yes. The client is indeed facing a problem in the utilization of capacity

How many plants/machines does the client own? What is the capacity of each plant/machine? Are we utilizing 100% of the production capacity?

The client owns 3 plants with 3 machines each. The capacity of each plant is 30,000 bottles. Yes, we are able to utilize 100% of the capacity.

Okay. So this would mean 10,000 bottles per machine. Are the competitors also producing 30,000 bottles per plant .

No, the competitors are able to produce 50,000 – 80,000 bottles per plant.

Is it because of better machines or more number of machines?

Competitors are using advanced machines which are able to produce more number of bottles per machine

How expensive are advanced machines? Would the labour need special training to operate the same?

These machines cost 1.5 times(1.5 crores) the normal machine and produces twice the amount produced by normal machine. There are no special training requirements to operate the machine

Okay. So now I would want to figure out the reason for not buying high capacity machines

Sure, Go ahead.

I could think of the following reasons :

1. The client can't invest an amount of 1.5 crores at this point of time
2. There are some logistics issues associated with installing the machine

The client can invest 1.5 crores so lets explore the second option

It can be because of the size of machine or different raw material requirements

Okay, so the advance high capacity machine requires larger ground area which is not possible in the current plant size. What would you recommend in such a case?

So I have a few questions before I give the recommendations. How many shifts are we operating in and what is the duration of each shift?

We are currently operating in 2 shifts of 8 hours each.

So, In the short term, we can increase the shifts from 2 to 3 to increase the capacity of the plant. And in the longer run we can aim to buy plants which are larger as compared to the existing plant to accommodate high capacity machines.

# Beer manufacturer

Your client is a beer manufacturing company that operates in India. The cost structure for the company is poor compared to the international benchmarks, and you have been asked by the client to find out why.

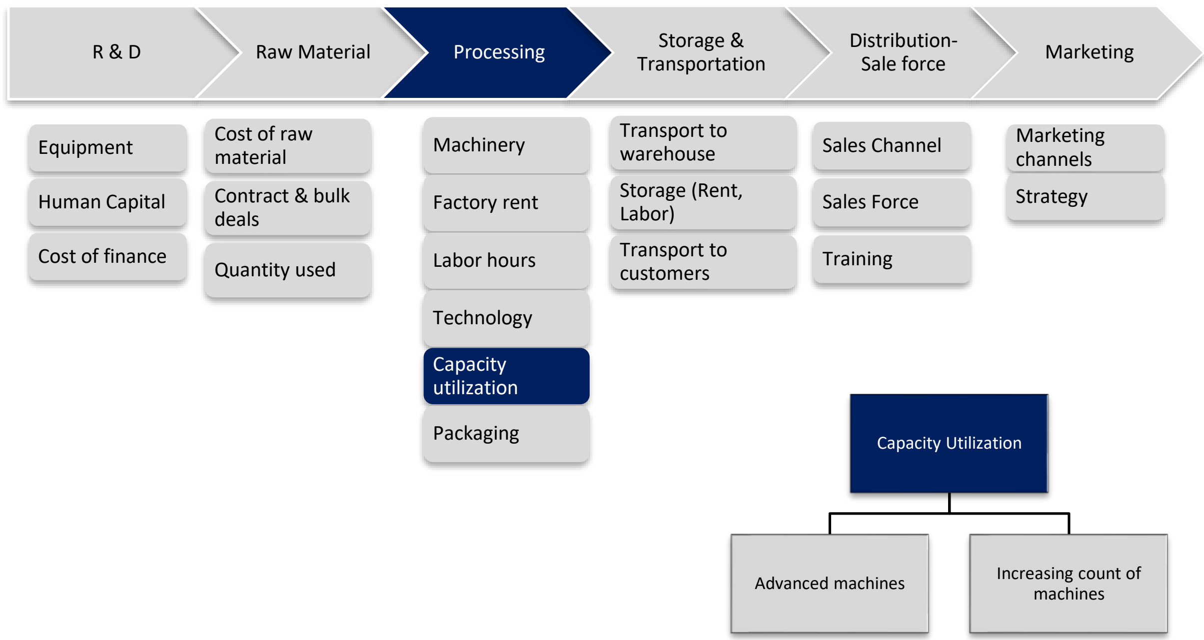
## Interviewee Notes

- Qualitative case, no numbers provided
- A single cost head case where one issue needs to be identified
- The cost problem is identified to be in packaging

## Case Facts

- Client is a beer manufacturing company with multiple products
- It is facing cost issues with more than one beer product

## Approach/ Framework




## Recommendations

- Reduce the excessive expenditure on new bottles by labelling the bottle to hide the scruffiness
- Increase the use of cans over bottles as cans can be recycled even if they get scruffy

## Observations / Suggestions

- This is a cost reduction case where the interviewee should quickly establish the major cost buckets after discussing with the interviewer. The candidate can either probe each bucket along the value chain, or ask the interview which buckets to look into
- Each cost component should be broken down into multiple cost levers to ensure that nothing is being missed out
- Breaking down cost of the buckets ensures that the problem identification is more specific in nature

# Retail bank – Interview Transcript

Our client is a major retail bank facing declining profits and is unable to compete. You have been approached to find the problem and suggest changes.

Sure, sir. So the key problem I need to focus on is finding the issue with declining profits of our client which is a major retail bank. Is there any other objective I need to keep in mind?

No, please go ahead.

I'll start with a few clarifying questions. Is the problem plaguing most of the client's branches or is specific to a particular category (metro, urban, rural) of branches?

The problem is being faced by a specific branch located in a metropolitan region.

Given the problem is specific to a particular branch, it is fair to assume that the problem is not faced by the banking industry in general? Are the competitors located in that region also facing similar issues?

No, the problem is only being faced by our client.

How much have the profits declined by? And for how long has the client been experiencing this decline?

There has been a decline of 20% in profits. The issue has been around for 3 Quarters now.

Alright. Since the issue is that of profitability, could you help me with the trend in revenue and cost of that particular branch over the last three quarters?

Revenue has grown at a steady rate, but the costs have increased at a much higher rate.

Alright. In that case, I'd like to delve into the cost structure of a typical retail bank branch. All the costs of a retail bank can be mostly divided into three heads: Interest, Provisioning and Operating expense. Do we have knowledge as to which of above were not in line with the expectations of the client?

The interest expense is similar to comparable branches and the bad debt levels are also at par with the region.

Okay, so the issue is with the operating costs of the branch. The major operating expenses of the branch would include employee/agents salary, rent, utilities, stationery & postage, maintenance and depreciation expense. So, do we have any information of where the costs have been increasing specifically vis-à-vis our competitors or in comparison to prior periods?

The rent per square foot is similar to other banks in the area and has remained unchanged for the past year, maintenance, depreciation and utility expenses have also roughly been the same.

Okay, so that leaves us with employee and sales agents salary (i.e. customer acquisition and customer handling costs), stationery & postage expense. Addressing the issue of employee and sales agents salaries first, are salaries of branch employees and sales agents higher than industry standards?

The salary structure of employees for various positions is similar to that of comparable branches.

Alright. Can you give me some insight on the customer base of the branch? As in was the demographic similar to that of other competing branches? Also, if you can help me with a few metrics such as no. of customers served, ratio of low-value to high-value customers etc.

The branch is similar to competing branches in all of the above terms. The number of customers served by the branch is also roughly the same.

Alright, so prima facie, the issue seems to be that of overstaffing. Alternatively, given that increased employee expense has not resulted in a proportional increase in revenue for the branch, the issue can also be seen as that of inefficiency.

Can you elaborate on how you'll define employee efficiency?

Employee efficiency will comprise number of customers served per employee which will depend on the time taken by the employee per customer and the total non-working hours.

Yes correct. So it has been observed that the time taken by the employee per customer is high. Can you think of possible reasons for the same?

1. The employees may be lacking competency or training, thereby being unable to resolve the issue of the customers in their first visit.
2. Due to improper segmentation, the customer may have to visit multiple counters for performing a a single task.

So, how do you suggest we overcome this?

I can think of the following few steps:
1. Encouraging the branch customers to use bank's mobile app and website for availing basic services such as transferring money and balance inquiry. Demonstrate the services if required.
2. Set up a self-operating kiosk inside or outside the bank for deposit of cash and updating of passbook.
3. Train the employees so as to enable them better understand the needs of the customer and thereby assist them efficiently.
4. Have single window clearance for as many services as possible.

Thank you. These are reasonable recommendations.

# Retail bank

Our client is a major retail bank facing declining profits and is unable to compete. You have been approached to find the problem and suggest changes.

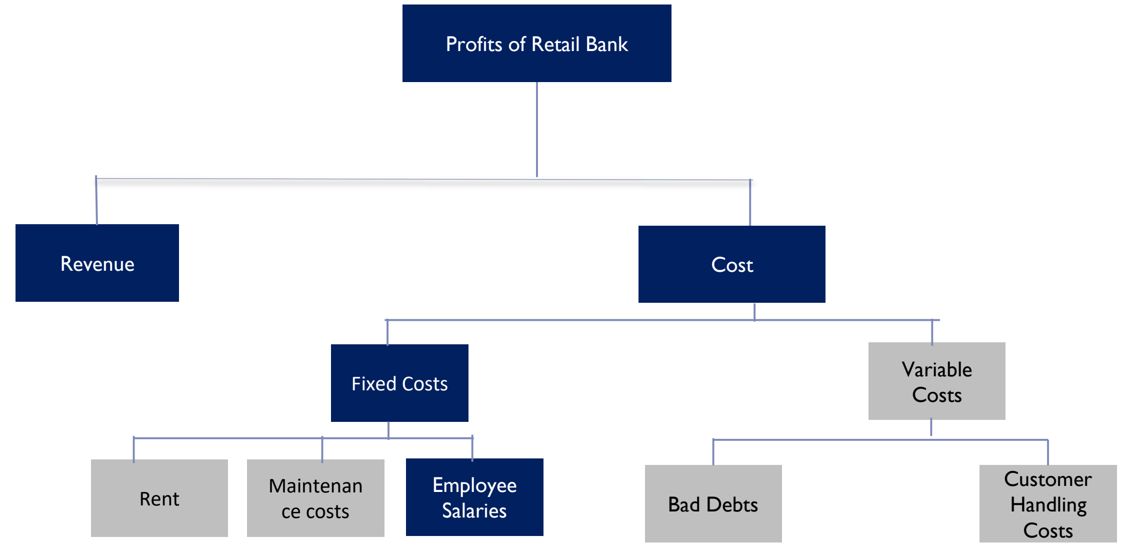
## Interviewee notes

- Issue with costs
- Fixed cost of employee salary higher than competitors
- Low efficiency of employees
- Multiple visits by customer for any service

## Case Facts

- Increasing costs
- Problem specific to a particular branch
- No new competition
- Employee salaries increasing

## *Approach/ Framework*




## Recommendations

- Improve the systems in place to ensure customer service is improved and time devoted by an employee decreased
- Give proper trainings to employees to help them better assist the customers
- Aggressive use and promotion of technology to avoid redundant tasks performed by the employees

## Observations / Suggestions

- Declining costs are majorly due to higher employee salaries. This can also be figured through higher customer handling charges
- Once the problem is identified, it is important to figure out the reasons for the same.

# Lease fee – Interview Transcript

Your client is a private company in the United states that leases a jet. The lease contract is soon expiring and the company want to renew the contract. The client now contacted you and asked you to find ways to reduce the lease amount. The current amount is $1 million, how can the company lower it?

That is an interesting case.. As I understand, client needs to find ways to reduce current amount of leasing the jet. Do I need to look into other options of buying the jet or booking of private jet during the time of use? Or should I just focus on lease contract

So, client needs to lease the jet as per his requirement. You should look into how to lower the cost of leasing

I would like to know whether the jet should be exactly the same as the jet leased under the past lease contract? Also, what is the duration of the lease contract?

Excellent question. The jet leased under the new contract does not necessarily have to be the same. The current contract was for 1 year

I would like to look at 2 factors affecting the leasing cost. First would be our client's requirement for the jet and second would be the lessor and its leasing contract

Ok. Go ahead

I would like to deep dive into requirements of our client. I would like to analyse the seating capacity required by the client as well as the # of times jet is used. What is the general occupancy of the plane over the last few years and what is the seating capacity of the leased plane?

The seating capacity of the plane is 40 and the occupancy has ranged between 8 to 10

Great, so one way the firm could reduce its cost is by leasing a plane with a lower seating capacity. Considering that the occupancy rate was around 10, I believe that a plane with 15 seats should be sufficient. Assuming that the occupancy rate follows a normal distribution it is very unlikely that there will be more than 15 people in the plane at the same time. However, if this is the case it is always possible for the plane to fly multiple trips.

I agree, that is a great suggestion.

Now I would like to analyze the usage of jet. I would like to know how often the leased plane is used per year?

The company uses the plane 3-4 times per year.

Ok, as we know that company uses jet only 3-4 times a year, do we know which months specifically the company uses the jet? I am coming from the point that if we know the specific months, we can lease the jet for those months only

Fair suggestion, but generally industry has minimum of 1 year of leasing contracts and client doesn't have fixed months when jet is required

Ok, another suggestion because of low usage can be that the company could possibly share the plane with another firm. The sharing of cost would then result in substantial cost savings.

This might result in complications in case both companies require the plane at the same time.

That is true, the companies would hence have to establish stringent contracts regarding the usage of the plane.

Good point.

Now I would like to analyze the lessor and the contract. I would like to look into different lessors available to our client and how the length of leasing contract will affect the cost. What is the our current relationship with the lessor and are there other lessor who have better pricing with similar services?

Client has been leasing the jet from the same lessor for past 7 years and trust him with quality. He doesn't want to look for other lessors

Ok. So, as the current leasing contract is just for 1 year, the company could hence opt for a contract with a longer period. This should provide the firm with a discount.

Good suggestion. As you can see in the graph the leasing price per year in the initial contract is 1 million per year. The total price for a contract with a duration of 5 years is 4.2 million. What would be the cost savings for the firm if they switch to a contract with a longer leasing period?

The cost savings would be $160000.

Excellent suggestions. It was nice interacting with you.

# Lease fee

Your client is a private company in the United states that leases a jet. The lease contract is soon expiring and the company want to renew the contract. The client now contacted you and asked you to find ways to reduce the lease amount.

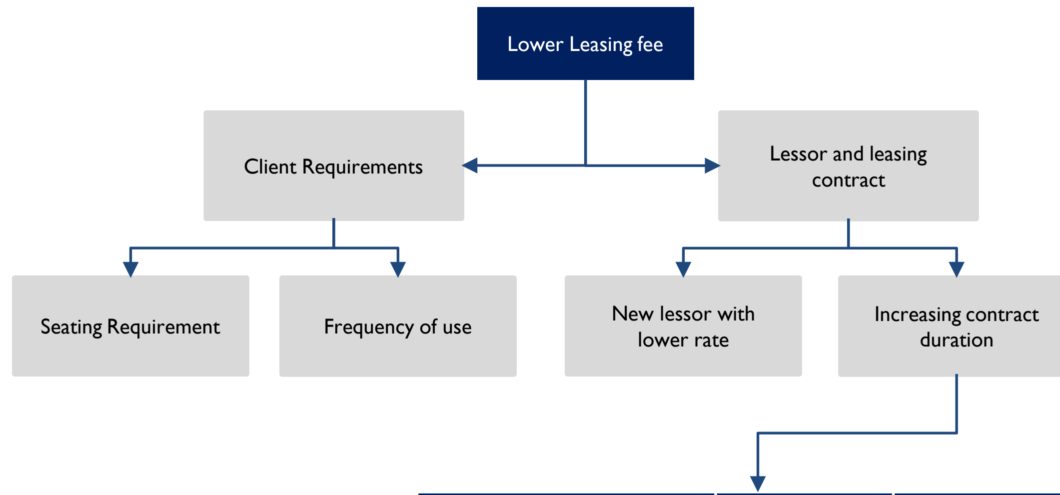
## Interviewee Notes

- Assume occupancy follows a normal distribution and will rarely exceed 15 passengers

## Case Facts

- The current lease fee is 1 million Dollar
- The contract duration is 1 year
- Seating capacity of the plane is 40
- The company uses the leased jet 3-4 times per month
- The contract has been renewed for the last 7 years

## Approach/ Framework




| Type of contract | Short (1year) | Long (5 years) |
|---|---|---|
| Total cost | 1 million | 4.2 million |
| Cost per year | 1 million | 0.84 million |
| **Cost savings per year** | | **160000** |

## Recommendations

- Lease plane with lower seating capacity. Since the plane hardly ever is used at max capacity, a smaller plane can be leased.
- Share the lease contract with another party. Stringent contracts need to be established regarding usage
- Increase contract duration. A longer contract duration should result in discounts

## Observations / Suggestions

- Conduct a feasibility analysis of the options recommended, wherever possiblec

# Cement company – Interview Transcript

You've been hired by the CEO of a cement company to reduce their logistics cost. What are the key areas you will assess?

I would like to clarify the objectives before we begin. Our objective is to reduce their logistics cost in order to improve their margins right?

Yes

I would first like to understand the cement value chain. My specific queries on logistics are :

1. What are the key raw materials I need? Where do I buy from? How is it transported to my plants? How many plants do I have?
2. What do I transport from the plant? Who are my customers? How do I sell to them?

So our key raw material are limestone, petcoke, flyash and gypsum. Limestone is extracted from mines, which are located within the plant complex. The others are bought from refineries, thermal power plants and gypsum mines respectively. A mix of road and rail is used to transport raw materials to the plant. The client has 40 plants in the country

Cement plants manufacture & transport cement and clinker. Clinker is an intermediate good and is used to manufacture cement at grinding units (which are closer to market) while cement is sold to dealers and transported via road or rail to customers directly or to company owned warehouses

Thank you. I have a clear idea about the cement value chain now. I would like to start with raw materials (inbound logistics). Which mode is cheaper? Rail or road? How many vendors do I have? Can I leverage higher volumes for lower rates?

Road is cheaper than rail. But trucks carry upto 30 tons while a rake can carry upto 4200 tons. This allows me to keep adequate inventory at the plant and minimizes risk.

I have high vendor concentration across key routes. I can look at reducing the number of vendors and offering them more volumes, but that would lead to monopolization of routes. I would need to maintain a balance

Duly noted. I would now like to focus on the operational aspects. What is the turnaround time at the plant for a truck? Can I reduce that and allow trucks to do more trips every month? I can ask them to pass on part of the cost benefit to the company

Our average in-plant turnaround time is 12 hours, which is high and can be reduced. But plant TAT is 20% of the overall trip turnaround time. Travelling time is hard to reduce as distances are long

Moving to outbound logistics, what is the mode mix? What is the proportion of orders that go directly to the dealer?

We ship 70% of our orders through road. Rail is cheaper in most cases, but rake availability is an issue. We ship all orders above 30 MT directly to the dealer and smaller orders go to warehouses. The split between direct-depot is 50-50

Can we look at increasing direct % as it will be cheaper and we will avoid handling costs? We could club a few orders and use a single truck

Increasing direct % is a priority area for the firm, but we have strict customer service level guidelines and order delivery times can't be overshot. Hence clubbing orders is tough

Noted. Moreover, for our network, how do we assess if the right plant is serving the right market? Is there any network optimization opportunity given the client has 40 plants and they may not have updated their systems for newer plants

Correct. The client has a network optimization tool, but it has not been updated to reflect newer plants, updated freight rates and new warehouses. It also has constraints built into it that are not relevant anymore

What is our vendor mix on our current routes? Similar to inbound, can we reduce rates by offering individual vendors more business? Can we reduce TAT for plants and warehouses?

All that is feasible. However, reducing TAT at plants and warehouses entails additional investment in capacity. We will have to assess the returns to take the decision

Finally, I wanted to ask if we have any inventory norms at our warehouses? Are we losing sales because of empty warehouses while other warehouses are flooded with material? Can we balance inventory better across all geographies

Stock-outs have been 3-4% of our sales while they are 1.5% for our competitors. The firm has been trying to adhere to their inventory norm of maintain 4-5 days of inventory at our system by beefing up capacity at warehouses

Can you quickly sum up the key areas you will address for the CEO?

I will look at vendor concentration across routes and rationalize rates by giving more business to key vendors. I will look at improving turnaround time at plants and depots. Additionally, I will review the firm's service network (plant-to-market) and define inventory norms

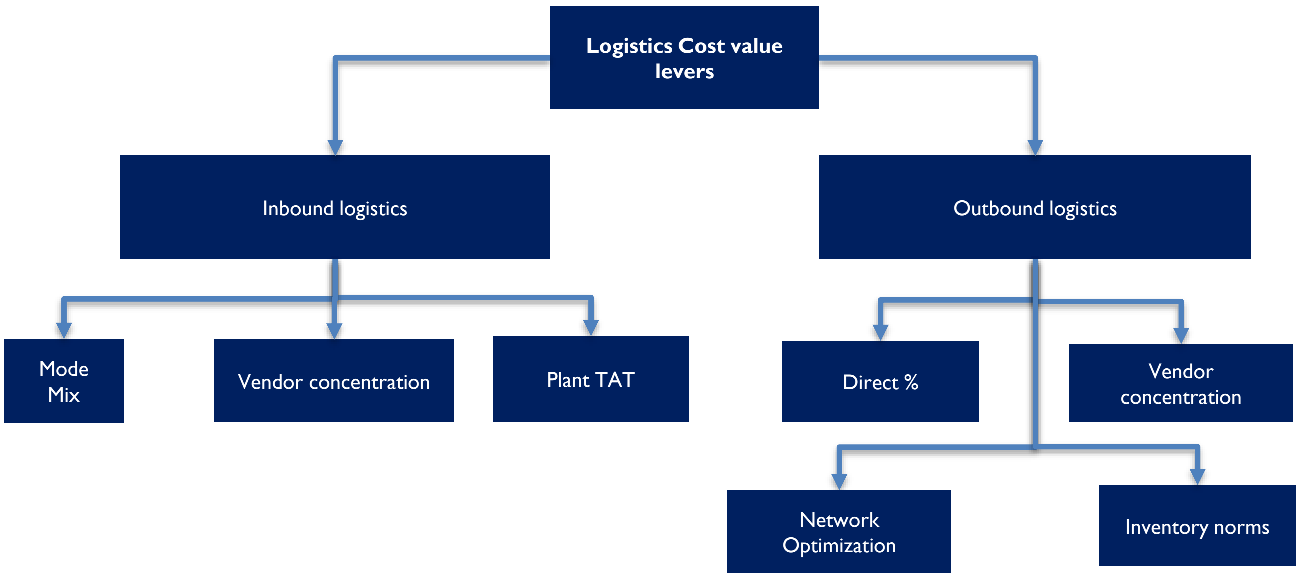
That will be all. Thank you

# Cement company

Logistics cost reduction for a leading Indian cement manufacturer

### Interviewee Notes

- Understand and use value chain to identify different cost heads
- Break down logistics cost into rate* distance. Think of simple levers to reduce rates (negotiation with vendor, TAT, direct %) and distance (network) without losing volume (by setting inventory norms)




### Recommendations

- To touch on all the possible cost heads and identify potential sources of value

### Observations / Suggestions

- The interview is technical in nature. As a result, the candidate may feel intimidated. However the candidate should just listen to the interviewer's explanation very carefully and take notes diligently to keep pace with the problem. The candidate is not expected to have background knowledge of the sector

# Auto Insurance – Interview Transcript

Your client (IA) is an auto insurance company operating in India and has been facing reducing profitability in the last 2 years. They have come to you for help to identify the reasons and explore possible solutions. You can ignore reinsurance for the purpose of the analysis.

Can you tell me a little bit more about the industry, and the position of IA? The kind of competition, the growth?

Sure. IA is one of the 5-6 major players who dominate the industry and hold around 95% of the market. The market has been growing steadily at around 10% p.a.

Okay. And how is the company growing? Is it in line with the industry?

The market is growing at around 10% p.a, and the company's market share is growing in almost the same proportion.

Alright, is this reduction in profitability only being faced by the company or by competitors as well?

We do not have very accurate data of competitors, however, reliable estimates indicate that most of them have maintained profitability levels and some have even increased profitability. What do you think are the possible causes for this?

It can either be due to higher revenues, or due to lower costs.

The industry is fairly competitive, and none of the players can get away with charging higher prices without losing out on market share. And as for number of customers, there has not been any major change as such. So you can move on from revenue.

Okay. Then I will move on to the costs side. There will be fixed costs, and variable costs. Fixed costs in such a company would generally include salaries, administrative expenses, etc., and the main variable costs would be the claim costs. Am I missing anything here?

No, go on.

Do we have any data about these costs? Any increase in a particular cost head?

Umm, fixed costs have been growing as per normal trends.

And what about claim costs?

IA has been seeing a rise in the claim costs over the past few years, faster than revenue growth.

Right, so would it be fair to say that it may be a major reason for the decline in profitability.

Probably yes.

Okay, then I would like to understand the possible causes of the rising costs, and why competitors are not incurring this cost. But before I go into a deeper analysis, I would just like to ask, is it possible that competitors have implemented stringent policies for claim approvals, or somehow provide lesser cover using fine print in the policies due to which the costs are lower for them?

I do not think that is the case. This would result in unnecessary loss of goodwill for the company. Further, the industry is highly regulated and all players have similar policy terms and claim processes. Hence, this is not practical.

Alright, then I would like to look at the claim costs in greater detail. Before I do that, is there anything other significant cost item I am missing?

No, you can focus on claim costs

Okay. So with claim costs, it is possible that the difference may be arising out of the difference in the customer portfolios of the company as compared to competition?

Okay, that may be a possible reason. But how will you analyse the portfolio?

We can segment customers into buckets based on
a. Age group
b. Income bracket
c. Geography and terrain
d. Traffic in the area.
That would give us an idea of the risk, based on the general profile of the customers. So do we have any data regarding this?

Yes, so although there is a fair mix in all the buckets, the portfolio is generally dominated by people of relatively younger age groups (less than 25 years). In terms of income, IA has a large base of lower and middle level income groups. It has its operations in all major cities –Delhi, Bangalore, Mumbai, etc.

That explains a lot. You mentioned that the company has more number of customers who are young. They can be considered more risky, as they tend to be more rash while driving, increasing risk of accidents, when compared with middle aged people having families. Further, you mentioned that they do not have too many customers in the higher income brackets. Higher income groups can be considered less risky as they use expensive cars, usually have professional chauffeurs who are generally more careful. Also, it has a lot of clients in cities with extremely high and aggressive traffic like Delhi, which have higher incidents of accidents
Thus, the company should either focus on improving the portfolio mix, or should adjust premiums more appropriately to factor in the risks.

That sounds good to me. Thank you.

# Auto Insurance

To increase profitability of an auto insurance provider

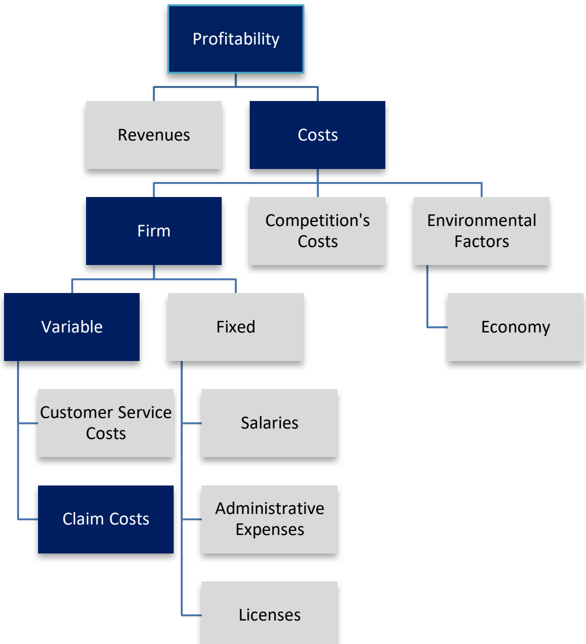
## Interviewee Notes

- Profitability changes can be due to both revenue and costs
- Since revenues have been growing in line with industry, declining profitability must be due to rising costs
- Problem is also specific to the client (not an industry-issue)
- Analyse variable and fixed costs of the client

## Case Facts

- Client is a top 6 player in a concentrated auto insurance industry in India
- Client has experienced falling profitability but competitors haven't
- Revenues have been growing in line with industry

## Approach/ Framework




## Recommendations

- The problem arises due to high claim costs. High claim costs arise due to an unfavorable customer profile mix. Thus, the company should either focus on improving the portfolio mix, or should adjust premiums more appropriately to factor in the risks.

## Observations / Suggestions

- Have a clear approach. In this interview, the candidate took many questions before being able to pin down claim costs as the root cause. Nonetheless, it is clear that the candidate had a very clear framework in mind (Profitability > Revenues/Costs > Industry-Wide/Firm-Wide Issue > Fixed/Variable > Claim Costs). Furthermore, the candidate also asked if there were cost components he was missing. This shows that the candidate tried to have a MECE approach, which is what interviewers are looking for.

# Banking – Interview Transcript

Your client is a Leading Public Sector Bank(PSB) in India. Recently it has been experiencing a decline in its profitability. It wants you to analyse why?

Is our objective to reverse the decline in profitability, or is the bank only looking towards assessing the reason for the decline?

The bank wants us to analyse the reasons and suggest avenues for growth.

Is it safe to assume that the bank is National – Pan India, and that domestic business is the major arm of the business.

That is a fair observation

I am trying to understand the bank's customer base. Am I right in assuming that the bank draws a majority of its business from rural banking, but also has a competitive position in Urban areas?

Yes, a majority of the bank's business is from rural areas, and in urban areas it has a more muted presence. Something it aims to work on

Since when has the bank been facing a decline in profitability? Also, have the other banks also been facing similar issues?

The bank has been witnessing falling profitability for the past 5-6 quarters. Some banks have seen declining profits, but others have seen periods of steady growth.

Interesting. That's a decline for almost a year and a half, while the industry seems to be doing fine. This leads me to hypothesize that is some systemic issue with the bank, that probably stems from faulty loan policies, in turn escalating costs A final clarification, what is the timeline that we are looking at to reverse the decline in profitability?

The bank wants to reverse the trends in the next 1-2 years.

Given the short timeline, I would like to take a two pronged approach. To increase profitability, we have two possibilities - increase revenues - increasing the customer base and income from advances. Second, we could look at the cost aspect, maybe target recoveries to decrease the NPAs, reducing the written off assets. Is there something specific you want me to look at?
Has there been a substantial decrease in the revenues, or an increase in the costs?

Yes, the costs have increased, but revenues have remained more or less constant. Why don't you start by analysing the costs?

The costs for the bank can be broadly be segmented into Fixed and variable. The fixed costs comprise of Infrastructure costs and labour, since a PSB has permanent staff. On the infrastructure side, two major areas are real estate and IT infrastructure. The variable costs, can also be segmented into operational costs and capital costs.
Is there any particular bucket you want me to analyse?

Yes. Lets explore the variable costs.

Sure. The capital costs can be calculated by looking into the reserve funds and investable funds. The cost associated with investable funds are a function of the rate and the leakage, where the rate is determined externally. On the operational dimension the cost relate to customer acquisition costs and transaction costs.

Good, that's a fair analysis of the costs. The bank has found that it has a higher than average leakage and transactional costs. What measures can you suggest?

The transactions either happen through physical brick and mortar structures or digital channels. As I understand it the costs are substantially lesser in digital transactions compared to those done through brick and mortar structures.

Yes. the cost for an on-site transaction is Rs.50, which gets reduced to an average of Rs.12 for digital transactions

In that case the bank should push for digital transactions. In the short term moving to digital transactions would incur high costs – training the rural customers, setting up camps. However, the customer would also start associating brand loyalty with the bank which on-boarded them.
In the long term, the bank would have to invest in its digital network to support the large customer base. However, it's the transaction costs would decrease, and also free the employees to be reassigned to more productive assignments.
For promoting a digital drive we could tie up with NGOs – it would also be an initiative in CSR. The NGOs in conjunction with schools, and help from the local Panchayats could help reach out.

Good. Could you also examine the leakages?

The leakages could be examined from the point of view of increasing recovery and correcting future occurances. The leakages due to NPA could be due to externalities, such as a downturn in the economy. However, since other banks have done well during this period, it cannot be a economy wide phenomenon. Thus, the problem could either be due to the downturn in the particular sector in which the bank is employed or internal parameters. In the internal parameters, the cause could either stem from policies, or from shoddy implementation. The policies of the bank could be a cause, say, by not capping the industry exposure, or not setting proper disbursal guidelines. Similarly, in implementation, the cause could be improper follow-up procedures, or customer verification.

Alright, anything in particular that the bank can do to increase recovery?

Do we have a break-up of the NPAs?

A large percentage of the NPA is contributed to by the large conglomerates, but measured by the number of NPA accounts, it is high in the agriculture sector.

For recovery by corporates, the bank could look at re-structuring or file a case under the bankruptcy code, if the bank feels that restructuring would not help.

Alright, for corporate loan recovery the bank has already taken appropriate steps.

I assume that the agricultural revenues are mostly cyclical. In this case the recovery should be done in campaign mode in the month of harvest. As most of the farm income is concentrated in a few months. This could be tailored as per the regions. For instance, in Uttarakhand, where most of the produce is Sugarcane, the bank needs to directly tie-up with sugar mills, to have all the proceeds routed through the account.

Would the bank have enough resources for these activities.

The bank would need to create special recovery officers to target these NPAs. Reallocating the staff to specialised roles such as these, could improve productivity. Another important area that can be addressed in agriculture is crop insurance. This should be made mandatory, with the bank bearing a part of the cost. Insurance would protect the interest of the farmers, and the bank, and also be a channel of cross-selling for the latter.

That's great. Anything else?

Since the cause of the decline in profits was an increase in costs, the bank could look towards the utilisation of Banking Correspondents to provide the last mile connectivity thus reducing fixed costs by obviating the need to set-up brick and mortar structures.

That's a good idea. Since you mentioned that digital capabilities should be developed for reducing the costs. How would you do that?

Bank may look at acquiring an existing digital payment bank to develop digital capabilities quickly. This would also be beneficial to the bank as the existing team in the Target would have experience and knowledge in this segment which would create synergies

Thanks, that would be all.

# Banking

Your client is a public sector bank who is facing a decline in profits. It wants you to figure out the reason for the same

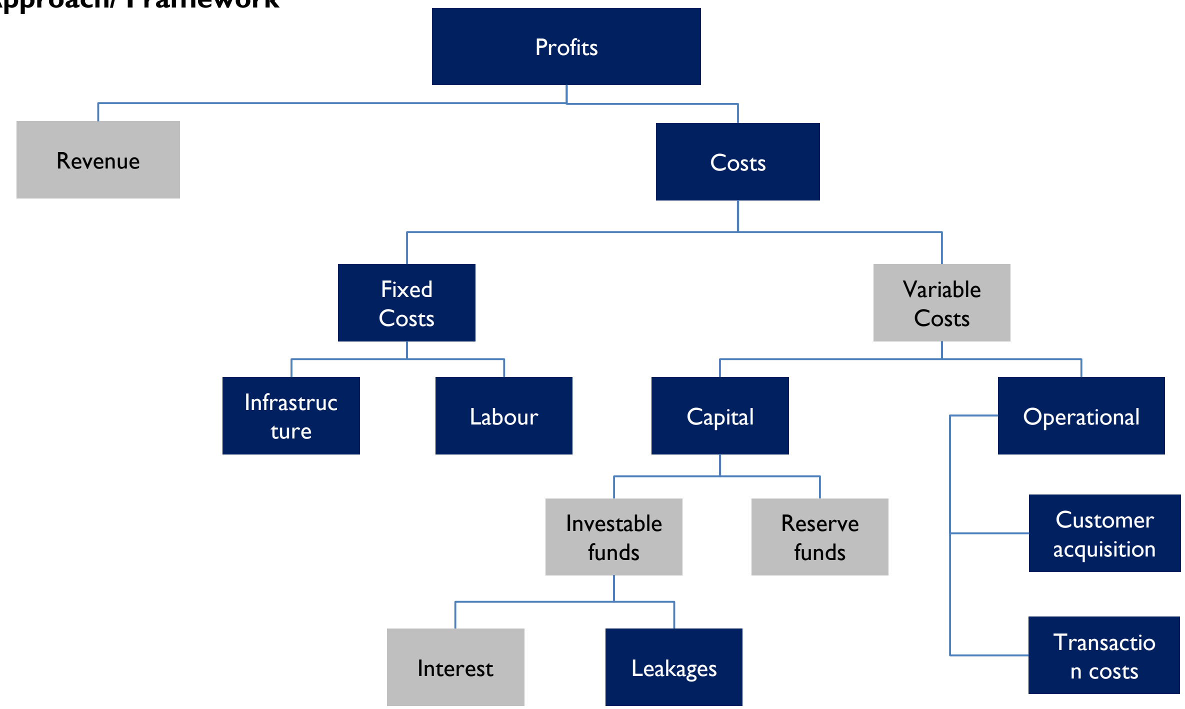
## Interviewee Notes

- It is important to understand whether the cause of decline is due to cost or revenue
- Here the interviewer asks the interviewee to focus on costs
- Banking sector specific costs such as customer acquisition and transaction costs along with NPAs should be focused on.

## Case Facts

- Decline is because of higher customer acquisition as bank still follows traditional banking model.
- Costs are also on account of high NPAs

## Approach/ Framework




## Recommendations

- Use digital technology to acquire customers and handle transactions as the cost is less than traditional methods
- Consider acquiring an existing payment bank to build digital capability
- Create special recovery officers position that targets recovery agricultural loans to ensure minimum NPAs

## Observations / Suggestions

- It is important to use nuances of banking industry to analyse sector specific costs such as NPAs. Also, certain costs such as Interest rates are decided on external factors such as decisions by RBI and therefore are not within the control of Bank.

# Telecom billing process – Interview Transcript

You have been approached by the CEO of a telecommunications provider company. He is worried about the high expenditure in their billing process and wants your help in identifying areas where you can reduce costs.

What are the different ways in which the client's company send out bills to the customers?

There are three ways in which the bill can be sent to the customer. Through post, internet and by sms. For this interview just concentrate on post and internet.

Since sending bills thrugh internet would involve minimalistic cost, focusing first on snail mail and looking at different cost component involved in the value chain.

Sure. Go ahead and list down various cost components.

There will be cost involved in buying raw material, printing bills, sending bills to customers. And fixed cost involved will be the infrastructure renting cost and the employee cost.

Assume both rental cost and the employee cost to be optimal.

OK. So, let's begin by evaluating the first component of the value chain. Raw material for printing are paper and ink.

Let's take paper first and try to reduce paper cost followed by ways to reduce the cost of ink.

Sounds reasonable. Go ahead.

We can bring down the paper cost by using thinner paper, by using smaller size of paper, by printing on both sides of the bill, by leaving lesser margin, may also use a recyclable paper.

To reduce the cost of ink used, reduce the number of words on the bill by eliminating unnecessary details. Reduce the font size and only print a black and white bill to save on the coloured ink.

Should I move ahead and explore ways in which the client can save cost in sending the bills to the customer?

Yes. Why don't you help the client in reducing their expenditure in sending the bills by post.

OK. So, the total annual cost in sending bills by courir will be equal to = No. of bills sent/month* Frequency of sending bills* (Base price for mail+ (Price/km)*No. of kms)

Let's start with Price/km first. To reduce this, switch to a cheaper mail/courier service. This can be achieved by using regional courier services as well.

Next, I would want to understand the base price for mail. How many hubs does the client have to send out the bills to the customers?

As of now, the client has one facility in Mumbai and the bills are mailed all across India from the Mumbai hub itself.

Ok. Another way in which we can optimize this is have smaller facilities in cities like Delhi, chennai, Kolkata and send the bills to customer sin that region from there.

It would serve the purpose of lower base price as well as quicker and timely delivery of bills with lower bill loss rates.

**That's interesting. How else can you reduce the cost of sending the bill to the customer?**

Apart from this we can reduce the frequency of sending out the bills to the customers. Here, the tradeoff is between the cost saved in mailing the bills and interest forgone from the money recieived a month earlier.

Let's reduce the frequency of sending bills from one per month to one per two months. When do you think this will become feasible?

Okay. To analyse this I would want to understand the approximate cost in sending out one bill by mail/courier.

Sure. You can assume that one time cost of sending the bill by mail is around Rs. 20. And for all practical purposes, take the interest rate to be 10% annually.

By not sending the bills every month, The client will save Rs.20/bill. Assuming the rate of interest to be approximately 1% per month, the bill amount should be above Rs.2000 for the client to be making losses by reducing frequency of sending bills.

i.e. if the bill amount is more than Rs.2000 then the bill should be sent every month, But the majority of bill value in India would be much less than even Rs.500. So, in that case, reducing the frequency becomes a cost saving option.

Can you think of a way in which you can reduce the costs overall?

I think sending the bills through internet or sms would lead to massive reduction in overall cost. How much does it currently cost to send a bill through internet?

Around 5 paise.

Okay, so our aim should be to encourage the customers to start using internet as a medium to pay bills/ view bills.

Interesting. How do you plan to do that?

In the intitial phase we can target those customers who use internet to pay their bills. We ce shuld incentivize them by telling them about the benefits of sending bills online. A few of them are-

1.Prompt delivery of bills

2.No losses- no fudging of content, it wouldn't get lost during transit, lesser chance of a bill going to the wrong address

3.Convenience of having a bill online. You can check it whenever you want and there's no hassle of storing them carefully.

4. Incentivize people to use internet to pay bills by giving some discounts in the initial phase.

# Telecom billing process

You have been approached by the CEO of a telecommunications provider company. He is worried about the high expenditure in their billing process and wants your help in identifying areas where you can reduce costs.

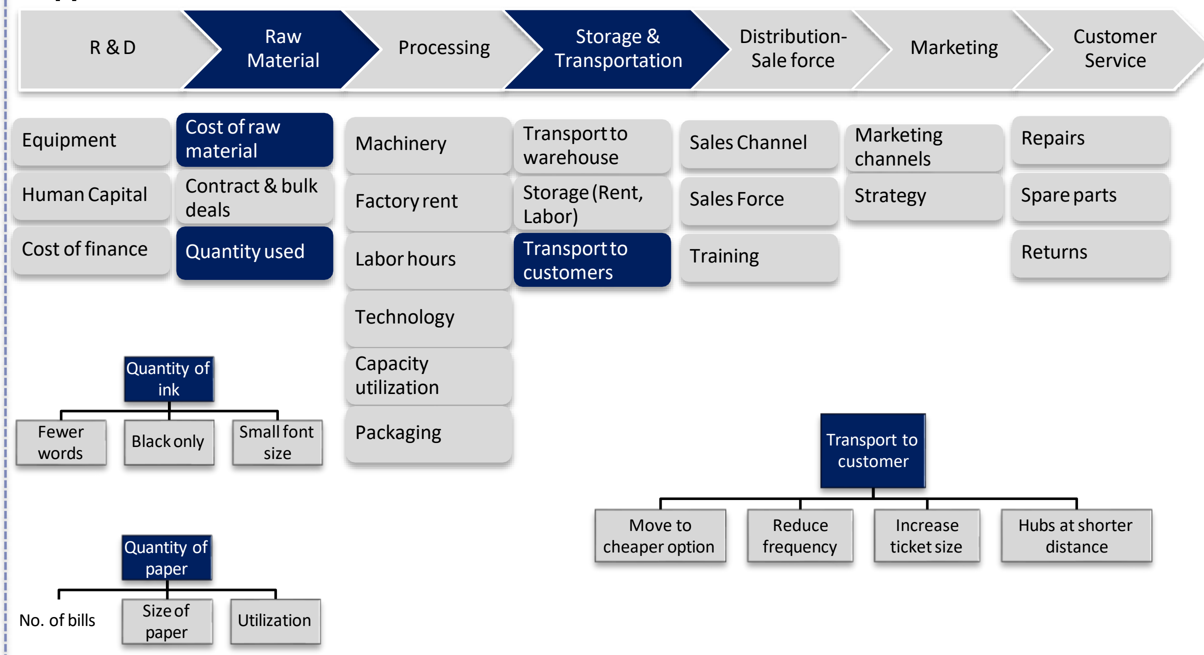
## Interviewee Notes

- Reduce cost of bills
- A cost benefit analysis for each mode of sending bill
- Reducing the cost of preparing bill itself

## Case Facts

- 3 ways of sending bills- SMS, internet & Snail mail
- Internet and SMS are
- optimized, possibility only in snail mail
- Rental and employee cost are optimal
- Only one billing hub in India- in Mumbai and bills are sent all over india from Mumbai
- Cost of sending a bill by snail mail=Rs. 20
- Cost of sending a bill though internet= 5 paise
- Rate of return annually= 10%

## Approach/ Framework




## Recommendations

- Reduce the unnecessary expenditure on paper and ink. This being an inelastic good, customers won't be bothered by smaller size or lesser words until relevant info is present
- Explore the alternate route of sending the bill to the customer. Keep in mind the new evolving technology and try to push customers towards using it
- Highest cost component of snail mail can be brought down by reducing the frequency of sending bills to one bill per two months. Only when bill amount is less than Rs.2000

## Observations / Suggestions

- Each cost component should be broken down into multiple cost levers to ensure that nothing is being missed out
- Breaking down cost of snail mail into components helped the interviewee to analyze each one carefully
- Further having to shift the customers to the low cost option is also relevant and important to bring down cost drastically and for having convenience in the future

# Oncology firm – Interview Transcript

Your client is an oncology firm. It has recently seen a decline in profits. Diagnose and recommend solutions.

I would like to begin with a few clarifying questions on our client. As per my understanding our client manufactures specialised cancer treatment drugs. Is that correct? Is there any other business that our client is engaged in?

That is correct. Manufacturing oncology drugs is the client's only business.

Does the client operate globally or in any specific geographies? Is the client a leading player in the industry?

The client operates globally and is one of the biggest firms in the industry.

Since the client specialises in oncology drugs, I would assume they are all prescription drugs (not over the counter). Is that fair?

Fair.

In that case, what is the product portfolio of the client i.e. what are the different kinds of drugs that the client manufactures?

The client manufactures two types of drugs (A & B)

What is the percentage share in manufacturing of each of the drugs and have both of them seen a decline in profits?

Type A is about 80% of total manufacturing and B the remaining 20%. Both are being hit in terms of profitability.

Does the client operate across the value chain or in a specific part?

Operates across the entire value chain.

Alright. So, profit can be broken down into revenue and cost. I would like to understand if the declining profits is due to declining revenues or increasing costs?

Let's focus on revenues for now.

There are two products with individual revenue streams. I will begin with Type A since it has 80% share and then move over to Type B. So, revenue from the product can be written as *Price X Ticket Size X Frequency of demand*. I will look at each of these components individually to understand the problem area. Has there been a decline in the volume of our product sold or have there been some pricing changes?

There has been a fall in volumes.

Ok. So if there has been a fall volumes it is a demand issue. It is important to understand if the demand has fallen across the industry or is it just our product. Have our competitors also seen a similar declining demand?

The fall in demand is specific to our firm, not an industry wide phenomenon.

Alright then. This fall in demand can then be attributed to a number of factors- branding of the product, emergence of substitutes, sales & marketing, after sales services and competitor performance. Is there any segment you would like me to focus on specifically?

Focus on sales & marketing

Since the client only manufactures prescription drugs, we can ignore the marketing effort in advertising through mass media channels. Most of the marketing effort in this firm can be divided into 2 channels. The first would be door-to-door selling to medical units and doctors and the second would be through publicity in professional magazines and medical journals.

That's correct. Let's focus on the first channel for now.

The door-to-door marketing channel would involve the following- efficiency of sales personnel, referral schemes, long-term contracts, targeting the right medical centres. Is there any specific channel that is causing the decline in revenues?

Yes, it has been found out that our competitors have started offering referral schemes to doctors. Our client has a strong anti-referral policy due to ethical reasons. What would you recommend?

Alright. The decline in revenues is largely coming from referrals and that is an option our client is reluctant to explore. So we can explore other marketing options. A few of them are-

1. Improving the efficiency of sales personnel –increase the time spent per doctor, training
2. Loyalty programs- The client could explore loyalty schemes with doctors. Such loyalty schemes would act as a substitute to the competitor's referrals and not compromise ethics either
3. Explore new geographies- The client could target more geographies (increase outreach)
4. Explore new market segments- The client could also explore newer segments where their product could be useful (secondary healthcare centres, specialised clinics of doctors)

# Oncology firm

You have been approached by an oncology firm that is facing declining profitability. Diagnose the problem and recommend appropriate solutions.

