

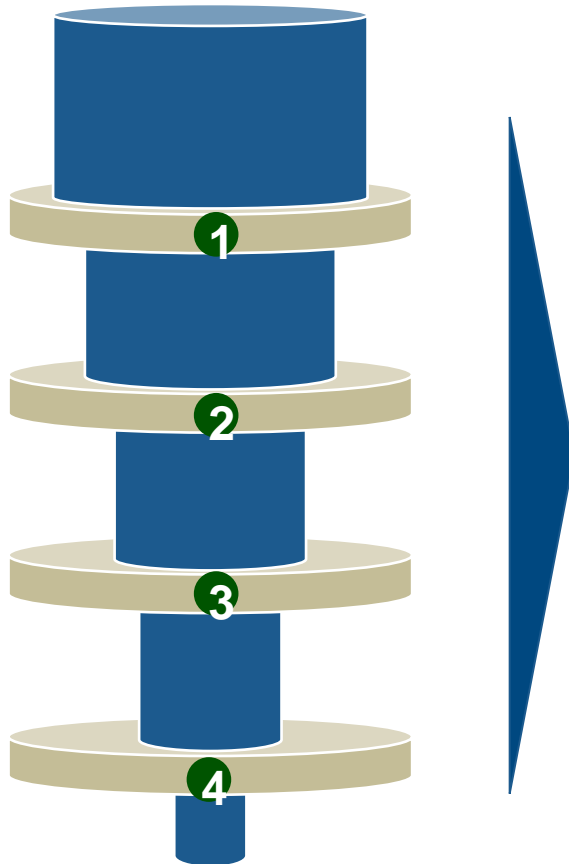


## **Make Your Case**

*The Case Method Unraveled*

## **BS Case Methodology**

## The BS Method



1

### Situation Analysis (STC)

1. Understand current situation (S)
2. Identify strategic targets (T)
3. Identify challenges faced by company/ key barriers (C)

2

### Alternative Analysis

1. Identify key alternatives (broad strategic approaches)
2. Develop criteria to evaluate and select best strategy

3

### Recommendations

1. Detail specific recommendations that would make strategy workable

4

### Implementation

1. Financially quantify impact
2. Develop a timeline for implementation
3. Identify risks/ Conclude

# Business Model Analysis

# BUSINESS SOLUTIONS

## Key Partners



Who are our Key Partners?  
Who are our key suppliers?  
Which Key Resources are we acquiring from partners?  
Which Key Activities do partners perform?

**MOTIVATIONS FOR PARTNERSHIP**  
Optimization and economy  
Reduction of risk and uncertainty  
Acquisition of particular resources and activities

## Key Activities



What Key Activities do our Value Propositions require?  
Our Distribution Channels?  
Customer Relationships?  
Revenue streams?

**CATEGORIES**  
Production  
Problem Solving  
Platform Network

## Value Propositions



What value do we deliver to the customer?  
Which one of our customer's problems are we helping to solve?  
What bundles of products and services are we offering to each Customer Segment?  
Which customer needs are we satisfying?

**CHARACTERISTICS**  
Newness  
Performance  
Customization  
"Getting the Job Done"  
Design  
Brand Status  
Price  
Cost Reduction  
Risk Reduction  
Accessibility  
Convenience/Usability

## Customer Relationships



What type of relationship does each of our Customer Segments expect us to establish and maintain with them?  
Which ones have we established?  
How are they integrated with the rest of our business model?  
How costly are they?

**EXAMPLES**  
Personal assistance  
Dedicated Personal Assistance  
Self-Service  
Automated Services  
Communities  
Co-creation

## Customer Segments



For whom are we creating value?  
Who are our most important customers?

**Mass Market**  
**Niche Market**  
Segmented  
Diversified  
Multi-sided Platforms

## Key Resources



What Key Resources do our Value Propositions require?  
Our Distribution Channels? Customer Relationships?  
Revenue Streams?

