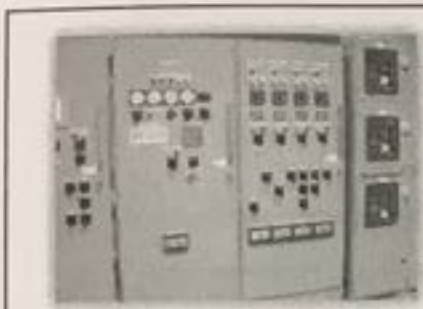


CASE STUDY 1

China is the largest and fastest growing Transmission and Distribution market in the world. Its rapid pace of growth (currently 4X the average world growth) is expected to continue in the next 5 years.

Our client, Power Co, is a large Korean T&D equipment player, with capabilities of producing high voltage products, especially switchgears. Although they enjoy a relatively unchallenged position in the home market, they have been battling severe roadblocks in their overseas expansion strategy. Initial inroads in the Chinese high voltage switchgears market have been largely unsuccessful.



In an electric power system, switchgear is the combination of electrical disconnect switches, fuses or circuit breakers used to control, protect and isolate electrical equipment

China T&D market is becoming increasingly challenging for multinationals. Although growing at 18%, strong local players have emerged with broad product capabilities and have acquired leading market positions. This has raised doubts in the mind of the CEO of Power Co, who has expressed to Bain that he is seriously contemplating whether investing in this geography was a good idea at all, especially as a lot of MNCs have quit the Chinese market in view of the high competition from the locals.

Power Co, like other MNCs, wants to capitalize on their superior technology to play in the high voltage segment of the switchgears industry. *Chart 1* segregates the Chinese switchgear market by major segments and leading players. The horizontal axis shows the various segments in the switchgear industry while the vertical axis shows the market share split by players, both local and MNCs.

