



CONSULTING & ANALYTICS CLUB
IIT GUWAHATI

CONSULTING GUIDE 2019

September, 2019

OVERVIEW

What are Case Interviews?

Guesstimates

How to make Issue Trees

Strategic Tools

Frameworks

Sample Cases

WHAT ARE CASE INTERVIEWS?

THE TALE OF CASE INTERVIEWS

- Most consulting firms conduct **case interviews** for selecting candidates.
- The primary purpose of these interviews is to get an idea of how well you break a problem down and then logically try to solve it.
- Interviewers make judgments about your ability to work in teams and lead at client sites. Usually, the last question the interviewer has to answer on the evaluation form is *"Would you like this person to be on your team tomorrow?"*
- Consultants deal with a lot of case interviews in their career. (With colleagues, clients – almost everyday).
- A day in their life - **80%** of their works constitutes the process of Case Interviews.

THEY DEFINITELY WANT YOU TO BE GOOD AT IT!

WHAT IS A CASE INTERVIEW

- A case interview is a job interview in which the applicant is presented with a **challenging business scenario** that he/she must investigate and propose a solution to.
- The primary purpose of these interviews is to get an idea of how well you break a problem down and then logically try to solve it.
- *Candidate led case-interview:*
 - Only the **initial problem statement** is given with minimal data.
 - You = **Interviewer**. HR = **Client**
 - The candidate drives the interview by asking relevant questions to gather data and form conclusions.
 - The client (your HR) will just answer the questions posed by you.

Case Interview Questions

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graph TD; A[Case Interview Questions] --> B[Guesstimates]; A --> C[Business Situation];
```

Guesstimates

Business Situation

Case Interview Questions

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graph TD; A[Case Interview Questions] --> B[Guesstimates]; A --> C[Business Situation];
```

Guesstimates

Business Situation

CRACKING THE INTERVIEW

Cracking the case interview is mainly about these things. Keep Calm and things will go your way!

STRUCTURED THINKING

Never blurt out random ideas.

Interviewers love **Structured-thinking**, even if the final answer isn't right.

ANALYTICAL SKILLS

Use **Numbers** quickly by rounding them, and use them quickly and efficiently



KNOWLEDGE

Be prepared with different frameworks.

Practice a few cases beforehand and stay updated on industry news

CLEAR COMMUNICATION

Communication skills would be of utmost importance.

While solving the case, **THINK OUT LOUD!**



GUESSTIMATES

GUESSTIMATE 1: NUMBER OF RED SWIFT CARS IN GURGAON

The city may depend on Job Posting's place!

Make sure you are up to date with basic demographic details of important cities and of India's.

APPROACH SHOULD BE STRUCTURED

This is a standard question and there are lots of variations of this particular question.

APPROACHING IT:

- Population wise
- Manufacturing wise (not recommended)

Key Features:



Population segmentation: Most important step. Segment population economically. Cookie points for No. of cars per household



Market Share of Swift: Take an estimated guess regarding this.



Market share of Red cars: Estimated Guess again (based on experience)



SOLUTION APPROACH

- Total Population of Bangalore ~ 10 MN
Average household size~3.5
No. of household=3 MN
Now split the households based on their income.
- Below poverty line= 10%,
Lower middle class= 30%
Middle class= 40%
Upper class= 10%
- BPL and lower middle class cannot afford car in the range of 5L-7L (Price of swift car= 6Lakhs)
- Assume no. of cars per household, Swift's market share, and share of Red Swift Cars
- Lets say Swift have ~10% market share in Delhi.
- Swift is available in 4 colors red, white, blue and black.
- Assuming that each color is have the equal proportion. (25%)

	%	Number of Households (lakhs)	Approx. No. of Cars per household	No. of Cars	Swift Market Share	No. of Swift cars	Red Swift Cars
BPL	10	3	0.0001	30	5%	~0	0
Lower Middle Class	30	9	0.005	4500	10%	450	~100
Middle Class	40	12	0.4	4,80,000	20%	96,000	24,000
Upper Class	10	3	1.2	3,60,000	10%	36,000	9,000

TOTAL NUMBER OF RED SWIFT CARS IN BANGALORE: ~33,000

GUESSTIMATE 2: NO. OF LITRES SOLD IN A BUSY PETROL BUNK

The city may depend on Job Posting's place!

Make sure you are up to date with basic demographic details of important cities and of India's.

STATE ASSUMPTIONS EXPLICITLY

There will be some guesstimates like this which will require you to take into account a lot of assumptions

- No. of Stations per Bunk
- Open Timings
 - Segment Timings according to Rush hours

Key Features:



Timing segmentation: Classify the open time into different chunks based on the probable traffic into the petrol bunk



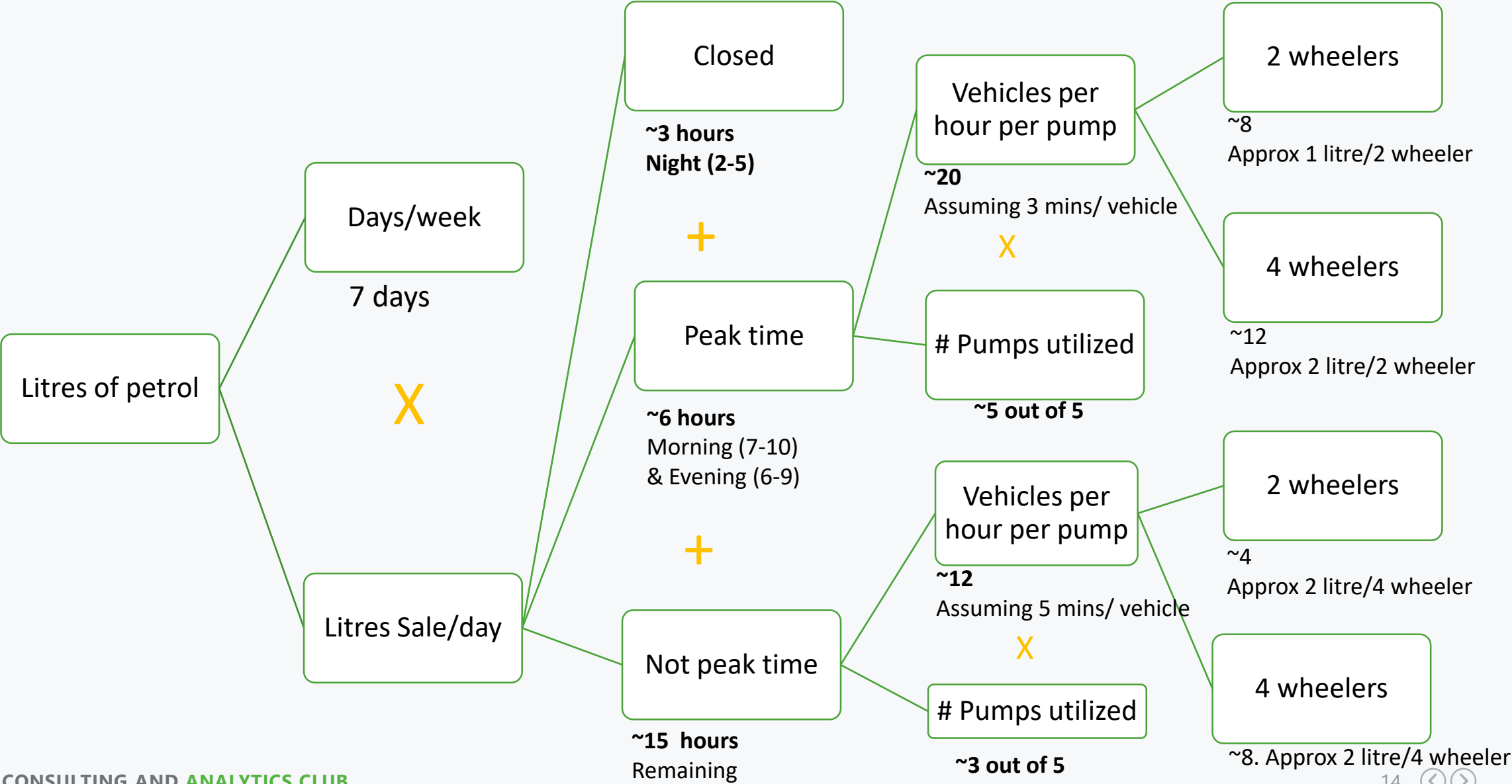
2W/4W split: This would greatly depend on the city, but any valid assumption will help



Avg. No. of Litres per vehicle: This number would vary per 2W or 4 W, but the method would be same



SOLUTION APPROACH



Case Interview Questions

```
graph TD; A[Case Interview Questions] --> B[Guesstimates]; A --> C[Business Situation];
```

Guesstimates

Business Situation



BUSINESS SITUATION

An issue tree is a useful tool to break down problems into chunks small enough to manage