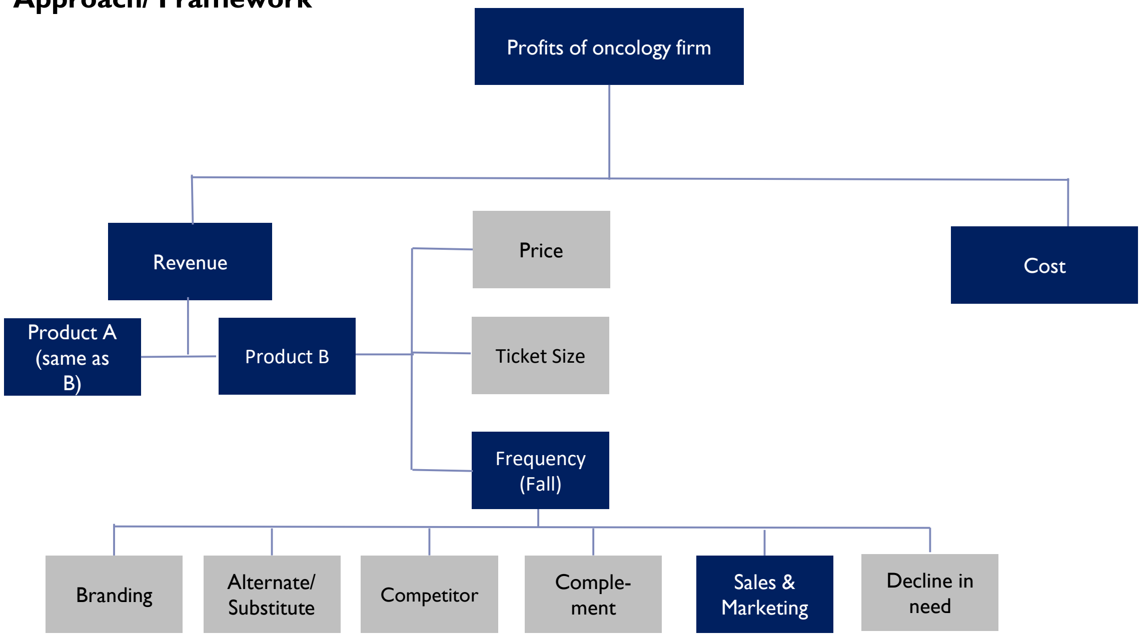
## Interviewee Notes

- Declining profits due to revenue fall
- Client manufactures specialised cancer treatment drugs (only business)
- Ask if revenue fall is across the industry or firm specific
- Understand client product portfolio and check if decline is across both
- Identify components of revenue and the problem component subsequently
- Identify drivers of the problem component

## Case Facts

- Leading global firm
- 2 products- A (80%), B (20%)
- Operates across the entire value chain

## Approach/ Framework




## Recommendations

- Loyalty programs
- Long-term contracts
- Explore new geographies and market segments

## Observations / Suggestions

- The candidate did a good job in understanding the product portfolio (prescription drugs) and diagnosing appropriately. The candidate was able to create a MECE framework for revenue first and then fall in frequency. The key to the case was identifying referrals by competitors as the major reason behind frequency fall.
- The interview was designed to judge how quickly could the candidate move through layers of revenue and identify referrals given by competitors as the major problem component. The candidate should have been able to apply knowledge of prescription drugs marketing to the case in order to identify referrals as the largest component.

# Urea Manufacturer – Interview Transcript

Your client is a manufacturer of urea. They have recently seen a decline in their revenues. Identify the potential reasons and recommend a solution.

I would like to begin with a few clarifying questions on our client. As per my understanding urea is used as a fertilizer in agriculture. Is there any other usage of urea that the client is manufacturing for?

That is correct. Manufacturing urea for use in fertilizers is the client's only business.

Does the client operate globally or is it located in some specific regions? Is the client a leading player in the market?

The client is located in India, manufactures primarily for 4 states in North India. It is a leading player in the market.

Is our client the only one seeing a decline in revenues or is it an industry wide trend?

Our client is the only one.

Alright. I would like to then begin the analysis. For starters we know revenue is comprised of price and quantity. Has there been any significant price change recently in the industry or by the client?

No. It is a competitive set-up with little scope for product differentiation. Prices across the industry including our client are roughly the same and have not changed recently.

Okay. That is very helpful. I would then assume it is a quantity issue. Quantity decline could be attributed to 3 reasons. The client could have seen a fall in the number of customers, or in the frequency of visit of a customer or in the number demanded by each customer. Is there any other reason that I am missing? Was the decline specific to one of the factors mentioned above?

No, there was a decline across all the segments.

Alright. A decline across all the buckets would mean an overall fall in demand. This could have happened due to multiple reasons. They would include the emergence of an alternate, competitor action, change in branding, change in production of a complement, mismatch in product targeting, decline in the quality of product, cannibalisation, distribution fallacies and decline in overall need for the product. Considering the decline is specific to the client (in a minimised product differentiation setting) we can safely rule the last cause out. Among the others, is there a particular cause that is more relevant?

Competitor action is the driving cause.

Alright. So, our client is seeing a decline in revenues due to competitive action. A decline in demand due to competitive action could be broken down into improvement in product quality, operational improvements (procurement, processing and distribution), change in marketing strategy or an improvement in after sales services . Which of the 4 would you say is more important?

So we know that our competitors have colluded and launched a new promotional campaign, called the Krishi mela which has gained popularity. The client has seen declining revenues ever since competitors launched this new campaign.

Okay, so it is a marketing campaign then. In terms of the mela, our competitors could be doing a number of things- they could be running creative advertisement schemes, offering discounts or subscriptions, giving away the product for free or rebranding existing product. Which of the above is the competitor doing?

Which of them do you think would make an actual difference to our revenues?

You said that there is little product differentiation in the industry which rules out the advantage of a creative advertisement, which would be more useful when we are working with a unique product. Our target population is the agriculture sector, where farmers would be reluctant to subscribe to anything in the fear of long term commitment and ease of availability of products of competitors. This leaves us with discount on the product or free distribution. Considering the competitor has launched this campaign with a probable to make its brand more familiar, the latter seems likely.

That is absolutely correct. The competitor has been giving out products for free at the mela to improve the recall value of their product. What would be your recommendations for our client now?

I would make the following recommendations to our client-

1. Given the standardised industry, mimicking the competitor by distributing freebies would help
2. Explore other promotional schemes such as discounts on product, innovative tie-ups with complementary product manufacturers, rebranding the product
3. Explore other advertisement campaigns such as painting on walls, digital media if currently absent
4. Since customers are largely indifferent between brands, it would help to tie-up with retailers and forge long term contracts with them
5. Explore new markets and geographies

# Urea Manufacturer

Your client is a urea manufacturer. They have recently seen a decline in their revenues. Identify the potential reasons and recommend a solution.

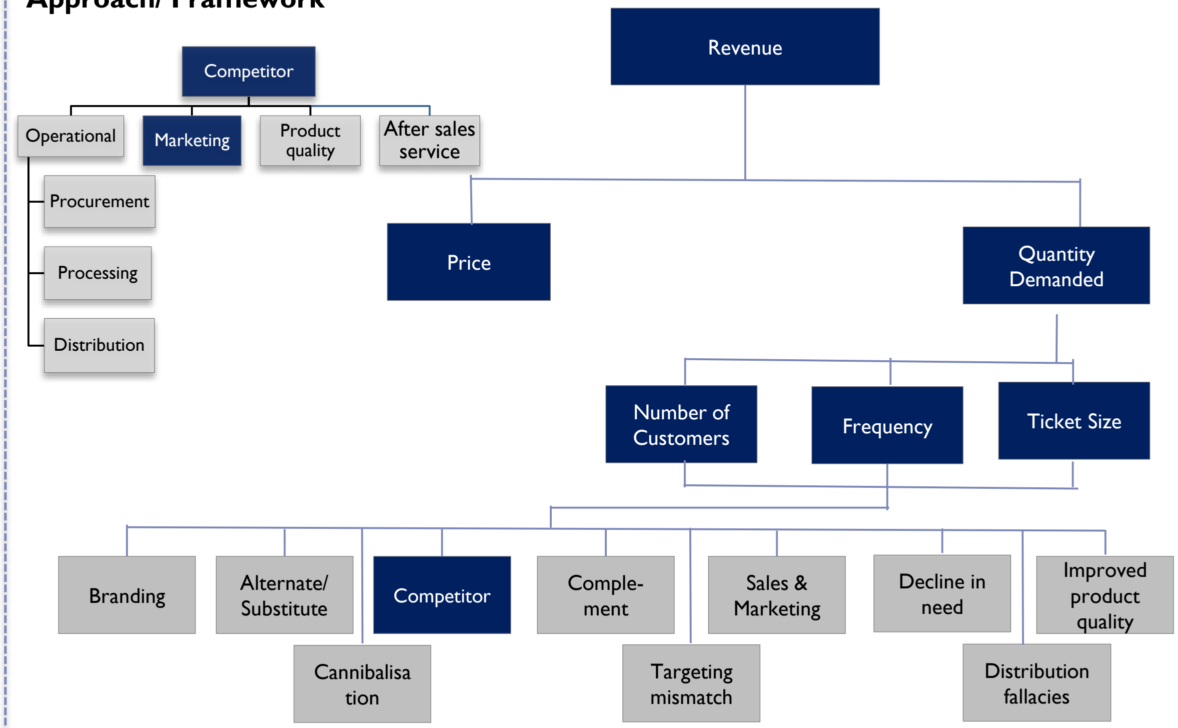
## Interviewee Notes

- Declining revenue fall due to fall in quantity demanded
- Ask if revenue fall is across the industry or firm specific
- Identify if there have been price shifts or demand shifts
- Identify drivers of a fall in demand or change in price
- Study the drivers and make appropriate recommendations

## Case Facts

- Leading Indian firm with presence in 4 North Indian states
- Minimal product differentiation in the industry, similar to a perfect competition set-up
- Client manufactures only one product used in fertilizers by farmers

## Approach/ Framework




## Recommendations

- Imitate competitor
- Innovative advertisement and promotional campaigns
- Long term contracts with retailers
- Explore new markets

## Observations / Suggestions

- The interview was designed to judge how quickly could the candidate move through layers of revenue and identify recall value improvement by competitors as the major problem component. The candidate should have been able to apply knowledge of fertilizer industry to make appropriate recommendations.

# Oil Distributor – Interview Transcript

Your client is an oil distributor. It owns 4 petrol pumps. Its profits have been constant for the past few years in one of the petrol pumps. Diagnose and recommend solutions.

I would like to begin with a few clarifying questions on our client. As per my understanding our client owns these petrol pumps and the problem is specific to one of them. Is that correct?

That is correct.

Is the client a national distributor or a regional distributor? Also is the problem being faced by other petrol pumps in that region?

Being national or regional distributor is not relevant here. The problem is specific to the client's petrol pump

Since the petrol pump is facing profitability problem, I'll like to study the profit structure of the petrol pump and break it down into revenues and costs which are the two components of profit

Fair. You can assume that costs are not of concern right now and start by analysing the revenues.

In that case, I'll like to list break down the revenue sources between fuel sources and non-fuel sources. Among the fuel sources, do well sell only petrol or have other products as well?

Only petrol is sold currently.

Among the non fuel sources, the possible revenue streams would be convenience store, value added services (paid air filling station, garage). Are there any other revenue stream I should be looking at?

No you can go ahead.

I'll like to start by analysing the revenue from fuel sources first. I'll break it down into no of customers visiting per day, ticket size per customer and the price of petrol. Do we have any data of these based on current operations.

Currently the average no of customers per day is 100, ticket size per customer is 1 lt and the price of petrol is Rs100/lt.

Alright. So to increase the profits, we need to look at increasing any one of them at least. How do these numbers look for our competitors?

You can assume that the prices are competitive and ticket size is almost the same. The no of customers depends on a combination of multiple factors.

Okay. So the number of customers will depend on three major factors :Location, Price and Service. How are we in terms of location and service as compared to our competitors?

We are located in metro city like Mumbai and location is not an issue. Our services are also top-notch

Ok. So we need to look at the possibility of either increasing the prices or decreasing them and see their effect on the number of customers vising the petrol pump. Do we have any projection regarding the same?

Based on the market research, we have found that on every 10% increase in price, the number of customers decrease by 20% and for every 10% decrease in price, the number of customers increase by 5%

This implies changing price will lead to overall reduction in revenues. Can we look at other ways of increasing the number of customers, like advertising?

Petrol is a commoditized product and advertising won't be helpful.

Okay. Then we don't see any way of increasing the revenues from fuel sources in isolation. Can we look at non-fuel sources and see if that is related to the number of customers visiting the petrol pump.

That's correct. 30% of people visiting petrol pump end up visiting the convenience store as well. The other non-fuel revenue sources can be neglected for this analysis.

So this means we can look at the possibility of increasing the number of customers and see the net effect on revenue based on decreased prices and increased revenue from convenience store. Do we have any numbers related to revenue per person from the convenience store?

Yes. Currently the revenue per person from convenience store is Rs100. Your analysis is correct. Assume that the prices are decreased by x% and the revenue per person from the convenience store changes to y. Can you get the condition that must be satisfied for increasing net profit.

*(Writes the equation)* This means that decreasing the prices is not the sole criteria. We also need to look at ways of increasing the revenue per person or the percentage of people visiting the store. What are the products being sold at convenience store?

We currently sell general consumption items like chips, biscuits and other FMCG products. We don't have a big range of products. Can you give recommendations on ways to increase the revenue from conveniences store.

1. We can stock more items both in terms of variety and volume so that any customer visiting usually gets the product of his/her choice.
2. We can stock more items related to vehicles.
3. We can look at the possibility of advertising the store
4. We can also explore the option of introducing a new process where the payment for petrol will be done the store counter. This will essentially lead to all customers visiting the store and many people may turn up finally buying something. (Trade off needs to be done based on inconvenience caused for people who don't want to go to the store)

This will be fine. Thank You.

# Oil Distributor

You have been approached by an oil distributor facing with profitability problem in one of the 4 petrol pumps owned by them. Diagnose the problem and recommend appropriate solutions.

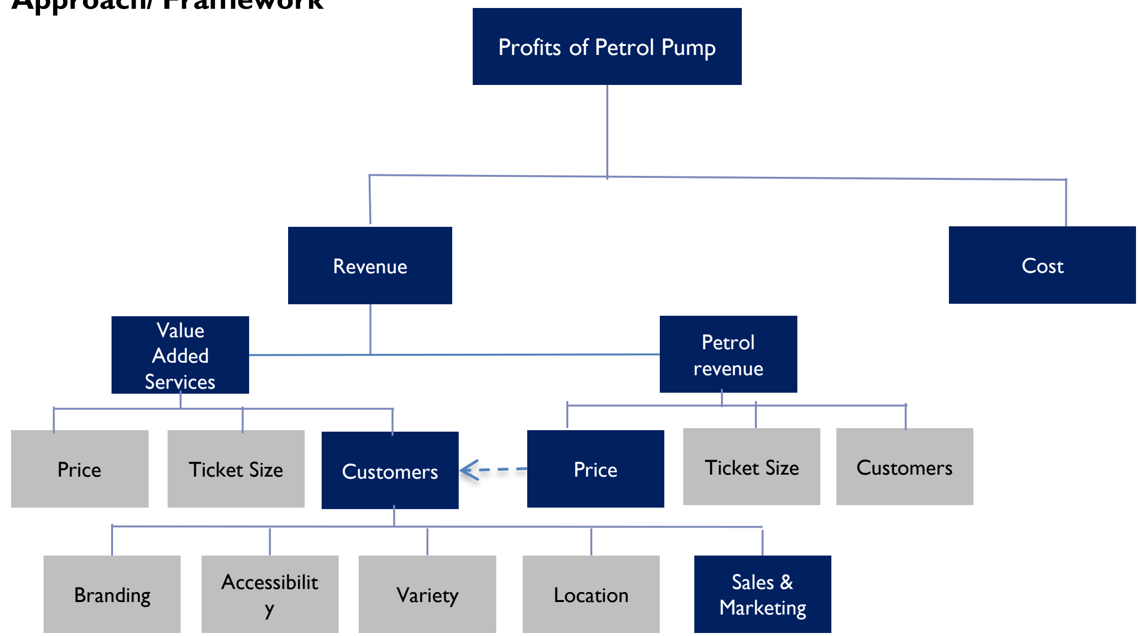
## Interviewee Notes

- Profits have been constant over past few years due to problem in revenue generation
- Client owes 4 petrol pump and the problem is in only one of the pumps
- Identify the revenue sources for petrol pump and identify possible areas of improvement
- Understand the interdependence of revenue sources on each other

## Case Facts

- Only petrol being sold at petrol pump
- No problem on the cost side
- No new competition
- Petrol pump facing issue situated in metro city, no issue with the location

## Approach/ Framework




## Recommendations

- Reduce price of petrol
- Increase the convenience store revenue

## Observations / Suggestions

- It is essential to figure out the key revenue streams for the petrol pump and their interdependence
- Calculate the net effect of reduction in prices on profit and the possible ways of increasing revenue from convenience store
- Develop equation between x and y and find the desired relationship for ensuring overall profits

| Price of petrol | No of customers | % of customers visiting convenience store | Revenue per customer from convenience store |
|---|---|---|---|
| Original price (Rs 100) | 100 | 30 | 100 |
| Price increased by x% | Customers decreased by 2x% | 30 | z |
| Price decreased by x% | Customers increased by (x/2)% | 30 | y |

# Washing Machine firm – Interview Transcript

Your client is a washing machine manufacturer who is facing a decline in profits. He wants you to figure out the reason for the same

Profits is a function of revenue and cost. I would like to understand which part of the function is causing a problem.

We have seen decline in revenues whereas costs is not a problem

Before proceeding further, it would be good to know about the Company, its position in the market, product mix and the customer segment it targets. Do we have data on this?

Yes. Company is a market leader in the washing machine segment. It targets middle class consumer and does not manufacture high end products

Great. I would like to understand the trend for revenues and profits of the Company for the past 2 years

Revenue and profits have seen an overall decline of 10%

I would like to break the revenue into volume and price to understand the decline in revenues

That seems fair. The decline in revenues is due to fall in volumes. What will you do next?

Having known this, I would like to know the geographical segments, the company is operating in. Also, is the issue of decline in volumes company specific or industry wide

The company operates primarily in Western India. The issue is specific only to the company

Okay. Is our product differentiable from the products offered by the competitors in terms of features and price?

The company's product is superior in terms of quality as compared to competitors, but the price is almost comparable to them.

If the product is superior in terms of quality and yet comparable in price and when there is no industry wide issue, the product should be in demand amongst the consumers. Can I therefore assume that product is not available in sufficient quantity when demanded by customers?

Yes. That's correct.

In that case, company's distribution channel needs to be analysed. Do we have data on the distribution channel of the company?

Company sells its products through distributors, who then sell them to retailers and is thereby made available to consumers.

I would like to assume that company is facing some problems with its distributors. Is my assumption correct?

Correct. Distributors feel that the margins offered by the Company is less as compared to competitors. Hence, they distributors have gradually reduced the stock offered to retailers. What would you do next?

Do we have details on the margins offered by us and by the competitors?

Yes. We offer 4% margin whereas competitors offer 7% margins. How will you solve this problem

Can we consider increasing the margin for distributors and absorbing the increased expense in our income statement?

Consider the following data and then decide:

| Particulars | FY2017 | FY2019 |
|---|---|---|
| Units Sold | 100,000 | 90,000 |
| Price to dealer | 18,000 | 18,000 |
| Expense per unit | 14,000 | 14,000 |

Assume that the number of units sold will be back to original levels if margin is made comparable to competitors

Based on the numbers, Company made a profit of INR 40 Crs in FY 2017 and INR 36 Crs in FY 2019. In case, the price is reduced by offering margin of 7%, the revised price shall be approximately INR 17,400. The resultant profit shall be INR 34 Crs. That would mean we would be worse-off than current situation if margins are increased.

Yes

Do we have data on the number of distributors and their geographical spread along with the approximate number of retailers and their geographical spread?

Currently, Company has 5 distributors. 2 distributors handle Gujarat region while remaining 3 handle Maharashtra region. There are 200 retailers in the Western region, with 50 in Gujarat and 150 in Maharashtra. All the retailers are widely spread across the two states

Also, is the Company exploring any other distribution channels such as e-commerce?

Company itself has minimal presence on e-commerce portals. The products are often sold by distributors on such portals

In this case, I would like to give two recommendations.

One, Company can start transacting with retailers directly. In this situation, company can decide to hire a factoring agent who can take up the task of collections from retailers and invoicing them regularly. Company would also have to re-look at its distribution channel and look at the most optimized logistics strategy.

Secondly, company start selling its products directly on e-commerce portals and thereby move lost sales from distributors on such portals.

Good job!

# Washing Machine firm

Your client is a washing machine manufacturer who is facing a decline in profits. He wants you to figure out the reason for the same

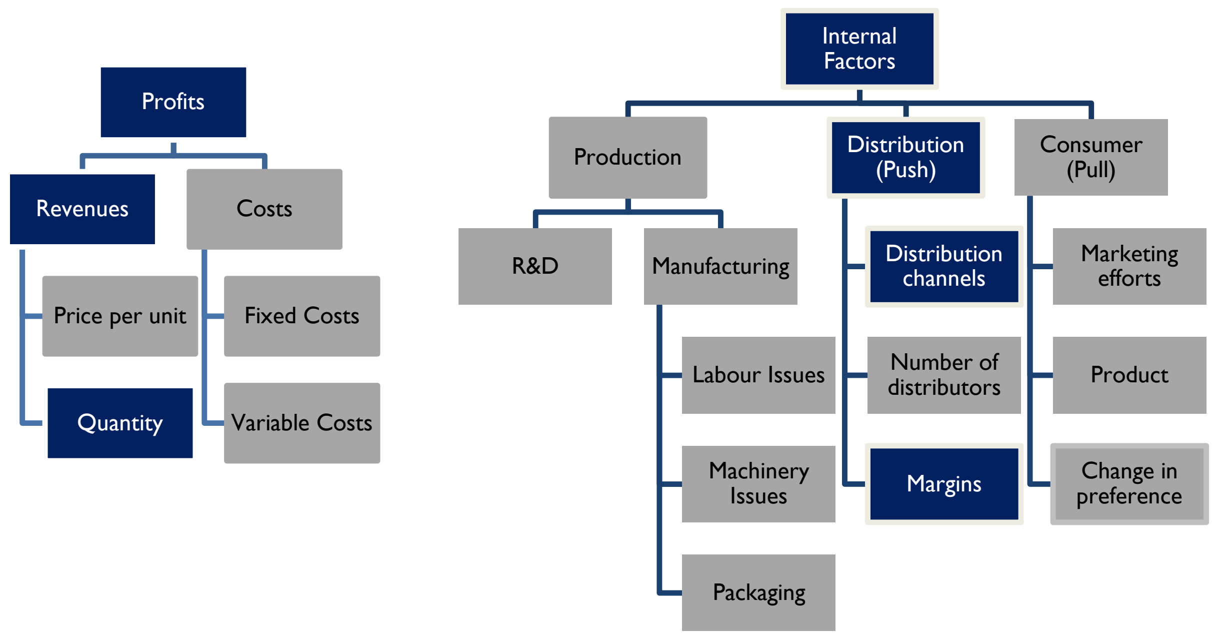
## Interviewee Notes

- It is important to understand whether the cause of decline is due to volume or price or both.
- There are multiple ways in which revenue can be increased, i.e. by entering into new distribution channels, new markets, marketing, new products, etc.

## Case Facts

- Decline is because of lesser demand from distributors on account of lower margins
- Profits will decline further if comparable margins are offered to distributors
- Retailers are widespread across the western region
- The problem is in the lower availability of the product

## Approach/ Framework




## Recommendations

- Start direct transactions with retailers by on-boarding a factoring agent to handle invoicing and collection
- Start selling on e-commerce portals directly from company

## Observations / Suggestions

- It is important to think about distribution channels which often goes unnoticed in profitability framework
- It is important to understand how long the problem has been going on . In this case the problem started around 2 years ago which means that something must have changed during this period which has led to a decline in profits

# Tractor Company – Interview Transcript

Our client is a major tractor manufacturer with nationwide presence. It is facing declining sales and is unable to compete. You have been approached to find the problem.

OK, so I would like to understand that when we say decline in sales, does it mean decline in overall revenues or # of units sold?

They are facing overall revenue decline

The key problem I need to focus on is finding the issue with declining revenues from tractor sales. Is there any other objective I need to keep in mind?

No. Please go ahead

Is this a nation-wide issue or should I focus on a particular market?

Focus on the West, where there is a major decline

What are the key product offerings and target market of the company? Is the company involved in direct retailing?

There is only one type of tractor in the market. Please focus only on that for the rural market. The company does indirect retailing through various distributors.

I would now like to deep dive into the problem. I would like to breakup revenue into 2 components i.e. # of units sold and price per unit. Do we have any information if any of these 2 has declined.

Our prices have remained constant but we have faced decline in the number of units sold.

# of units can be affected by 2 components. Overall market size of the tractor and our captured market share. Has whole tractor industry faced decline or our market share has declined.

Overall industry is not facing any decline. Our competitors have gained the market share.

Decline in our market share can be due to manufacturing issue leading to lower production, distribution issue or customer demand issue. Do we know because of which reason we are facing decline

We can manufacture even for a 50% increase in demand. Capacity is idle. Also, there has been no change in ours or competitor's distribution. We are facing shortage of demand from customers.

Ok. So we know that decline of the revenue is linked with decline of demand of our tractors by the customers. To further deep dive the reason of decline in demand, I would like to explore 4 factors i.e. our product, places we are reaching out, price of our product and our promotion strategy, all with respect to competitors. Also, I would like to know a bit about our competitors.

This looks good. There are 3 main competitors. Sales of one player have increased alarmingly while other have seen only a modest increase. The key issue is with the promotional activities. Why would that be?

Has the competitor increased the promotional activity more than us?

What promotional activities can you think of?

The promotional activities in this industry can be discounts, financing or increase in channel based promotions. Is the competitor offering heavy discounts in the market?

No , it is the same. What can you think can be the issue with financing?

As we know that the tractors are mainly financed by different financing companies. Due to the recent slowdown in financial sector including both banks and NBFCs, it may be possible that we are not able to provide good financing deals to our customers as our competitor

Excellent point. But the current issue is related to increase in channel based promotion

Okay. Other channels for promotion can be the print media, bill boards, TV, radio and digital (SMS, internet, etc) and the word of mouth publicity

That is correct – the major issue was that our word of mouth publicity was less. Can you guess why?

Is there a negative branding about our company in the market?

No nothing of that sort. Think about what the competition could do to enable word of mouth?

They can organize trade fairs to directly connect with the consumers – telling them about the product and branding themselves.

Correct. They did organize a trade fair in multiple villages, called people to get free test drives and gave away prizes at the event. This was a part of the focused strategy to gain market in the West. Thank you.

# Tractor Company

Our client, a tractor manufacturer, has been facing a decline in sales. You have been approached to find a solution to the problem.

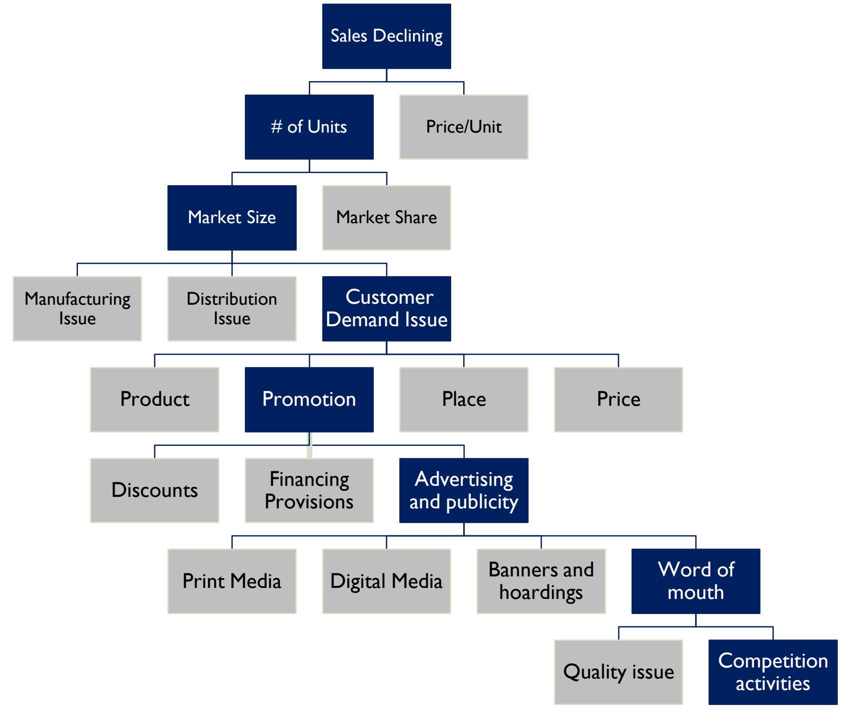
## Interviewee notes

- Issue with promotion activity
- Same discounts as competition
- Same promotion spending across print and other media
- Low word of mouth publicity
- Increased competition activities

## Case Facts

- Declining sales
- Major tractor manufacturer, with only one major product
- Only an issue in the West
- No new competition
- No supply issue

## Approach / Framework




## Recommendations

- Increase penetration with counter offers and schemes
- Give away indirect distributor inputs to increase retailing

## Observations / Suggestions

- Declining sales problems can also be separated into internal and external issues
- Once the problem is identified to be in the publicity and advertising part, including word of mouth publicity is especially critical

# Fishing company – Interview transcript

A fishing company has faced a decline in profits of 15% over the last year. The CEO has hired you to find out why this has happened.

I would like to ask some preliminary questions to understand the situation better. What exactly does the company do and what geography does it operate in?

It employs fishermen, who use the company's boats to go to sea and catch fish. They sell the catch directly to customers in the town. The company is also in the business of leasing fishing boats. The company is based out of Goa.

Alright. I'd also like to know whether the drop in profits is an industry wide phenomenon or is it just limited to our company.

The decline in profits is unique to our client.

Does our client have multiple product lines within sea food or do they sell just fish?

They only sell two types of fish – large and small.

Do these products differ based on price, cost per unit and margins?

Small fish are considered premium and sell at 1.25x of the price of big fish. However, it costs the same to catch those fish.

Okay, that's interesting. So let me know try and identify the cause for drop in profitability. Since profitability is a function of revenue and cost, I'd like to analyse the two. Starting with the cost component, what has been the trend over the last year?

Our costs have actually gone down by 5%

Okay, that's interesting. What about your revenue?

Our revenue for the last FY was down 12% YoY.

Alright, so the Revenue component is driving profitability down.

I guess so. So what do you suggest?

Okay so in a typical fishing company, the major heads of revenue would be fish sales and lease of fishing vessels and equipments. Do we have any data with respect to these?

Yes, we do. Our lease income has indeed fallen from the the previous year on account of loss of a few customers. But leasing only contributes to about 15% of our total revenue. So there's must be something else too.

So a fall in revenue from fish sales must be driven by one of these three factors: fall in average selling price, dip in volume or a change in product mix. Do we have any indication about which of these it could be?

Yes that's indeed correct. So, there has been a change in the product mix that we offer. We have found out that we are selling more large fish and fewer small fish than we used to last year. Can you help the company understand why this could be the case?

The problem of product mix could either be a demand side issue or supply side issue. Demand side issue affect the whole industry and since that is not the case, it is my hypotheses that the problem is one of the two: we are unable to catch small fish or are unable to sell them. Do we know which of these it could be?

Our catch of small fish has indeed fallen last year. What could be the possible reasons for it?

So the problem could be either external or internal. Has there been any change in the composition in the water body where our fishermen fish? Is it possible that there are fewer small fish available?

No there's been no change in the composition of the sea. The proportion of small fish available is still the same.

Okay then it seems to me that there is some issue with our process of catching and transporting fish. Has there been any significant change in the process over the last year? This could be any of the following: any change in logistical arrangements, change in fishermen, trawlers or fishing nets or even change in our area of fishing For e.g.. distance from the shore

Actually yes there has been. Last year we went on a cost cutting drive. We wanted to reduce our expenditure on fishing nets so we tied up with a company providing cheap recycled nets. However, these nets came with a square mesh instead of the diamond mesh that fishermen traditionally use. It was found that while the gaps in the diamond shape nets compressed when it came in contact with water, the square shaped mesh retained its shape under water and allowed a lot of small fish to escape through the gap in the nets.

That is some really interesting information!

Thank you for your analysis. You did a good job.

# Fishing company

Drop in profits of a fishing company

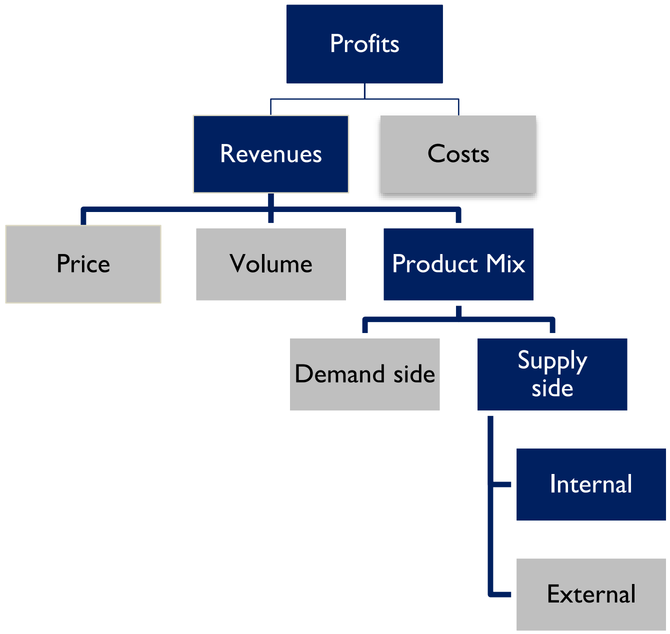
## Interviewee Notes

- Company owned boats – employ fishermen
- Directly sell to customers – no distributors
- Not an industry wide problem
- Big fish: low revenue, low margin
- Small fish: high revenue, high margin
- No change in consumer preferences
- No change in sea composition

## Case Facts

- Profits down by 15% over 1 year
- Costs down by 5%
- Revenues down by 12%
- 2 product lines: big and small fish

## Approach/ Framework




## Observations & Suggestions

- It is important to ask preliminary questions to understand the company and the industry. A key insight (different product lines and different margins for each) was derived from the preliminary questions.
- It was important to note that change in sales of one product was not linked with change in consumer preferences. The problem can be on the supply side as well so it is useful to analyse the entire value chain to understand where the problem lies.

# Banking – Interview Transcript

Your client is a Leading Public Sector Bank(PSB) in India. Recently it has been experiencing a decline in its profitability. It wants you to analyse why?

This seems like an interesting problem. To better understand the proposition, I would want to ask a few clarifying questions.
Is our objective to reverse the decline in profitability, or is the bank only looking towards assessing the reason for the decline?

The bank wants us to analyse the reasons and suggest avenues for growth.

Is it safe to assume that the bank is National – Pan India, and that domestic business is the major arm of the business.

That is a fair observation

I am trying to understand the bank's customer base. So, am I right in assuming that the bank draws a majority of its business from rural banking, but also has a competitive position in Urban areas?

Yes, a majority of the bank's business is from rural areas, and in urban areas it has a more muted presence. Something it aims to work on

Since when has the bank been facing a decline in profitability? Also, have the other banks also been facing similar issues?

The bank has been witnessing falling profitability for the past 5-6 quarters. Some banks have seen declining profits, but others have seen periods of steady growth.

Interesting. That's a decline for almost a year and a half, while the industry seems to be doing fine. This leads me to hypothesize that is some systemic issue with the bank, that probably stems from faulty loan policies, in turn escalating costs A final clarification, what is the timeline that we are looking at to reverse the decline in profitability?

The bank wants to reverse the trends in the next 1-2 years.

Given the short timeline, I would like to take a two pronged approach. To increase profitability, we have two possibilities - increase revenues - increasing the customer base and income from advances. Second, we could look at the cost aspect, maybe target recoveries to decrease the NPAs, reducing the written off assets. Is there something specific you want me to look at?

Has there been a substantial decrease in the revenues, or an increase in the costs?

Yes, the costs have increased, but revenues have remained more or less constant. Why don't you start by analysing the revenues?

As a Public sector bank, since in-organic growth is not a feasible option, we could explore increasing the number of customers or the value per customer. Since the agriculture and commercial loans have been high on NPAs, the bank could focus on retail assets to grow.

However, I do realise that the social dimensions, and priority sector lending targets are also to be considered.

That's a fairly good analysis. Could there be a way to utilise the latter, since we enjoy a large rural presence?

Using its pervasive network, if the bank could can tap into the last mile customer and provide a basket of services to these customers, whom they have almost exclusive access to. This would help them substantially grow their revenue, and also build our brand image.

Alright, now let's concentrate on retail growth, as you rightly pointed out, it has the lowest NPA.

In growing the number of customers the bank could look at our existing market presence, or look to expand to newer areas. In the existing markets they could need to analyse whether our products have market visibility. In case that is there the bank needs to analyse if the channels are accessible, and finally, the bank need to look at desirability vis-à-vis other providers.

Briefly analyse all

Awareness could be increased with promotion. In Channels, there are two broad categories – Physical and Digital. In both, the approachability and the hygiene factors are important. The approachability looks at aspects such as location of physical branches, or accessibility of the site. The hygiene factors explore the ease of doing business. In the desirability, the bank needs to look at the products and services offered by our competition, the tie-ups and the preferences of customers.

In tie-ups, the bank could explore areas such as EMI loans for online shopping; tie up with real estate agents, educational institutes, car agencies, travel agencies, and businesses (for personal loan for employees).

Is there something I should analyse in greater detail, or should I move to analysing new markets?

No this is a good analysis. Let's move onto value per customer.

In value per customer, since, the interest rate is not a variable we can adjust to a large extent, we could look at increasing the loan amount per customer, or cross-selling associated products.

Ok

For increasing the loan amount the bank could sell them other loans. For instance, for someone who has a home loan, the bank could sell them a car loan, etc. In selling associated products, the bank could market insurances and wealth management products of its partners.

Good. Thanks, that would be all.

# Banking

Your client is a public sector bank who is facing a decline in profits. It wants you to figure out the reason for the same

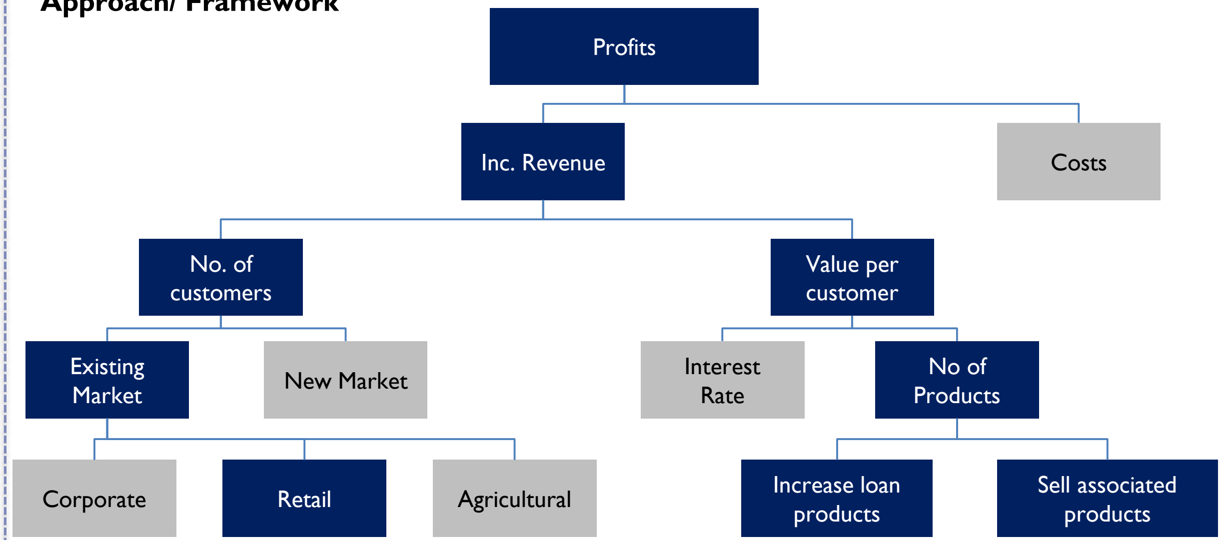
## Interviewee Notes

- It is important to understand whether the cause of decline is due to cost or revenue
- Here the interviewer asks the interviewee to focus on costs
- Banking sector specific costs such as customer acquisition and transaction costs along with NPAs should be focused on.

## Case Facts

- Decline is because of higher customer acquisition as bank still follows traditional banking model.
- Costs are also on account of high NPAs

## Approach/ Framework




## Recommendations

- Target retail assets to grow revenues which have minimum NPAs, use existing network as leverage to grow
- Increase the number of products as well as value per customer to drive this growth

## Observations / Suggestions

- Sector specific knowledge such as increasing farm loan waivers in agricultural sector or rising NPAs in corporate sector can hint where the bank could look for its growth, i.e. retail

# Alcohol Company – Interview Transcript

The Client is an experienced alcohol manufacturer in India. They have been facing a gradual decline in profits and have also experienced a sudden dip in profits recently. The client wants you to identify the reasons for the decline in profits and give recommendations for improvement

I would like to begin by understanding more about the company and its products. What geography does the company cater to? Could you please tell me about its product portfolio?

The alcohol manufacturer makes several types of alcohol. It caters Pan India and some foreign markets. You may want to focus only on India.

Is the decline related to all products? Is this an industry wide problem or a company specific phenomenon?

The decline in profits is faced by their Whiskey Brand. It is limited to our company

Great! I would now like to dive into the case and structure it to get to the bottom of the problem. I would first examine the gradual decline in profits and then move to the sudden dip recently. I will begin by breaking down profits into its component parts: Revenue and Cost. Next, I will identify which of these are a problem and further look into Internal and External Factors that may have changed to alter the revenue or the cost structure. Would you like me to proceed in this way?

Yes, that sounds like a good start. Why don't you go ahead?

Since profits are a function of revenues and cost, I would like to know if the cost has increased or the revenues have decreased or both.

We have seen a decline in revenues whereas the costs have remained the same.

Okay. I would like to break revenues down into quantity sold times price per unit. Have we seen a decline in quantity sold or a decrease in price per unit or both?

The price of units has remained the same. However, the units sold has decreased.

Great. So far, I know that the decline in profits is due to a decrease in quantity sold. Now, I would like to analyse why the quantity sold has been declining over the years. I would like to look at Internal and External factors.

Sure. Go ahead.

I will start with problems that could have reduced quantities sold due to internal factors. I would like to divide the factors into production, distribution push and consumers pull. Would you like me to explore all options or look into any one of them specifically?

Why don't you walk me through your framework and I will be able to tell you more as we go along?

Okay. There may be a problem with production wherein we are not producing enough. This could be because of lack of investment in R&D, decrease in manufacturing – labour issues or machinery issues, packaging issues. Apart from this, there could be a change in distribution strategies wherein the push of products towards the market has reduced. This could be because of two reasons – either a change in distribution channels or a change in the number of distributors or change in the margins given to distributors. Lastly, there is a decrease in consumer demand due to – decrease in marketing or change in taste, demographics, age or location preference.

Focus on the consumer demand and change in demographics. Why do you think that is a reason?

I would like to know more about our whiskey brand- what are its core competencies and how is it different from its competitors.

The Company has a premium chain of whiskey brands. It seeks to offer customers better taste and superior packaging. This comes by charging customers a premium price.

Thank you for the information. I hypothesize that due to a younger generation entering the market, they do not identify themselves with a Premium brand of Whiskey, and they may be more willing to spend on inexpensive brands. Further, I suspect that a change in demographics has also led to an increase in small bars and pubs where Premium Whiskey may not be sold. Also people in this Price sensitivity could be another added factor for the lack of demand.

Yes, you are right. The problem lies in the changing ideology of consumer and their preference in Whiskey. The current market does not value a premium Whiskey in the same way, and the shift towards pubs is making it difficults for people to enjoy Whiskey for the taste. Why do you think there was a steeper drop in profits recently?

I would now like to analyse the external factors: the introduction of new whiskey by a competitor, negative publicity of our whiskey brand, and other government policy reforms.

That's a good list. I would like you to think about possible government policies that could have impacted our sales.

Sure. The government policy changes could be – reform in the drinking age in the country, the shutdown of several bars, wine shops and pubs due to legal or political reasons, renewal of licensing for all alcohol manufacturers.

Great! You are close to the answer. The government recently passed a law where all bars at a distance of 500 meters of a national highway were no longer allowed to sell alcohol causing further damage to our sales figures. What recommendations do you have for the company?

I would divide my recommendations into short term and long term measures. In the short term, the company can indulge extensively in marketing the premium whiskey product. The product should be placed in upscale locations such as sports bars, hotel lounges, and high-end restaurants. This way its perception as a premium brand remains and the value is not diluted. My second recommendation deals with the change in law – the company can look into lobbying with the government since all companies would be faced with the problem and there is no scope to find a way around the law. In the long run, in order to address the changing preferences due to demographic change, I would recommend that the company invests in product innovation to launch a non-premium label of Whiskey.

Those are good recommendations. Can you quickly summarize the case for us

The company is an experienced Indian alcohol manufacturer facing a decline in profits over time and more so recently. The gradual decline in profits can be attributed to a slow down in the no. of units sold for its premium whiskey brand. The reason behind this is the change in taste of the consumer. The sudden dip in profits recently is because of a government law passed to regulate the sale of alcohol. To improve profits, the company can market its product more extensively and lobby with the government to change the recently passed low. Over time, the company can launch a non-premium label of whiskey

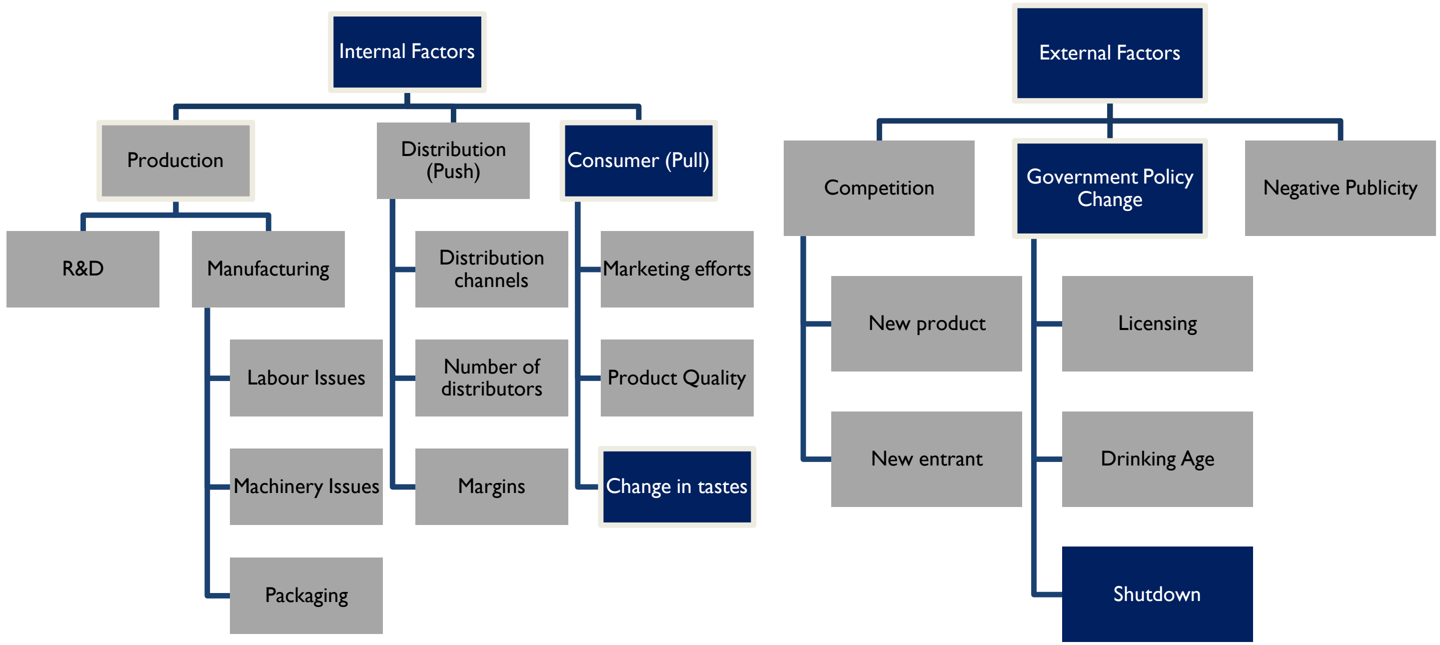
# Alcohol Company

The client is an experienced alcohol manufacturer in India. They have been facing a gradual decline in profits and have also experienced a sudden dip in profits recently. The client wants you to identify the reasons for the decline in profits and give recommendations for improvement

## Interviewee notes

- Enquire about product variety and geography. Whiskey sold is a premium product and appeals to a certain section of society
- Keywords – 'gradual' and then 'sudden' drop in profitability. The sudden drop may have factors that are independent of gradual drop
- Alcohol industry is governed by several external factors like laws, licensing etc.

## Approach/ Framework




## Recommendations

- Long term: For change in consumer invest in product innovation to launch a non-premium brand to cater to the changing demographics who prefer cheaper alcohol and are not keen on the brew and taste.
- Short term: Firm can indulge extensively in marketing the premium whiskey product; lobby with the government to negotiate with rules.