**TYPES OF RESOURCES**  
Physical  
Intellectual (brand, patents, copyrights, data)  
Human  
Financial

## Channels



Through which Channels do our Customer Segments want to be reached?  
How are we reaching them now?  
How are our Channels integrated?  
Which ones work best?  
Which ones are most cost-efficient?  
How are we integrating them with customer routines?

**CHANNEL PROGRESS**  
1. **Identify needs**  
How do we learn customers about our company's products and services?  
2. **Establish relation**  
How do we help customers evaluate our organization's Value Proposition?  
3. **Participate**  
How do we allow customers to participate specify products and services?  
4. **Deliver**  
How do we deliver a Value Proposition to customers?  
5. **After sales**  
How do we provide post-purchase customer support?

## Cost Structure



What are the most important costs inherent in our business model?  
Which Key Resources are most expensive?  
Which Key Activities are most expensive?

**BY TYPE OF BUSINESS MODEL**  
Cost Drivers (lowest cost structure, low price value proposition, maximum automation, extensive outsourcing)  
Value Drivers (lowest or value creation, premium value proposition)

**SIMPLE CHARACTERISTICS**  
Fixed Costs (salaries, rents, utilities)  
Variable costs  
Economies of scale  
Economies of scope

## Revenue Streams



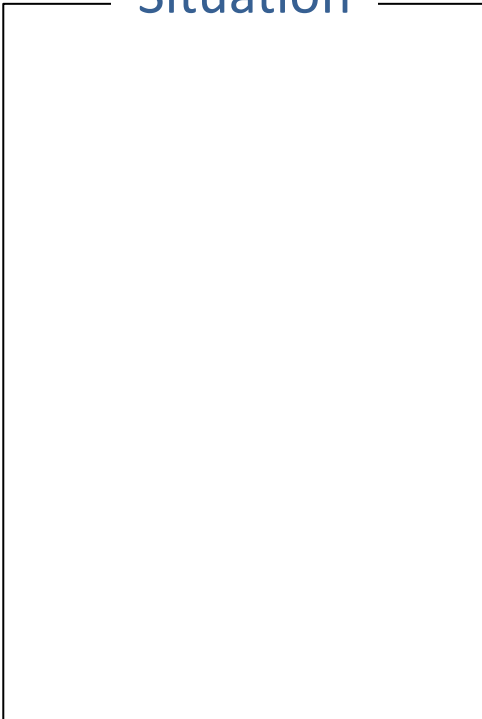
For what value are our customers really willing to pay?  
For what do they currently pay?  
How are they currently paying?  
How would they prefer to pay?  
How much does each Revenue Stream contribute to overall revenues?