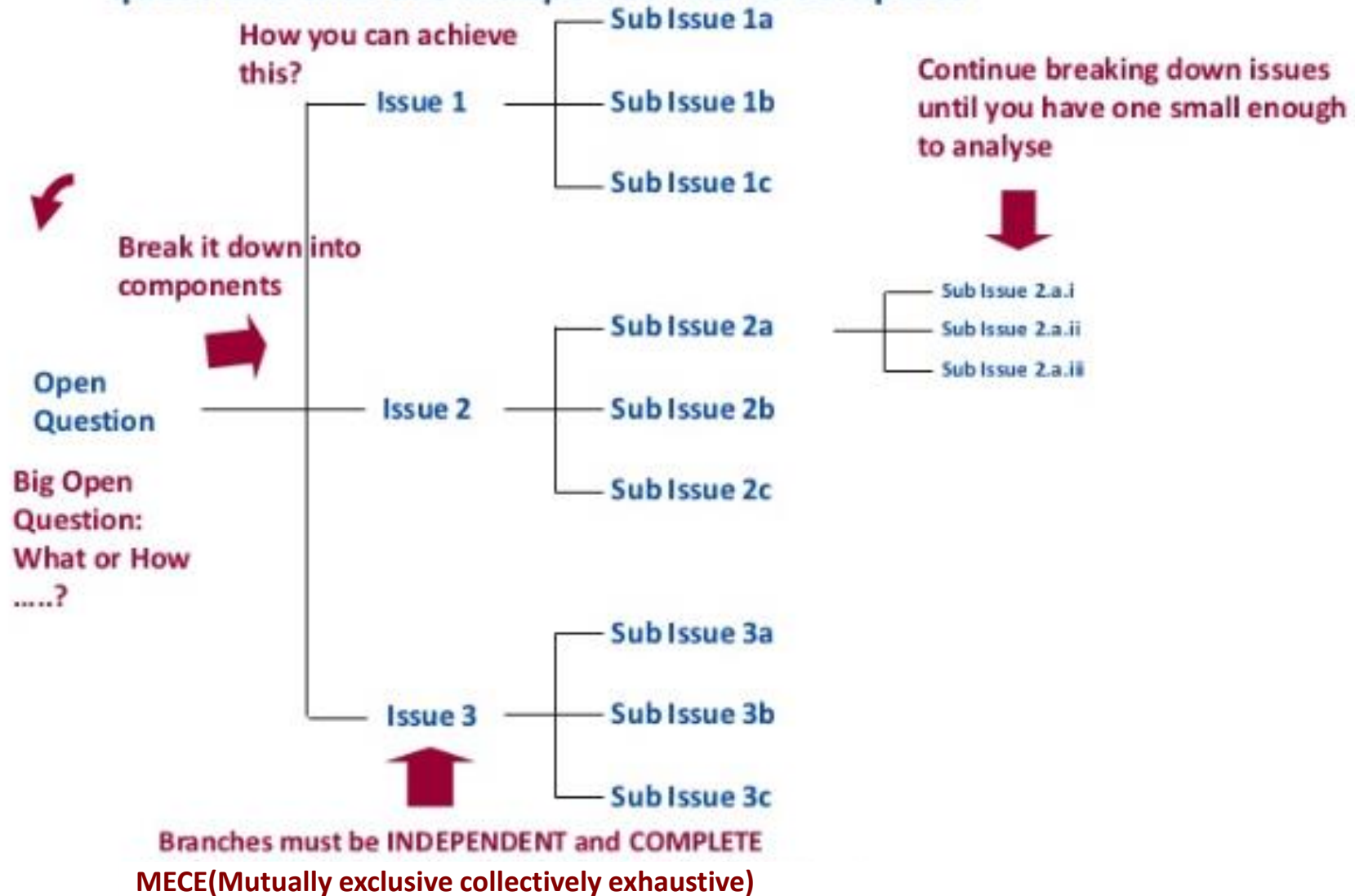


Use at the start of problem solving to structure a fuzzy problem

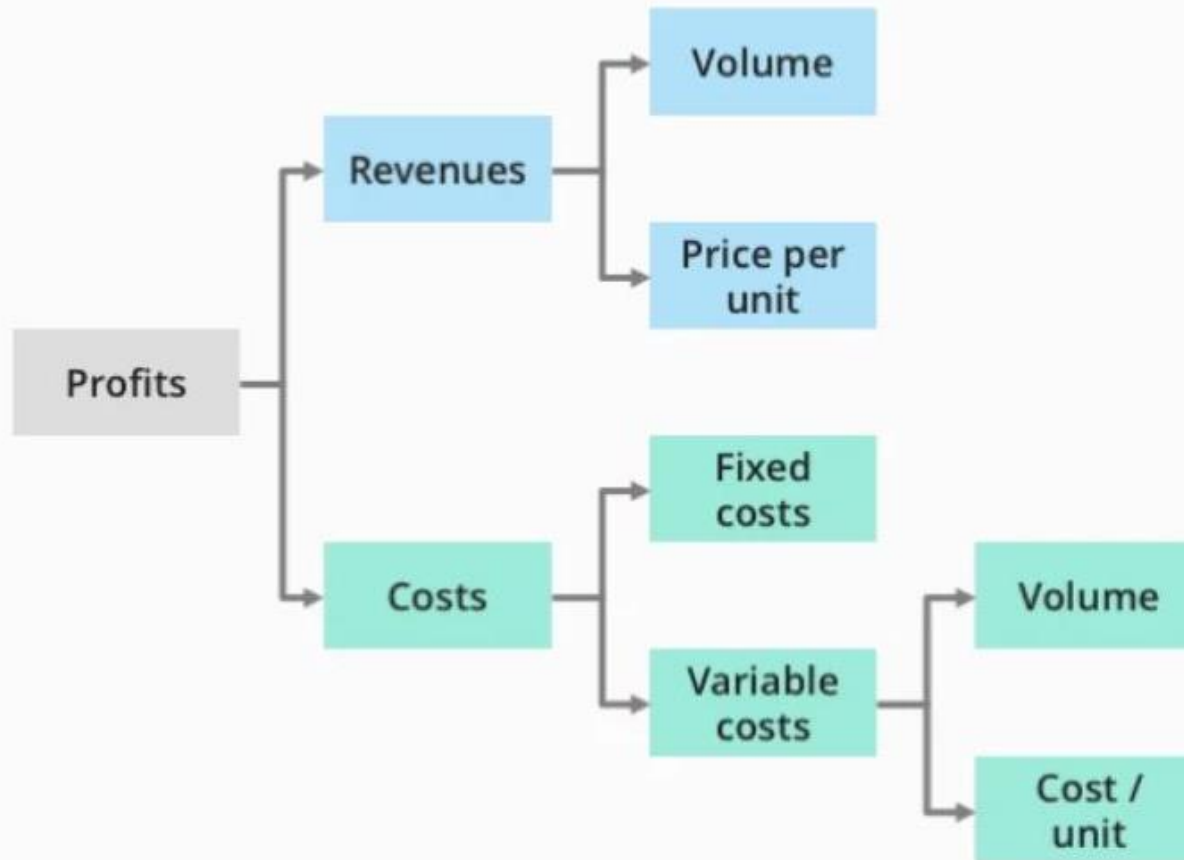
An issue tree has three purposes

- 1) Break a problem down to small enough chunks to enable analysis to answer the smaller questions**
- 2) Open up the solution space to help you see new angles to the problem**
- 3) Get everyone up to speed quickly on the problem**

To create an issue tree, you break down a question into smaller questions that are independent and complete



Profitability framework



Useful revenue segmentation

- By product type
- By distribution channel
- By geography
- By customer type

Fixed costs examples:

- Rent
- Staff overhead
- Loan interest

Variable costs examples:

- Raw materials
- Delivery
- Commission
- Direct labour

MAKING ISSUE TREES

Now that you know what framework to use for profitability cases, let's discuss HOW you should use this framework. In our experience, the following 3-step approach works really well:

Step #1: Pick a branch. The first thing you need to do in a profitability case is to pick a branch of your framework and to make a hypothesis. For instance, you could say: "My initial hypothesis is that the profitability issue is driven by a revenue problem."

NOTE: Always state your hypothesis before starting out a case interview. (Within first 4-5 minutes)

MAKING ISSUE TREES

Now that you know what framework to use for profitability cases, let's discuss HOW you should use this framework. In our experience, the following 3-step approach works really well:

Step #2: Compare to past performance. Once you have picked a branch, you then need to validate if it is the root-cause of the issue or not. The right way to do this is to compare the numbers to the past performance of the company. For instance, profits might have gone down because revenues have decreased by 10% compared to last year. Another comparison that's sometimes useful to make is to competitors.
(This can be done if you have been given some data already)

MAKING ISSUE TREES

Now that you know what framework to use for profitability cases, let's discuss HOW you should use this framework. In our experience, the following 3-step approach works really well:

Step #3a: Right branch, continue drilling. If you have picked the right branch, you need to continue drilling down until you find the root-cause of the profit decline.

For instance, if you established that revenues have gone down, you need to start looking at **volume** and **price per unit**. A useful thing to do when you drill down is to segment the data (e.g.: by product, geography, etc.) This will enable you to diagnose the exact business reason for the troubles experienced by the company.

MAKING ISSUE TREES

Now that you know what framework to use for profitability cases, let's discuss HOW you should use this framework. In our experience, the following 3-step approach works really well:

Step #3b: Wrong branch, switch to another one. If you have picked the wrong branch, you need to switch to another one. Don't worry, you can be wrong!! (Your hypothesis is meant to be wrong initially)

For instance, if you established there has been no revenue decrease, **you need to update your hypothesis** and look at costs. You are then back to step #1 of this approach and can follow the same logic.

LET'S SOLVE A CASE

PROFITABILITY CASE

Situation: "Your client owns a movie theatre in London. The profits of the theatre have been going down over the past 12 months and your clients wants your help to find out why."

Q1: How would you adapt the profitability framework to this case? What are the revenue sources for a movie theatre? And what are the main fixed and variable costs?

PROFITABILITY CASE

Situation: "Your client owns a movie theatre in London. The profits of the theatre have been going down over the past 12 months and your clients wants your help to find out why."

Q1: How would you adapt the profitability framework to this case? What are the revenue sources for a movie theatre? And what are the main fixed and variable costs?

Q2: You decide to explore the **revenue branch of the framework** and the interviewer gives you the data points below. What's your conclusion and what would you do next?

- Profits have gone down from ~£550k last year to ~£400k this year.
- Revenues have gone up from ~£1,400k last year to ~£1,900k this year.

PROFITABILITY CASE

Situation: "Your client owns a movie theatre in London. The profits of the theatre have been going down over the past 12 months and your clients wants your help to find out why."

Q3: The interviewer provides you with the cost information below. What's your conclusion and what would you do next?

- Costs have gone up from ~£850k last year to ~£1,500k this year.

This was **mainly driven by an expansion project**. Your client started renting an adjacent building to double the capacity of the movie theatre.

PROFITABILITY CASE

2

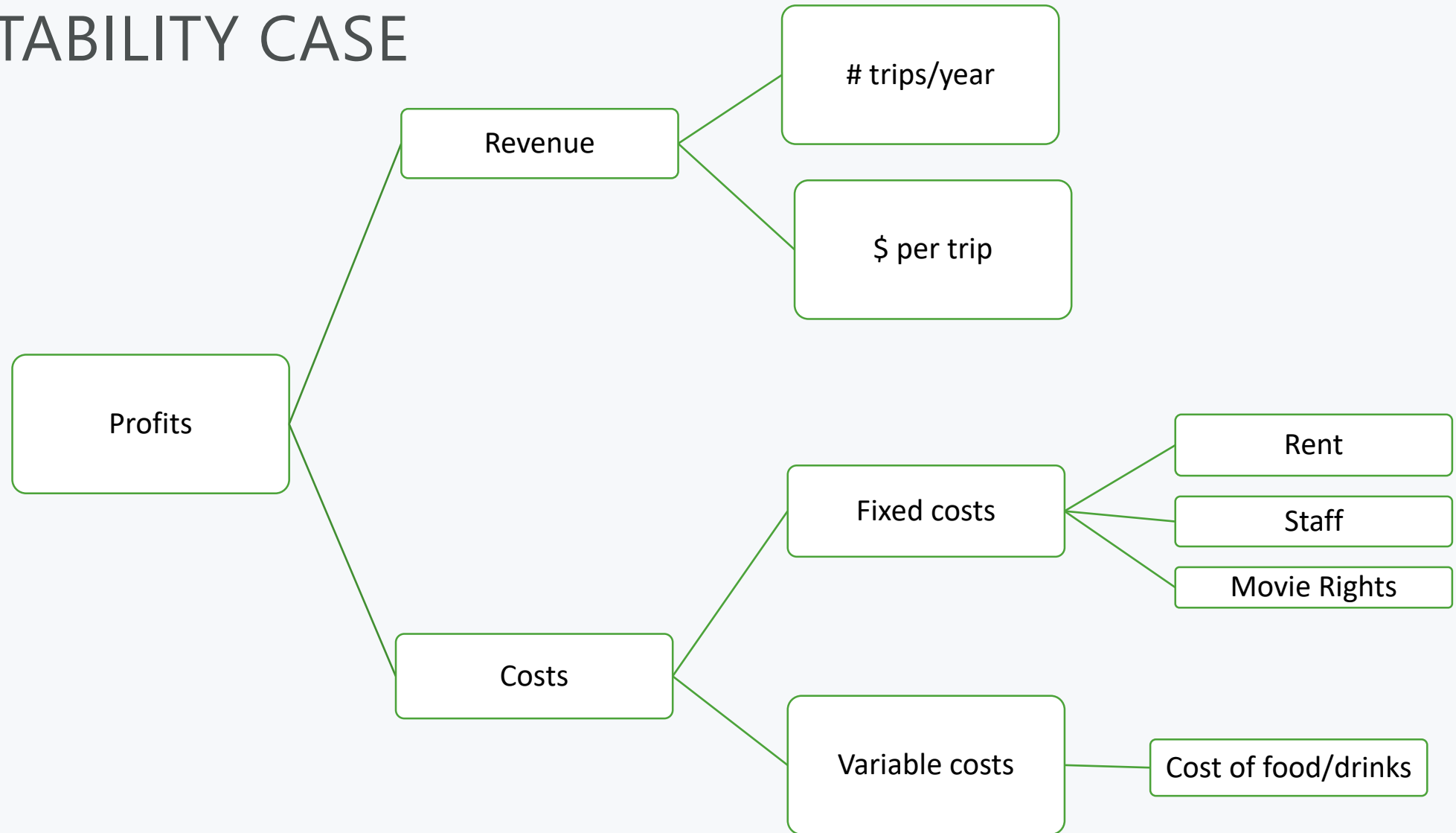
Profitability case example



Cinema	Last year	This year
Profits	£552,000	£404,000
Revenue	£1,400,000	£1,900,000
# trips per year	100,000	150,000
£ spent / trip	£14	£13
£ spent per ticket	£10	£10
£ spent on food	£4	£3
Costs	£848,000	£1,496,000
Fixed costs		
Rent	£120,000	£240,000
Staff	£288,000	£576,000
Movie rights	£240,000	£480,000
Variable costs		
Food costs	£200,000	£200,000

This is the data you're able to collect.

PROFITABILITY CASE



PROFITABILITY CASE

- Based on the information provided, it looks like **revenues have gone up while profits have gone down**. At this stage, a natural hypothesis would therefore be that the profits issue experienced by the company is **driven by costs**.

We can draw the following conclusions from the data provided:

Reason 1: Although the capacity of the movie theatre has doubled, the number of trips seems to only have increased by 50% compared to last year. Here are a few reasons why this might be the case:

- The cinema might not have scheduled enough screenings to attract sufficient demand
- The cinema might not have advertised its increased capacity sufficiently
- There might not be enough demand in the area where the movie theatre is located to cover for the doubling in capacity

PROFITABILITY CASE

Reason 2: The average spend per trip for food and drinks seems to have gone down by about 25% compared to last year, from £4 per trip to £3. In addition, the cost of the food seems to have remained the same. Here are a few reasons why this might be the case:

- It looks like the additional visitors are not buying as much food. This could be because there is no food bar in the new extension the cinema is renting
- The decrease might also be driven by a change in the type of food and drinks offered at the movie theatre
- All fixed costs seem to have doubled which would make sense as doubling the capacity would be expected to roughly double the rent, the number of staff needed to manage the theatre and the number of movies projected.

To conclude this case, you would then look at why the number of visitors hasn't increased as much as expected and why the average spend on food has gone down over the period in which we are interested.

AND IT WAS A GOOD START...

YOU'VE AN EDGE OVER OTHERS!

STRATEGIC TOOLS

WE WILL BE NEEDING FEW FRAMEWORKS AND STRATEGY TOOLS TO GET COMFORTABLE WITH SOLVING CASES.

