Casebook IIM Ahmedabad

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Profitability

CASE: CREDIT CARD COMPANY IN EUROPE (BOOZ)

Our client is a credit card company based out of Europe. In spite of increase in customers over the last 3 years, the company's profits are not showing a growth. What do you think is happening?

Candidate: Are we targeting a different customer base than we used to target earlier.

Interviewer: Yes. In order to be a bigger player, we are looking at expanding our customer base. We have included younger age group (20-30) and lower middle income group people to boost our revenues.

Candidate: Has the default ratios increased. Possibly due to inclusion of lower middle income group and younger section of the society, number of people defaulting has increased. These are the people who generally don't have stable source of income to repay their debts.

Interviewer: Yes you are right. However, the company expected this. Therefore in order to cover these losses, we have been charging higher interest rates from these people. Also in order to lower the default ratios, we have increased our credit period from 2 months to 4 months.

Candidate: Increase in credit period puts the strain on the requirements of the working capital of the company. The company's borrowing costs increases to service this increase in working capital requirements. Has the increased in credit period resulting in significant reduction in default rates.

Interviewer: To some extent. What else do you think would be happening from the operations side ?

Candidate: Due to increase in number of customers, the company had to expand its operations. It had to open more outlets and hire more employees. However, since the billing amounts are significantly less for the newer customer base as compared to the previous ones, processing costs have increased as a share of overall revenues. Also since the number of defaults has increased, the company might have to pay higher litigation costs in order to recover the loans.

Interviewer: Very well done. You have explored most of the areas. However, I would like you to pin point some further issues that might be affecting the company.

Candidate: Have we seen any changes in the competitive scenario.

Interviewer: A number of small players have entered the markets who offer attractive discounts at certain merchandises to boost their market share.

Candidate: We know that number of customers have increased. However, this might not have led to increase in share of customer's wallet. Due to more competitors, customers might be tempted to keep more cards. Hence our share in billings would have actually declined.

Interviewer: Good. Wait outside.

CASE: TAXI DRIVER IN MUMBAI (BCG)

A taxi driver in Mumbai wants to increase his revenue and profits. The driver is the owner of the taxi and operates during the day time. The driver starts his day at the railway station and works for 10-12 hours daily.

Case Discussion

Candidate: Hi. I would like to clarify a few things before I start analysing the case.

Interviewer: Sure.

Candidate: What is the current state of the operations of the taxi driver? Has there been any recent change in fare policy? I am assuming that fuel, parking fee and maintenance to be the major cost heads. Is there any other cost that I am overlooking?

Interviewer: Currently, the taxi driver is able to earn enough to make ends meet but is keen to increase his income. The fare policy is state determined and is unlikely to change in next 2-3 years. Apart from the cost mentioned by you, there isn't any other hidden cost.

Candidate: Okay. Now since this issue involves increasing income, I would try to look at increasing revenues and decreasing costs. On the revenue side, is the taxi driver operating on a fixed route or is he moving from point to point? The reason I am asking this is if he is operating at a single fixed stand, he might be returning empty to that stand; on the other hand, moving point to point would increase his waiting time.

Interviewer: Good that you brought it up. The driver has a spot at the railway station which is considered a profitable spot but often returns to the station empty as he doesn't often find people traveling towards the station.

Candidate: Hmm. Is the driver able to find a customer easily at the station? Is there a lean phase?

Interviewer: Yes for the first question. This is the reason of the station being a profitable spot. The trains regularly bring passengers all day long.

Candidate: So, to reduce coming back empty towards the station, the driver should focus on routes with more potential passengers such as bus stands. He should try to focus on customers going to bus stand from the station and vice versa.

Interviewer: That's a fair suggestion but do you think that it would make a significant difference to the revenues of the driver?

Candidate: I think on the revenues side, we should also try to explore the options of revenue-sharing of taxi-fare by letting some other driver drive the taxi in the night.

Interviewer: What would be potential issues with such a system?

Candidate: First issue would be obviously finding such a person on whom the driver can place the trust. Revenue sharing model and accountability and proper maintenance would be another issue which needs to be looked into.

Interviewer: Is there anything else to increase the revenues?

Candidate: The driver might offer advertisement space on his taxi. He can rely on references by tying up informally with academic institutions, hotels and such institutions.

Interviewer: What are the other options available to the driver?

Candidate: I would now focus on the cost side of the operations. Is the taxi currently operated on LPG/CNG or petrol/diesel? If petrol, what are the switching cost and variable cost?

Interviewer: The taxi is currently diesel based. Switching to CNG would require large one time investment but the funds can be arranged by any public sector banks which are encouraging such practices. Also, it is cheaper to use CNG over diesel.

Candidate: And is there any negative effect of CNG on the performance of car?

Interviewer: Not significant.

Candidate: In that case, the driver should switch to CNG. Also, he should focus on proper maintenance of the vehicle as this would increase fuel efficiency and reduce loss of revenue due to downtime.

Interviewer: Can you come up with any radical solution to increase his income?

Candidate: The driver might collude with other taxi driver to raise the prices. He can collaborate with drivers from same locality, stand or hometown to do this. The driver can also ask gatekeepers and support staffs of offices and educational institutes to call him in case anyone wants a means of conveyance.

Interviewer: Sounds good to me. I think we shall move to the next rounds now. Thanks for your time.

CASE: INCREASING SALES IN AN INSURANCE COMPANY (BCG)

Our client is an insurance company. It sells a wide variety of insurance products and has a reasonable sales turnover. We have been hired to devise ways to increase the sales.

CANDIDATE: Can you tell me a bit about the company?

INTERVIEWER: 7% market share (no geography given), good enough in industry, private player. We don't look at products, we're looking from sales side.

CANDIDATE: how does sales mechanism work?

INTERVIEWER: you don't have sales force on roles, you have sales officer (on company roles), sales people not on rolls (like a contractor).

CANDIDATE: <SPLIT into 5 heads> recruitment, training, incentives, retention and <something else – competition>. Under each head:

Recruitment:

CANDIDATE: how is sales officer recruited? What all do you look at? Who recruits?

INTERVIEWER: No, company recruits the Sales Officer. Sales boys are recruited by sales officer. No specific policy, completely decided by sales officer.

CANDIDATE: Are these geographically spread? Are they doing equally well across geographies? Are there a minimum number of sales boys each officer had to maintain?

INTERVIEWER: No, nothing like that

CANDIDATE: Does it affect your sales? (Since Geography, different performance)?

INTERVIEWER: "That could be something we could look at"

Training:

CANDIDATE: what kind of training is given?

INTERVIEWER: we tell them what are the insurance products that are offered?

CANDIDATE: are any soft skills taught?

INTERVIEWER: Nothing as of now, is that something you think we should look at?

CANDIDATE: Do we have refresher kind of courses?

INTERVIEWER: When a new product, the sales officer gets memo, which is given to sales boys.

CANDIDATE: Do you do any kind of best practice sharing, could work as an incentive scheme

INTERVIEWER: No, nothing as of now

Incentive:

CANDIDATE: What are the hard and soft incentives provided?

INTERVIEWER: There was no incentive for sales officer. Target is given, which is split among the sales boys.

INTERVIEWER: What will you consider in setting the targets?)

CANDIDATE: I'd look at Geographies – Bombay more than rural. I'd also look at industry penetration there. If the market is not penetrated, I suppose we could sell more. What are the incentives for sales people / boys?

INTERVIEWER: They had no fixed component, they had 10% of insurance premium sold, which is par for the course in the industry.

CANDIDATE: Are they any soft incentives?

INTERVIEWER: No, there aren't.

CANDIDATE: Perhaps we could set up such as system. For example when IPL happens, best three sales boys get to go.

Retention:

CANDIDATE: How are the retention rates of the company?

INTERVIEWER: The Sales officers tend to stay, but there is a large churn amongst sales boys

CANDIDATE: Does the company have a retention policy?

INTERVIEWER: Could you elaborate?

CANDIDATE: For example, there is a scheme by Vodafone where they gave the person a bike if they stayed for 3 years. Does the firm lose employees to competitors?

INTERVIEWER: To some extent, but we don't think is that significant.

CANDIDATE: Because there is so much churn, does new person training cost so much?

INTERVIEWER: What could be more important?

CANDIDATE: We could focus on reducing the time lag before the replacement hire is productive.

INTERVIEWER: What do you suggest?

CANDIDATE: if you know churn rate, you could do continuous recruiting, but this will not work because independent sales officers recruit the boys.

CASE: BISCUIT MANUFACTURER (ATK)

Our client is a biscuit manufacturer. They have hired a consultant because the firm felt that it was not cost effective. Help the client figure out where they can cut costs.

Candidate: The various cost elements in the firm will be manufacturing, supply chain and distribution costs and other administrative costs. Manufacturing can be again divided into procurement cost, raw materials cost, labour wages.

Interviewer: Ok, start with the supply chain.

Candidate: I need some background information regarding the company such as how many manufacturing plants it has?

Interviewer: The Company has 15 3rd party manufacturing plants and 3 plants of its own. The supply chain is common for all.

Candidate: I will split the supply chain again into inward and outward logistics. There will be various raw materials such as corn, flour, oil, sugar and butter for the manufacturing of biscuits. Can I get the cost of each of these components?

Interviewer: Focus on outbound supply chain.

Candidate: What is the structure of the distribution channel?

Interviewer: Basically, there is inventory from factory to warehouse and then to distributors.

Candidate: I will look at transportation costs and inventory costs in these cases. Can I have the split up of costs for transportation like the transportation cost/unit?

Interviewer: Transportation cost/unit is Rs10 and the distance between factories to the warehouse to 500kms.

Candidate: Does the transportation company charge the same amount for all similar transports across the industry?

Interviewer: The unit cost of transportation for all the competitors is the same.

Candidate: What is the distance from the factory to warehouse for the competitors?

Interviewer: We do not have that information, but in general the average distance travelled by trucks for transportation in the industry is 300kms.

Candidate: In that case our company's trucks are traveling a greater distance compared to our competitors. Can I get the location of the factories and warehouses?

Interviewer: The factories are located in remote locations. This was actually the reason for high costs for the client. The client was spending heavily on transportation. I think that concludes our discussion in the case. Do you have any questions for me?

Candidate: Not at this point. Thank you.

CASE: Raw material prices (McKinsey)

Case statement: Client is a power plant located in India, and is worried about expenses related to coal. The client has no other plants or business interests. Explore this issue and suggest some methods to resolve any issues that you encounter.

Candidate (C): Just to clarify, I am to focus only on coal, and not worry about other costs, revenues or overall profitability. Is that correct?

Interviewer (I): Yes

C: I'd like to categorize the association of coal by the plant into 4 stages: Sourcing, Transportation, Use/Processing, and Disposal.

I: OK

C: Before I process further, I'd also like to know whether the worry about coal related expenses is unique to our client, or an industry wide phenomenon.

I: It is not unique to our client.

C: Very well. I'll start with sourcing then. Can you tell me a bit about how we are currently procuring our coal?

I: Our client buys coal from two sources. One is from a state owned monopoly, and the other is from foreign companies. The foreign coal market is like a standard commodity market – quite competitive, with companies being price takers. The Indian coal prices are set by the government, and revised periodically.

C: Could you tell me a bit more about the trends and prices of the two markets?

I: The foreign coal market has a broadly increasing trend in terms of prices, although there are a few short term fluctuations. For the Indian state owned monopoly, as I said, the government sets prices and has periodically increased them from time to time.

C: Are these trends likely to hold in the future as well?

I: Yes, you may assume that.

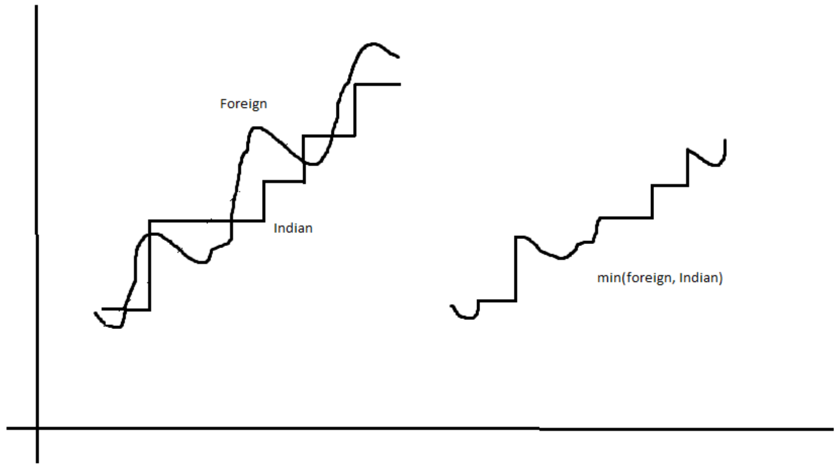
C: Does the client have a sourcing strategy at present?

I: Nor really. Contracts are set for a given period, and usually the contract is made with the source (foreign or Indian) that is likely to have the lower price in the near future

C: It appears that the ideal scenario would be for the client to pay the lower of foreign or government set Indian prices, for every load of coal it buys at all points in time.

I: OK. Can you show me on a graph what that might look like?

C:



I: Right. As you can see that is quite a random pattern. How then do you propose to obtain the minimum price at all times?

C: I can think of two primary ways of doing it. The first would be through a financial mechanism. The company could buy options to purchase coal on the foreign market, and exercise them if it is ordering at a time when the foreign price is lower than the Indian price. Although there would be a price in terms of the cost of the options, I feel that the reduction in uncertainty and the concomitant benefits to planning would make this option worthwhile. The second option would be integrate upstream, by buying coal fields abroad or forming a JV with a foreign coal company. Although a deal could be structured to get a supply of coal as and when needed, I would still go with the first option because the power plant is unlikely to have the business expertise to handle running a coal operation.

I: OK that sounds good.

C: Would you like me to explore the other parts of the coal chain – how the coal is transported, whether the processing of coal can be improved, and issues regarding to by-products or disposal or coal?

I: No, I don't think so. These are quite standardised, and our client has adopted the best practices of the industry. I think that will be all. Thanks.

C: Thank you.

Case: Retail Store (ATK)

The CEO of a retail company has approached you with the problem that his company is burning cash. He wants you to provide suggestions to improve his business.

Candidate: Sir, I would like to understand the question better. By burning cash you mean to say that the store is incurring losses.

Interviewer: Yes.

Candidate: Sir, before I analyse the reasons for this loss, I would like to understand the business better. What kind of retailing are they into?

Interviewer: They are in apparel retailing.

Candidate: I would like to know the region of operation of these stores and the number of stores that they have.

Interviewer: So they have 12 stores across India. Out of these 2 are profitable and 10 others are in loss.

Candidate: As I understand the market conditions in different parts of India would be different and hence it would take different analyses for them. I would have to group the stores region wise and understand what causes them to be in profit or loss.

Interviewer: Sounds good. Let us concentrate on the Bombay city region.

Candidate: Sir, within the Bombay region I would like to know the number of stores and the kind of segment they are targeting. Also I would like to know the kind of competition we have.

Interviewer: So, they have 1 store in Bombay which is situated in a suburban mall. We are a value for money store. There are 2 similar stores in the mall which target the same segment.

Candidate: Sir, the decline of profit may depend on external or internal factors. If the profit of all the stores in the region is dropping then it may be due to a drop in demand or some regulatory issues. Internal issues will consider the operation side of the business.

Interviewer: There have been no external factors as you say. In fact the business of the competitors has been growing steadily.

Candidate: In order to understand the loss I would like to consider the revenue and costs aspects of the business. So, have the revenues of our business dropping?

Interviewer: Yes they have. Can you explore the reasons?

Candidate: I would like to understand the revenue streams of the business first. The principal revenue earner would be the sale of clothes.

Interviewer: So can you think what would the revenue from clothes sale depend on?

Candidate: The sale would depend on the following factors:

1. No. of customers entering the store.
2. The no. of customers entering actually buying the clothes.
3. The Pricing of the clothes.

Interviewer: That is correct. The number of customers entering is known as Footfall, and the no. of persons buying is known as conversion ratio. What would you like to do next?

Candidate: Before I analyse the sales revenue, I would like to know if there are any other revenue streams. Do they have a food joint/ancillary business?

Interviewer: They have a CCD running on the premises. Can you think of any other revenue stream?

Candidate: ……(thinks)….Not really sir.

Interviewer: There is also another revenue stream from the advertisements that the brands put up within the store.

Candidate: I think the revenue from advertisements should be more or less fixed. How is the revenue from the CCD obtained?

Interviewer: The CCD pays a fixed lease amount to the store. There is also a variable component which is determined by the sales.

Candidate: So, the CCD revenue would depend on the no. of customers entering the store. The conversion ratio for the clothes would depend on the service level and the quality of the clothes that I have. Are the two dropping?

Interviewer: Yes

Candidate: About the price, has the price of our clothes remained constant?

Interviewer: Well the average price of our clothes has remained constant.

Candidate: So, I can rule out price deviations.

Interviewer: Before you rule out price can you think of some ways about how average price has remained constant but would still give you some ideas about the segmentation and the nature of demand?

Candidate: The clothes will be segmented into the high price and low price segments.

Interviewer: Yes, so what has been observed is that the sale of the high price clothes has dropped but the sale of the low price clothes has remained more or less same.

Candidate: So, the number of customers in my store has dropped. The conversion ratio has also dropped and the customers are not buying the high price clothes from my store.

Interviewer: That is correct.

Candidate: I think that this has to do with the service quality of my store and the quality of the clothes that I am having. If they are poor that would explain the low conversion rate and also the incidence of low high price sales in my store. The perception of the customers would be low and hence the low footfall.

Interviewer: Well the CEO does not agree. He has personally been to the competitors store and says that our service levels are better and the quality is comparable to them. It has to be something else.

Candidate: If that is the case, it means that customers are not coming to my store and who are coming are of a lower income segment. What exactly is my location in the mall?

Interviewer: Good question. Actually my store is situated in a very obscure location in the mall right next to the bathroom.

Candidate: That explains a lot. People would not want to come there often.

Interviewer: So what do you propose to do?

Candidate: Sir, I could install things which attract people like a kids corner or an ice cream store. I would also like to hide my store's connectivity with the bathroom as much as possible through banners etc. I could also make the high price clothes more prominent inside the store.

Interviewer: Sounds good.

Candidate: Sir, I think I should move on to the costs side now.

Interviewer: Go ahead.

Candidate: The costs can be divided into fixed and variable costs. The fixed costs components would include the rent of the store if it is not owned, maintenance, lighting etc. The variable costs would include the procurement cost of clothes and the salaries of the employees.

Interviewer: Sounds good. The store is rented. The cost of leasing is fixed. Can you think of something to reduce that?

Candidate: Sir, we can go for the arrangement like the CCD with a variable component of the sales.

Interviewer: Ok.

Candidate: Sir, I can make the salaries of the employees also variable and link them to the sales generated. That would spur sales. Also are the cloth procurement costs stable and comparable to competition?

Interviewer: Yes they are similar. Can you think of something else that could affect this cost?

Candidate: Sir, there might be damages related to the clothes. The clothes that are on display get damaged generally. Is there a cost related to them?

Interviewer: Yes we do have to sell such clothes at a 20% discount.

Candidate: We can ensure that such clothes are sold off quickly.

Interviewer: Well that's fine. I think we have had a nice conversation. Also there was problem of pilferage related to the store. The employees were stealing the clothes. However, I think we have covered the major points of the case. Thank you and all the best.

CASE: CHEMICALS COMPANY (ATK)

The company is a manufacturer of commodity chemicals in India. They hired the consultants to see if there was any problem with the company.

Case Discussion

Candidate: We can look at the internal and external factors affecting the company. In the external factors, we can look at market growth, share, product portfolio and substitutes. How many products does the company have?

Interviewer: They have only one product, hence there are no product mixes and there are no substitutes available.