**TYPES**  
Asset sale  
Usage fee  
Subscription Fee  
Licensing  
Freemium (free)  
Advertising

**FIXED PRICING**  
List Price  
Product feature dependent  
Customer segment dependent  
Volume dependent

**DYNAMIC PRICING**  
Negotiation (bargaining)  
Yield Management  
Real-time Market

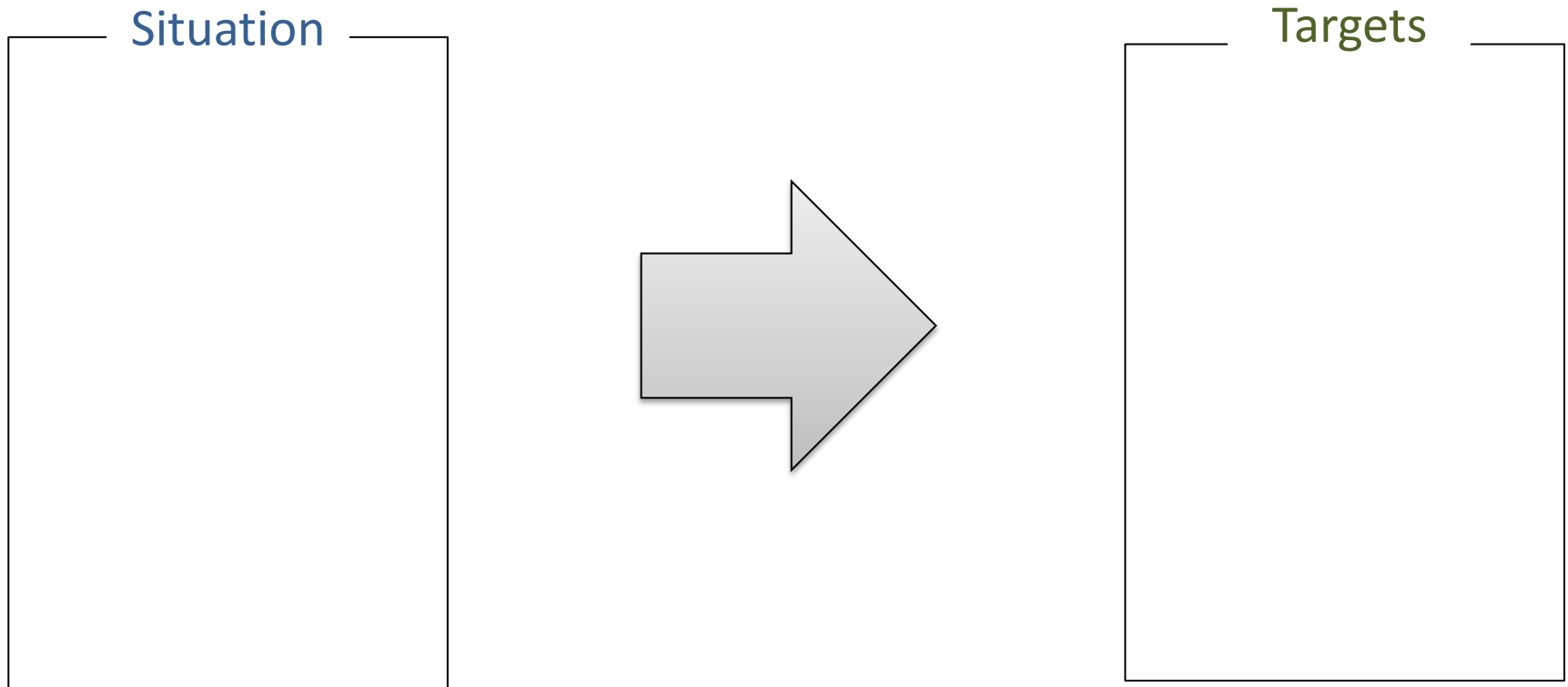
Situation

A large, empty rectangular box with a thin black border, intended for a detailed situation analysis. It is positioned on the left side of the slide, below the 'Situation' label.

**Situation Analysis**

Application

Conclusion



**Situation Analysis**

Application

Conclusion



Situation

Issues

Targets

**Situation Analysis**

Application

Conclusion

Company A is in the business of brewing beer. Recently, Company A has been **experiencing declining profits** for a while...

STI

Situation Analysis

Application

Conclusion



Company A is in the business of brewing beer. Recently, Company A has been **experiencing declining profits** for a while...

STI

S

Situation Analysis

Application

Conclusion

Company A is in the business of brewing beer. Recently, Company A has been **experiencing declining profits** for a while...

Company A was founded by Mr X's (the owner) grandfather based on a formulated old family brew recipe and **has been in business for 25 years**...Mr X, hopes to be able to **increase his company's bottom line by 50% in 2 years** and would like to hear what your team has to offer..

STI

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**Due to changes in beer drinkers' preferences**...Mr X feels that he should launch a new product to cater to this trend in beer drinking....The recent economic downturn has also caused his business additional pressure..