Solving Cases

Strategic Tools

4Ps

3C1P

SWOT

PORTER'S 5 FORCES

PESTEL

DEMAND AND SUPPLY

Frameworks

Declining Profits

Increasing Profitability

New Product Launch

Customer Acquisition

Competition Response

Expansion

M&A

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STRATEGIC TOOLS

Marketing Strategy

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graph TD; A[Marketing Strategy] --> B[4P/4A Marketing Mix]; A --> C[3C & 1P Analysis];
```

4P/4A Marketing Mix

3C & 1P Analysis



4P MARKETING MIX



Definitely not this !!!!

MARKETING MIX

List Price
Discount
Allowances
Payment
Period
Crediterms



Channels
Coverage
Assortment
Locations
Inventory
Transport



Product
Variety
Quality
Design
Features
Brand Name
Packaging



Sales
Promotions
Advertising
Sale Force
Publicrelations
Direct Marketing

WHY 4P?

The 4 Ps are used by businesses to identify key factors such as

- What **consumers** want from them.
- How their product or service meets or fails to meet those needs.
- How their product or service is **perceived** in the world.
- How they stand out from their **competitors**.
- How they interact with their customers.

This framework is often used specifically whenever there is a **marketing component** involved in a case.

The “4 Ps” approach is to address a **marketing-oriented Case situation** by assessing the:

- **P**roduct (the good or service)
- **P**rice (what the consumer pays)
- **P**lace (the location where a product is marketed)
- **P**romotion (the advertising)

PRICE

Marketers must link the price to the product's real and perceived value, but they also must consider supply costs, seasonal discounts, and competitors' prices.

Key points for Analysis:-

- What is the value of the product or service *to the customers*?
- Are there established price points in this area?
- Are the customers *price-sensitive*?
- How is your price compared to your *competitors*'?

PRODUCT

Product should fulfill a certain consumer demand or be so compelling that consumers believe they need to have it!

Key points for Analysis:-

- What do your customers need and *want* from your product or service?
- What features does it have to meet these needs and wants?
- How is it *differentiated* versus the competitors?

PLACE

Place decisions outline where a company sells a product and how it delivers the product to the market.

Key points for Analysis:-

- *Where* do the customers look for your product or service?
- How can you access the right distribution channels?
- How do your competitors distribute their products?

PROMOTION

Promotion includes advertising, public relations, and promotional strategy. Promoting a product shows consumers why they need it and should pay a certain price for it.

Key points for Analysis:-

- Where and when you can get across your marketing messages to your target market?
- How do your competitors do their promotions?

LET'S APPLY 4P'S OF MARKETING FOR A
"TOOTHPASTE MANUFACTURER"

Product

Does your toothpaste have the specific qualities that your ideal buyer persona is looking for (decay prevention, tooth whitening, etc.)?

Price

Is the price of your product comparable and/or cheaper to other similar products? If not, does it have additional features that your target buyer will spend a premium on it for?

Place

Most people typically remember to buy this from the supermarket - so this could be one of your placements for your product.

Promotion

Promotion for this kind of product could be a discount when you buy multiple products (buy 5, get 1 free).



4A ANALYSIS

4A's OF MARKETING

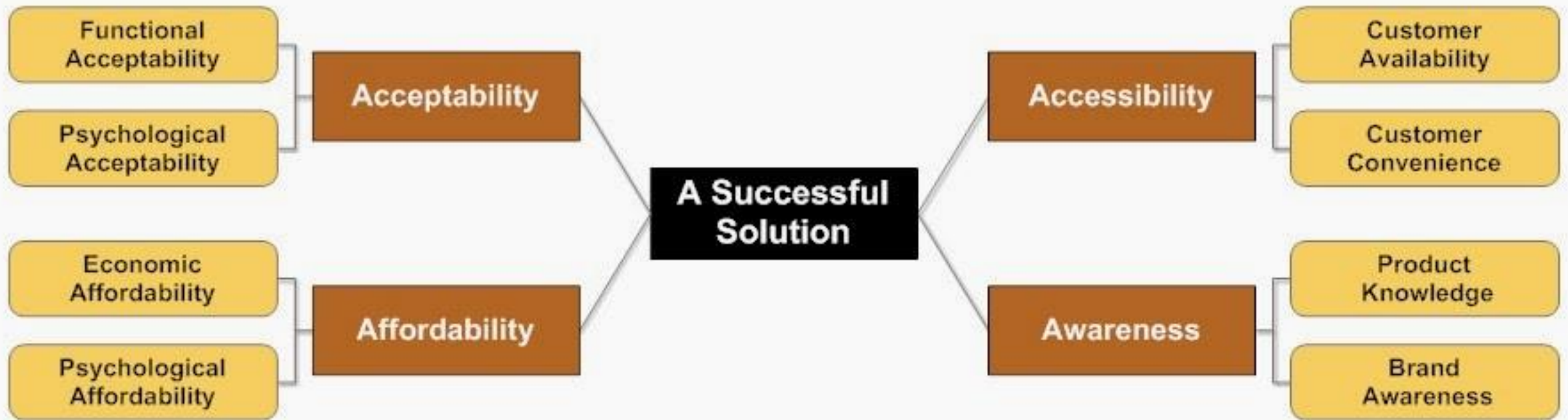
Components of the **4A** framework are:-

- ***A**ceptability*
- ***A**ffordability*
- ***A**ccessibility*
- ***A**wareness*

The components of the 4A model are a set of conditions that must be fulfilled to **achieve success with any given product or service offering.**

It is often applied along with 4P's.

The 4A Model of Marketing



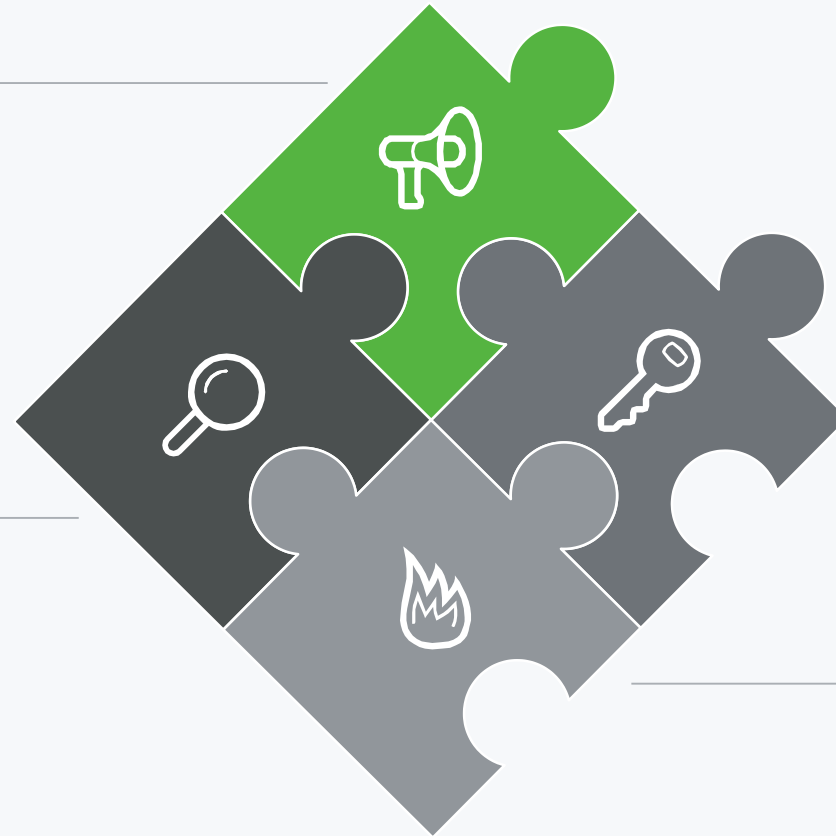
To use a food analogy, the 4P's describe the raw ingredients available to the chef, and the 4A's describe the attributes of meals that will delight a given set of diners.



3C & 1P FRAMEWORK

COMPANY

CUSTOMER



PRODUCT

COMPETITION

WHEN TO APPLY?

This framework is appropriate for a wide variety of client and company situations, including :

- Introducing a **new market entry or a new product**
- Starting a new business
- Company **assessment**
- Developing a **growth strategy**
- Divesting or making a turnaround

“**3C & 1P**” will help you understand what **qualitative issues drive** and impact a business, overall.

COMPANY

Understanding the operations of the Company itself and how the Company makes money.

- Product/service offering
- Pros and cons of product/service
- Profitability analysis

Key points for Analysis:-

- What are your company's capabilities and expertise?
- What is the company's brand and culture?
- How is its financial situation?

CUSTOMER

Often overlooked but is fundamental and consists of knowing your clients/customers.

- Demographics (age, gender, Customer mix etc.)
- Value of core customers/clients
- Wants and needs of customers/clients

Key points for Analysis:-

- How are your customers segmented?
- What are your target customers?
- What are the customers' needs and wants?

COMPETITION

Understanding how the competitors impact your client and how the competitive dynamics will change over time.

- Market share
- Financial situation
- Other competencies (for example, marketing or distribution channels)
- Competitor products/services

Key points for Analysis:-

- What is the market share and growth potential of each competitor?
- How have the competitors performed?

PRODUCT

Identify your product inside and out.

- Offer discount

Key points for Analysis:-

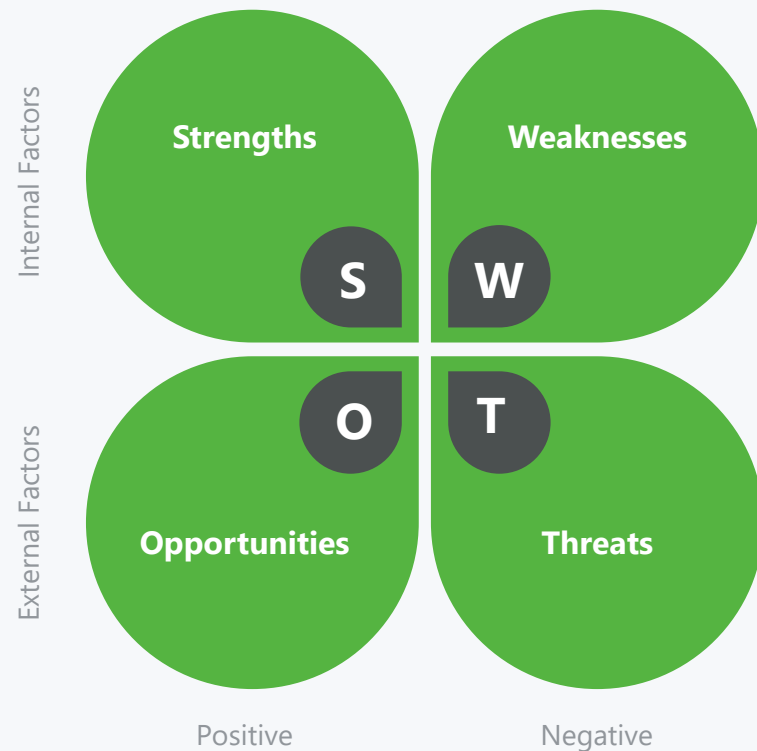