## Observations / Suggestions

- The case was simple and straightforward
- Received help from interviewer due to good structure and appropriate questions leading to necessary answers
- Interviewer liked the framework, and it could be tweaked for other similar profitability cases
- List could have been more exhaustive in some cases for example, with factors affecting distribution

# Airline operator – Interview Transcript

Your client is a low cost airline operator in Europe. Over the past 2 to 3 years, it has been burning cash. Diagnose and recommend solutions.

I would like to ask a few clarifying questions before I begin to analyse the case. I would want to understand the client's business. What kind of flights does the company run?

The company operates short flights across Europe. We have direct as well as connecting flights.

How many competitors do we have and are they facing similar problems?

We do have 2 major competitors but unfortunately none of them are facing this kind of a problem. You can go ahead and work out the revenue streams for our client.

Ok. So I believe that the major revenue streams would be hospitality, revenue generated from tickets and cargo. I wanted to confirm once that have the revenues gone down and has there been any significant changes in cost?

Yes the revenues have gone down and the costs have increased. Let us focus now on the revenue generated from sale of tickets.

That's very helpful. I would want to analyse this problem by looking at various components of the revenue. I would break them down into price per ticket, occupancy rate, number of seats/flight and number of flights? Do we have any information on any of these parameters?

Yes. So, the number of direct flights have gone up and the occupancy rate in both direct and indirect flights have gone down.

Okay. So I understand that the drop in revenue is mainly due to the drop in occupancy rate. Do we have any data regarding the same? Also to further understand why we are burning cashes, I would like to look into the costs side.

Sure. Go ahead and tell me what are the major cost components?

Ok. I would break down my costs into fixed Costs and variable Costs. The fixed costs would comprise of lease, hangar costs, salaries and marketing. The variable costs would be fuel, maintenance and operations etc. Do we know how these cost heads have changed over the last 3 years?

Yes, the hangar costs have gone up.

I am trying to understand why the costs have gone up and whether this has gone up for the entire industry or only specifically for us.

It has been such that the hangar costs have gone up only for us. This is because we have started owning airports. The speciality is that people need to reach our airport only half an hour prior to flight.

Okay. That helps a lot. So what I understand is that we have started owning airports and this has led to large investment cost hence leading to burning of cashes. Further I would like to understand why the occupancy rate has gone down.

Please go ahead.

So, I would break the entire value chain into the components. Those are procedure for flight booking, Reaching airport, Procedure at the airport, taking the flight, taking the luggage at destination airport. I would now further like to understand each of the mentioned processes.

Okay. Lets focus on reaching the airport segment. I would further like to tell you that though the airport is in the outskirts, the time cost of reaching the airport is same.

I would break down the cost into time cost and effort cost. Now, since the time cost is same, I assume that the effort cost has gone up. Is that a fair assumption?

Quite right. I have few numbers. Can you work with them and let me know your suggestions. At earlier airports mode of transport was: Public 30%, Own 20% and Taxis 50%. Now in this airport it is Public 50%, Own 40% and taxis 10%.

That's interesting. So, the availability of taxis in this airport location has gone down. This is primarily because the airport is situated in the outskirts. So the taxis do not get any passengers while returning. Hence the number of taxis in this area have gone down. Now the taxis being less in number, it has become difficult for passengers to reach the airport. Hence that explains the reason why the occupancy rate has gone down.

Yes. You are correct. Can you summarise the case and suggest a few recommendations?

As per my understanding, the company has burned cash because of huge investments in building airports. Now the airport, being located in the outskirts has very less availability of taxis which are the most preferred mode of transport to an airport. Hence the passengers preferring this airlines have gone down leading to decrease in occupancy rate. I would now state my recommendations.

Yes. Please go on.

So I would suggest that the client should start its own shuttle service or collaborate with taxis providing them added incentives. Further, the client can also include transportation cost from airport to desired location as part of the ticket price.

# Airline operator

Your client is a low cost airline operator in Europe. Over the past 2 to 3 years, it has been burning cash. Diagnose and recommend solutions.

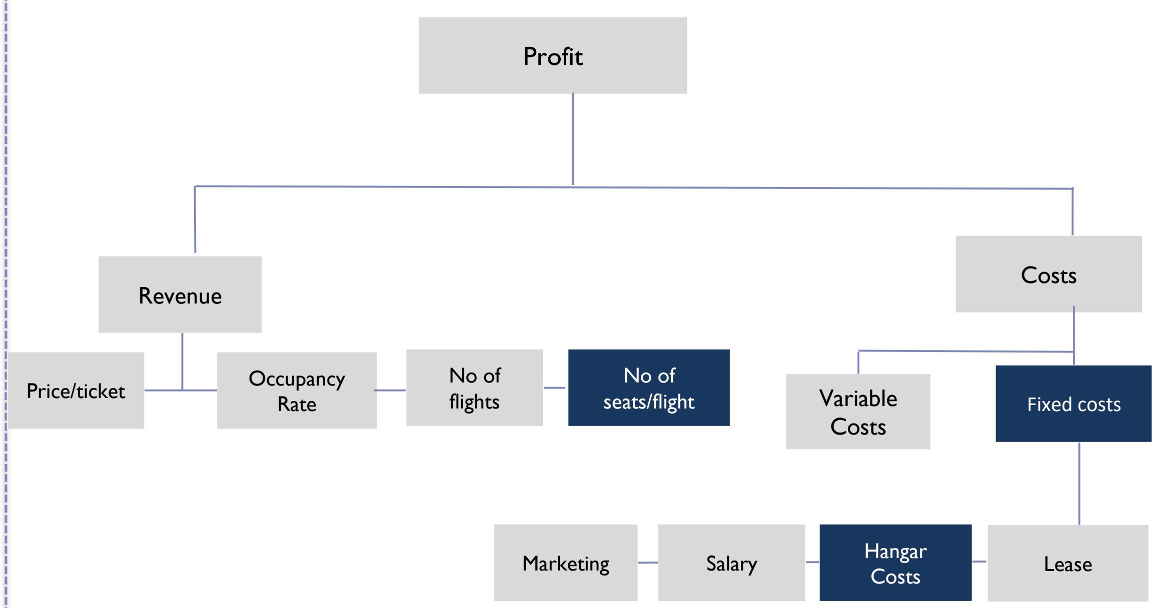
## Interviewee Notes

- Revenue –cost analysis
- Client currently in airlines industry
- Ask about the current status of the industry and competitive scenario
- Which are the revenue streams?

## Case Facts

- Client operating both direct and connecting flights across Europe
- Problem exists only for client
- Revenues have gone down and the costs have increased
- Hangar costs have gone up
- The client have started owning own airports – arrival only 30 mins prior to departure
- Airports located in outskirts, but time cost of reaching airport remains same

## Approach/ Framework




## Recommendations

- Should start its own shuttle service
- Should collaborate with cab aggregators by providing added incentives and ensure taxis stay outside the airport
- Can bundle two services together – Air ticket price and transportation price and ensure passengers are picked up /dropped from respective locations

## Observations / Suggestions

- The candidate did a good job in figuring out the fundamentals in why the revenue has gone down. Also after the cost analysis, the candidate was able to further elaborate on the reasons why the revenue has gone down

# SpiceJet vs Indigo – Interview Transcript

Your client is SpiceJet which has recently seen a decline in profitability compared to Indigo. Analyze the problem and provide solutions

I would like to ask a few clarifying questions before I begin to analyse the case. Firstly, I would like to confirm that we are focussing only on SpiceJet's airline business and domestic travel at that since we are comparing with Indigo?

Yes, that is correct.

Alright. I would like to then understand the recent industry trends over the last 5 years. Is the decline in profitability specific to Spiceet or is it an industry wide phenomenon?

SpiceJet specifically has been facing the issue of decline in profitability.

Since this is the airline industry, has the decline been on some specific routes?

Across the nation.

Is there a specific reason we are comparing our profitability to Indigo's since our scale and target population of premium customers (if I can assume that) is different?

No specific reason. Indigo is doing well in the domestic market, they are not seeing the same decline that SpiceJet is.

Alright then. Since this is a profit problem, I would begin by splitting it into revenue and cost. Are we observing rising costs or declining revenues?

Both. Let's start with revenues and move over to costs.

Okay. Revenue for SpiceJet's airline business can be written as Price X Occupancy X Capacity. Have we observed a change in any of these components or across all ?

Price has remained the same. Occupancy has declined and capacity has increased.

Again, have these changes occurred across the country or only on some specific routes?

SpiceJet recently started its business across some niche routes. Occupancy in those routes has been suffering.

That makes sense. Just to clarify, since this is a new business for SpiceJet I would like to understand what kind of investments have been made? Has SpiceJet purchased a new fleet or has it simply re-routed its existing fleet?

New fleet has been purchased.

Since it is an occupancy issue (low demand for SpiceJet), I would like to understand the customer profile in these niche routes. Do these routes have low airline travel demand or is this occupancy issue specific to SpiceJet? Is this demand likely to grow in the future?

Currently these routes have low travel demand but likely to grow in the future, and therefore the investment. The demand for premium SpiceJet travel has also been projected to rise.

That's very helpful. Since we have already made substantial investment we may not want to withdraw fleets from these niche routes entirely for now. A few short term measures which we can undertake are as follows:

1. We can expedite our marketing activities in these regions
2. We can analyse price sensitivity of the customer pool and accordingly price for now. We need to keep in mind that this is a price sensitive industry with very little pricing power
3. Instead of having flights catering to these niche routes specifically, we can have our new flights on the conventional routes and have re-routing via these routes.

That makes sense. Let us now come to the cost aspect of the problem.

For the cost aspect of the problem, I would like to draw the cost value chain for SpceJet which consists of the following- Cost of materials i.e. expenditure on fleet, processing costs which would include airport rent, employee salaries, IT services and fuel costs, storage costs which is maintaining inventories of spare parts, distribution and marketing and customer services (on-board services). Which part of the value chain would you say is suffering?

SpiceJet is experiencing high storage costs which have recently risen further.

Is Indigo also facing similar costs or is it just SpiceJet?

Only SpiceJet.

Inventory costs can be split into types of inventory held, number of inventory parts and cost of carry which would include pilferage, warehouse rent, poor demand prediction, poor inventory management & late supply costs. Is the cost higher than Indigo across all these components?

The cost is high specifically due to the types of inventory held. SpiceJet operates with different kinds of fleet whereas Indigo has one standardised fleet. Due to this, SpiceJet needs to hold more inventory. What implications would this have?

Due to different kinds of planes, there is a greater number of spare parts that SpiceJet is having to hold which is the reason behind higher costs. The costs have risen now more than before, could probably be driven by the new fleet purchased by SpiceJet for the niche routes. If the new fleet is of a different type, then cost of inventory due to the new purchase has increased overall costs and led to a fall in profitability.

That is correct. The new fleet purchased by SpiceJet is smaller and requires an inventory of different parts. What would your recommendations be?

Okay. So there are a few things that SpiceJet could do vis-à-vis the inventory costs-

1. Standardise the fleet going forward. Make sure new purchases in the future are standardised.
2. Renting agreements with suppliers of inventory – alternative to purchasing expensive inventory
3. Hub & spoke model- Have a centralised location where inventory is stored and supply to all airports instead of maintaining inventory at every airport
4. Need basis- Order inventory on a need basis instead of maintaining excess

# SpiceJet vs Indigo

Your client is SpiceJet. It has observed a decline in profitability vis-à-vis Indigo. Analyze the problem and provide solutions.

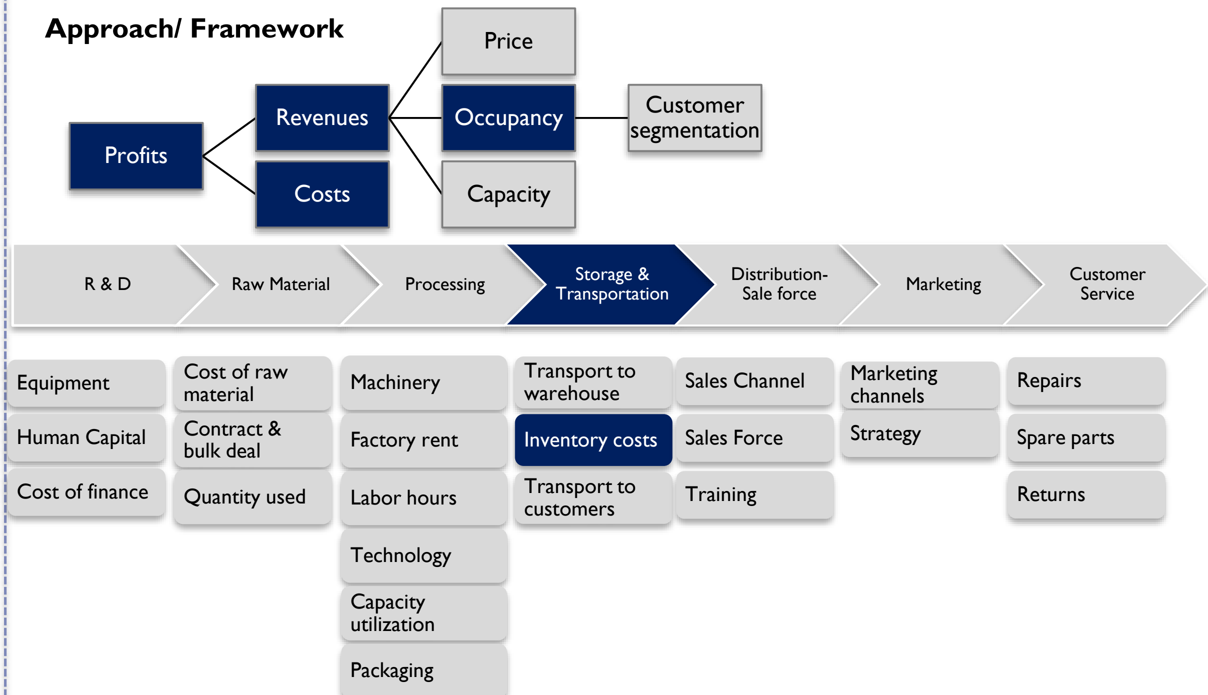
## Interviewee Notes

- Revenues have fallen and costs have risen
- Identify revenue components, problem area and subsequent recommendation
- Draw the cost value chain, identify the problematic segment
- Segment the specific cost further to identify cause and make recommendations

## Case Facts

- SpiceJet airways facing declining profitability. Not an industry wide trend
- Focus on airline business, domestic travel
- Problem across India and not restricted to a particular route
- New fleet purchased for niche routes

## Approach/ Framework




## Recommendations

- Revenues- rerouting, bundling, expediting marketing, re-analyzing customer segment
- Costs- Standardize fleet, hub & spoke, renting agreements, need based inventory procurement

## Observations / Suggestions

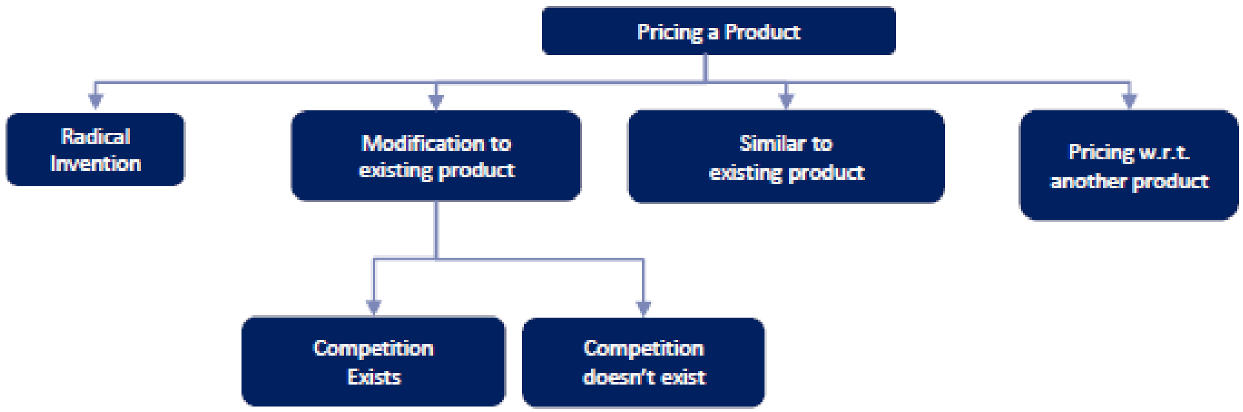
- Each cost component should be broken down into multiple cost levers to ensure that nothing is being missed out
- Revenue should also be appropriately split into its components given the airline travel industry

# Pricing

# Pricing – Overview

In a pricing case the objective is to determine a methodology for pricing of any product. The product could be a new invention, it could have other competitor products in the market etc. The student should determine the objective of the company, understand the product features and market environment and then apply a relevant methodology to price the product.

## Approach / Framework Overview




**Value-based Pricing / Price Skimming**

- Willingness to pay of buyers
- Opportunity cost of no product
- Supply vs. demand tradeoff

**Cost-plus pricing (Penetration Pricing)**

- R&D costs
- Manufacturing/Servicing costs
- Break-even costs, WACC

**Comparable / Parity Pricing**

- Existing product with similar features
- No similar product → NPV of substitute
- Supply/Demand trade-off

## Framework Summary

It is imperative to consider the objective of the company, since it directly affects the pricing strategy to be followed. Then the student should understand the product characteristics and the market environment to apply a prudent pricing methodology. In case the pricing needs to be done for an old product (rare scenario), the utility of the product w.r.t a new product and the depreciation/salvage value need to be taken into consideration.

## Tips

- A supply vs. demand tradeoff approximation is always helpful in such cases (best when demonstrated graphically)

## Key Questions

- Which industry are we talking about?
- What is the objective of the company?
- What are the product features?
- How big is the market? What is the target segment?
- Who is the customer in the supply chain (margin to stakeholders)

# Helicopter service – Interview Transcript

Your client is a Heli air service provider. How would you price this service? Is it a viable business?

Alright. First of all, I would like to understand what exactly is a Heli air service and where is the client planning to operate it?

Heli air service is a helicopter service for inter-city transport. The client is planning to operate it in Delhi. The service would be from the airport to two different ports at the two ends of the city

Are they operating anywhere else?

Yes, the client has operations in London, Paris and New York

Is there any specific reason for choosing India?

They are excited about the growth opportunities in India and feel that it is the right time to enter the market

Are there any existing players in the market?

No

Then our main competition is with existing services like cab or metro. How are we placed in comparison to these services?

What according to you are the advantages of the proposed service?

The major advantage would be in terms of time saved and the luxury and convenience

That's right. The travel time would reduce to half.

OK. Now coming to the pricing part there are 3 possible pricing strategies that we can look into

1) Cost based pricing
2) Competitor based pricing
3) Value based pricing

Since we do not have a direct competitor I would like to focus on cost based and value-based pricing. Is there a particular strategy that you would like me to start with?

Why don't we start with the costs? What are the major costs involved?

The cost can be divided into fixed and variable. One of the major fixed cost would be for the helicopter. Are we planning to buy a new helicopter, lease it or get it from another market where we currently operate? How many helicopters are we planning to get?

We plan to rent it and start with one helicopter.

Ok. Other fixed costs would be the airport charges, maintenance charges, salaries of the employees, insurance cost etc. The main variable cost would be the fuel cost. Do we have data about the costs?

The cost of renting the helicopter is Rs 16 Lakhs per month. Airport charges us Rs 2 Lakh per month while the salaries of the employees come out to be Rs 4 Lakhs per month. The other overheads are around Rs 1 Lakh per month. The helicopter uses 60 Litres per hour. The cost of the fuel is Rs 75/litre.

I would like to estimate the minimum amount that our client would need to charge in order to break even. Our fixed costs come out to be Rs 23 Lakhs per month. The cost of the fuel would depend on the number of trips that we would take in a day. Is there a fixed number of trips that we are

No, why don't you calculate the optimum amount

You mentioned that our heliair service would go to the two ends of the city. On taking a cab it would take around 2 hours to reach. The helicopter would cover the distance in 1 hour. Since we only have 1 helicopter we would need to alternate between the two ports. After completing 1 trip we would need to have a break both for the pilot and the helicopter. Thus, I would like to assume that we can complete the whole trip in 2.5 hours and be ready for the next one.

Go Ahead

We can complete 4 round trips per day. The helicopter would be in use for 8 hours. Thus, the cost comes out to be Rs 36,000 per day. How many days in a month are we planning to operate it?

25 days

Then the total cost would be Rs 9 Lakhs per month. Thus, in order to break even we would need at least Rs 32 Lakhs per month from the passengers. We have a total of 100 trips in a month. Can I assume the helicopter would accommodate around 4 people?

Yes

Even if we get 100% occupancy for all our flights we would need to charge the people Rs 8000 per trip just to break even which is a pretty high cost. I would like to do a sanity check in order to make sure that the number is in the right range. The only heli air service I know is for Vaishno Devi which costs around Rs 1100 for a 5 minute ride. Thus it would be around Rs 13,200 for 60 minutes however since the fixed costs don't change with increase in length of trip Rs 8000 seems to be a good estimate. This is in contrast to taking a cab would cost around Rs 800 thus they are paying 10 times the amount. In order for this to be a viable option their time should be worth at least Rs 7200 per hour. This is true only for the very rich people who can actually buy their own helicopter and would thus have no need for our service. Thus, I don't think that it is a viable business.

Well done

# Helicopter service

Your client is a Heli air service provider. How would you price this service? Is it a viable business?

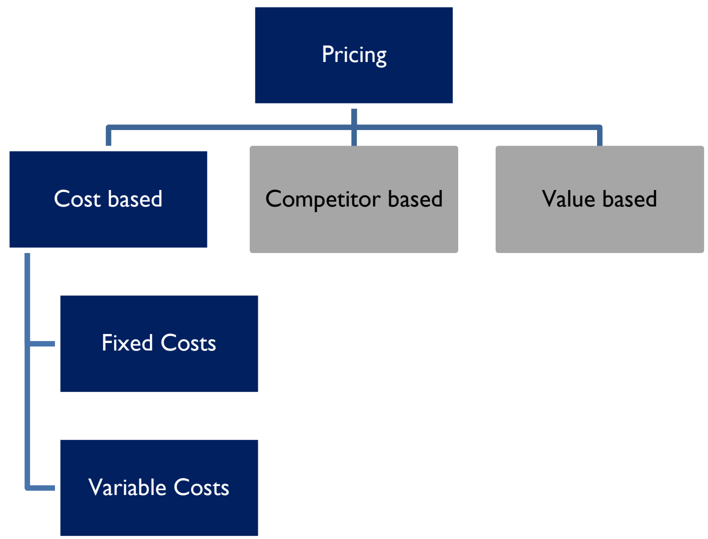
## Interviewee Notes

- First service of such kind thus there are no competitors
- Operating in Delhi
- 2 ports will be operated to the two different ends of the city
- Time would reduce to half

## Case Facts

- The cost of renting the helicopter is Rs 16 Lakhs per month.
- Airport charges us Rs 2 Lakh per month
- Salaries of the employees are Rs 4 Lakhs per month
- The other overheads are around Rs 1 Lakh per month
- The helicopter uses 60 Litres per hour. The cost of the fuel is Rs 75/litre

## Approach/ Framework




## Recommendations

- Understand the client's business and his expectations through clarifying questions before going on with the structure
- It is important to analyze all the possible pricing strategies. Here the service has a value-based price but the cost is so high that it becomes unviable
- Do sanity checks wherever possible

# Light bulb – Interview Transcript

Surya electrical company has invented a new bulb that never burns out. It could burn for more than 500 years and would never blink. The director of marketing calls you into her office and asks "How do you price this." What would you tell her?

Alright. So before we figure out the appropriate price for this new light bulb, I would like to ask a few questions about our company, this product, the potential customers and the competition.

Go ahead

What is the objective of the company regarding this product?

To gain as much profits as possible.

Ok. I would like to know more about the product now. Is this a completely new product or has our company/ any other company introduced something similar in the past?

No this is a completely new product that we have developed. ( the product is new: follow that branch)

In that case, is the product patented?

We have a patent pending, and no one else is trying anything similar.

Can you tell me if the product has any disadvantages? Does it use more energy? Or is it harmful to the customers in any way?

No it is safe product ready for the market. It also doesn't use more energy

I see. I was thinking we could either price the product at a price comparable with the competition or base it on the costs that we have incurred we can also look at the price the consumers might be willing to pay. Since you have mentioned there is no competition I shall rule that out and focus on what costs we have incurred for this.

Ok go on.

So how much have we spent on R&D for this?

₹120 Cr. for this light bulb.
For a conventional bulb it costs us 4 rupees to manufacture, we sell it to the distributor for 10 rupees, the distributor sells to the store owner for 14 rupees and he sells it to the customer for 18 rupees.
This light bulb costs ₹400 to manufacture.

Ok so if the manufacturing cost is 100 times, then accordingly the customer will have to pay ₹1,800 for one light bulb. On the up side this is a bulb that will never burn out, so say the people will buy it once for the next fifty years and are essentially paying for 100 bulbs that they would have used in the next 50 years. (considering a bulb change twice in a year)

**So? Will the customers agree?**

I do not think so. However we have spent ₹120 Cr. on the project and it is a very useful invention. Let us broaden the scope for the product a little and think more about the customers. I think various city councils are our customers too as they need to provide lighting for the streets and public places. There may be around 3000 street lamps and another 1000 bulbs at various stations, hospitals etc.

Ok, what are you proposing?

These customers incur an additional expense of maintenance and changing of the light bulbs and maintaining staff for it etc. If we can sell this product to them, they will save on these additional costs and will not have to worry about maintenance at all. Estimating that these bulbs are available for ₹500 to the city, upon which they need to pay labour charges of ₹200 each to two workers needed to change the bulb, it still costs them ₹900 per bulb, twice a year. We can have a mark-up over this and sell each bulb at ₹4,000 each. They would recover the amount in two years and we can use this price based costing to get a very good profit. It is important that we make a good profit on this product because for every sale of a new technology based bulb, we are losing the sales for 100 conventional bulbs.

Good point , thank you.

# Light bulb

Surya electrical company, has invented a new bulb that never burns out. It could burn for more than 500 years and would never blink. The director of marketing calls you into her office and asks "How do you price this." What would you tell her?

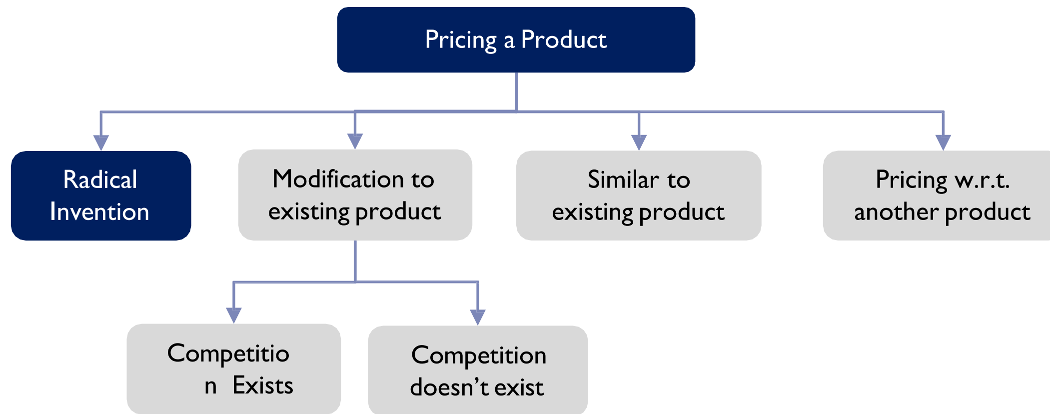
## Interviewee Notes

- New product in the market with a distinct longevity feature
- Other utilities are similar to a common bulb
- This is a modification to an existing product yet comes with an advantage that no bulb in the market has.
- The objective is to gain as much as possible

## Case Facts

- The invented light bulb lasts for 500 years
- No threat of competition in the near future
- R&D cost is ₹120 Cr.
- Conventional bulb costs ₹4 to manufacture
- The new bulb costs ₹400 to manufacture

## Approach/ Framework




## Recommendations

- Since the manufacturing cost is 100 times that of conventional bulb, customers would ideally have to pay ₹400 for us to recoup costs. This is improbable since customers would not shell out a huge amount for a bulb and the longevity benefits are difficult to be perceived by the average customer.
- However, this innovation can be useful for public places such as streets, stations, hospitals etc. where additional staff is required for maintenance. A long-life bulb in such areas would be extremely useful as maintenance costs would be largely reduced. Hence, such customers should be targeted for this product.

# Residential complex – Interview Transcript

Your client is an upcoming builder in Kolkata. He has recently built a housing complex and wants to figure out how to price the apartments. Help him decide a price.

I would like to ask a few clarifying questions before I begin. I want to understand a few things about the complex. What kind of a locality is it located in and how crowded is the market in that region?

The complex is on the outskirts of the city. It is an upcoming region which the client has managed to make headway into before any other builder.

Is there any specific reason for choosing this location?

There are a few offices coming up near by along with a metro project announced by the State Government connecting the area to the main city

This would be able to attract people working in these offices and people who are willing to travel in search of cheaper apartments. What are the number of apartments and buildings in the complex?

There are 10 buildings with 100 apartments each.

So 1000 apartments. Okay, Are these segmented into different categories? And if yes, what are the kind of amenities offered by each of the categories?

Assume all the apartments fall into the economy category and that the amenities are at par with the industry standard.

How much has the builder invested in this project and what is the gestation period he is comfortable with?

The builder has invested 250 crores and expects a 10-12 year gestation period

Okay, lastly what is the average size of a single apartment?

A single apartment is on average 2000 square feet.

All right. I will like to look at three kinds of pricing and then take a decision on which pricing method to go ahead with. I will look at cost based, competitor based and value based pricing.

That sounds reasonable, let's look at cost-based first in that case

Okay, So I have a few questions before I begin. I want to know about the expected profit margins and maintenance charges per flat, expected sale schedule and pricing strategy to be followed for different flats

Consider profit margins to be 10% of the cost incurred and maintenance charges to be payable annually and thus not included in the pricing of the apartment . The client is expecting to sell 20% of the flats every year in the next 5 years. Assume floor 1-5 to be priced 10% higher than 6-10.

Our price should be such that it should include the cost incurred by the client and the profit expected out of the project. Considering the profit to be 10% of the investment made in the project. The total expected revenue would be 280 crores. Expected Revenue = number of flats*price/square feet*square feet. Since some flats are to be priced higher than others, price/square feet for floor 1-5 would be 1467 and price/square feet for floor 6-10 would be 1333 INR. Since all the apartments would not be occupied in the first year, we can increase the price of the apartment in future years to account for growth, improvement in surroundings and inflation.

Okay, and what would be the questions you would consider with regard to the competitors?

I would find the competitors' prices and costs in the economy category to gauge their margins. Moreover, I would compare their offerings with ours to see if they offer more or less for unit price. I will then price the apartment basing competitor as the benchmark.

One to go now. What about value based costing?

Well proximity to Metro and office spaces certainly be a reason to add a premium to the competitor - based pricing I had discussed earlier, assuming the competitors don't offer this advantage. We can also look at proxies in other parts of the city to analyze the prizing strategy followed by builders. Therefore, I would price the apartments at a premium above the competitors' prices, with an overall constraint of keeping prices above or equal to the cost-based rate that was computed.

That's fair, What would you recommend in this case?

Since it is upcoming region and metro services are not being offered right now, so competition and value based pricing would not help us much and we should go with cost based pricing till the area is sufficiently developed.

# Residential complex

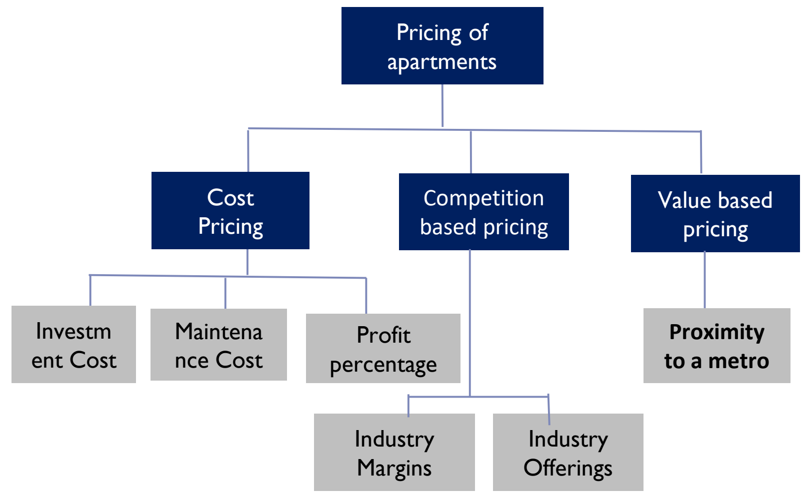
A builder has approached you to know the price at which he should sell the apartments in his newly developed housing complex in Kolkata

## Interviewee Notes

- No product differentiation as such
- First mover advantage
- Cost, competitor, value
- Regulatory concerns

## Case Facts

- 10 buildings x 100 apartments/ building = 1000 apartments
- Located on the outskirts of Kolkata
- 10-12 year gestation period
- Capex 250 crores




## Recommendations

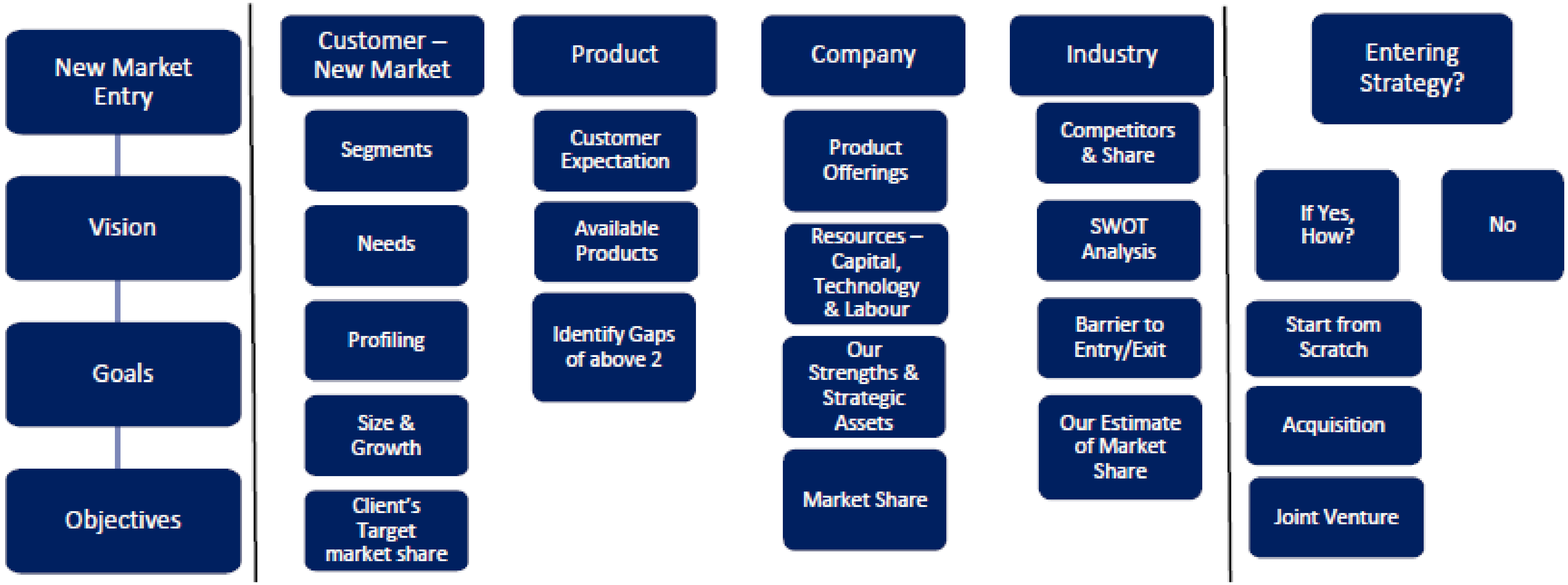
- Understand the client's business and his expectations through clarifying questions before going on with the structure
- Figure out a way to collate or coalesce the three prices found through the three methods

# Market entry

# New Market Entry – Overview

A market entry case (whether new product launch or entry into new geography or both) is hinged on two basic questions: Is it worthwhile entering the market (economically and strategically) and if yes, what would be the best way to enter the market.

## Approach / Framework Overview




## Framework Summary

Understand what the company 's objectives and expectations are. Does it make business sense for them/ Does it align with the overall firm strategy. Analyze the feasibility of market entry by considering 4 different buckets. Then recommend whether they should enter or not. If yes, how should they do it.

## Tips

- Not every aspect of the framework mentioned will be applicable to all cases. But try to cover as much as you can, so that you get a good idea of the industry and the client current status. It is very important to identify where the client would stand in the industry compared to the existing competitors and what measures should be taken to mitigate competitive edge of incumbent.

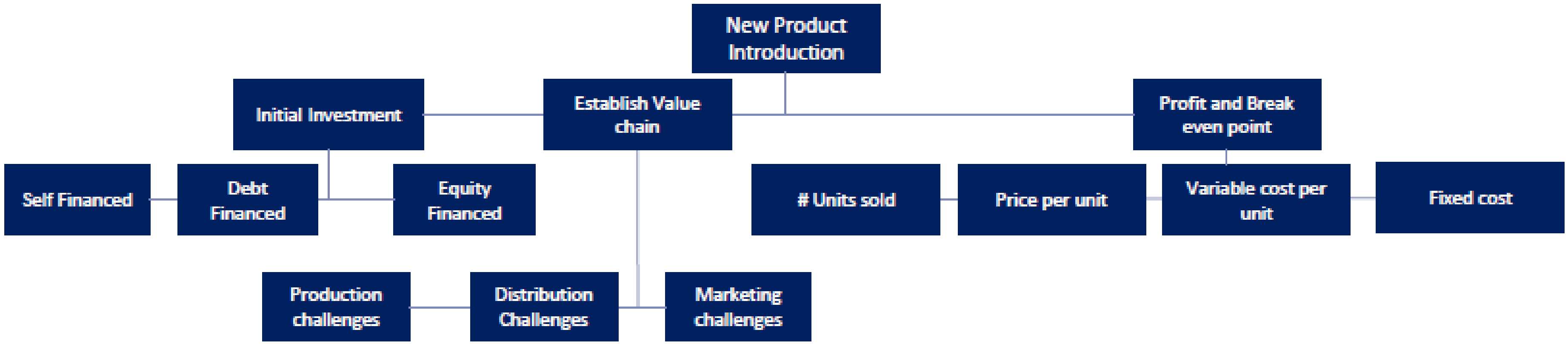
## Observations

- Most of the times interviewer will be satisfied if you analyze and suggest, whether to enter or not. But it is always good totake an extra mile by giving a high level plan on how to enter and capture the market

# New Product Launch – Overview *(subset of market entry)*

In a new product entry case, a company is likely to aim for introducing a completely new product in a market or expand its existing product's reach in a new geography. A interviewee is expected to first align on the product's viability to succeed in the market followed by identifying the correct price point and target market and finally recommend levers that can drive product success in the market

## Approach / Framework Overview




## Framework Summary

A company can either introduce a product in a market where it has no presence or can extend product line in its current market. Launching a product in a market with no presence pose not only operational challenges but viability of product's success in the market also needs to be explored. Extending the product line in current market may require looking into cannibalization while doing a feasibility check of product in the market and how the current value chain can be leveraged in making the product available to its customers.

## Tips

- Clarify objective, especially focus area of a new product entry case
- New product entry cases might involved multiple issues linked to it and hence both depth and the breadth needs to be covered for exhaustiveness

## Key Questions

- What is the purpose of the new product introduction –capture increased market share, entry into a new business line, profits, build brand?
- How big is the market for the product? Any barriers to entry? How does the competitive landscape look like?
- Segments in the target population?
- Initial investment? Expected payback period?
- What is the price at which the product can be introduced?

# Retail bank portfolio management – Interview Transcript

Your client is a retail bank looking into entering high net worth individual's portfolio management. You have been approached by the client to understand how to go about it.

Could you give me some additional information regarding the case. What are the primary objectives for entering in this segment?

The client believes that profitability in retail banking is stagnant and it might see a decline in the years to come. The current nascent market of HNI portfolio management is expected to grow substantially in the coming years.

Okay, so am I right if I say that the client wishes to reduce its dependency on retail banking by foraying into different services and HNI happens to be your service of choice?

Yes, you are correct. Currently, we just need recommendations on how to go about venturing into this particular segment i.e. HNI portfolio management

Okay, so first coming to the nature of the client, I'd like to understand the segment and geography our client operates in. For example, what kind of customer base does our client cater to and the geography in which it operates? Also, something regarding the bank's position in the market would be helpful.

Our client primarily deals with the middle and high income group segment. It has a fairly large Corporate banking division in place too. It is a pan-India bank but has a large concentration in Tier-1 and Tier-2 cities.
The bank has a firm position in the market and is one of the most preferred banks among the customers.

Alright, so now that I have a fair idea about the client's operations, I would like to know a little about HNI Portfolio Management. So, what does it exactly mean and how is it different from Retail or Corporate Banking?

Retail banking is typical mass-market banking and offered by most banks that we see around us. Eg. SBI, HDFC Bank. Local branches of large commercial banks deal directly with retail consumers. The Corporate banking division deals with corporate customers. HNI portfolio management is a wider category that involves dealing with high net worth individuals and helping them manage their wealth through unique and customized offerings.

Alright, understood. But before I delve further into this case, I'd like to know the time duration that our client is targeting to move into this segment?

The client wishes to enter the segment as soon as possible.

Alright. So given that the client wants to lose no time in entering this market, is the client interested in doing so through acquisition of some kind of boutique firm already operating in the space? This would substantially reduce the time required for building the capabilities.

Umm, no. Our client would like to build the division by itself.

Alright, perfect. So let me now analyze how HNI Portfolio Management differs vis-à-vis Retail & Corporate Banking.

Sure. Go ahead.

Unlike retail customers, HNIs have a huge investible surplus, usually >1 cr. on which they seek greater-than-market returns. This requires active trading and fund management from specialized professionals. HNIs also demand for dedicated personalized service such as Tax advisory, Inheritance planning etc. The key differentiator in this segment would be the quality of service and the uniqueness in offerings.

Okay, that's correct. So how do you suggest we tap this segment?

The most logical thing to do would be to approach individuals we already provide services to, directly or indirectly. These would primarily be the Owners, Promoters, Directors and Top Management of companies which our Corporate Banking division deals with. They would further give us access to the accounts of Trusts and Associations they are part of.
Also, since HNIs are a close-knit community, we could ask them to inform others of our services.

Okay, that sounds like a good idea. What other inter department synergies do you see?

Like the Corporate Banking division could prove useful in acquisition of clients, the Retail Banking division could help in provision of services like stock broking, trading etc.

Good. So what resources do you think we'd primarily need to get going?

A few legal and regulatory experts would be required in the initial phase.
We'd need professionals (fund managers, traders etc.) with a good track record and recruits from top institutes for getting HNIs to place trust in our services. Unlike retail banking, employee salaries would form a large portion of our costs.

I think we can stop here. Thanks a lot for your time.

# Retail bank portfolio management

Your client is a retail bank looking into entering high net individual's portfolio management. You have been approached by the client to understand how to go about it.

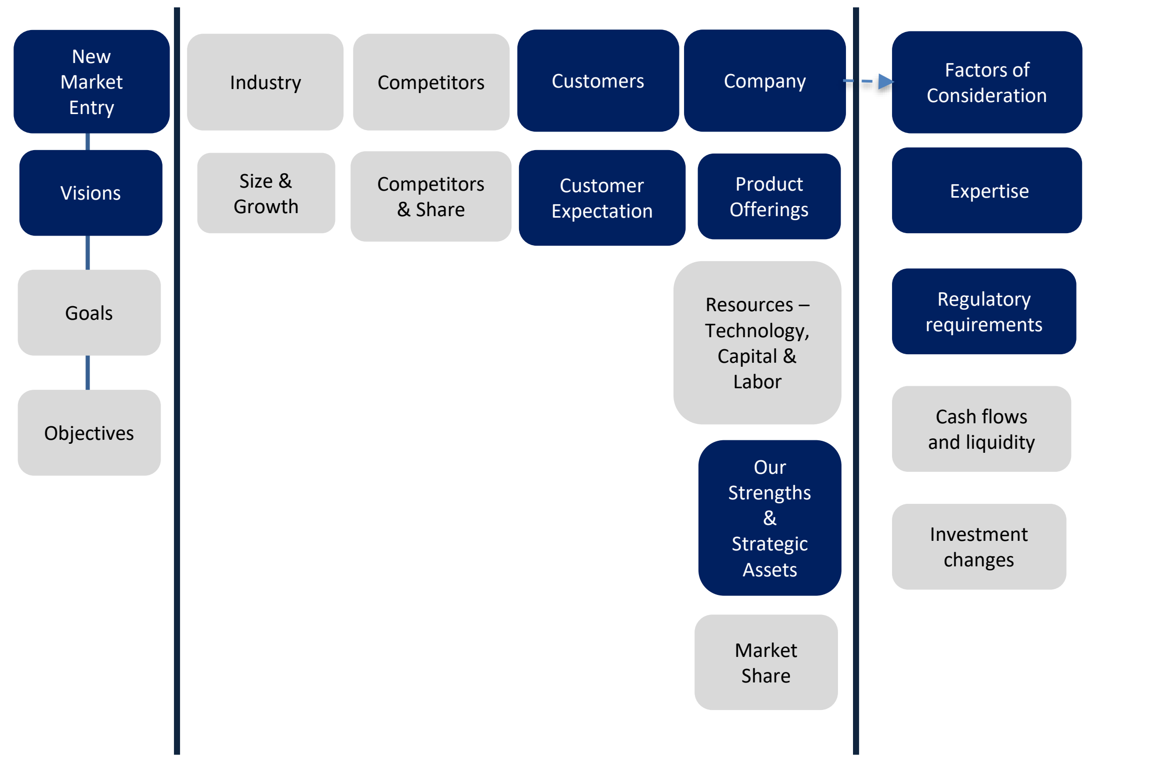
## Interviewee Notes

- Understand the vision/objective of entering the new market
- Determine the possible differences in processes and systems required in the two functions.
- Analyse how to use current strengths (industry presence)/resources (sales people) to expand into the new market
- Identify potential problems/barriers that company may face while entry
- 

## Case Facts

- Client is a major retail bank having a firm position in the banking sector
- The industry has been found attractive

## Approach/ Framework




## Recommendations

- The client should bring in legal and regulatory experts and experienced professionals who has managed HNI portfolios before.
- The client should leverage the current position of bank and try to take benefit of the possible synergies among its various divisions. It should take help of existing customers and target potential customers.
- Banking being a highly regulated sector, the client should ensure that all the regulatory requirements have been adhered to.

## Observations / Suggestions

- The candidate could've dwelled a bit more into the implementation which would have added more value to his arguments.

# HBS Satellite campus – Interview Transcript

HBS wants to set up a new satellite campus in India. They want to your advice about the proposal.

What is the primary objective of the school in setting up the new campus?

The mission of HBS is to educate leaders who make a difference in the world. They want to increase their impact.

So is it safe to assume that the target audience would be young Indians?

Actually that is a bad assumption. It so happens that HBS wants this campus to be International like the one in Boston. Having said that, the college does expect the proportion of Indians in the batch to increase.

The motivation would be to expand their current capacity of the program in that case? And also what is the timeline they are aiming to set up the campus?

That is correct and they want to set it up in 5 years.

To evaluate the market entry, I would want to look at aspects under the three major heads: opportunity analysis, feasibility and viability. In Opportunity analysis, I would look at the market size and the market share that we can capture. In the feasibility, I would analyse the barriers to entry and analyse the feasibility of setting up the value chain. In viability, I would analyse if it would make economic sense in the long run and also see for any risks.
To do this, I would look at the current demand for the HBS course and would use that to estimate the demand for the new campus. As far as I know, I believe top US schools like HBS receive around 10k applications every year for their MBA program. Those would automatically be our target market. However, I believe a proportion of them would not be interested in studying at the Indian campus due to preference for the US market. Do we have some data about their preferences?

That is a good approach. Let us assume that 50% of the applicants are interested in studying at the Indian campus as well. Can you estimate the rough size? Ignore affordability as a concern for now.

I just want to add that I would also want to look at the additional Indian students that we can capture because of the lower cost of this program vis-à-vis the Boston one.
I will use the CAT enrollments as a proxy for estimating the demand. So around 2 lakh students apply for CAT to do their MBA. Let us assume 1% would meet the HBS criteria, i.e. 2000 students. This means that the market is significant. However, the competition is another factor that I would want to look at. Can you give me some information about the competitive scenario?

The satellite campus would face competition from primarily two sources: one would be the global schools setting up campus in India. Currently, that is not a potent threat. The other is from IIMs and ISB.

I believe HBS would have an edge over Indian schools as the global exposure and the brand value that it would offer would give it a clear competitive advantage.
However, I would like to look at feasibility. The factors that I would look are the regulatory barriers and the feasibility of establishing the value chain. For that, I would want to know if there are any regulatory restrictions in India?