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Company A has been experiencing declining profits

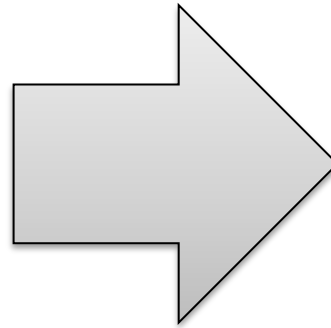
Situation Analysis

Application

**Conclusion**

## Situation

Company A has been experiencing declining profits



## Targets

Overall: Sustainable Growth

Specific: 50% increase in profits in 2 years

Situation Analysis

Application

**Conclusion**



### Situation

Company A has been experiencing declining profits

### Issues

Changes in Customer Preferences caused decline in sales that resulted in fall in profits

### Targets

Overall: Sustainable Growth

Specific: 50% increase in profits in 2 years

Situation Analysis

Application

Conclusion



# Business Model Canvas

## The Business Model Canvas

Designed for:

Designed by:

On: Day Month Year

Iteration: No.

### Key Partners



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**IMPORTANT FOR PARTNERSHIP:**  
Integration and resources  
Allocation of risk and responsibility  
Acquisition of particular resources and activities

### Key Activities



What Key Activities do our Value Propositions require?  
Our Distribution Channels?  
Customer Relationships?  
Revenue streams?

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Customization  
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Design  
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Cost Reduction  
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Divorced  
Multi-sided Platform

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Intellectual  
Human  
Financial  
Social

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How are we reaching them now?  
How are our Channels integrated?  
Which ones work best?  
Which ones are most cost-efficient?  
How are we integrating them with customer routines?

**CHANNEL PROSES:**  
1. Awareness  
2. Evaluation  
3. Trial/Experience  
4. Purchase  
5. Delivery  
6. After sales  
7. Support

### Cost Structure

What are the most important costs inherent in our business model?  
Which Key Resources are most expensive?  
Which Key Activities are most expensive?

**IS YOUR BUSINESS MODEL:**  
Cost Structure dependent on structure, low price value proposition, maximum automation, extensive outsourcing?  
Value driven (based on value creation, premium value proposition)

**EXAMPLES OF COST STRUCTURE:**  
Fixed Costs (salaries, rents, utilities)  
Variable costs  
Economies of scale  
Economies of scope



### Revenue Streams

For what value are our customers really willing to pay?  
For what do they currently pay?  
How are they currently paying?  
How would they prefer to pay?  
How much does each Revenue Stream contribute to overall revenues?

**Types:**  
Asset sale  
Usage fee  
Licensing fee  
Licensing/Reselling/Licensing  
Advertising  
Advertising

**Types of Revenue:**  
License Price  
Product/Service dependent  
Subscription dependent  
Volume dependent

**Revenue Models:**  
Negotiation (bargaining)  
Fixed Management  
Real-time Market



**Suggested Flow**

Closer Look

Required Outputs

Step	Description
1	Projected Income Statement (Business As Usual)

Step	Description
1	Projected Income Statement (Business As Usual)
2	Projected Operating Revenue per Recommendation

Step	Description
1	Projected Income Statement (Business As Usual)
2	Projected Operating Revenue per Recommendation
3	Projected Income Statement (with Recommendations)

Step	Description
1	Projected Income Statement (Business As Usual)
2	Projected Operating Revenue per Recommendation
3	Projected Income Statement (with Recommendations)
4	Projected Cashflows per Recommendation

Step	Description
1	Projected Income Statement (Business As Usual)
2	Projected Operating Revenue per Recommendation
3	Projected Income Statement (with Recommendations)
4	Projected Cashflows per Recommendation
5	NPV, IRR and Payback Period

Step	Description
1	Projected Income Statement (Business As Usual)
2	Projected Operating Revenue per Recommendation
3	Projected Income Statement (with Recommendations)
4	Projected Cashflows per Recommendation
5	NPV, IRR and Payback Period
6	Graphs