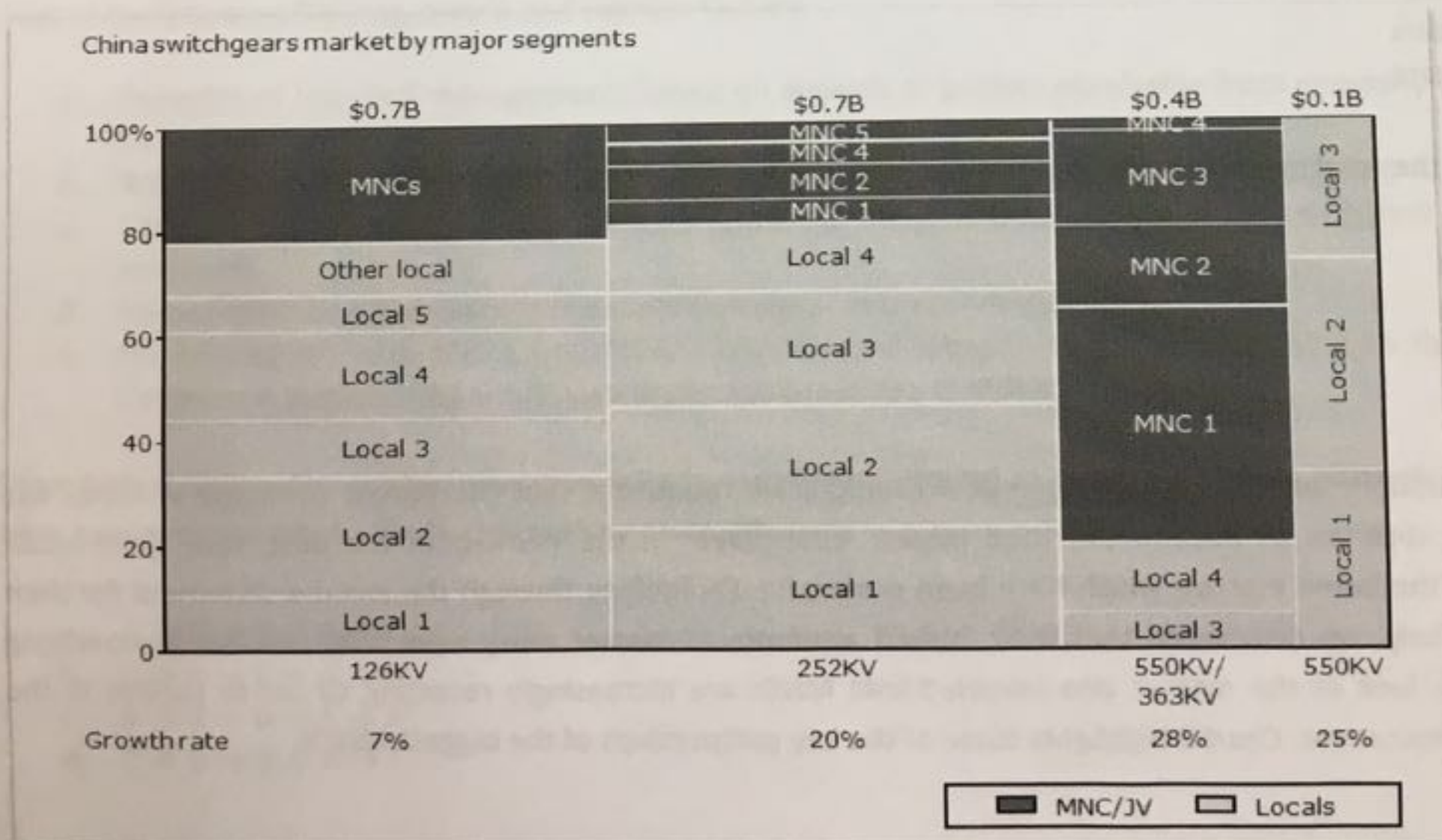


Chart 1

Q1. Which of the following most accurately describes why the client engaged Bain & Company?

- a. The client wishes to analyze why MNCs fail in the Chinese market
- b. The client seeks to know if the Chinese switchgears market is already saturated
- c. The client wants to develop a strategy to make the most of the largest T&D market globally
- d. The client wants to Bain to devise an exit strategy

Q2. Which of the following statements can be concluded from *Chart 1*?

- a. Local players will continue to dominate the 252 kV segment
- b. So far, the largest local player has avoided entering the segment dominated by MNCs
- c. The market demand for 126 kV is stagnating
- d. MNCs can only succeed in the 550KV / 363KV segment

Q3. Which of the following is the most likely reason for MNCs' concentration in the 550kV/ 363 kV segment?

- a. MNCs believe that production of high voltage segment is where they would have maximum competitive advantage
- b. The two lower segments have too many competitors already
- c. The MNC production plants and infrastructure are incompatible with lower voltage energy production
- d. The margins are the highest in the 550KV / 363KV segment

Q4. Assuming that the growth rates remain constant, in how long will the 550KV / 363KV segment overtake the 126 kV segment in size?

- a. 4 years
- b. 8 years
- c. 12 years
- d. 16 years

Q5. What will the total market size be in three years assuming constant market growth?

- a. \$2.7B
- b. \$3.1B
- c. \$3.5B
- d. \$6.2B

In an interim update with the senior team at Power Co, we found out that the parent company in Korea has sufficient cash reserves to acquire the third largest local player in the market. In the past, they have made acquisitions in the home market, which have been successful. On looking through the income statement for their Chinese subsidiary, we discovered that their limited attempts at market entry have only resulted in operating losses. A closer look at the market also revealed that MNCs are increasingly resorting to JVs to survive in the challenging environment. *Chart 2* highlights some of the key partnerships of the biggest MNCs:

	# alliances	Total deal value	Rationale for alliance	% successful alliances
MNC 1	5	\$626M	<ul style="list-style-type: none"> • Enter transformers market • Leverage partners' production facilities 	80%
MNC 2	4	\$502M	<ul style="list-style-type: none"> • Gain access to southern grid • Leverage partners' govt. relationship 	75%
MNC 3	3	\$449M	<ul style="list-style-type: none"> • Leverage partner's sales network • Grow in HV transformers 	67%
MNC 4	2	\$183M	<ul style="list-style-type: none"> • Enter switchgear market • Leverage partners' production base 	100%
MNC 5	4	\$170M	<ul style="list-style-type: none"> • Leverage partners' customer base • Enter 126 kV switchgear market 	25%

Chart 2

Q6. In the given situation what would your advice be to the management team of Power Co?

- Continue organic expansion in the Chinese market, ignoring operating expenses in the short-term as they have employed massive initial capital
- Acquire the third largest local player in the Chinese market
- Put an end to the recurring losses by exiting this market and looking for expansion opportunities elsewhere
- Look at a technical alliance with a local player, to which Power Co can bring its superior technology

Q7. If the Joint Venture option were to be explored, we would have to screen potential targets majorly along the lines of the following filtering criteria and hygiene factors:

- Expertise of top-level management (based on analysis of profiles obtainable from company websites and LinkedIn)
- Willingness to partner (determined by in-person meeting with target company management)
- Company size within \$50-500M (access provided to list of all local Chinese players with their last reported revenues)
- 5% or higher EBIT (available in the same download as company size data)
- No existing JVs with MNCs (regulations require local companies to file alliances with the Ministry of Commerce, available for public viewing on the Ministry's website)

Given that all of the above checks have to be done to select a priority list of target companies to be studied in detail, what sequence would you like to follow to be most efficient:

- A → D → E → B → C
- C → D → E → A → B
- B → C → D → E → A
- C → D → B → A → E

	Key strength	Major weakness	# staff for JV	Years of experience
Target 1	Superior technology as compared to other local players	Seeks ownership and governance of the JV in the long-run	0.6K	8
Target 2	Strong sales force and network across China	Lacks high-end technology used for high-voltage equipment	0.8K	18
Target 3	Presence in overseas markets, including South Korea	Local image tarnished by poor customer feedback	1.0K	13
Target 4	Leading market share in two of the four key segments	Seeks ownership and governance of the JV in the long-run	0.5K	20

Chart 3

Q8. How many alliances do the five leading MNCs have with local players? How many of them have been successful?