The regulations in India prevent any institution that is not AICTE approved from giving a degree. Compliance with AICTE guidelines would dilute the HBS curriculum.

In that case HBS would not go for the AICTE approval. It wouldn't be able to offer a degree. But I don't think that will be a constraint. ISB has a similar model and is successful. The other factor would be the ability to set up the value chain. The key facets would be the teachers & land for the campus. Initially, teachers might need to travel from parent campus. The rent for the campus would be a challenge and would increase costs.

Good. What else do you want to look at?

I would next look at viability. In terms of financial viability, I am assuming pricing will remain same as the parent campus to maintain parity. However, the additional cost due to the land and teacher travel would drive up the costs. Additionally, there would be risks due to the lack of acceptance of India as a study destination among International students. Hence, I will suggest against the proposal.

Thanks. That would be all.

Thank you. It was a pleasure interacting with you.

# HBS Satellite campus

HBS wants to set up a new satellite campus in India. They want to your advice about the proposal.

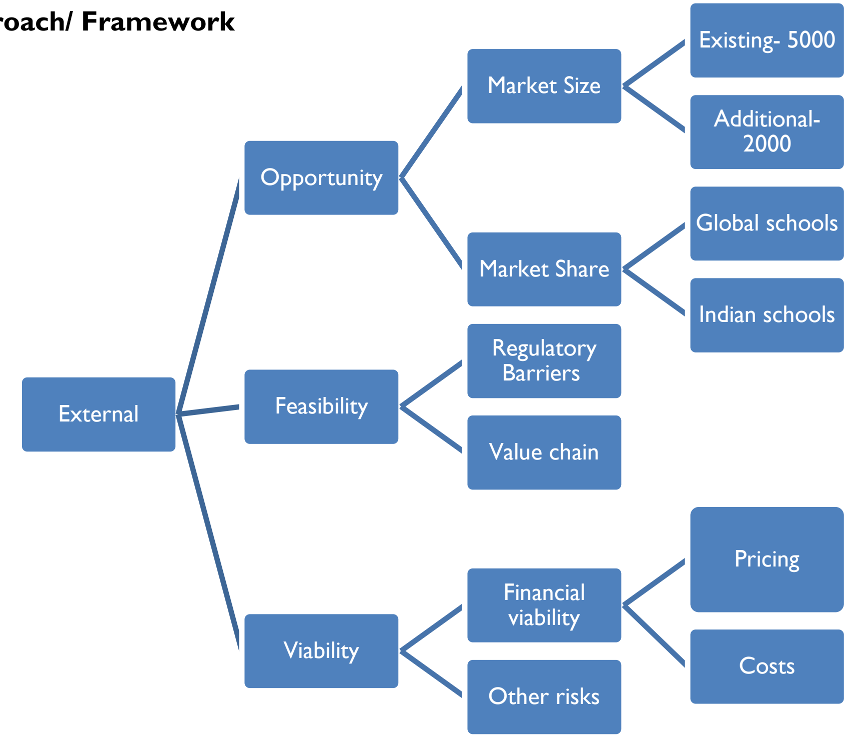
### Interviewee Notes

- Objective: Expand capacity of MBA program (400)
- Timeline: 5 years
- 10k applications
- CAT benchmark

### Case Facts

- 50% interested in studying in India
- AICTE approval

### Approach/ Framework




### Recommendations

- Should not go ahead with the satellite campus.
- Serious concerns about the viability of the operations considering the high costs and also uncertainty of regulations.

### Observations / Suggestions

- The interview was designed to judge how quickly could the candidate move through layers of this case and structure the problem. The case required taking some assumptions and quick thinking. It is best to not lose sight of the structure in quest for creativity and that is what the candidate achieved in this case.

# Magazine Publisher – Interview Transcript

Your client is a major magazine publisher based in the US. It is considering the idea of launching a new lifestyle magazine targeted to wealthy males. Diagnose and recommend if he should go ahead with this idea.

I would like to ask a few clarifying questions before I begin. I want to understand a few things about the publisher. What is his current product portfolio and how successful are they in the market?

The publisher has two other magazines- one on personal finance and the other on women empowerment. Both the products are the leaders in their categories.

In that case, what is the objective of launching a new product from scratch? Why doesn't the publisher simple want to work on growing the existing portfolio itself?

The market for those two products has saturated by now. There isn't much scope for further expansion.

Okay. And what are the target figures for this magazine in terms of volume and profit?

The publisher hopes to increase his bottom line by $10 Million through this new launch over a reasonable period.

I would like to know a little about the competition as well to gauge how difficult it would be to capture the market.

Through a survey we found out that we would be able to capture 5% of the target population, if we launch the magazine at this time.

Okay. I think I have enough information. Can I go on and do a market sizing for this launch?

Sure.

For the market sizing, can I know the price at which this magazine is going to be sold? And if there are different channels or models that the company employs?

The company offers a subscription model for $3 per copy for a year and sells copies for $5 through retail shops. You can assume a 50-50 split between these two.

Okay. I would first divide the total male population of the US into different age groups and look at the likely percentage of people who would be willing and able to buy our magazine, within each age group. I would further multiply this by 5%, since through our survey we know this is what we'll be able to capture. Lastly, I would multiply this figure with the frequency of purchase to get the total number of copies sold. 50% of these would be sold at $3 and the rest at $4. Multiplying these prices in 50-50 weights will give me the final revenue figure.

That sounds good to me. Do you have any other things you would want the publisher to keep in mind?

There are three major issues that need to be kept in mind:

1) Given this revenues and our costs, we should check if our profits are touching the $10 Million target.
2) There's a chance that this magazine might cannibalise the sales of our personal finance magazine. If that is the case, this launch may not be a very good idea since we wouldn't want to dilute an existing high performer.
3) It would be important to identify if any synergies can be utilised while producing this magazine with the existing portfolio. These economies of scope can go on to reduce costs significantly

Thank you, that would be all.

# Magazine Publisher

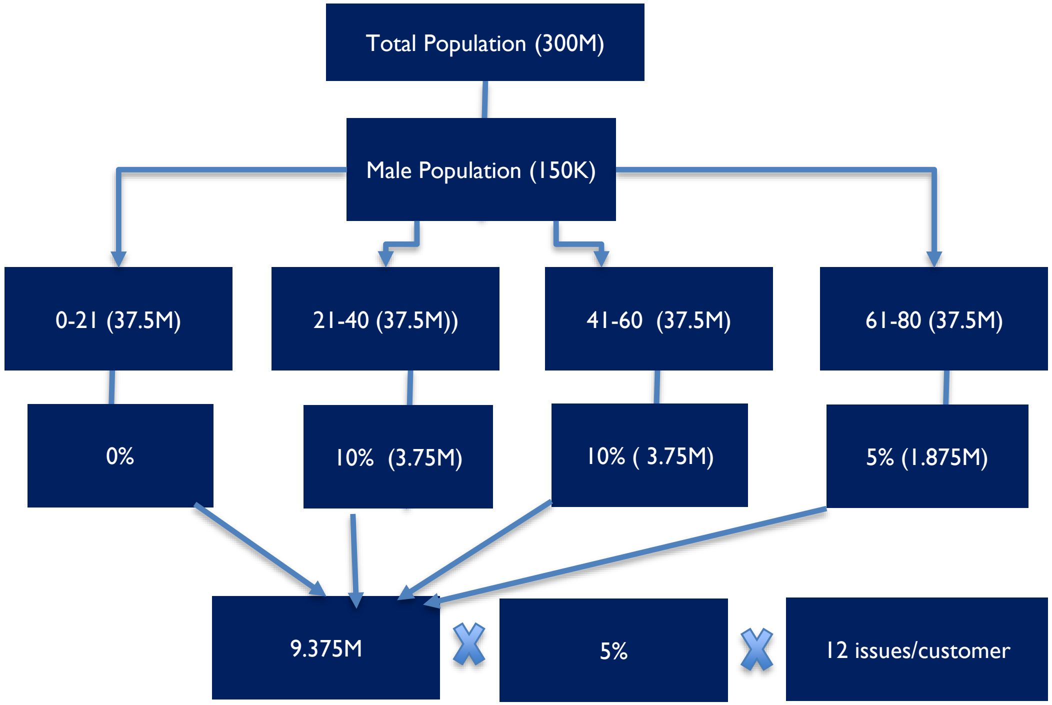
A magazine publisher wants to know if he should launch a new lifestyle magazine targeted to wealthy males in the U.S.

### Interviewee Notes

- Assume a population of 300 Million
- Assume 50% males in the population
- Assume equal spread across different age categories

### Case Facts

- Will capture 5% of the market
- Wants $10 Million profit
- 50% sold at $3 per copy, 50% at $5 per copy




### Observations / Suggestions

- It is very important to understand the goals and motivations of a client in doing something or in this case, launching a new product.
- The strength of your solution lies to a large part to the insights you can show through your recommendations.

# Insurance company – Interview Transcript

A foreign insurance company has observed very low penetration of home insurance in the Indian market. It already has its presence in the health insurance and life insurance segment in the Indian market. It is planning to enter the home insurance category. You have to build a go to market strategy for the client.

Could you give me some additional information regarding the case. What are the primary objectives for entering the home insurance segment?

The client believes that there's a real-estate boom happening across India, and hence a potential market which is expected to grow substantially in the coming years.

Okay, so they're concentrating on the growth of the housing market. What products are they planning to sell in this segment?

Their home insurance products would not only be limited to new houses but would also be relevant for renovation of existing houses.

So ideally we'll be looking at not only people who own houses, but also people who are planning to buy new homes. Can you tell me a bit more about the current competition in this segment?

There is low penetration; not many companies have ventured into this segment.

That's great. So we don't have to fight competitors to grow our share. We can build our customer base from scratch. Can you tell me what kind of clients are we planning to sell our products to?

The company hasn't decided this yet and would like to know your thoughts on this.

I would start by segmenting the Indian population in terms of their income groups in the rural and urban market. Since the company wants to enter the home-insurance market, initially, it can ignore the rural population since home ownership among this population is low. In terms of the urban population, I would segment this market according to income groups.

That's right. What segment should the clients target?

Very few people in the low-income segment would would own a house, whereas for a middle-class person, buying a house is a dream. So there would be a large portion of the population in this segment who would be thinking about purchasing a house. Also, the individuals in this segment are more risk-averse, and would want to protect their house with insurance. People in the high-income segment would also be interested in our products. Therefore, the client should target the middle-income and high-income groups.

(The interviewer questioned the assumptions for each segment)
Moving on, assume that the client has decided to enter this market. How would you roll-out the products to their intended customers?

As the client is already present in the life and health insurance segment, it would have insurance agents on the ground. So, my first move would be to educate the agents about our products through training programs in main cities in the first couple of months. Initially, we can go ahead with the existing agents then over the period we would look to hire specialized agents.

Training the sales people is good, but how would that ensure that customers buy these products if they aren't interested in them in the first place?

If the penetration of home insurance is low then either the people don't know or trust these products. So, we need to educate them about the importance of getting their home insured. We will reach out to these customers through home builders and contractors. We can also tie-up with banks, who can inform clients about home insurance while giving out home loans.

Okay. Do you see any other roadblocks or pitfalls of your roll-out plan?

The roll-out would be slow and gradual. Since our current sales force is trained to sell health & life insurance products, they would need training regarding the home insurance products. Also since we are educating the masses, then we are also educating them for the competitors. So even if the competitors have marginally better prices, then people would go for them as people in this segment would be price sensitive.

What analysis can you do, that would help the CEO to take much more decisive action.

We can do the "customer lifetime value analysis" by taking into account their acquisition cost and the revenue earned per customer over their lifetime. This will give an indication to CEO if this is segment is worth entering.

We could have also explored the option of acquiring any existing player.

I think we can stop here. Thanks a lot for your time. I liked the way you approached the case.

# Insurance company

A foreign insurance company has observed very low penetration of home insurance in the Indian market. It already has its presence in the health insurance and life insurance segment in the Indian market. It is planning to enter the home insurance category. You have to build a go to market strategy for the client.

## Interviewee Notes

- Understand the vision/objective of entering the new market
- Determine Target Segment; based on this try to determine how to plan for a successful product offering using the 4 P's of marketing: Price, Product, Promotion, and Place
- Analyse how to use current strengths (industry presence)/resources (sales people) to expand into the new market
- Identify potential problems/barriers that company may face while entry

## Case Facts

- Client is a foreign insurance company, and is already present in the health and life insurance segment in the Indian market
- Low penetration in the home insurance segment

## Approach/ Framework

- New Market Entry
  - Visions
  - Goals
  - Objectives
- Customer – New Market
  - Segments
  - Needs
  - Profiling
  - Size & Growth
  - Target Markets Share
- Product
  - Customer Expectation
  - Available Products
  - Identify gaps of above 2
- Company
  - Product Offerings
  - Resources – Technology, Capital & Labor
  - Our Strengths & Strategic Assets
  - Market Share
- Industry
  - Competitors & Share
  - SWOT Analysis
  - Barriers to Entry/Exit
  - Our Estimate of Market Share
- Entering Strategy
  - If yes, how?
    - Start from Scratch
    - Joint Venture
    - Acquisition
  - No

## Recommendations

- The client should enter the home-insurance segment
- They are already present in the health and life insurance segments, and can leverage their existing salesforce to introduce home insurance products to their clients
- Real-estate industry projected to grow; home products cover both new and existing houses, making the Urban Middle and High-income group preferred target segment
- Training their sales people & customers, developing a specialized sales team & collaborating with builders & banks is essential to the successful rollout of home-insurance

## Observations / Suggestions

- The candidate could've dwelled a bit more into the implementation which would have added more value to his arguments.

# Electric buses – Interview Transcript

The client is an international manufacturer of Electric Buses and has a substantial presence in the European market. The client is impressed by the initiatives taken by the Government of India (GoI) to promote the usage of Electric Vehicles (EVs). You have been hired to find out if the client should introduce these buses in India.

I would like to confirm if I have understood all the critical aspects of the client's situation. Our client is an electric bus manufacturer who has a substantial presence in other markets, so I am assuming that their buses are beyond the technical feasibility stage and are complaint with the stringent European environment laws. We need to see if this product can be feasibly launched in India and evaluate the market characteristics to analyze if this would be a good move.

That's correct. The client does not face any regulatory barriers to entry in India. You've understood the situation well, how do you propose going about the solution?

Since this is a new product in a new market, I would like to structure my discussion around the product characteristics (development and customization) for the Indian market. If the introduction of the product is feasible, I'll move on to the launch (competition, challenges, distribution and promotion) part of the case.

This sounds fine to me.

To start with, can you tell me something more about these electric buses? How are they different from traditional fuel-based buses?

There are quite a lot of differences between these buses, but to help you out, I'll point out a few major ones – the major difference is that these buses produce less than 90% greenhouse gases as compared to traditional buses. These buses also run on electric batteries, which means that these buses can run 150-200kms on one charge.

That is good. It gives us the advantage to position our product as an environmentally-friendly alternative that can be used for an extended period of time. I would also like to understand how has our client priced these buses in their existing markets.

They are selling these buses at approx. 1.6 times the price of fuel-based buses; however due to the presence of heavy environment taxes, many companies prefer to buy these buses in the long-run.

That might be a problem for us. Since these are short-to-medium distance buses, they would be used mostly for intra-city travel, and private/public bus-operators won't accept a more costly option until they don't have a similar incentive.

That's a fair point. Assume that the government is providing a 5-year tax holiday to companies investing in the electric vehicle industry and would give special tax breaks to private operators who promote environmentally-friendly buses.

Ok, this means that our major target customers – both in the public and private sector - are receptive to the product. Can you also tell me if there are existing EV bus operators in India?

No, the client would be the first-company to introduce such buses.

That does play for and against us. Its good for us since we would have the first mover advantage and will be able to capture more market, but it might play against us because the infrastructure required to support these buses may not be present and awareness of the EV buses might be low. Can you also tell me what is their target region or cities in India?

Assume that the company will initially operate only within Ahmedabad, and has the capital and resources for this. Given this information, can you suggest some company and market specific strengths and possible problems that the company might face.

(draws and discusses SWOT table) To summarize, the company has the requisite experience to manufacture and customize these buses, and the environment-friendly policies of the government, and the associated financial incentives, are a good reason to expand into India. The growing urbanization in India, and the large population that uses public transport, also justify the need for a product that can meet demand without compromising the environment. However, there are certain major problems/barriers as well – oil is currently at its lowest price in over a decade, which may make it difficult to convince operators to switch to these electric buses. Also, the high-price of these buses, the lack of charging infrastructure and operability for a short distance (before being put to charge again) are some other problems that the company might face. One other major problem that I foresee is that tenders in the public sector are often offered to lowest-bidders, and if the client can't match the prices of its competitors, then it won't get business from the public sector companies operating in the transport sector.

Ok, that sounds like a detailed analysis. Based on this, what is your recommendation?

My final recommendation would be not to introduce these buses in India since current industry landscape and market conditions are not favorable for such a move. However, in the near future, once the government policies become more supportive and the market conditions change to favour EVs, the company may reconsider its position on entering the market

Very good. Thank you.

# Electric buses

The client is an international manufacturer of Electric Buses and has a substantial presence in the European market. The client is impressed by the initiatives taken by the Government of India (GoI) to promote the usage of Electric Vehicles (EVs). You have been hired to find out if the client should introduce these buses in India.

## Interviewee Notes

- Customers – Target customers may be receptive of the Electric buses due to financial incentives promised by government
- Competitors – There are no other direct competitors – first mover advantage but that means proper infrastructure to support these buses is also missing
- Industry – Lowest prices of oil in over a decade; tenders often offered to lowest-bidders in public/transport industry

## Case Facts

- Client is a manufacturer of Electric Buses and has a substantial presence in Europe – product is beyond technical feasibility stage
- These buses produce less than 90% greenhouse gases as compared to traditional buses
- Buses run 150-200km on one charge
- Client is currently selling buses at approx. 1.6 times the price of fuel-based buses

## Approach/ Framework

- New Market Entry
  - Visions
  - Goals
  - Objectives
- Customer – New Market
  - Segments
  - Needs
  - Profiling
  - Size & Growth
  - Target Markets Share
- Product
  - Customer Expectation
  - Available Products
  - Identify gaps of above 2
- Company
  - Product Offerings
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  - Barriers to Entry/Exit
  - Our Estimate of Market Share
- Entering Strategy
  - If yes, how?
    - Start from Scratch
    - Joint Venture
    - Acquisition
  - No

| Strengths | Weaknesses | Opportunities | Threats |
|---|---|---|---|
| Technical Expertise / First mover advantage | Lack of charging infrastructure | Large population using public transport | Other Foreign/ Domestic Players |
| Saving on Fossil Fuel costs / pollution | High Price of Electric Buses | Increased Urbanization and Acceptance of EV/Buses | Growth of other Public Transport solutions |
| Government Policies | Short-Medium distance use only | BRTS Infrastructure | Global Crude Prices – all time low |

## Recommendations

- The client should not enter the Electric Bus market
- While the government has introduced various incentives to promote these vehicles, the current business environment and market conditions don't support entering into India
- In the near future, once the government policies become more supportive and the market conditions change to favour EVs, the company may reconsider its position on entering the market

# Kids entertainment channel – Interview Transcript

Your client is a US based media company. It is planning to launch a new channel for the Indian market. You have been approached by the client to help understand how to go about it.

I would like to ask a few clarifying questions to understand a few things about the company. What is its current product portfolio and how successful is it in the US market?

The company has five very successful channels in US - one each in sports, movies and three in kids' entertainment segment. All are ranked in the top 3 in their respective category.

Could you help me understand the primary objectives for entering the Indian market?

We want to enter with an English kids' entertainment channel as we see immense potential in the Indian market. We want to quickly grab market share in this segment within a few years. That's enough information. I would like you to proceed with the case.

I would first like to look at the opportunity in the Indian market by analyzing the market size and the existing players to see if we can design a competitive product offering to capture some share in the kids' entertainment segment. I would then look at the feasibility of our designed channel package and incorporate any changes if need be after analyzing its viability.

Sure, that sounds good. You may begin the opportunity analysis by quickly identifying whether we should target rural or urban children.

I believe it would be better to initially focus on urban children for two reasons. Firstly, to capture significant market share quickly in a new market, we would need to engage in heavy promotions and urban children are more exposed to promotions and advertisements than rural children, making them easier to capture. Secondly, since we plan to launch the channel in English language, urban children is a better segment since penetration of English language as well as of English medium schools in rural India is not very high. Do you want me to carry a market size estimation for the same?

No. You can skip that for now. Focus on the channel package design.

Who are the major players in this segment in the Indian market and what are their offerings?

There are three major players who have been around for almost a decade. All three are from US production houses and telecast the same shows that they produce for their US market which are quite similar to our US based channel's shows.

We need to come up with something different and unique if we want to capture market share rapidly from these established players. We can come up with India specific content if we have the resources

Do not bother about resources at this stage. What kind of content do you think we can come up with?

We can produce something on the lines of Indian mythological stories and Indian fables that have long been passed from generation to generation through bedtime stories. Other than Ramayana, Mahabharata none of these stories have been converted to visual content. We can consider exploring this opportunity and couple it with select popular shows from our US based channel.

This sounds good. Can you now help me understand whether this is doable and how would you go about it?

Sure. Coming to the feasibility analysis, pre-entry we need to look at the barriers. Do we have any legal or any other barriers or resource constraints?

No there aren't any barriers to our entry and we are willing to invest sufficient capital. Let us discuss the entry strategy

Entering by acquiring one of the large players is not an option since there is content design mismatch. Also, since they are well established and doing well, chances of them wanting to sell out are less. Starting from scratch would require a significant amount of time to set up since we are entering an unexplored genre. This can be made easier if we can collaborate with one of the Indian theatre groups that specialize in mythological scripts. We can then use our own production expertise and rely on them for content creation. This can either be a joint venture or simply outsourcing of content generation.

Okay, what else do you need to look at?

Post entry we need to look at distribution and sales and marketing efforts. We can either be a part of the basic package offered by DTH operators or as stand-alone subscription. Being a part of the basic package is preferable at the initial stage to increase penetration.

But there's a problem. The basic package of all DTH operators already have the 3 major kids entertainment channels on offer. Why would any operator want an additional channel to share revenue with?

This is where the uniqueness of our content can be marketed. Since our shows will be very different from existing players, I am sure we have an appealing offering for the operators. Besides if we invest heavily in our marketing efforts, by collaborating with Mc Donald's, stationary manufacturers etc. to reach the kids, then the demand generated itself will incentivize the operators to include our channel.

I think we can stop here. Well done.

# Kids entertainment channel

Your client is a US based media company. It is planning to launch a new channel for the Indian market. You have been approached by the client to help understand how to go about it.

## Interviewee Notes

- Understand the objective – Targeted share
- Obtain details about existing/planned product offerings
- Estimate the target market size and identify the specific customer segment
- Identify potential barriers or constraints and see how they can be tackled
- Design the value chain taking into consideration the entry strategy chosen and barriers identified.
- Check to see if the business is economically viable
- Evaluate the risks involved

## Case Facts

- Client is US based media company.
- Plans to enter Indian market with a kids' entertainment channel.
- Currently has 5 channels, of which 3 are kids' entertainment.
- Competitors – 3 major US based channels – Standard content

## Approach/ Framework

### Opportunity

**Current Market**
- Market Size
- Target market share /position
- Customer Segment

**Competitors**
- Major players
- Market share/position
- Resources
- Strengths and weaknesses
- Response to entry

**Product**
- Existing product
- USP
- Advantages-disadvantages
- Substitutes
- Pricing

### Feasibility

**Pre-Entry considerations**
- Legal/Political barriers
- Technological barriers
- Capital constraints
- Environmental barriers
- Strategic barriers
- Prior experience

**Entry Strategies**
- Acquisition
- Joint Venture
- Start from scratch

**Value chain setup**
- Production/set-up
- Distribution
- Sales and Marketing

### Viability

**Economic Sense**
- Funds/Resources/Revenue
- Timeframe

**Post Entry Risks**
- Cannibalization
- New competitor threat
- Changing regulation threat
- Acceptance threat

## Recommendations

- Target segment : Focus on children from urban areas
- Content design : Design Indian specific content, it can revolve around Indian mythological stories/ bedtimes fables
- Entry strategy : A collaboration or outsourcing partnership with some Indian theatre group specializing in mythological scripts can be set up for content generation
- Distribution : The channel can be included as part of the basic package of DTH operators in initial years to increase penetration
- Marketing : Collaboration can be established with Mc donalds, Chips and biscuit companies and stationary manufacturers to print/ distribute free merchandise related to characters on the channels shows to increase visibility

# Retirement benefits policy – Interview Transcript

A new retirements benefits policy has been introduced whereby every employee makes a contribution ranging from ₹5000 to ₹20000. The savings grow tax free till the employee retires. We have been approached by a client that runs a large mutual fund to help answer the following questions: Is this a big opportunity? What are the various possibilities and challenges they would face?

I'd like to explore three broad areas to answer the first question – the dynamics of the mutual fund industry, the additional earnings that we will make in leveraging this opportunity and any regulatory or exogenous factors affecting the mutual fund industry due to the change to existing policy.
First, can you tell me more about the size and dynamics of the mutual fund industry?

Sure. As you may be familiar, mutual fund companies solicit investments from individuals, retirement accounts of various firms, etc. They then invest these monies to create and manage a well-diversified portfolio for a management fee. From the investors' perspective, the creation of such a portfolio minimizes the risk.

Got it. How big is this industry?

There are a large number of players in the industry, and the total assets under management would be running into trillions.

Do we know approximately how much new money enters the industry each year? This might help me gauge whether or not the new policy will be a big opportunity for the industry.

Based on our internal studied and analysis, last year approximately ₹5 trillion was new money or addition to assets under management in the mutual fund industry.

Okay. Is it safe to assume that only the people working in the organised sector shall be benefitting from this policy?

Yes, the policy shall be valid only for employees in the organised sector.

Okay, let me now move to gauging the incremental savings that is likely to enter the investment pool. I shall make some assumptions, please stop me if any of them are unrealistic. My goal is to size the number of people working in the organised sector in India, as they shall be paying the premium amount for this policy.
I shall assume that individuals between the ages 18 and 60 are eligible to be employed. I shall assume the life expectancy in India to be 70 years, with the population distributed uniformly by age.

Okay, that sounds fine for now.

I shall break the population of 1.2 billion people into rural and urban with a 70/30 split. That gives me 360 million people working in the urban areas. I shall assume that the rural employment sector is not the organised sector. Additionally, people in the ages 18-60 comprise 60% of the urban population, and approximately 70% of these people are employable in the organised sector. This helps me exclude individuals like homemakers, students etc. who would be in the 18 to 60 age bracket. So that brings the labour force to 150 million. Figuring a 10% unemployment rate, the population in 135 million.

Why don't we ignore the unemployment rate for now and assume a round number of 150 million?

That would be easier for the calculations. You indicated a range of ₹5000 to ₹20000 for retirement account contributions. Would these be recurring contributions?

No. Also, you may assume that the contribution will be ₹10,000 on average.

Great. So the increase to the investable assets would be 150 million times ₹10000, or ₹1.5 trillion. That sounds like a substantial increase, given that last year the new addition to assets under management was ₹5 trillion. Are there any other regulatory issues or exogenous factors that would govern or restrict how these assets can be invested?

There are some stipulations, but let's not worry too much about them for now.

Excellent. In that case, our response to the first question would surely be that this is a substantial opportunity for our client in aggregate.

I'd probably agree that this is a substantial opportunity in aggregate. But how would you go about determining if is this a profitable opportunity?

I think I see where you are going. You mentioned our client charges some sort of management fee for services rendered. How much is this fee and what types of expenses does the client incur?

Good question. The client charges a 1% management fee on assets under management. Simplistically, let's assume that administrative expenses on these assets like mailing statements, etc. is about ₹100 annually, while other operating expenses add up to about 10 basis points.

Interesting. So then on every ₹10000 invested, we make ₹100 in revenues per customer but have ₹100 plus ₹10 or ₹110 in expenses per customer. That doesn't seem like it is profitable.

No, it does not, does it? Would you still think that this still a substantial opportunity?

We can look at future earnings as well. If I assume a 20% growth rate based on the return earned from the additional AUM, then the ₹ 10000 grows to ₹12000, our revenue grows to ₹120, but our expenses grow only to ₹112. We begin to make a profit. If we know the average length of the customer's investment, we can use the present value of cash flows to estimate a lifetime customer value to the client. So it does appear to be profitable, though I'm not sure how it compares to profits currently.

You are correct. It is a profitable business. Right now, the size of each customer's account is pretty substantial. The profit margin is much more attractive. We seem to be running out of time. Can you quickly summarise for me the opportunities and challenges the client faces, given our analysis so far?

Sure. There are a number of opportunities and along with it. Among the opportunities, the first is cross selling the mutual fund opportunity to customers of the brokerage and other services. This would result in enhancing customer loyalty and also increase switching costs, leading to higher customer retention. Second, emphasizing convenience, sort of the one-stop shop for financial-services idea, can enhance the client's value proposition to their customers. On the challenges front, the most critical is probably competition. If indeed ₹1.5 trillion additional funds are likely to be invested, every financial services firm is going to want a slice of the pie, which only underscores the need to cross sell and increase customer loyalty. This is something the client is going to have deal with.

Great. Thank you.

# Retirement benefits policy

Estimate the additional earnings and profitability scope of a new retirement benefits policy on the mutual fund industry.

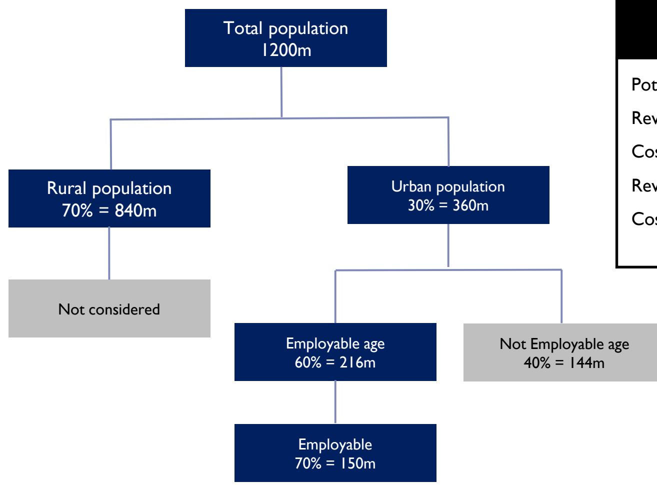
## Interviewee Notes

- Have a decent knowledge of the Indian population breakdown, in terms of rural/urban, age demographics, income levels etc.
- Don't stop the profitability analysis at the first year. Look for future years to see if the opportunity becomes profitable.

## Case Facts

- Last year approximately Rs. 10 trillion was addition to AUM
- Average investment per person is Rs. 10000 annually
- Total number of people covered under scheme is approximately 600 million
- Revenue per consumer is 1% of AUM
- Cost per consumer is fixed (Rs. 100 per consumer) and variable (0.1% of AUM)

## Approach/ Framework




| Financial Projections | |
|---|---|
| Filters | Number projections |
| Potential AUM | 10000*350 = 3.5 trillion |
| Revenue projection for client (Y1) | 10000*0.01 = 100/cus |
| Cost projection for client (Y1) | 100+10000*0.001 = 110/cus |
| Revenue projection for client (Y2) | 12000*0.01 = 120/cus |
| Cost projection for client (Y2) | 100+12000*0.001 = 112/cus |

## Recommendations

- Cross sell the mutual fund opportunity to customers of the brokerage and other services
- Emphasizing convenience, sort of the one-stop shop for financial- services idea, can enhance the client's value proposition to their customers

## Observations / Suggestions

- Run through the population split step by step, calculating the number of people at each step and not just in the end
- In case you reach a scenario where the company is initially making losses, make sure you analyse future prospects to see if there is a turnaround in the additional year

# Anti-smoking pills – Interview Transcript

The client is in the business of making anti smoking pills - the way we have those patches and lozenges in the market to curb the urge to smoke. The client wants to sell it at a premium price. You have been hired to find out if the product can be introduced in a country like India - and if so - what is the expected target market, market share and a feasible price at which the drug should be sold.

I would like to confirm if I have understood all the critical aspects of the client's situation. Our client is in the business of making anti-smoking pills that reduce the urge to smoke for smokers. We need to do see if the product is feasible to be launched in India and evaluate the market characteristics such as size and client's share based on the price.

That's right. Now that you've understood the situation well, how do you propose going about the solution?

Since this is a new product launch, I would like to structure my discussion around the product characteristics (development and customization) for the Indian market and then move on to the launch (competition, distribution and promotion) part of the case.

This sounds fine to me. Also, please note that this product is not entirely new; it has been introduced in other countries already.

Ok, that experience should definitely help us. To start with, can you tell me something more about the product? How is it different?

Unlike the lozenges or patches, this product is completely nicotine free - it is 5 times more effective as proved by lab results and 50% of the test results responded to the pill (which in this industry is an extremely high number thus indicating success). Moreover, it is a drug that cannot be sold over the counter – it requires a prescribed dosage given by the doctor. It is to be taken for 3 months daily, 3 times a day.

That is good. It gives us the advantage to position our product as superior due to the higher efficacy of treatment. I would like to know take up the competitive scenario next so that we can decide the price before determining the overall market size.

That's a fair point. So, there is no similar product in the market. Cheaper products like lozenges exist but they contain nicotine and sell for Re. 1 per unit.

What are the other countries where the product has been introduced? How receptive have the customers been in those countries?

The other countries have smokers who are quite similar to the Indian consumers. The product has been quite a success.

Ok, this means that the target audience will be receptive to the product and we can assume that there is a strong market for the same. I will now proceed with the estimation of the price and market size. There are two ways that we can price a new product in a non-competitive market: Cost based and 'willingness-to-pay' based. In the first, I would calculate the cost to company and charge a margin on the same while in the second case; I would calculate the propensity of the consumer to pay for this drug. This would vary with my target segment chosen. Ideally, we should be able to calculate the optimal profit case by considering the trade-off in sales volume vs. price for various price points. The solution will also be influenced to an extent by the growth rates of the different target segments overall, say movement of people to upper-class from lower-middle class.

Hmm… that is good. In our case, let us assume we did this and came up with Rs. 8 per unit. You think that sounds reasonable?

I think a price of Rs. 8 per pill is feasible because of the lab results - people will be convinced that it is a medically prescribed drug and since it is a pre-scheduled dosage for 3 months, results are guaranteed. We can also stress on the on nicotine bit and indirectly position this as a life saving drug.

Ok, let's estimate the market size assuming we decide to price it at Rs. 5 per unit.

Let's take Delhi as a base case. Population: 150 lakh. Target segment: 40% of them smoke * 20% of them would want to quit smoking * 75% can afford (Rs. 8 * 3 * 90 = Rs. 2160 drug to quit) = 9 lakh people or INR 9 * 2160 ~ INR 200 crores. We can now assume that this drug will reach out to 25% of the population across India (urban + rural since its effective and one-time payment to quit smoking), which means the total market is 200/150 * 0.25 * 10,000 lakh = INR 3,333 crores.

Very interesting. What will drive the market growth our market share?

The market growth rate will be affected by the sales and distribution coverage, willingness of people to quit smoking and addition of new smokers who would want to quit after sometime. We can look to capture about 80% of this market eventually, assuming no major competitor enters the market, which can be prevented by IPR support. Since this is a prescription drug, the bulk of the promotion costs in this industry are in targeting the doctors and chemists via direct sales agents or Medical Representative to convey the pros and cons for them to a) prescribe the drug and b) keep it in their pharmacies. This will drive our market share from the potential market size.

Good. What about the other 20%?

I am assuming that the remaining 20% will comprise of smokers who are unwilling to quit smoking (10%), perceive the price to be high (5%) or are not aware of the product (5%). This percentage can decrease as we move further in the product life cycle and the product becomes well established through marketing and promotion efforts.

Good. Any other costs/concerns that you would like to address?

The training costs for the direct sales agents will also be critical as this is a new product and local agents would need an in-depth understanding of the product. No. of sales people can be calculated by total workload method: Assuming Doctor/Population ratio and say 3 doctors per day and repeat visits every 2 months; and Chemist/Population ratio and 3 chemists per day and repeat visits every 15 days. The supply chain will have to be considered - the warehousing, distribution network, retail chains etc. We can perform the cost benefit analysis for using middle distributors v/s direct distribution.

Good, I think we have covered the different aspects of the case. Thank You.

# Anti-smoking pills

The client is in the business of making anti smoking pills - the way we have those patches and lozenges in the market to curb the urge to smoke. The client wants to sell it at a premium price. You have been hired to find out if the product can be introduced in a country like India - and if so - what is the expected target market, market share and a feasible price at which the drug should be sold.

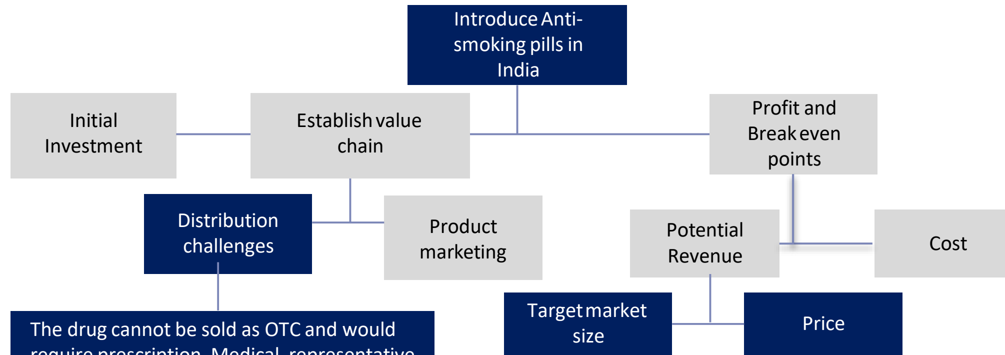
## Interviewee Notes

- New product launch – Anti smoking pills
- Country - India
- Premium product- requires premium price
- Product characteristics (suitability for Indian market) & Product launch (competition, distribution and promotion)
- How is the product different from existing? products
- What is the competitive scenario in the market
- Product has already been introduced in some countries

## Case Facts

- Client is in the business of making anti-smoking pills
- Client wants premium price for its product
- Client wants to find product's potential in India – target market, market share and feasible price

## Approach/ Framework




The drug cannot be sold as OTC and would require prescription. Medical representative and direct sales agents need to be hired who can push the product to the doctors who in turn will prescribe it to the patients.

Client needs to invest in training of its sales reps so that they can convince doctors with product's value proposition

| Filters | Number projections |
|---|---|
| Population base (Delhi) | 150 lakhs |
| % population who smoke<br>% smokers who want to quit<br>% quitters who can afford the product | 40%<br>20%<br>75% |
| Potential customer base<br>Potential revenue | 150*.4*.5*.75 = 9 lakhs<br>9*2160 = 200 Cr |
| Revenue projection across India (25% penetration) | 200/150*0.25*10000= 3333 Cr |

## Recommendations

- Price point should consider both customer's willingness to pay and product's incremental value proposition over existing products in the market
- IPR/ Patenting the drug can prevent competitors to enter market and facilitate capture of market share
- Spend more on training the medical representatives and direct sales agents to push the product to the doctors who in turn will prescribe it to the patients

## Observations / Suggestions

- Marketing of the product can be briefly discussed since the product charges a premium price to its customers
- Long term product goals and ways to improve product penetration across its lifecycle could have been discussed
- Candidate should have clarified upfront if the product has already been launched in other countries

# Growth strategy

# Growth strategy – Overview

In a Growth scenario, a company is likely to aim for XX% YoY growth. An interviewee is expected to first align the growth targets, followed by validating them, identify pillars that can support the growth targets, and finally recommend how the company can leverage/show go about these pillars.

**Approach / Framework Overview**


### Framework Summary

A company can grow either in its existing business (provided there is scope), else explore new business. Growing in existing business may be due to market growth and/or increased market share, hence both situations need to be explored. If the company is venturing into a new business, a feasibility check from an operational, financial, admin etc. needs to be performed in the end.

### Tips

- Clarify objective, especially growth % and time period
- Growth cases involve have a larger creativity component, keep options open while checking operational feasibilityThe initial few questions should be "What magnitude of increase is being envisaged?" and "What is time-frame to achieve this impact?

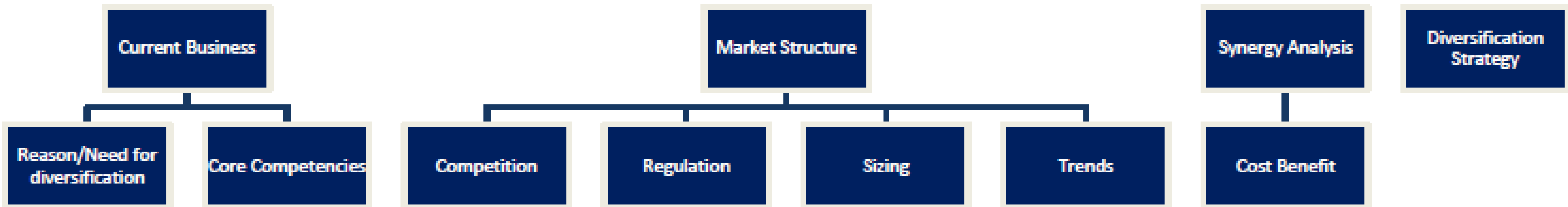
### Key questions

- What is the expected growth of the industry. Are we targeting growth more/less/on par with that?
- Do we have existing capacity in the plants/services to meet the increased volume or would investments need to be made?
- What is the price elasticity in the market? (what is the relevance of this?) –to see whether an increase in prices in an option or not
- Are there any barriers to entry into the new areas?
- Number and type of competition? Market share?
- Effect of substitutes and complements
- Products of scope with the existing product line we have?

# Diversification – Overview *(subset of growth strategy)*

In a diversification case, the key is to understand the need to diversify. Only after that is it possible to ascertain the soundness of the strategy proposed. The case may often require out of the box thinking, and due to the large number of varied factors that could affect or be affected by a particular form of diversification, breadth of coverage is generally considered to be more important than depth.

**Approach / Framework Overview**




**Tips**

- Candidates often make mistakes in cases where there are multiple reasons for diversification. It makes sense to understand the client's priorities and proceed accordingly

**Key questions**

- What are our current capabilities?
- What are the future capabilities we want to have? Does diversification to the new company help us achieve the objective?
- What are the expected revenues? Revenue Streams?
- Expected cost of diversification?
- Any barriers to entry during diversification?

# Ice cream vendor – Interview Transcript

The client is an ice-cream pushcart vendor in Ahmedabad. He believes that, due to due to the scorching summers, there is tremendous potential in the ice-cream market. He now wants to expand his business. Suggest a growth strategy for him.

I would like to confirm if I have understood all the critical aspects of the client's situation. I am assuming that our client, the pushcart vendor, can only cover a small area at present but would like to cover a larger area and attract more customers.

Your assumption is correct.

Okay, I would like to understand how does his expansion affect his inventory. Could you confirm if he manufactures his own ice-cream or is it sourced from a distributor.

The client sells Vadilal ice-cream, and sources it from a distributor.

That helps. The availability of ice-cream wont be an important factor for the expansion. Next, I would like to understand the competitive landscape in this industry.

There aren't many ice-cream vendors in Ahmedabad. However, there are quite a few corner shops and supermarkets that sell ice-cream.

That helps. One of the major strengths of our client, against its competitors, is his ability to move around and distribute the product. However, I believe that due to the nature of the inventory (ice-creams), combined with hot weather may lead to more pilferage.

You can assume that the pilferage due to pushcarts is not significant as compared to total sales.

In that case, the client can increase his sales in two ways – either by increasing the revenue per user or increasing the number of customers. I think the first option can be achieved by adding additional costs/charges to the original price, however for an inelastic commodity like ice-cream, this may not be feasible as people would just go to corner stores if they believe that they can get a better price. Also, ice-creams are an undifferentiated product and the price is set by the manufacturer (Vadilal in this case) and thus high-margins may not be possible. Therefore, the first option of increasing the revenue per user has quite limited scope.

Moving to the second option of increasing the number of customers – this can be done either by entering different regions of Ahmedabad, or by increasing sales in the current area. May I ask how much growth is the client aiming for? Does he have the capital to expand into other areas?

You may assume that client has limited capital which allows him to expand to other areas.

In that case, expanding to other regions is a better idea since it provides access to more customers.

Sounds reasonable. How do you suggest the client expand his business to other regions?

There are two ways in which the client can expand to other regions – either by introducing more pushcarts or by opening a chain of ice-cream parlors across different areas.

Ok, what option do you think is more feasible?

Since the client is a small vendor who has experience with pushcarts, I think he should go with the former option of introducing more pushcarts in other areas – this option would instantly give him access to a huge new customer base. This option is also less-capital intensive as compared to the other option of opening ice-cream parlors, and requires considerable less investment into fixed-assets.

Introducing new pushcarts into different regions sounds like a reasonable option. Can you quickly help me understand how would you determine how many new pushcarts would need to be introduced? (becomes a mini-guesstimate now)

(Interviewee calculates table similar to one on next page) I would segment the entire area of Ahmedabad based on a rough estimation of income. Depending on this, I would introduce pushcarts in different areas/sectors/colonies. More pushcarts would be introduced in effluent areas, or areas with a targeted customer base – such as near schools. (After discussing the numbers) The client can introduce 850 pushcarts in total across Ahmedabad.

After deciding on the possible number of pushcarts that can be introduced, I would additionally analyze the expenses involved in running one pushcart and match this against the total capital that the client is willing to invest after discounting for working capital requirements.

I think the analysis is sufficiently thorough. We can stop here. Thank you.

# Ice cream vendor

The client is an ice-cream pushcart vendor in Ahmedabad. He believes that, due to due to the scorching summers, there is tremendous potential in the ice-cream market. He now wants to expand his business. Suggest a growth strategy for him.

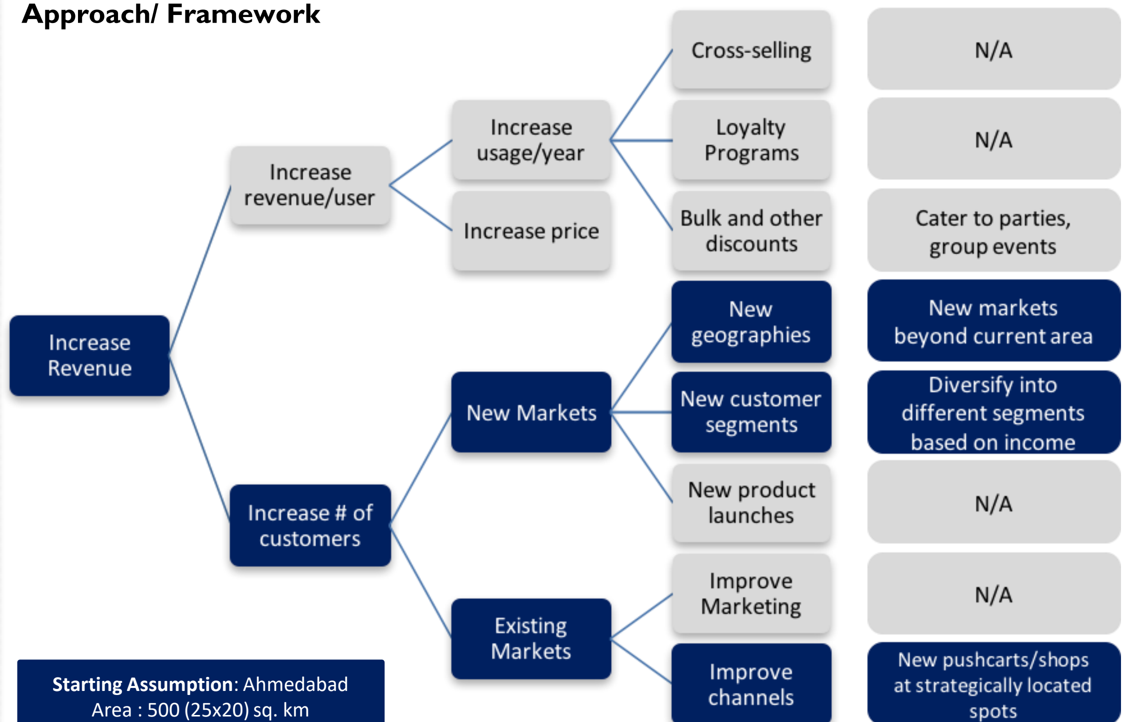
## Interviewee Notes

- Expand in Ahmedabad
- Differentiating factor: client can move around and sell ice-cream as opposed to competitors
- Pilferage due to ice-cream spoilage can be ignored
- Client can expand either by increasing the revenue per user or increasing the number of customers – choose latter
- Client can expand to other regions – either by introducing more pushcarts or by opening a chain of ice-cream parlours across different areas.