Step

1

2

3

4

5

6

## Projected Income Statement (Business As Usual)

22	<u>Assumed income statement</u>	Historical Figures			Forecast				
23									
24	Sales	3276	4799	5250	8,295	9,539	10,970	12,616	14,508
25	Cost of goods sold	1757	2546	2770	4,313	4,960	5,704	6,560	7,544
26	Gross profit	1519	2253	2480	3,982	4,579	5,266	6,056	6,964
27									
28	Gross margin	46.4%	46.9%	47.2%	48.0%	48.0%	48.0%	48.0%	48.0%
29									
30	Sales, general and administrative	520	696	799	1,244	1,431	1,646	1,892	2,176
33									
34	Adjusted EBITDA	786	643	1,312	2,737	3,148	3,620	4,163	4,788
37									
38	EBIT	786	643	1,312	2,483	2,894	3,366	3,909	4,533
39									
40	Interest expense	45	42	34	71	57	43	28	14
41	Pretax earnings	741	601	1,278	2,412	2,837	3,323	3,880	4,519
42	Tax	181	267	236	482	567	665	776	904
43	Net income	560	334	1,042	1,930	2,269	2,659	3,104	3,615

Suggested Flow

Closer Look

Required Outputs

## Step

1

2

3

4

5

6

## Projected Income Statement (Business As Usual)

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### Sales Assumptions

1. Historical Growth Rates
  - a. Industry Outlook
  - b. Competition

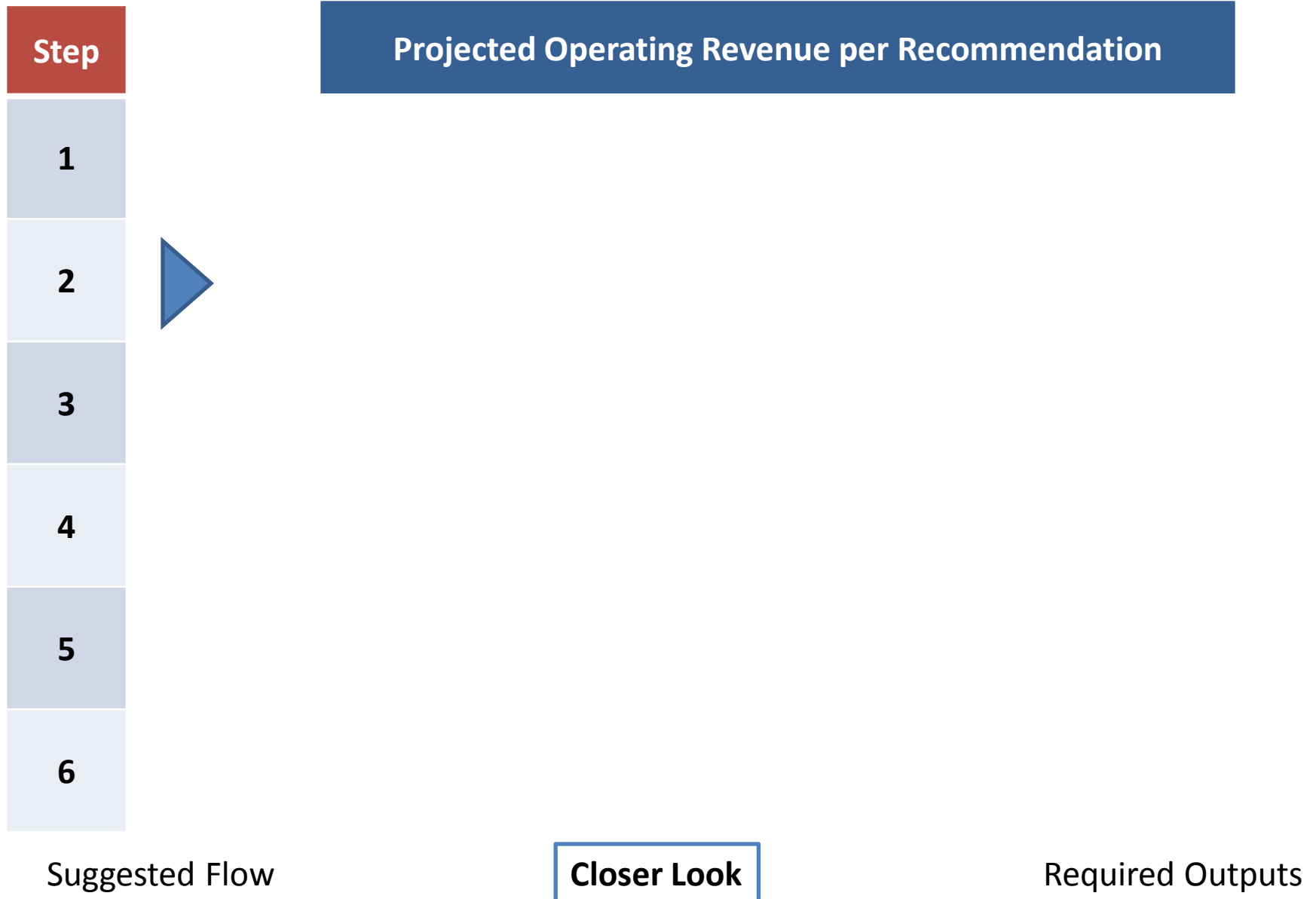
### Costs Assumptions

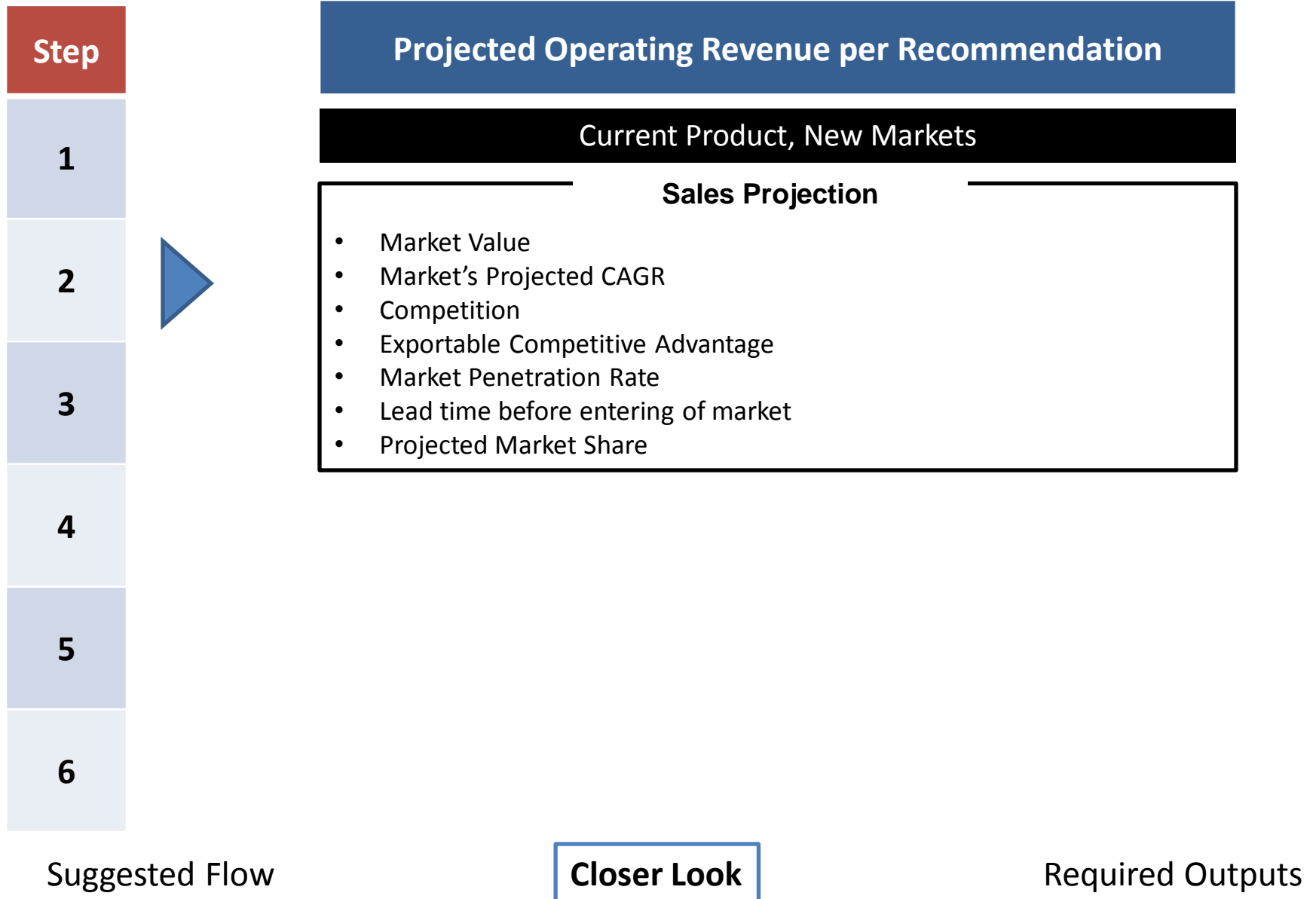
1. Gross Profit Margins
2. SGA Cost Margins