Candidate: On the internal side, we have factors such as the margins, price and volumes. What is the price of the product?

Interviewer: Price of the product grew at 15% per annum. However, it is irrelevant as it is a commodity product and we don't have control over it.

Candidate: In that case can I know the market share and the growth of revenues of the company?

Interviewer: Market is growing at 10% per annum. Client had 15% margins, while industry average was 10-12%.

Candidate: Let's concentrate on the market size growth and the price increase. Then essentially if they were to maintain the 75% market share, then their revenues would have grown by 15% increase in price times 10% increase in market size = 26.5% ((1.15*1.1) -1). What is the actual growth in their revenues?

Interviewer: Revenues grew only 15%.

Candidate: So, the price has increased by 15% and the market by 10% which should have increased their revenues by 26.5% but their revenues increased only by 15%. This could be because their volumes are not growing. What is the growth in the volume of sales of the company?

Interviewer: The volumes have remained almost constant.

Candidate: One reason for constant volume could be capacity constraints.

Interviewer: Yes, The Company is operating at 100% capacity and they are not able to meet the additional demand.

Candidate: Then whatever increase in revenues happened, it was because of increase in price.

Interviewer: Yes, price was an issue. That will be all.

CASE: RETAIL FIRM (MONITOR)

There is a retail firm and you need to evaluate its performance. What metrics do you use?

Case Discussion

Candidate: Before going to the analysis, I would like to figure out what are the overall market size, company environment, the industry and then the company's metrics.

Interviewer: Concentrate on the metrics of the company.

Candidate: I will find out the following metrics:

1. Working capital Cycle

2. Inventory turnover

3. Revenue trends

4. COGS trends

5. Profit margin

6. Interest coverage

7. Interest payment ratio

If the growth of COGS> growth of revenue then there could be something wrong. Revenue/Sq. is also an important metric to be looked at.

Interviewer: Revenue/Sq.Ft is not that important and that metric could be kept aside. You can also look at inventory turnover as an important metric to evaluate the firm.

CASE: CONCRETE MANUFACTURER (BCG)

This case is about a concrete manufacturer which had seen a decline in market share from 100% in 1994 to 4% now. Also the current margins are down to -8% i.e. the firm is making a loss. We need to help the firm turnaround from this situation.

Case Discussion

Candidate: Can I think about the case for a minute before I start?

Interviewer: Sure. Let me know when you are ready.

Candidate: Basically, the client is facing losses. Profit = revenue – cost. There can be several factors that can contribute to losses such as Change in the market conditions, Customers, Competition etc. which are all fairly standard. Can you explain to me the business and the revenue streams before I proceed to the revenue/cost equation?

Interviewer: The concrete business involves preparing concrete (using cement, stone etc.) which is transported from the plant within a 6km radius. The company owns the trucks for doing that. The 6 hr. criterion is important as the concrete hardens after 6 hours and hence becomes unusable.

Candidate: Do we have any information on the market scenario and if our volumes and revenues have shown a growth/decline in absolute terms?

Interviewer: The revenues have gone up by 14% CAGR and volumes by 20% CAGR.

Candidate: So, in that case we can see that the revenues have gone up. The declining profits also mean that our costs have risen more than our revenues and hence I will like to focus my analysis on costs.

Interviewer: Good. What do you think could be the factors that might have caused high costs?

Candidate: A few factors could be increasing raw material costs, transportation costs or wastage due to not meeting the 6hr criterion.

Interviewer: Can you think of any other factors?

Candidate: If the plants are not running at capacity, then the largely fixed operating cost of the plant would be distributed over lesser volume increasing the costs per ton.

Interviewer: Good. Another reason for high costs was that the customers are in multiple segments, infrastructure, realty etc. We are not selling to everyone. Further, our capacity utilizations are lower than competitors although we sell similar amount because of our plants being bigger. Moreover, we faced some quality issues in the past and have increased the amount of cement we put in the concrete which has caused costs to go up.

CASE: CEMENT PRODUCER (BCG)

There is a major cement manufacturing company which recently has started experiencing a decline in profitability. They have hired you to determine the cause of the same and suggest remedial measures.

Case Discussion:

Candidate: Since our profitability has declined, I would like to analyse the situation from two angles, whether our costs have increased in a disproportionate manner or have our revenues decreased in a disproportionate manner when compared to the industry levels.

Interviewer: Fine.

Candidate: This follows from the fact that there might be certain factors which have decreased our selling price or any of our significant cost drivers has experienced a major influence by some external factor.

Interviewer: That seems a good enough basis.

Candidate: To start with the problem I would first like to analyse our revenues. Has our selling price decreased in the recent past?

Interviewer: No, in fact we have in fact tried to increase our price to offset this loss in profitability.

Candidate: Since revenue = price*volume and for profitability volume does not play a role, I assume that the revenue side of our balance sheet is fine.

Interviewer: Quite right, in addition to that our volumes have actually increased over the past six months.

Candidate: So, I believe it would be fair to assume that our profits might have increased but only our profitability has decreased.

Interviewer: Yes.

Candidate: Trying to analyse the cost side of the problem, I would like to analyse the value chain to determine the various cost drivers.

Interviewer: Yes.

Candidate: Our key drivers I believe would be

1. Raw Materials

2. Manufacturing

3. Storage

4. Sales and Distribution

5. Marketing and Administrative Expenses

Are we missing out on any relevant cost driver?

Interviewer: That seems a fairly comprehensive list, carry on.

Candidate: Starting with the raw materials, I am personally familiar with the cement industry. I would like to analyse what are the relevant raw materials and figure out any changes in the costs of the same with respect to any data we might have.

Interviewer: The raw material is basically limestone which has not experienced any major upheavals. In fact the same can be said about our manufacturing process.

Candidate: Assuming that there are no issues with the raw materials or the manufacturing process, I would like to analyse the distribution costs. Have they experienced any change?

Interviewer: Coming to think of it. Yes, our distribution costs have increased in a significant manner.

Candidate: And have we been able to find the relevant cause for the same?

Interviewer: No, that is why we have you here

Candidate: With the increase in volume, one would expect the distribution costs to be less due to economies of scale. However as this is not the case, I would like to analyse the distribution system. What is the model we are following?

Interviewer: In the cement industry, cement is supplied from the factories to the relevant centres which take care of further distribution themselves. We receive an order from one of these centres and map it to the nearest facility, if it is able to supply it, then it is good, else we move on to the next closest factory and so on

Candidate: Is the cost of supplying from any one factory to any other centre constant?

Interviewer: No. It depends on the distance and quality of roads. The petrol prices haven't changed that much over the past year.

Candidate: It seems that with the increasing demand we are not able to supply the cement centres in the most cost effective manner.

Interviewer: True, we almost have to end up at our third or fourth choice plants as the first two are invariably running to capacity.

Candidate: So it is clear that our plants due to their capacity are not able to satisfy their local demands in a cost effective manner.

Interviewer: That's good. So what do you suggest, we should do.

Candidate: I would suggest setting up more plants or renovating the plants to increase capacity.

Interviewer: Our client does not want to incur any capital expenditure

Candidate: We could increase our selling price to retain the necessary margins.

Interviewer: That would not be possible; it's quite a competitive industry.

Candidate: We could try to allocate centres to factories based on the most effective combination to minimize costs.

Interviewer: That seems a feasible option. How would you do it?

Candidate: Let us assume there are two Centres, 1 and 2 and two factories 'a' and 'b'. We will try to minimize

C1a + C2a + C1b + C2b based on the demand and supply constraints of each centre and factory. 'C' here stands for the cost incurred in the specific transit.

Interviewer: Very good. Anything else you might want to add.

Candidate: This optimization basis is a short-term solution only. The organization should carry out a proper forecast for the future demand and if it finds it favourable, it should go for capital expenditure in addition to these short term measures.

Interviewer: That seems a pretty good analysis. So can you just summarize the case for me?

Candidate: Our client is a major cement manufacturer. Of late, in spite of increase in profits, it has been experiencing a decline in profitability. The reasons were for the same were found out to be the unfavourable costs incurred while supplying the products to the relevant centres. A short term measure for the same was to optimize the costs incurred by matching the factory and centre in a most cost effective manner. A long-term solution would involve doing the cost-benefit analysis of a possible expansion and using the same to expand capacity at relevant plants.

Interviewer: Thanks. We have had a good discussion.

CASE: GLOBAL RETAIL BANK (MCKINSEY)

A global retail bank is in the process of expansion. However it is facing declining profits. The CEO wants you to analyse the issue and advise what the bank should do.

Case Discussion

Candidate: Hi. I would like to clarify a few things before I start analysing the case.

Interviewer: Sure.

Candidate: Can I assume that the global retail bank is operating in India where it is facing the aforesaid issues?

Interviewer: Yes. You can assume India.

Candidate: I follow that the bank is in the process of expansion. Have the revenues of the bank also been decreasing?

Interviewer: The revenues have been increasing but the profits have been declining.

Candidate: What is the state of banking industry when this is taking place, normal or is it changing? Is the industry facing some issues?

Interviewer: You can assume that it is same as before.

Candidate: Ok. Is it fine if I analyse the revenue first and then the costs?

Interviewer: Fine, go ahead.

Candidate: Retail banks have three principle sources of revenue – net interest income (the value of the balances), debit card interchange, and fees that the bank charges on various services. I am assuming that the major source of revenue is loans.

Interviewer: Fine. I would like you to look at loans.

Candidate: A bank generates a profit from the differential between the level of interest it pays for deposits and other sources of funds, and the level of interest it charges in its lending activities. Profitability from lending activities has been dependent on the needs and strengths of loan customers. Are there any changes in the loan structure or the type of customers to whom loans are given out? Is the bank giving loans to high credit rating customers or customers with low credit rating?

Interviewer: The bank has been giving out more loans to the low income customers.

Candidate: Giving out more loans to low income customers might have increased the bad debts. Has this been the case?

Interviewer: Yes, these customers do have a higher percentage of not paying back.

Candidate: Now let's look at the cost structure. There are fixed charges as well as variable charges. The fixed charges will more or less be constant while the variable costs might be increasing.

Interviewer: Go on.

Candidate: With the increasing number of low income or customers with poor credit rating, there are increasing charges as variable costs will increase. Moreover with the high percentage of bad debts, the bank is also facing non repayment of loans. This is leading to declining profits.

Interviewer: Good. Now let's go in some numbers.

Candidate: Sure.

Interviewer: Suppose the bank is currently giving loans to 10 million customers and charging interest at the rate of 10 %. Calculate the profit of the bank from loans. The percentage of bad debt from high income and low income customers is 2% and 4% respectively.

Candidate: Can I assume that the number of high income customers and low income customers is equal, i.e. 5 million each?

Interviewer: Ok.

Candidate: I am assuming that the average loan amount given to the high income and the low income customers is Rs. 10000 and Rs. 2000 respectively.

High Income customers Low Income customers

Interest received 10000 X .1=1000 2000 X .1=200

Interest for all customers 5000 million 1000 million

Costs

Fixed costs (assume) 100 million 100 million

Variable costs 500 million 500 million

Bad debts 1000 million 400 million

Profit before tax 3400 million 0

Interviewer: Good

Candidate: According to the assumed figures, the bank is not making any profit on the loans credited to low income customers. Moreover there will be extra charges as well as we have accounted for only minimal heads.

Interviewer: So what would you suggest to the bank?

Candidate: The bank, in trying to expand, is lending to the low income customers irrationally. The bank has to focus more on the high income customers. It would reap more interest and lesser variable costs. The bank could increase its minimum loan amount to filter low credit rating customers. The collection mechanism in the bank should be improved to reduce the bad debts.

Interviewer: Sounds good to me. We shall move to the next rounds now. Thanks for your time.

CASE: LIFE INSURANCE (BCG)

We have a life insurance client in Sri Lanka. Their profits have substantially fallen in the last two years and they need our help in finding out why.

Case discussion

Candidate: Right. So our objective here is to find out the reason behind the decline in profits? Are there any other objectives that I should be looking at?

Interviewer: No

Candidate: May I please have a minute to think?

Interviewer: Sure

Candidate: There are a couple of things I want to know before proceeding- how is the industry performing? Have profits fallen across firms? Is the market growing?

Interviewer: No, there are firms where profits have significantly surged. Although I don't have the exact numbers, the market overall is growing.

Candidate: Could you also tell me about how their competitive position has changed? Have there been new competitors entering the market?

Interviewer: Yes, they were the largest player in the market, however their position has been slipping and they are now the third largest player, and their profits have fallen substantially in the past 2 years. One new competitor has entered the market and not only our client but also other competitors have lost share to him. This competitor has shot to the number one position in a very short time.

Candidate: Alright. Here it is evident that our competitor is doing something that we are not so I would like to analyse the issue by comparing ourselves with the competition. In order to examine this further, I wish to compare the nature of our product offering, how our product is priced versus others, how we promote it and what our distribution channel is like.

Interviewer: Sounds good. Is that the 4 P's that you are using?

Candidate: Yes, something like that.

Interviewer: Ok. Go on.

Candidate: Can you tell me a bit more about the kind of life insurance product that they are selling? Are the competitors offering something different?

Interviewer: So yes, a competitor has recently launched a new type of life insurance product, which gives him an edge over our client. However, that is not an aspect I want you to explore further.

Candidate: Do we the know something about how our products are priced relative to competitors, do we charge a higher premium?

Interviewer: They are placed by and large the same, there isn't much differential there

Candidate: Alright. In that case I would want to look at promotion. I am guessing a significant amount of it would be directly through our sales staff. Do we have an idea of how efficient our sales staff is versus the new competitor?

Interviewer: So actually that is an aspect that we did examine, and as it turned out we learnt that our sales staff has much lower turnaround that our competitors. Their ability to both attract and retain new customers is lower. Can you think of reasons for the same?

Candidate: (Taking time to think) I think the reasons can be threefold: They are less trained than our competitors, there incentive scheme is not strong enough or maybe possibly that we are not just hiring the right people!

Interviewer: Excellent. Those are the aspects we had looked at. I think we are running behind time, so let us have you head to another interview. Thank you.

CASE: ELECTRONIC SECURITY EQUIPMENT (BAIN)

An electronic security systems distribution company has been in India for the last 7 years. It installs and maintains electronic security equipment. The company saw a 15-18% growth in profitability in the first four years after which growth has tapered off to 10% and is decreasing. The company wants to accelerate its growth and improve its profitability. What are your thoughts on it?

Candidate*: Took two minutes to come up with a structure on paper*

Candidate: Before I start the analysis, I'll just explain the way I think I'll go about the analysis. I'll first want to know more about our company after which I will analyse the market and competitors. Once I have an idea of the market environment I would like to analyse our customers. With the general scenario in mind, I would like to go on to analyse our revenues and costs and come up with a growth plan.

Interviewer: That's a fairly generic analysis but good structure to begin with.

Candidate: Would you want me to analyse any particular area first or should I go ahead with my plan?

Interviewer: Go ahead.

Candidate: What kind of information do I have about our company? What kind of products do we sell and how is our presence?

Interviewer: We have a pan Indian presence and we primarily sell CCTV cameras.

Candidate: Do we have any other products?

Interviewer: No, let us focus on growth in the CCTV segment.

Candidate: Okay. I'll go on to get a bit of background about the market for security equipment then? We already know that we've witnessed growth in the past few years but its slowing down.

Interviewer: We have a solid product that has a good reputation in the market. However, let's focus on our consumers first.

Candidate: Alright. So we have two areas of analysis here. The first being consumer segmentation and second, the value proposition that we have to offer to them. In terms of value proposition CCTV cameras what are we offering?

Interviewer: What would you offer?

Candidate: 1. High reliability and service mechanisms, 2. Ease of availability and purchase and 3. Good delivery mechanisms. In terms of the consumer segments, I think we can divide our consumers into three segments: Public, Corporate and Residential establishments. Does that cover the segments?

Interviewer: That's good. We have data that shows that our growth is being pulled down due to the residential segment which has had the slowest growth rate. Why do you think that is happening?

Candidate: If I were to analyse the growth, I would have to look at two perspectives: growth in volumes and growth in revenues. In terms of volumes I would be needed to analyse the no. of units sold as installs while revenue analysis would have to consider repair fees and unit process. On a subjective note, there could be several reasons for low growth in the residential market – 1. Awareness about security 2. Need for security and 3. Cost of installation and maintenance.

Interviewer: Let's consider the city of Mumbai. What do you think is the market potential?

Candidate: Well, if I consider the population of Mumbai to be 12 million, each with a family of 4, I have 3 million households. Let's assume 60% of them live in pucca houses. That comes to about 1.8 million flats at the minimum assuming a single flat for each family. Assuming that the number of single houses is less, let's take that every building has 10 floors with 4 flats on each floor. If each building has say 4 CCTV's it takes us to an approx. figure of 0.12 million cameras. We will have to account for existing and new cameras separately to see where our growth plan fits in.

Interviewer: Great. How do your propose to improve our growth in the residential segment?

Candidate: We have to pursue two separate strategies for new establishments and old establishments. For old establishments, it makes sense to promote our brand via advertisements that focus on the security aspect. For new establishments we should pursue developers and maintain long term contracts which can be a win-win situation for both us and the developers.

Interviewers: Do you think advertisements help in this industry?

Candidate: Well, advertisements are directed at making consumers security conscious. While this is not a direct impact, at the end of the day, the householders have a major say in the decision to install security equipment in buildings.

Interviewer: Good. One last question then- if you were to train a sales force what measures would you take?

Candidate: I would decide the team size based on our growth projections. For performance based measures, I would be looking at training in sales methods and an incentive structure that promotes healthy competition.

Interviewer: I think we've covered quite a few things thoroughly in this case. Good Luck for your next round.

Declining Market Share

CASE: MIDDLE EAST RETAIL BANK (MCKINSEY)

A well-known local retail bank in the Middle East is losing market share in a growing market. Its technology and service levels are just as good as any of its foreign competitors. The CEO wants to know why this is happening and what else they can do.

Case Discussion

Candidate: Firstly, I'd like to know what is the metric to define market share - Is it in terms of number of customers or in terms of the net deposits / loans?

Interviewer: Both, actually. It is losing market share on both these counts.

Candidate: Given this scenario, I'm assuming that customers are not choosing this bank and are opting for the foreign banks instead. Is that a fair assumption to make?

Interviewer: Yes, you can proceed with that assumption.

Candidate: In my understanding, there are about 5 factors that can affect the customer's choice of bank. They are:

- Service: Is there any specific service which the customers are seeking but is not provided by this bank? Is the client's services basket offered any different from those of its foreign competitors?
- Cost: Is the cost of servicing for the client any different vis-à-vis its competitors?
- Quality: is the service level, quality, customer care, etc. provided by the client inferior in any way to the competitors?
- Convenience: This could refer to difference in terms of location of branches, bank working hours, etc.
- Perception: Is there something about the bank's image or brand which creates a negative perception in the customer mindset?

We already know that the bank has good service levels, so let's consider the other 4 parameters.

Interviewer: The services provided are the same as the other banks, no special product or service. Its servicing charges are also the same as other banks. In terms of convenience, it is located in the same locations as other banks and is also equally convenient. What do you mean by perception?

Candidate: By perception, I mean what customers think of this bank and the image they associate with its name. For instance, foremost, banks need to be trustworthy, and do customers perceive the client bank as such?

Interviewer: Let's first talk about the customers. What kind of customers are we talking about?

Candidate: The bank could have both individuals and businesses as their customers. These customers could be further segmented on age, income or services used.

Interviewer: Let's stick to individual customer for the time being. Besides the parameters you just mentioned, how else could we segment them? Try to think around the people mix you'd find in Dubai.

Candidate: Yes, considering that more than half the population in the Middle East is expats, these customers can further be segmented on their country of origin. Is that right?