- What is the nature of your products or services?
- Do they meet the needs and wants of the customers?
- What are the complementary goods and the substitutes?

Robert Woodruff, the former chairman of Coca-Cola, captured the essence of Accessibility when he said in 1923 that Coca-Cola should always be “within an arm’s length of desire.”



SWOT ANALYSIS

HOW TO APPLY?



STRENGTHS

What are the characteristics that give your organization an advantage over others?

WEAKNESSES

What are the characteristics that place your organization at a disadvantage relative to others?

OPPORTUNITIES

What are the opportunities or favorable trends within the industry or potentially by branching into a new industry?

THREATS

What are the elements in the environment that could cause trouble for the business or project?

HOW SWOT ANALYSIS HELPS IN STRATEGIC PLANNING?

- Builds **organization's strengths**.
- Reverse its weaknesses.
- **Maximize** its response to opportunities.
- Overcome organization's threats.
- It helps in **identifying core competencies** of the firm.
- It helps in **setting of objectives** for strategic planning.
- It **helps in knowing past, present and future** so that by using past and current data, future plans can be chalked out.

LET'S GET AN IDEA BY LOOKING AT ONE OF THE BEST COMPANIES OF THE WORLD-

APPLE

STRENGTHS:

- The first U.S. company to reach \$1 trillion valuation.
- 24% smartphone market share in the world.
- An iconic U.S. brand trading on instantly recognizable "look and feel."

OPPORTUNITIES:

- Internet of Things capabilities will further integrate Apple into consumers' lives.
- Robust mobile payments could put Apple front and center in daily transactions.

WEAKNESS:

- Erosion of core brand promise after shift to iterative innovation.
- The loss of Steve Jobs is still felt operationally and by the public.
- Significant reliance on iPhone unit sales as a driver of revenue.

THREATS:

- Labor and human rights concerns inherent in current supply chain.
- Widespread consumer anger over reports of hardware slowdowns.
- Growing international competition from low-cost alternatives.

SWOT ANALYSIS

- A SWOT analysis is a great way to guide business-strategy meetings. It's powerful to have everyone in the room to discuss the company's core strengths and weaknesses and then move from there to define the opportunities and threats, and finally to brainstorming ideas.
- Oftentimes, the SWOT analysis you envision before the session changes throughout to reflect factors you were unaware of and would never have captured if not for the group's input.
- A company can use a SWOT for overall business strategy sessions or for a specific segment such as marketing, production or sales. This way, you can see how the overall strategy developed from the SWOT analysis will filter down to the segments below before committing to it.
- You can also work in reverse with a segment-specific SWOT analysis that feeds into an overall SWOT analysis.

KEY TAKE-AWAY

- SWOT analysis is a strategic planning technique that provides assessment tools.
- Identifying core strengths, weaknesses, opportunities, and threats lead to fact-based analysis, fresh perspectives and new ideas.
- SWOT analysis works best when diverse groups or voices within an organization are free to provide **realistic data points** rather than prescribed messaging.



PORTER'S FIVE FORCES

**RIVALRY AMONG
EXISTING COMPETITORS:**

- Number of competitors
- Diversity of competitors
- Industry concentration
- Industry growth
- Quality differences
- Brand loyalty
- Barriers to exit
- Switching costs

**THREAT OF NEW
ENTRANTS**

THREAT OF NEW ENTRANTS:

- Barriers to entry
- Economies of scale
- Brand loyalty
- Capital requirements
- Cumulative experience
- Government policies
- Access to distribution channels
- Switching costs

**BARGAINING
POWER OF
SUPPLIERS**

**RIVALRY
AMONG
EXISTING
COMPETITORS**

**BARGAINING
POWER OF
BUYERS**

BARGAINING POWER OF SUPPLIERS:

- Number and size of suppliers
- Uniqueness of each supplier's product
- Focal company's ability to substitute

BARGAINING POWER OF BUYERS:

- Number of customers
- Size of each customer order
- Differences between competitors
- Price sensitivity
- Buyer's ability to substitute
- Buyer's information availability
- Switching costs

THREAT OF SUBSTITUTE PRODUCTS:

- Number of substitute products available
- Buyer propensity to substitute
- Relative price performance of substitute
- Perceived level of product differentiation
- Switching costs

**THREAT OF
SUBSTITUTE
PRODUCTS**

WHEN IS PORTER'S 5 USED?

The goal is to assess whether a company **should enter/exit the industry** or find a position in the industry where it can best defend itself against these forces or can influence them in its favor.

Let's understand the framework with an Airline example!





THREAT OF NEW ENTRANTS

THREAT OF NEW ENTRANTS

Is it easy or difficult to enter the market?

- New entrants in an industry bring new capacity and the desire to gain market share. The seriousness of the threat depends on the barriers to enter a certain industry.
- The higher these barriers to entry, the smaller the threat for existing players.
- Examples of barriers to entry are the need for economies of scale, high customer loyalty for existing brands, large capital requirements (e.g. large investments in marketing or R&D), the need for cumulative experience, government policies, and limited access to distribution channels.

THREAT OF NEW ENTRANTS

EXAMPLE:

- The bargaining power of suppliers in the airline industry can be considered very high.
- When looking at the major inputs that airline companies need, we see that they are especially dependent on fuel and aircrafts. These inputs however are very much affected by the external environment over which the airline companies themselves have little control.