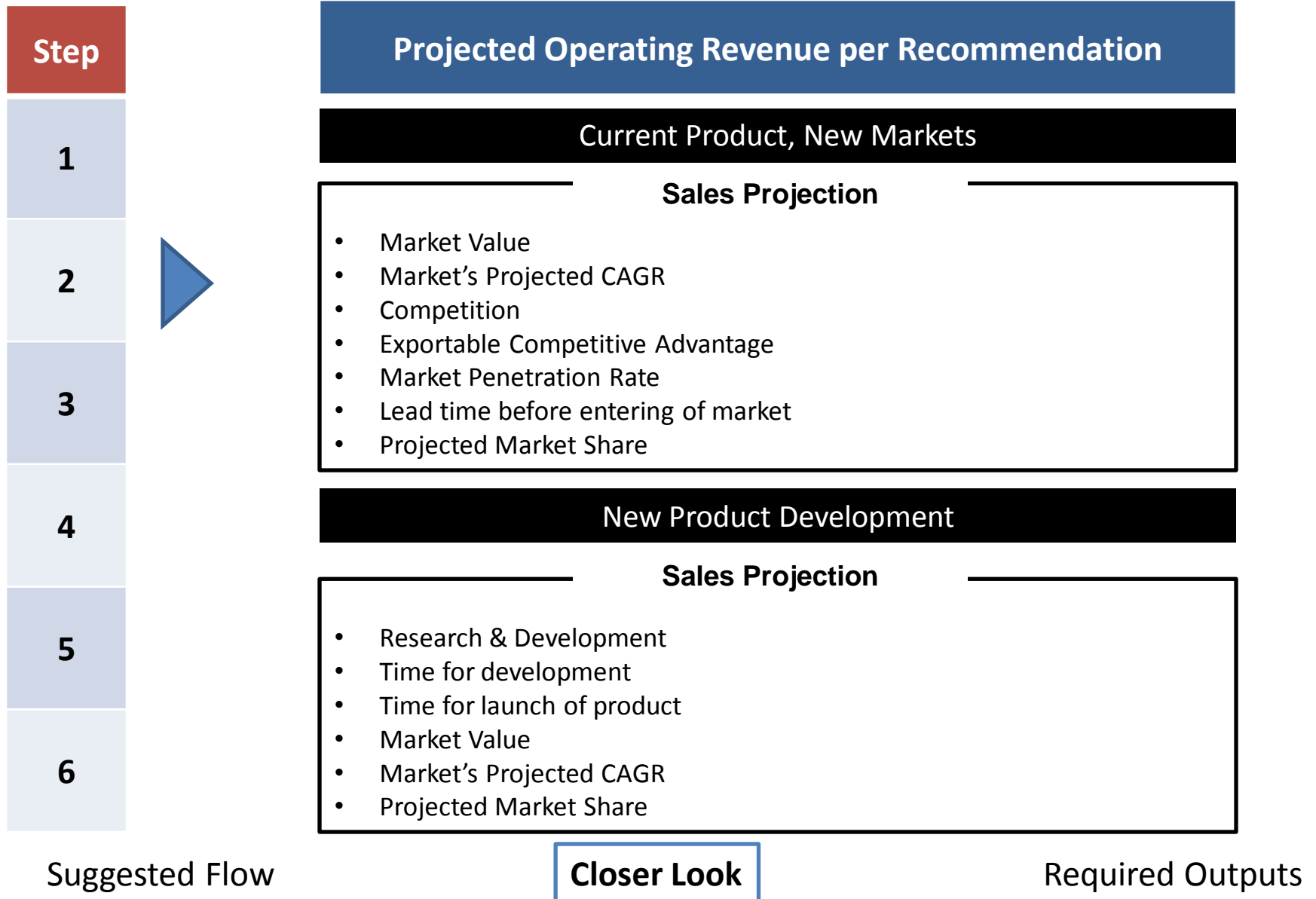
Suggested Flow

Closer Look

Required Outputs







Step

1

2

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6

## Projected Income Statement (with Recommendations)

Ranbaxy Laboratories Ltd Projected Income Statement Information (After Recommendations) Base Case - Numbers in Millions of USD									
	2012	2013	2014	2015	2016	2017	2018	2019	
Sales	3,053	3,693	4,661	5,576	6,672	10,653	14,036	19,367	
Cost of goods sold	1,500	1,815	2,294	2,744	3,284	5,389	7,144	9,952	
Gross profit	1,553	1,878	2,367	2,832	3,387	5,264	6,892	9,416	
Sales, general and administrative	1,035	1,239	1,523	1,813	2,157	3,200	4,111	5,508	
EBIT	453	502	689	846	1,038	1,918	2,627	3,747	
Interest expense	4	3	2	1	1	0	0	0	
Pretax earnings	450	499	687	844	1,037	1,918	2,627	3,747	
Tax	36	40	55	68	83	153	210	300	
Net income	414	459	632	777	954	1,764	2,417	3,447	

Suggested Flow

Closer Look

Required Outputs

Step

## Projected Cashflows per Recommendation

1

## Free Cash Flow Projection

2

Element	Data Source
EBIT x (1-Tax rate)	Current Income Statement
+ Depreciation/Amortization	Current Income Statement
- Changes in Working Capital	Prior & Current Balance Sheets: Current Assets and Liability accounts