Interviewer: Yes.

Candidate: Considering this method of customer segmentation, is the client losing market share specifically in one of these segments?

Interviewer: Indeed, the client is losing business mainly amongst the expat population. Why do you think it is so?

Candidate: Can I take 30 seconds to review my thoughts?

Candidate: (After the break) Are the expats mostly here for a short while? Or, did they grow up in the Middle Ease itself?

Interviewer: They are here for a typical period of 5 – 10 years and most of the customers in this category did not grow up in the Middle East.

Candidate: There are three things that could explain the low market share among expats:

- Perception: Expats may not know the local banking brands well and hence may not consider them trustworthy. They may have a different perception than the locals.
- International Connectivity: Another major requirement of expats is the ease of sending money back home. It's possible that customers choose banks which facilitate this more easily.
- Home Banks: Many expats may already have existing accounts and relations with their respective domestic country banks and thus would prefer to continue banking with the same bank and avoid switching over to a local bank

Interviewer: Let's look at the "perception" parameter more closely. What are some of the primary factors that influence perception?

Candidate: Three would be three important factors affecting perception:

- Name / Logo / Colour
- Advertisements, marketing messages
- Word of mouth

Interviewer: Great! That was a real-life case situation I was once involved in. The name of the bank was in Arabic so expats could not associate with it well. Thus, we asked them to rebrand themselves. Besides rebranding, what else can the bank do?

Candidate: The client could tie–up with other organizations that hire expats. These organizations are usually the first point of contact for the expats in a foreign country and thus could significantly influence them. The client could also introduce easier ways for the expat customers to transfer money to their domestic countries.

Market Entry

CASE: ENTRY IN HEALTH INSURANCE MARKET (BOOZ)

A company wants to enter the health insurance market in India. What do you think?

Case Discussion

Candidate: Hi. I would like to clarify a few things before I start analysing the case. Is that okay with you?

Interviewer: Sure.

Candidate: Is it an India-based company or a foreign player?

Interviewer: It is a foreign company which wants to enter India.

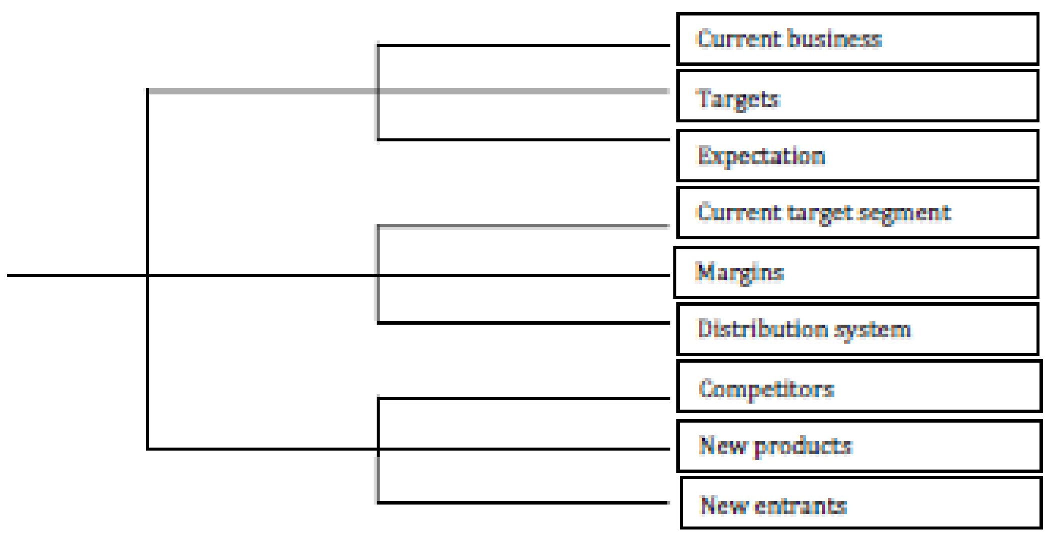
Candidate: I would first like to analyse the current business of the company and its targets and expectations. Can you tell me the core business of the company?

Interviewer: I do not want you to go into the details. I want to know the structure that you will follow to analyse the situation.

Candidate: Sure. Kindly give me a minute.

Interviewer: Sure.

Candidate: The structure that I would use to gauge whether the company should enter health insurance market is as follows:



Interviewer: The structure is absolutely fine. Now let me tell you that there aren't too many international companies in the health insurance sector in India. Can you tell me why?

Candidate: Sir, to be honest I do not know much about this industry but let me think about it. In an industry like health insurance, there could be either regulatory issues or profitability issues.

Interviewer: Yes, I would like you to focus on profitability issues.

Candidate: Now let's look at the costs incurred. The different types of costs incurred are claim costs (incurred if claims are raised by policy holders), distribution costs and fixed costs (in operating the firm). Am I right in naming these costs?

Interviewer: Kindly restrict yourself to claim costs for now.

Candidate: Claim costs could be of two kinds - Administrative costs and treatment costs.

Interviewer: Good. Go on.

Candidate: Admin costs would be high if we have to check on every claim made.

Interviewer: So how would we counter this?

Candidate: We can counter this by having an incentive for lesser number of claims made or we can have a minimum claim amount to avoid admin costs of small claim amounts.

Interviewer: Ok. What about treatment costs?

Candidate: Treatment costs would be large if a lot of claims are made. Moreover, for genuine claims, treatments costs can be quite high when the illness is severe.

Interviewer: Good. So can you suggest some ways to reduce these costs?

Candidate: According to me, we can do three things: Firstly, we can develop benchmarks which would give us an idea about the treatment costs. Secondly, we can give doctors an equity share in the company to incentivize them to bill treatment costs on the company (on behalf of the patient) only to a reasonable extent. Lastly, we can have doctors directly on our payrolls and these would be the doctors who would serve patients in the hospital.

Interviewer: Fine. Thank you for your ideas and suggestions.

CASE: ENTRY INTO INDIAN TELECOM SECTOR (MONITOR)

A foreign firm wants to enter the Indian telecom sector. He is your client. Let us look at 2 scenarios. The first scenario is that the firm wants to enter the market and hasn't purchased any license yet. The second scenario is that the client already has a 2G license. What will be your advice to the client in both the scenarios?

Case Discussion

Candidate: To start with, I would estimate the potential of the telecom market. Taking a subjective look, the market currently is huge and the sector is growing rapidly as well. However, there is a lot of competition and a price war is currently ensuing between the incumbents.

Interviewer: What do you think is the impact of this competition?

Candidate: Due to the high level of competition, service providers are looking at newer avenues of growth. Many have started expanding to rural areas to drive volumes. Since the rural areas are more sparsely populated, cost of operations in such areas is high. The overall operating expense as percentage of revenues has therefore gone up.

Interviewer: What could be a critical external factor in this industry?

Candidate: I think government regulation is the most critical external factor.

Interviewer: Yes. Regulation is very important. So what is your take on the regulatory environment?

Candidate: The regulations are also not favourable for new entrants. There is no clear direction on the 3G auctions and the mobile number portability will also fuel further competition among incumbents. However, in about 18 months' time TRAI would be making the M&A regulations clearer and hence the company could consider entering the market through acquisitions (Scenario 1). Once the M&A hurdles are cleared, the valuations of the telecom companies also come down.

Interviewer: Any other factor that you would like to look at?

Candidate: Yes, I would also consider the company's internal capabilities -whether it has any experience in Telecom and in emerging markets, in particular, its historical growth compared to major competitors.

Interviewer: I think you missed out a key source of revenue. With the emergence of 3G, VAS would play a critical role in deciding topline and bottom line growth. How would you factor VAS in?

Candidate: The company can add value only by leveraging new Value Added Services such as data and focus on acquiring established players who provide VAS.

Interviewer: Okay, in the second scenario, the client has already bought the license for 2G services. How would you go about advising him?

Candidate: To get a foothold in the market, the operator, apart from setting up networks in the high-revenue and lesser competition areas, should also look at other revenue streams. In future, voice quality will not be a differentiator. The differentiator will be Value Added Services. The company can enter into niche markets such as agricultural yards. Here there is a need for live prices to be updated to farmers and the last mile reach of mobiles can help them in the absence of laptops/desktops or Internet connectivity. Such services will need infrastructure sharing and promote consumer goodwill.

Interviewer: The company is also about to acquire a 3G license but a large number of people in India cannot afford to buy high end 3G handsets and will continue to use 2G handsets. How can I capture this market?

Candidate: Another area that the firm can develop is in the convergence of data on mobile. Currently, there is not much data availability in low-end phones. Applications such as 'Jaamun', which converts email to SMS and SMS to email, will be extremely successful on low-end phones. These are bottom of the pyramid solutions.

Interviewer: I think we have discussed a number of major points. Thank you.

(The case involved sector specific knowledge, coupled with a general understanding of business. The key in such cases is not to know all the facts but to make a logical argument with whatever one knows.)

CASE: RETAIL BANK IN INDIA (MCKINSEY)

A UK based banking giant wants to enter the Indian market. They have hired you as a consultant to guide them with this decision and advise them on various aspects of this move.

Case Discussion

Candidate: Foremost, I'd like to know more about the client to evaluate their entry into the Indian market. Is the client an investment bank or a retail bank?

Interviewer: The client is into Universal banking i.e. they have both investment and retail banking arms.

Candidate: Can you tell me more about the core strong business areas of the client?

Interviewer: The client has a strong presence in the retail banking business. It is the market leader in retail banking in UK, Belgium, Netherlands, Luxembourg, Germany and Austria. Personal loans and business loans for small and medium enterprises has been a big driver of its growth globally.

Candidate: Alright, in that case, I believe that the client should probably enter the Indian market with an initial focus on retail banking. The client clearly has a lot of expertise in this segment and can efficiently leverage on its strengths to make an impact in the Indian market. However, I'd also like to look at the Indian market before making this recommendation and first gauge whether entering the Indian market in itself makes good business sense.

Interviewer: Okay, that sounds reasonable. How would you ascertain the attractiveness of the market?

Candidate: Foremost, the market should have attractive growth prospects in the near future. Can you help with an estimate of the growth projections in the Indian retail banking industry?

Interviewer: The retail banking industry is booming ever since the liberalization of the economy was initiated. The industry is expected to grow at a CAGR of 28% to touch a figure of INR 9,700 billion by 2010.

Candidate: The industry shows quite promising growth prospects and definitely looks attractive for the client to enter. Can you tell me something about the degree of competition in the industry?

Interviewer: The industry is characterized by significant competition from numerous public sector banks, domestic private banks and other international banks like the client; besides the numerous smaller scheduled and co-operative banks throughout India.

Candidate: That's not very encouraging for the client as it might significant barriers in penetrating the market. However, this does not necessarily mean that the competition is fierce in all services. As I understand, most of the business in the retail banking industry is currently generated out of corporate and consumer loans where banks primarily cater to the larger corporate and the upper classes of the society. Would you agree with me?

Interviewer: That's right but I am not quite sure where this is leading. Please make your point.

Candidate: Sure. I was trying to explore was the presence of untapped opportunities for the client in the market. As you had mentioned earlier, the client has a strong presence in the personal and business loans business for small and medium enterprises. However, the other banks in the Indian banking industry focus primarily on the larger enterprises. This means that the client can strongly leverage its core expertise in the Indian market and tap into the huge market of SME enterprises.

Interviewer: Okay, I follow your arguments now. Do you see any other roadblocks besides competition for the client's growth prospects?

Candidate: I believe the existing regulations in the banking sector significantly restrict the number of branches foreign banks can operate and it is very difficult for them to get the authorization for every new branch. This would pose a serious bottleneck to the client's growth.

Interviewer: So would you recommend the client to enter India?

Candidate: Yes, I believe the Indian retail banking business holds immense potential and based on this discussion about the market, the competition and the clients existing core businesses and strengths, I'd make a favourable recommendation. The regulatory restrictions exist but the presence of numerous other international banks like HSBC, Standard Chartered Bank, Citibank; I believe the opportunities surpass the threats. Also, I might sound too pragmatic but given the pace of India's liberalization and development, I would definitely expect the regulatory restrictions to get relaxed in the near future.

Case: Wagon Manufacturer Entry in Market (ATK)

(This case discussion was by phone)

Our client is a US based wagon leasing company. They are in the business of buying wagons and leasing them out to customer. They want to enter the market in India. What are the factors that they should look at?

Candidate: Sir, as I understand the wagons are to be used for railways. Are they goods wagons or passenger wagons?

Interviewer: They are goods wagons.

Candidate: The factors that I see as possible are:

1. The objective of the firm to enter the market. It might want to take maximum market share or maximize profits.
2. The market condition in India. The kind of customers and the competition.
3. The financial strength of the company on the scale it can achieve. The strengths of the company for the particular market.
4. The regulatory environment.
5. The entry strategy of the company if it plans to enter the market.

Interviewer: So you have mentioned the demand, competitive landscape, regulatory environment, value proposition of the firm and the entry strategy. Can you think of something else given the way we do our business?

Candidate: Since we buy and lease wagons, the supply of wagons is also going to be an important factor.

Interviewer: Sounds good. Let's move forward and try to estimate the demand of these wagons.

Candidate: To estimate demand we need to know the customers of these wagons. I think they will be both private and public players.

Interviewer: In India, the main player is the public player i.e. the Indian Railways. So what all are goods wagons used to transport?

Candidate: Sir, as I see it they can be used to transport:

1. Oil
2. Coal
3. Cement
4. Iron Ore and other Industrial Raw material.
5. Perishable goods.

Interviewer: That's correct. Let's try to estimate the demand for the coal transport over a time horizon of 10 years.

Candidate: What is the current production of coal and the current number of wagons used to transfer the production?

Interviewer: So the current production of coal is 400,000 tonnes and it is transported using 100,000 tonnes. So each wagon is carrying 4 tonnes. What are the factors that can change the demand of wagons in the coming years?

Candidate: The demand of the wagons in the coming years would depend on:

1. Growth in the production of coal.
2. The utilization of the wagons.
3. The rate of wagon repair and breakdown.
4. The increase in size of the wagons.
5. Substitute methods of transport used for coal transport.

Interviewer: So the coal production is expected to increase at the rate of 10% per year. The size of the wagons will increase by 30% at the end of 5 years. Wagon life is 25 years. Out of the 100000 current wagons 10,000 are in their 24^{th} year. The substitutes will come into action after 5 years once the road infra is developed. You can assume that after 5 years 10% of the demand will be served by trucks. What exactly do you mean by utilization?

Candidate: I meant if the wagons are currently being filled to the brim and can there be anything to increase the packing efficiency of a wagon.

Interviewer: Well, the wagons are being filled to the brim and no such packing efficiency change is expected. Going further on the utilization aspect can you think of something else that can change utilization?

Candidate: Sir, we are transporting the coal from the mines to the plant. If they wagons return empty we can think of increasing utilization there.

Interviewer: Good point. But can you think something on the lines of technology change that would increase the coal transferred per day?

Candidate: The speed of the train. If the speed of the train increases that would increase the utilization.

Interviewer: Correct. So the speed of the trains is expected to increase by 10% after 5 years. Based on this data can you give me a plan how you would go about estimating demand?

Candidate: Sir, the main changes are taking place after 5 years. So, I can divide the time into 5 years each and estimate demand for each year. Then sum to get the final demand.

Interviewer: That's correct. Let's just estimate the demand for the next year because that is the most relevant to our client.

Candidate: The increase in production will cause the demand to get up by 10000 wagons. Another 10000 wagons would retire next year. So we can expect the demand to rise by 20000 next year.

Interviewer: Great. We have had a great discussion.

CASE: DIAGNOSTIC LABORATORY CHAIN (BAIN)

A diagnostic laboratory chain based in America wishes to enter the Indian market. What are the factors which you would look into in order to advise them?

Case Discussion:

Candidate: Before I start, I would like to know more about the kind of operations this lab undertakes. For instance, is it a general-purpose health laboratory or does it specialize in certain areas of health?

Interviewer: Well, it basically tests patients' blood and urine samples for diseases as wide-ranging as cancer, AIDS, diabetes, hepatitis etc. So you can refer to it as being fairly general in its operations.

Candidate: And what is the nature of technology used in the labs?

Interviewer: They use the latest technology, the very cutting-edge.

Candidate: Okay. And lastly, what is the modus operandi of these labs by way of getting clientele. Do they advertise or are they prescribed to patients by doctors in hospitals when the former need tests to be performed?

Interviewer: These labs are fairly high-end and use the latest technology. So the main source of revenues from us is the hospitals which recommend patients to us.

Candidate: Okay. To start my analysis, I would try and look at the nature of health services industry in India and compare it what exists in the United States. In the course of so doing, I would need to examine and compare the demographics, purchasing power and health infrastructure of the 2 countries, amid other factors. Does that sound okay to you?

Interviewer: That sounds right. All I want from you is an enumeration of the various factors you would want to consider, just that.

Candidate: Okay. In keeping with what I said just now, I would like at the following. First, I would look at the kind of market India possesses as far as diagnostic laboratories are concerned. In relation to this, I would divide the market into urban and rural markets. In urban areas, I would examine the kind of labs which currently exist and the nature of clientele they cater to. I would try and explore how the patients are recommended to these labs viz. is it by the hospitals/doctors or is word-of-mouth 'publicity' important.

Interviewer: Okay. What other things?

Candidate: I would also look at prevailing competition from the point of view of the nature of services that they offer. Such analysis will help in figuring out the competitive advantage our client enjoys by way of tests not performed by other labs. Also, it would be important to find out about the range of incomes we would cater to. For instance, we could depend on high volumes based on low margins or on high margin low volume based services. While in the former, specialized services would not be required and the client's core competencies would not be the revenue-generators, the high fixed costs of opening labs makes me believe that a high volume model may in fact be feasible.

On the other hand, the lab could service high-end clientele and use its expertise in health matters relating to 'rich' and upwardly mobile lifestyles.

Interviewer: That sounds interesting. Tell me something more about the fixed costs and other details the company should consider *before* launching services in India.

Candidate: Well, the sourcing of the technology will have to be thought of, as also the regulatory regime regarding investment in health infrastructure in India. Tie-ups with big hospitals will need to be explored as the first step toward gaining a foothold in the diagnostic laboratory industry, since trust would be of paramount importance when it comes to health-related matters. Subsequent to that of course, the client may want to extend operations to capture higher volumes.

Interviewer: What about rural areas?

Candidate: In rural areas, there is huge scope for such labs because of two reasons. One- the large number of people residing in rural areas. Two, the huge investments that rural health-care has seen in the last few years. However, there are certainly problematic issues as regards operating a diagnostic laboratory in the rural areas. Firstly, for such labs to be successful, strong backward and forward linkages with key infrastructural elements covering health as well as other fields are required. For instance, if there are no functioning hospitals, the labs will be of no use to patients. Similarly, the sourcing of technical equipment, medical supplies etc. to labs requires well-functioning roads, communication networks etc. Secondly, and perhaps most importantly, the nature of health services which would be in demand may be very different from that of the services demanded in America.

Interviewer: Different in what way?

Candidate: Typically, the nature of health ailments people in rural India will face will be very different from that of those faced by Americans because of the vast difference in lifestyles. So, the client will need to gauge if it is capable of catering to these widely different needs in a cost-effective manner.

Interviewer: Good. That will be all.

CASE: TYRE MANUFACTURER (BAIN)

The client is a tyre manufacturing giant, but currently has no presence in India. Can you help them find out market potential in India and decide on their strategy for market entry?

Case Discussion:

Candidate: Can I have a minute to think about it?

Interviewer: Sure, give me the structure, how you would go about it. Then we can discuss numbers.

Candidate: I will estimate the market demand first. Then I will look at external factors in the market such as existing players, distribution channels, value chains, customer segments, regulatory framework, entry barriers, etc. After assessing the external environment, I will look at core competencies of the company and depending on that, suggest if they should enter as a standalone player, do a JV or through M&A.