- The price of aviation fuel is subject to the fluctuations in the global market for oil, which can change wildly because of geopolitical and other factors.
- In terms of aircrafts for example, only two major suppliers exist: Boeing and Airbus. Boeing and Airbus therefore have substantial bargaining power on the prices they charge.



THREAT OF SUBSTITUTES

THREAT OF SUBSTITUTES

Is there any alternative of your product?

- The existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives. In order to discover these **alternatives** one should look beyond similar products that are branded differently by competitors.
- Instead, every product that serves a similar need for customers should be taken into account.
- Energy drink like Redbull for instance is usually **not considered** a competitor of coffee brands such as Nespresso or Starbucks. However, since both coffee and energy drink **fulfill a similar need** (i.e. staying awake/getting energy), customers might be willing to switch from one to another if they feel that prices increase too much in either coffee or energy drinks.
- Another example: Yoga classes as a substitute (Not competitor) of Karate classes. Both fulfill similar needs
- XYZ Yoga Class, ABC Yoga Class = **Competitors**. But XYZ Yoga Classes & Karate Class = **Substitute**

THREAT OF SUBSTITUTES

EXAMPLE:

- In terms of the airline industry, it can be said that the general need of its customers is **traveling**.
- It may be clear that there are many **alternatives** for traveling besides going by airplane. Depending on the urgency and distance, customers could take the train or go by car. Especially in Asia, more and more people make use of **highspeed trains** such as Bullet Trains and Maglev Trains.
- Furthermore, the airline industry might get some serious future competition from **Elon Musk's Hyperloop** concept in which passengers will be traveling in capsules through a vacuum tube reaching speed limits of 1200 km/h. Taken this altogether, the threat of substitutes in the airline industry can be considered at least medium to high.



BARGAINING POWER OF SUPPLIERS

BARGAINING POWER OF SUPPLIERS

How easy it is for suppliers to drive prices?

- This force analyzes how much power and control a company's supplier (also known as the market of inputs) has over the potential to raise its prices or to reduce the quality of purchased goods or services, which in turn would lower an industry's profitability potential.
- The concentration of suppliers and the availability of substitute suppliers are important factors in determining supplier power. **The fewer there are, the more power they have.**
- Businesses are in a better position when there are a multitude of suppliers. Sources of supplier power also include the switching costs of companies in the industry, the presence of available substitutes, the strength of their distribution channels and the uniqueness or level of differentiation in the product or service the supplier is delivering.
- Always remember: Less in number = More power

BARGAINING POWER OF SUPPLIERS

EXAMPLE:

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BARGAINING POWER OF BUYERS

BARGAINING POWER OF BUYERS

How easy it is for buyers to drive prices?

- The bargaining power of buyers is also described as the market of outputs. This force analyzes to what extent the customers are able to put the company under pressure, which also affects the customer's sensitivity to price changes.
- The customers have a lot of power **when there aren't many of them** and when the customers have many **alternatives** to buy from.
- Moreover, it should be easy for them to switch from one company to another. Buying power is low however when customers purchase products in small amounts, act independently and when the seller's product is very different from any of its competitors. The internet has allowed customers to become more informed and therefore more empowered.
- Customers can easily compare prices online, get information about a wide variety of products and get access to offers from other companies instantly. Companies can take measures to reduce buyer power by for example implementing loyalty programs or by differentiating their products and services.

BARGAINING POWER OF BUYERS

EXAMPLE:

- Bargaining power of buyers in the airline industry is **high**.
- Customers are able to check prices of different airline companies fast through the many online price comparisons websites such as Skyscanner and Expedia.
- In addition, there aren't any switching costs involved in the process. Customers nowadays are likely to fly with different carriers to and from their destination if that would lower the costs.
- Brand loyalty therefore doesn't seem to be that high. Some airline companies are trying to change this with frequent flyer programs aimed at rewarding customers that come back to them from time to time.



RIVALRY COMPETITION

RIVALRY COMPETITION

How intense is the competition in the market?

- This last force of the Porter's Five Forces examines how intense the current competition is in the marketplace, which is determined by the number of existing competitors and what each competitor is capable of doing.
- Rivalry is high when there are a **lot of competitors** that are roughly equal in size and power, when the industry is growing slowly and when consumers can easily switch to a competitors offering for little cost.
- A good indicator of competitive rivalry is the **concentration ratio** of an industry. The lower this ration, the more intense rivalry will probably be. When rivalry is high, competitors are likely to actively engage in advertising and price wars, which can hurt a business's bottom line.
- In addition, rivalry will be more intense when barriers to exit are high, forcing companies to remain in the industry even though profit margins are declining. These barriers to exit can for example be long-term loan agreements and high fixed costs.