- Capital expenditure	Prior & Current Balance Sheets: Property, Plant and Equipment accounts
= Free Cash Flow	

3

4

5

6

Suggested Flow

Closer Look

Required Outputs

Step

NPV, IRR and Payback Period

1

Free Cash Flow Projection

2

Element	Data Source
EBIT x (1-Tax rate)	Current Income Statement
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- Changes in Working Capital	Prior & Current Balance Sheets: Current Assets and Liability accounts
- Capital expenditure	Prior & Current Balance Sheets: Property, Plant and Equipment accounts
= Free Cash Flow	

3

4

5

6

Assumptions


- WACC
- Terminal Growth Rate

Suggested Flow

Closer Look

Required Outputs



Step	Graphs/Required Outputs	
1	<div><u>Presentation Slides</u><ul style="list-style-type: none"><li>• NPV Graph (if you have more than 1 recommendation)</li><li>• IRR</li><li>• Payback Period</li></ul><u>Appendix Slides</u><ul style="list-style-type: none"><li>• Incremental Revenue Graph (show % increase for each year)</li><li>• Segmented Revenue Contribution (show % contribution in a table)</li><li>• Sensitivity Analysis (Only calculate for Down Case)</li><li>• Cashflow Diagrams</li></ul></div>	
2		
3		
4		
5		
6		
		
Suggested Flow	Closer Look	Required Outputs