## Case Facts

- Client is an ice-cream pushcart vendor in Ahmedabad, and want to expand his business
- Client doesn't manufacture his own ice-cream; sources Vadilal ice-cream from a distributor
- There are quite a few corner shops and supermarkets that sell ice-cream

## Approach/ Framework




**Starting Assumption**: Ahmedabad Area : 500 (25x20) sq. km

## Recommendations

- The client should expand by introducing more pushcarts in different areas of Ahmedabad
- The client can budget for the expansion by analyzing number of pushcarts required in different areas
- Different areas can be segregated according to their average income/household and pushcart allocation may be decided accordingly.

| Income | Low Income | Medium Income | High Income |
|---|---|---|---|
| Percentage Area | 60% | 30% | 10% |
| Pushcarts / required (1 x 1 sq. km) | 1 | 2 | 5 |
| Number of Pushcarts (region-wise) | 300 | 300 | 250 |
| Total Pushcarts | 850 | | |

## Observations / suggestions

- The candidate could've guesstimated numbers differently; some assumptions can be challenged logically – high income earners may not buy from pushcarts – no point of introducing more pushcarts The candidate could've dwelled a bit more into the implementation which would have added more value to his arguments.

# Pharma company – Interview Transcript

Your client is a pharmaceutical company in India. How would you increase their sales?

Could you please tell me what the business model and product portfolio of our client are?

What can be the type of products?

They can be producing either generic medicines, medicinal products under their brand name or medicinal concentrate for other companies

Let's say the client manufactures both generic and branded cardiovascular and diabetes medicines. How would you proceed with the case?.

Ok, so I would split the options to increase sales into exploring existing business or exploring new business. Within existing business I will look at options to increase volume or price and within new business I will consider M&A, entering a new geographical market or introducing a new product.

Ok, that sounds like a good structure. Let's start with the options related to the existing business.

To evaluate whether a price increase is possible I would need information about the price sensitivity of the firm's customers. Do you have information regarding this?

Yes, since the firm operates in India, a developing country, the customer are price sensitive.

Based on this I conclude that a price increase is not feasible. Let me discuss the options to increase volume. To analyse the options thoroughly I would require information about the customers or products.

Sure, the pharma company serves two types of customers which are large and small customers. The large customers are hospitals and pharmacy chains while the small customers are small pharmacies

Thank you for the information. Do we also have info about the profitability, growth and competitive landscape for the 2 type of products?

I don't have information about the competitive landscape, but I can tell you that the large customers have a higher profitability and higher growth than the smaller customers

Ok, the focus of our growth strategy should thus be on the large customers, as they represent a more attractive segment. To increase sales I propose to create a dedicated sales force for large players. The customer oriented sales structure should result in an improved customer relations and tailored offerings for customer needs. Moreover, the firm should invest in training of the sales force

Now let's move on to the options related to exploring new business

So within new business we can either acquire another pharma company, we could enter a new market or we could introduce a new product. To analyse the first option, I would like to know whether the company has the financial resources to acquire another firm?

Those are fair suggestion. Coming to your question, the company does not have the capital to acquire another firm and M&A is hence not an option

Ok, let me explore the other options. One thing the company can do is introducing new medicines for other diseases. To determine whether this is an attractive option, I need to know whether the firm is currently considering to introduce a certain new medicine, and if they are how the competitive landscape looks like, whether the industry is growing and whether it concerns a profitable segment?

The only information I have is that competition is fierce for other pharmaceutical products in India.

This leaves us with the option to enter a new geographical market. Is the company currently considering certain markets and how is the size of the market, the growth, the level op the competition and the enforcement of IP laws in the respective countries?

The company is analyzing 3 options, Brazil, Russia and Poland. Brazil is the largest markets with 28bln and also is a fast growing market. Additionally the level of competition is low and there is medium protection of IP laws. Russia, is the second largest market with 15 bn, but experiences slow growth. Moreover, the Russian market is relatively fragment and there is good enforcement of IP laws. The last option is Poland, which is a market of 7bln but with high growth. The competition is fierce in this market and there is good IP protection

That information is very helpful. Taking this into account I would suggest the Pharma company to expand to Brazil, due to the large market, the high growth and the low level of competition.

Great suggestion. Overall what would you suggest the company to do?

The case highlights that there are 2 viable options to boost sales. On the one hand the company could expand globally by entering the Brazilian market with existing product. On the other hand the company can increase volume sold to large clients. To increase sales I propose to create a dedicated sales force for large players. The customer oriented sales structure should result in an improved customer relations and tailored offerings for customer needs. Moreover, the firm should invest in training of the sales force

Thank you for your time. It was nice interacting with you

# Pharma company

You have been approached by the CEO of a pharmaceutical company in India. He is looking to grow the sales of the company. How would you go about increasing the firm's topline?

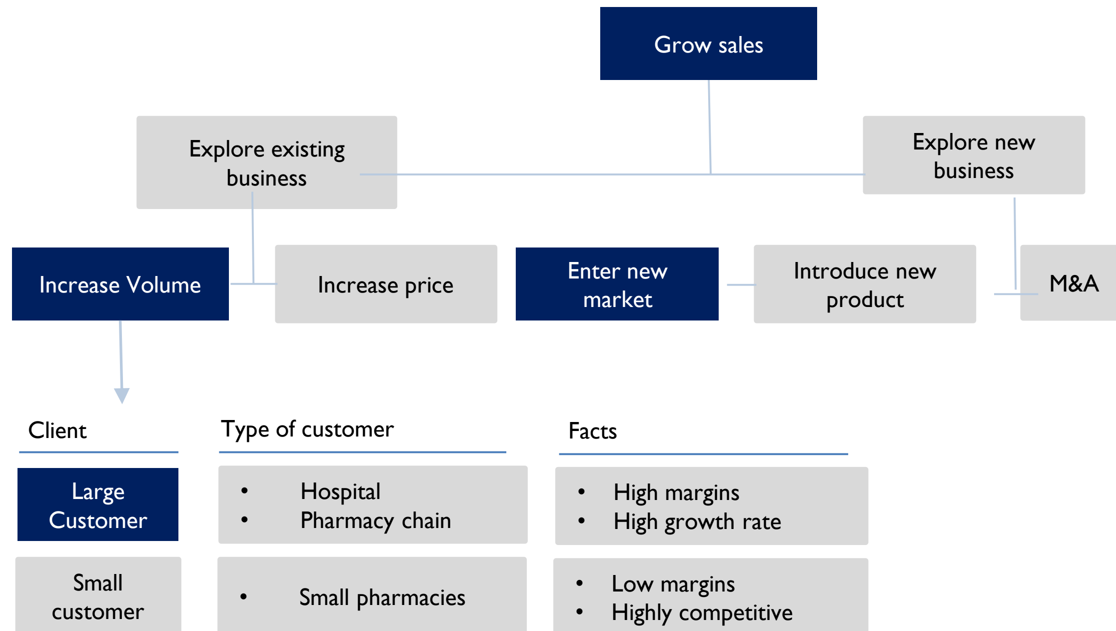
## Interviewee Notes

- Pharmaceutical player operating in India
- The client serves different customer segments
- Client manufacturers both generic and branded cardiovascular and diabetes medicines
- The firms global presence is limited to India

## Case Facts

- Customers are price sensitive
- The company has insufficient capital for M&A transactions
- Competition is fierce for other pharmaceutical products in India
- There are 3 possible foreign markets the company considers

## Approach/ Framework




## Recommendations

- The case highlights that there are 2 viable options to boost sales
  1. Expanding global footprint by entering the Brazil market with existing products
  2. Improve sales by expanding volume sold to large clients. To increase sales I propose to create a dedicated sales force for large players. The customer oriented sales structure should result in an improved customer relations and tailored offerings for customer needs. Moreover, the firm should invest in training of the sales force

## Observations / suggestions

- Use the 4C framework to obtain information that will support the analysis of the different revenue options
- Segment current volume into type of customers to derive different options to enhance sales

# Chemicals manufacturer – Interview Transcript

Your client is a commodity chemicals manufacturer. It is facing declining market share. Figure out why,

I would like to ask a few clarifying questions before I begin to analyse the case. I would want to understand the client's business. Where does it lie in the value chain? Is the industry facing similar problems?

The client manufactures and sells commodity chemicals. The industry as a whole is not facing similar issues.

So, it is a company specific problem where our client is losing market share. I will now list down the reasons for decline in market share.

Sure. List down the reasons why you think there would be decline in market share.

The decline in market share is due to two reasons – (i) Drop in actual sales (ii) Less growth rate of company as compared to industry. Has the actual sales dropped?

No, the actual sales have not dropped. However the company is not growing at the same rate as that of industry.

So, I understand that the company is growing less as compared to the industry which had led to decline in market share. So let us focus on the reasons why there can be less growth of company as compared to industry.

Yes, sure. Go ahead.

Okay. So, I will now further segment low growth rate of company into two major heads: (i) Supply and (ii) Demand.
On the supply side, I would look into parameters like production capacity, accessibility and Product Mix. On the demand side, I would look into price, competitors and product quality. I would first analyse the supply side and then go to the demand side.

What do you think can be issues on the accessibility scenario?

In terms of availability, the products may not be reaching the customers or may not be accessible due to certain constraints. Is the client facing any issues like that?

Yes, so the factories are located quite far off from the client's major customer locations. What problems can this lead to?

Since the factories are located far off, then there would be a large transportation cost associated with the transfer of goods. Apart from that, the products while shipping may get damaged, which would lead to bad reputation of the client among the customers.

It is exactly so. The products are being damaged while shipping.

Okay. Now, I will move on to the production capacity aspect. At how much capacity is the client working as of now? What about the product mix?

The client is working at 100% capacity. The product mix is not an issue.

So, I would now move on to the demand side and figure out the issues there.

Okay. Based on the analysis as of now, why don't you comprehend the case and recommend solutions?

So the client has faced declining market share because the firm has grown less as compared to the industry. The growth has not been that great because of certain key factors. Those are:

1. Production capacity being fully utilised
2. Factories and warehouses being located far away from customer base

Now go ahead with the recommendations

The client could shift the warehouses to locations which are close to the customer base. This would lead to less damages of products as it would not be required to ship them over large distances.
Additionally, the client could go into long term contracts with the customers which would lock in the sales volume. Also, the client should look into increasing production capacity.

# Chemicals manufacturer

Your client is a commodity chemicals manufacturer. It is facing declining market share. Figure out why,

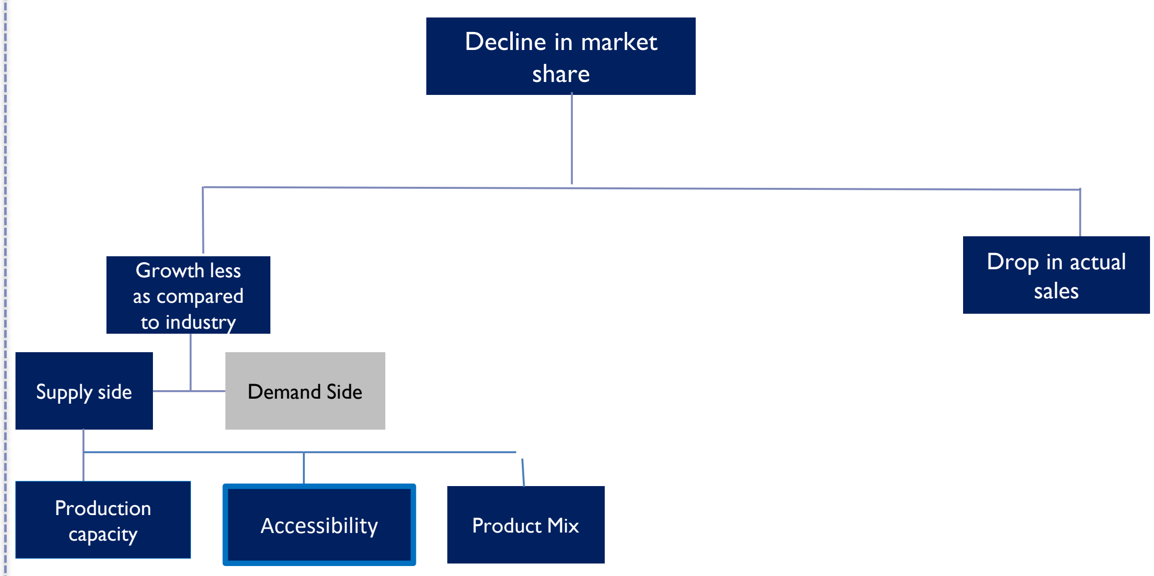
## Interviewee Notes

- Client currently dealing in commodity chemicals
- Focus on production capacity
- Focus on accessibility

## Case Facts

- Market share declining;
- Company specific problem
- Company growing at a rate which is less than the market
- Production facilities are running at 100% capacity

## Approach/ Framework




## Recommendations

- Shift warehouses to locations which are close to the customer base
- Go into long term contracts with clients to lock in the sales volume
- Increase production capacity in the factories or look for alternatives to produce more

# B2B communications provider – Interview Transcript

You have been approached by the CEO of a telecommunications provider company. She is looking to grow the sales revenue. You are hired as a Consultant to identify opportunities and recommend a plan of action for the same

In order to quantify the objective, does the client have any growth targets and time horizon in mind?

Yes, they want to grow sales by 4x in one year

Ok, so prior to looking at the company specific information I would like to know more about this industry, customers, and competitors.

Sure. In this industry B2B telecommunication provide 2 kinds of products/services. Data centre options and wired lines. Data centre options include providing real estate space, power, HVAC systems, connectivity, monitoring systems etc. to a customer's data /web/application servers. Through wired lines, customers are provided with services such as internet, ethernet, AV services etc.

Great. Thank you for that information. So typically a company can grow through either its existing business and/or new business. In existing business, we can look at increase number of customers, basket size and pricing, while in new business I am thinking of options such as geographical expansion, increasing product line, diversifying into new business, or by acquiring/merging with a new company. To identify the best option I would like to know more about the company – specifically its products/services, customers, current geographies, financial health, and competitors.

It is a medium size provider - about INR 300Cr. in sales, and operates primarily in Indian metros. It sells the products mentioned earlier to businesses which may include banks, insurance firms, and any company that may have a server requirement and/or wired line requirements. The client is cash strapped. It is the market leader in wired line services and 3rd in market share in data centre services.

OK. So being cash strapped limits some of the growth options such as geographical expansion and mergers/acquisitions. Also, in an competitive environment, price increase may not be a good idea.

Sounds reasonable.

After eliminating some options. I would like to focus on the remaining options of growth. I would like to know the growth potential of individual products in terms of # of customers, basket size.

Sure. There is potential for growth in wired line services which I would like you to think about. However, there is very limited growth potential in data centre services with our current portfolio.

OK. So let us start with wired line services. As I understand, the client has laid down physical wires in the cities that it operates in. It leverages these wires for providing wired line services. Is my understanding correct? Also, could you help me with understanding the coverage of customers through these lines.

Your understanding is correct.
Our wires extend to certain hubs from where they reach select buildings. Each building may have more than one customer.

Have we sold to all such customers?

Actually no. We have sold only to a few customers.

OK, so as I see it. There is a potential market in the buildings that we currently cater to. Also, since these are business customers, they may have more than one branch in a city or across cities. Have to sold our services to all their business centers?

No, these can be good potential growth opportunities though. We can do a market sizing if time permits. I would like you to also explore the new business options.

Sure. For this I would like to understand what kind of products/services our competitors are providing?

So a customer can either have their own real estate for their servers (captive) or they can rent a space (colocation) and purchase the necessary hardware & software. One of our major competitors provides these services.

Ok. So one of the ideas that comes to my mind is providing the customer with the option of completely outsourcing their IT requirements to us (i.e. hardware, software, management etc.). This way not only can we sell this as a pioneer product where customers can focus on their core business, but we also get a clear competitive advantage which can help us churn out some customers from our competitors.

That seems to be a good idea, especially given that we already have the necessary real estate space and hardware/software purchases would not cost us much. But do you see any concerns with launching a new service?

Yes, I can foresee that since this is a technical product, it may be difficult to capture customers who already have purchased the hardware/software. Also, our current sales force may not be fully equipped to sell this kinds of a service.

Yes, absolutely. Good. Your analysis has been thorough and recommendations are innovative. Thank you.

Thank you

# B2B communications provider

You have been approached by the CEO of a telecommunications provider company. She is looking to grow the sales revenue. You are hired as a Consultant to identify opportunities and recommend a plan of action for the same

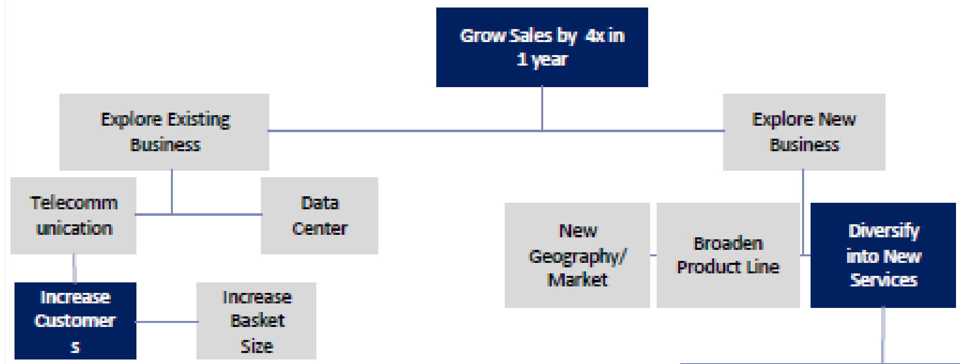
## Interviewee Notes

- 4x growth in 1 year
- Understand existing product and service offerings clearly
- Clarify client's value proposition (needed for churn strategy)

## Case Facts

- Current revenue = INR 300 Cr., Geographical sales force distribution
- Client provides real estate, power, AC, racks etc. to store customers' data servers in Mumbai, Delhi
- Additionally client provides telecommunication services (internet, AV products etc.) through wired lines
- Leader in telecom (80%), 2 major competitors in data
- centre business – reduced potential for growth
- Basket size for telecomm. is not a short term solution. Why?
- Geographical expansion is not feasible due to limited management bandwidth

## Approach/ Framework




| | Client's Existing Customers | New Customers |
|---|---|---|
| Wired Lines Laid & customer has 1 PoP | Lowest Priority | Highest Priority *(scope for sizing)* |
| Wired Lines Laid & customer has >1 PoP | 2nd Priority | 3rd Priority |
| Client's Wired Lines Not Laid | Not an option | |

Client can install its own servers and sell that space to customers (same space can be sold to multiple customers over a given period of time)

Client can also sell software security services for safeguarding data

Implementation Plan

## Recommendations

- Sell wired services to new customers located in proximity of existing wired lines; also sell to existing customers' all PoPs
- Offer hosting services to customers with data center requirements – client takes care of real estate, hardware, software etc, and charges management fees for these services
- Churn strategy can be formulated to churn out customers from competitors and lock them with client

## Observations / suggestions

- A market sizing exercise can be done for new customers and conversation can be lead in that direction
- Diversification was ultimately the preferred option as it contributed almost 70% to the revenue growth
- Further brainstorming on implementation of new services (e.g. sales force training, incentive structure etc.) can be touched upon briefly

# Apparel Manufacturer – Interview Transcript

The client is in the apparel business in the US and wants to expand their top line. They need your suggestions on how to achieve the growth.

I would like to confirm the objective before I proceed. The client is seeking suggestions to increase revenues. Is there any other objective? And do we have a number on the increase envisioned?

Yes, 25% and that is the only objective.

Okay, I would like to understand the client a little more. Specifically I want to understand three things- the product segments they operate in, the price point to get a sense of the segment they deal in and the position of the industry- fragmented or consolidated?

Alright. So to answer your first and second question- we are mid priced jeans manufacturer known for our quality at affordable price. We operate in a fragmented market with push from both low and high end manufacturers along with same segment competitors. However, in this fragmented space, we are one of the top 5 players.

That helps. So given it is a fragmented market, the growth within the market can come by either acquisition or without. In the first case, we will have to do a due diligence to acquire a company or in the latter case, we will more strategies. We can look at increasing number of customers or revenue per customer.

Sounds good. Can you quickly run me through how you can increase revenue per customer for a product like jeans?

Sure. So we can either change the price depending of price elasticity or increase buying frequency of the customer. The latter can be done by reducing shelf life of our jeans. However, given that we are known for the quality, this is a bad idea possibly. What other things we can look at are discounts, loyalty programs and seeing if there is a possibility of cross selling across products.

Alright. Let us look at the other idea of increasing number of customers. How do you think we can do that?

We will have to study the segment we have targeted and strengthen our positioning to acquire more customers. This could be through channel improvement or advertising. Here I am assuming, we are not trying to redesign the product. So can you give me some data around which is our target segment and how do we reach them, both product wise and through advertisements?

Our target segment is low-mid income adults, both male and female. Instead of advertisements, I would like you to explore what else can you do to augment revenues?

In this case, we can look expanding into new geographies, new product lines or new customer segments.

How do we go forward with capturing new customer segments?

Since we are an medium priced product company, it will be difficult to increase average revenue per customer under the same brand name as it would not have the desired perception of brand value which is often taken into account by customers with higher paying capacity as they require a premium feel. So we can launch a new product line under a different brand name which will have a higher price point and will be sold in limited stores only. This brand will be showcased as a premium and high quality brand and will cater to higher paying segments with new products. This brand will be under the same parent company but will be distanced from the original brand to not confuse the customer.

Sounds reasonable. How do you suggest the client expand his business to other regions?

So we will have to explore different target markets on the following 4 factors-

1) Size of the market in terms of demand for jeans and favourable attitude to jeans
2) Paying capacity
3) Ease of setting up manufacturing/distribution operations
4) Competition

Ok. So on the basis of this, we have decided to pick China as our new market. What possible bottlenecks do you foresee?

I will build on the same analysis I just did. Some of the possible bottlenecks are:

1) Getting licenses might be difficult
2) Presence of low cost competitors.
3) Price point under question because mid priced jeans might be expensive in China. We can go for a low margin model in which we offer discounts on the selling price but still keep it profitable so as to increase the number of sold jeans. This will of course be done after analyzing the price elasticity of the market and how much of a revenue can we expect compared to selling at the current price point.

I'd also like to know whether we can shift production to China or open a new factory there to cater to the new market?

What purpose would that solve?

Since the cost of production in China is lower compared to majority markets, we can go for a cheaper product while keeping the margins the same. This will help undercutting competitors and will result in higher sales and higher revenues depending on the price elasticity again. Additionally if we move our production here, it will also help with cutting prices in the current market as well and cater to a larger market.

Alright. That makes sense. Let us wrap it up here. Thank you.

Thank you. It would a pleasure interacting with you.

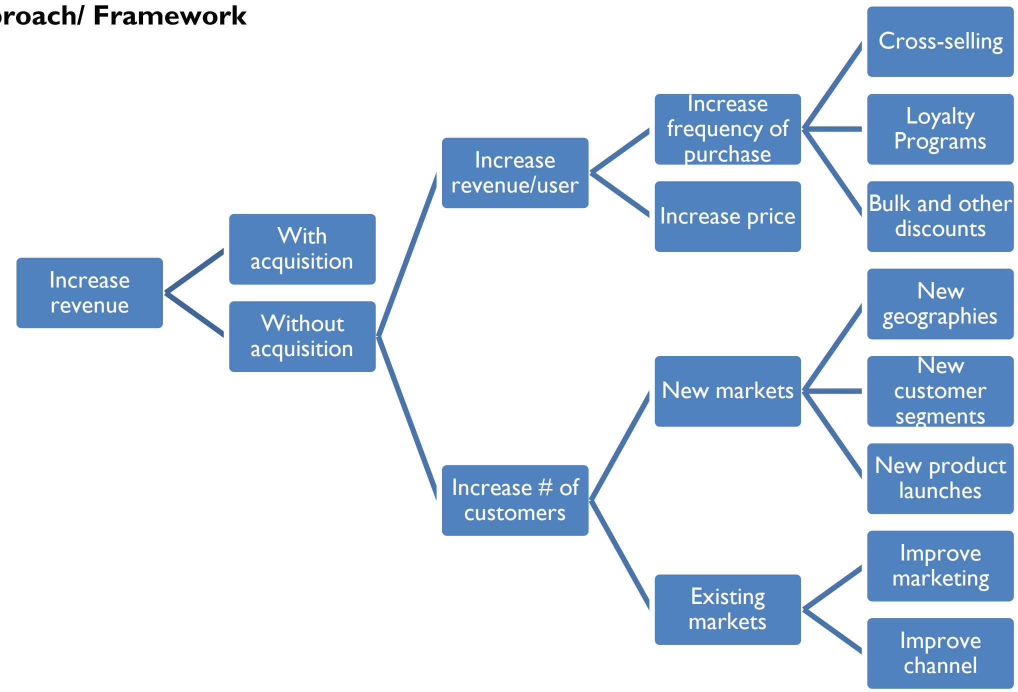
# Apparel Manufacturer

The client is in the apparel business in the US and wants to expand their top line. They need your suggestions on how to achieve the growth.

### Interviewee Notes
- Expand by 25%
- Look at elasticity
- Acquisition
- No go- China

### Case Facts
- Jeans manufacturer in US
- Mid priced
- Quality
- Fragmented market but top 5
- TG- Male and female adults

### Approach/ Framework




### Recommendations
- The client should not expand In China and look at alternative location based on parameters developed.

### Observations / suggestions
- Proactively could have done market sizing and market share calculations for China to back up the recommendation.

# E-commerce – Interview Transcript

Your client is Flipkart. They have requested your advice on medium-term strategy, for the next 3-5 years.

Are there any particular objectives that I need to keep in mind?

We have a dual objective of growth and also improving our profitability.

Understood. Do we have any information on the competitive scenario?

You can assume that we have only one competitor – Amazon India. We have a 55% market share in terms of Gross Merchandise Value.

Okay. I would like to break down the problem into the following four parts:
1. Increasing customer acquisition
2. Increasing customer retention
3. Increasing number of transactions/basket size
4. Increasing per transaction profitability and overall profitability

The first three will take care of our growth objective and will have some bearing on the profitability objective as well. Does this approach work for you?

Yes, this works.

In that case, I'll start with figuring out ways to increase our customer base. Do we have any information on our existing customer base?

80% of our customers are in urban areas, and account for 95% of our sales. Within urban areas, 60% of our customers are from metro areas.

Interesting. Our customer base is highly concentrated. Any particular reason why we have not expanded much in rural areas?

The Company has been trying but has been unsuccessful. Can you figure out the reasons?

Some possible reasons that I can think of:
1. Access: Do people in rural areas have access to internet? And do they know about Flipkart?
2. Serviceability: Can Flipkart service all those locations, in terms of logistical capabilities?
3. Trust/Inclination: Are rural consumers comfortable transacting online? Or, are they comfortable only with the physical kirana stores?

Good. So the issues we have been facing are lack of trust and very high last mile delivery costs. Any suggestions around the same?

For trust issues, can we appoint a person in every reasonably-sized village who will help in placing and delivering the orders and more importantly, will be the face of the organization. For reducing last mile delivery costs, can we partner with some logistics companies specializing in that area? Or maybe India Post? They have the widest reach.

In fact, we can actually onboard kirana stores and adopt an omni-channel strategy. These kirana stores can be equipped with a mobile/tablet and can take orders on behalf of the customers. They can earn a commission on each sale. Plus, they can serve as a mini-warehouse for us, helping in last mile delivery as well. Customers can come there and pick up their goods rather than us delivering to their doorstep.

Interesting ideas. Let's move on the next aspect.

Sure, now we need to figure out a way to retain customers. Before we do that, do we have any information on whether we are comparable to our competitor in terms of product selection, delivery and overall experience?

For the purpose of this exercise, you can assume that we are similar to them in almost all aspects. We are currently competing primarily on pricing.

Okay, but that would not align well with our profitability objective. Can we create a customer retention program on the lines of Amazon Prime?

Okay. What else?

Can we increase the breadth of products/services available on Flipkart? Try to make it a one-stop shop. For example, can we sell subscription services? – like Apple news? We can also look at selling tickets and hotel bookings. Can we sell financial products like PolicyBazaar or LendingKart? We already have PhonePe as our payments vertical, maybe we can expand into ancillary areas. If required, we can acquire players in these areas, rather than trying to build the capabilities ourselves which might take some time.

These steps, to some extent, will also take care of our third objective of increasing the number of transactions per customer and the value per transactions

Good points. Lets move on to profitability now. How will you reduce costs?

What are our biggest cost heads? I would assume marketing (including discounts) and logistics?

Yes. They form around 70% of our total operating costs.

Okay. The measures we discussed should hopefully reduce our reliance on discounts. So that should bring down the marketing costs over time. We can also look at better targeting of ads, I am sure we are already doing that. But as we gather more data, maybe our targeting will improve bringing down our marketing costs.

For logistics, we will actually have to spend more in improving our warehouse and transportation network as we expand, which will result in benefits over time. Our suggestion on kirana stores can hopefully improve our logistics efficiency and bring down costs.

Anything else you wish to add?

Walmart has recently acquired Flipkart. Walmart is known for its supply chain efficiency, maybe we can draw some lessons from them and figure out collaboration areas

That's for another time. Thank you.

# E-commerce

Your client is Flipkart. They have requested your advice on medium-term growth strategy, for the next 3-5 years.

## Interviewee Notes

- There are two objectives: growth and profitability (which can be conflicting, especially in platform businesses in growth stage)
- The value chain of the e-commerce business (or any digital business) would involve customer acquisition, customer retention, increasing basket size and increasing transaction profitability

## Case Facts

- 55% market share
- Amazon is the only competitor
- 80% of our customers are in urban areas, and account for 95% of our sales. Within urban areas, 60% of our customers are from metro areas.

## Approach / Framework

Customer acquisition → Customer retention → Increasing transaction basket size → Increasing profitability

- Customer acquisition
  - Focus on rural areas
  - Co-opt kirana stores
- Customer retention / Increasing transaction basket size
  - Loyalty program
  - Aggregator model
  - One-stop shop
- Increasing profitability
  - Logistics cost
  - Marketing cost

## Observations / Suggestions

- This is more of a 'conversational' type of case rather than one which is following a particular structure. (generally observed in final rounds)
- In case the company involved is a well-known one, be sure to use your knowledge of the company during the interview. For example, here, the interviewee mentioned about Walmart (ideally, should have mentioned much earlier as could have provided an interesting direction to the case)
- In case you have work/ internship experience, do think about the common issues faced by that industry – the interviewer might give you a case on that particular industry

# Software product company – Interview Transcript

Your client is an online software provider. And this company had grown fairly well on the past, but this particular year they've really flattened out, unable to grow beyond the particular barrier. And the company's CEO has asked you for help to grow this business beyond the $110,000 in revenue per month.

So let me recap, so this is an online software as a service company with about $110,000 a month in sales, and its sales have been flat. It is looking for ways to increase sales, is that right?

Yes, that is correct.

Ok. I'd like to know where do the sales come from today – whether that's different products, different customers – what are the components that comprise $110,000 in sales?

Sure. Let's start with the product – the company provides a software as a service, and their software does website analysis for companies that are doing business online. And their tools help them figure out what their customers are doing online, ultimately with a purpose of figuring out how to improve the websites. So these companies doing business online can either make more money or accomplish whatever goals they're trying to accomplish.

Got it. Who are the company's customers?

The company currently gets sales from two different types of customers: small business customers, as well as Fortune 500 customers.

Do we know what amount of sales came from each particular kind of customers?

Yes, it turns out that small companies, small businesses contribute or generate $100,000 a month in sales from the company and Fortune 500 companies drive $10,000 a month in sales

It sounds like sales have been flat overall versus prior years. I'm curious, have sales – for the company overall – have sales for the competitors changed? So I'm trying to figure out if this an industry problem or if this is a company specific problem. Do we have any information on that?

Well, it turns out this company is the only company in the market.

So this is not a competitive issue but an issue more with either the company itself or with customers. Do we have any data for each customer segment – the small businesses or the Fortune 500 –how have the sales changed for each of those customers over time?

Sales for Fortune 500 have increased while for the small business segment it has decreased.

Ok. Now the sales are driven by average price per customer or price times the quantity or number of customers. And so do we have any breakdown as to how many customers there are and what's the pricing of that? The hypothesis I'm trying to test is, has the pricing change driven down revenues or are we actually having fewer customers, but each customer we do have is paying the same price.

Sure, the data is provided in the table . The prices have remained constant for both the customer segments. The prices are like subscription fees paid per month.

So your revenue is the price times new customers you bring in this month subtracting out how many leave. What I'd like to do is actually break that down and look at the number of customers that are added each month versus subtracted each month. Do we have any data on that for – let's start with the small business segment.

Sure. The data is provided in the table (*refer to the tree in the previous slide*).

So it means that we're losing 1,800 clients a month and then adding 1,800 clients, so our net change is always zero. Is my understanding correct? Did I get that right?

Yes.

I'd like to repeat the same analysis for the Fortune 500 segment, to see if a similar pattern is happening on that side. Do we have – of the ten clients we have this month – do we have any data that indicates how many clients we had in the prior month, how many of them were new and how many did we lose?

Sure, similar data is provided in the table (*refer to the tree in the previous slide).*

So we have a huge attrition problem in the small business segment and at the same time, we don't seem to lose any customers on the Fortune 500 side. I would like to investigate more on why this might be happening. I would like to find out if we are selling the right product to the right segment. For this I would like to know what customers in the two segments are looking for and how our product is helping them.

Sure, so the first segment is small mom and pop businesses that are trying to dabble in e-commerce, and they're looking to make more money online. However, they want to maximize the number of visitors to their website.

Ok, and how is our product helping them do that?

So it shows which users are visiting which parts of this website and are they shifting from the free content portions of the website to the e-commerce portions of the site where you can actually transact and generate a sale. This product is very good at just tracking those behaviours and figuring out where people go, and has a number of tools to really help the company – the small business in this case –optimize the layout of the website, change how information is presented to the end user to really improve the ratio of visitors to buyers on the website

Okay, it sounds like this is a kind of a process improvement type tool to get more people who visit the website to buy more often or to make them more likely to buy. It also seems like what we offer as a company, as a current product, is not really designed to solve what the customer really wants, and they certainly want to make more money. But first I guess it sounds like they need more visitors to the website in order for this particular product to be of value to them. Does that seem reasonable?

Yes, actually it does.

Ok, now we can do a similar analysis for Fortune 500 customers. Do we know what they are looking for ?

These customers want to measure their RoI so that they can show their CEOs that the e-commerce division is achieving its objectives. These directors are worried that if they can't prove or rely on return on investment that their division might actually get shut down, and it seems that this product seems to be useful in measuring return on investment.

Great. So I can draw two conclusions here – one, small business segments –what they want and what we offer – this shows a complete mismatch, and two - I think that the Fortune 500 is a better fit is because the problems they have are exactly the problems we solve.

Ok. So what is your recommendation?

To answer the question of how to grow sales for this particular client, I would recommend that the company exit the small business market and focus all its resources on serving Fortune 500 clients.

Very good. Thank you.

# Software product company

The client is a provider of an online software product and is witnessing flattening sales. You are asked to help grow the sales beyond its current $110,000 per month (pm) figure.

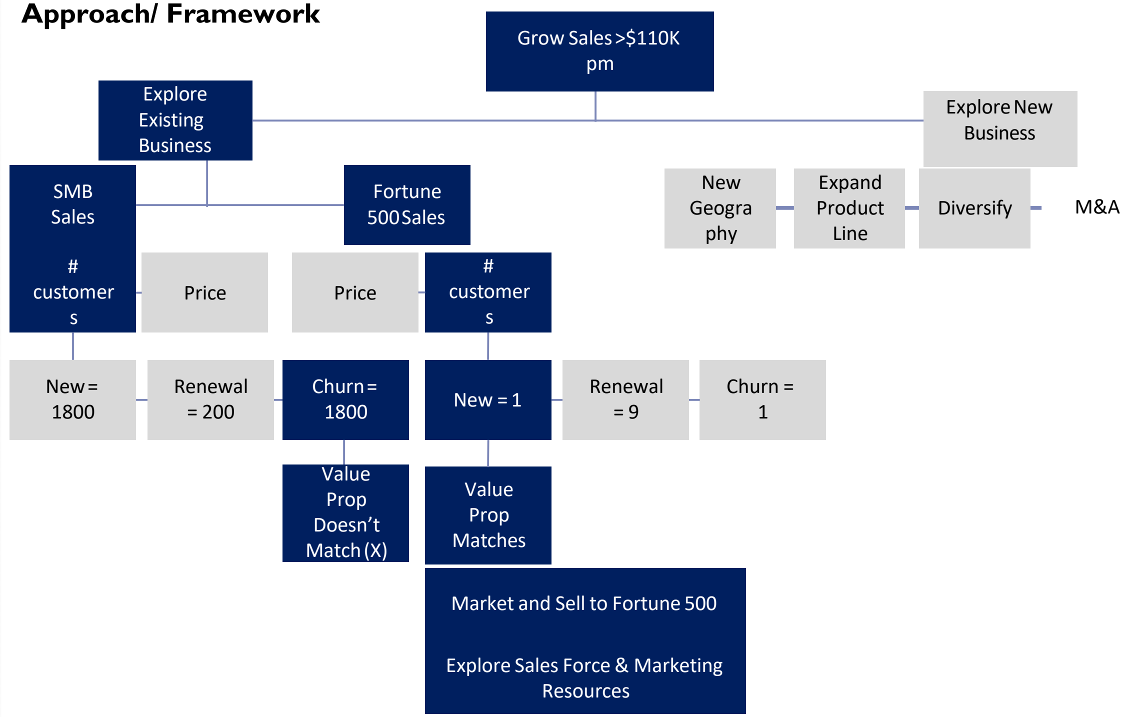
## Interviewee Notes

- Online software provider
- Flattening sales
- Customer segments
- # and $ of each segment
- Understanding product features
- Segment profile and product proposition

## Case Facts

- Product – online software that does website analysis for the client's customers i.e. which users
- visiting which website, are they shifting from free content portion to e-commerce portions
- Sales grew earlier but plateaued recently; not an industry trend
- Revenue model – recurring monthly sales
- Assume no competitors

## Approach/ Framework




## Recommendations

- The client should exit the small business segment
- It should focus all its resources on the Fortune 500 customers

## Observations / Suggestions

- In a single product case, understanding customer segments, their needs and the products' value proposition is critical.
- Comparison of any sales data wrt. either time or industry/competitors is essential to understand where the problem lies

| | Small Business | Fortune 500 |
|---|---|---|
| Price pm | $50 | $1,000 |
| # cust. pm | 2,000 | 10 |
| Sales pm | $100,000 | $10,000 |
| # cust. trend | Decreasing | Increasing |
| Profile | mom-pop stores; want to maximize #visitors | e-commerce of large company; want to show RoI |
| Product Suitability | Helps improve user experience | Helps track and improve sales; gives RoI |

# Midstream oil & gas company – Interview Transcript

Your client is an Indian oil and gas company looking to increase their revenues. Suggest a growth strategy for them.

I would like to start with  a few preliminary questions. What business exactly is our client into and in what geographies ? Is there a growth target in their mind ?

The client operates in the midstream sector i.e. transmission and marketing of oil & gas. They operate pan-India and are looking to grow by 4x over next 10 years

Ok, so I would split the options to increase sales into exploring existing business or exploring new business. Within existing business I will look at options to increase volume or  price and within new business I will consider M&A, entering a new geographical market or introducing a new product.

Great. Lets focus on new businesses

We can analyze the new businesses using a 2x2 matrix of products vs business. With existing product, customer can look to penetrate more in the existing business or expand into new business. With New product, customer can remain in the existing business by modifying the product or enter new business. The new business can be related (integration) or unrelated with the current business. Do we have any data around what the client is looking for ?

Yes, so as you correctly identified client wants to enter a completely new business of drinking water distribution. They want to setup water purification plants to supply water to municipal corps.

Interesting. So if I understand correctly, client will source water from the water bodies, purify it in its own plants and sell it to municipal corporations. Are we looking only at drinking water supply?

That's right. How would you identify a good geographical location to start this business ?

I would analyze the different locations and choose the ones where there is no distribution network currently, has scarcity of water but has a large population. I would also look at the purchasing power of these people, regulations, possible synergies with my current distribution network.

Hmm, what else ? Since you would be selling water to municipal corp., does it make sense to setup plant in a place with no municipal corp. supply ? Also, in the places where municipal corp. exists, they already have the water sourcing and purification network. Why don't you think from the perspective of demand in the future ?

Okay understood. From the future perspective, I would benefit by setting up the plants and sourcing network in a location where water sources are expected to dry up. Hence, I can use my current pipeline network to source water from far away places and purify in my own plants.

Perfect. Our team carried out a similar analysis and they have identified Bangalore as one such location. Can you help us size the Bangalore domestic potable water market ?

Should I look at sizing by value ? Also I will look at only the household daily **potable** water demand.

Yes, by value. Assume Municipal corp. buys water from the client at Rs. 10 / kL.

(Interviewee calculates similar to the table on the next page). I would segment the entire households of Bangalore based on a rough estimation of income. My assumption would be that higher income people would live in bigger houses and would have a higher water demand.

Assuming only 50% population would have municipal water supply, my daily water demand comes out to be 2.5 million kL / day. This translates into a revenue of Rs. 25 million / day.
This market size seems attractive even if we can control a 60-70% share once the other sources dry up.

Sounds reasonable. Once the water dries up, what alternative sources can be possible ?

We can look at rain water harvesting, souring water from locations nearby Bangalore, harvesting ground water from the nearby forests and supplying to Bangalore or we can look at sourcing sea water from a coastal town, purifying it and supplying to Bangalore

Great. Our client is looking to source sea water from Chennai, transporting it to Bangalore by setting up a new distribution network, purifying it in plants near Bangalore and selling to Municipal corp. Can you list down the costs which will be incurred by us ?

I can divide the costs as Fixed and Variable costs. Fixed costs would involve the infrastructure costs i.e setting up of pipelines, purification plants, licensing costs, insurance  costs, salaries. The variable costs will be the cost of buying sea water, operations costs,  maintenance costs, wastage and theft costs.

What costs would you include under the operation cost and what would they depend upon ?

The operations cost would include the utilities costs like costs of running the pumps and power houses to source water and supply it to Bangalore. Another cost would be the cost of running purification plants and cost of running powerhouses to supply water to municipal corporation.
The operation costs would depend upon:

1. The distance over which water is supplied (We should look at minimizing this distance from Chennai to Bangalore by setting up underground pipelines).
2. The gradient of the on-surface pipelines (Given that Bangalore is surrounded by many mountains and we cannot have underground pipelines throughout)
3. Specification of Pumps such as their Quality, efficiency.

I think the analysis is sufficiently thorough. We can stop here. Thank you.

# Midstream oil & gas company

Your client is an Indian oil and gas company looking to increase their revenues. Suggest a growth strategy for them.

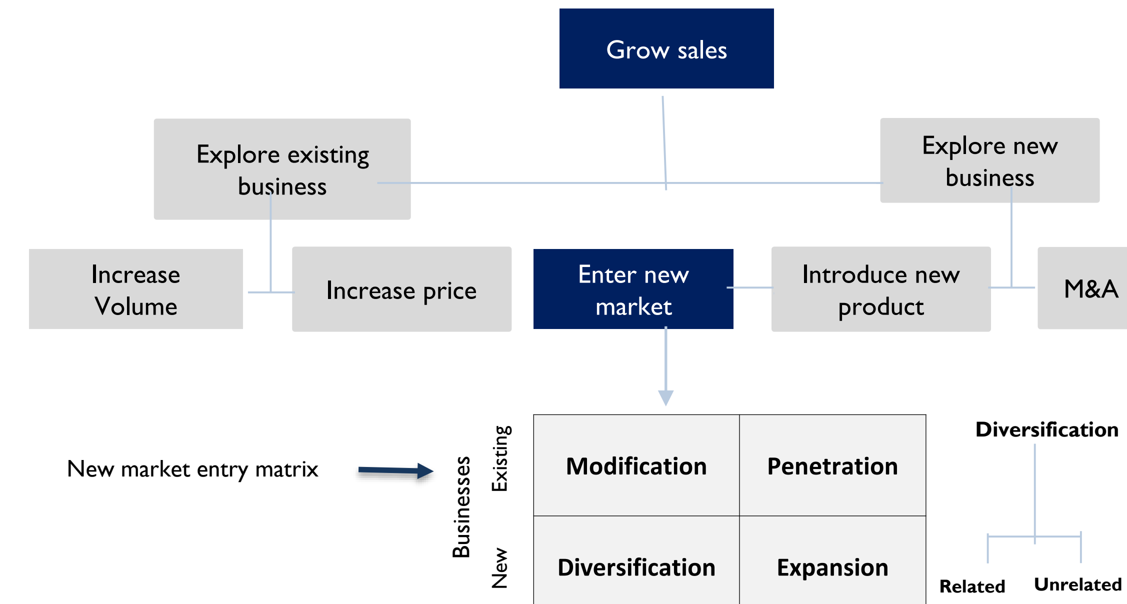
## Interviewee Notes

- Expand in India only
- Differentiating factor: client has a wide distribution network
- Can expand by expanding existing business or exploring new business
- For water business, focus on areas with scarcity of water supply.
- Benefit by setting up the plants and sourcing network in a location where water sources are expected to dry.
- Focus only on the potable waster supplied to households of Bangalore.
- Cost of pumping water will be a major cost

## Case Facts

- O&G co. operating in midstream sector i.e. transmission and marketing and has pipeline network throughout India.
- They are targeting a revenue growth of 4x over next 10 years (Another hint that client will look for new businesses)
- Current operations are pan-India
- Client wants to enter a completely new business of drinking water distribution. They want to setup water purification plants to supply water to municipal corps
- Water sold to municipal corporation at Rs. 10 / kL.
- Client want to source sea water from Chennai and supply it to Bangalore using its network

## Approach/ Framework




**Starting Assumption**: Bangalore
Population: 12 million ( 3million households)

## Recommendations

- Expand by entering the new business of setting up water purification plants and selling water to municipal body
- The market size of Bangalore for potable drinking water looks attractive and given the expectation of future scarcity, it looks like a good place to set up the operations
- Major costs would be incurred in establishing the network of pipes and operations (purification and supply)

| Income | Low Income | Medium Income | High Income |
|---|---|---|---|
| % households | 60% | 30% | 10% |
| Municipal water supply | 20% | 50% | 100% |
| Water consumption (kL) | 1 | 2 | 4 |
| Total water demand (Kl) | 2,500,000 /day | | |

Revenue = 2,500,000 x Rs. 10 = Rs. 25,000,000/ day

## Observations / Suggestions

- The case was quite lengthy and involved growth strategy, market sizing as well as some qualitative analysis
- The MECE growth framework at the start helped to quickly identify client's growth srtategy
- It was a good mix of quantitative and qualitative analysis

# Due diligence

# Chain of colleges – Interview Transcript

Your client is a PE Firm. It wants to take up a stake in a chain of undergraduate colleges. Diagnose and recommend whether it should go ahead with the acquisition.

I would like to ask a few clarifying questions before I begin. I want to understand the client's business. What is the average portfolio, the expected growth rate and exit time?

The company has a mixed portfolio of different sized investments and is looking for a 30% growth rate on this investment. It wants to make a quick exit in about 4-5 years.

Why is the firm considering a chain of colleges for investment?

Although the firm does not have any investments in the education sector, it has been looking to enter this market. However, it has a sizeable investment in a leading recruitment agency in India.

Okay. This means that there are possible synergies which can be worked upon between these 2 investments. Can I know some details about the colleges? I am assuming they are privately owned? Exactly how many colleges are being run as of now and where?

The colleges are privately owned. There are 4 colleges as of now, located in Delhi, Bangalore, Mumbai and Chennai.

Okay. Moving on, why does the college needs this investment- is it for a secondary purchase from an exiting stakeholder or to meet some operational/growth strategies?

The college is looking to leverage its brand and open a B school in Mumbai. It needs this investment for the same.

Interesting. So in order to analyse whether this is a sound investment, I would analyse the viability of opening this B school. I would understand the market size, recent growth trends, major sources of revenue and costs, factors by which the college chain can differentiate itself from competitors and the operational feasibility. Is this a sound approach?

That sounds reasonable, though slow down a little bit. How would you value the investment?

I can find the NPV of the profits by guesstimating the revenue and cost figures. Further I can try to come up with an annual growth rate and compare it to our expected growth rate to check feasibility.

Assume the cost to be X. How will you compute the revenue?

Can I know if the school has any other revenue streams apart from the education fees it must be charging the students? Hostel charges maybe?

Assume that the education fees is the only source of revenue.

Revenues will be equal to the total seats x occupancy rate x the fees/ student. The total fees charged would depend on the segment the B school wants to position itself in. Considering it already has an undergraduate brand, it can easily charge 15-20L. Being a new entrant, maximum occupancy would depend upon its marketing efforts.

There are a lot of private and public players in this market. How do you think can the B school differentiate itself from its competitors?

The B school has to leverage its undergraduate brand. It can bring in a competent teaching faculty using its already established connections. Further, we can expect synergies with the fund's investment in the recruitment agency. Placements are considered as a significant metric to showcase the success of a school and the recruitment agency can help bring in potential recruiters. These 2 factors would be crucial in differentiating itself in this market.