- a. 16 and 11
- b. 18 and 13
- c. 19 and 13
- d. 18 and 12

Q9. Assuming that we have a final list of four targets (see *Chart 3*) on the basis of the steps followed in Q6, which of the following seems to be the best option for exploiting maximum synergistic value?

- a. Target 1
- b. Target 2
- c. Target 3
- d. Target 4

CASE STUDY 2

Rosso Entertainment Group wants to get guidance on expanding in the high-end restaurant market in London. They opened their first bar, Mercuria in 2002 followed by Argental and Delta in 2003. The latter two bars cater to the high-end customer segment.

Their first combined bar and restaurant, Trinita opened doors in 2005. Trinita consists of three different formats cleverly incorporated into one restaurant:

- Palatine (high end restaurant)
- Moretti's (brasserie)
- Torino (café by day/ bar by night)

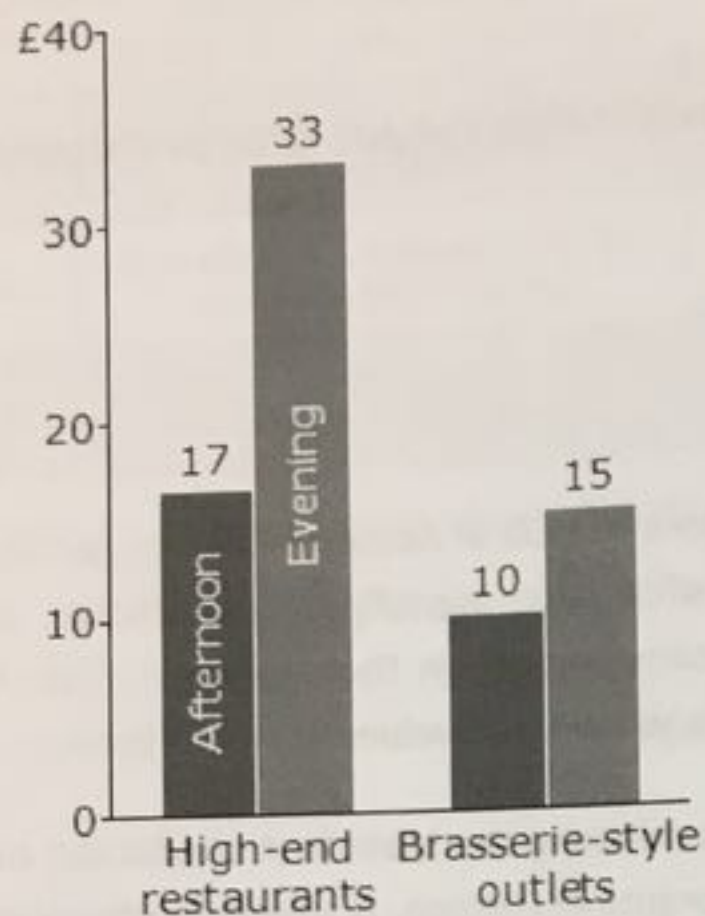
Trinita has been considerably profitable for Rosso, however, Paul Moretti, CEO of Rosso, is keen to get an external perspective on how things were functioning in his restaurant while also identifying any further scope for improvement. This is the first time they are seeking professional consultation on their business. Bain has been engaged to provide a comprehensive understanding of the business and help add value to the business.

To give Mr. Moretti a better picture of how Trinita stacks against competitors, the team first conducted an analysis of the average capacity utilization and customer spend across restaurants in London. A supplementary competitor analysis revealed that high-end restaurants were open throughout the week and earned twice the revenue on weekends than they did during weekdays. *Chart 1 and 2* depict the utilization rate and consumer spend analysis:

	Palatine (high-end restaurant)	Moretti's (brasserie)	Torino (café/bar)
Opening hours	Tuesday-Friday: 11.30-14.30 18.00-22.00	Tuesday-Friday: 11.30-14.30 18.00-22.00	Tuesday-Friday: 11.30-14.30 18.00-22.00
Capacity (afternoon)	50	75	100
Capacity (evening)	50	150 (i.e. two sittings)	100
Average utilisation (afternoon)	40%	50%	40%
Average utilisation (evening)	50%	70%	60%
Average spend per person (afternoon)	Food: £16 Drink: £12	Food: £10 Drink: £5	Food: £3 Drink: £4 WiFi: £3
Average spend per person (evening)	Food: £30 Drink: £15	Food: £15 Drink: £11	Drink: £14