Interviewer: Looks good. Let's suppose that our client manufactures tyres for passenger cars. Can you now estimate the demand for the tyres in the market for next 5 years?

Candidate: The demand is composed of two parts: demand for new tyres and demand for replacing old tyres.

India's population is 1.2 billion. About 33% of this population has an annual income of INR 300000 or more. Given ease of finance and increasing middle class size, I consider this segment to be the total market potential which comes out to be 400 million. A household has on average 4 members. So, number of households is close to 100 million. Assuming current penetration to be 40%, there should be about 40 million cars plying on the road. So, the stock of cars is 40 million. Assuming average life of a car to be 10 years, 4 million new cars would be required every year.

Demand of tyres:

For new cars: 4 million x 4 = 16 million

For old cars: Assuming 1 tyre is replaced every year = 40 million

So, total demand for passenger car tyres = 40 + 16 = 56 million per year.

Interviewer: That looks great. Can you also help them figure out what all factors would affect average life of a tyre in India?

Candidate: Some of the important factors would be condition of the road, driving skills of the driver.

Interviewer: Sounds great to me, let's move to the next round.

CASE: FURNITURE COMPANY (BCG)

A 40 year old company selling office furniture wants to enter the home furniture space. You have been hired to decide whether to enter the segment or not. How will you go about doing this?

Candidate: Before I start, can you tell me a little about the company - specifically, what kind of office furniture it sells, who are their major customers.

Interviewer: Sure, the company caters majorly to the big offices where a lot of standard furniture is used.

Candidate: Does it customize the furniture or does it have fixed designs?

Interviewer: There is only a small degree of customization, most designs are from a short list of options

Candidate: Now coming to the problem, apart from a potential business opportunity and higher profits, are ther any other objectives for entering the segment? Is the existing segment saturating or not profitable?

Interviewer: Quite the contrary - the office furnishing segment has been growing at a very good rate, and margins are also generally high for office furnishing. You can assume the they just want to explore this opportunity.

Candidate: Ok, I will go about with the analysis in the following way (draws chart):
1. the home furnishing industry:
    a) Market size, growth, margins
    b) Competition etc.
    c) Demand-supply gap

2. the client comapny:
    a) Ability to invest in this business (cahs position, current position of the company etc.)
    b) Availability of labourers and other supply side constraints

Interviewer: This looks good to me. So let me quickly give you some information:
The market is growing, but slower than the office furnishing space. It's margins are also typically lesser and are shrinking because of many mass-producers and high labour costs. There is always a supply gap when it comes to customized furniture in your home, but we have no estimates of whether existing retail supply is enough to account for the demand.

The client company is also in good shape to make any investment in such a project, provided, that it is profitable in the long run.

Candidate: So, I would like to analyse the client's ability to enter this business a bit more.

The major differences between home and office furnishing are:
1. Scale & degree of customization
2. Distribution

Interviewer: Excellent points. So why don't we anlayse them one by one.

Candidate: Office furnishing usually happens in large volumes, and as you mentioned there would be very little customization involved. However, in case of home furnishing, customization is typically higher and more importantly, a wide variety of designs and styles are required. In addition, volume of each design sold will be low and unpredictable.

Interviewer: That is correct, and that is another reason why operating margins are not as high as compared to office furnishing. go on

Candidate: In terms of distribution, I will assume, the client won't go for custom-made furniture at households. SO it will need either it's owned outlets, or contracts with existing outlets. In case of the former, real estate costs will eat up into the company's profits and in case of the latter, margins will reduce even further.
In addition, they will have to design an entire distribution system from production to the retail outlet. This can be a costly affair too.

Interviewer: Absolutely, in fact estimates state that if the company gets into the business, it will suffer a loss in this division for at least the first few years.
Also, on the point you mentioned about labour - the existing availability of labour in itself is scarce and securing more skilled labour and training them for this purpose will not be easy. It will take considerable time and investment.

So, we are running out of time.. with these facts in hand, what decision do you take?

Candidate: Considering the margins, the condition of the industry and our lack of experience in this segment, coupled with the labour sourcing problems, I am tempted to decline this opportunity. However, the company is looking at the segment for the long term, and if it is able to solve the issues mentioned above and use it's brand name to settle into the market after 4/5 years of loss, I would still recommend them to go ahead and explore the opportunity.

Interviewer: Ok, thank you. The client did in fact enter the segment and they are doing really well after 6 years. That would be all.

New Product/Offering

CASE: ANTI-SMOKING PILLS (BCG)

Your 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.

Case Discussion

Candidate: 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.

Interviewer: This sounds fine to me. Also, please note that this product is not entirely new; it has been introduced in other countries already.

Candidate: Ok, that experience should definitely help us. To start with, can you tell me something more about the product? How is it different?

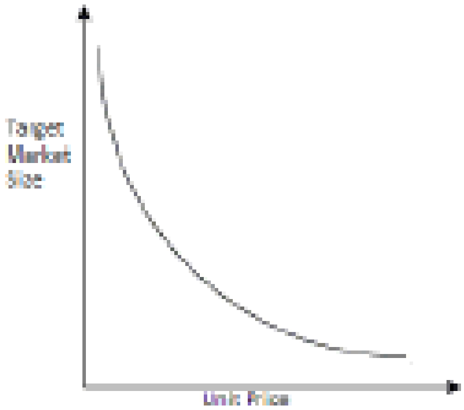
Interviewer: Unlike the lozenges or patches, this product is completely nicotine free - it is 5 times more effective as proved by lab results and 50% of the test results responded to the pill (which in this industry is an extremely high number thus indicating success).

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.

Candidate: 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.

Interviewer: 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.

Candidate: 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. The curve would look something like this. 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.



Interviewer: 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?

Candidate: 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 lifesaving drug.

Interview: Ok, let's estimate the market size assuming we decide to price it at Rs. 5 per unit.

Candidate: Let's take Delhi as a base case. Population: 150 lakhs. 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.

Interviewer: Very interesting. What will drive the market growth our market share?

Candidate: 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.

Interviewer: Good. Any other costs/concerns that you would like to address?

Candidate: 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.

Interviewer: Good, I think we have covered the different aspects of the case. Thank You.

CASE: MINIBAR IN HOTEL ROOMS (VALUE PARTNERS)

Our client owns a hotel. He is considering providing mini-bars in the hotel rooms. A mini-bar is a small refrigerator placed in each hotel room that provides both hard and soft drinks.

Case Discussion

Candidate: Before going any further could you please tell me the location of our hotel.

Interviewer: Assume that it is in Mumbai with a constant inflow of customers.

Candidate: I would like to analyse the case by looking at the revenue and cost drivers of such a business. I will start with the revenue side. The main revenue drivers are going to be the number of customers who would be willing to utilize this service and the premium they are willing to pay for it. Will you like me to estimate the number of potential customers?

Interviewer: Sure. Go ahead. Ask us for any data you might need.

Candidate: Thanks. Could you please tell me the number of rooms available in the hotel and the occupancy rate on an average? Also, does the hotel face any major seasonality in the same?

Interviewer: Assume hotel has around 200 rooms with 75% occupancy. There is seasonality but we can keep it out of our discussion.

Candidate: That gives us a total of 150 targets on average. I will like to know about the customers now. I perceive if the customers are families they will not be interested in ordering liquor. However, professionals will be more interested in having beverages.

Interviewer: Most of the customers are business people. You can take them to be 75% of the total.

Candidate: The next thing to analyse should be how many customers will prefer a mini-bar over either ordering liquor or going to the bar. The primary advantage of mini-bar is that customers need not wait for drinks to be served. I believe if customers have come in a group, they will not prefer mini-bar as compared to going to the bar. That being said, a lot depends on the kind of products that are being offered in the mini-bar.

Interviewer: That’s reasonable. Okay, Let us keep the number of potential customers per day to 100. How will you find out what should be the appropriate product mix to be offered.

Candidate: The hotel should have the logs of which beverages are usually ordered together through past bills. If the hotel goes for advance booking, the product mix can be decided or asked at the time of booking.

Interviewer: Do you think there is any other source of earning revenues while offering a mini-bar?

Candidate: Yes. Drinks are never had alone. Customers will usually order some snacks like peanuts, wafers etc. when they order drinks. Such stuff need to be offered along with drinks otherwise the whole purpose of not waiting for your drink will not be served. In addition to this, hotel might be able to sell these snacks to customers who otherwise are non-drinkers.

Interviewer: Let us look at the costs of the added service. In the interest of time, I do not want you to consider costs of machinery like refrigerator. I am interested to know any cost which might be very significant for the hotel.

Candidate: Significant efforts need to be put in monitoring the product mix in the mini-bars in all the occupied rooms. The beverages that have been consumed need to be kept again in the refrigerators and the right product mix needs to be offered at all times. People need to be employed to keep track of items that have been consumed for billing purposes and making sure that the mini-bars are always full.

Interviewer: One last question I want to ask you. If I say that after all the analysis (Revenue – cost), the marginal revenue comes out to be Rs. 20,000 per month, does that mean the hotels total revenue will go up by Rs. 20,000?

Candidate: No sir. This is actually a typical case of cannibalization. The extra revenue that hotel earns is at the expense of the existing bar/room service that was offered. This needs to be subtracted from the expected revenue to make a better judgement.

Interviewer: That's right. That will be all. Thank you.

CASE: APPLICATION SOFTWARE AND BUNDLING (BAIN)

This software manufacturer offers shrink-wrapped software application products and has grown over the last few years – mainly through multiple acquisitions. In the recent time there stock price has declined significantly. The sales have declined but their customer service department has shown impressive growth in revenues over the last few months.

The CEO has an offer from OEMs (Original Equipment Manufacturers) to bundle his product with their products and he's unable to decide what to do. Help him analyse the situation and charter the path ahead.

Case Discussion

Candidate: Before I begin analysing the case, I would like to clarify a few aspects of the case.

Interviewer: Sure, go ahead.

Candidate: You mentioned that the sales have declined recently but the customer service revenues have shown significant growth. How significant has the decline in sales been? Also, does the company have other sources of revenue besides product sales and customer service?

Interviewer: The sales have not declined much but they have been stagnant amidst a growing sector. Customer service revenues have been increasing steadily over the last year or so, though. These are the only two sources of revenue for the company.

Candidate: I see. I would also like to understand the type of offer that OEMs have made. What is the revenue sharing model going to be?

Interviewer: The OEMs are desktop and laptop computer manufacturers who are offering a pre-installation of trial versions of the company's software on some of their product lines. In return, the company will have to pay a fixed fee to the OEM for every new pre-installed computer sold and a 20% commission for every user who moves from the trial version and purchases a full version of the software.

Candidate: I understand. So, it appears to me that the OEMs' proposal can help us expand our sales volume, though at lower margins. I am not sure whether this addresses the core issue that we are facing, so I'd like to analyze the current profitability situation of the company. As you mention, the customer service revenues have been rising. Do we have some data on the types of customer service incidents that are commonly seen here?

Interviewer: I do not have specific numbers on customer service requests. However, I can tell you that a major category of service requests are around software configuration issues. Sometimes the company's software applications provide multiple ways to accomplish the same goals. A significant number of callers seek help on how to navigate different software.

Candidate: I see. One of the objectives of software design is to keep it simple and intuitive with in-built easy-to-use help. It appears to me that the company's products could improve on this dimension. I suspect that some of this is the result of integrating technology from aggressive acquisitions that we have made in recent years. I see broadly three ways to integrate acquisitions. First, the company can simply add an acquired product as a new standalone offering in its product portfolio. Second, the new technology from acquired companies could be utilized to add new features to the existing products of the company. Third, existing products of the company could be replaced by superior acquired products. What approach has this company taken in integration?

Interviewer: That's a good way to think about it. In this case, the company has primarily followed the first two approaches. There has been both a portfolio expansion as well as product enhancements.

Candidate: I suspect that the rising customer service revenues actually point to poor integration of the acquisitions. There are two separate aspects to a successful integration. First, the product portfolio has to be rationalized at a technical level. If the company offers multiple offers to accomplish the same goal, it tends to be confusing for the customer. Similarly, products need to have a consistent look and feel so that it is easy for customers to navigate and configure various features. Second, the sales and marketing team needs to be well trained about the company's evolving product portfolio. They should be able to help customers make good choices for their needs.

Based on the type of customer service incidents, it appears that the company has not done very well on either front. Customers are finding it difficult to configure and navigate the company's software products. Also, acquisitions should have led to an increase in sales. But stagnant sales point to deficient sales and marketing function. I think without addressing these integration issues, it will be futile to pursue the OEMs offer. It isn't beneficial in medium and long-term to acquire disgruntled customers.

Interviewer: So what would your advice to the CEO be?

Candidate: I would recommend that the sales force be overhauled. There needs to be a strong mandatory training program for the sales staff to make them fully conversant with the company's products. I'd also recommend that the redundancy in the product portfolio be reduced so as to alleviate customers' confusion. A technical push should be launched to make the software look and feel consistent across products. This should improve customer satisfaction, drive repeat business and improve sales. As for the OEMs offer, I would advise to hold off until these core issues are addressed.

Interviewer: That seems fair. I think you have identified the main issues in the case and provided crisp recommendations. We'll close here. Thank you.

CASE: THIRD PARTY AUTOMOBILE SERVICE STATIONS (BCG)

You are having tea with Mr. Ratan Tata. He has just returned from Germany where he saw third party car service stations which were doing very well. So, he is thinking of opening a chain of such stations in India. You need to give him your thoughts and make a pitch from BCG's side for helping him with the project.

Case Discussion:

Candidate: I'm not very sure of what you mean by third party service stations. Can you explain a little?

Interviewer: To service a car there are service stations. They can be authorised stations like the chain that Maruti has or they can be local garages. The third type, which is currently missing in India, is an independent chain of service stations which will service any brand. These are third party service stations.

Candidate: Ok. This is a new business that Tata would want to enter. I'd like to look at a few things while considering the new venture

Tata's final aim - do they have a target profit /market share/return on assets as their target from the venture

Market scenario – growth & size, competition

Tata's capabilities – financial capability, expertise in area, synergies with other businesses

Interviewer: Tata is a big & profitable company, they want as high profits as possible from the venture. Also, they have no constraints with regards to finances. They build automobiles as you know and have authorised service stations for their automobiles.

Candidate: So, the aim of Tata is high profits and they have sufficient finances and expertise in the automobile area. I'll go on to look at the automobile maintenance market. Currently in India there are 2 kinds of garages – the local ones and authorised service stations. So, when we enter the market, would we be servicing all kinds of brands and providing a full range of services?

Interviewer: Yes. All brands and a full range of services.

Candidate: We would need to differentiate ourselves from the 2 kinds of competitors that we have in order to get customers.

Interviewer: Ok. How would you do that?

Candidate: I'll look at why a customer goes to a service station and why he chooses a particular station to go to. A car would be taken to a service station for

Regular check-ups/services

In case of an accident

Maintenance when it breaks down

Interviewer: Ok

Candidate: Now when an owner chooses a service station he would want

Quality – In terms of genuine parts if replacements are done, trained mechanics, the car being treated properly, delivery on time

Cost – He would want the service to be as cheap as possible

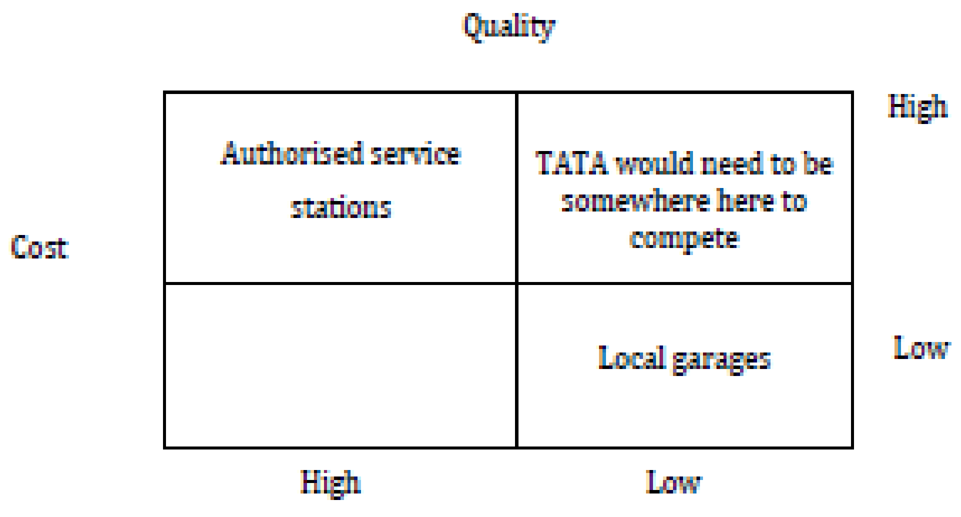
Convenience – The service station should be close or should have a pick & drop service.

There would be a segment of customers who would lay a lot of emphasis on cost while another segment would lay emphasis on quality. In case of an accident or break-down convenience would play a big role. Local garages will have low quality and low cost while authorized service stations will have high quality and high cost. Also, local garages are generally more in number so would be more convenient to reach in most cases.

Interviewer: Ok. Now I want you to make a grid of the dimensions that you've mentioned and figure out where our competitors lie and where we should go.

Candidate: (Starts drawing a 2X2 matrix)

Interviewer: Let us club convenience with quality. We'll just analyze the situation based on 2 parameters



Now, Tata wants to start a third party chain of service stations which will serve all brands. If Tata targets low quality, local garages will beat them since these garages can service all brands and charge very low unbeatable prices. Also, they would be built at strategic locations which Tata may not be able to acquire, coming late into the market. On comparing Tata stations with authorised service stations, Tata could stand a chance. They could ensure quality by sourcing parts from manufacturing companies and employing well trained mechanics. Since such a service station will service all brands it will be a convenient place to come to for high quality services. However, the price charged will be high.

Interviewer: Do you think anyone will come to such a service station when they can go to a Maruti or Hyundai authorised service station?

Candidate: In India a majority of cars are Maruti and Maruti has a very good chain of service stations which are convenient to reach and high quality. Hence, Maruti cars will definitely not come to Tata's stations. Other brands like Hyundai would come since their service stations are few and far apart. If Tata offers the same quality at the same price, it might be cheaper & more convenient for consumers if Tata's chain has numerous stations at strategic locations.

Interviewer: Maruti has almost 50% of India's car market share. Now do you think it is beneficial to set up Tata's third party service chain?

Candidate: Owners of other brands will prefer to go to their authorised service stations as they would be more trusted. And given such a lopsided market in favour of Maruti, it will be difficult for us to compete with Maruti directly. So, the number of cars coming to Tata's stations might be too low for the venture to be viable. But, if there are expectations that many new brands will enter India as some already have, then Tata's venture could be viable given that these firms would not want to open a service chain of their own due to small numbers and newer vehicles could mean that the local garages might not be well-equipped to deal with all kinds of problems with the vehicle.

Interviewer: What would your final recommendation be?

Candidate: My final recommendation would be to not start such a venture currently since Tata would not be able to beat competitors on any dimension - cost or quality. However, in the near future this could turn sustainable so an eye should be kept on this market.

Interviewer: Ok. Thanks.

Growth Strategy

CASE: EXPANSION OF TRADING PLATFORM (BAIN)

A company has a trading platform and wants to expand its business. What should it do?

Case Discussion

Candidate: Hi. I would first like to know about the company. Where does it operate?

Interviewer: It operates in the US.

Candidate: How many customers does the company currently have?

Interviewer: I will give you the following information which will help you to understand the situation.

There are three main competitors and the company currently has 130,000 customers

Candidate: Thank you for the information. At what rate are we getting new customers? Also, can I assume that there only 4 players in the market including the firm?