Okay, that's good. Identify the key risks associated with this investment.

The biggest risk is the competition from existing B schools. Further, the B School needs to procure the necessary license from UGC. It also has to adhere to the guidelines issued by the UGC and government. Failure to do so will be detrimental to the operations

That's fair. I think we have a sufficient list of factors to look into before making this investment. Anything else we need to consider?

The one last thing that is left is comparing the estimated growth rate of the NPV with our estimated growth rate. The former would basically be our estimates of the company's organic growth and how much we can add to it through inorganic growth. If the sum of these two is not less than 30%, and the NPV of the recurring profits seem adequate, the firm should go ahead with the purchase.

Well done. One last thing, can you enumerate the possible exit options which the firm can look in the future.

The firm can consider a strategic sale to a firm engaged in the education sector or to another private equity firm (secondary buyout). It can also exit via an IPO, however, for that the chain would have to attain a substantial scale of operations. Lastly, management or the promoters of college chain can buy back the equity stake from us.

Due Diligence | Moderate

# Chain of colleges

The client is an investment fund looking to invest in a chain of colleges, explore the viability for the same.

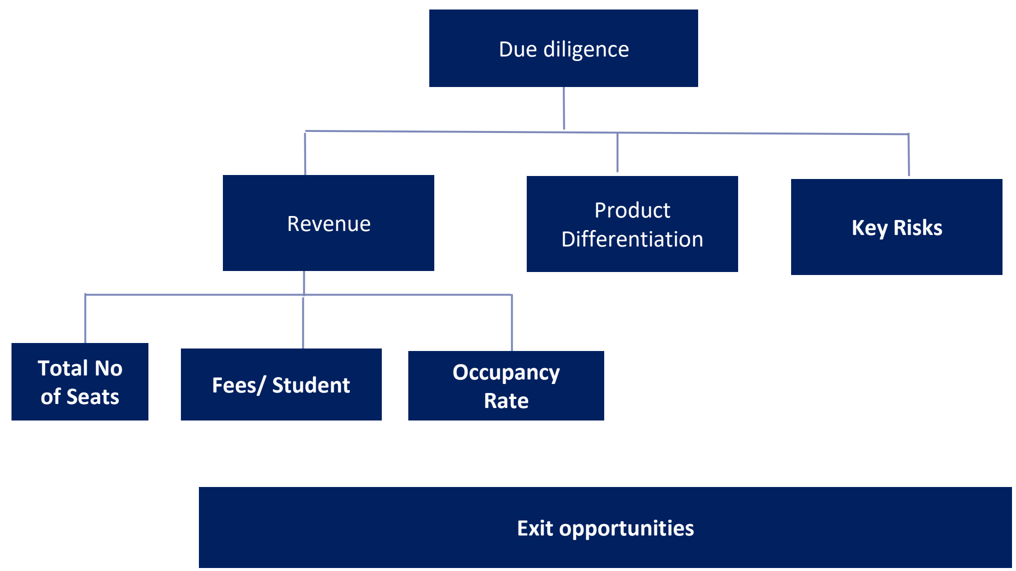
### Interviewee Notes

- Check the valuation and feasibility
- Explore viability by estimating revenues (demand side, supply side), risks associated with the investment & exit strategies

### Case Facts

- Wants >=30% growth rate
- Will exit in 4-5 years

### Approach/ Framework




### Recommendations

- If the computed growth rate is more than or equal to 30%  take up the investment.
- The purchase price should be less or equal to the computed NPV

# Movie theatre – Interview Transcript (1/2)

Your client is an investment fund, they want to invest in PVR. Is this a good investment? What factors would you consider?

Before starting the case, I would like to know whether the existing portfolio of the investment fund includes any companies in the mass entertainment segment?

The Fund does not have any investment in mass entertainment segment in India. The Fund does have investment in Regal Entertainment Group, a leading movie theatre chain in USA

That means there might be potential synergies going forward if the investment is supposed to be made which could be factored in while making decision. Also, is the investment in form of cash infusion in PVR or secondary purchase from the market/promoters? If in form of cash, what is PVR planning to do with this capital?

Investment shall be in form of secondary purchase from the Promoters who are looking to sell a portion of the stake to the Fund

This is good to know. Moving to the case, in order to analyse whether PVR is a good investment or not, I wish to analyse the company's revenues along with margins and compare it with industry's revenues and margins. Also, I would like to understand the sustainability of Company's revenues and the growth forecast vis-à-vis the industry. Finally, it would be good to explore key risks which might affect the decision

Sounds alright. Go ahead with your analysis

Sure. Do we have data on Company's revenues – segment wise for past three years along with margins? It would be good to have similar data for industry as well.

Following table provides the information. Analyse this: (INR Mn)

| PVR | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|
| Revenue from ticket sales | 11,000 | 12,000 | 15,000 |
| Revenue from sale of F&B | 5,000 | 6,000 | 7,500 |
| Advertisement revenue | 2,700 | 3,000 | 3,200 |
| EBIDTA Margins | 20% | 20.5% | 22% |

| Industry | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|
| Revenue from ticket sales | 50,000 | 55,000 | 65,000 |
| Revenue from sale of F&B | 10,000 | 12,000 | 13,000 |
| Advertisement revenue | 10,000 | 11,000 | 13,000 |
| EBIDTA Margins | 15% | 16% | 17% |

Going by the data, my preliminary analysis is as follows:

| | PVR | | Industry | |
|---|---|---|---|---|
| | 16-17 to 17-18 | 17-18 to 18-19 | 16-17 to 17-18 | 17-18 to 18-19 |
| Revenue from ticket sales | 9% | 25% | 10% | 18% |
| Revenue from sale of F&B | 20% | 25% | 20% | 8% |
| Advertisement revenue | 11% | 7% | 10% | 18% |

PVR has maintained growth across segments comparable to industry in 2017-18. Whereas it has outperformed the industry in ticket sales and sales from F&B in 2018-19 which is a good indicator. My hypothesis for this growth is the benefits accruing to PVR in terms of its brand positioning and changing demographics coupled with increase in per capita income in hands of consumers. Further, PVR is primarily situated in Tier-I and II cities where it can command premium over competitors owing to the overall better experience offered to customers.

Company has also outperformed industry in terms of EBIDTA margins which depicts the better cost management by company.

That is correct. What next?

I would wish to understand the percentage of recurring customers to analyse the sustainable revenues for the company

Tickets are booked over the counter and through third party applications. So Company does not have data for it.

Do we have data on geographical distribution of number of screens of PVR?

Yes, Company has following number of screens:

| Region | No. | Rank |
|---|---|---|
| North | 216 | 1 |
| South | 253 | 1 |
| West | 257 | 1 |
| East | 22 | 2 |
| **Overall** | **748** | **1** |

# Movie theatre – Interview Transcript (2/2)

This data shows that except for east, company has uniform distribution of screens across geographies. This also provides PVR with huge opportunity of exhibiting regional content which is picking pace. Although company only has 22 screens in East, it is still 2nd in the industry in terms of screens, which implies that cinema market is not so active in East.

Good. What is your take on industry life cycle?

I believe that Indian cinema industry is in growth phase with new content and increasing number of movies crossing INR 1Bn mark. Also, Indian audience is increasingly opening up to Hollywood segment which has great potential in terms of growth. Taking PVR as case in point, PVR offers good content mix in terms of Bollywood and Hollywood. Further, its presence across pan India helps offer regional content to the audience as well.

Okay. Identify the key risks associated with this investment

In my opinion, the biggest risk comes from online movie streaming services such as Hotstar, Netflix and Amazon Prime. Since this gives the customers the easy of watching movies anywhere. Therefore, there is a strong competition between the movies in the theatre and the one available online. Additionally a Netflix subscription for 4 screens costs about 1000 rupees a month i.e. 200 per screen with the choice of watching unlimited movies or TV shows as compared to a movie in the theatre that costs 200 rupees per ticket. An added risk for theatres is that the demand they faced is derived demand since it a factor of the movies that are currently in the theatre which could be very cyclical. Moreover, with the increasing penetration of streaming services the bargaining power for theatre is also reducing as a distributor could soon go to one of these services and sell the rights of the movie to them instead of going to a theatre

What is your final recommendation?

Considering that PVR has outperformed the industry in terms of revenues and margins shows the competitive advantage in terms of brand positioning and ability to charge premium over competitors. Company has geographic advantages and is part of a growth industry.
An important point to note is that the Fund already has investment in a major USA cinema player which could lead to creation of synergies on account of potential joint venture/ acquisition.
Finally, although there are major risks posed by streaming service providers, PVR can play on providing cinematic experience which can be enjoyed only in a theatre. I would conclude by saying that it is a good investment opportunity, assuming available at a reasonable valuation

That would be all. Thank you.

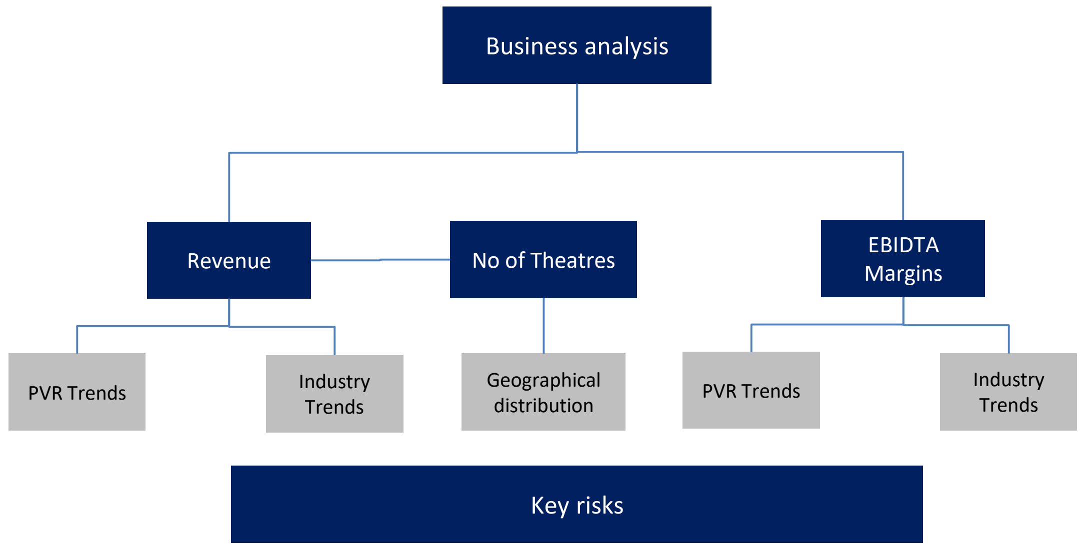
# Movie theatre

Your client is an investment fund, they want to invest in PVR. Is this a good investment? What factors would you consider?

## Interviewee Notes

- Investment fund – investing in PVR
- Explore viability by estimating revenues (demand side, supply side), risks associated with the investment & exit strategies

## Approach/ Framework




## Observations / Suggestions

- The risks can be mitigated by providing services that uplift the whole experience of watching movies in the theatre; increasing the value provided by visiting a theatre
- Different areas can be segregated according to their average income and theatres in that area can charge prices and provide service in line with the propensity to spend

# Data-intensive

# Business Expansion (Telecom Video Project) - Data

You have been approached by the Chief strategy officer (CSO) of a telecommunications service provider for advice on options to improve the economics and performance of it's recently introduced video strategy

## Interviewee Notes

- Focus in on client's options
- to quickly gain scale in video services
- Analyze the benefits and deficiencies associated with each option
- Appropriate the value of a
- video subscriber, along with the incremental value of a triple play subscriber
- What is the value of scale in video to the client?

## Case Facts

- Our client is an integrated wireline and wireless telecommunications services provider that recently began offering wireline video services in a portion of its geographic footprint in response to competitive pressure from cable operators offering triple-play bundles with video, broadband and voice services.
- Thus far, complexity, technology and cost issues have limited the rollout and adoption of this service and reduced our clients ability to effectively counter the competitive threat. Some key terms are as follows:
  - Video offerings: Our client currently offers video services across its wireline footprint in partnership with a national satellite operator (DBS); the satellite operator is the largest source of new subscribers to our client's wireline geography.
  - Buildout costs: Cost of putting in place the delivery infrastructure that must be incurred before service is delivered to that neighborhood.
  - Programming costs: Cost of procuring and packaging content.
  - Installation costs: The cost to connect a subscriber to the delivery infrastructure.
  - ARPU: Average Revenue Per Unit; Churn: Loss of customers as they switch to other service providers

## Miscellaneous information

| | |
|---|---|
| Client's subscribers | 50 Million |
| Buildout costs | $1500/household |
| Programming cost | 25% above competition |
| Installation cost | $500/new subscriber |
| Video ARPU | $75/month |
| Triple play ARPU | $120/month |
| % of new video subscribers who take triple play | 90% |
| % of triple play customers who churn relative to voice only | 50% less |

## Market information

**US TV Market**

| | |
|---|---|
| Total US Households | 116.2M |
| Total US TV Households | 111.2M |
| Total US MVPD Subscribers[1] (HH) | 98.0M |
| MVPD Penetration in TV HHs | 88% |
| Total Triple play Subscribers | 9.7M |

**Client Video Services**

| | |
|---|---|
| Client video buildout households passed | 31.3 M |
| Client total video subscriber monthly churn rate[2] | 2.75% |
| Client Consumer access lines | 36.4 M |
| Annual change in client Consumer access lines | -4% |

**Competitor programming cost per subscriber/month = $20.63**

1. MVPD = Multichannel video programming distributors; MVPD subscribers pay a monthly fee to a MVPD provider (e.g., cable company, satellite company)
2. Video subscriber monthly churn = Total disconnects for the month / average subscribers for the month

# Business Expansion (Telecom Video Project) - Interview transcript

What are your client's options to quickly gain scale in video services?

The client can look out for both organic or inorganic growth options, with preference to inorganic due to the desire to acquire scale rapidly

Can you please elaborate on both these options?

Sure. By Inorganic, I meant to acquire current satellite distribution partner, cable operator (e.g. Comcast), or disruptive competitor (e.g., Vudu, Veoh, etc.). While the organic strategy can involve Increasing the speed of video build out/rollout schedule for client video offering and/or offer significantly lower promotional pricing for video services to increase penetration in available markets

What are the benefits and deficiencies associated with each option? Please detail them out.

- Acquire current satellite distribution partner:
- Benefits: provides a large number subscribers quickly, national footprint, expanded footprint to new geographies and savings on cost of installation
- Deficiencies: price, potential loss of distribution from other telcos, integration challenges (not wireline)
- Acquire cable operator:
- Benefits: expands footprint to new geographies, wireline video offer
- Deficiencies: price, potential mismatch in geographic coverage, savings on cost of installation
- Acquire disruptive competitor:
- Benefits: lower price, national coverage, rapid roll-out
- Deficiencies: may not be considered a true substitute to traditional video services, may require higher speed connections
- Rollout owned service faster:
- Benefits: lower operating costs due to one network / optimal network design
- Deficiencies: time to market, proof of success at scale
- Lower pricing:
- Benefits: increase penetration in target markets, rapid implementation (only in areas where service currently offered)
- Deficiencies: margin implications, devaluing service in customer perception, risk of churn when prices rise, competitive response
- On another note, getting people to sign up for triple play if they currently have nothing might be even more expensive than converting the households currently with MVPD

That was a good take. Moving on, how would you estimate the value of a video subscriber?

We can do it by lifetime value analysis. I'll start it by calculating contribution per month per subscriber and the corresponding expected lifetime

Sounds good. Can you please walk us through your calculations?

- Contribution per Month
- Monthly Revenue = $75
- Monthly Service programming cost = $20*1.25 = $25 (Pull 25% from Misc. Info table)
- Contribution per subscriber/month = $75-$25=$50
- Expected Lifetime
- Annual Churn Rate=2.75%*12=33%
- Expected life in years=1/33%=3 years
- Lifetime Value
- Installation Cost = $500
- Contribution/year = $50*12
- Cost of Capital: NOT PROVIDED – Should make an assumption e.g. may choose 10% for easier calculations
- DCF = -$500 + $600 + $600/1.1 + ($600/1.1*1.1) = -$500 + $600 + $545 + $495 = $1,140

Makes sense, on another note additional assumptions could have been made regarding other costs not provided (e.g., cost of sales, cost of care, etc.) that would alter the lifetime value calculation. But, we are good with your explanation.
So, moving on can you try figuring out the incremental value of a triple play subscriber?

- Incremental life of triple play customers
- Annual churn rate of triple play customers =2.75%*.5*12=16.5%
- Expected life in years = 1/16.5% = 6 years
- Incremental life of triple play customers = 6 years – 3 years = 3 years
- Incremental value due to triple play
- Incremental lifetime value = (600/1.1^3)+(600/1.1^4)+(600/1.1^5) = $450 + $410 + $373 =$1,233
- Adjust for 90% triple play = 90% * 1,233 = $1,110

Any thing else, that you may considered as incremental value?

The value drivers related to scale can be summarized as :
- Increased bargaining power with video programmers
- Retention benefits from triple play subscriptions leading to fewer access line losses
- Faster realization of video revenue streams

Go ahead.

As a part of our implementation strategy, I would like to assess our technical knowledge, ability to attract personnel, availability of capital and grid accessibility. Is there anything else I should consider?

Please try quantifying some of these drivers.

Value of scale can be estimated as follows:
- Programming cost benefit: $5 * 12 months = $60 per subscriber per year [$5 is difference between estimated $25 programming cost and $20 cost for competition]
- Retention benefits from fewer access line/broadband losses: $45*12 = $540/retained subscriber/year [$45 is the difference between the $120 and $75/month ARPU]

That's good, thank you

# Profitability (Telecom) - Data

You have been approached by a Regional Wireless Service Provider who is facing declining profitability over the last few years due to strong competition from larger companies to identify an approach to reach improved profitability across their footprint

## Interviewee Notes

- Focus on various market segments and their profitability
- Analyze the factors associated with profitability for each market
- Look at various options to boost revenue while reducing costs to be able to increase profitability

## Case Facts

- The client's past efforts to improve performance focused on national-level initiatives in marketing and customer experience, but saw no meaningful improvement in their financial metrics
- Client operates in 8 US metropolitan areas. Market metrics of these 8 areas have been provided in the tables below in Exhibits - 1 and 2.
- Various Costs incurred by the company are provided in Exhibits – 3 and 4.

**EXHIBIT – 1: Summary Metrics by Market**

| Market | Market Population | Market Share | Avg. Revenue per Subscriber per Month | # of Stores | Network Quality (1 Low – 10 High) | % of All Subscribers that Buy New Device During Year | Smart phone % | Level of Competition in Market |
|---|---|---|---|---|---|---|---|---|
| 1 | 3.3M | 14% | $55 | 125 | 5 | 25% | 60% | Strong |
| 2 | 0.35M | 5% | $35 | 20 | 3 | 20% | 35% | Moderate |
| 3 | 2.9M | 32% | $45 | 170 | 9 | 15% | 45% | Low |
| 4 | 1.9M | 7% | $50 | 50 | 7 | 30% | 50% | Low |
| 5 | 4.0M | 10% | $55 | 100 | 2 | 35% | 65% | Strong |
| 6 | 1.2M | 18% | $40 | 50 | 4 | 25% | 50% | Moderate |
| 7 | 1.3M | 12% | $45 | 50 | 5 | 25% | 55% | Moderate |
| 8 | 4.9M | 24% | $45 | 170 | 9 | 20% | 40% | Low |

**EXHIBIT – 2: Subscribers by Market over Time**

| Market | Subscribers in 2010 | Subscribers in 2013 | New subscribers in 2013 |
|---|---|---|---|
| 1 | 450K | 400K | 150K |
| 2 | 20K | 20K | 5K |
| 3 | 800K | 1000K | 150K |
| 4 | 75K | 150K | 50K |
| 5 | 600K | 400K | 75K |
| 6 | 400K | 200K | 40K |
| 7 | 250K | 150K | 30K |
| 8 | 1,100K | 1,200K | 250K |

**EXHIBIT – 3: Summary Costs by Market**

| Market | Avg. Annual Personnel Costs per Store | Cost to client per New Subscriber | Annual network cost |
|---|---|---|---|
| 1 | $500k | $300 | $25M |
| 2 | $500k | $200 | $10M |
| 3 | $400k | $250 | $75M |
| 4 | $450k | $250 | $75M |
| 5 | $550k | $300 | $50M |
| 6 | $500k | $250 | $25M |
| 7 | $450k | $250 | $25M |
| 8 | $450k | $200 | $75M |

**EXHIBIT – 4: Marketing and G&A Spend Breakdown by Market**

| Market | Marketing Cost | G&A Cost |
|---|---|---|
| **Total Cost** | **$250M** | **$1B** |
| 1 | 5% | 12% |
| 2 | 0% | 3% |
| 3 | 25% | 25% |
| 4 | 15% | 5% |
| 5 | 5% | 10% |
| 6 | 5% | 5% |
| 7 | 10% | 5% |
| 8 | 35% | 35% |

# Profitability (Telecom) – Interview transcript

How would you approach identifying the source of our client's lagging financial performance?

I would break down the various sources of Revenues and Costs to identify the factors that are causing decreasing profitability. I will analyze at individual market level rather than at national level, given the lack of success of national level initiatives in the past

Can you please elaborate on both these options?

Sure.

1. Revenue - I shall break it into components using multiple criteria like Recurring vs One-Time revenues and those revenues arising from existing customers vs those coming in from new customers.
2. Costs – Break Costs into its components, Fixed Costs and Variable costs and further break it down into Cost to acquire and Cost to serve.

We could also leverage competitor benchmarks to identify areas in which client is underperforming in the marketplace for different markets and thereby suggest methods to increase revenue or decrease costs or both.

Our client decided to conduct a market-level performance analysis, and has provided you with the data (Look at Exhibits – 1,2). What trends do you observe?

- Markets 3 and 8 have a large population and the client has a higher share with a low level of competition. They seem to be driving a lot of revenue. Indicates they are good to focus on and to drive more from those markets.
- Market 2 is fairly insignificant, can ignore
- Market 4 has high growth potential – Relatively higher number of new subscribers, strong market growth from 2010 and low competition level
- Market 5 is big, has smartphones and high Revenue per Subscriber, but is competitive and the client's network isn't great. It may be an opportunity
- Smartphone tends to be tied to higher ARPU. Better network where competition is low.

Based on your analysis, the client has identified three key markets to focus on. Please calculate the annual revenue for markets 4, 5, and 8.

- Total Revenue = Revenue from ARPU + Device Revenue
- Revenue from ARPU = Subscribers X (ARPU X 12 months)
- Revenue from Devices = (Subscribers X % buying devices X Average Device Price)
- Is there data on Average Device Price?

Average Device price across the markets is $100. Please calculate the total revenues for year 2013

- ➢ Market 4
- Revenue from ARPU = 150,000 X $50 X 12 = $90M
- Device Revenue = (150,000 X 30%) X $100 = $4.5M
- Total Revenue = $90M + $4.5M = $94.5M
- ➢ Market 5
- Revenue from ARPU = 400,000 X $55 X 12 = $264M
- Device Revenue = (400,000 X 35%) X $100 = $14M
- Total Revenue = $264M + $14M = $278M
- ➢ Market 8
- Revenue from ARPU = 1,200,000 X $45 X 12 = $648M
- Device Revenue = (1,200,000 X 20%) X $100 = $24M
- Total Revenue = $648M + $24M = $672M

That's Great. Now please have a look at Exhibits – 4 & 5 and calculate the costs for those same markets? What are the profits by market?

Total Cost has three cost components; Customer Acquisition cost, Operations cost and Store cost

- Customer Acquisition cost = Cost per New Subscription X No. of New Subscriptions
- Operations cost = Annual network maintenance + (Marketing spend X % for market) + (G&A spend X % for market)
- Store Cost = No. of stores X (Personnel cost + Rent). Is there data available on rent for the store?

Consider Rent per store at $70K per store. Please calculate the total costs and profits for each market for year 2013?

- ➢ Market 4
- Customer Acquisition Cost = $250 X 50K = $12.5M
- Operations Cost = $75M + ($250M X 15%) + ($1B X 5%) = $162.5M
- Store Cost = 50 X ($450K + $70K) = $26M
- Total Cost = $12.5M + $162.5M + $26M = $201M,
- Profit = $94.5M - $201M = -106.5M
- ➢ Market 5
- Customer Acquisition Cost = $300 X 75K = $22.5M
- Operations Cost = $50M + ($250M X 5%) + ($1B X 10%) = $162.5M
- Store Cost = 100 X ($550K + $70K) = $62M
- Total Cost = $22.5M + $162.5M + $62M = $247M,
- Profit = $278M - $247M = 31M
- ➢ Market 8
- Customer Acquisition Cost = $200 X 250K = $50M
- Operations Cost = $75M + ($250M X 35%) + ($1B X 35%) = $512.5M
- Store Cost = 170 X ($450K + $70K) = $88.4M
- Total Cost = $50M + $512.5M + $88.4M = $650.9M,
- Profit = $672M - $650.9M = 21.1M

After the market segmentation, client determined that they have 2 markets that are profitable but have a declining subscriber base. What would you recommend the client in order to make sure profitability is maintained and/or grown?

- Recognize that revenue needs to be prioritized to improve profitability given declining subscriber base
- Suggest expansion of subscriber base through targeted marketing
- Identify opportunities to grow sales through upsell (e.g., try to get everyone on smartphones and the highest available data plans) and cross-sell (e.g., other non-mobile products (cable from parent company, content partnerships) and adding other family members or devices to the contract

# M&A: Strategic Target Assessment - Data

BevCo, a leading international producer and marketer of wine and spirits, has been facing declining revenue and profitability due to shifts in consumer tastes to other categories such as beer. Due to their limited experience in beer industry, you have been asked to determine if they should acquire BeerCo and identify integration considerations that need to be addressed.

### *Interviewee Notes*

- During acquisition, profitability & investment required are the most important factors, followed by the market competition and the growth rate
- BevCo should keep in mind operational considerations when integrating BeerCo – i.e., how to optimize the integration of people, process, and technology.
- To improve profitability of the Lager line, reducing variable cost could be considered as a key lever

### General pointers:

- BevCo should keep in mind operational considerations when integrating BeerCo – i.e., how to optimize the integration of people, process and technology
- Making cans from its new facility is more economical than purchasing cans from existing supplier starting from 2015
- *Profitability & investment required are the most important factors, followed by the market competition and the growth rate*
- *Based on our analysis, we can achieve 5% revenue growth and 10% total cost reduction through this acquisition (based on 2014 financials)".*

### Beer Co:

- BeerCo's operating margin is greater than BevCo's as well as that of the industry average
- BeerCo's portfolio includes six of the top 20 craft beer brands in the US and a coveted portfolio of premium brands
- Lager product line demonstrates the largest top line growth but lowest operating margin
- Its lower margin is potentially due to the use of Cans vs. Glass and the associated COGS difference
- To improve profitability of the Lager line, reducing variable cost could be considered as a key lever

### Market Situation:

- Wide range of wine, beer and distilled spirits by brand and by type.
- Demand is relatively inelastic & Premium alcoholic beverages are growing in popularity like the flavored offerings.
- Craft beers are popular, priced higher and are profitable, as long as the cost of their rich ingredients is covered.
- Producers invest large amounts of cash in marketing and advertising. Debt burdens have been growing in recent years as companies aggressively expand through acquisitions.
- Gradual consolidation (70% market concentration) from last decade.
- Large domestic brands, while still holding the majority of US beer sales, are declining as consumer tastes shift to craft brews and imports.
- Growth trends in the overall US beer market don't look very good whereas growth trends in the US craft beer market are very good, relative to other beer segments as well as to the alcoholic beverage market overall.
- Other market characteristics (margins, growth rate, competition, investment needed) also look attractive for craft beer
- Average operating margin is 20% in the craft beer segment

**Recent M&A Activity in the Market**

| Target | Acq. Price | Segment | Rev. ($M) | EBIT DA ($M) | Transac. Rev Multiple | Transac. EBITDA Multiple |
|---|---|---|---|---|---|---|
| On the Rocks | 1,000 | Margarita | 641 | 103 | 1.6x | 9.8x |
| Craftbev Co | 990 | Craft beer | 510 | 80 | 1.9x | 12.3x |
| Park Ave. | 112 | Beer | 17 | 4 | 6.5x | 25.9x |
| Mark North | 1,380 | Beer | 836 | 159 | 1.7x | 8.7x |
| Epic MJ | 270 | Craft beer | 156 | 26 | 1.7x | 10.4x |
| Won Winery | 130 | Wine | 96 | 13 | 1.4x | 10.1x |
| Jane Co. | 280 | Spirits | 175 | 34 | 1.6x | 8.1x |

**Supply Base Data**

| Build Own Facility | Status quo |
|---|---|
| • Number of cans in 2014 is 500M, increasing by 200M annually<br>• Variable costs will be $.05 per can<br>• Initial CapEx of $100M, with additional $25M CapEx for each 125M volume milestone over the initial 500M (i.e. $25M at 625M and an additional $25M at 750M)<br>• Assume no: fixed costs, taxes, depreciation & amortization, or cost of capital calculations | • Number of cans in 2014 is 500M, increasing by 200M annually<br>• BeerCo pays $0.15 per can to its existing supplier |

**Unit Information – Ale (in 2014)**

| | |
|---|---|
| Number of units | 1000 |
| Price/unit | $0.91 |
| COGS/unit | $0.50 |
| SGA/unit | $0.12 |

# M&A: Strategic Target Assessment – Interview transcript

What is the most suitable approach for assessing BeerCo's value?

- Market based approach: specifically M&A valuation using multiples is the most suitable approach for assessing BeerCo's value. Two or more approaches are necessary to arrive at fair value range

What purchase price would you estimate based on current financial projections? (using M&A information provided by the client's bankers, and considering BeerCo's revenues to be $1100M and EBITDA at $240M

- Transaction multiples from the historical M&A comps chart can be used for valuation, and we can use the appropriate comps from the chart *( #2-#5 are for appropriate since they are in beer market & Park Ave is too small to be included )*
- Need to calculate both revenue and EBITDA multiples, and use them with BeerCo Rev/EBITDA to get a valuation range .
- We should also recognize that these are transaction comparables, so they already include the impact of synergies.
- However these are very rough valuation estimates, and are highly sensitive to the way EBITDA is calculated

| | Acq. Price | Target's Segment | Target Rev. ($M) | Target EBITDA ($M) | Transac. Rev Multiple | Transac. EBITDA Multiple |
|---|---|---|---|---|---|---|
| Beer Market Average | 688 | Beer | 380 | 67 | 3.0x | 14.3x |
| Beer Market Average (Excluding Park Ave) | 880 | Beer with appropriate size | 501 | 88 | 1.78x | 10.5x |
| Only Craft Beer Average | 630 | Craft beer | 333 | 53 | 1.80x | 11.4x |

| | Transaction Rev Multiple | Transaction EBITDA Multiple |
|---|---|---|
| Valuation Range (Overall beer) -$M | $3300M | $3432M |
| Valuation Range (Beer with appropriate size) -$M | $1958M | $2520M |
| Valuation Range (Craft beer only) -$M | $1980M | $2736M |

Beyond synergies, what considerations could impact the purchase price?

- Access to newer customers and/or suppliers
- Access to the vast distribution network and sales routes
- Established craft beer brands
- Access to quality talent
- Regulatory/political reasons etc.

Additionally reasons can be explored that would increase and decrease the price or that is specific to BevCo or BeerCo to draw conclusions

What operational considerations should BevCo keep in mind when standing up this new business unit?

- People: BevCo should understand what people will come over with the acquisition (in this case, all brewery operations personnel, no corporate management). BevCo will then need to develop the organization chart, reporting relationships, and roles and responsibilities for the organization.
- Process: BevCo will need to establish management processes for coordinating amongst operations, finance, procurement, and logistics personnel as well as related functions such as sales and legal. Processes need to address key inputs, deliverables & metrics to drive compliance & improvement.
- Technology: BevCo should conduct an assessment of technology and the migration plan with existing systems. BevCo should then identify gaps, determine critical requirements, and develop a strategy for investing in new technology systems that will enable them to achieve expected benefits.

*Additionally BevCo can also*

- Conduct a Gap Assessment of people, processes, and tools to leverage from BevCo to the new BeerCo
- Address Org Structure and required staff skill and leadership for running the business
- Training: Identify skill requirements and expected capabilities, and develop desired competencies
- Developing Metrics aligned to driving and managing across both business units
- Address Tax implications and Alignment to strategy of deploying key functions (e.g., procurement)
- Pilot new processes and scorecards within the organization to promote adoption and improvement

As a part of optimizing operations, BevCo would like to better understand BeerCo's supply base. In particular, should BevCo continue to purchase cans from the existing supplier or open a new production facility?

| Answer Key | 2014 | 2015 | 2016 | Total |
|---|---|---|---|---|
| Number of Cans | 500M | 700M | 900M | 2,100M |
| Build Scenario Costs: CapEx+Variable Cost | $125M ($100M + $25M) | $85M($50M + $35M) | $95M($50M+$45M) | $305M |
| Buy Scenario Costs: Cost per cans | $75M | $105M | $135M | $315M |

At what point, if any, would building a new facility be more economical?

- When we look at the cumulative costs, year on year, we can clearly see that the cumulative cost for Build scenario falls below that of Buy scenario in year 2016

| Cumulative Answer Key ($M) | 2014 | 2015 | 2016 |
|---|---|---|---|
| Build Scenario Costs: | $125M | $210M | $305M |
| Buy Scenario Costs | $75M | $180M | $315M |

- Additionally we can look at financial implications with debt financing for an initial investment, how Op costs may effect the bottom line, depreciation/amortization tax implications & overall risk tolerance
- A step further we should also think about physical constraints, including local infrastructure, available
- Overall we can also consider a possibility of a JV instead of acquisition for benefits like: Reducing initial investments, sharing risk with 3rd party and potential synergies

# Unconventional

# Loss in a football match – Interview Transcript

A football team recently suffered a surprise loss. You have been approached to find out why this happened.

First I would like to understand a bit more about the context. What kind of match was this (was it in a league/knockout tournament/friendly) and what kind of team was this?

This was in a league tournament like the EPL and the team is one of the top 5 teams.

Why was it a surprise loss for the team?

It was surprising because our team lost to one of the bottom ranked teams.

How has our team's performance been in the past. Has our performance been steadily declining or was this a sudden drop?

We've been performing quite well in the tournament. That's why we are in the top 5. This was a sudden loss.

I would like to break down the problem into two parts. We could have lost the match either because we did not score enough goals or we conceded too many goals (i.e. it could be a problem of either attack or defence). What score line did we lose by?

We lost 2-0.

What has been the average number of goals we have scored and conceded in the matches prior to this?

On average we score 4 goals and concede 2 goals in a match.

It looks like the problem in this match lies in our attack and not defence. Our defence usually concedes 2 goals and even in this match they conceded two goals. Our attack usually covers up for this by scoring four goals but in this match we weren't able to score. I would like to further explore why this was the case.

Sure. Go ahead.

I can think of three broad areas regarding where the problem could lie: Player level Issue, team level issue or an external environment issue.

Can you explain each and think of which one is most likely?

External environment problems could be a change in the playing conditions, field, weather, crowd etc causing a sudden drop in performance. This is less likely to be the case if we are looking at a professional league like the EPL.
Team level issues could be changes in the playing XI, support staff, management or strategy that could have caused the poor performance. These are more likely than external environment problems.
Player level issues can be further broken down into physical and emotional issues. Physical issues could be fatigue or unavailability of players due to injury. Emotional issues could be stress or any other emotional problems that one/some of the players could be facing, which was affecting their performance. In my opinion player level issues seem to be the most likely as I would expect a professional management to mitigate some of the team level issues.

Yes, we have found out that two of our forwards had picked up an injury but had continued playing and this affected their performance. Thank you.

# Loss in a football match

A football team recently suffered a surprise loss. You have been approached to find out why this happened.

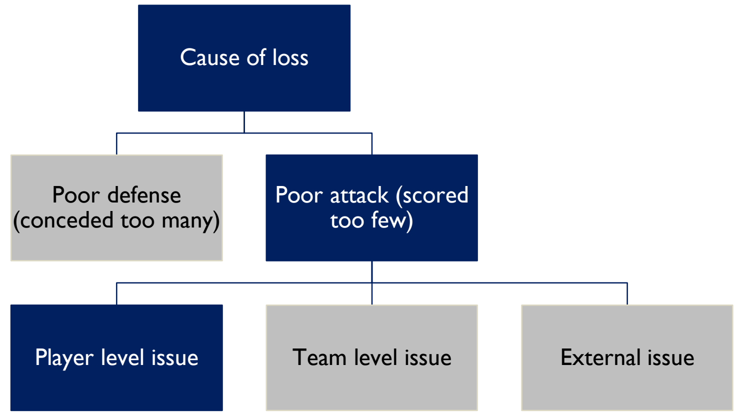
## Interviewee notes

- Top 5 EPL team. Lost to bottom team
- Defence was always weak. Strikers covered up for this
- Attackers did not perform this match

## Case Facts

- Team scores 4 and concedes 2 goals on average
- This match: conceded 2 but did not score

## Approach/ Framework




***Observations /suggestions***

- Understanding the context is important. Need to understand what kind of match/tournament was being played and past performance of the team to identify whether this was a one-off situation.
- It is important to adopt a structured approach and cover all the possible reasons rather than just listing several reasons.

# Increased processing time – Interview transcript

Your client is a packaging manufacturer who has been facing a higher completion time of delivering a job. Diagnose and recommend solutions.

I would like to begin with a few clarifying questions on our client. I'll like to know what exactly constitutes the completion time for a job.

The completion time is the time taken from receiving the raw material to completion of the entire manufacturing process.

Alright. I am not very familiar with the packaging industry. Could you please elaborate on the process followed by them and whether this problem is only being faced by our client.

You can consider it to be similar to any other manufacturing industry. It basically manufactures carton boxes used in packaging of various products. There are different processes to be followed sequentially involving different machines based on the nature of job. Also the problem is being faced only by our client.

Okay. I would also like to know how many manufacturing facilities we have and whether the problem is limited to any particular plant/facility

Good question. The client has three manufacturing locations across India. However the problem is only being faced at one of the locations.

Just a final question, you mentioned that different processes are followed for different jobs. Could you tell me what are the different type of jobs being processed and whether this problem is specific to any particular type of job

We usually classify the jobs based on the no of cartons to be produced in a job. It is classified as small or large based on whether the cartons exceed 5000 or not. Also we have the following data on the target vs actual completion time : (Small Target: 36 hrs, Actual: 72 hrs; Large Target: 48 hrs, Actual 54 hrs)

Looking from the data, it seems that the problem is primarily in the small jobs and I would like to analyse this in more detail. Would that be okay?

Yes you can go ahead.

I'll like to start by identifying the different components of completion time and looking where the problem lies. The completion time would consist of actual manufacturing time and the idle time. So do we have any information if the difference between actual and target is specifically in any one of them?

No, we have actually exceeded the target time in both of them.

Alright, in that case, I would like to start with the manufacturing time. This would be dependent on the number of processes involved, run speed of different machines involved and the average order quantity for the job. Have we seen increase in any of these?

You can assume that the average order quantity is same and the number of processes involved is also the same. However we have observed that the run speed of machines have reduced and this has happened across machines

Okay. So this could be because the machine has some problem because of it the operators are not able to run it at the desired speed. However this would affect the large jobs as well and considering the increase is not the same in both, there must be other factors also contributing to this increase. Operators' skill level can be issue but that would again affect the large jobs as well.

Yes actually that is correct. The small jobs being received in the recent past have become more complex and the operators have found quality issues while running it at higher speed. This has forced them to run at less speed.

Ok. So this explains the increase in manufacturing time for these jobs. Now I would like to analyse the reason behind the increase in idle time for these jobs. The idle time would consist of idle time per machine and idle time between machines. The idle time per machine would consist of the make ready time, any breakdown time. The idle time between machines would be due to unavailability of the subsequent machine or prioritization of some other jobs.

That's correct. We have seen that there has been an increase in the make ready time for these jobs as well as increase in idle time between machines. Can you identify the possible reasons for the same?

As you mentioned earlier that the jobs being received in the recent past have become more complex, this could be the reason for increase in the make ready time as operators are not able to do it quickly. For the idle time between machines, it could be a lack of planning and scheduling that leads to unavailability of the subsequent machine or clash of priority at the plan level.

Yes that is correct. What we have observed is that there is no clash of priority in from demand side but the line managers are seen to be prioritizing the large jobs. Why do you think the line manger would be interested in prioritizing large jobs over the small jobs?

I think the main KPI for line manager would be the daily output in terms of no of cartons produced and the efficiency. As you mentioned that these small jobs run at a lower speed, the line manager maybe prioritizing the large jobs to meet his/her target and delay the small job intentionally.

Great. So can you suggest some recommendations to prevent this problem in the future.

I'll like to give the following recommendations:

1. For increased manufacturing time: The operators should be given adequate training so that they are able to run these jobs at specified speed without any quality defect. The plant can also take the help of other plants and see if similar type of jobs are run there and what process have been followed by them.
2. For increased idle time: The make ready time can be reduced by improving the sill level of employees as mentioned earlier. An increased supervision can also help in bringing down the make ready time. For the planning and prioritization problem, the incentive and targets for line manager can be based on the number of jobs completed (for each category) instead of the output in terms of cartons. The planning can be improved by forecasting the time taken at each of the machines and planning accordingly.

Do you want me to analyse anything else?

This will be fine. Thank You.

# Increased processing time

Your client is a packaging manufacturer who has been facing a higher completion time of delivering a job. Diagnose and recommend solutions.

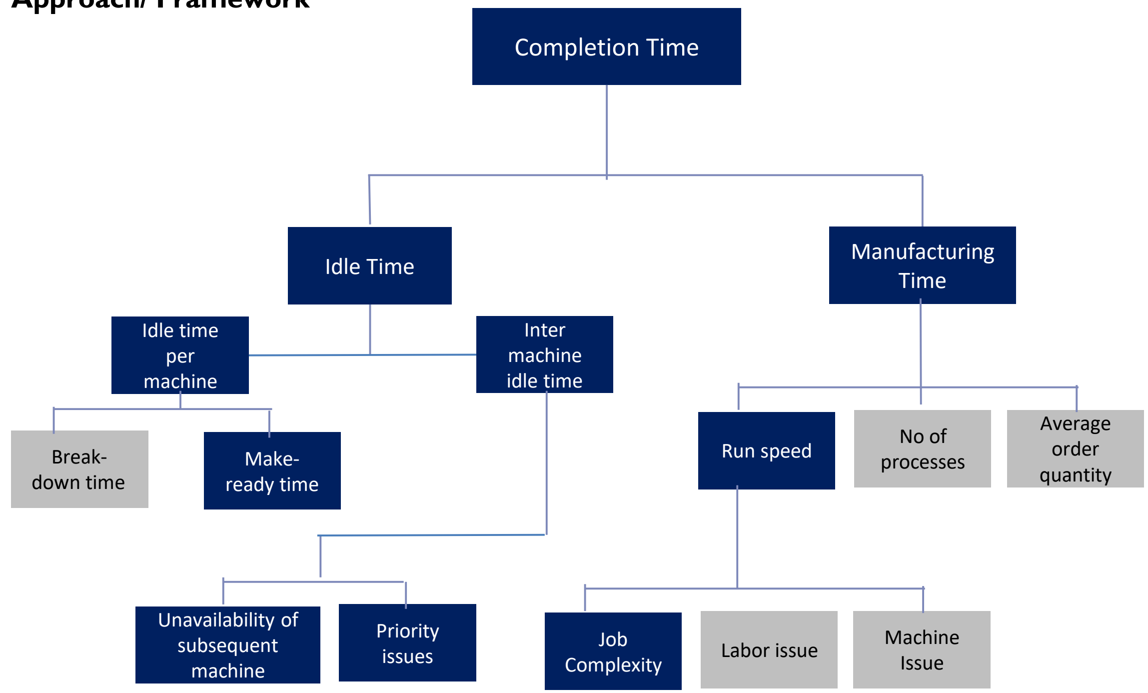
### Interviewee Notes

- Understand the components of the completion time
- Identify the time taken in each of these components against the target time
- Identify the underlying reasons for these increased time

### Case Facts

- Problem only in one of the manufacturing plants
- Problem not being faced by other competitors in the same area
- Completion time defined as time taken from receiving the raw material to completion of the entire manufacturing process.

### Approach/ Framework




### Recommendations

- Provide training to operators
- Change the incentive scheme/daily target for line managers
- Proper forecasting of the time taken at a particular machine to improve planning accuracy

| Type of job | Target Time (hrs) | Actual Time (hrs) |
|---|---|---|
| Large (more than 5000 cartons) | 48 | 54 |
| Small (less than 5000 cartons) | 36 | 72 |

# 'Go Green' strategy – Interview Transcript

Your client is the CEO of an Indian Airlines Company. He has approached you, a consultant at a top notch firm to help him make his firm go green. How do you go about it?

So, if I understand correctly, the client wants to make his firm go green. By go green, do we mean in adopting and excelling in sustainable practices or is there some other interpretation?

Yes, you are right. It means adopting sustainable practices.

Okay, could I know why the client wants to adopt this? What is his ultimate objective?

Well, he had visited a conference and had been impressed by the sustainable practices being taken over the world. He wants to set a benchmark by establishing practices in his own company.

Sure, I would want to understand a bit more about the company at this point. What is the size, scale of operations, does it operate in international markets?

It is a well established player in the domestic market. You can consider a typical low cost player in the domestic market.

Could I understand a bit more about the current context? Have other players started with these practices? Do we have any benchmark?

No, we would be the first in the industry. There is no benchmark

Okay, so I feel that I have some idea about the problem. I would like to proceed analysing it by first drawing out the value chain (Draws out). Do you want me to focus on any one? Or should I start from sourcing?

Start wherever you want. You are the consultant.

Okay, in that case, I would like to start with sourcing. Could I know what is the current process being followed?

It is pretty normal sourcing. Please list down all the factors you feel are relevant.

Okay, so I feel that sourcing would be that of fuel and aircrafts. While I know that the suppliers are well established, I feel that the company should follow green sourcing policies prevalent, which means conducting green audits to analyse the entire supply chain. We could also look at a mix of biodiesel and normal fuel something which was tried by Spice Jet.

Okay, what else?

That would cover sourcing. Next, I would like to come to planning operations. This would include flight & crew scheduling, route selection etc (refer value chain). The flights need to be planned such that it minimizes the fuel use. This would involve better scheduling, not flying flights at less than capacity and reducing idle waiting time at the runway.

Okay. Could you think of a metric in this respect which would be useful?

Fuel/passenger. I think we should focus on reducing this.

Okay. Please continue with your initial analysis.

So, after planning, I would like to look at the pre-flight operations. This would involve ticket counter operations, gate operations, baggage handling, pre-flight bus service. We could look at going paperless, removing paper tags and using e- boarding passes. We could also look to use aerobridges to reduce fuel use in operating buses.

Don't you think there is an inherent flaw here? Do you think e-boarding passes would work?

I think it would require a buy in from the other flight operators.

Is that all? Don't you think you would need a buy in from anybody else?

I apologise. We would require the buy in of the CISF which I feel might be difficult.

Correct! Please continue with your analysis.

Next, I would look at in-flight operations. We could look at avoiding the use of plastic on board. We could look at bio-toilets, food sourcing contracts where reusable packaging material is used.

Fair enough. What else?

After this, we would come to outbound logistics. I'm trying to think of areas were we could come up with something but cannot come up with anything else under this.

Do you think you have missed out any major factor in your overall analysis? What do you think a major airline operator will need to have to sustain its operations?

I apologise, I had missed its corporate offices. An airline would have offices all over the country. We could look at sustainable practices there. Use of solar energy, going paperless etc to reduce our overall carbon footprint.

Okay, Sounds good. Could you summarize the case for us?

The problem we had in front of us was to help our client go green. After analysing the relevant functions in the value chain, we came up with areas where the client could implement different techniques. It starts with green sourcing, better planning of flight operations to reduce fuel/passenger, reducing use of paper and tags in the pre-flight operations, reducing use of plastic in in-flight operations and also incorporating sustainable practices in the corporate offices of the firm. This would help our client go a long way in achieving his goal.

Okay. Thank you.

# ‘Go Green’ strategy

Your client is the CEO of an Indian Airlines Company. He has approached you, a consultant at a top notch firm to help him make his firm go green. How do you go about it?

## Interviewee Notes

- Try to use the 4C structure (Company, competition, context and cost) to gain more information.
- Gauge the motivation, reasoning of the CEO for going green.
- Try to use a value chain to break up the entire problem into parts.