Chart 1

**AVERAGE FOOD SPEND PER HEAD
(LONDON RESTAURANTS)**



**AVERAGE UTILIZATION RATES
(LONDON RESTAURANTS)**

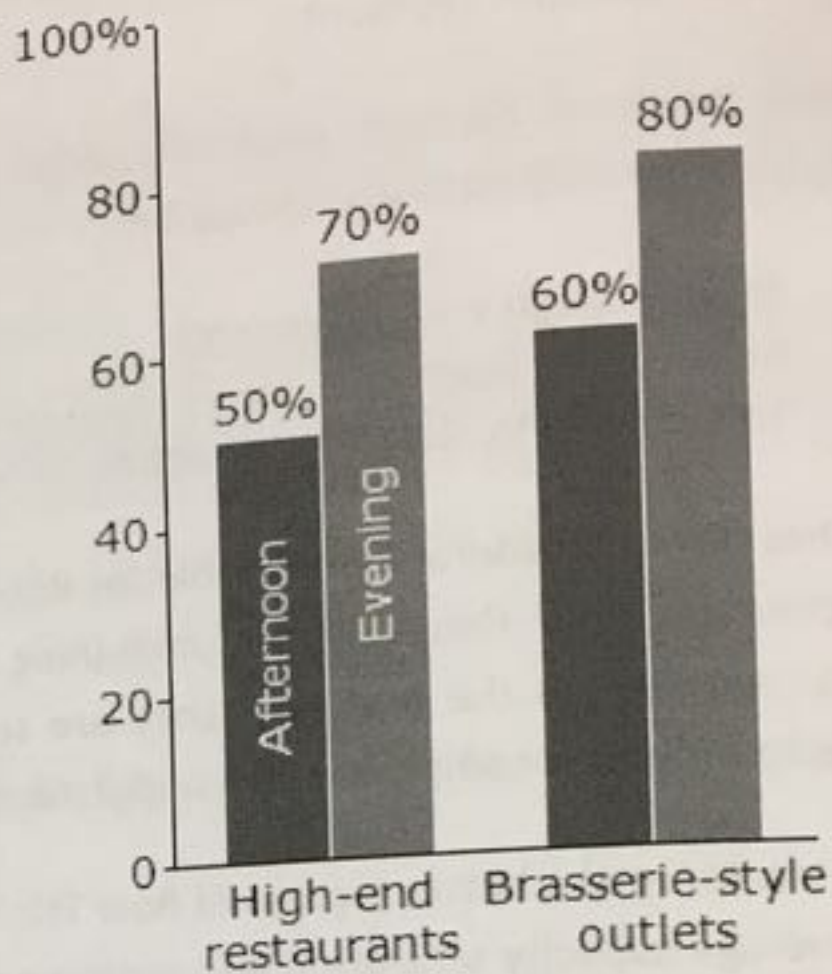


Chart 2

Q10. Looking at the information given above, which of the following statements is true?

- Palatine has above average utilization rates but low collection average at evening
- Customers, on an average, spend less in Moretti in afternoon than they do in other London restaurants
- Even though utilization rates are low, average customer spend in Torino is much higher than the industry average in London
- Moretti needs to work towards getting its average utilization rate at par with the industry average in London to capture the full potential of its already high customer-spend

Q11. Combined average customer-spend is highest for which of the following, assuming average utilization of capacity in all cases:

- Palatine (evening) and Morreti (afternoon)
- Torino (evening) and Palatine (evening)
- Palatine (afternoon) and Moretti (afternoon)
- Moretti (afternoon) and Torino (evening)

Q12. Rosso is looking to enhance revenues from Palatine. Which of the statements below would most likely hamper revenue growth?

- Increase the workdays by opening on weekends as well
- Increase menu prices by 20%
- Revamp the menu to create a differentiated offering
- Redesign the store, redistributing capacity among different store formats

The team took a closer look at Rosso's existing cost-revenue structure and the layout of the restaurants. *Chart 3* is a draft of the floor-plan for Trinita. *Chart 4* highlights key financial information and related data before Bain took up the case.