Interviewer: We are adding 200,000 new customers every year. Yes, you can assume that you are the 4th player in the market. The top 3 competitors have 80% market share and you currently have 20% market share.

Candidate: Great. Can you tell me the growth rate of my business?

Interviewer: 10%.

Candidate: Are we capturing our competitors' market share while growing or are we capturing a share of the growing market only?

Interviewer: Assume that you are capturing 10% of the rival's market share every year. Also, the market size is $5.3 million.

Candidate: Can you give me a minute to process the information and analyze the growth potential of the business?

	Y1	Y2	Y3
Present customers	130,000		
New customers -			
Rival capture	530,000		

Interviewer: This structure is fine. Now can you tell me what the various avenues of revenue for a trading platform are?

Candidate: There are essentially 3 revenue streams:

1) Proprietary trading – where the firm trades actively

2) Business – where the clients are large businesses who look at avenues to invest excess cash

3) Retail – where the individuals invest their money

Interviewer: Prop trading is a very interesting answer and has not been mentioned by any of the other candidates. Well done. Thank you for taking out time.

Note: Proprietary trading, proprietary trading desk, or "prop desk" are terms used in banking to describe when the firm's traders actively trade stocks, bonds, currencies, commodities, their derivatives or other financial instruments with its own money as opposed to its customers' money, so as to make a profit for itself.

CASE: FROZEN FOODS (BCG)

Our client, a supermarket in Australia has a problem with their chilled foods division. The chilled food division is divided into two parts: 'meat, grocery and juices' form the first part and milk forms the second part. For the non-milk chilled foods, there is a centralized warehouse and the products are then delivered to about 200 supply outlets across Australia. For milk, the suppliers directly deliver to the stores. What will happen if they switch their distribution system frequency to daily?

Case Discussion

Candidate: Okay Sir, let me take a look at it for a moment.

Interviewer: Sure.

Candidate: Okay, so we have a system where the goods are delivered daily either by our warehouse or by other suppliers, right?

Interviewer: Well, the warehouse delivers to the store only once in three days. Milk products are delivered daily from the supplier.

Candidate: So we are evaluating the option of either getting all our goods delivered to the supermarket on a daily basis, or once in three days, right?

Interviewer: Yes. Carry on!

Candidate: Okay, I would first look at the costs involved and then find out the potential benefits for both the options. I would like to know how we are getting the delivery done for milk.

Interviewer: For milk we use 8 trucks that do the delivery for 200 stores.

Candidate: Okay. So given that a truck can cater to the demand of 25 outlets, we can work out the cost.

Interviewer: Don't look into the numbers. Let's just look at the pros and cons of each method

Candidate: Ok sir, In case we have a central warehouse and do daily delivery, the inventory carrying cost is higher but we reduce the chances of lost opportunity (that is demand unmet in case of a demand spike due to lack of sufficient stock). This effectively reduces our risks. We will have to order in lower lots and we can also cuts down our administration costs, given lesser number of transactions with the warehouse.

Interviewer: Good. What else do you think is important given the nature of your goods?

Candidate: Well, if we remove the warehouse and deliver ourselves then we will have to send our trucks to every store, every day.

Interviewer: So?

Candidate: So our chilled goods, fruits and juices will be much fresher at the stores.

Interviewer: Good. What about the stores?

Candidate: Stores will carry fewer inventories and hence would need to order more frequently (respond faster to changing demand patterns).

Interviewer: That is a neat analysis. Thank you.

CASE: GROWTH POTENTIAL IN FIRE SAFTEY EQUIPMENT (BCG)

Our client is evaluating growth potential for a distributor of fire safety equipment. How would you approach the problem?

Case Discussion

Candidate: Hi. I would need a moment to pen my thought down.

Interviewer: Please do.

Candidate: I would first like to look at the market in itself, and examine the growth potential that exists there, also analyzing the existing competition in the market. Then I would like to look at our client's growth prospects in particular along with the key strengths of the client and how they can be used to grow in the field.

Interviewer: Sounds good. So what do you think drives growth in this industry?

Candidate: First of all I would like to know about the growth rate within the industry.

Interviewer: It is not very significant. It is close to 2% per annum.

Candidate: Okay. Now we can look at the nature of competitive forces that exists in the industry. How many key players are there and are we an established player?

Interviewer: Let's not look at competition for the moment. Let's focus more on understanding the industry and what drives the industry.

Candidate: Ok. So I assume the key streams of revenue would be initial installation and maintenance.

Interviewer: True. But what drives the demand for the initial installation?

Candidate: Demand must be driven by the need for safety precautions. In most cases, it might actually be driven by government rules and regulation regarding fire safety norms for buildings.

Interviewer: Correct! Please continue.

Candidate: Since mostly commercial clients who purchase fire equipment do so for compliance, I would like to approach the problems from two angles. The first would be the growth in the existing customer base and the other would be growth due to change in regulation. Growth in the underlying customer segments would be linked to overall industrial growth.

Interviewer: Yes. But how do you think could you measure the growth in industry?

Candidate: Well, industrial growth in turn could also be measure by the increase in commercial and residential space etc.

Interviewer: Good. Since growth rate in number of square feet of space is the proxy for demand growth, what would you understand from the following table?

Metro	Expected growth in residential area	Expected growth in industrial area	Expected growth in commercial area
Delhi (NCR)	9%	12%	10%
Mumbai	10%	8%	12%
Chennai	9%	15%	7%

Candidate: We can see that the growth in Delhi and Chennai would be important to us because we are dealing with industry safety equipment.

Interviewer: Well, I never said we were dealing with industrial clients. What if we are dealing with safety equipment used in commercial areas?

Candidate: In that case Mumbai and NCR look like interesting questions. But I would like to have some more data on the expected growth in lakh sqft and not just percentages, before I can comment.

Interviewer: Ok. How will change in regulatory requirements and/or increased compliance affect the industry?

Candidate: Do you have any data on the current regulatory requirements and how they will change?

Interviewer: No, But I know that the current ratio of regulators per factories in our target industry is roughly 1:8000, which is expected to remain same in the future.

Candidate: Ok. So that means there will not be any significant increase in compliance.

Interviewer: How do you think can compliance be increased, without increasing manpower?

Candidate: There can be more frequent checks and stricter penalties for lack of compliance.

Interviewer: Fine. There are two proposed regulatory changes, one that would impose a high fine on products not complying during an initial check-up during commencement of a facility/space and a second that would increase the frequency of subsequent check-ups. Which has the potential for increasing market growth?

Candidate: I would go with the latter, as it would automatically enforce initial compliance which the former enforces, and also increase maintenance revenues.

Interviewer: Thank you. That would be all.

CASE: BOILER COMPANY (MCKINSEY)

You've been approached by a boiler company and they want you to help them devise a growth strategy.

Case Discussion

Candidate: So this company wants to increase its sales drastically and preferably its profits too.

Interviewer: That's right.

Candidate: Before we take a look at the company specific information, I would like to know more about the industry – current trends, any new technological advances, nature of competition etc.

Interviewer: Boiler companies typically have a line of products based on capacity and fuel used. There are no new advances in recent times. 80% of the market is organized and main customers are the thermal power plants.

Candidate: Hmm. A company can grow either by expanding market share in its existing market, entering new geographical markets, coming out with new products or by acquiring another company. I would like to know more about this company. Can you please tell me -?

- What this company's products are
- Who are its customers are
- Where does it operate
- Its access to cash/financing resources
- Its competitors

Interviewer: It's a medium size firm – about $100 MN in sales, operates primarily in India. It's the biggest player in the organized segment which is approx. 80% of total market. Its main customers are thermal power plants, etc. Products can be classified on the basis of capacity and fuel for the boilers. It doesn't have much cash or technology. It's a midget compared to global players in the same industry

Candidate: Well, not being cash-rich restricts the firm from exploring various growth options. For instance, new product development seems to be out of question given no access to technology advances.

Similarly, exploring new geographical markets, even overseas markets, would be out of reach presently as there is dearth of capital. Acquiring another company is a possibility if synergies exist that can to offer significant benefits out of the merged entity. But, we also must keep in mind the results realization lag in case of a merger. Again, M&A activity presently does not seem feasible.

Interviewer: Sounds reasonable.

Candidate: Now that we have eliminated some of the options, I would like to focus on current market and consolidation of the existing product line. Specifically, I would like to know the individual products on offer, margins to be made on each of them and their individual growth potential.

Interviewer: It is a fair point. Our client presently offers boilers based on its capacity and fuel type. Typically, they get a maintenance contract for a specified time period as well. As far as the growth potential is concerned, there are quite a few captive power plants being developed currently in India. Additionally, there are a couple of really big power plants announced by our big customers. Margins are negotiable and depend to a great extent on the customer in question.

Candidate: I see. Given these facts, I would look at the mix of products on offer. To that effect, I would like to know the share of each of the individual product type in the sales. Post that, I would like to map each product with its growth potential, its current market share in its category and the margins to be retained.

Interviewer: I think you have figured it out. What would you like to suggest to the company?

Candidate: In my opinion, company should focus on the products which promise growth and also offer higher margins. Possibly, they are currently providing a standard capacity type or a fuel type to most of the customers. They should rather look at the individual customer needs and design their offer accordingly. This benefit to customer would also enable them to command a greater margin on each product sold. Sales force incentives could also be aligned with customer-centricity in terms of correct product requirement assessment and supply. In short, focusing on the right product is the key for growth for our client.

Interviewer: I think the analysis is sufficiently thorough. We can stop here. Thank you.

The candidate also talked about cyclic goods i.e. boilers and other such heavy industrial goods are highly cyclic in nature, meaning that if GDP grows by a ‘x’ percent, the sales of these goods would go up by 5x percent, and if GDP goes down by x %, their sales would also go down by 5x %. The interviewer agreed but reminded me that there’s a lag in between GDP growth and growth of heavy industries.

(Comments: One can also explore Profitability of operations, possible efficiency measures, credit policies, sales force incentives)

CASE: NEW CENTRES FOR AN IT MAJOR (BCG)

Your client is an IT services provider and ITES services provider like IBM. Imagine it to be the world leader in its domain. It wants to expand its ITES department by 100% in the next 2-3 years. So it is looking to open up new branches all over the world. You need to come up with some places where it can set up new centres.

Case Discussion

Candidate: For this, I would like to look at the specific requirements of the centre. Then I would like to know what exactly the current capabilities (technical and financial) of our client are. Once we are sure about the specific need of the centre and the existing capabilities of the client, I would evaluate various geographies and decide which best fit our requirements.

Interviewer: Ok, being the world leader the client has adequate finances. And there are no specific requirements from the centre except for what such centres normally end up doing currently. Why don't you tell me what basic parameters you would be looking at?

Candidate: Given what you have told me about the requirements, I think the following would be important parameters in judging which places are suitable-

1. The most important would be the availability of cheap but skilled manpower

2. Adequate infrastructure - reliable internet connectivity, electricity included

3. Stability of the economy and pro-business policy of the government

Interviewer: And what do you mean by places above on which you would be applying these parameters?

Candidate: I'll define a place to be a city inside a country

Interviewer: Isn't that too small an area to take?

Candidate: Yes, I see that point. It would be better to look at countries on the whole. We could decide on specific location later.

Interviewer: Is there anything else you might want to look at? May be the current state of the IT industry in the country?

Candidate: Yes, I would also look at the current penetration of IT & ITES industry in the countries we are considering. This would help us in two ways – to identify the business potential that can be targeted directly by placing the centre there and secondly, this will also give us an indication of the availability of skilled manpower and already existing experience base in the IT sector. We could source some talent from the existing players. Given we are major global players, this should not be difficult. Also, due to our larger international footprint already, we should be able to stand firm even if the competition is high.

Interviewer: Let us limit our parameters to – cost of operations & availability of human capital. Can you draw a graph to show me how countries will be placed and what which ones we'll choose?

Candidate: Since we are looking at 2 parameters, I would like to look at this through a 2 by 2 as follows-

Availability of human capital /

Costs of operation	Low	High	
	Maybe	No	Low
	Yes	Maybe	High

Countries that are low cost and high human capital are the best bets whereas those exactly opposite will be out of picture. For the two other quadrants, we would have to look at on a case by case basis.

Interviewer: Can you elaborate a little as to how you would do that for the 2 cases where the answer does not look so obvious?

Candidate: If I were to look at, let us say, the case of low cost and low availability of skilled workforce. For such a country, I would see if the lack of sufficient skills can be met by either relocating people from a nearby place or from other offices of the client and also if they would be willing to do so. The other option is to see if building skills within that place might be possible. The latter is worth considering only if we are ready to wait for some time before the centre might start being productive.

Similarly, I could look at the other “Maybe” box and see if the the high cost is justified by the level of skills that the people possess there and a centre could be justified in a high-cost location if we could shift some of the high end work to that country.

In both these cases, the other options I had mentioned initially, apart from the two we are considering, will play an important role in making a decision. There might be places which have a big IT market we have not tapped yet. We might take that place up, even if, let us say it is high cost because there is skilled labour and huge business opportunity.

Interviewer: Great. I think we have covered the approach pretty well here and also looked at the critical parameters. Thank you.

CASE: SATURATED TELECOM MARKET (ACCENTURE)

Let us discuss a case which we recently did at Accenture. The client is a telecom operator in India and wants to increase his revenues and grow in this saturated market. What would you advise?

Candidate: I would like to start by understanding the telecom market in India, looking at the revenue drivers and advise the client on which ones he could use. I understand that the telecom sector works by hiring its services from tower operators and then use their own brand name and services to generate revenues.

Interviewer: True. Our client too hires such service at market rates.

Candidate: Okay. Then I shall explore the meaning of saturated market. Has the client explored all geographies? Like the whole of rural market? I recently read that we have about 680 million telecom connections. So, I believe there is still some untapped market to explore.

Interviewer: Right. There is an untapped market. Let us go on and say the rural market has been penetrated to the extent possible and they have probably done what they could in that respect.

Candidate: Okay. So assuming a saturated market, we should look at increasing revenue from existing consumers. We could analyse the existing calls being done and could think of schemes like STD call rate packages, local call packages, local and STD SMS packages that suit to the area to increase per user usage. The idea would be to have lower rates more than compensated by higher usage.

Interviewer: Good, what else?

Candidate: We could look at various value-added services like revenues through internet services on mobiles. Having different plans and offering better speeds, we can get more consumers to use internet on their mobiles. Also, with 3G technology, mobile internet will surely be a huge source of revenues.

Interviewer: Good. Anything else?

Candidate: Also from games and applications. There are many businesses coming up in the area of mobile gaming and product development of applications. We could buy them and use them as sources of additional revenue.

Interviewer: Okay, thanks for the inputs. We will now move to the next interview. Thanks for your time.

CASE: DIVERSIFICATION STRATEGY FOR ROAD DEVELOPER. (BCG)

The candidate had mentioned his interest in public policy domain. Hence, the case was based on this and insights were expected of him on the case.

Our Client is a road developer working in a PPP model. So they basically get the contract, construct the road and then operate it for some time and hand it over finally to government. They have good experience in this line of business and have a worth of 500 crores. Now they have come to us to know what they should do. They are looking to grow/diversify.

Candidate: Sir, before I move on with the recommendations, I would like to know the purpose behind the diversification.

Interviewer: The client has no specific purpose in mind other than growth in to a different area. No specific industry/line of business either. Now how would you go about advising them?

Candidate: Sir as the client wants to expand into a different area, I can think of two options: to diversify into a related area or to diversify into a totally new business.

Interviewer: Where do you think they could go? And which areas?

Candidate: As they are already into the infrastructure domain, I think they should diversify in the same domain. The government is putting a lot of thrust in the development of infra so remaining in this sector makes most sense. They can use their experience of working on infrastructure projects to diversify into other related domains.

Interviewer: So which is the infrastructure related sector/industry do you think are the best suited?

Candidate: The most important infrastructure projects going right now are the Golden Quadrilateral and the rural road development program. They are already into road construction. Apart from this the other most important ones are real estate/ urban development and airport/harbour development. They can look to diversify into these.

Interviewer: So what all resources do you think will be required for this diversification?

Candidate: The most important thing would be expertise in the area. We would require industry experts to enter the sector. Financial strength is another aspect. Since we will be working with the government we would also need people who know the right channels and can work with the government on these issues. Issues like raw material, labour, and revenue model would become important as I expand further into the business. They will also have to look into the regulatory issues before entering a particular sector.

Interviewer: So of these resources what resources do you think are present with the client and what can be developed in the long run?

Candidate: Sir, I think the financial strength and the raw materials, labour etc. can be arranged for quickly by the company. These resources will not take much time to develop. The expertise over the field will take longer. In the beginning we might need to hire external experts to get started. Over time we will need to develop in house expertise and also people who can negotiate with the government.

Interviewer: Sounds good. Thanks and all the best for the next round.

Investment and Divestment

CASE: ROAD CONSTRUCTION COMPANY (BAIN)

Your client is a Road Construction Company. This client had recently won a government contract through a bidding process for constructing a road. The price awarded at the time of the tender was Rs. 4000 crore. But soon the client realized that their cost of the project was going to be Rs. 4500 crore. What should our client do to make the project profitable?

Case Discussion

Candidate: Can you tell me about the nature of the project? Does it only involve constructing a road or also operating it for a certain time period? Also can you let me know the duration of the entire project?

Interviewer: It is only a build project with an expected completion time of 4 years.

Candidate: Fine. Does the company have any target hurdle rate (Return on Invested Capital / ROIC) for its projects.

Interviewer: Yes, any project with a ROIC greater than 15% is considered suitable.

Candidate: To target returns, I think we should look at the revenues and cost. Moreover, since it is only a build project, I think costs become highly important as our revenue remains only from one source.

Interviewer: Yeah, that seems a good way to begin. So let us look at the costs now.

Candidate: Even within costs, I think our foremost concern should be to identify the possible reasons for the 500 crore escalation. Is there any specific reason that the client has shared with us.

Interviewer: Not really, I think you will have to figure that out as well.

Candidate: So, I will start with different factors contributing to the cost.

Interview: Okay.

Candidate: Raw materials would be a major component of the costs. Here, if the company has long term sourcing contracts then I don't think it would have contributed to cost increase. Do we have any information about their sourcing contracts?

Interviewer: No.

Candidate: In that case, we can also look at the option of negotiating prices with the suppliers if the company has a high bargaining power with them.

Interviewer: OK, these two options look fine.

Candidate: Further, maybe we can also explore low cost substitutes for existing raw materials. In case if we can alter the product mix, even that option should be looked at.

Interviewer: Don't you think these options will impact the quality of the road.

Candidate: At all times while considering these options, we should set certain minimum quality standards as per norms and then see if we can reduce costs.

Interviewer: That seems fine.

Candidate: Apart from raw material costs, I believe that we should also look at the equipment costs. Here a decision to either lease the equipment or buy it needs to be taken.

Interviewer: Can you explain what will be the basis for such a decision?

Candidate: It will depend on the scope of future projects. If this is a one-off project of its kind, then the company should lease the equipment. Otherwise, if the company plans or is executing similar projects, they can buy the equipment. In such a case they can depreciate the costs across different projects.

Interviewer: You can move onto other costs now.

Candidate: Employee costs need to be very well planned. Since the project is expected to last for 4 years, there can be a substantial increase in these costs. Can you let me know whether the company has its own employees or hires a contractor?

Interviewer: The contractor brings in most of the employees.

Candidate: I think in such a project, the speed of the project to a large extent would be determined by the amount of labour used. Maybe, then we can go in for more employees or ask the current workers to work overtime. This will reduce the duration of the project and increase the Net Present Value.

Interviewer: Do you think employees would work overtime?

Candidate: They might, but a better option would be to consider working multiple shifts.

Interviewer: Yeah, that could possibly be tried. Any other cost that you would like to take into account.