## Case Facts

- Client is an Indian Airlines Company
- It wants to “go green”

## Approach/ Framework

| Sourcing | Planning Operations | Pre-Flight operations | In -Flight operations | Outbound Logistics | Marketing & Sales | Service |
|---|---|---|---|---|---|---|
| Aircraft | Route Selection | Ticket Counter operations | Food/Offering | Baggage Collection | Advertising | Baggage Handling complaints |
| Fuel | Flight scheduling | Baggage Operations | Bio-Toilets | Connecting Flight operations | Promotions | Complaint follow ups |
| Green Audits | Reduce fuel per passenger | Gate Operations | Flight Crew | Hotel Reservations | Loyalty Programs | Feedback |
| | Passenger yield management | Bus & Airbridge | | Car Rentals | Travel Agent Connections | Customer Engagement |
| | | Administration | | | Bulk Discounts | |

## Observations / Suggestions

- The interviewee should first clarify what “go green” means. Then he/she should understand more about the company and operations. Finally the problem should be broken up into a value chain to simplify it.
- Give recommendations under each bucket in the value chain. Be exhaustive.

# Operations strategy (FMCG) – Interview Transcript

The Director, Sales of a FMCG firm wants to improve their channel management strategy. He wants you to provide suggestions.

Before analyzing the problem statement, I would like to understand our client better and familiarize myself with the context a little more. Where are we based and how big is our client vis-à-vis the market?

The company has global operations but for this case, we are dealing with India only. Our presence is across India and we are one of the top 3 FMCG firms in the country in terms of market share.

Understood. I want to better understand the motivation of the Director. Is the improvement sought due to some recent issues in the channel management internal to the firm or is it a response to the external environment? Also, when we say improvement, how are we measuring it?

So measurement is by channel partner satisfaction. Can you clarify what you mean by the external environment?

Sure. So what I meant was that there might have been either a recently introduced change by a competitor that we also want to imitate or there could be non-competitor environments which affects every player like channel characteristics changes in terms of their size, preferences and demands

Got it. So basically, nothing much has changed internally or externally. The Director wants to just check the possibility of improvement.

Thanks for the information. I would now like to look at the channels and ask you more questions along the need if need be.
I want to divide the channels into General Trade (your small kirana shops), Modern Trade (the marts) and e-commerce. Is there a particular channel that you want me to look at first?

Yes. Look at General Trade. Before that though, can you tell me factors you will consider to pick a channel for improvement?

Sure. So I will do a potential-possibility analysis here. The first go-to channel will be one high on potential for savings and improvements and one where it is the easiest to effect such improvement. These are in turn a function of the channel characteristics, our engagement strategy, our revenues from them, etc.`

Sounds good. How will proceed?

Sure. I would like to take a minute here to gather my thoughts.
(After a pause)
So focusing on General Trade, I would like to analyze this through the lens of benefits-engagement possibilities. We should typically strive to be in a high engagement and high benefit category for the distributor.
Benefits can be broken down into monetary benefits like margins offered and non-monetary benefits could be further broken down into operational benefits or non-operational benefits. The former is the level of help that we can offer our distributor in their own operations like sharing of best practices in terms of MIS, Inventory management, fire safety etc. The latter are things like loyalty points or other incentive schemes.
Engagement would look at quality and quantity of engagement. Quantity depends on number of visits an Area Sales Manager might make and the amount of time spent on per engagement. The quality aspect would refer to the channel of engagement and behavior of the sales manager. We can look at more factors if need be.

This looks good. How will you prioritize between these possibilities?

There could be a couple of things. The best would you to simply ask the distributors what their pain points are and try to match that gulf. Second could be looking at best practices globally and see what we can deliver given our resources.

Sounds practical. If you had to quickly recommend one thing, what will it be?

Focus on the non-monetary operation benefits as they create a clear win-win situation.

That is what the Director is also keen on. It was great interacting with you. Best of luck.

Thank you. It was great interacting with you as well.

# Operations strategy (FMCG)

The Director, Sales of a FMCG firm wants to improve their channel management strategy. He wants you to provide suggestions.

## Interviewee Notes

- Channel partner satisfaction
- Types of channels
- General Trade focus
- Making matrix

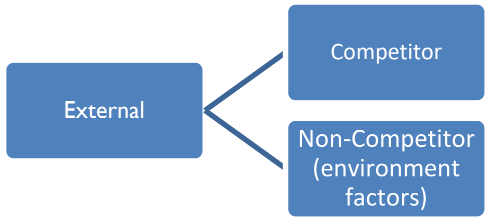
## Case Facts

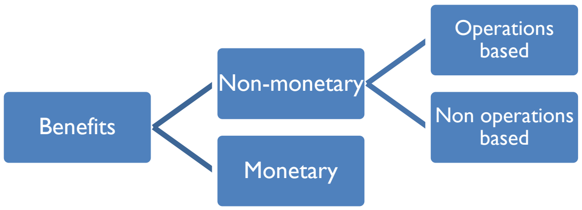
- India based FMCG
- Leading player (1/3)

## Approach/ Framework

| Channel selection | Potential | |
|---|---|---|
| Possibility | (H,H)- Desired state | (H,L) |
| | (L,H) | (L,L) |

| Channel Improvement | Engagement | |
|---|---|---|
| Benefit delivered | (H,H)- Desired state | (H,L) |
| | (L,H) | (L,L) |




## Recommendations

- Understand and deliver the unmet needs of the distributors.
- Understand and implement global best practices.
- In absence of data, focus on non-monetary operations benefits.

## Observations / suggestions

- The case was well structured and the preliminary questions clarified the key issues in the case. It is usually important (and useful) to ask about the context of the problem and the company..
- The interviewee requested for time to structure the problem and then delivered an exhaustive structure. That was well done.
- Towards the end, the interviewee tied his answer (of asking the distributor directly) to the initial given data that metric was distributor satisfaction.

# Declining website traffic – Interview transcript

The client is a web based media news aggregator platform. The website has been seeing a drop in traffic off late. Diagnose and recommend solutions

I would like to confirm the objective before I proceed. The client's website has seen a drop in traffic, and they want to figure out why this is happening and fix it. Is there another objective?

No other objective

Okay, I have a couple of questions. What exactly do you mean by traffic? Would you count the same user accessing through different mediums such as phone, laptop, etc., as separate traffic?

Good question, we consider every hit on our website as traffic, regardless of which user it is. So to answer your question specifically, yes, we would recognise that as separate traffic.

Thank you. Going further, I would like to check if there is any data regarding the change in traffic over the last two-three timeframes. What is "off late"? How was the trend before that?

We've been seeing a steady decline in number of users since about 6-7 months now. Before that, we were witnessing healthy traffic growth rates, ~ 20% every year since inception in 2016.

Alright, by decline you mean an absolute decline in the total number of users and just not a decline in the growth rate, right? Also, is this an industry-wide issue?

Yes for both.

Alright, thank you. So just to summarise everything so far, the website has been seeing a decline in hits on the website over the past few months, which goes against the general trends observed over two years.

Sounds good.

I believe that traffic can be broken down into traffic from first time users and traffic from repeat users. Do we have any data regarding which of these two segments have taken a hit?

Yes, we have data saying that the number of new users are still growing at a steady rate, while the number of repeat users have been declining at a pretty quick pace.

Thank you. I shall look into the possible reasons for a decline in traffic from repeat users now. I believe that a user looks for three things when using a website, especially a content site like a media aggregator. The first would be the quality of the content, the second would be the cost of the content, and the third would be the delivery of the content. I shall delve into these to figure out where the issue is stemming from.

Okay, go ahead

Firstly, has the quality of the content we are delivering to consumers changed in any way in the last six months? Has the editorial team changed? Have the journalists changed?

No significant changes

Just a follow up, has the competitive scenario changed in the last few months? Has there been a new entrant that provides what consumers perceive to be better content? Have our current competitors invested in better content?

No, no significant change in the competitive landscape either

Alright. Do we know if the pricing of the website has changed in the last six months, with something like a free trial for first time users? Has a significant competitor reduced their prices or changed their pricing structure recently?

No, none of us have made any changes to the pricing structure in the relevant timeframe.

Alright, I think the issue stems from the delivery of content. I shall break this down in to two components: operational and aesthetic, and then drill down. Has the website speed slowed down in the last few months? Have their been any recent changes in architecture that has changed the access speed for users?

Good guess, but no. No infrastructural changes as such. Load speeds are intact.

Alright, so I believe that the website's aesthetics have changed in some sense. Do we have any data regarding a major design overhaul of any sort?

No, nothing of that sort

So the website's appearance and experience has not changed in any observable way?

Good question. While we have not performed any design overhaul, EU's new Global Data Protection & Regulation Act (GDPR) was enforced around the time we started seeing the decline. To comply with the act, we have to show a bright red visible banner that informs the user that the website is using cookies to track activity, and takes consent from him/her for the same.

Ah, so I believe that repeated visits to the website are becoming cumbersome owing to have to click on the large banner each time they visit the website, thus leading to an overall decline the in quality of the customer experience.

That is correct. Any recommendations for the same?

Without having a detailed sense about GDPR, I propose the following:

a. Make the banner less flashy and intrusive, but visible. So any changes to the color scheme and the font type to make it less in-the-face can help reduce the impact on the customer

b. Focus on developing quality content: While the website now is only a media aggregator, the company can take steps to develop exclusive content with top writers so that users are forced to put up with the banner in order to consume quality content.

c. Move away from a user tracking model, and consolidate content delivery as the only feature. Remove features that require user data. This would also help allay fears that the website can be used to influence public opinion based on popular sentiment.

That will be all, thank you.

# Declining website traffic

The client is a web based media news aggregator platform. The website has been seeing a drop in traffic off late. Diagnose and recommend solutions

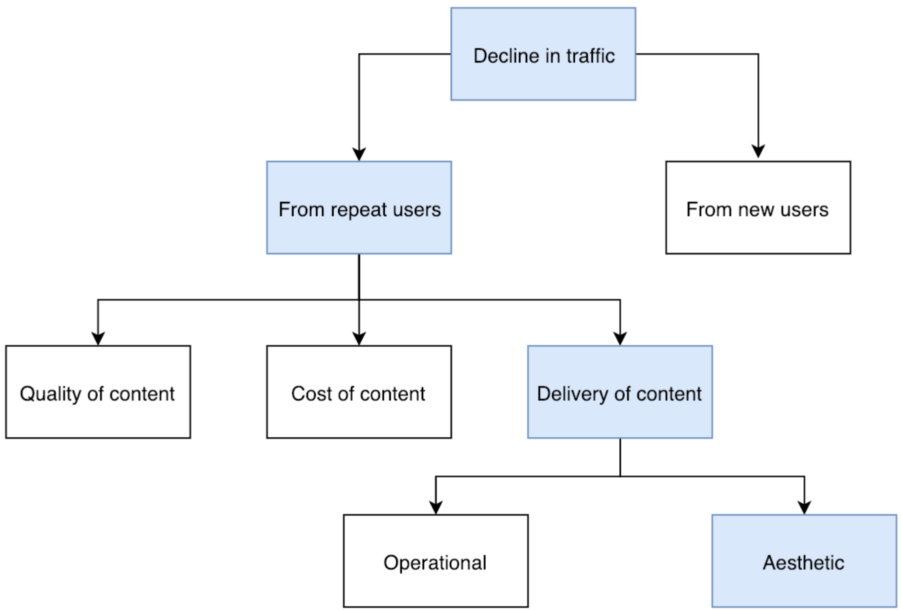
## Interviewee Notes

- Steady growth rates previously
- Problem is with retention of users
- Identify drivers of repeat users
- Understand the factors that could lead to attrition

## Case Facts

- Industry wide issue
- No problem with new users
- No new competition
- No changes in pricing by any of the companies
- No change in content quality

## App




**Recommendations:**

The issue is with the new, obtrusive, legally-mandated GDPR cookies banner, which is ruining user experience. Thus,

a. Make the banner less flashy and intrusive, but visible. So any changes to the color scheme and the font type to make it less in-the-face can help reduce the impact on the customer

b. Focus on developing quality content: While the website now is only a media aggregator, the company can take steps to develop exclusive content with top writers so that users are forced to put up with the banner in order to consume quality content.

c. Move away from a user tracking model, and consolidate content delivery as the only feature. Remove features that require user data. This would also help allay fears that the website can be used to influence public opinion based on popular sentiment.

# Reducing turnaround time – Interview transcript

This case focusses on the optimization of the logistics of an Indian company. Just imagine a truck delivering goods from Delhi to Mumbai. This currently takes up a substantial amount of time. The goal of the company is thus to reduce the turnaround time. Basically the firm wants to reduce the amount of time the truck spends on the road. How would you go about solving this case?

Ok, let me start off by estimating how much time it would take from Delhi to Bombay on the road. To do this I will first estimate the distance between the 2 cities. I know that the flight time is around 2.5 hours and that a plain has an average speed of 800 kilometers per hour. The distance is therefore approximately 2000 kilometers.

Now that you know the distance, how would you proceed with the case?

So what I would do is, I would split the travel time into 2 components. On the one hand the travel time consist of the time on the road and on the other hand it consists of breaks. When it moves it operates with an average speed of 35 km/hour. However, the average speed depends on the type of road, the route and on traffic. The breaks are caused by numerous factors. We can split this into primary needs and other issues. Primary needs concern bathroom breaks, as well as breaks for eating and sleeping. With the other issues, I refer to the waiting time caused by the need to fill out paper work when passing states.

Ok, so you now understand what variables affect the travel time. What kind of measures would you propose to reduce the turnaround time?

Let me start off with the measures with which I can improve the average speed while driving. One option is to set-up a new traffic schedule, where we take into account the rush hours and avoid them. Do you maybe have information on when the drivers usually depart and arrive on their destination?

They usually leave around 7.30 and will be on the road throughout the day.

Ok, so we could adjust the drivers schedule to ensure that the driver passes the major cities during night time or during non-peak hours. This would result in a higher average speed and thus a faster turnaround time.

That is fair suggestion. What else?

One other issue could be the fact that the truck drivers might not be aware of traffic and construction works. To overcome this problem, I suggest to provide all truck drivers a mobile phone with Google Maps. Google maps would always indicate the fastest route and drivers are hence expected to deliver the goods in a faster time

I agree, what about the breaks. Are there things the company could do to limit the time spent for breaks

So now let me focus on the extra travel time caused by breaks. For the waiting time when passing states, I propose a monthly/yearly pass. Drivers could show this pass, and would be allowed to immediately pass the security. For the other breaks, I believe that sleeping is the primary driver of the additional traffic time. To solve this problem, the company could rotate drivers. This can be done in 2 forms. Either, the company could use 2 drivers per truck or establish certain locations where drivers would switch. Additionally, the firm could give its drivers prepacked-food to reduce the need for breaks.

Excellent suggestions. It was nice interacting with you. Thank you for your time.

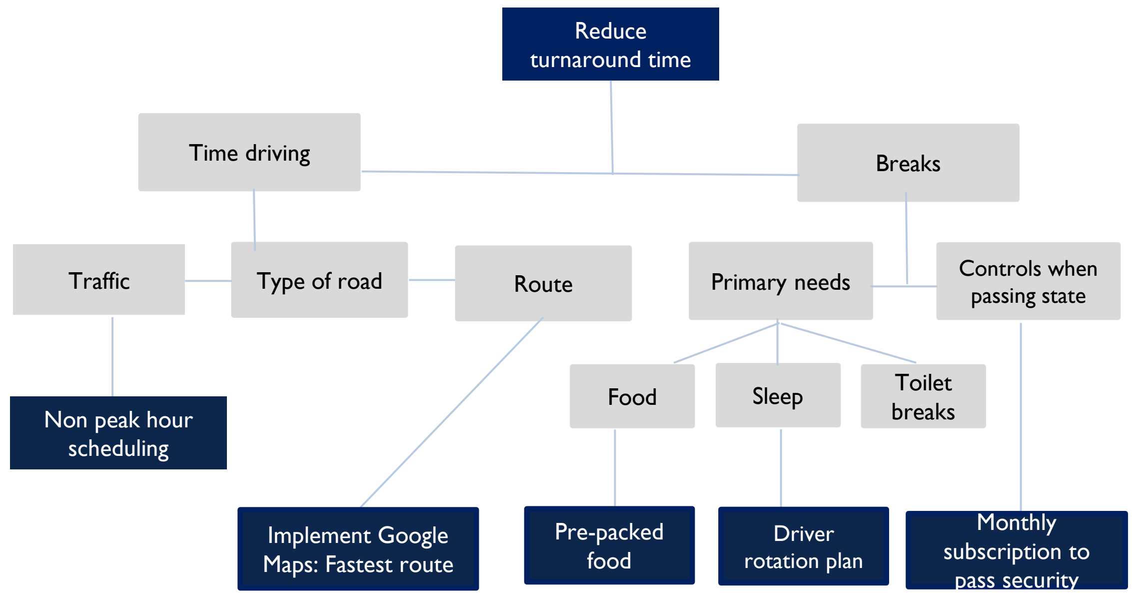
# Reducing turnaround time

You have been approached by the CEO of a company in India. The client asks you to come up with ways to lower the turnaround time of its trucks between Delhi and Mumbai

## Interviewee Notes

- Contingencies are ignored in the case
- Truck drivers have to fill in paper work when passing states
- Assume that there are 2 types of road: Highway and city-roads

## Approach/ Framework




## Recommendation

- To reduce the turnaround time, the firm can implement measures that affect either the time of driving or the length of breaks. Possible measures include the adoption of a new transportation schedule where peak hours are avoided, a driver rotation plan to minimize the amount of breaks, and the use of pre-packed food to make food-breaks unnecessary. The company can provide drivers with mobile phones with maps to ensure that drivers follow the fastest route

# Risks of oil transportation company – Interview transcript

Your client is a transport company, which has been offered a contract to transport oil for an oil rig company. We need to decide if it should take the contract or not.

Okay. Is our client specifically into oil transport, or are the transportation areas diverse?

No, our client is not into oil transport right now. It is diversified in terms of what it transports.

Okay. How long is the contract for?

The contract is a long term one, and will last for approximately 15-20 years

Okay. Where is the oil rig company located, and where is the customer located?

The oil rig company is located in the Middle East, and the customer is located in the USA.

Alright. Does the client own any ships that might be suitable for this purpose?

No, the client doesn't currently own any suitable ships. They will have to purchase new ships to do the job.

Okay, so that is a large initial capital expense. Can these ships be used elsewhere?

No, these ships can be used only for this purpose

In that case, the large capital expense would be justified only if the long term returns are good enough to cover the costs. Are we expecting any other contracts of this nature?

Yes, we expect that we shall get more contracts in the future, as the demand for energy in these areas is increasing.

Okay. Now I would want to look at the long-term profits for the company. Do we have any data for expected profitability?

No, we don't have the numbers for the profitability. We would like you to assess the risks associated with the contract.

I'd like to segment the risks down bucket wise. According to me, the company faces geopolitical risks, economic risks, labour related risks and general risks. Does that cover the risk areas of the client? Additionally, is there any specific bucket that you'd like me to focus on?

Yes, you may proceed further with these risk buckets. We don't want you to focus on a particular risk bucket, just give a general analysis of the risks faced by the company.

Okay. In the geopolitical risks, the company may face trade embargoes in case there is an unrest in the region, as the Middle East is a very sensitive region. Additionally, the change in the tax laws in either of the countries might lead to extra costs.

How do you plan to solve this problem?

In case of trade embargoes, we might look to source the oil moving to the USA from another country, and use land routes to cover the deficit in that region. For tax laws, we can include provisions in the contract to ensure that the additional cost is passed on to the customer.

Okay, please proceed further with the economic risks.

There might be an increase in the transportation costs for our client, or the oil prices might decrease. If our contract has a variable component that is impacted by the prices, then we might be facing reduced revenues because of this. Also, in case we are purchasing the ships, we might face cost problems if the client backs out.

What's your solution to this problem?

We can try to sign futures contracts, and fix the charges within a certain range, in order to ensure that we are not adversely impacted by a price fall, that is, our downside is minimised. Similarly, we can pass on prices to the customer to an extent in case of transportation cost increase. To handle the purchasing of ships, we can choose to lease the ships till we get confirmed contracts from other clients as well. Short term leases would be the best option. Additionally, we should include provisions for compensation in case of cancellation of the contract.

Okay. What are the labour related risks that we might face? Additionally, please provide solutions with the problems.

Okay. We have to employ highly skilled labours, as any issues with handling might lead to oil spills, that will lead to economic losses as well as a hampering of our client's reputation, besides causing environmental destruction. This might be a high cost factor, and hence the client could have training programs in case they land more oil contracts.

Alright. Are there any other risks that you'd like to look at?

Yes. There are a few general risks that the client might face. First, we should look at the ship's occupancy, and see if they're being optimally utilised in transportation. Additionally, in the contract structure, we should ensure that there is no exclusivity clause, and that the requirement of deliverables is within our reach. Finally, we might also want to look at the entry/exit barriers in the market, since if it is a lucrative market with a low entry barrier, we might face competition in future contracts.

Okay, that seems comprehensive enough. Thank you.

Unconventional | Moderate

# Risks of oil transportation company

Your client is a transport company, which has been offered a contract to transport oil for an oil rig company. We need to decide if it should take the contract or not.

## Interviewee Notes

- Qualitative case, no numbers provided
- Instead of focussing on one specific issue in depth, candidate was required to cover a breadth of issues

## Case Facts

- Client is a transportation company with no prior oil experience
- It is facing cost issues with more than one beer product

## Approach/ Framework

**Geopolitical Risks**
- Trade embargoes
  - Sol: Re-routing via Asian countries
- Tax law change
  - Sol: Contract structured to charge customer accordingly

**Economic Risks**
- Increase in transportation costs
- Variable component on oil prices
- Sol: Sign futures contracts to fix price
- High capital investment
  - Sol: Lease ships for short periods

**Labour Related Risks**
- Need to employ highly skilled labour
  - Sol: Develop a training program to reduce hiring costs

**General Risks**
- Low ship occupancy
- Exclusivity clause in contract
- High requirement of deliverables
  - Sol: Structure contract accordingly
- Low Market entry/exit barriers
  - Sol: Secure long term contract to avoid competition

## Recommendations

- Ensure that most of the risks are mitigated in the contract signed with the client's customer
- Minimise capital risks by using short term leases on ships instead of purchasing them

## Observations / Suggestions

- It is important in cases like this to be comprehensive, and hence bucketing the problems into different sections helps in structured thinking
- Most of the risks faced by the client should be problems which have solutions available and can be thought of within the interview

# Variable pay structure – Interview transcript

Our client – an Indian company dealing in precious stones had appointed a Head – Sales on the agreement for a fixed monthly pay and a variable pay at the end of the year. You have been asked to suggest the variable pay.

OK, so first I would like to understand about the company in terms of its Products, Customers and Operations?

The company is a trader in precious stones of the likes of diamonds, pearls, etc. The turnover is close to Rs. 200 cr+. Majority of the revenues come from the United States, France and Belgium.

Just like to know a little about the previous head for sales – why was he fired, what was his pay and what is the fixed pay being given to the current resource?

He was fired because of dip in revenues. His CTC was Rs. 1.2 crores and we have been paying a fixed amount of Rs. 7 lakhs per month.

Now, I would like to analyse the various factors that could help us in determining the salary for a Head – Sales. I can think of the following – Strategic Changes implemented, Increase in Revenues, Retention and motivation of Sales Force, Industry Benchmark for compensation, Previous salary. Is there anything you think I have missed out on ?

No, I think this is comprehensive. Go ahead.

OK, so the would like to first ask the industry benchmark and how much was the Head paid in his previous job?

For the sake of simplicity, let us assume that the salary we paid to our previous resource is the benchmark and his CTC in his previous company was Rs. 80 lakhs.

Okay. Also, I am making an hypothesis that the strategic changes and motivation of workforce are usually long term in nature and their impacts would be visible more in the longer term. Is it fair to go ahead with this assumption ? Although we may consider the initiatives taken.

Yes, that's a fair assumption. You can let them be for now.

Okay, so has our revenue increased in the previous year?

Yes, it has.

I would then like to analyze the revenues into : No. of customers, Revenue per customer, Product Mix

Okay. Number of customers and product mix has remained the same.

So, is it fair to assume that the prices charged to customers have increased.

No, the prices are as per contractual terms which are quoted in US Dollars have remained the same.

Then it must be the depreciation of the Rupee because of which the Revenues have increased.

Well, indeed yes. The rupee depreciated by 15% during the previous year and the increase in revenue has been commensurate to that.

Then the profits of the other players in the industry would also have increased by the same amount and hence the Head – Sales might have negligible role to play in the revenue increase.

That's right

In such a case, it is proposed to give him a 10% hike which he would expect as a change in job profile and make his CTC to Rs. 90 lakhs. I believe that 1 year is too little a time to judge the mettle of a Manager as senior as him. And hence, he should be give little more time to show results.

Okay, agree with your contention

Is there anything else you would like me to analyse for this case ?

No, that will be all.

Thank you.

Unconventional | Moderate

# Variable pay structure

Our client – an Indian company dealing in precious stones had appointed a Head – Sales on the agreement for a fixed monthly pay and a variable pay at the end of the year. You have been asked to suggest the variable pay.

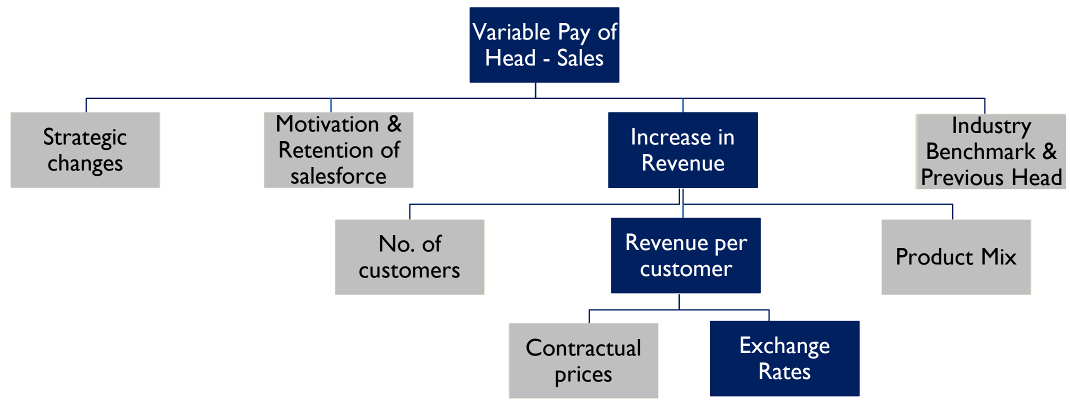
### Interviewee Notes

- Devising the variable pay structure.
- Previous Head removed for lower sales.
- Pay to previous Head was benchmarked to Industry
- Contractual terms have remained the same for all customers
- Increased revenue for entire industry

### Case Facts

- Company dealing in precious stones – diamonds, pearls
- Major customers – US, Europe
- Fixed monthly pay – Rs. 7L pm
- Pay to previous Head – Rs. 1.2 Cr.
- Pay to current head in previous company – Rs. 80 L

### Approach/ Framework




### Recommendations

- Give a 10% hike over and above salary in previous company.
- 1 year is too little time – give the Head – Sales more time to prove his/her mettle.

### Observations / Suggestions

- Do not forget about exchange rates.
- A simple increase in revenue case, may be camouflaged into an unconventional case.

# Horizontal integration in E-commerce – Interview Transcript

The CEO of Flipkart has reached out to you to evaluate the business opportunity of merging Flipkart Fashion, Myntra and Jabong to realize economies of scale. Could you advise the clients on the same?

Before analyzing the problem statement, I would like to understand our client better. What are the three businesses and how are the three different?

You may assume them to three different subsidiaries of Flipkart catering to Apparel and Fashion Accesories. Myntra basically caters to middle age women, providing modern Indianware. Jabong on the other hand, is more youth oriented and emphasizes strongly on latest fashion and westernware. Flipkart Fashion is more generic, catering to all three of them

Great. Is there any specific, tangible objective the client has behind this merger?

The client feels that he can increase revenue while decreasing cost through this. However, other executives have cited concern over this. He wants to maximize profits for Flipkart both in the short and in the long run.

Alright. Could you help me understand which set of operation are we looking to merge? Both frontend and backend?

Yes, we are open to all sorts of integration. The client wants to integrate atleast some portion, if not all, of both frontend and backend

Great. I would like to take a minute to structure my thoughts around the same. I would like to divide the analysis into three aspects: a) Financial Feasibility, where I would like to focus on Revenues and Costs; b) Operational Feasibility, where I would analyze the creation of synergies in the value chain; c) Risks involved where I would focus on Internal and External Risks that could affect us in the long run.

That seems to be fine. Let's begin the analysis.

There are two revenue streams of Flipkart: From transactions and from advertisers. The transactional revenue is depended on the no of visitors on platform, % of them who get converted, transactions per customer and the sales value per transaction. Starting with the no of visitors, it depends upon the brand of the platform and the awareness among the users. We should decide what should be the name of the single platform. Since Flipkart is the most popular of them all, we should keep Flipkart. There might be Myntra customers who shop for other products on Flipkart. However, as seen in the world of social network, people today prefer specific portals over generic, particularly in an highly involved purchase like apparel. Hence, there is a risk we might lose out on customers in the short run.

True. However, there would be Jabong customers who would be moving out of the target customer base. While they would drop off the platform in the shortfun, the integration would ensure they still find the platform useful.

Absolutely. However, we must also consider the positioning of the brand eventually. Myntra is famous for modern Indianware, which would play a large role in attracting its customers. Switching the positioning to a generic platform might entail losing out on a long-standing goodwill. We might have to consider promoting across all platforms equally, as our customer base would be highly heterogenous. Even if the customer is aware, the next step is downloading the app or hitting the website. It is there we would be realizing huge benefits of scale. Due to low phone memories, particularly in rural India, people generally would prefer keeping only 1 app in the mobile instead of 3. Integrating the platforms would help us cater to the entire family of users through the single app.

True. However, the client is concerned that the integration would make both the website as well as the app very heavy for download.

True. For website, we can think about having an easy to load homepage, which would gradually open to subsequent pages to better manage download. For app, we must divide the entire download into two parts, first the default app which should be small. Subsequently, on every usage, we should download live data of the page from the server, to better manage the size. The major concern for me is that a platform like Flipkart would not be able to provide the specific, personalized filters available on Jabong/Myntra related to apparels. However, due to large amount of data, would be able to gather a lot of customer data to better curate recommendations

Absolutely. Anything else you would like to add?

We can also look towards providing a uniform loyalty program with which every customer is able to benefit for every purchase on the platform, be it for himself or for his family. With recommendation system, cross-selling would also improve, thereby leading to better loyalty.
We can also leverage the loyalty program to create discount programs and product bundles. Can I move to the advertisement revenue now?

Yes, how do you think that would be affected?

Advertisement revenue could further be split into no of advertisers that we would enroll, the frequency of ads they demand, the impressions per ad and the price per impression. I feel that since the space would be limited along with a generic platform, apparel brands who used to target specific customers might feel their brand get diluted on a generic platform like Flipkart. However, we would be a able to target a lot of non-apparel brands as Flipkart hosts a wide variety of products. Since the number of visitors would increase as all of them would arrive on one platform over three, the impressions would increase. We can further improve impressions by creating targeted advertisements based on rich data we would be getting, further enhancing the per impression price.

Great. That looks comprehensive. Could you also look into the operational aspects, their synergies and the impact on costs.

Sure. For this, I would be creating the entire value chain. We would first need developers to maintain the app, which would be just one as compared to three. Suppliers and sellers would be apprehensive as now the competitions would increase manifolds for them. However, in the long run, due to network effect and high switching costs, the customer turnout would increase, reducing the bargaining power of sellers. We would also be able to capitalize heavily on logistics and warehousing expenses with the increase in scale. For after-sales service, a uniform employee force would lead to cost saving along with optimization of marketing expenditure.

What are the possible risks associated with this merger? Which all stakeholders we should be most concerned off?

The first is the legal aspect to it. CCI might be against creating a firm with such a large market power. We should also be consider if the integration would be culturally unfit. Myntra and Jabong are different in terms of organization, goals and positioning. This would otherwise deter the synergies we aim to capture through the combined platform.

Fine. Could you summarize your recommendations as to what steps should the client take on the same?

The client should look to immediately consider the integration as far as the backend is concerned, as it would help in reducing cost without hampering customer purchase. However, the client should duly consider slow progress as the foundations of the resulting large organization should be strong. In the front-end, the client should run a pilot about the positioning and the brand name to understand customer response. If the response is positive, it should go ahead with integration on that end as well. If not, the three platforms should be maintained separate with a common loyalty program. This would improve visibility of the three platforms, allowing for an integration 2-3 years later.

# Horizontal integration in E-commerce

The CEO of Flipkart has approached you to evaluate the opportunity of integrating the Flipkart- Fashion division of Flipkart, Myntra and Jabong together into a single entity. What components of the three businesses should he integrate and what he should not?

## Interviewee Notes

About the business

Three different subsidiaries

Myntra:

Target age - (>35) years

Fashion - Indianware

Jabong:

Target age - 14-35 years

Fashion - Westernware

Flipkart:

Target age – 14-60 years

Fashion – All

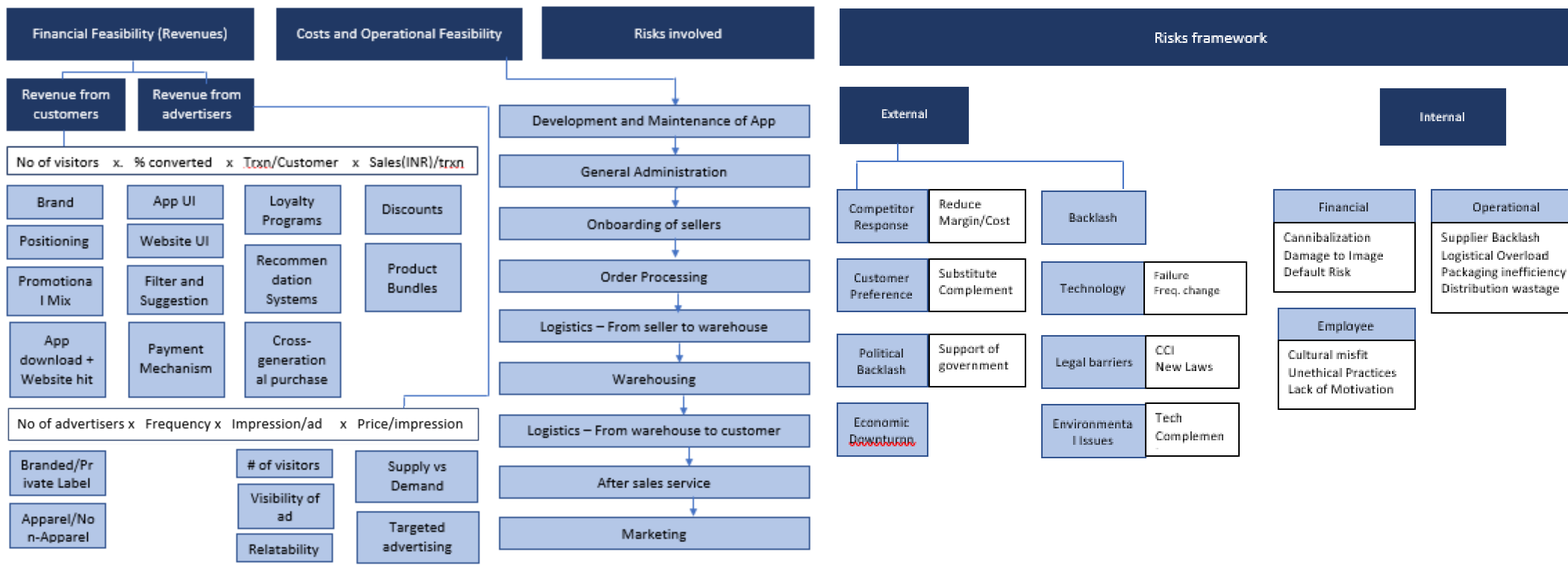
Objective of integration

To maximize revenue potential in the long run

Scope of integration

Open to all avenues: complete integration under 1 label to integration of some part of businesses

## Approach/ Framework




## Recommendations

- The client should submit a proposal for backend integration of the operations of the three companies to realize economies of scale
- It should conduct a pilot with regards to front end integration, to gauge customer response
- Even if it is not satisfactory, the client should consider incorporating a common loyalty program to improve customer loyalty, drive traffic across the three platforms, and create a rich database for targeted advertising, thereby improving advertisement revenue.

# Threat of new entrant – Interview Transcript

Your client, C-Mart is the largest discount grocery retailer in West India with 300 stores. For several years, C-Mart has surpassed the second-largest retailer (200 stores) in both relative market share and profitability. However, the largest discount grocery retailer in North India, N-Mart, has just bought out C-Mart's competitor and is planning to convert all 200 stores to N-Mart stores. The CEO of C-Mart is perturbed by this turn of events, and asks you the following questions: Should I be worried? How should I react? How would you advise the CEO?

This is how I would like to approach the problem: First, I'd like to understand the market in West India to understand how C-Mart has become the market leader. Then I'd like to look at the market in North India to understand how N-Mart has achieved its position. Finally we can merge the two discussions to understand whether N-Mart's strength in North is transferable to the our market.

That sounds fine. Let's start with our market.

I'd like to understand what is causing C-Mart's higher profitability. Is C-Mart more profitable because it has more stores, or does it have higher profits per store?

It has higher profits per store.

Higher profits could be the result of lower costs or higher revenues. Do we have any indication on which of the two is causing the higher profits per store?

C-Mart's cost structure is similar to that of competitor's but it has higher per-store sales.

Higher per store sales could be because the prices are higher or quantity sold per store is higher.

Since we are a discount retailer, our prices need to be competitive. Quantity sold per store is higher. Can you think of why this could be the case?

This could be because our stores are larger, C-Mart has greater product variety or because the stores are better managed.

Our store size is similar and we sell similar products to competitors. C-Mart's stores are managed differently from those of competitors. C-Mart uses a franchise model in which each individual store is owned and managed by a franchisee who has invested in the store and retains part of the profit.

In that case, I would guess that the C-Mart stores are probably better managed, since the individual storeowners have a greater incentive to maximize profit.

You are right. C-Mart's higher sales are primarily due to a higher level of customer service. The stores are cleaner, more attractive, better stocked, and so on. I think you've sufficiently covered the Western market-let's move now to a discussion of the North Indian market.

How many stores does N-Mart own in the North, and how many does its closest competitor own?

N-Mart owns 2,000 stores and its largest competitor owns approximately 500 stores.

Are N-Mart stores bigger than those of its competitors?

Yes. N-Mart stores average 20,000 square feet, whereas competitor stores are 10,000 square feet.

This suggests that N-Mart should be selling almost 8 times the volume of the nearest competitor.

Close. N-Mart's sales are approximately 5 times that of the nearest competitor.

I would think that sales of that size give N-Mart significant clout with suppliers. Does it have a lower cost of goods and hence lower prices than the competition?

In fact, its cost of goods is approximately 15 percent less than that of the competition and its prices are on average about ten percent lower than those of the competition.

I think I've learned enough about N-Mart. I'd like to ask a few questions about N-Mart's ability to succeed in the West. I'd first like to understand whether N-Mart has a strong brand name in our market and does it carry products similar to C-Mart's?

N-Mart has no brand recognition in the West. The two companies carry similar products, although the C-Mart stores lean more heavily toward local suppliers.

Is there any reason to think that the costs of doing business for N-Mart will be higher than they are for C-Mart in the West? Specifically, is N-Mart likely to have higher labour costs, leasing costs or higher raw material or distribution costs? N-Mart might incur higher distribution costs than C-Mart because it will have to ship products from its Northern warehouses to the West.

You are partially right. C-Mart must also cope with the same labor costs. C-Mart has the advantage in distribution costs, since it gets more products from Western suppliers. However, since C-Mart continues to get a good deal of product from the North, the actual advantage to C-Mart is only about two percent of overall costs.

All this suggests that N-Mart will be able to retain a significant price advantage over C-Mart's stores: if not ten percent, then at least seven to eight percent.

I would agree with that conclusion. Can you please summarize your findings?

In the near term, C-Mart might be safe. Its stores have a much stronger brand name in the local market than N-Mart's, and they seem to be well managed. However, as consumers get used to seeing prices that are consistently seven to eight percent lower at N-Mart, they are likely to shift to N-Mart. The CEO certainly has to worry about losing significant share to N-Mart stores in the long term.

Can you suggest possible strategies for C-Mart?

Given that in discount retailing competitive prices are a key way to retain customers, C-Mart can look at the value chain from procurement to distribution to retailing and see where it can cut costs and hence offer more competitive pricing. In procurement, it can try negotiating competitive prices with suppliers. It might want to consider offering fewer product lines, so that it can consolidate buying power and negotiate prices with suppliers that are more competitive. In distribution it could try cutting down on transportation costs. With retailing, it can look to negotiate lower margins for retailers if possible. Finally, they might want to consider instituting something like a frequent shopper program, where consumers accumulate points that entitle them to future discounts on merchandise.

Thank you. All your suggestions are interesting and worth analysing further.

# Threat of new entrant

The Leading discount grocery retailer in West India is facing the threat of a new entrant

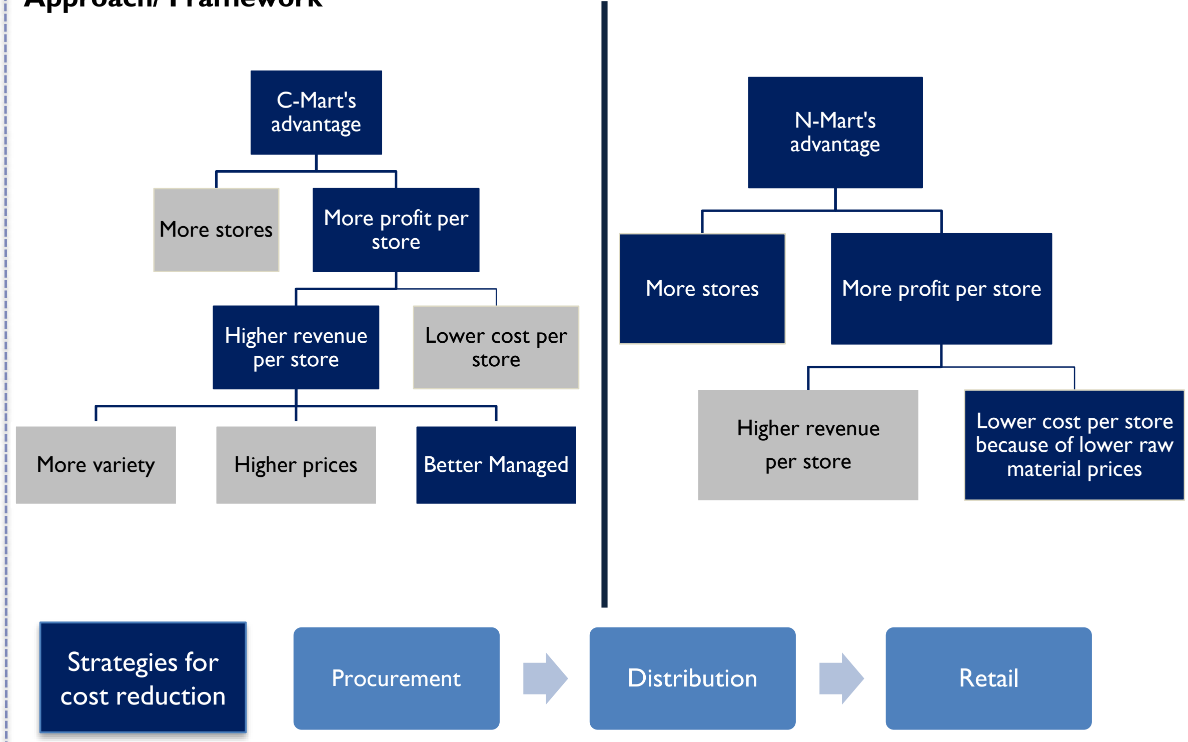
## Interviewee Notes

- Understand C-Mart's competitive advantage (in terms of profitability)
- Understand N-Mart's competitive advantage
- Can N-Mart's competitive advantage be transferred to West?
- C-Mart has 300 stores compared to nearest competitor's 200 stores
- N-Mart has 2,000 stores compared to its nearest competitors 500 stores
- N-Mart sales are 5x that of nearest competitor
-

## Case Facts

- C-Mart: market leader in West
- N-Mart: market leader in North
- C-Mart: no cost advantage
- C-Mart: franchise model – better managed – higher sales
- N-Mart: large bargaining power with supplier

## Approach/ Framework




## Recommendations

- It is important to cut costs to compete with N-Mart
- Costs can be cut in
  - Procurement: Negotiate lower prices with suppliers
  - Distribution: Cut transportation costs
  - Retail: lower retailer margins and introduce loyalty programme

# Drug pricing – Interview transcript

Your client is WHO and they are concerned with the cyclicity in the prices of Malaria medicine and want your help to figure out why this is happening.

Before I begin solving for the root cause, I would like to understand the facts of the case better. (1) What exactly is the cyclicity pattern-annual or something else and for how long have we observed this? (2) What is the magnitude of amplitude of cyclicity? (3) Are we considering global changes or restricting to a geography?

Fair enough. (1) The cyclicity is annual with similar annual variations of highs and lows for about a decade (2) Let us assume that it only a few percentage points but enough. I want you to focus on the qualitative aspects here. (3) Global.

Thanks. So, from the annual cyclicity, we can make two assumptions- (1) There is no structural industry level shift presently, though there might have been 10 years ago which we can explore later & (2) From a supply-demand perspective, it is unlikely that for a disease, the demand will have similar annual variations. So, I will assume that it is a supply side issue. Is it alright to go ahead with that?

You are quite right.

Oh alright. Can we assume that the supply cyclicity is the main reason and that it is opposite of the price cyclicity? In which case, I will like to understand the medicine a little more. Are we considering multiple variants? Also, what is the API (active pharmaceutical ingredient)?

Yes and you can assume that there is only one standardized product with one API which is chemically derived from a plant source grown through individual farming.

Oh alright. So, my strategy here would be 2 step- (1) Understand the model of flow of the product from farm to client to identify the location of supply bottleneck in a lean supply year. (2) Once that is identified, I would like to understand the factors contributing to that lean supply. To understand the first, am I correct in assuming the following process? (Exhibit 1)

The strategy seems good. You can assume that the problem is the total farm output cyclicity. All the other downstream steps are standardized.

Oh alright, thanks! Before I look at farm aspects, I want to highlight that lower outputs would increase cost at downstream steps also as fixed cost per unit will be higher when units are less. Ignoring that I would like to break down the total farm output as follows (Exhibit 2). I will consciously not be including external factors such as government policy and environmental factor changes as these are unlikely to have annual impacts. Before I proceed further, I would like to understand the spatial distribution of farmers and the type of farmers.

I agree with your assumption and the process map is good. To answer your question, the peculiar aspect here is that 95% averaged farm output comes from 4 eastern Chinese provinces from small and marginal farmers.

That is interesting! I would like to focus on these farmers then. Productivity and other factors are unlikely to be this cyclical. Thus, I would like to first focus on the macro aspects of number of farmers and area sowed per farmer. Do we have any data to suggest cyclicity in farmers sowing the crop each year?

Yes. All the other factors are fairly constant over the years but the farmer count is cyclical. Can you think of a reason why? Take a moment.

I think it can be because of two factors, either the farmers (1) CANNOT grow every year or for some reason (2) DO NOT want to grow every year. The first could largely be because of cyclicity in inputs to grow the crop, like seeds or specialized fertilizers and the second would largely be dependent on price realized last year. Given the case facts that the farmers are small and marginal and that there is price cyclicity, I am inclined towards the latter. There are more farmers growing in year N, which leads to more supply with a constant demand and thus prices fall. Next year there are less farmers, thus less supply and higher prices, leading to a cyclical behavior.

You are right. This is what we diagnosed the problem to be as well. Can you tell me the assumptions you are making here?

Sure. There are 3 fundamental assumptions- (1) The crop also has an annual growing cycle (2) The farmers arrive at the market at a similar time and thus do not have bargaining power and there are no losses and no storage infrastructure at the farm level (3) The introduction of the plant as a raw material must have happened 10 years ago replacing something else.

Great. This was well done. Best of luck for the subsequent rounds.

Thank you. It was a pleasure interacting with you.

# Drug pricing

Your client is WHO and they are concerned with the cyclicity in the prices of Malaria medicine and want your help to figure out why this is happening.

## Interviewee notes

- Be qualitative. Global impact.
- SUPPLY side issue.
- API is unique and one variant. Derived from PLANTS!
- Issue- farm level.
- Ignore Government and weather.
- Focus on macro issues
- No of farmers- cyclical

## Case Facts

- Malaria, WHO, cyclicity in prices.
- Facts-Annual phenomenon. 10 years ago.
- 95% from small marginal Chinese (east) farmers

## Approach/ Framework

Exhibit 1: Process map of the product production steps (Please note that transportation costs/processes discussion between any 2 processes will be discussed along with these if needed)

Farm (includes sourcing inputs) → Processing of raw material → Medicine manufacturing → Supply to wholesaler → Supply to retailer

Exhibit 2- Process map of the annual output drivers (upstream to downstream). Every point is multiplied in the total; change in any of the 6 factors will lead to change in output.