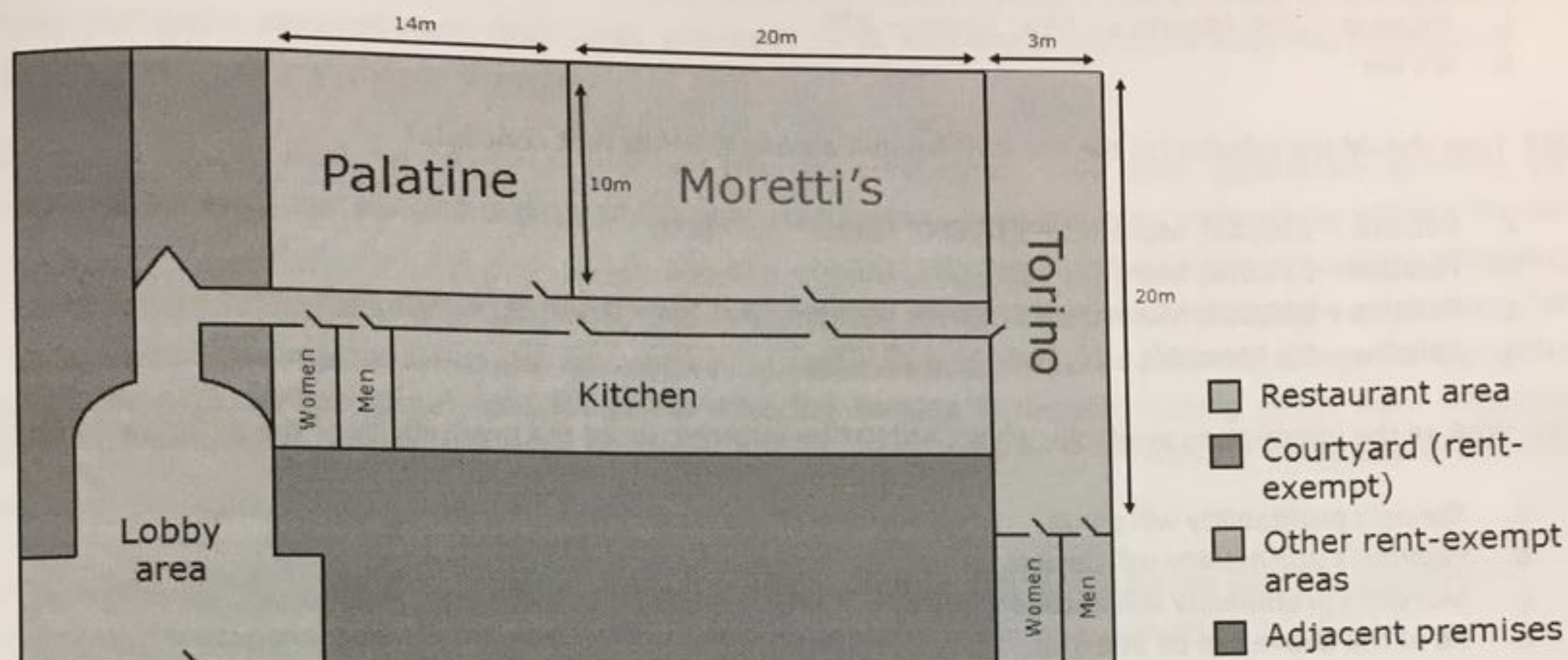


Chart 3

Profit (Loss) account	Palatine	Moretti's	Torino	Total
Revenues	£ 350,000	£ 685,000	£ 258,000	£ 1,293,000
Cost Of Goods Sold	30% of revenues	30% of revenues	30% of revenues	
Labor				
Chefs	40%	60%	0%	£ 159,500
Waiting staff	40%	60%	0%	£ 46,000
Bar staff	0%	0%	100%	£ 50,000
Other staff	33%	33%	33%	£ 120,000
Rent, rates and utilities	33%	33%	33%	£ 150,000
Head office overheads	33%	33%	33%	£ 50,000
Sales and Marketing	33%	33%	33%	£ 50,000
Profit	£ 39,800	£ 232,755	£ 7,211	

Chart 4

Furthermore, they conducted interviews with the restaurant staff to gain a first-hand perspective on matters. During these interviews, Bain found some interesting facts that could potentially change the cost split for labor and hence, achieve a better profitability matrix. Couple of interesting quotes from the interviews:

"We pour all the drinks for the restaurants, as well as running the bar itself. My team and I spend an equal amount of time on each restaurant. We spend 50% more time on the bar than we do on both restaurants combined. The total salary paid for the Bar staff is £50,000."

-- Anne Taylor, Bar manager

"My assistant chefs and I prepare meals for both Palatine and Moretti's. Despite Palatine meals being more complicated, I think we spend two thirds of our time on Moretti's, simply because of the volume of customers."

-- Ed Giotto, Chef

Q13. Is it fair to distribute rent, rates and utilities equally among the three concepts, if no, what should be the split?