Candidate: I think even the financing costs would play a major role depending on the capital structure of the project. Will the project amount of Rs 4000 crore be paid in phases or only upon completion of the project?

Interviewer: Money will only be paid upon completion of the project and due to this a significant portion of financing will come through debt.

Candidate: This will result in significant interest costs that will have to be paid during the project.

Interviewer: Also, the company is using a percentage completion method of accounting. Anything about the working capital financing that you can think of?

Candidate: The employee wages and raw material payments would form a significant portion of the working capital. We can look at negotiating the credit period with our suppliers but given the 4-year span of the project, I think that this cost will still be substantial. In case of employee wages, I think that they would have to be paid daily.

Interviewer: So is there a way to address this concern?

Candidate: Maybe we can go back to the government and renegotiate the payment terms such that the amount of Rs. 4000 crores is paid in instalments rather than only at the completion of the project.

Interviewer: If this doesn't work out, what other options will you suggest?

Candidate: The Company could drop the contract but in that case it will have to estimate the impact of such a decision on its reputation and ability to get future contracts. Also, a penalty might need to be paid in this case.

Interviewer: Would you suggest the company to go ahead with the current project even if the terms remain unchanged?

Candidate: Yes, the company can consider this project to be a real option for future projects. Maybe they will incur a loss of Rs. 500 crore on this project, but it will enable them to bid for such projects in the future.

Interviewer: Good justification. I believe we have had a good discussion. Thank You.

(Comments: The case tested the candidate on his ability to identify the problem areas himself. The candidate guided the entire case discussion with the interviewer only supporting it in between. The focus of the case was to explore all possibilities related to planning a project and generating alternatives to come up with solutions.)

CASE: HOTEL IN ARMY CANTONMENT (BCG)

Your client is a Private Equity fund assessing an option to invest in a Hotel coming up inside the Army Cantonment. What should the PE Fund do?

Case Discussion

Candidate: Before proceeding with the analysis, I would like to know a few facts related to the type, size and location of the Hotel. Also as our client happens to be a PE fund, is there any particular time frame that our client is targeting with respect to this investment.

Interviewer: Well firstly as far as the time period is concerned, you may neglect any strict guidelines from the client. It is for us to decide the time frame in this case. Concerning the details of the hotel, it is planned to be a 400 room hotel located inside the army cantonment. The hotel standards will be comparable to any regular 3 or 4 star hotel.

Candidate: Fine, could you also let me know the location of the army cantonment and the intended objective of this hotel project. Moreover, would the hotel be open to non-army personnel as well?

Interviewer: No, the hotel would be exclusively for army personnel and the army cantonment is located at the outskirts of a not so big city. Maybe you can call it a town.

Candidate: And any particular reason for building this hotel. Are there any other hotels nearby?

Interviewer: Yeah, that's interesting. Currently there are no hotels nearby and the closest hotels are located in the town, all of them being at a considerable distance from the cantonment. The intended purpose of this hotel is to facilitate the stay of personnel visiting the army cantonment for training programs, short stays and as a temporary housing for those relocating into the cantonment area.

Candidate: Does this imply that currently all these people are being accommodated in the hotels nearby?

Interviewer: Not really, most of them might be staying with their friends staying within the cantonment.

Candidate: But I feel there would be a large number of people who would prefer staying in a hotel.

Interview: Yeah, in that case they go to the hotels nearby. So how would you evaluate if this project is worth investing in.

Candidate: For that I would like to know the cost structure involved in the construction of the hotel and various costs incurred in its operations.

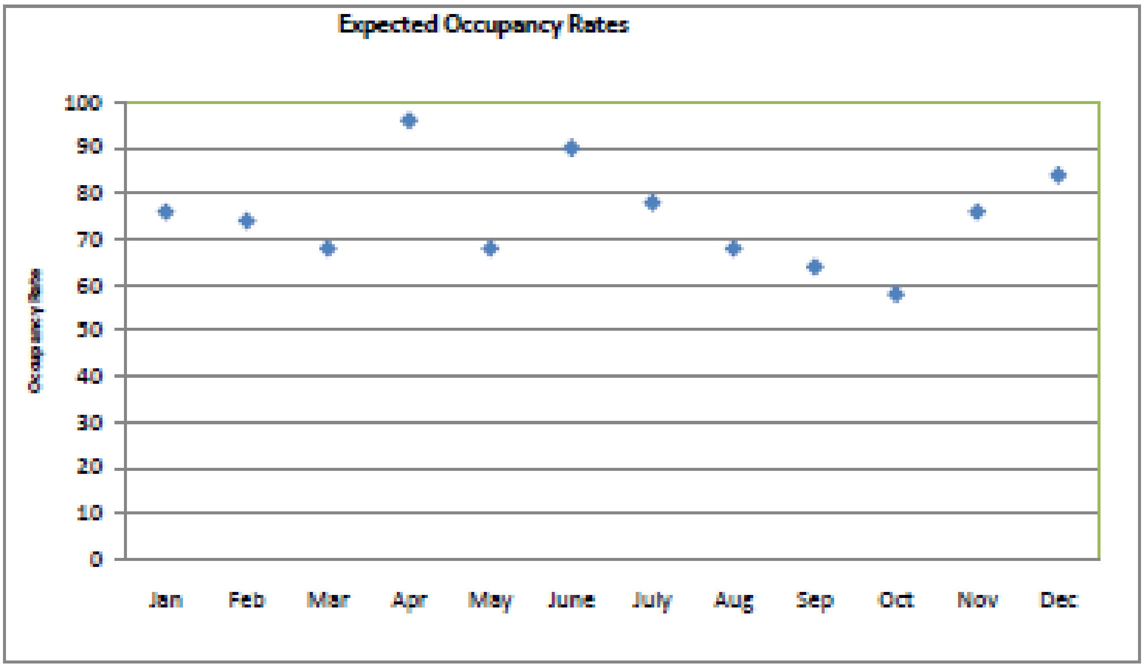
Interviewer: There is a fixed cost of construction which can be taken as $65,000 per room. Also an amount of $30 goes in the daily maintenance of each room.

Candidate: Is there any break up of costs available with respect to these costs, especially the maintenance costs upon operation.

Interviewer: No, you may treat the maintenance cost as a single block.

Candidate: Since, we are dealing with a hotel; I believe the occupancy rates would be quite critical. Do we have some data on that?

Interviewer: Wait a moment (the interviewer takes out a printed graph)



Candidate: Average Occupancy rates seem to be in the range of 70-80%.

Interviewer: Can you calculate the exact figure.

Candidate: (calculates as the interviewer looks closely) 75%.

Interviewer: So what do you make of it? Should the PE Fund invest?

Candidate: I will take a moment. Can I have the expected rent of each room? Also, are the maintenance costs stated earlier applicable all throughout or only when the room is occupied?

Interviewer: Take the maintenance costs as applicable only when the room is occupied. As far as the rentals are concerned, I would like you to come up with a number.

Candidate: Are all the rooms in the hotel going to be of similar type?

Interviewer: Yes, all rooms are of the same type.

Candidate: I would further like to know a few other details. Can you please let me know the rentals of the hotels present in the town?

Interviewer: There are 3 types of hotels in the town which for our purpose can be categorized as economical, utility and luxury. The economical category hotels charge $50, utility $75 and luxury in the range of $100-$125. It also needs to be remembered that usually the economical and utility hotels operate at near full capacities while the luxury hotels operate at moderate capacity levels.

Candidate: As we are dealing with the army, a government organization is there anything else that needs to be taken into consideration with regard to the army's allowance or maximum limit on daily rentals at present.

Interviewer: Yes, well asked. Currently the army provides a daily allowance of $75 to each of its personnel irrespective of which hotel they stay in. So if one were to spend $50, he or she would save $25. On the other hand a rental of $100 will result in the person spending $25 from his own pocket. Moreover, with the army hotel operational, the army would only be reimbursing the actual amount incurred.

Candidate: In that case, my suggestion would be to fix the rental around $75 a day.

Interviewer: Are you sure. Will this have any incentive for the army as they are already reimbursing $75 per day?

Candidate: Yes, I realize. The price should be below $75 for the army to have an incentive. Maybe we can keep the price at $70 given the high quality of the hotel's services. This amount would then make the deal advantageous for the army as well.

Interviewer: Fine, can you do the calculations now.

Candidate: With daily rentals of $70 and an occupancy rate of 75%, the net revenue earned each year would be $7.5 million. Taking operational costs of $30 per day per room into account the contribution would be around $4.2 million each year.

Further since the fixed costs amount to $26 million, with a contribution of $4.2 million each year it would take nearly 6-7 years for the client to recover its investments.

Interviewer: So, what are your views?

Candidate: The fact that the project will breakeven within 7 years should make the investment attractive for potential buyers of the hotel. Our client can look at exiting in about 5 years, as the project would have become operationally stable by then and hence would have proved its viability to potential investors.

Interviewer: Any further suggestions for the client.

Candidate: Given the occupancy rates, may be the client can plan to come up with a 300 room hotel as the occupancy rates are almost always close to or less that 75% barring two months.

Interviewer: Sounds Interesting. Can you in that case do the calculations for a 300 room hotel?

Candidate: (Adopting the same technique and after calculating a new occupancy rate of approximately 90%). In this case the return would be within a period of 5 years along with a total contribution of $4 million each year.

Interviewer: Any thoughts after seeing these numbers.

Candidate: The proposal with 300 rooms seems better as it significantly reduces the time required to recover investments. Also, it does not impact the contribution much.

Interviewer: I believe we have had a good discussion. We can now go ahead with the recommendations. Thank You.

(Comments: The crux of the case was to identify the method of pricing a room at the hotel before calculating revenues. The interviewer also checked the candidate's comfort with graphs and numbers by asking for the exact answer)

CASE: WIND ENERGY INVESTMENT (BCG)

Our client is looking at an opportunity to invest in the wind energy sector. He wants you to advise him regarding the same. How would you go about it?

Case Discussion

Candidate: I would try and find out what are the costs that we incur and the benefits that we obtain. Then I would analyze the risks of going into wind energy sector.

Interviewer: Ok.

Candidate: So do you have any details regarding this project, as in where is it located, what could be the costs to set it up?

Interviewer: Well, the project is in India. And regarding the costs, can you enumerate what could be the possible costs and revenues items?

Candidate: In order to obtain revenues there are two streams. The first is through the core business, i.e. selling power. We can enter into Power purchasing agreements with government (long-term contracts at fixed rates). This will help mitigate a lot of risks and guarantee a fixed cash flow. We could also sell power on the spot market.

Interviewer: Okay, let us not get into the details of the energy trading market. What else could be a source of revenue?

Candidate: How about revenues from selling Carbon credits?

Interviewer: Yes. That is also possible. Continue!

Candidate: Regarding the costs, they can be classified into two parts - The initial capital expenditure and the operating costs.

Interviewer: Ok. So let's say that a 50MW wind farm has an installation cost of $1,000/kW, a 33% capacity factor, and operations and maintenance (O&M) expenses of 1 cents/kWh. The debt costs 12% pa.

Candidate: And on the revenue side?

Interviewer: The revenue from power sold is 10 cents/kWh. There is an agreement that ensures whatever you produce will be brought by the government at the agreed upon rate. So, how much do you think the firm should be valued at?

Candidate: Is there any data given on the terminal value of the project and the duration of the same?

Interviewer: A lifetime of 20 years and a discount rate of 10% pa can be used. Now can you estimate the cash flow out of the project?

Candidate: Yes sir.

Candidate: But I think we are missing a key element here. Taxation is important here as the government gives tax credits on such projects.

Interviewer: Good! Let's assume the government gives no taxation benefits. What then?

Obtained Cash Flows as follows:
It is 50-MW wind farm operating at 33% capacity. Hence the kWh generated is 50 * .333333 * 3600(seconds per hr) * 1000 (KW per MW) = 59,400,000 KWH. Total generation per year is given by 59400000 * 24 (Hrs per day) * 300 (Approx. days per year) = 432,000,000 kwh/ year.

Capacity	432,000,000 kWh / year	
	Year 0	Year 1 to End
Revenues	0	43,200,000
Operating Expenses	0	4,320,000
Interest	0	6,000,000
Capital Expenses	50,000,000	
Cash Flow	(50,000,000)	32,880,000
DCF	(50,000,000)	29,890,910
NPV	103,111,994	

Interviewer: Ok. In case the taxation rate is 30% and 100% depreciation is allowed on the capital expenditure. What is the value of the tax shield?

Sir it is D*T*I = 50,000,000*.3*1 = 15,000,000.

Interviewer: Ok. So what would be the approximate payback period?

Candidate: It looks like we will have a payback period of about 3-4yrs.

Interviewer: Who would be interested in such investments?

Candidate: I think a P/E would not be interested in such an investment they look at much higher rates of return with a payback period of 5-7 years. This investment wouldn't fit into their profile so they would rather put their money elsewhere.

Interviewer: Who do you think will be interested in such an investment? Mutual Funds?

Candidate: Companies like pension funds and insurance firms with steady source of income requirement might be interested in such an investment.

Interviewer: Ok. Our time is running short here. What do you think are the risks that the company is exposed to? Just enumerate them.

Candidate: Ok. There is the risk that the cost of technology increases or the cost of operations increases. There can also be risks due to delay in approvals and such administrative hurdles. There is also a risk that the government might bring about unexpected policy changes.
Interviewer: Ok. Thank you.

CASE: COURIER COMPANY (BCG)

Your client wants to set up a new courier company. How will you evaluate if this is the right business to get into?

Case Discussion

Candidate: Before I proceed with the analysis, I want to make sure I understand the business model correctly. I think at its simplest, a courier company basically picks up a package from point A and delivers it to point B. The company adds value, differentiates itself and earns money from its supply chain.

Interviewer: This is a simple model, but I think it works well for our purpose.

Candidate: Ok. In that case, first, I would like to get some information on the market where the client plans to operate. What is the existing competition? What geography is the company going to serve?

Interviewer: Let's assume that the client plans to operate in the city of Mumbai. There are, maybe, one or two other companies operating there. Not much competition.

Candidate: Ok. In that case I think I want to focus on the profitability of running such a business.

Interviewer: I think it makes sense to proceed this way.

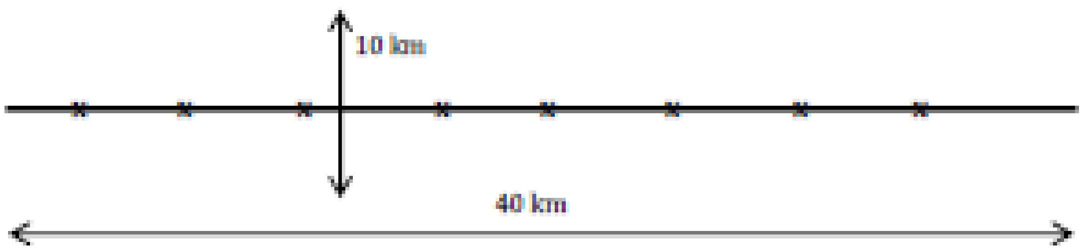
Candidate: I will look at both revenues and costs. We can estimate daily revenues if we know the expected daily business volume and the average price charged per customer. For the latter, I am assuming that the client offers just one type of service (since this is an intra-city courier company). Is that a fair assumption?

Interviewer: That's fine. You can assume the service is priced at Rs. 7.

Candidate: If the company processes 100,000 packages per day, it will earn daily revenue of Rs. 7 lakhs. Now moving to the cost side, I think there are three main cost drivers for the company – transportation/shipment, advertising and promotion and other G&A costs.

Interviewer: Good. Why don't you examine these in detail?

Candidate: I will look at the transportation costs first since I believe these are going to be critical in deciding if the business is profitable. I will assume Mumbai is a linear city, 40 km in length and 10 km wide,



We will have collection centers distributed along the length of the city at equal intervals. Our customers will be able to drop their packages at these centers and collect the receipt. In reality of course, the distribution will not be uniform, since some areas will warrant more stores while it may not be feasible to have centers in some other regions.

Interviewer: That's a fair assumption. Carry on.

Candidate: Now I need to determine the number of such centers that the company needs. From there, I will determine the number of employees to get a sense of the costs.

Let me assume that each service center remains open from 9AM to 4PM. With a one hour lunch break, that gives us six business hours per center. Let's assume that each customer takes five to ten minutes to process. If each service center is manned by one employee, then it can handle roughly 50 customers per day. Here again, the timings of the service centers could vary across the city, but I am looking at an average shop.

Interviewer: You're doing fine.

Candidate: So if one service center can handle 50 customers per day, to service 100,000 customers we will need 2000 centers spread across the city. (Brief pause) That sounds like a large number to me.

Interviewer: No, it will come up to around that. Go on.

Candidate: Ok, so we will need 2000 employees to staff these centers. Then we will also need delivery boys…

Interviewer: Let's assume that some of these employees can also double up as delivery boys. We can appropriately adjust the timings at some of the stores. Let's say there are a total of 3000 operational staff members.

Candidate: I think we will need to pay each employee around Rs. 6000 per month. That means a daily salary of Rs. 200. So for 3000 staff members, it comes to around Rs. 6 lakhs.

Interviewer: What are your thoughts at this point?

Candidate: Well, just going by the fact that the transportation costs are coming to around 6 lakhs per day when our revenue is 7 lakhs, I don't think this business looks very profitable. We haven't accounted for the advertising costs or even fixed costs yet.

Interviewer: I see. But given that this is a very rough estimate, perhaps we are in a position where the business might be profitable and we can look at areas where we can cut costs or spend efficiently.

Candidate: I think advertising will be very important in this business. I personally think that customers will choose a courier company that they think is reliable and safe. Since this is a new company, and the sector is also underdeveloped in the city, I think they will have to focus on building a brand. Consumers are more likely to consider a brand as reliable if they have heard of it.

But perhaps we could structure the employees' salary so that a part of it is a bonus linked to the amount of business they bring in. That way we could save on some of the advertising costs.

Interviewer: I think you have done an excellent job. We'll end here. Thank you.

(Comments: The interviewer was looking for a bottom-up analysis rather than a top-down. In a bottom-up analysis, the interviewer is usually looking to see if the candidate is able to grasp how a business runs at the ground level and what the key drivers will be)

Case: Wealth Management Services (BCG)

Case Statement: A wealth management service has been in India for the last ten years. However, it has faced significant profitability issues in its operations since the beginning. It wants to make a decision on whether to continue to invest in India. What are your thoughts on this?

Candidate: *Took two minutes to come up with a structure on paper*

Candidate: Although I have an idea about the wealth management services industry, could you tell me more about the industry so I can proceed ahead with a clearer idea?

Interview: Sure. Our company competes in the wealth management services space which essentially means that we cater to people who have wealth that needs external management. We provide all kinds of services that help them deposit, invest and grow their wealth.

Candidate: Okay, so in that case I am right in assuming that we cater to high net worth individuals?

Interviewer: As of now, we only cater to high net worth individuals.

Candidate: Is our firm an Indian firm or does it have external presence?

Interviewer: We are a firm with global presence and have retail banking services in Europe and America. In India, we have not explored the possibility of retail banking.

Candidate: Before I analyse our prospects for growth and reinvestment, I would first like to gain more information about the market and our competitors. What is the size of the market and expected growth rate? What is our market share?

Interviewer: The market as you can imagine is a fairly small market for us due to our stringent conditions on HNI customers. It has been expected to grow at 10% CAGR but this has not reflected in the growth of our business. We cannot be certain about our market share since the HNI market is not clearly defined. The definition of HNI differs from organisation to organisation.

Candidate: Okay. How many players exist in the market and what kind of competition are we facing?

Interviewer: While we are one of three foreign wealth management services in the country, domestic retail banks are coming up with new products similar to wealth management services.

Candidate: Great, now that I have a background about the environment, I think I should analyse the issue of profitability for our organisation.

Interviewer: Fair enough.