Number of farmers → Field area under cultivation/farmer → % Field area under cultivation for this crop → No. of cropping cycles/year → Units of crops/unit field area (Cropping density) → Productivity factor

***Recommendations***

- Increase penetration with counter offers and schemes
- Give away indirect distributor inputs to increase retailing

***Observations / Suggestions***

- Declining sales problems can also be separated into internal and external issues
- Once the problem is identified to be in the publicity and advertising part,  including word of mouth publicity is especially critical

# Declining response in a competition

You are the executive advisor to the Campus Branding team at ABC Ltd. ABC has launched its case study competition at premier b-schools. However, despite the overall increase in the number of students, the response from the students is lukewarm. ABC has asked for possible reasons and ways to increase the response rate amongst students.

## Interviewee notes

- Defining 'response' – registrations? Submissions? Response on social media?
- Likes have decreased in the first week itself (this is a major problem)
- Competitor scenario

## Case Facts

- Last year 1300 students enrolled, out of which about 600 registered, and 200 submitted
- ABC has a FB presence which saw
- 500 new likes last year (spread over 2 weeks after launch of competition). This year, 100 likes in the first week.
- ABC is an old recruiter at these schools and has been having this competition for about 4 years now.
- A major competitor has also launched a case study competition at the same time with a prize money double that of ABC
- No increase in ABC's prize money
- Marketing efforts are the same as last year
- The number of likes on the social network has not grown in proportion to the number of students (scope for number work

## Approach/ Framework

Student Response Stages

- Awareness
  - Channels Covered
  - Activities on Each Channel
  - Marketing Budget
- Incidence
  - How is it measured?
  - Sites have sufficient visibility?
- Registrations
  - Team Size Constraints
  - Competition Timeline Problems
  - Prize Money
  - Competitor Events
- Submissions
  - Format
  - Timeline
  - Portal Usability, Uptime
- Queries

A fleet size/shape modification may be desirable to increase seating capacity. This makes sense since Chinese flyers may differ from US-UK flyers in physique

The split of business-economy seats can be chosen to reflect to proportionate demand and utilisation.

## Recommendations

- Incentive Strategy(this year): Since the prizes for this year have already been communicated through the marketing efforts, additional rewards in terms of goodies and PPIs can be communicated as a branding strategy for this year.
- Incentive Strategy (future): ABC should focus on not only the quality of the competition (difficulty, scheduling, etc.) but also on rewards being more competitive
- Marketing Strategy: ABC should aggressively market the case study competition on social networks to catch the students early. It should also schedule its competitions well ahead of its competitors to lock in participation. Further, students' schedules of exchange programs in certain b-schools should be considered. Providing support systems in the form of buddies, interaction forums, etc. can go a long ahead in giving a competitive edge to ABC.

## Observations / Suggestions

This question involved seeking clarification on certain definitions such as 'response' and 'lukewarm growth'. It is essential to narrow down these broad terms to specific pointers using which the 'lifecycle – approach' can be deployed and the significant links can be identified. If a question revolves around conversion, one can think of the 'lifecycle – approach wherein, various stages of an agent's or activities lifecycle are enlisted. For e.g., in a purchase lifecycle, customer goes through a decision making stage, followed by purchase which is then followed by servicing and customer satisfaction, and finally repeat purchase. In this approach, different stages of conversion are listed and a weak/broken link is identified. A lifecycle approach also ensures MECE steps.

# Strategic fit / Merger feasibility

Our client owns one of the largest global card payments networks. As of 2007, the consumer card payments business had reached maturity in the US and Europe, with stagnation in annual revenue growth. The client has identified a small start-up, currently a provider of payment service in the e-commerce industry, as a potential acquisition target. You have been called in to evaluate the potential acquisition, and provide guidance on the integration of these two companies, should the merger occur.

## Interviewee notes

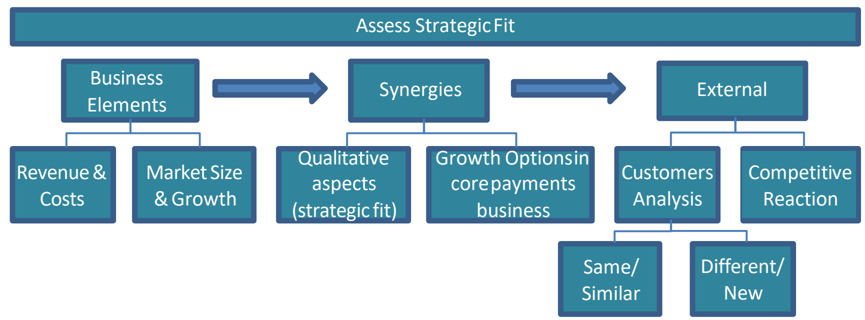
- How should a large
- organization such as our client evaluate this acquisition opportunity?
- What data would you need and what analyses would you conduct to develop a recommendation?
- The client does not have a track record of acquiring and successfully integrating small, innovative companies.
- What cultural differences will the client have to overcome? How would you advise the client to overcome them?

## Case Facts

- E-Commerce has been identified as a key
- growth driver, as the industry has grown at 20% and is expected to grow at a 15% CAGR over next 5 years.
- PayPal, Amazon 1-Click and Google Checkout dominate the industry, controlling over 50% of the market share. Our client's Senior Executives feel that they need a capability in E-Commerce, an area where they have historically lagged.
- The small start-up identified as the potential acquisition target has an innovative business model and has grown rapidly. It is a provider of micro payments for social networks, which is used to pay small amounts to publishers of online content and for downloadable media.
- Industry leaders such as PayPal find it inefficient to manage these small transactions and charge disproportionately high fees, making traditional online payments unfeasible.

## Approach/ Framework

- Data Requirements
- Some data that can be used to structure analyses includes:
- information about the size and history of the target; growth rate for the target
- information about the leadership and culture of the target
- financials about the level of commitment and level of gain, and whether this could even "move the needle" from a growth perspective




## Recommended thought process

Fit with existing business: Can a company focused on security and reliability successfully integrate with a start-up focused on peer-to-peer payments, which are notorious for fraud? How similar are the business models (i.e. both generate revenues as a percentage of transaction amounts)?

- Overall business case: Growth in target revenues, possible synergies in external settlements, options for cross-selling with existing business, obtaining deep
- consumer behavior insights in a segment of current "non-users," organizational synergies.
- Qualitative aspects: Can the entrepreneurial spirit of a start-up be combined with the client's behemoth organizational bureaucracy? What will be the keys to success? (May include holding the company as a separate unit, or giving it complete autonomy for a finite period)
- Customer analysis: Will the combined company serve more customers, or the same customers in different ways? The target's customers are typically
- younger, but may be in households with the client's existing customers.
- Technology considerations: Is the new technology for micro-payment clearing compatible with the Client's payment systems, and can they be settled
- profitably on the Client's network given the small size of the transactions (and, hence, small per-transaction revenues)?

# Guesstimates

# Guesstimate 1

Estimate the demand for Gold flake cigarettes in Mumbai

### Interviewee Notes

- Begin by understanding total market for cigarettes in Mumbai
- Market share for gold flake would be similar to other metropolitan cities such as Delhi and Bangalore

### Case Facts

- Market share for Gold flake in Delhi is 20%, Bangalore is 22%

### Approach/ Framework

Population of Mumbai

20 Mn

Of smoking age (75%)

15 Mn

Not of smoking age (25%)

Smokers (50%)

7.5 Mn

Non Smokers (50%)

1 pack a day × 400 days (Year approx.) × 20 Cigs per pack

7.5Mn * 400 * 20 = 60,000 Million Cigarettes a year
Approx. market share of Gold flake = 20%
Demand for Gold flake = 20* 60,000 Million = 12,000 Million Cigarettes a year

# Guesstimate 2

Estimate the number of crows in Ahmedabad

## Interviewee Notes

- Since crows will be flying over different areas during the day, it would be difficult to determine total number of crows.
- Assume no crow leaves or enters the city (or assume number of crows during the day to be the same as during the night)
- At night, crows rest on trees. Try to find out the trees in different regions of Ahmedabad, and using this data, guesstimate the number of crows.

## Approach/ Framework

Ahmedabad (500 sq. km)

- Low Forest Cover (60%)
  - Trees / area
  - Nests / tree
  - Crows / nest
- Medium Forest Cover (30%)
- High Forest Cover (10%)

**Starting Assumption**: Ahmedabad Area : 500 (25x20) sq. km

Number of Crows in Ahmedabad

| Area Type | Low Forest Cover | Medium Forest Cover | High Forest Cover |
|---|---|---|---|
| Percentage Area | 60% | 30% | 10% |
| Trees / (100x100 sq. m) | 10 | 20 | 50 |
| Nests / Tree | 0.2 | 0.1 | 0.1 |
| Crows / Nest | 4 | 4 | 4 |
| Number of Crows (region-wise) | 240,000 | 120,000 | 100,000 |
| Total Crows | 460,000 | | |

# Guesstimate 3

Estimate the annual revenue of a multiplex

## Interviewee Notes

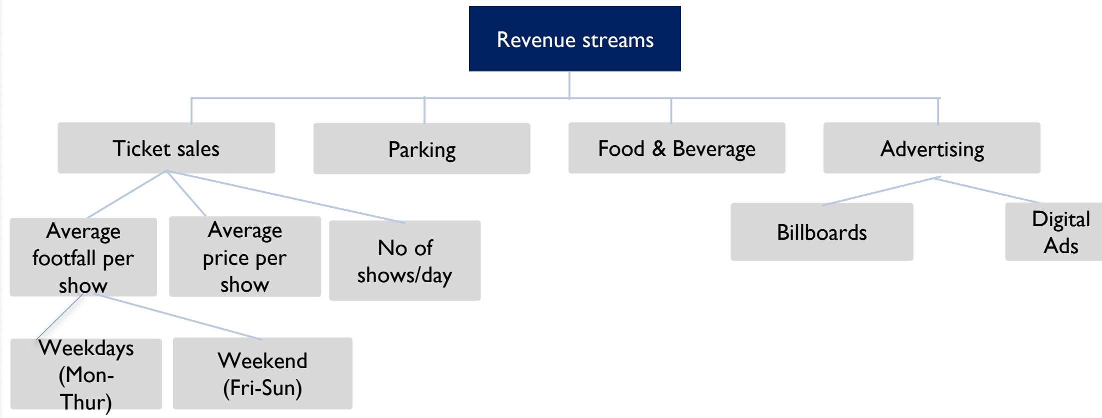
- Only cover the substantial revenue streams
- The footfall will depend on whether it is a weekday or weekend
- Price can also be considered different for weekday and weekend, here although average price has been taken
- Assume that the revenue from advertising primarily comes from billboards and digital ads between movies.
- This is average revenue per screen, can be multiplied by number of screens to obtain revenue of multiplex

## Case Facts and calculations

Average daily revenue/screen

1. Ticket Sales Revenue per day= (Average footfall per day)*(Average price per show)*(No of shows/day)
=200*250*4=Rs 2,00,000
2. Revenue from parking per week: (Average footfall per show)*(% people using parking)*No of shows/day)*(Average ticket size)
200*0.5*4*50=Rs 20,000
3. Advertising Revenue= Assuming it is 10% of the total revenue
4. Food & Beverage= (Average footfall per show)*(% people buying)*No of shows/day)*(Average ticket size)
200*0.5*4*150=Rs 60,000

Average daily revenue/screen =Rs 4.2lac
Total Revenue = Average daily revenue/screen*No of screens*No of days
=4.2*4*300 = 5040 lacs =50.4 Cr
(Taking into account some days when the footfall will be extremely low)




| | Weekdays | Weekends |
|---|---|---|
| Seating Capacity | 300 | 300 |
| Average occupancy rate | 60% | 75% |
| Average footfall | 180 | 225 |

Average footfall per day = (180*4+225*3)/7~200

# Guesstimate 4

Estimate the value of a coffin maker's business in Ahmedabad

### Interviewee Notes

- NPV analysis
- 1% of Ahmedabad assumed to be Christian
- Life expectancy assumed to be 70 and population growth rate of Christians assumed to be 0%
- Only 3 coffin makers in Ahmedabad (info received from interviewer) so market share assumed to be 1/3
- FC and VC provided by interviewer when asked
- Discount rate assumed to be 10% (chosen for ease of calculation and reasonable since risk free rate is ~7%)
- Profits assumed to stay constant into perpetuity

### Approach / Framework

**Estimating quantity**

Population (60,00,000)

% Christian (1%) = 60,000

No. of deaths per year = (1/70)*60,000 = ~900

Market Share = 1/3

Quantity = 300

Profits

- Revenues
  - Price (Rs. 10,000)
  - Quantity (300)
- Costs
  - Fixed costs (Rs. 4,00,000)
  - Variable Costs (60% of price)

NPV = (10,000*300 – 4,00,000 - .6*10,000*300)/0.1 = Rs. 80,00,000

### Observations / Suggestions

- This guesstimates tests the basics of finance (NPV, PV of perpetuity)
- Common mistakes include not account for the % of population that is Christian (assuming everyone that dies needs a coffin) and errors in calculating no. of deaths

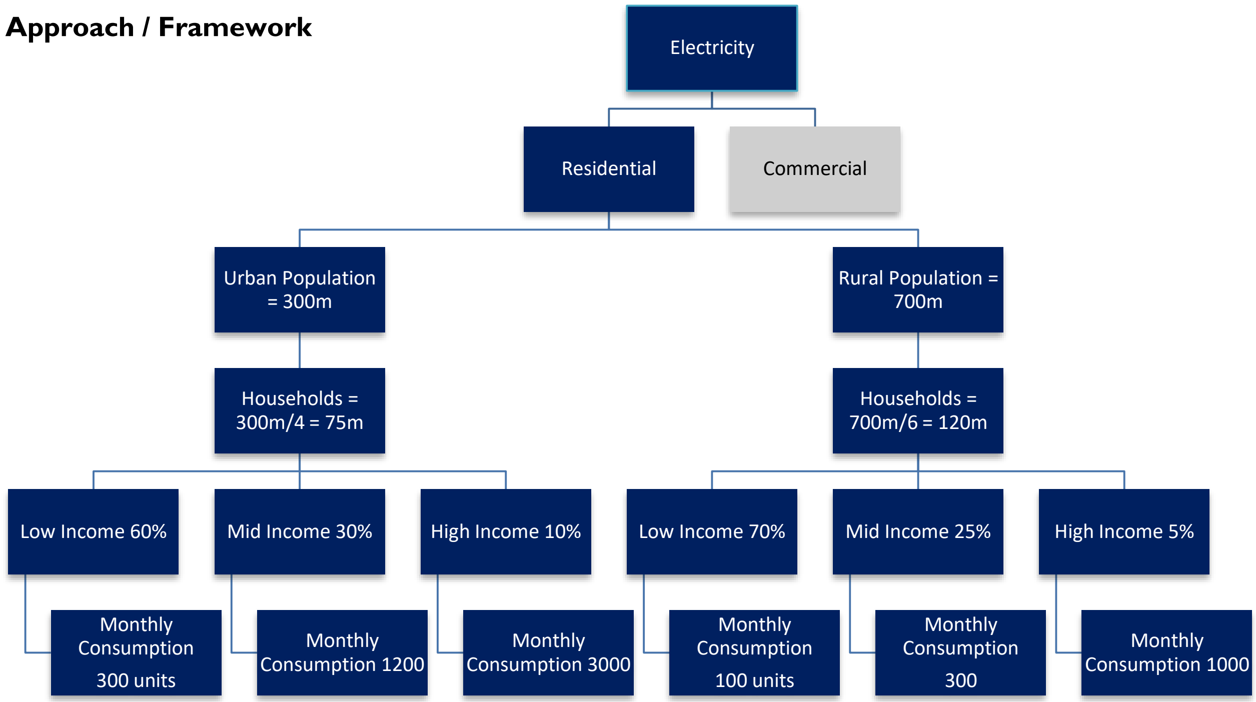
# Guesstimate 5

Estimate the monthly electricity consumption (residential) in India

### Interviewee Notes

- Clarify end-markets to be included (residential / commercial) because consumption rates are very different in these segments. In this case, focus only on residential.
- Within rural segment, interviewee should consider adjusting for (1) homeless people and (2) areas which are not electrified
- Weighing monthly consumption by % of households in the income type and multiplying this by # of households will give monthly units consumption

### Approach / Framework




75m x (60% x 300 + 30% x 1200 + 10% x 3000) = **63,000 units**

120m x (70% x 100 + 25% x 300 + 5% x 1000) = **23,400 units**

# Guesstimate 6

To estimate the revenue of tourism in Gujarat in peak months

## Interviewee Notes

- Was required to estimate cost per person per bucket and number of people in each bucket
- Usually it's easier to analyse group costs over individual costs
- Was required to take several assumptions
- Quantitatively intensive case, required a significant amount of breaking down into
- Number of marriages taken to be 10mn
- Calculation done for tourists only from urban India and abroad

## Case Facts

Cost per trip = Lodging + Travel + Food + Sightseeing

Total Revenue = (Population x Can afford x No. in India x No. in Gujarat x No. in peak month/ No. of people per group) x cost per trip

## Approach/ Framework

- Market for tourism per peak month
  - Couple
  - Groups
  - Family
  - International

| Filters | Couple | Groups | Family | International |
|---|---|---|---|---|
| Population | 20mn | 110mn | 200mn | 2mn |
| Can afford<br>Number in India<br>Number in Gujarat<br>Number in peak month<br>Number of people per group | 20%<br>80%<br>5%<br>25%<br>2 | 10%<br>100%<br>10%<br>8.33%<br>5 | 10%<br>80%<br>5%<br>16.67%<br>5 | N/A<br>N/A<br>10%<br>25%<br>2 |
| Cost per trip/group<br>Lodging<br>Travel<br>Food<br>Sightseeing | 11,500<br>4,000<br>2,000<br>3,000<br>2,500 | 6,000<br>2,000<br>1,500<br>1,500<br>1,000 | 12,000<br>5,000<br>2,000<br>3,000<br>2,000 | 20,000<br>5,500<br>4,000<br>3,000<br>7,500 |
| Total revenue | 230mn | 110mn | 320mn | 500mn |

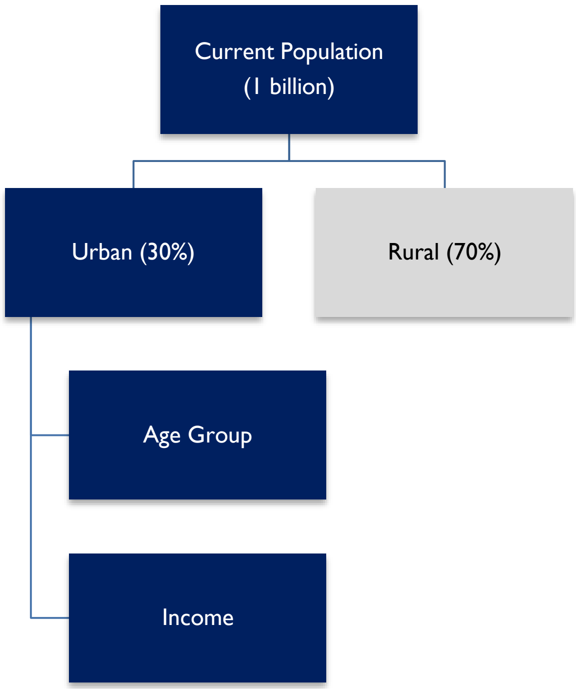
# Guesstimate 7

Estimate the monthly mobile data usage (GB) in 2020

## Interviewee Notes

- Divide current population into Urban and Rural. Calculate data for only Urban population, and extrapolate for Rural population using a similar logic
- In Urban areas, data usage is dependent on factors like age group (older generation may not be tech savvy) and income (lower income groups might not have access to smartphones)
- Estimate usage for 2017, and assuming an annual growth, predict usage for 2020

## Approach/ Framework




Monthly Data Usage (in GB) by different age groups & income levels

| | Income | Low | Medium | High |
|---|---|---|---|---|
| Age | | 60% | 30% | 10% |
| 0-15 | 25% | 0 | 0 | 0.5 |
| 15-30 | 35% | 0.1 | 5 | 6 |
| 30-50 | 25% | 0.1 | 2 | 4 |
| >50 | 15% | 0 | 0 | 2 |
| Weighted Average (WA) | | 0.036 | 0.675 | 0.353 |

| Total (Sum of WA) | Population | Data Usage (GB) / month (2017) | Annual Growth | Data Usage (GB) / month (2020) |
|---|---|---|---|---|
| 1.064 | 300 m | 320 m | 10% | **425 m** |

# Guesstimate 8

Estimate the daily revenue of an airport

### *Interviewee Notes*

- Only cover the most substantial revenue streams
- Assume shops pay a fixed and a variable fee to the airport
- The number of flights per hour depends on whether it is a rush hour
- Assume that the revenue from advertising primarily comes from billboards
- Assume that parking + lounge are only a minor revenue stream for airports and can be skipped.
- Assume that the airline fees primarily come from the variable fee for slots

### *Case Facts and calculations*

Revenue airline fee: 5% of the total ticket fare

Revenue from shops:

(Fixed fee per shop + % of revenue * Volume) * Number of shops

Advertising Revenue= Meters of billboards * price/meter

- Revenue streams
  - Airline fees
    - fixed fee: check-in spaces
    - Variable fee for slot
      - Domestic
      - International
        - Rush [hour]
          - Low(7)
          - Med(6)
          - High(11)
  - Parking + lounge
  - Shops
    - Fixed fee
    - Variable fee
  - Advertising
    - Billboards
      - Small
      - Med
      - Large

| Rush hour | Low | Medium | High |
|---|---|---|---|
| Hours | 7 | 6 | 11 |
| Flights/h | 2 | 6 | 12 |
| Flights/day | 14 | 36 | 132 |

| Type | Small | Medium | Large |
|---|---|---|---|
| Size | 1x1 | 2x2 | 3x5 |
| Number | 500 | 200 | 50 |
| Total Area | 500 | 800 | 750 |

### *Observations/Tips/Suggestions*

- Should first create structure, then put numbers to it
- Make reasonable assumptions, clarify with interviewers at each stage
- Be prepared to justify your assumptions at each stage

# Guesstimate 9

Estimate the yearly revenue of an IPL team

### *Interviewee Notes*

Only cover the most substantial revenue streams
IPL revenue only receives a small fraction of the revenue (35% for home games, 5% for away), the rest is paid to the league
The circumference of a cricket pitch is approximately 400 meters
The probability of winning the league is the same for each team (1/8)
A league season consist of 14 matches
Merchandise is only a minor revenue stream for an IPL team, and hence, can be skipped

### Case Facts and Calculations

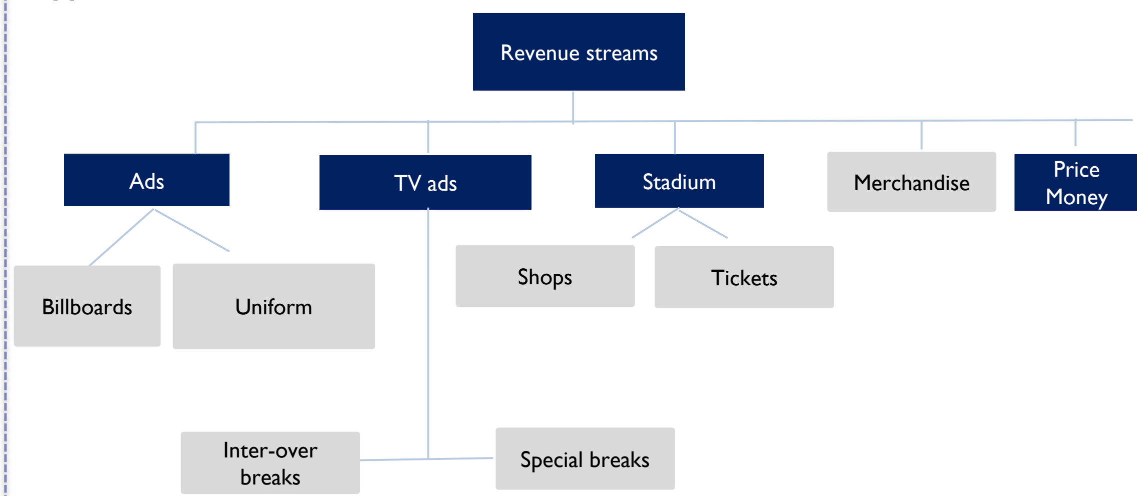
***Revenue advertising:***
(Price per m of billboard * length)* Matches
5000*400*7= 1.4 Crore
(Small shirt ads*Price +shirt sponsor)* matches
(10*5 Lakh +20 Lakh)*14= 10 Crore

***Revenue tickets:***
No. of home matches*Tickets*Ticket price*% of revenue (same for away matches)
7*50k*500*0.35+7*50k*500*0.05≈7CR

***Prize Money***
Probability of winning * price money
(1/8) * 5 Cr ≈ 60 Lakh

***TV ads (See Framework)***

### Approach/ Framework




| Type of Advertisement | Inter-over Breaks | Special Breaks |
|---|---|---|
| No. Of slots | 40 | 3 |
| Price per slot | 20 Lakh | 5 Crore |
| Total | 8 Cr | 15 Cr |

# Guesstimate 10

Estimate the number of emails flowing though IIMA mail server

**Interviewee Notes**

- Was asked to exclude PGPX and other programs for simplicity.

**Approach/ Framework**

Mails

- Academic
- Administrative
- SIF
- Peer-to-peer

**Academic**

PGP 1 :
=# courses * # students * # mails/course
= 6* 450* 3 = **8.1 k/week**

PGP2:
=# courses* # students * #mails/week
= 30*80*3
=**7.2 k/week**

**Administrative**

GNB: 10/week * Community size (2k)
=
**20k/week**

**SIF**

4 Joos + 6 SPFS/JPNS/day=10/day * 7 * 1000( No of students)
=**70k/week**

**Peer-to-peer**

5 mails per community member =5*2k
=**10k/week**

***Framework Summary***

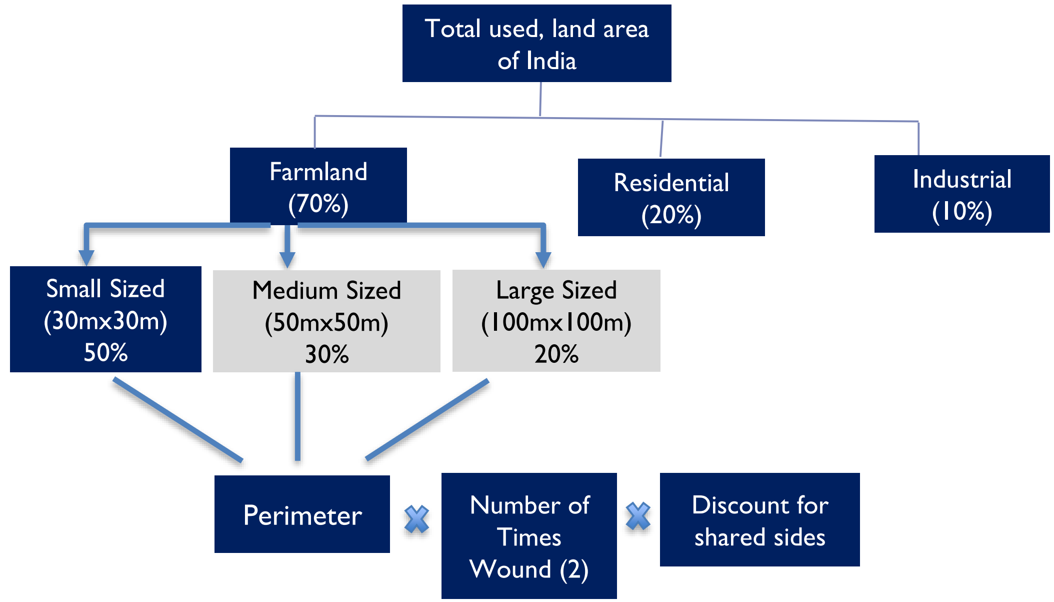
- Structured the case into 4 parameters – Academic, Administrative, SIF and Peer to peer.
- #mails/course: 2 from Instructor on average and 1 for the quiz notification
- Community size: 1000 students + 1000 faculty, academic and other staff.
- There will be some other additional external mails which are sent from outside.
- Also PGPX and other programs are not taken into consideration.

Estimate the total length of barbed wire used in India

**Interviewee Notes**

- Assume square farmlands
- Find the average perimeter of each size of farmland
- Barbed wire needed = perimeter * number of times the wire is wound
- Adjacent farmlands would be sharing a common side of barbed wiring.
- Multiply the total number with a factor to account for how barbed wire is usually used: circled through the perimeter

**Approach/ Framework**



# Guesstimate 12

To estimate profit made by SBI branch in IIMA Campus.

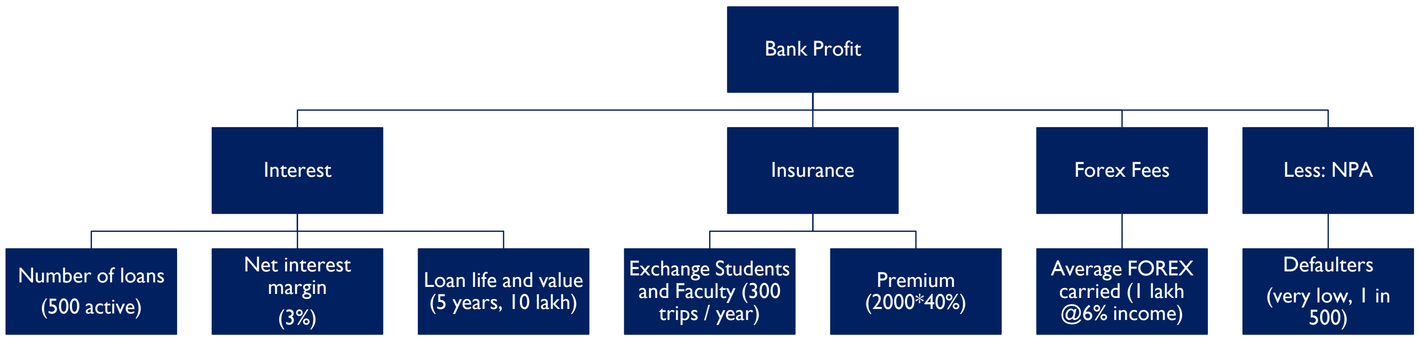
**Calculations**

Loans per year ~100; Lifetime – 5 yrs.
500 active loans at any point
Principal Rs.10 lakh (for 20 lakh fee – averaged over repayment of 5 years)
Net interest margin – 3%
Interest income = 500*10*3% = INR 1.5 Cr

Exchange students – 100 trips/ year
Faculty – 200 trips / year
Insurance Premium per person – 2000
~ 40% commission for per policy
Fees – 300*2000*0.4 = INR 2.4 lakh
Forex – INR 6000 per person (assume everyone carries INR 1 lakh worth FOREX)
Forex income = 300*6000 = INR 18 lakh

NPA – Total Loss of Principal and Interest – 1 per year
~INR 25 lakh

**Approach/ Framework**



# Guesstimate 13

Estimate the revenue of a typical post office in India.

## Calculations

Major portion of revenue – logistics and parcels. Others ignored

Typical circle of coverage for a metro post office ~ 2 km radius or 12 km2
Typical metro area = 500 km2
Thus, 40 post offices in the metro
Assume, high volume – 20 and medium, low - 10

Two approaches – demand side (number of transactions) and supply side (number of counters, utilisation in a day)
Revenue per parcel ~ 50, neglect any charges for extra weights etc

Total parcels ~20000
Total revenue ~ INR 10 lakh

## Approach/ Framework

- Post office revenue
  - Logistics and parcels
  - Account deposit
  - Sale of Forms etc.
  - Co-branding

- Demand side analysis
  - Number of Post offices
  - Transactions per hour
  - Hours per day

| Traffic | High | Medium | Low |
|---|---|---|---|
| # PO | 20 | 10 | 10 |
| Transaction/hour | 80 | 30 | 15 |
| Hours / day | 10 | 10 | 10 |
| Total | 16000 | 3000 | 1500 |

- Supply side analysis
  - Counters
  - Transaction capacity / hour
  - Traffic / Efficiency
  - Hours per day

| Traffic | High | Medium | Low |
|---|---|---|---|
| # PO | 20 | 10 | 10 |
| Counters | 10 | 5 | 3 |
| Hourly capacity / transaction | 10 | 10 | 10 |
| Hours / day * Utilisation | 10 * 30% | 10* 20% | 10* 50% |
| Total | 18000 | 3500 | 1500 |

# Guesstimate 14

Golf balls in the air in an average second in India

## Calculations

- #golf players : assume only people earning ₹15 lakh and above will play golf as it is an expensive hobby to pursue. The #people above that income threshold is around 5 million. Out of these 50 lakh, assume 70% live in urban areas and have access to a golf course
  - ❖ Out of remaining 3.5 million, 1.5 million will be children and senior citizens. Hence 2 million people eligible
  - ❖ Out of these 2 million, assume 50% play any sport (assumption on basic fitness)
  - ❖ The remaining 1 million can play one out of upto 20 sports (cricket, badminton, tennis, swimming etc). Thus 5% on average will end up playing golf i.e there are 50,000 players
- Frequency of play
  - ❖ We assume that the average player plays once a month *(expensive and time consuming sport)*
- Number of hits
  - ❖ We assume that the average game is one round, 18 hole
  - ❖ *The average number of hits per game* is 108 (18 holes, par score is 4 and everyone hits 2 above par as players are not professionals)
  - ❖ We assume that he average ball spends about 1 second in the air
  - ❖ Thus the number of ball seconds in the air is ~1,80,000 per day
  - ❖ The average number of balls/second is 2.08

## *Approach/ Framework*

| | |
|---|---|
| **Income eligible players** | **5 million** |
| **Facility eligible players (urban)** | **3.5 million** |
| **Age eligible population** | **2 million** |
| **Population that plays sports** | **1 million** |
| **Population that plays golf** | **50,000** |
| **Avg # of players/week** | **~1666** |

| Avg number of hits/game | Number of hits/day | # of balls in the air/second |
|---|---|---|
| 108 (18 holes, 4 par, 2 above) | 1,80,000 | 2.08 per second |
| | =108*1666 | =180000/86400 |

## Recommendations

- This case can also be approached from the supply side. The supply side in this case is the number of golf courses, their average utilization etc

## Tips / Suggestions

- It is essential to reverse  ladder the population to arrive at the number of golf players. You can clarify your assumptions with the interviewer at all points of time
- Lay out your approach upfront for the interviewer so that if a different approach is to adopted, course correction can happen at the earliest

# Guesstimate 15

Calculate the annual market for medical X-ray machines in India

## Calculations

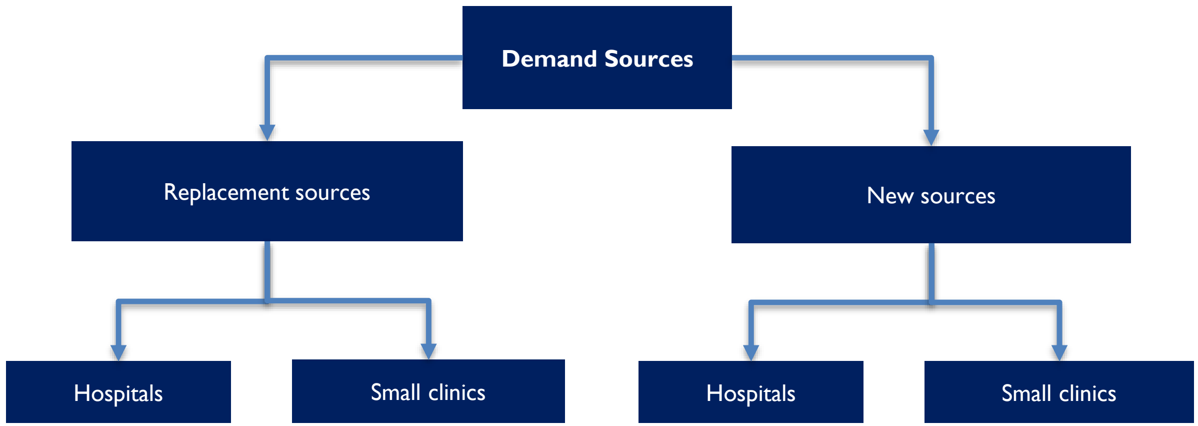
### Replacement demand

- Calculate the stock of X-Ray machines in India
- Break India into rural and urban areas
- Estimate bed per thousand people in urban and rural areas separately and make assumptions about average hospital size and #X-Ray machines per hospital (2.5 for urban and 1 for rural)
- This will give you the stock of X-Ray machines at hospitals
- Do similar exercise for clinics by calculating the stock of orthopaedicians in private practice
- Demand: Divide the stock by life cycle to get the 1 year demand for X-Ray machines

### New demand

- Estimate the growth in healthcare expenditure and use that as a growth rate for hospital bed availability. Then calculate the number of hospitals and the number of X-Ray machines/hospital
- Differentiate this rate for urban and rural areas and calculate the new demand for X-Ray machines coming from hospitals
- Calculate the new demand coming from clinics by : (Doctors graduating - #Doctors joining public sector)*Proportion of Orthopaedicians
- This will give the number of new orthopaedicians who will join private services every year and buy an X-ray for their clinic

## Approach/ Framework




| Beds/Thousand | | #Hospitals | #Xray Machines | Growth (#Number of Machines) | Total annual market (hospitals only) |
|---|---|---|---|---|---|
| Rural | 0.5 (800m) | 4000 (100 beds avg) | 4000 (Stock)<br>Replacement Demand : 400 | +10% per year (400) | 800 |
| Urban | 2 (400m) | 4000 (200 bed avg) | 10000 (Stock)<br>Replacement demand : 1000 | +15% per year (600) | 1600 |

## Recommendations

- Can be approached from the patient demand side in this case. The demand case in this guesstimate is the number of injuries and use cases

## Tips / Suggestions

- It is essential to structure the demand into different brackets first.
- Interviewer will automatically guide you to focus on the most important bracket

# Appendices

# Appendix 1 – Framework glossary (1/3)

A glossary of some of the most popular frameworks helpful in structuring solutions in case interviews.

## Business Situation Framework (3C's or 3C & P)

| Used for assessing the firm's current position, or for evaluating the market for a new product, market entry, growth etc. | |
|---|---|
| **Customers** | What are the market segments, what is the consumer's behaviour, their values, demographics etc. Identifying target customers. |
| **Competition** | What is the size of the market, market share, how are competitors performing, their likely behaviour in the future etc. |
| **Company** | What are the firm's goals, and what strategy has it employed to achieve them? What are its competencies? |
| **Product** | What is the nature of the firm's product or service? Does it meet the customers' requirements? Substitutes and complements? |

## Marketing Mix Framework (4P's & 7P's)

| Used for identifying the value stemming from a product's offering in the market by combining various factors. | |
|---|---|
| **Product** | What value does the product offer the client? What are its attributes? How does it measure up when compared with competitors? |
| **Place** | What is the distribution channel for the product (retail, wholesale, online etc)? Are the locations of the client's outlets appropriate? |
| **Promotion** | What marketing message should the client deliver? Are discounts, coupons, special offers etc. relevant for the product or service? |
| **Price** | How much is the client charging? How price sensitive are the customers, and how are competitors pricing similar products? |
| **For analysing a service instead of a product, the mix can be expanded to include the following 3P's.** | |
| **Physical Evi.** | Is the service intangible? What cues does the customer have to understand the benefit of the service? |
| **People** | Who are the people delivering the service (ex. waiters, cooks, receptionists for a restaurant)? What are their capabilities? |
| **Process** | What are the protocols in place to ensure quality in the service? Processes convey the image of dependability for a service. |

## Profitability Framework (Profit Equation)

| The good old "Profits = Revenues – Costs" framework, used for identifying factors influencing profits and profitability. | |
|---|---|
| **Revenues** | Average Price × No. of Units Sold \| Capacity × Occupancy % × Average Price\| No. of Customers × Frequency × Ticket Size *etc.* |
| **Costs** | Can be classified into fixed and variable, and then analysed further. (Some long-term variable costs can be fixed in the short term) |

# Appendix 1 – Framework glossary (2/3)

A glossary of some of the most popular frameworks helpful in structuring solutions in case interviews.

## Value Chain Analysis

| This framework lays down the series of activities that the firm employs to deliver a good or service | |
|---|---|
| **Inbound Logistics** | The process of sourcing and warehousing raw materials, and transporting them to where they are needed. |
| **Operations** | The core function of the company where the bulk of value addition happens (varies from manufacturing to data processing). |
| **Outbound Logistics** | The delivery of the product or service to the customer. Used to analyse distribution channels (retail/wholesale/agents etc.). |
| **Marketing and Sales** | Activities used to promote the product. Can include advertisement, promotional offers and also market research. |
| **Servicing** | Any of the ancillary services that assist in the main value chain, including customer care, and after sales services. |

## Mergers & Acquisitions Framework

| This framework can be used to analyse the viability of a merger with a target firm | |
|---|---|
| **Stand-alone Value** | Value of target firm independent of client's firm. Consider tangible and intangible factors (ex. revenues and brand value). |
| **Synergy** | How do the capabilities of both target and client's firm synergise together? |
| **Other Factors** | Literally, just a bucket for other factors. (Read: regulatory hurdles, culture clashes etc.) |

## Smaller Frameworks

| These frameworks work well within larger structures, useful for when you're drilling down into a specific bucket of analysis | |
|---|---|
| **Internal/External** | What factors affect the scenario within the company, and from the environment (market conditions, competition etc.) |
| **Qualitative/Quantitative** | What factors can you quantify (revenues, costs), and what factors do you need to describe (marketing strategies)? |
| **Costs/Benefits** | What are the advantages and disadvantages; pros and cons that must be evaluated before making a recommendation? |

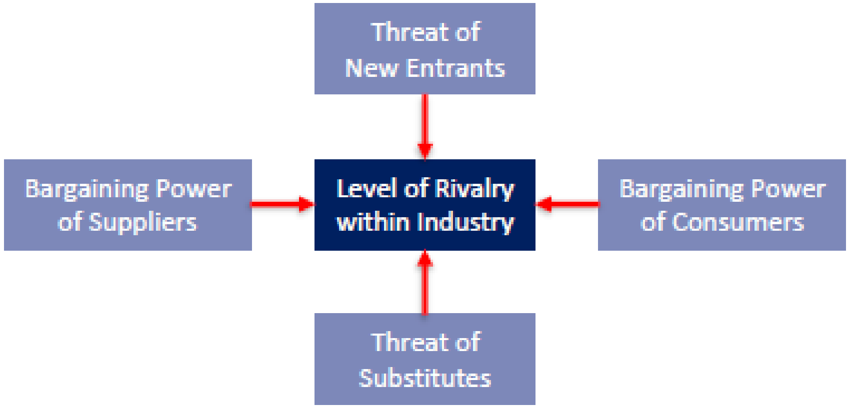
# Appendix 1 – Framework glossary (3/3)

A glossary of some of the most popular frameworks helpful in structuring solutions in case interviews.

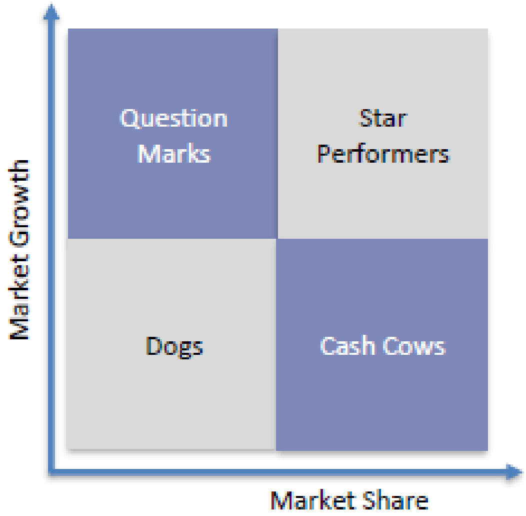
## McKinsey's 7S Framework

| The 7S Framework is useful for analysing the alignment of a firm to the achievement of its goals. These are the "3 Hard S's" | |
|---|---|
| **Strategy** | How does the firm intend to achieve its goals? What is its unique selling proposition? How does the firm create value? |
| **Structure** | Organisation of departments within the firm (functional/divisional), structure of teams, and hierarchy. How do they coordinate? |
| **Systems** | What are the protocols in place? (Similar to 'process' for the 7P framework). How does the firm evaluate progress? |
| **And the "4 Soft S's"** | |
| **Shared Values** | What are the firm's values and culture? How strong are they, do they influence the employees, do they need to be reinforced? |
| **Skills** | What are the skills of the firm's employees? Are there any gaps in the skills required? How are skills assessed and developed? |
| **Style** | What style of management or leadership has the firm adopted? Is it appropriate in the context? Do teams cooperate or compete? |
| **Staff** | What are the positions within the firm? What positions need to be filled? |

## Porter's Five Forces




## BCG's Growth Share Matrix



# Appendix 2 – Datasheets (1/2)

A compilation of data that will be useful for solving guesstimates. Most of these numbers are approximations, but they should be good enough for a guesstimate scenario.

**Table 1: Population Distribution in India (Gender and Urban-Rural)**

| Total Population | 1200 |
|---|---|
| Males | 620 |
| Females | 580 |
| Sex Ratio | 0.95* |
| Urban Population | 350 (30%) |
| Rural Population | 850 (70%) |

Figures are in millions

* 950 females for 1000 males

**Table 2: Life Expectancy and Population Growth Statistics**

| Overall Expectancy | 69 Years |
|---|---|
| Male Expectancy | 67 Years |
| Female Expectancy | 73 Years |
| Birth Rate | 22* |
| Death Rate | 7.5* |
| Pop. Growth Rate | 1.25% |

* Figures are for every 1000 individuals

**Table 3: Age-Wise Break-up of Population**

| Age Spread | Population (%) |
|---|---|
| 0-14 Years | 350 (30%) |
| 15-24 Years | 250 (20%) |
| 25-34 Years | 200 (15%) |
| 35-44 Years | 150 (10%) |
| 45-54 Years | 150 (10%) |
| 55+ Years | 150 (10%) |

Figures are in millions

**Note:** Median age for India is 25 (50% of Indians are below 25, 65% are below 35)

**Table 4: Income and Expenditure**

| Data Head | India | Urban | Rural |
|---|---|---|---|
| Size of Household | 5 | 5 | 5 |
| Annual Household Income | 75,000 | 1,00,000 | 50,000 |
| % Savings | - | 30% | 20% |
| Expenses (Food) | 50% | 45% | 55% |
| Expenses (Travel) | 10% | 10% | 10% |
| Expenses (Others) | 40% | 45% | 35% |

**Poverty:** Approx. 25% of the population lives below the poverty line ($1.25 or ₹75 )

**Table 5: Class Distribution by Annual Household Income**

| Annual Income of Household | Percentage |
|---|---|
| Low Income (Household Income < 45,000) | 20% |
| Middle Income (45,000 to 1,80,000) | 60% |
| High Income (Household Income> 1,80,000) | 20% |

**Table 6: Demographics by Religion**

| Religion | Hindu | Muslim | Christian | Others |
|---|---|---|---|---|
| Population | 80% | 15% | 2% | 3% |

A compilation of data that will be useful for solving guesstimates. Most of these numbers are approximations, but they should be good enough for a guesstimate scenario.

Table 7: Population Spread of Metros

| City | Population | City | Population |
|---|---|---|---|
| 1. Mumbai | 12.5 | 6. Ahmedabad | 6 |
| 2. Delhi | 11 | 7. Kolkata | 5 |
| 3. Bangalore | 8.5 | 8. Surat | 4.5 |
| 4. Hyderabad | 7 | 9. Pune | 3 |
| 5. Chennai | 7 | 10. Jaipur | 3 |

**Figures are in millions**

- Population of top 10 Cities: 66 Million
- Population of next 50 Cities: 66 Million
- Population of next 100 Cities: 45 Million

Table 8: Sector-wise Employment Distribution

| Sector | India (%) | Urban (%) | Rural (%) |
|---|---|---|---|
| Agriculture | 40% | 5% | 60% |
| Industries | 10% | 20% | 5% |
| Services | 50% | 75% | 35% |

# Appendix 3 – Sample evaluation metrics

A breakup of what firms generally look for when they evaluate a case interview. Just an **indicative** list.

- Preliminary questions & recap
- MECE structuring
- Problem solving approach
- Synthesis / Recommendations
- Business insights
- Creativity
- Communication skills

Each / most of these metrics would be evaluated during the case interview

Sample 5-point scale for 'Preliminary questions & recap' (to give a broad understanding of evaluation parameters)

1. Candidate does not clarify problem statement (no recap of initial information)
2. Candidate clarifies with problem statement with too much detail (no prioritizing of important information
3. Candidate recaps the problem statement but without sufficient structure; candidate asks for detailed information too early
4. Candidate recaps the problem statement and covers key points but does not display comprehensive understanding of client
5. Candidate provides a concise and structured recap of the problem statement, and asks a couple of relevant clarifying questions