- a. Palatine – 35%; Moretti's – 50%; Torino – 15%
- b. Palatine – 50%; Moretti's – 35%; Torino – 15%
- c. Palatine – 27%; Moretti's – 53%; Torino – 20%
- d. It's fair

Q14. How should the salaries for the Bar staff be split among the different concepts?

- a. Palatine – £10,000; Moretti's – £10,000; Torino – £30,000
- b. Palatine – £16,666; Moretti's – £16,666; Torino – £16,666
- c. Palatine – £25,000; Moretti's – £25,000; Torino – £0
- d. Palatine – £0; Moretti's – £0; Torino – £50,000

Q15. With all the information available, what CANNOT be inferred about the profitability of the different concepts?

- a. Torino's profitability will go up
- b. Palatine's profitability will decline
- c. Moretti's profitability will decline
- d. All of the above can be inferred

Q16. By what margin will the profitability of Torino's be affected assuming all the above-mentioned changes are implemented?

- a. 3%
- b. 6%
- c. 18%
- d. 21%

Q17. With new cost structure, rank the concepts in terms of increasing profitability

- a. Moretti's; Torino; Palatine
- b. Torino; Palatine; Moretti's
- c. Moretti's; Palatine; Torino
- d. Torino; Moretti's; Palatine

CASE STUDY 3

Bank Co is the third largest retail bank in China and the second largest player in the APAC region. Having been in existence for several decades, it has earned solid reputation for itself and commands a loyal set of customers in China and the region. It has a comprehensive set of product offerings, including, but not limited to, transactional accounts, mortgages, personal loans, debit cards, and credit cards. Recently, it also made foray into institutional banking through a few branches in Shanghai.

However, the CEO of Bank Co has been informed that the competitors have been aggressively spending on increasing ATMs (electronic banking outlets, which allow customers to complete basic transactions without the aid of a branch representative. They are most commonly used to withdraw cash and check account balance). Weighing this against the fact that Bank Co's ATM investment has been low in the recent years has brought much worry for the client. Upon discussing the issue with Global Head of Technology Services, the person in-charge for laying the blueprint for ATM infrastructure, Bain found out that the backlog in decision-making stems from internally divergent views regarding personnel role, number of ATMs, and differences in banking landscape across the countries in the region Bank Co is present in.

The CEO wants Bain to investigate the issue in detail and devise a blueprint for the future. Bain has a team of 5 members on the case and you are the Associate Consultant on the team. In your opinion:

Q18. Which of the following most accurately describes why Bank Co approached Bain?

- a. To resolve the differences of opinion between Bank Co's employees across the region
- b. To understand the scope for further development of their institutional banking division
- c. To analyze why their ATM growth was lower than competitors'
- d. To devise an ATM strategy for the future to make them competitive with respect to peers

Q19. Which of the following information will be least useful for Bain in addressing the client's needs?

- a. Data and analysis on its current ATM operations and functions
- b. Benchmarking metrics and data on its competitors' ATM operations
- c. Tech players to whom manufacturing the ATM units can be outsourced
- d. Chinese banking metrics such as % banked population, % customers using debit cards, etc.

Preliminary analysis of Bank Co's capital expenses on tech infrastructure and ATMs reveals that it is not lagging peers in China. However, outside China, the company has practically made no investments to increase its ATM network, while its competitors are investing heavily. Thus, Bain established that Bank Co's issue is a regional and not a national one. The client is happy with the findings but given his goal of establishing regional supremacy in banking, our next task is to study relevant metrics across the region. *Chart 1* and *Chart 2* summarize some fundamental information that we leveraged from past work done by Bain. These charts represent overall banking and demographic factors for the countries Bank Co has operations in.