Candidate: For analysing profitability, we would have to look at revenues and costs incurred by the firm. The main costs that could be incurred are rentals on premises, technology costs, equipment and employee wages. For revenues we should first segment our customers by product category and analyse how we charge them for the services that we offer.

Interviewer: What do you think is the primary source of revenue for us?

Candidate: I think we use the deposits with us to make profitable investments and earn our fees through interests on the investments.

Interviewer: That's good. Why do you think profitability has been fluctuating in this model?

Candidate: There could be several reasons for this – 1. The number of customers we have is low, 2. Our investment strategy could be flawed 3. The economic scenario might not be permitting significant profit making.

Interviewer: Let's assume that we have a very small customer base. What do you think we should do if we decide to invest?

Candidate: There are three reasons why we could have a small customer base – 1. Low awareness among the HNI category, 2. Negative Brand Image 3. Very few customers qualify our HNI norms. A few measures that could be implemented are 1. Increasing brand awareness and strengthening our reputation leveraging our strong presence in foreign countries, 2. Conducting research on the Indian consumers to understand the income segmentation and develop customised products for the top 3 high income segments.

Interviewer: That sounds good. Good Luck with your next round!

CASE: WIND ENERGY INVESTMENT (BCG)

Interviewer: Investor consults you. He wants to invest in the wind energy market in India. How do you evaluate this idea? Tell me how you will proceed.

Candidate: We should look at the Energy market in India – current & future growth prospects. Who else will you sell it to? Can you sell it outside India?

Interviewer: No, you can't

Candidate: We should further look at the competition – other wind energy companies and other energy companies (non-wind). In addition, we should also find out about Government regulations with windmills and incentives to green energy sources.

Interviewer: Good, but exactly how will you evaluate?

Candidate: We should calculate IRR, from potential revenues and costs. The costs involved are…

Interviewer: Wait. Let us begin with the revenues.

Candidate: Okay. How does one sell power in India? When you link to the grid and supply power, how do you get paid?

Interviewer: You sign a Power Purchase Agreement (PPA) with the government before you connect to the grid. It is like this: You supply X units at Y price. Let us assume you will produce and supply 100 MW at Rs.6/KWH

Candidate: <Candidate starts drawing a sample windpower generation graph on the paper>

Interviewer: <smiling> Please assume 95% efficiency and give me the numbers quickly. No, assume 100% efficiency.

Candidate: <after calculations> That would be Rs.129 crores per year.

Interviewer: Okay, let us proceed to the costs part.

Candidate: There would be fixed costs and variable costs. Fixed Costs are the cost of purchasing the turbine, blades, equipment for grid transfer and purchase of land. Is the land purchased or rented?

Interviewer: It is purchased. You are forgetting two more fixed costs – the cost of transporting equipment to the site and cost of commissioning the equipment.

Candidate: Okay. The variable costs would be salary for staff, maintenance cost and the downtime cost.

Interviewer: Assume the variable costs put together are 10% of revenues. Calculate the breakeven period.

Candidate: That would leave us with a contribution of Rs.117 crores. How do I estimate the fixed costs?

Interviewer: A general thumb rule you can use for the fixed costs is Rs.6 crore / MW capacity installed.

Candidate: That gives us 5-6 years breakeven period.

Interviewer: How do you plan to finance this?

Candidate: The investor will invest some money. Rest of it, the wind power company will borrow. Can we assume a Debt-to-Equity ratio of 1:1 ?

Interviewer: Government allows a Debt-to-Equity ratio of 4:1 in the wind energy space. You can also depreciate your asset until 20 years. We'd like to make use of this opportunity. Assume debt at 10% interest rate.

Candidate: So, that gives us depreciation cost of 30 crore; and interest expense of 50 crore per year. That leaves us Rs.37 crore cash flow at the end of the each year. We should calculate Net Present Value of 37 crore cash flow for 20 years @ 10% interest rate.

Interviewer: Very good. What is the biggest risk you foresee?

Candidate: Conventional sources like thermal power from coal would be cheaper.

Interviewer: Your line of thinking is right. Rs.6/KWH paid by the government is a subsidized rate. If the government decides to pay lesser, then your entire calculation will go wrong.

Candidate: Yes, that is correct.

Interviewer: Thank you, and all the best.

CASE: PPP IN A ROAD CONSTRUCTION PROJECT (BCG)

The client (a construction company) is currently evaluating the prospect of taking up an upcoming public-private-partnership project. The project is for the construction of a stretch of highway for the government under the Build-Operate-Transfer model. The construction cost (about Rs. 1500cr) will have to be borne by the client and the client will earn revenue by collecting toll for the next 10 years. Evaluate whether the project is worth investing.

Case Discussion

Candidate: I want to start with the pure financial aspect of project evaluation and will later move onto subjective evaluation criteria.

Interviewer: That sounds good.

Candidate: Do we have any information on the approximate cost of construction and the average traffic flow forecast once the highway is complete.

Interviewer: At present the construction cost of the highway would be about Rs. 1500 Cr.

A simple net present value evaluation after asking for expected inflation rates, rates of interest, toll projections and vehicle traffic projections showed a positive NPV of about Rs. 150 cr. So you think we should go ahead with the project?

Candidate: Right now at least the financials do not indicate a loss so I think it is worth thinking it through and then deciding.

Interviewer: Really? You think I would be happy earning a meagre Rs. 150 crores on an investment of Rs. 1500 crores? And that too over a distant time horizon of 10 years.

Candidate: I am not saying the returns are enough. I want to stress on the fact that we should take a look at other perspectives before taking a final decision.

Interviewer: Ok. Tell me what are the kinds of risks that I am taking if I decide to go ahead with the project?

Candidate: The primary things that affect the return on investment over here are project construction cost and vehicle traffic in the next 10 years. So any unwanted deviation in their estimates is a big risk. There could be a huge decrease in vehicular traffic if there is an alternate transportation route (train or road) that comes up between points A & B that are connected by the highway we plan to build. We also need to take a look at the overall utility of the highway as in vehicle traffic can be low if other segments in the highway are not completed on time.

Interviewer: Great answer. So what else? Tell me more about the risks.

Candidate: Any delay in the construction might attract a penalty from the government and will also affect our cash flow projections (by shifting them further into the future) thus affecting the viability of the project.

Interviewer: Perfect. Just to let you know, delay in completion is the biggest problem that such projects face in India.

Candidate: There can also be an adverse effect due to political considerations. Say if the power dynamics changes in the next few years. It might have a different outlook on this project.

Interviewer: Nice. What else?

Candidate: We should also look at the land procurement process if any for the construction of the highway. That part often leads to local opposition to such projects and can be harmful for the project.

Interviewer: Yes but let us leave that responsibility to the government.

Candidate: I think I have enumerated all the risks I could think of.

Interviewer: I think we should give it a stop there. The analysis was pretty good and structured.

Candidate: Thank you. I really enjoyed doing the case with you.

CASE: NEW IT INDUSTRY IN KOLKATA (MCKINSEY)

After the recent change in government, Mamata Banerjee wants to know whether it is viable or not to build another dedicated IT hub in West Bengal. If it is viable how should she go about it?

Case Discussion

Candidate: I would like to discuss some major points regarding the viability of the project. Firstly we have to take into account the revenue sharing and cost sharing model between the government and the private investors. Secondly because of the bad reputation of West Bengal as a place to invest we have to look into the willingness of the investors to actually invest. Thirdly since an IT hub is already present in Kolkata we have to look into the effects the new IT hub will have on that. Also we have to think about the possible location for the new IT hub.

Interviewer: Ok. Let's start with the revenue sharing and the cost sharing model.

Candidate: From the knowledge I have West Bengal is actually having a high debt so it will be difficult for it to allocate a huge sum from the government's side. But nonetheless because other governments, like say Gujarat, provide a lot of incentives for investors, Miss Banerjee has to ensure that the incentives she provides are also competitive enough.

Interviewer: That's a good point.

Candidate: So after cost I would like to talk about the revenue sharing model.

Interviewer: Let's not talk about that for the time being. Assume that Miss Banerjee has made the decision. Now how would you as a consultant to the government convince the industry to invest in West Bengal.

Candidate: Ok. For convincing investors I would like to highlight some major points that would show West Bengal as a great place to invest in. I would like to talk about the workforce available in West Bengal, the success of the present IT hub, the low labour cost available to set up.

Interviewer: What would you say about the workforce and the success of the present IT hub?

Candidate: West Bengal has few of the great institutions of India. In Engineering, colleges like IIT KGP, Jadavpur University and many more private colleges are one of the best in India. Thus these colleges provide a big pool of highly skilled workers that the IT industry can use. Also traditionally Bengalis like to stay close to home and hence they would prefer to work in West Bengal itself if given the opportunity. This can further attract skilled workforce from other parts of the country as well. Another point to highlight is the success of the present IT hub in Kolkata. It is expanding at a rapid rate and companies are actually happy with the infrastructure available there.

Interviewer: Then why would an investor want to invest in a new hub? Why not invest in the present hub itself?

Candidate: That is because of the lack of space available now. The government is actually not in a position to give space to new companies in the present hub and so a new hub has to be built.

Interviewer: So how would you decide on the new location?

Candidate: Well there can be 2 approaches. The new hub can be placed in the main city as well as in the outskirts of the Kolkata. Both will have its pros and cons. If the new hub is placed in the city it will benefit from the supporting infrastructures like roads and connectivity but the cost of the land might be high. But if an SEZ is built in the outskirts of the city then the cost of the land will be low but connecting roads and other supporting infrastructure have to be built. We have to be careful of the land acquisition technique also.

Interviewer: Well that's fine. Now assume you are working for Miss Banerjee and I am an investor. Convince me why I should invest in West Bengal.

Candidate: Hello Sir. I would like to start the meeting by highlighting the points that would help your business grow if you invest in our new IT hub. I am sure you must know about the favourable responses that the corporate has given to the present IT hub in Kolkata. They have spoken highly of the infrastructure present there. We plan to provide even better facilities in the new SEZ that we are going to build. In terms of labour availability West Bengal has one of the best skilled workforces in the country due to the presence of great institutes like IIT KGP, Jadavpur University etc. I am sure that you will find the workforce more than enough for your requirements. Another point I would like to stress on is the change in government. Our new government believes only in development and many of the malpractices that came with the communist government like labour unions, bandhs etc will soon be abolished under us. This will ensure smooth business and peace of mind for you as well. We want to change the image of West Bengal and we will make sure that people who help us in the initial stages of this development will be facilitated in the future as well.

Interviewer: Well that was a good pitch. That is all for now. Thanks. Please wait for your next round.

CASE: INVESTMENT IN FOOTBALL CLUB (MCKINSEY)

Interviewer: Our client is a film star. He owns a stake in a cricket franchise in our country, and he has just received an offer to invest in a football club. He has requested for your advice in this regard. What would you tell him?

Candidate: So our client owns a stake in a cricket club, and he has received an offer to diversify his portfolio by investing in a football club. We are to advise him regarding the pros and cons of investing in the football club.

Interviewer: Yes

Candidate: I would appreciate a few moments to structure my thoughts

Interviewer: Sure

Candidate: We can split the potential returns from this investment into two categories. The first category involves direct monetary returns from the club. The second consists of the PR benefits and publicity which the star through his association with the club, and with football in general.

Interviewer: OK

Candidate: Direct monetary returns from the club can be split up into revenues from sale of tickets at matches, Ad revenues from advertising in stadium…

Interviewer: Ok. Can you describe the other parts

Candidate: Well, our client is already known for his association with Cricket, besides his previous popular films also have helped link him with other less popular sports in India. This would build on that image and would further improve his image with the public.

Interviewer: Do you think the PR benefits would be sufficient to justify buying a club. We know he's rich, but he's not that rich.

Candidate: OK so returning to the monetary benefits, there are a number of ways in which our client can use his popularity to successfully monetize the club. He can promote the game and the club in schools etc.

Interviewer: So he can invest in this and get returns. Should we advise him to do it?

Candidate: Well there are other factors as well. We need to judge this investment against other investment opportunities which are available to him at the time. Based on analysis of returns from each option he should take this decision.

Interviewer: Can you comment on growth opportunities in football vs other sports, say hockey, in India?

Candidate: Well football is arguably the most popular sport in the world, much more so than hockey. It has not been adopted completely in India, but given its popularity around the world, there is significant scope for growth in the popularity of football in India. It also is very suitable as a spectator sport. The ball is bigger and easier to follow than in hockey. People can see and follow the game easily. At the end of the day, it’s a more exciting game.

Interviewer: Great. That’s it for the case.

Guesstimate

CASE: NATURAL GAS IN INDIA (ATK)

Estimate the demand for natural gas in India.

Case Discussion

Candidate: To estimate the demand, we can look at aggregate per capita energy consumption of the population and look at the share of natural gas in that.

Interviewer: This approach won't work. Think about some other approach.

Candidate: We can focus on the various drivers of natural gas consumption.

Interviewer: What are they?

Candidate: The primary drivers are transport, domestic consumption and power generation.

Interviewer: This approach is fine, but you are missing 2 important industries.

Candidate: Another important factor is industrial consumption.

Interviewer: Right and the other important driver for natural gas demand is the feedstock in chemical manufacturing facilities which basically use methane and natural gas as a starting point for some reactions. Ok, let's take transport and estimate the demand from transport.

Candidate: There are 2 types of transport: personal and public transportation. In personal, I will estimate the distance travelled by a person times the share of natural gas powered vehicles. For public, again I will estimate the total distance covered by public vehicles. I will estimate the share of natural gas powered vehicles and use the number of such vehicles for the calculation of total distance.

Interviewer: The approach is fine but to get a better clarity, the public transportation can again be split based on vehicle type like buses, rails and autos. Now, let us proceed to power generation, which is a major consumer of natural gas in the country. Estimate the demand there.

Candidate: What is the total production of power in India?

Interviewer: 150GW

Candidate: Can I get the share of thermal power production and then the share of natural gas based power production within that?

Interviewer: The share of natural gas based power plants is 15GW.

Candidate: What is the amount of natural gas needed to produce 1GW of power?

Interviewer: You need about 1 billion cu meters of natural gas/GW.

Candidate: Total demand will be 15 bn cu.mts.

Interviewer: This scenario was in 2008. Now estimate the demand in 2010.

Candidate: Any growth in demand can come from increase in consumption from existing power plants or if any of the existing thermal plants are substituted by natural gas plants.

Interviewer: New natural gas plants take time to setup. But can you enlist factors that would drive the growth in the number of natural gas plants.

Candidate:

1. Better availability of natural gas

2. Lower fuel (natural gas) cost

3. Decrease in transportation costs of natural gas

4. Environmental aspects and laws promoting natural gas

5. Better availability of plant technology

Interviewer: Let us concentrate on the first factor. I have another data for you - The current PLF (Plant Load Factor) of natural gas plants is 60%.

Candidate: What should be the ideal PLF?

Interviewer: It should be around 90%.

Candidate: Can I know the reasons for low PLF?

Interviewer: It was because of minimal availability of fuel.

Candidate: So, we have supply side constraints. Do we have any data on a possible increase in domestic production of natural gas?

Interviewer: It could be possible, as Reliance have found natural gas in KG basin.

Candidate: Are there any import restrictions on natural gas?

Interviewer: There are no restrictions on import, but the infrastructure for this is not adequate.

Candidate: Is work on building this infrastructure in progress?

Interviewer: There are a few natural gas terminals under construction.

Candidate: I guess these will remove the supply side constraints.

Interviewer: What would be the consumption if the supply side constraints were removed?

Candidate: Then the PLF will increase from 60% to 90% (1.5 times). Hence the total demand will be 1.5 X 15 bn cu mts.

Interviewer: Good. It was an excellent analytical analysis of the case. You also got most of the factors influencing the demand for natural gas right.

CASE: BPO TALENT SUPPLY (BCG)

It is the year 2005. Your client is in planning to start BPO call centers in India and he needs to know whether the talent supply in India is sufficient in the period 2005-2010.You have been hired to figure out the pool of people available for hiring for such call centers.

Case Discussion

Candidate: Since in this case the supply side is important, I would like to structure my discussion around the pool of people interested in joining BPOs. Hence I would like to take the population approach and estimate the number of youngsters in the particular age group of 18-30 in the specific income groups.

Interviewer: That is a decent approach to take but could you think of any other approach that will give you a more accurate picture.

Candidate: Ok, another alternative approach that I can think of is to go by the number of colleges in India and then estimate the percentage of students who would be interested in joining call centers. Would that be a good approach to proceed with?

Interviewer: Yes, that approach would be better. In fact I would like you to look at three specific cities where the client is looking to operate - Bangalore, Mumbai and Delhi.

Candidate: Ok. So since I am more familiar with Mumbai, having lived there for a considerable number of years, I would like to analyze the situation for Mumbai and then extrapolate it to the other cities, as the metropolitans can be considered quite similar.

Interviewer: That's a fair point. So, you can proceed with the analysis of Mumbai.

Candidate: From what I know, Mumbai has about 45000 engineering seats and if we take an approximation of 300 students per college, we can estimate about 150 engineering colleges in Mumbai. Considering that non-engineering colleges will have a larger proportion of people interested in such call centers, I will consider the total number of colleges who students would be interested in such a job to be, around 600 (150 engineering, 150 B.com, 150 BA and 150 others).

Interviewer: Ok. In our case, let us assume that the number of students per college is around 600.

Candidate: Ok, so for estimating the number of students graduating each year, let us consider 600/3.5 students since on an average the duration of the courses would be 3.5 years (3 for BA, B.Com and 4 for engineering). That makes it 600*600/3.5 that is approximately 1 lakh students graduating every year.

Now, I can think of two factors to determine the students who would finally constitute the talent pool - the level of interest in the students and the ability of students to speak proper English.

Interview: Ok, fair enough. So you can assume that the level of interest is 73% and the ability of students is 37%.

Candidate: So that makes it 73% times 37% times 1 lakh, which is approximately 27000 students who will finally get into this profession from Mumbai. And extrapolating it to the other 2 cities, assuming an approximately equal population and number of colleges in the three cities, I would get a number of approximately 81000 per year.

Interview: Yes that is a fair estimate. Now could you tell me 5 reasons which will cause your estimate to change, some factors that you may have missed to make calculations easier or something that my client could try to increase the current estimate?

Candidate: Yes, definitely. I have made some assumptions such as ignoring migration which is a large factor especially for Mumbai and Delhi. Also I have not assumed the college going students who will treat this as a part time job, especially considering the trend of increased expenditure by youth these days. Another thing I can think of is expanding to other smaller cities apart from Delhi, Mumbai and Bangalore, because it might be cheaper to set up, though the availability of talent would be lesser than a metropolitan.

Interviewer: Good. So you have given me 3 reasons. Can you think of more ways by which we can increase the job pool?

Candidate: Yes, in fact I can think of 2 more ways: one is increasing their level of interest from 73% by pitching and advertising to more colleges attracting more youngsters and the second is increasing the percentage of people who are capable of doing the job, that is people well-conversant in English, by investing more in training initiatives.

Interviewer: Very Good, I think more or less we have covered everything that was required. There is just another interesting aspect. A problem that many such BPOs face is lack of good people at managerial level. We could have looked into that also, apart from the actual callers. But that apart, the analysis has been good. Thank you.

[*Comments: While doing the calculations, keep small sanity checks in mind like while doing 73X37, make it approximately 2700. Try and approximate as much as possible as that allows you less chances to make blunder. The case essentially wanted to test the guesstimate skills of the candidate and particularly see if the candidate can figure out the main factor that determines the employability of a person in a call centre (i.e. conversant in English)]*

CASE: NUMBER OF PIERCINGS IN INDIA (BAIN)

Estimate the number of piercings in India in a year.

Candidate: Rephrasing the question, you want me to estimate the number of piercings in India in a year. By piercings, are you referring to human body piercings?

