Case #2

Company: BCG (Round 2)

Topic: Market Entry

Industry: Airlines

About the Case

This is a market entry case where candidate is required to evaluate the feasibility of a new product in conjunction with the airline industry. The candidate should use a comprehensive framework, walk the interviewer through it and be prepared for analytical detours throughout the flow of the case. The calculations represented here are only one approach and interviewees may take other approaches, depending on the assumptions made. The interviewer should be mindful of this and allow for flexibility.

Defining the Problem

Our client is a start-up with the ability to deliver broadband internet to commercial airlines. How would you help them think about their offering?

Information Gathering

Read this information well before you administer the case. Share the information in each bullet only if the candidate asks for it in a clear and deliberate way. Listen to the candidate's basic framework. If the candidate mentions one of these, mention the information in parenthesis. This part of the interview is unstructured so be prepared to jump from one idea to the next.

Prompt 1: Industry and Market Size -*The candidate should include the industry and market size in his/her framework.*

Information to be given if asked:

- Broadband for the airlines: There is general interest in the broadband internet from the airline industry. The start up would have to invest relatively little up front and would keep most of the revenues. They would charge the customers on a per flight pricing model.

- Size of the Market: Ask the candidate to estimate the market size and hand over the first **Exhibit 1**. Also inform the candidate that there are 3000 planes.

Answer:

	First	Coach
Seats per plane	20	180
x load factor	0.75	0.75
=	15	135
x business travelers	100%	30%
Laptop users/plane	15	40.5

Total laptop users/plane = 55.5

3000 planes x 2000 legs/plane x ~50 laptop users/plane = 300,000,000 approximate annual potential user-legs.

Prompt 2: Pricing - *In order to finish the market size, the candidate should ask for the price per flight. Hand out **Exhibit 2** and ask candidate to set the price.*

Answer:
Assume 100 passengers (for ease) at the various price/penetration combinations,
30 users at $5=$150/flight
25 users at $10=$250/flight20 users at $15=$300/flight
10 users at $20=$200/flight
5 users at $25=$125/flight
Set price at $15.

Prompt 3: Break Even – *Given the information already revealed in the case and the information below the candidate should calculate a break-even point.*

Information to be given if asked:

- The company has discovered that if they can generate $250,000 per plane in annual revenue, they will be profitable installing the technology on that plane.

Answer:
250,000/2000 legs/plane = $125/leg
$125/$15 about 8 users/leg
50 laptop users/leg, and at $15, there's a penetration rate of 20%, so we estimate 10 users/leg. Yes, they should break even.

Prompt 4: Other factors – *Probe the candidate for breadth and understanding of new market entry. Ask him/her about the following aspects of this project.*

Competition – The interviewer should probe deeper into the competition especially w.r.t. Intellectual Property. For this case, the company has the patent on the high speed connection. But, what about low-speed?—Airlines

Risks – Ask the candidate which risks are associated with the business model. Use your judgment when considering their answers.

Interviewee's Commentary/Notes

Like some cases, we just crunched numbers until we were out of time. He had a lot of different exhibits. There was no way someone could get through all of them. Cases don't always flow neatly. The interviewer will jump around and direct you where he wants to be at that particular time. Other people who did the case the same day talked about different things. He also didn't ask me to wrap up. When I got feedback on the case, he told me I did a really good job, so don't let things like that bother you.

Exhibit 1

Exhibit 1			Passenger mix by cabin	
			First	
Annual flights legs per plane	2000		Business	100%
Average seats per plane	200		Leisure	0%
Average load factor	75%			
Cabin seating:			**Coach**	
First class	10%		Business	30%
Coach	90%		Leisure	70%
Note: 90% of business travelers carry laptops; 0% of Leisure travelers carry laptops				

Exhibit 2