RIVALRY COMPETITION

EXAMPLE:

- When looking at the airline industry in the United States, we see that the industry is extremely competitive because of a number of reasons which include the entry of low cost carriers, the tight regulation of the industry wherein safety become paramount leading to high fixed costs and high barriers to exit, and the fact that the industry is very stagnant in terms of growth at the moment.
- The switching costs for customers are also very low and many players in the industry are similar in size (see graph below) leading to extra fierce competition between those firms. Taken altogether, **it can be said that rivalry among existing competitors in the airline industry is high.**

ANOTHER EXAMPLE: MCDONALDS

Threat of new entrants:

- Low switching costs – Strong Force
- Highly variable capital cost – Moderate Force
- High cost of brand development – Weak Force

Threat of substitute products/services:

- High substitute availability – Strong Force
- Low switching costs – Strong Force
- High performance-to-cost ratio of substitutes – Strong Force



Bargaining Power of Suppliers:

- Large number of suppliers – Weak Force
- Low forward vertical integration of suppliers – Weak Force
- High overall supply – Weak Force

Bargaining Power of Buyers:

- Low switching costs – Strong Force
- Large number of providers – Strong Force
- High availability of substitutes – Strong Force

Bargaining Power of Suppliers:

- Large number of suppliers – Weak Force
- Low forward vertical integration of suppliers – Weak Force
- High overall supply – Weak Force



PESTEL ANALYSIS

PESTEL ANALYSIS

Tool/Framework used to analyse the factors that impact an organisation.

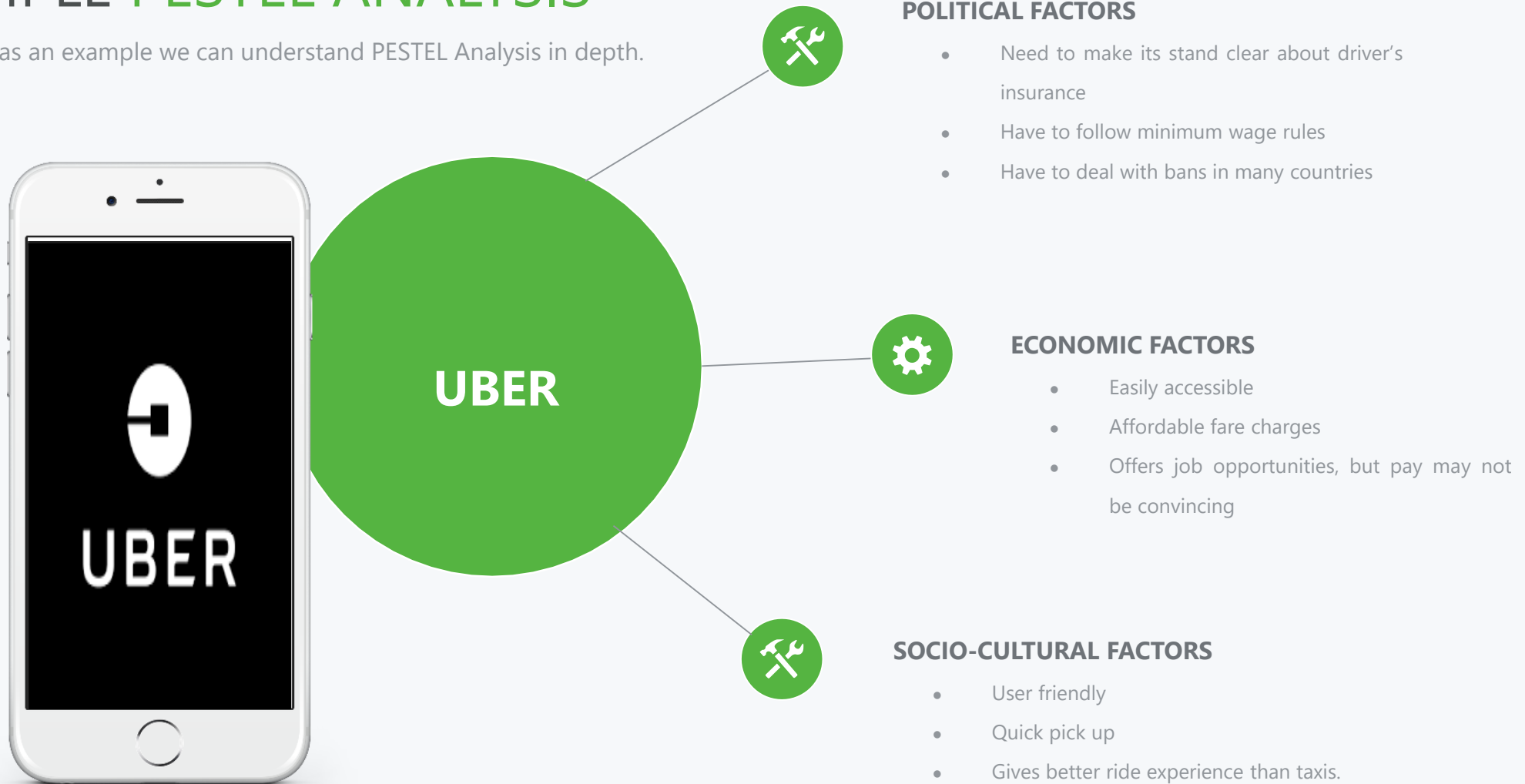


OVERVIEW

P	E	S	T	E	L
<ul style="list-style-type: none">- Government policy- Political stability- Corruption- Foreign trade policy- Tax policy- Labour law- Trade restrictions	<ul style="list-style-type: none">- Economic growth- Exchange rates- Interest rates- Inflation rates- Disposable income- Unemployment rates	<ul style="list-style-type: none">- Population growth rate- Age distribution- Career attitudes- Safety emphasis- Health consciousness- Lifestyle attitudes- Cultural barriers	<ul style="list-style-type: none">- Technology incentives- Level of innovation- Automation- R&D activity- Technological change- Technological awareness	<ul style="list-style-type: none">- Weather- Climate- Environmental policies- Climate change- Pressures from NGO's	<ul style="list-style-type: none">- Discrimination laws- Antitrust laws- Employment laws- Consumer protection laws- Copyright and patent laws- Health and safety laws

EXAMPLE PESTEL ANALYSIS

Taking Uber as an example we can understand PESTEL Analysis in depth.



EXAMPLE PESTEL ANALYSIS

Taking Uber as an example we can understand PESTEL Analysis in depth.



UBER



TECHNOLOGICAL FACTORS

- Excellent mobile app for users
- Using social media and other electronic media well for promotion.



LEGAL FACTORS

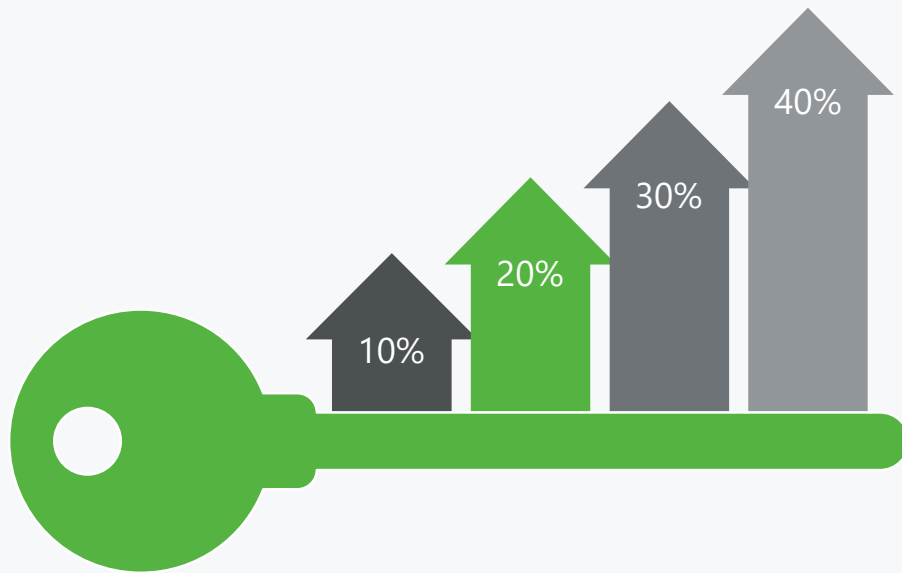
- Need to prevent ban in many countries.
- Need to follow labour and employee safety laws
- Copyright laws need to be looked at.



ENVIRONMENTAL FACTORS

- Fuel usage may increase
- Traffic congestion is a concern.

Why do we need PESTEL ANALYSIS?



PESTEL Analysis helps us identify the EXTERNAL factors that affect a company or organisation

01

METHOD TO EXPLOIT OPPORTUNITIES

Salesforce acquires Tableau in lieu of the growing admiration for Machine Learning and Artificial Intelligence.

02

AWARENESS OF RISKS

Huawei stocking chips and ICs to continue production after the emergence of trade war between India and China.

03

GOOD BUSINESS PLAN

Amazon plans of using drones for delivery of their product.

04

PROPER MARKETING

Doritos making ads without their logo to suit the ad-free movement.



DEMAND & SUPPLY

DEMAND:

Desire of a consumer to buy goods, commodities and services

Factors affecting demand:

- Substitutes
- Shift in prices
- Consumer preferences





SUPPLY

The amount of commodities, services or products available in the market

Factors affecting supply:

- Production capacity
- Product costs
- Competitors

LAWS OF DEMAND AND SUPPLY

01

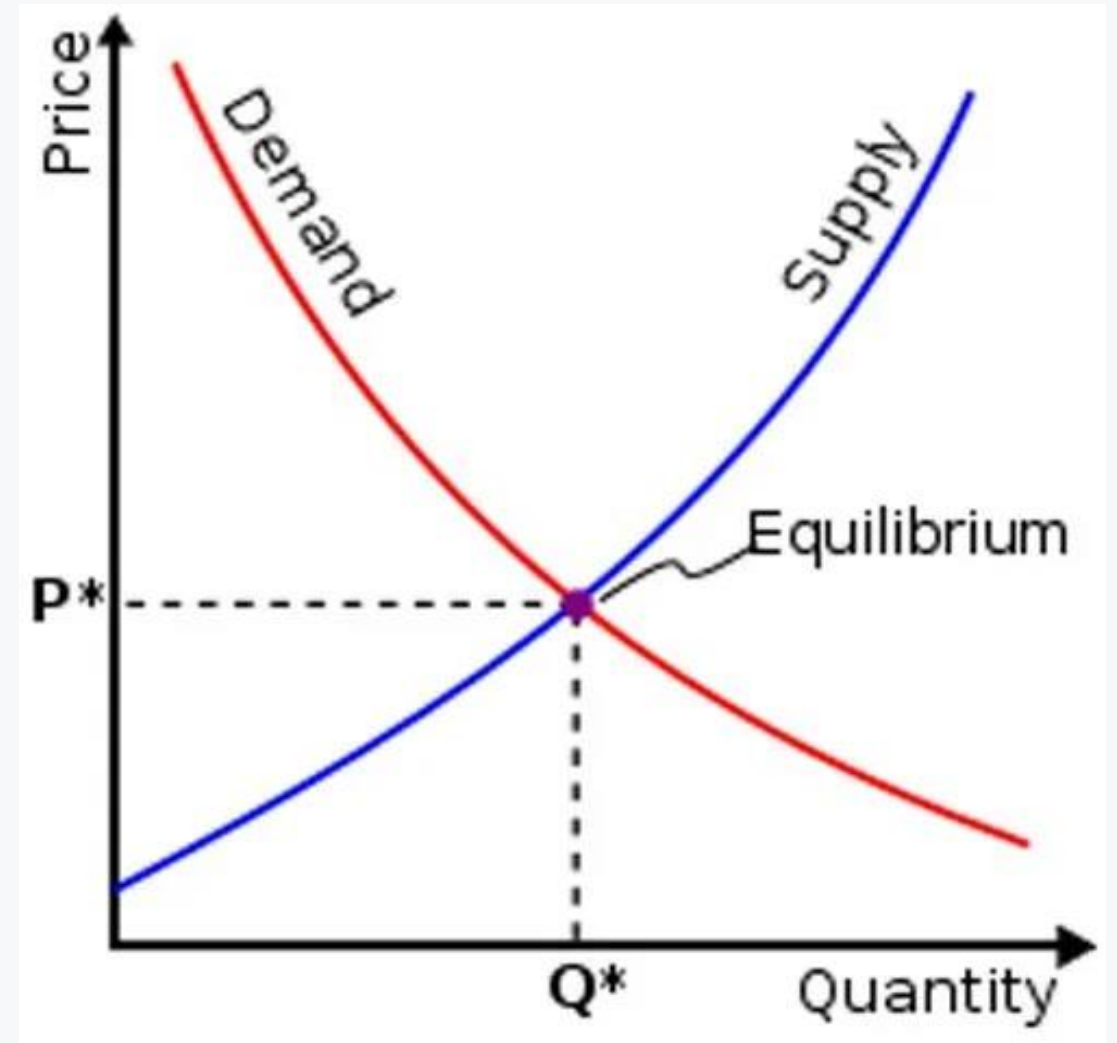
LAW OF DEMAND:

Higher the prices, lower is the demand.

02

LAW OF SUPPLY:

Higher the prices, sellers can supply more of an economic good.



WHEN DO WE USE THE DEMAND AND SUPPLY FRAMEWORK??

To determine whether we use demand and supply framework, we use Porter's Five Forces.

WHERE DO WE USE THIS FRAMEWORK??

- *PRICING*
- *MARKETING*
- *MERGERS AND ACQUISITIONS*

ABC Company is considering adding capacity (e.g., building a new factory), reducing capacity or acquiring a DIRECT competitor. This is a good framework when understanding industry capacity is the ONLY factor. If there are "fit" issues, use the Mergers & Acquisitions "Fit Framework" instead.

Demand	Supply	Cost of Expansion
<p>Determine growth in overall market (How sustainable?)</p> <p>Determine Growth in firm's market share (How sustainable?)</p> <p>Segment sources of demand</p> <ul style="list-style-type: none">* Determine each segments share of total demand* Identify trends in demand by segment <p>Focus on the largest sources of demand and the largest growth rates... use these few "leverage" points help you understand where the majority of demand is heading</p>	<p>Determine industry supply Segment industry supply by market / market segment</p> <p>Identify effect of increases in supply on prices</p> <p>Possible Benefits</p> <p>Introduce technology innovations with capacity expansion</p> <p>Increase productivity -> Lower marginal costs</p> <p>heading</p>	<p>Real costs (can the firm afford it)</p> <p>Opportunity cost</p> <ul style="list-style-type: none">- payback period- break even point <p>Alternatives</p> <ul style="list-style-type: none">- outsource- lease- sub-contract