Interviewer: Yes.

Candidate: Which body parts are you referring to?

Interviewer: You can do ear, nose, tongue and eyebrows and miscellaneous.

Candidate: All right. Let me take a minute to structure my thought.

(After a minute with a structure on the notebook)

Candidate: As you mentioned, piercings can be of 5 types: ear, nose, tongue, eyebrows and miscellaneous. I would like to deal with each of these one by one.

Interviewer: Sure. Go ahead.

Candidate: Let us start with ears. We can divide the customers into two groups: Males and Females. Starting with females, the category can then be divided into age groups <5 years, 5-10 years, 10-15 years and >15 years. Each age group can be divided into urban and rural. Does the approach seem correct?

Interviewer: Yes, I think the approach is correct. However, owing to lack of time, let us skip the differentiation into urban and rural. Can you do some quantitative analysis for me?

Candidate: Sure. In that case, I will try and estimate the number of people in each age group. Assuming an Indian population of 1 billion and a sex ratio of 1:1 for easier calculations, the number of women in India would be 500 million.

Now, the life expectancy in India is around 60 years. Although, India is a country where the population is primarily young yet, for the sake of calculations, I am assuming that the number of people in each age group is the same across each age group. Do you think that is an assumption I can make?

Interviewer: Yes, that is all right.

Candidate: So, in that case, the number of women in the age group of <5 years would be 500 million/60*5 = approximately 40 million. This would be the same across all the age groups <5 years, 5-10 years and 10-15 years.

Now, in India, most of the women especially in rural areas get their first ear piercing early in their life. After this, they can get a second or third piercing. Concentrating only on the first piercing for the time being, I would assume that number of women getting their ears pierced in the age group <5 years would be 60%, in the age group 5-10 years would be 30% (mainly coming from urban areas) and in the age group 10-15 years would be 10%. In the >15 years age group, this number would be negligible. Do you think this is a fair assumption?

Interviewer: Yes. Good. Please carry on. Estimate the number for any one of the categories.

Candidate: Sure. Now, obviously, these women would only get their ears pierced once. So, we have to divide the number by 5 which is the length of each age group. Additionally, they would get both their ears pierced. So, we have to multiply the number by 2. Is that fair?

(Interviewer checks calculations)

Interviewer: Yes, that is fair. Let us now proceed to general questions now.

Regulatory Changes

CASE: INSURANCE COMPANY (MCKINSEY)

Interviewer: So our client is in a business similar to an insurance company and his environment has undergone a significant regulatory change. We have to suggest suitable means to adapt to this change without affecting the client's bottom-line to a great extent.

Candidate: All right. May I know the exact nature of the client's business?

Interviewer: The exact nature of business is not relevant to the case. Broadly speaking, customers pay a fixed premium to the client firm, and a certain portion of that accrues to the customers for future years; while the company keeps a portion for itself as a fee. Before the regulatory change, 20% of the premium accrued to the customer, while the company kept 80%. However, the government felt that this was not in the interests of the customers, and it passed legislation as per which 80% would now go to the customers, while the company would get just 20%. This would obviously reduce the profits to a great extent, and we have to suggest means to mitigate the effect of this change.

Candidate: Ok. Can I have a couple of minutes to gather my thoughts?

Interviewer: Go ahead. In your suggestions, you should also keep in mind that our client wants to continue in the same business, so all your proposals should be sustainable in the long run.

Candidate: I would like to start with the basic profit equation. Net profits are given by contribution per unit multiplied by total volume minus the total fixed costs.

Interviewer: So what do you infer from that?

Candidate: As a result of the regulatory change contribution per unit will decrease significantly. To keep the net profit at the same level a possible option could be to increase volumes. However in my opinion this would not be practical in the short run as the company would probably look to reduce its outlay on promotional campaigns and advertisements given the reduced margins.

Interviewer: Yes your inference is correct. The number of customers actually went down slightly in the period immediately following the introduction of the legislation.

Candidate: Then the other option would be to reduce the fixed costs of the company. I would like to know the major cost components for our client. As per my understanding, the relevant cost heads would be employee wages, selling and distribution expenses, rent and administrative costs.

Interviewer: For our client the significant cost heads were employee salary and rent. How should we go about reducing them?

Candidate: Could you tell me about the organizational structure of the client? I would also like to know whether the salary paid is a percentage of sales or a fixed amount.

Interviewer: I am glad you brought this point up. The client has a very hierarchical structure, with six levels of employees. The salary of the lowest level of employees, the salespersons is on a commission basis, while those at higher levels get a fixed amount every month.

Candidate: In that case I would recommend restructuring the salary structure by introducing a minimal fixed component and a variable component of pay across all levels. A person’s earnings should be a function of the amount of revenue he generates for the firm, irrespective of his seniority. This would act as an incentive for the company employees and enhance their contribution to the bottom line.

Interviewer: Interesting. Anything else?

Candidate: Yes. I would suggest that the company reorganize its organizational structure by reducing the levels of hierarchy. A possible way to do this could be by increasing the scope of responsibility which each employee enjoys. The structure should be as flat as possible, which would significantly reduce the outlay on employees. Furthermore, the client should look to downsize, by letting go of people who are underperforming. A possible means to do so could be eliminate the bottom 10 percent of employees across levels. While downsizing, the company should not reduce the number of salespersons, since they are direct revenue generators. Instead, they should reduce the number of people at the higher tiers.

Interviewer: Excellent. This is very similar to what we actually advised the client. What do you recommend for reducing the rent expenses?

Candidate: I would like some information about how the company operates currently and how it solicits customers.

Interviewer: The company has offices across a number of cities. Salespersons visit potential customers at their homes or offices; some of whom visit the company office and translate into actual clients.

Candidate: In my opinion, the company could look to reduce the number of offices it has in various cities. A possible solution could be to make use of the internet and complete the final transactions online. The clients could pay their premiums through an online portal. Moreover, salespersons could solicit sales by contacting people over the telephone or via email. This would reduce the rent and selling expenses both.

Interviewer: That was a very good analysis. We have run out of time now, but I think you have covered most of the significant points.

Candidate: Thank you.

Others

CASE: CRICKET WORLD CUP (MCKINSEY)

Let us get started right away with the case. How will India win the World cup in 2013?

Case Discussion

Candidate: Could you please clarify whether this means actually winning the World Cup or winning the bid to host the World Cup?

Interviewer: I mean getting the trophy home.

Candidate: Right. And are we referring to the Cricket World Cup?

Interviewer: Yes

Candidate: There isn't a Cricket World Cup 2013!

Interviewer: Let us assume there is and that you have three years to prepare for it

Candidate: Alright, Can I please have a minute to think?

Interviewer: Sure.

Candidate: So I wish to analyze the issue from five angles- the steps to be taken by the administrative body i.e. the BCCI, steps to be taken by the team, steps to be taken by the coaches at the grassroots level, steps with regard to the Future Tours Programme and steps to be taken with regard to the Junior level players. I wish to take each one of them separately.

Interviewer: Great

Candidate: The BCCI would need to develop infrastructure in the country to facilitate practice matches. Do we have an idea of where the World Cup is taking place?

Interviewer: Yes, Australia and New Zealand

Candidate: Alright. In that case, they should prepare pitches which would replicate conditions there, for instance making them more bouncy. Also these should not only be in the major stadiums but also on the grounds that the young and upcoming Indian players use for practicing.

The BCCI can also in conjunction with the coaches at the state and the Junior team level set up a committee which would monitor the progress of certain young players who they think would be in a position to represent the country at an international level by the time the world cup arrives.

Also the national team coach should in consultation with past players' (part of the above mentioned committee) make a list of the strengths and weaknesses of the current team and the kind of players they need to develop. The focus could then be on either developing someone already in the contention for selection or looking for raw talent and then honing it as may be feasible.

As part of the Future tours program the BCCI should also try and schedule as many of the coming matches in Australia as possible against the opponents they would be facing in the group rounds of the world cup. This would help us assess our competition.

(Interviewer nods and indicates that the candidate go on)

The national team would also during the course of these matches find out the strengths and weaknesses of these teams in terms of players to watch out for etc.

The players who the committee and the coach think are liable to be selected should be given as much exposure in the junior teams against international teams in foreign conditions especially Australia if possible.

At this point I was stopped by the partner, who then proceeded to ask me a number of HR questions.

(Comment: The candidate could have also looked at the current state of affairs of the team and its performance before making suggestions. That could have given pointers to the weak areas as far team and individual performances are concerned.)

CASE: LAND AND RETAIL DEVELOPMENT (MCKINSEY)

Interviewer (I): The client is a company that has entered into a public private partnership (PPP) with the government to build a metro system in an Indian city under the build-operate-transfer method. In order to make the project financially attractive, the government has also given the company some land around the metro stations in the city, to use as it sees fit. Could you explore how the company could generate revenues?

Candidate (C): I'd like to clarify that the company has already been allotted the land, and there are no issues pertaining to land acquisition or restrictions on use.

I: The land has already been handed over. There are no restrictions apart from what would usually apply to any building or development.

C: Very well. As it I see it, the company has three main options: sell the land, rent out the land for someone else to develop, or develop the land itself. Selling the land would involve the least amount of uncertainty and require the least expertise, but would also likely leave money on the table. Developing it would likely bring in the most money, since we would be involved throughout the value chain, but also requires the greatest investment of time, resources, managerial bandwidth. Renting it out would lie somewhere in between the two options, but would entail finding trustworthy partners.

I: OK. Suppose if one were to develop the land. What avenues for development would you explore?

C: I think there are two main categories: residential and commercial.

I: What are you including under commercial?

C: I would include office buildings as well as commercial complexes like shops, malls, etc.

I: OK, why don't you treat the two (viz. office buildings and commercial complexes) separately, since they have different characteristics. Which of these i.e. residential, office and commercial would you look to develop?

C: I would not like to create a residential complex. Metro stations are often close to crowded and busy areas. In addition to disturbance caused by the movement of people and traffic, the noise from the trains would also be a turnoff to people looking to buy or rent a home. Does that seem reasonable?

I: Fair enough

C: For similar reasons, I would prefer a commercial complex over an office building, because few people would like to work so close to a busy, noisy area. However, if the location is central or prestigious, then that might be a mitigating factor. Thus, while I am leaning towards a commercial complex, I feel that we would need to go into additional depth to take a final call.

I: OK. Suppose you have decided to build a commercial complex – something like a mall or shopping plaza, with shops, restaurants, etc. How would you increase footfall?

C: Should I restrict my answer to only increasing footfalls, or also look into increasing the conversion rate of footfalls into sales.

I: Focus on the footfalls for now.

C: Very well. I would look into the type of customers that would frequent the metro station and examine their likely needs. For example, many of the metro users would be commuting office-goers. So we could sell things that commuters would want, such as newspapers, coffee, food items that can be eaten quickly and/or carried, and so forth. Similarly, since people who have been travelling often feel tired, hungry and thirsty, we could also have a higher proportion of juice bars, coffee shops and restaurants. Since high end customers are unlikely to use public transports, and would avoid crowded places, we could cut down on the number of stores that sell high end brands.

I: OK, that's fine. What you just said are all "pull" ideas, which start from the customer and work backward. Can you think of any "push" idea?

C: We could alter the physical layout of the complex to route customers to shops. For example, if we design the metro station and commercial complex in a way that one has to walk past several shops in order to go from one platform to another, or from the platform to the street, then people might be tempted to make impulse purchases.

I: Good. In fact, this technique is quite prevalent, and is used most noticeably in airports. I think that will be all. Thanks.

CASE: FOOD SECURITY IN INDIA (BCG)

INTERVIEWER: We have been hired by the government to solve the food security problem in India. How would you go about it?

CANDIDATE: What do you mean by food?

INTERVIEWER: We also started there, good. If I tell you there were four baskets, what would be the four?

CANDIDATE: Cereals, pulses, fruits & vegetables, and … spice?

INTERVIEWER: No, oilseeds. Why do you think this problem happens?

CANDIDATE: I think it boils down to the demand-supply Gap.

INTERVIEWER: Could you explain?

CANDIDATE: The country's population is rising and food habits are changing. Agriculture still produces traditional types of food, whereas consumption is changing amongst the new generation. Farm efficiency is also low. The supply is also being affected due to changing weather because of global warming. Moreover, farmland is very less and regulations there on changing marshland.

INTERVIEWER: How will you estimate / quantify supply and demand? Take something – like cereals? What will you look for, in the short term and long term, why would you choose it?

CANDIDATE: I would start with long term, break it into short term.

INTERVIEWER What is long term for you – 2015, 2020, 2050?

CANDIDATE: I would want to take 2020 – 10 or 20 year plan necessary – since you have to change a lot of macro level issues.

INTERVIEWER: How will you estimate demand and supply?

CANDIATE: I would use population, past stats of how food consumption has been and look at similar countries and how their demand has changed. I would also look at income.

Candidate performed calculations taking: Population, 5% growth, next 5 years, per-capita income (real terms, 35000), extrapolate for 3 years.

CANDIDATE: I would also look at ways to improve farming efficiency.

INTERVIEWER: OK. Would you expect the same trends to continue same rate of growth, etc.?

CANDIDATE: I suppose that if there were any major regulatory changes, then there would be fundamental shift. But since our client is the government, it would be in a position to anticipate those changes, and can hence account for them.

CASE: INCOME STATEMENT FOR BOOZ AND CO (BOOZ)

Draw the income statement for Booz and co.

Candidate: When drawing up the income statement for the firm, I would have to write down revenues and costs. Shall I start with revenues?

Interviewer: Sure, let's look at revenues first.

Candidate: The main source of revenue for the firm would be through consulting fees. I can estimate this in two ways – by estimating the demand for our services, or by estimating it from the supply side. Which method do you think I should use?

Interviewer: Which method do you think is more feasible?

Candidate: I think estimating it from the supply side would be easier if we charge our clients on a per hour per consultant basis. Is that the case?

Interviewer: Yes indeed that is the case. We charge our clients on a per hour basis.

Candidate: In that case, I am assuming that the rate charged will vary according to the position of the consultant. A principal or a partner would charge a significantly higher rate than a junior or associate consultant. Is my assumption right?

Interviewer: Spot on. To simplify things, assume there are 4 levels of consultants, and their rates are Rs 1000/hr, Rs 2000/hr, Rs 5000/hr and Rs 10000/hr.

Candidate: Alright. As far as I know, Booz has around 60 consultants in India, with 3 partners. Can I get some information on how they are distributed across the hierarchy?

Interviewer: You can assume that there are 30 in the 1st level, 20 in the 2nd, 7 in the 3rd level and as you said, 3 in the 4th.

Candidate: With this information, I can calculate the number of hours that the consultants at different levels work, multiply that with the rates and get a total number for the revenue.

Interviewer: I would not like you to do all the calculations. Could you just outline how you would go about finding the number of work hours for the consultants?

Candidate: I can first assume that each consultant puts in around 50 hours a week, and multiply it with 52 to get the number of chargeable hours in a year. From this number, we will have to subtract hours for a number of reasons like –

- Holidays taken by consultants
- Time spent in between projects
- Time spent on pro-bono projectsNon-revenue generating projects, such as knowledge creation

Interviewer: That seems pretty much exhaustive. Though I must say that your 50 hours per week might be a little too conservative (chuckles). So do you think that the number that you get after accounting for all this will be the same for consultants across the hierarchy?

Candidate: No. As you go up the hierarchy, your role will gradually shift from consulting to developing business and meeting clients. This will also lead to a lot of travelling during the week itself. Although the total number of hours put in by them might be higher than the average, due to these factors I think their chargeable hours will be lesser than the junior consultants.

Interviewer: That's right. This pretty much summarizes the revenue from consulting services. Now let's move to the cost side. What will be the different costs incurred?

Candidate: The different costs incurred would be as follows –

- Salaries of consultants (and other functions)
- General and Admin Expenses
- Subscription fees for international knowledge repositories, journals etc.
- Business Development expenses – to meet new clients, and bid for projects
  …..

Interviewer: That seems to be the gist of it. Since we are really running short on time, could you tell me which of these would form the major chunk of our costs?

Candidate: The salaries would definitely the biggest chunk of all costs.

Interviewer: Yes indeed, but there's another cost which is significantly higher than all the other costs apart from salaries. What will that be? You might want to expand your General and Admin expenses head.

Candidate: The general and admin expenses will mainly consist of computers/software, office rental and other miscellaneous expenses. Amongst these, office rental will be the highest because of the location of the offices in Mumbai and Delhi.

Interviewer: Exactly. Office rent forms a pretty big part of our costs. I guess that should be it. We will move to the next rounds now. Thanks for your time.

CASE: INCREASING SHAHRUKH KHAN'S NET WORTH

Shahrukh Khan, now 47 years old, has started to feel that his acting career is about to get over. He has a net worth of $100 million and thinks that this amount might not be enough for his kids. So, he's hired you as a consultant to help him find ways to multiply his worth. What can you suggest?

Candidate (C): Shahrukh currently owns two businesses. A motion picture production house, Red Chillies Entertainment, and an IPL team, Kolkata Knight Riders. I think he should be looking for more such investments to help him increase his net worth. This is because traditional investment opportunities like the stock market, property, gold, etc. would not help him multiply his wealth.

Interviewer (I): That's correct. We're currently looking at only those investment opportunities that would help him leverage his brand of a successful household name. Why don't you try to make a laundry list of ideas that come to your mind?

C: Sure. To begin with, he could use the success of his motion picture production house to set up a record label like Sony Music or T-series. No other movie star currently owns a record label. He could use his network to tie-up with production houses to ensure the initial success of such a company.

Second, he could open up an acting school on the lines of the Anupam Kher Acting School. Since Shahrukh is a much bigger brand, he could use it to compete with the existing acting schools in the country.

Third, he could start a talk show on television. Oprah Winfrey is one of the richest women in the world because of her talk shows!

Fourth, he could invest in sports other than cricket. He could buy an F-1 team or invest in the European Football clubs.

I: Do you think investing in F-1 or football clubs in Europe would effectively leverage the SRK brand?

C: No, it wouldn't. Shahrukh is a popular household name only among Indians across the globe. In that case, I would want to focus on such investments only in the Indian sub-continent. He could set up a premier league of a sport like hockey or football in India.

I: Which sport would you choose?

C: I would choose football over hockey. This is because football is a global sport and it is somehow cooler to be a good footballer than a good hockey player. Though hockey is our national sport, I see football having a better future in the country.

I: Fair enough. Any other ideas you can think of?

C: He could set up his clothing line. He could also start his own line of perfumes, watches and other similar accessories. Quite a few Hollywood actors already have such product lines.

He could launch his own fitness or entertainment magazine, set up a radio channel or own a television network.

I: I think this is a pretty comprehensive list. Good job!

P.S. The interview ended with the following 30 second pitches to 'Shahrukh Khan':

1.) *Choose an idea that you think is worth investing. Convince SRK to invest in it.*
2.) *Choose an idea that you think is totally ridiculous. Imagine that SRK is very bullish on this idea. Convince him not to invest in it.*

HR Questions

1) What does consulting and BCG mean to you? (BCG)
2) Why do want to do consulting? Why not finance/marketing? (multiple firms)
3) Would you like to continue in ADL and make partner or move out after a few years? (ADL)
4) Provide an instance where you successfully managed to resolved conflicts. (McK)
5) Provide an instance where you managed to convince a sceptical party of your views. (McK)
6) Mention an instance where you demonstrated your skills as a leader. (McK)
7) Why did you decide to do an MBA instead of taking up offers to study abroad? (McK)
8) What is the most important thing that you have learnt since joining IIMA? (McK)
9) Whom do you idealize? (BCG)
10) What type of cases do you enjoy the most? (BCG)
11) Why do you want to switch from your previous field to consulting? (multiple firms)