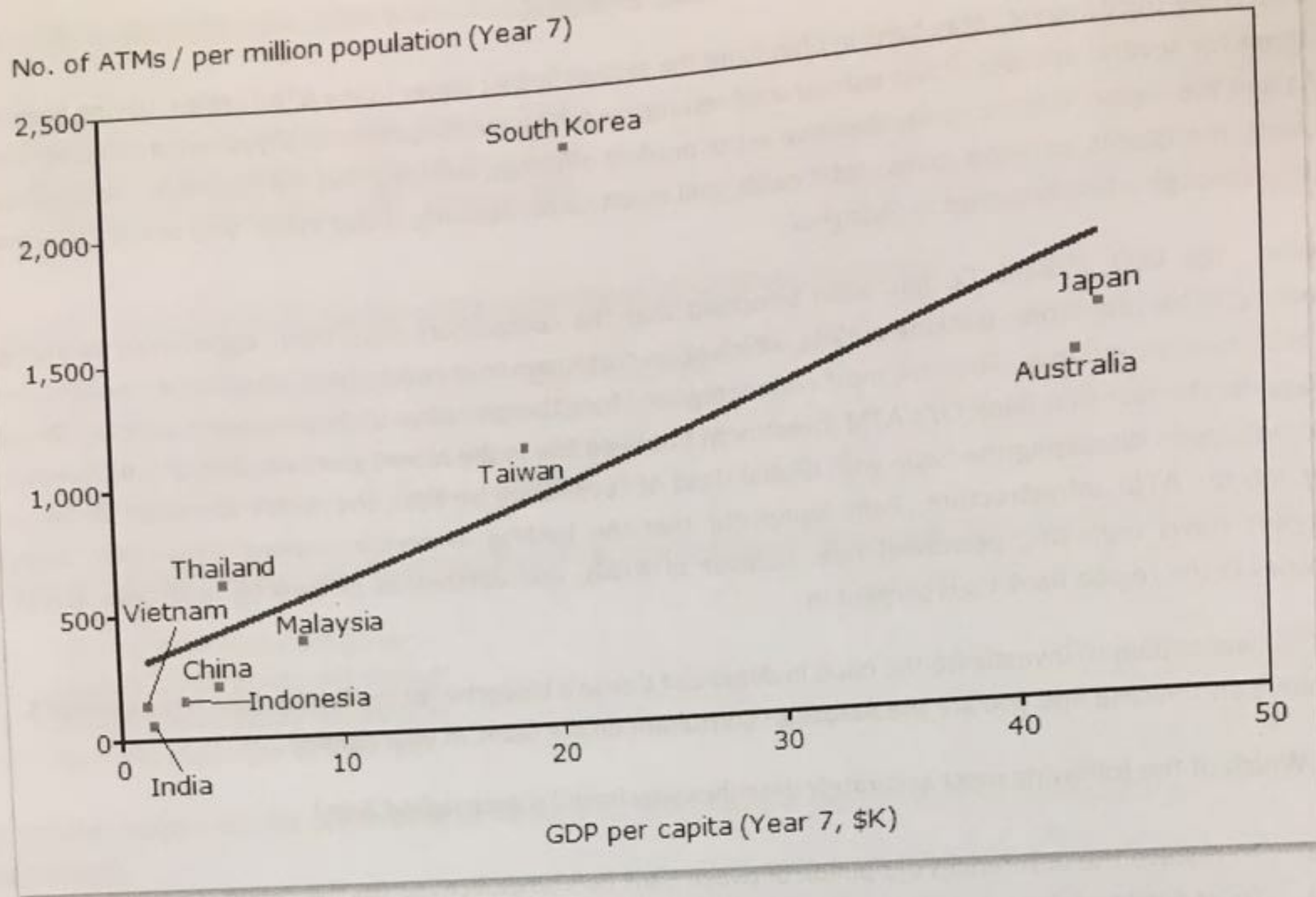


Chart 1

Q20. The Royal Thai Government has finally approved the bill to increase the salaries of government employees by 26%. Economists predict that this will boost consumption levels heavily. In which direction can Thailand be expected to move on the graph?

- a. Remain at the same place
- b. Leftward on the x-axis
- c. Rightward on the x-axis
- d. Downward on the y-axis

Q21. The population of Taiwan is 20 million. How many ATMs does it have in Year 7 and what is its per capita GDP?