THINGS YOU MUST KNOW!!



SOME IMPORTANT CONCEPTS

FEW INDUSTRY JARGONS

Inset some short and brief lorem ipsum explanatory text about title here

CAGR

The **Compound Annual Growth Rate** (CAGR) is the percentage rate at which investment must grow in each year to reach a given end value over a certain amount of time.

$$CAGR = \left(\frac{\text{Ending Value}}{\text{Beginning Value}}^{\frac{1}{\text{No. of Years}}} - 1 \right) \times 100\%$$

BREAK-EVEN ANALYSIS

The gist of **Break-Even Analysis** cases is that the Fixed Costs—need to be overcome by making profit from sales of products.

“How many units do I have to sell in order to overcome my Fixed Costs, i.e., to ‘Break Even’?”

CONSULTING & ANALYTICS CLUB

RETURN ON INVESTMENT

Return on Investment (ROI) is a ratio that determines the return, from capital invested. ROI is used to assess feasibility

$$ROI = \frac{\text{Profits (Revenue - Costs)}}{\text{Capital Invested}} \times 100\%$$

NET PROFIT MARGIN

It refers to the total Net Income of a company or business line as a percentage of its Revenue

$$\text{Profit Margin} = \frac{\text{Net Profits}}{\text{Total Revenue}} \times 100\%$$

PRODUCT LIFECYCLE

Important for market sizing problems, the **Product Life Cycle** helps to calculate and project the annual market size for a given market/industry. It is often used by companies to project their own anticipated Revenue figures.

$$\text{Total Market Size} = \frac{\text{Total outstanding revenue}}{\text{Product Lifetime}}$$



GDP

Gross Domestic Product

GDP

GDP is the monetary value of all finished goods and services made within a country during a specific period.

Provides an economic snapshot of a country, used to estimate the size of an economy and its growth rate.

Helps to predict threats such as a recession or inflation looming on the horizon.

Tracks the health of a country's economy.




How *Inflation* Has Changed the Price of a Cup of Coffee Over Time



INFLATION

Inflation is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling.



It has a direct effect on company's financial statements and will increase the cogs and other expenses of company.



Makes impact on company's profitability and sustainability in the competitive market.

How Does Inflation Work?

Inflation represents the rate at which the cost of goods and services increase over a period of time.

Demand-Pull



Cost-Push



Built-In





NPV

Net Present Value

NPV

Net Present Value

- It is basically the difference between the present value of inflows and the present value of outflows.
- It indicates how much value an investment or project adds to the firm.

□ FORMULA:
$$NPV = \sum_{t=1}^n \frac{C_t}{(1+k)^t} - C_0$$

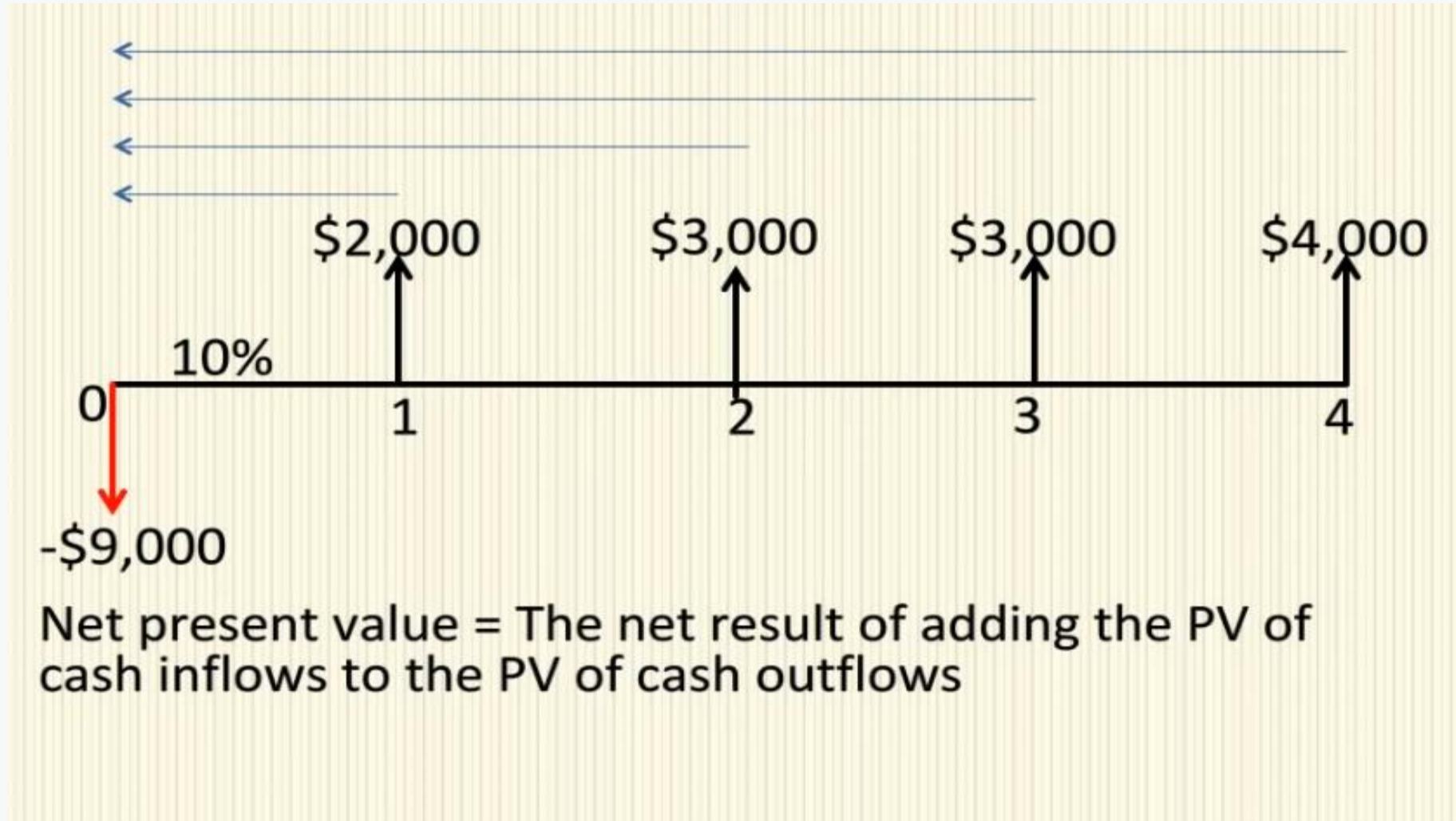
C_t=cash inflow in the period t

C₀=cash outflow of today

K=required rate of return

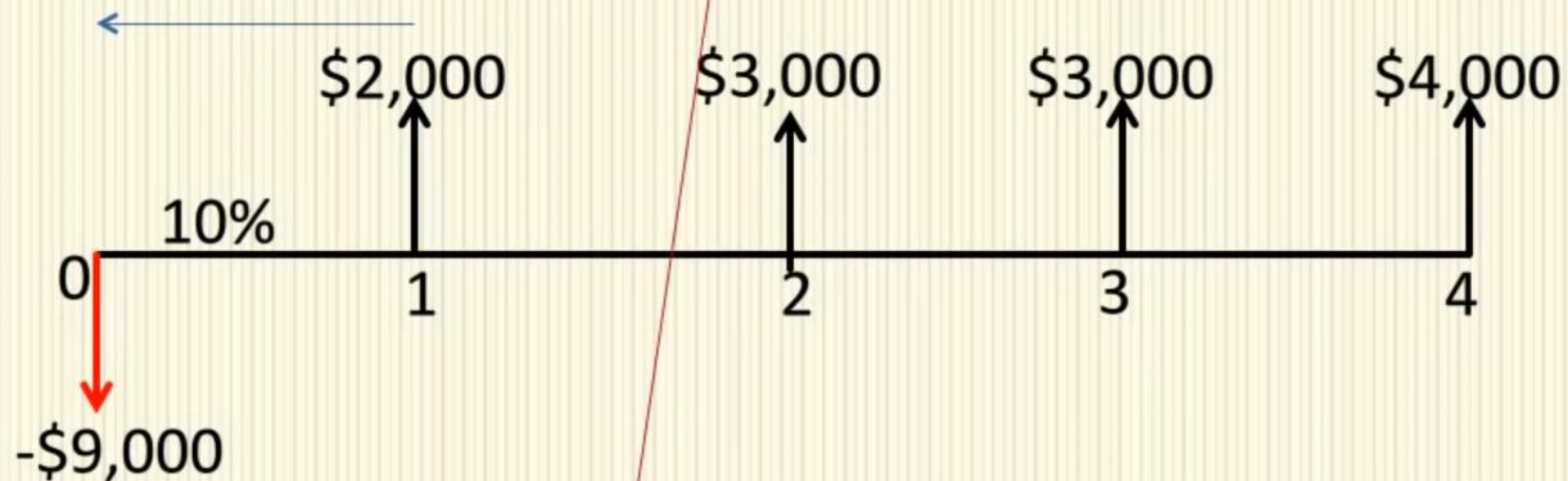
T=time period

EXAMPLE



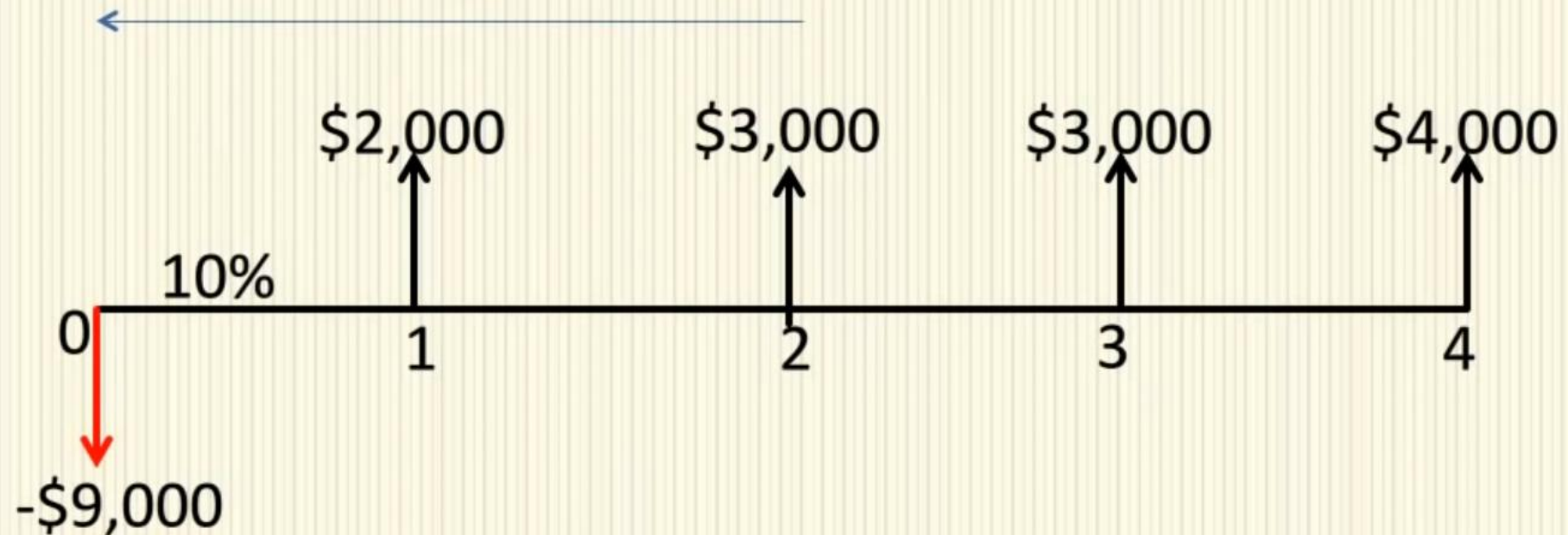
PV of the \$2,000 Cash Flow

$$FV = PV(1+r)^n \text{ or } PV = FV/(1+r)^n$$



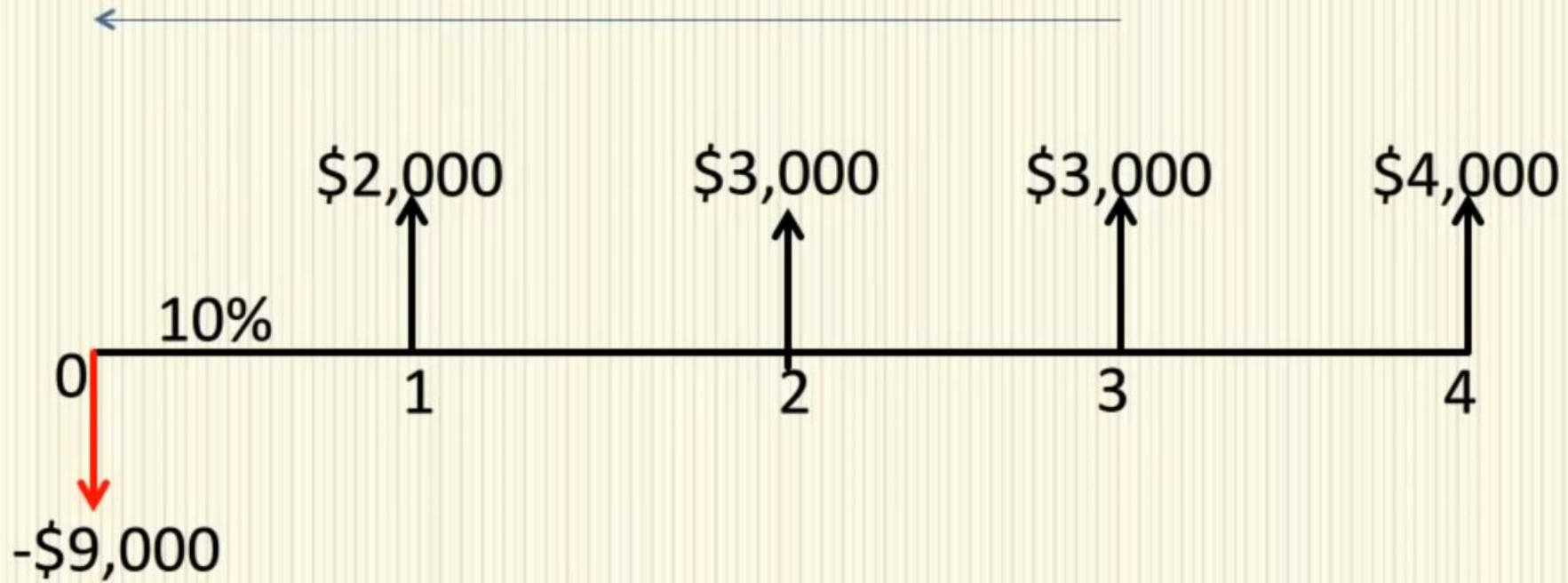
$$PV = \$2,000 / (1.10)^1 = \$1,818.18$$

PV of the \$3,000 Cash Flow (t=2)



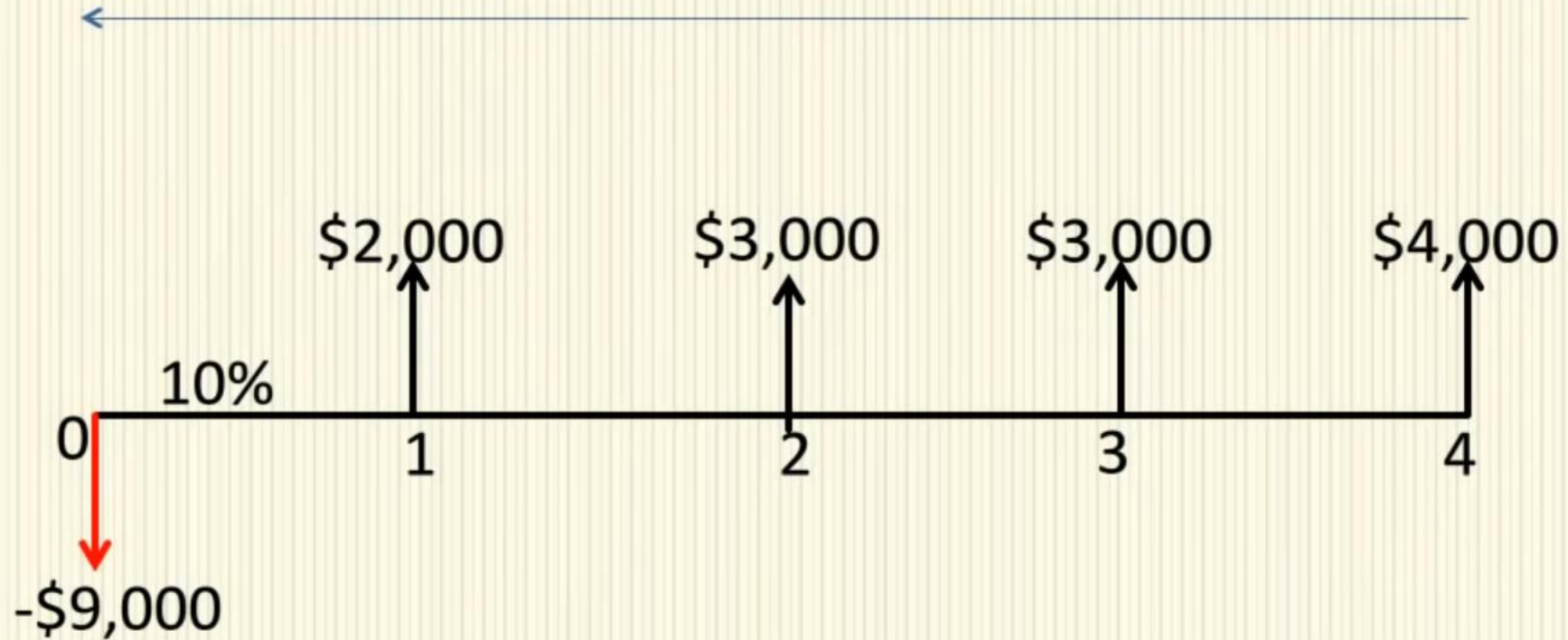
$$PV = \$3,000 / (1.10)^2 = \$2,479.34$$

PV of the \$3,000 Cash Flow (t=3)



$$PV = \$3,000 / (1.10)^3 = \$2,253.94$$

PV of the \$4,000 Cash Flow



$$PV = \$4,000 / (1.10)^4 = \$2,732.05$$

CONCLUSION

$$PV_0 = -9,000.00$$

$$PV_1 = 1,818.18$$

$$PV_2 = 2,479.34$$

$$PV_3 = 2,253.94$$

$$PV_4 = \underline{2,732.05}$$

$$NPV = \$283.51$$

- In our example, the NPV of \$283.51 suggests that the combined PV of all cash inflows exceeds the PV of cash outflows by \$283.51.
- The decision should be: Since the NPV is greater than zero, it would be better to invest in the project than to do nothing, and the company should invest in the project, since it adds \$283.51 to the value of the company.



CASE STUDY TYPES

CASE STUDY TYPES

What are the different case study types?



STRATEGIC TOOLS

WE WILL BE NEEDING FEW FRAMEWORKS AND STRATEGY TOOLS TO GET COMFORTABLE WITH SOLVING CASES.

Solving Cases

Strategic Tools

4Ps

3C1P

SWOT

PORTER'S 5 FORCES

PESTEL

DEMAND AND SUPPLY

Frameworks

Declining Profits

Increasing Profitability

New Product Launch

Customer Acquisition

Competition Response

Expansion

M&A



FRAMEWORKS

MARKET SIZING

Determine the Key Drivers
(Bottom Up or Top Down)

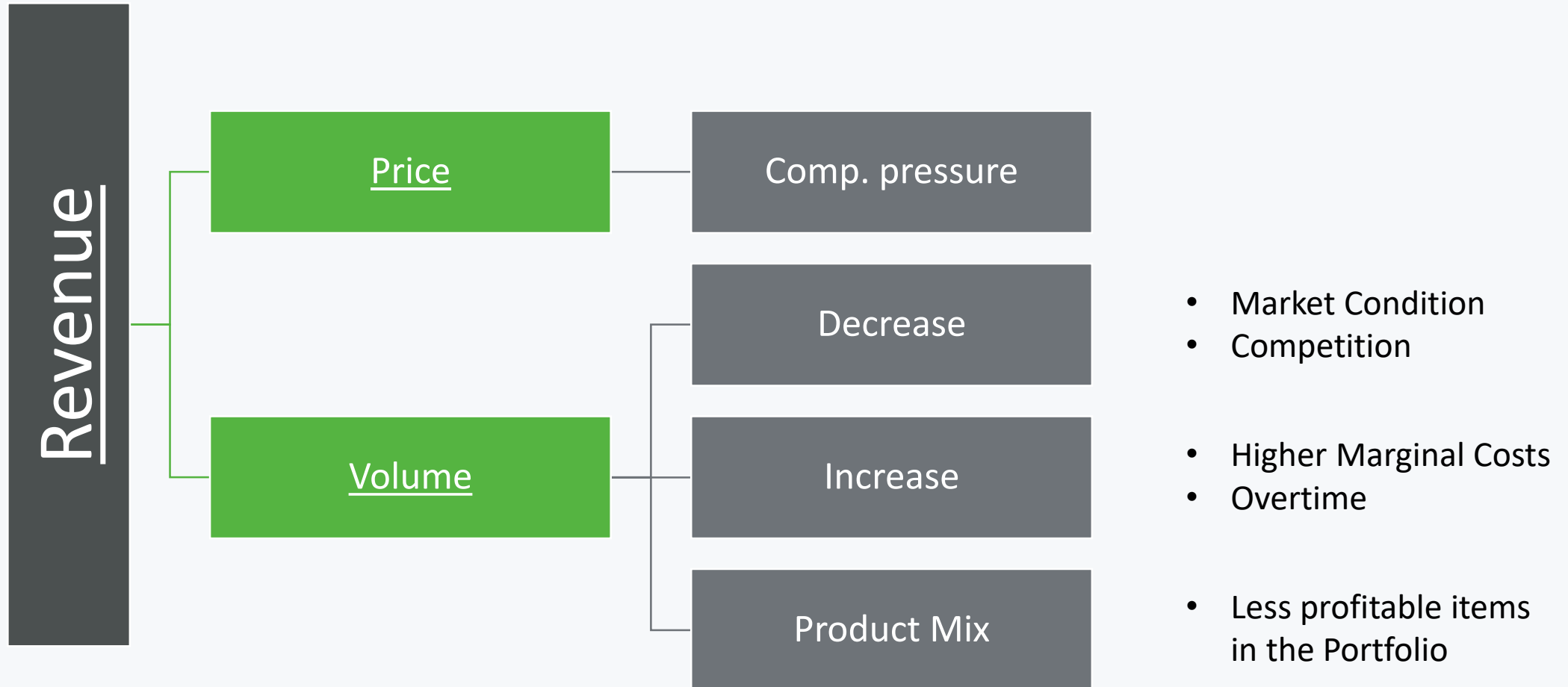
Make Assumptions and state them

Guesstimate (Use Round Numbers)

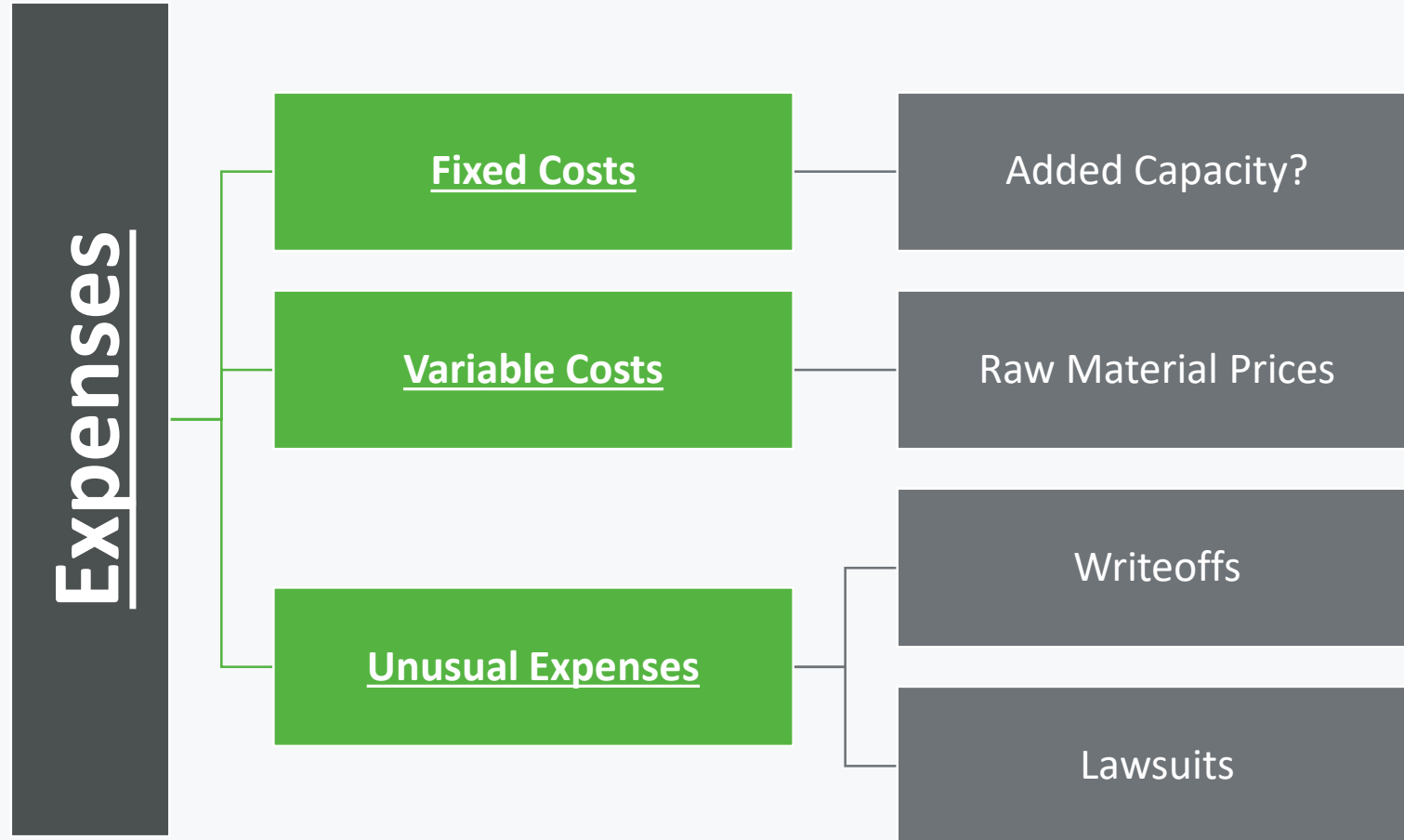
Analyze the results and implications

Adjust the answers logically

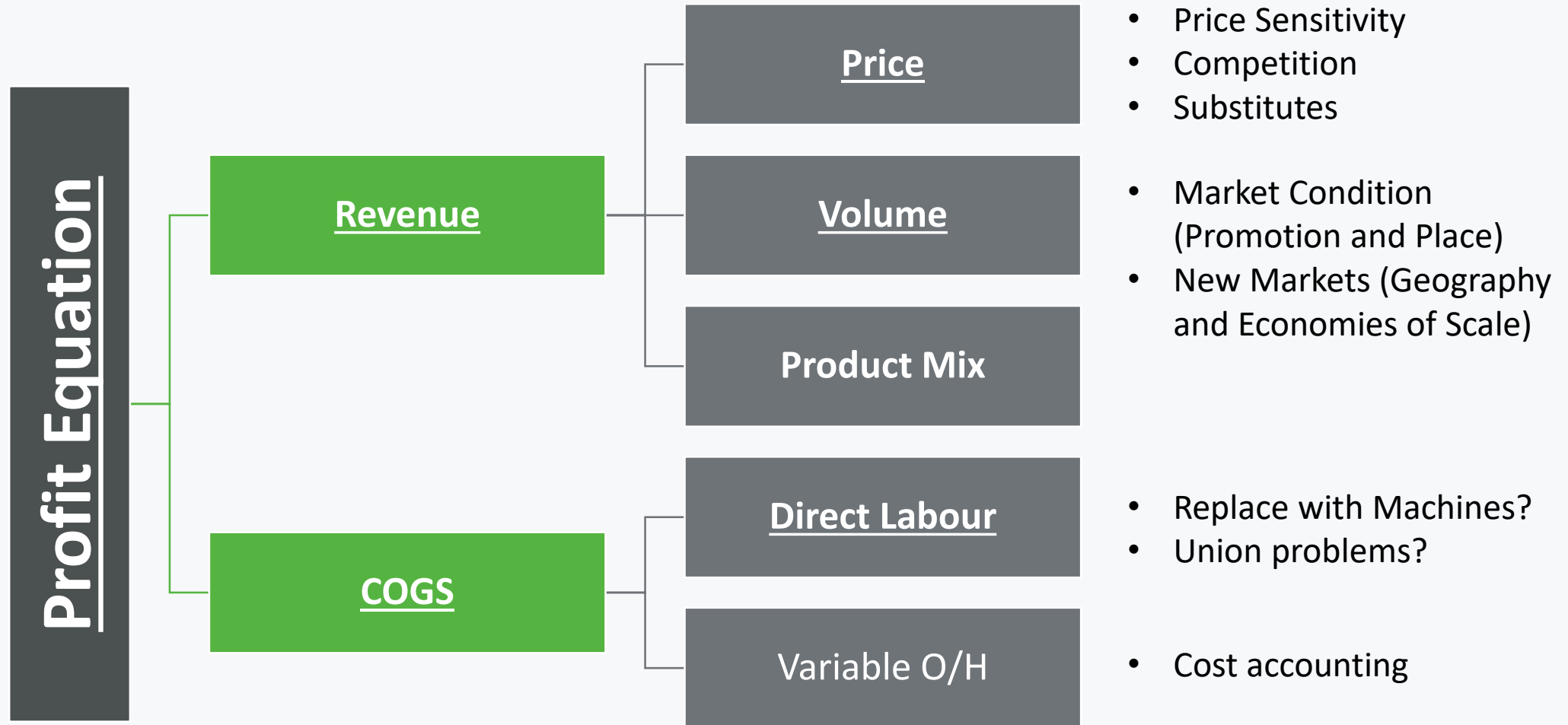
DECLINING PROFITS



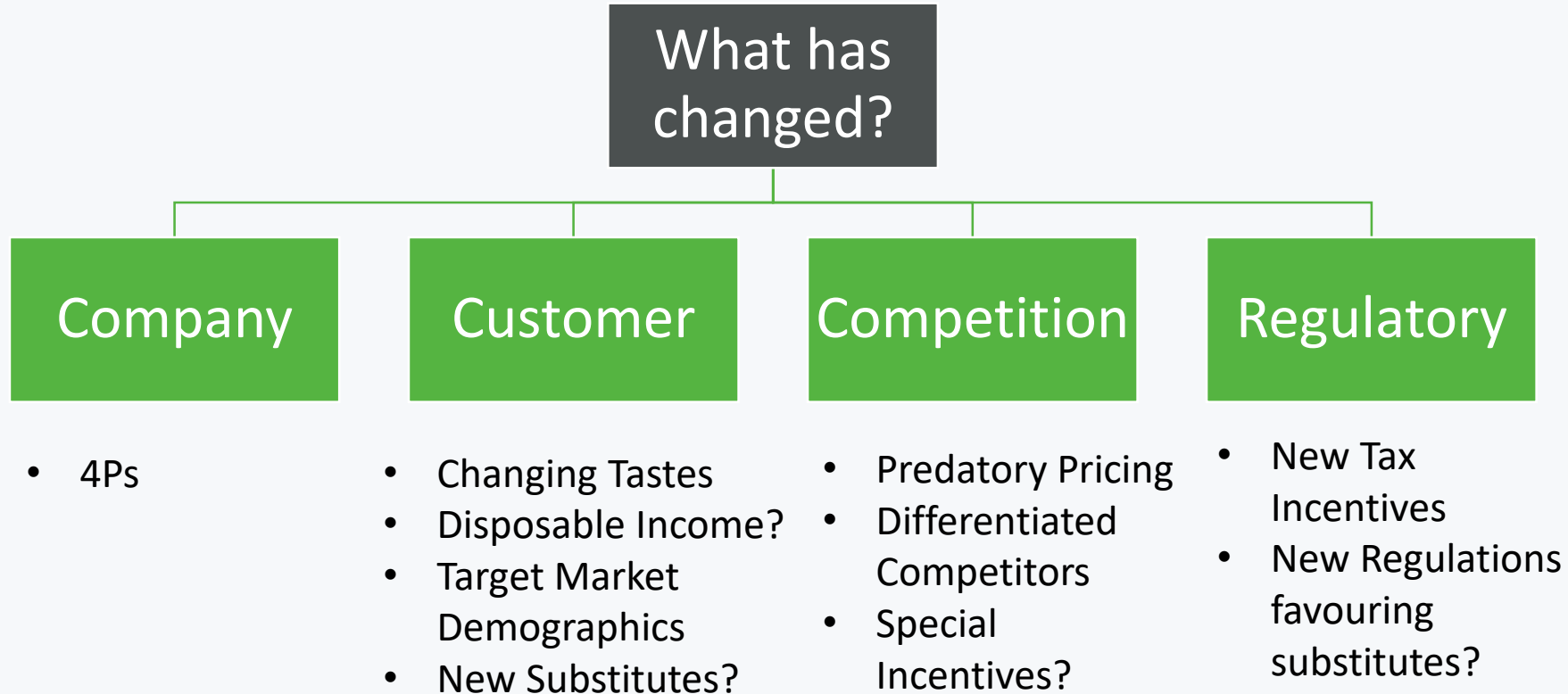
DECLINING PROFITS



INCREASE PROFITABILITY



CUSTOMER TURNOVER



CUSTOMER TURNOVER

- Includes cases when you have to understand customer behaviour
- It could include Customer Retention Cases, or understand Customer Churn Rate.

Start with CCC and Regulations model



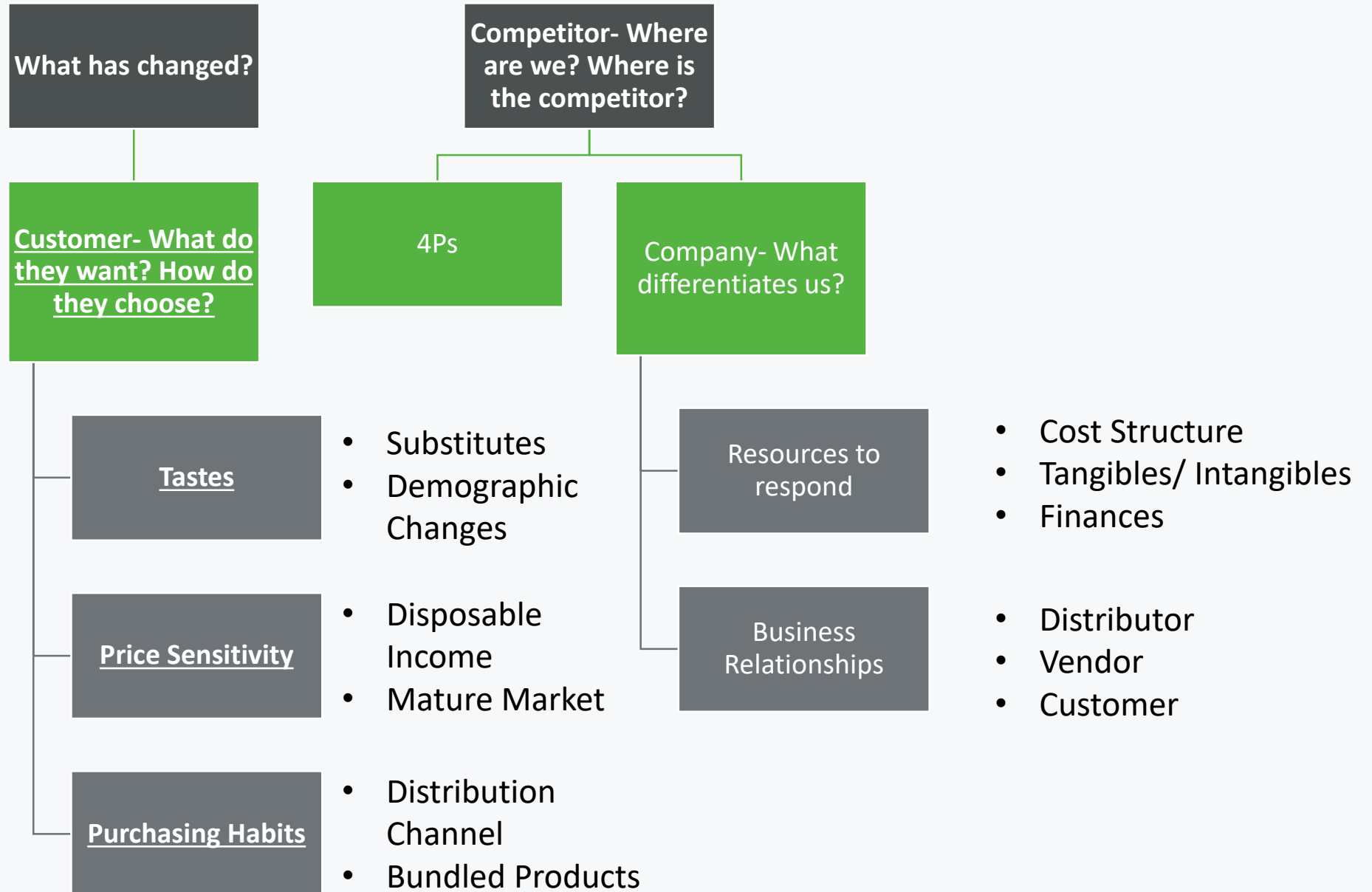
Segment the Customers into different clusters based on Demographic Parameters like Age, Income, Gender etc. and How they contribute to the Business (How regular they are? How much do they spend? Etc.)

Analyse the Company's view to the customer using 4Ps

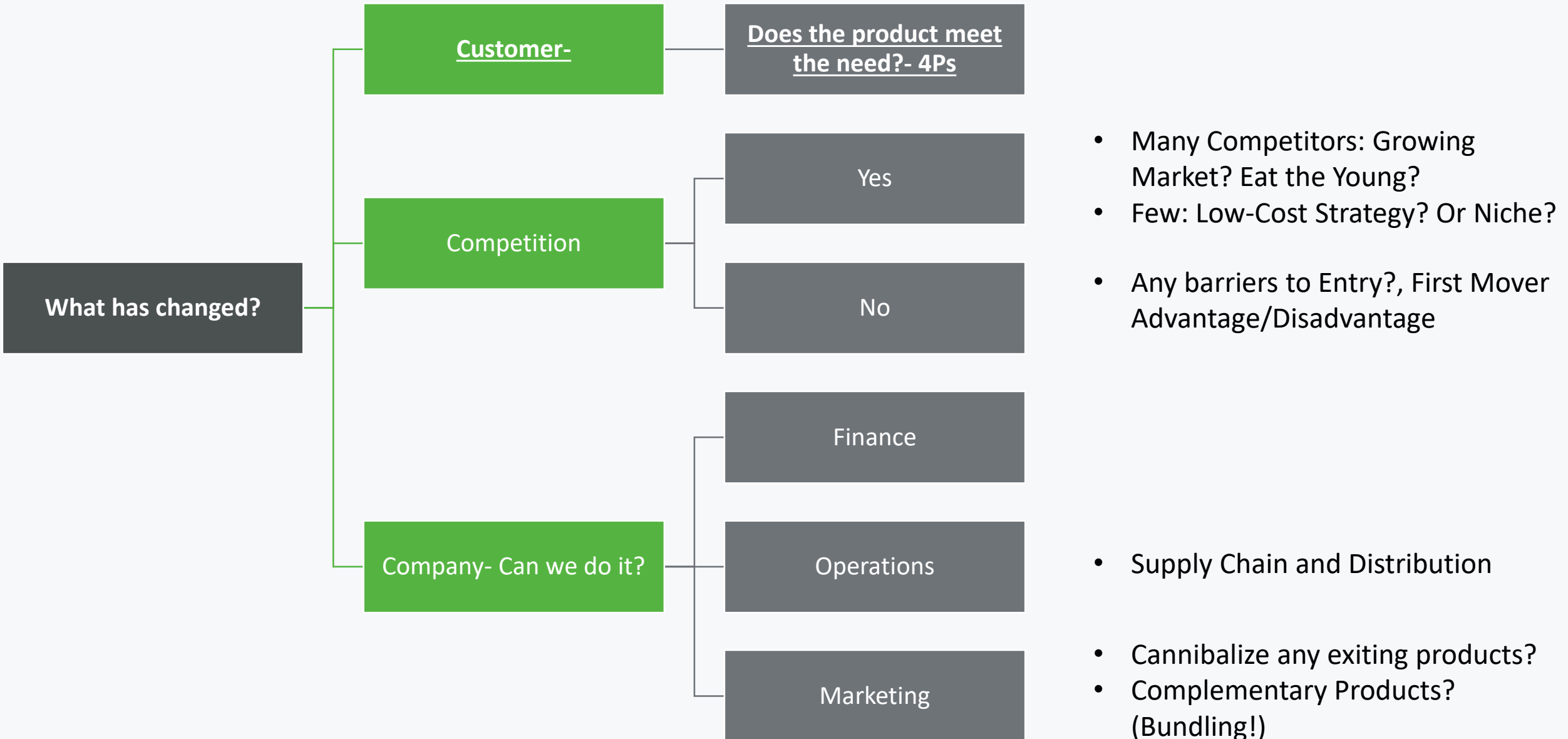
Check How Competitors are "poaching" customers or where they outperform us

Finally, also enquire as to whether there is any government regulation hindering Customers from choosing us (could even be an Industry wide phenomenon)

COMPETITIVE RESPONSE



NEW PRODUCT INTRODUCTION



NEW PRODUCT INTRODUCTION

- Includes cases when a company is expanding its product portfolio

Start with CCC model