- a. 22K and \$19K
- b. 30K and \$19K
- c. 22K and \$21K
- d. 1K and \$20K

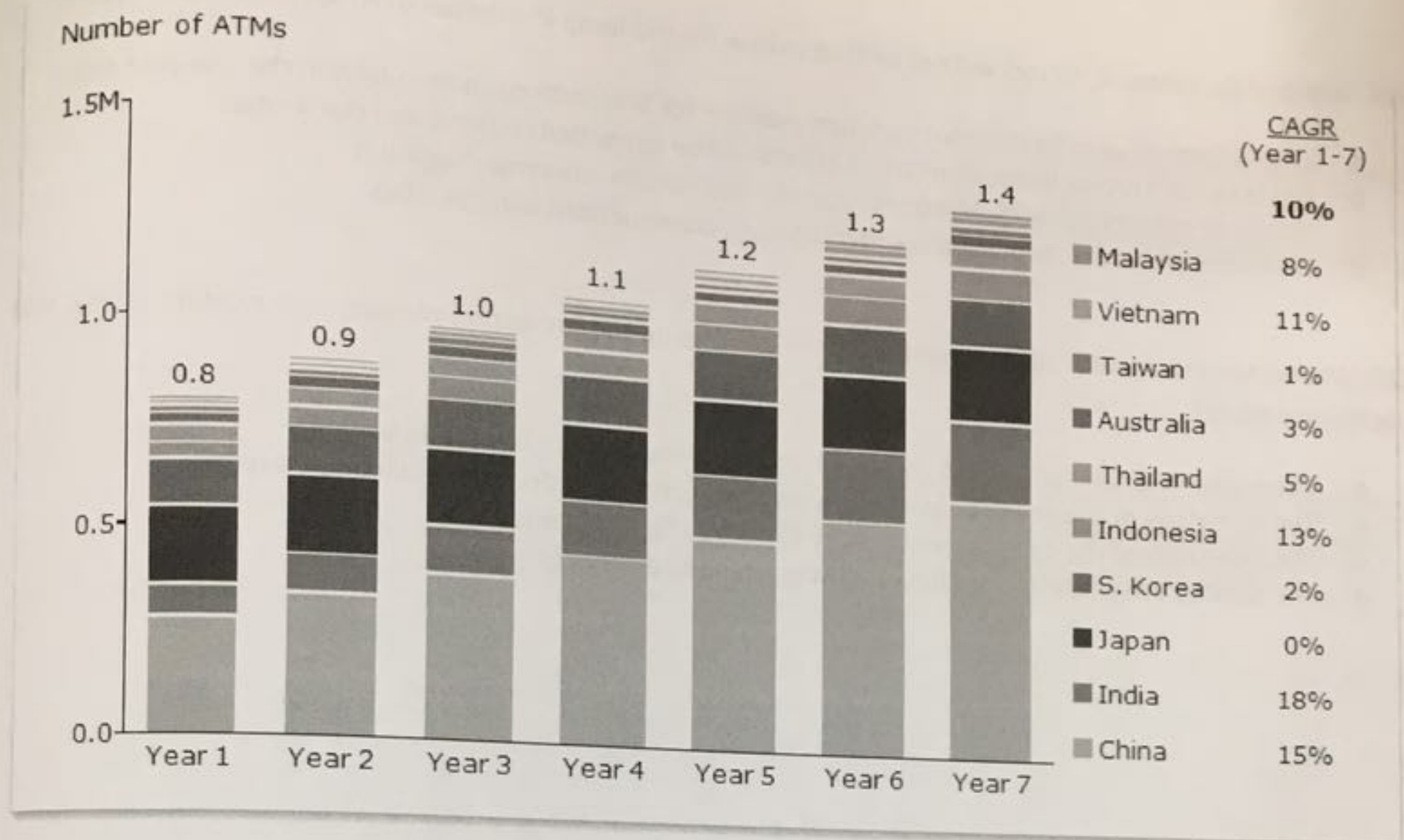


Chart 2

Q22. What is the overall increase in the number of ATMs in China between Year 1 and Year 7?

- a. 10-20%
- b. 90-105%
- c. 135-160%
- d. 200-230%

Q23. At the end of Year 7, the number of ATMs in India is 0.2 million. If the growth rate increases to 20% for the subsequent years, how many ATMs will India have at the end of Year 10?

- a. 0.22M
- b. 0.24M
- c. 0.30M
- d. 0.35M

Having studied the other geographies where Bank Co should increase its ATM network, our analysis showed that India is a clear outlier: all the China-based regional players are investing more in this market for ATMs than anywhere else. The number of ATMs in India is expected to jump in the next three years. Analysts attribute this spike to the fact that India will continue to remain a 'cash economy' with banks continuing to explore newer customer bases.

Q24. Which of the following factors will not be responsible for the jump in number of ATMs in the next 3 years?

- a. Cash will continue to be the most common medium for transactions, particularly in the low-paid sector
- b. Government's recent financial inclusion efforts will be expanded to tier 3 and tier 4 cities
- c. Increased penetration of mobile banking in the mid-income customer segment
- d. Continued growth in shopping and entertainment constructions in large cities

Q25. What is the most useful information for Bain in addressing the projection number and location of new ATM machine for client?

- a. The consuming habit of Chinese consumer and the development of mobile banking
- b. The case study of the development history and projection of Indonesia, India and Vietnam
- c. The case study of the development history of Taiwan, S. Korea and Japan
- d. The competitive landscape of China's ATM machine and services

Descriptive section (100-150 words)

1. Describe a situation where you faced an obstacle while working in a team. How did you handle the situation and what was the outcome?
 2. Highlight one or two instances where you held a position of responsibility and helped your team solve a problem. What were your key learnings from the above?
 3. What is your biggest regret in life and why?
 4. Describe a situation that illustrates your ability to work collaboratively with a diverse group of people.
 5. Describe a situation where you worked toward a goal but could not achieve the desired result. Highlight some takeaways that you learnt along the way.
 6. Describe a situation where you committed a mistake while working as a team/when your team was unhappy with your work. How did you react to the situation and what did you learn in the process?
 7. What, according to you, is your key strength and weakness? Highlight instances for both.
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