```
graph TD; A[Start with CCC model] --> B[Segment Customers and see if the Product meets the need. Then choose an appropriate target audience]; B --> C[Analyse if competition exists. If competition exists think about growing organically or inorganically by acquiring someone]; C --> D[Analyse Barriers to Entry and also, setup a strategy which differentiates the company from competitors]; D --> E[Understand whether the company has the capacity to launch such a product- Finance, Marketing and Operations wise];
```

Segment Customers and see if the Product meets the need. Then choose an appropriate target audience

Analyse if competition exists. If competition exists think about growing organically or inorganically by acquiring someone

Analyse Barriers to Entry and also, setup a strategy which differentiates the company from competitors

Understand whether the company has the capacity to launch such a product- Finance, Marketing and Operations wise

INTERNATIONAL EXPANSION

Internal

- Does it match our Growth strategy?
 - ROE/ROI
- Partner with Local Firm?
- Adaptability
- Autonomy

External

- Customer (difference)
- Methods of conducting business
- Economy, Exchange rates
- Seasonality
- Distribution
- Political Climate
- Local Market
 - Size
 - Competition

Qualitative

- ROI/ Hurdle Rate
 - Cash Flows
 - Amount
 - Timing
 - Discount rate

NEW PRODUCT INTRODUCTION

- Includes cases when a company is expanding its product portfolio

Start with Internal and External Parameters



Make a Market research understanding by taking into account Demand Supplies and checking the Return on Investments in each market

Analyse if competition exists. If competition exists think about growing organically or inorganically by acquiring someone

Analyse how different are the customers in the new markets, how the political and economic scenario is in the place we want to expand

Understand the Local Market Size and Competition and come with a plan phase-wise into understanding When to Enter what sort of markets

M&A- WHY AND SYNERGY (ACQUISITION FIT)

Why Acquire?		
Diversification	Gain Market Share	Geographic Expansion

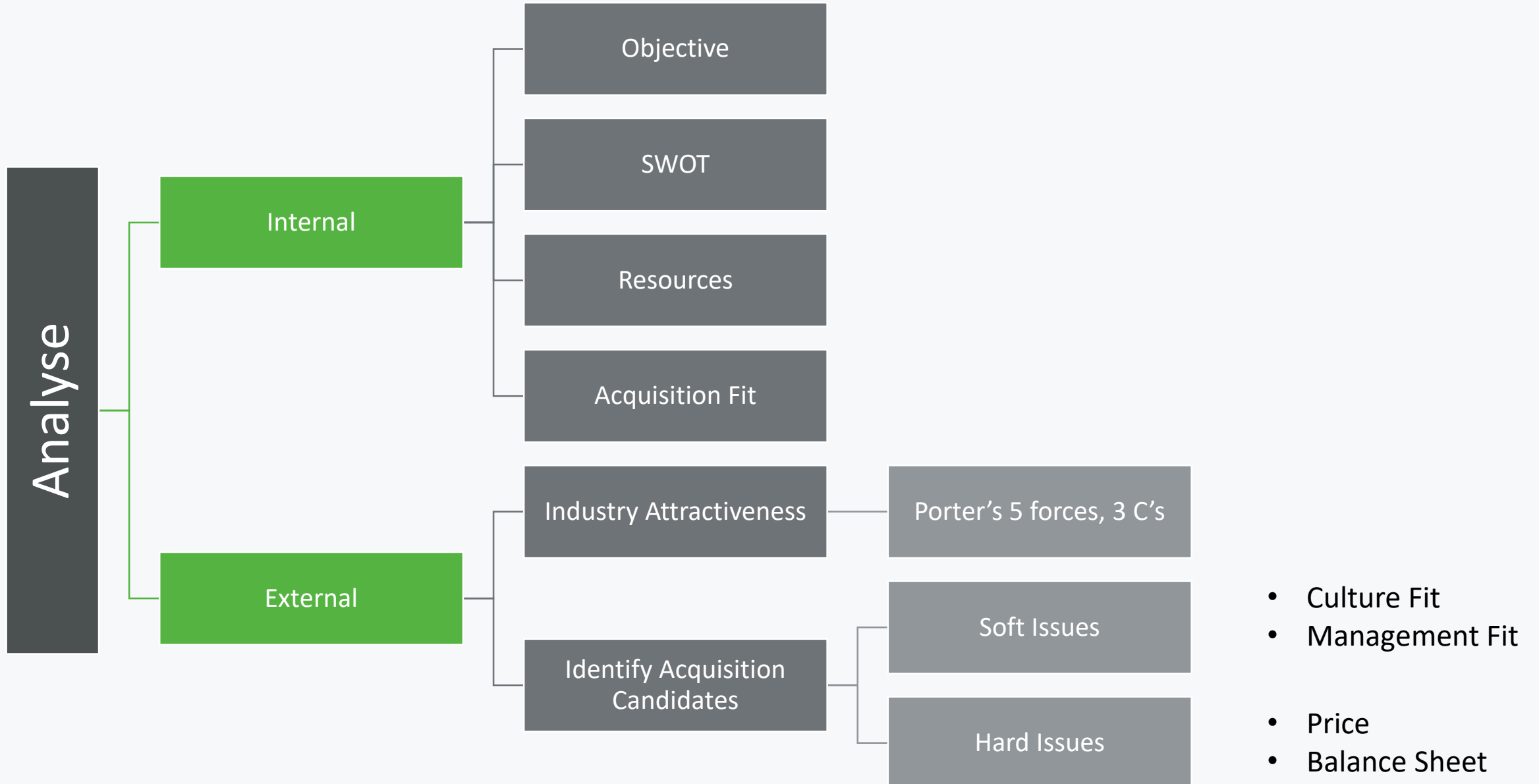
Capacity (Merged A – B) > Capacity (A) + Capacity (B)

	Customers	Products	Company	Competition
Company A	100	50	300	50
Company B	20	40	50	70
Company "A+B"	140	120	400	-

For a successful Merger or Acquisition:

- Synergy between companies really important.
- Fit between companies- extremely important (Stress on Cultural fit as well)

COMPANY ACQUISITION



M&A

- Includes cases when a company wishes to acquire or merge some other firm (could be in the same industry the Parent company operates in or could be different as well!)

Start with Internal and External Parameters



First state the objective of the M&A, do a SWOT analysis on the firm being acquired and check the Acquisition Fit (Synergies)

Focus more on Synergies using 4C model, and see if $A-B > A+B$

See how attractive the Industry (of the firm being acquired) using Porter's 5 Force Analysis (If the Parent Company operates in a different Industry to the firm being acquired)

Understand Hard and Soft Issues. Even though Hard issues like Revenue and Balance sheet might seem more important, stress on soft issues like a cultural fit between the two companies as well



MINI FRAMEWORKS

COSTS AND BENEFITS

A simple concept to understand What goes in and What comes out



COSTS AND BENEFITS

Costs are things the company spends on

Benefits are the things that can be achieved by the company



Straight Forward



User Friendly



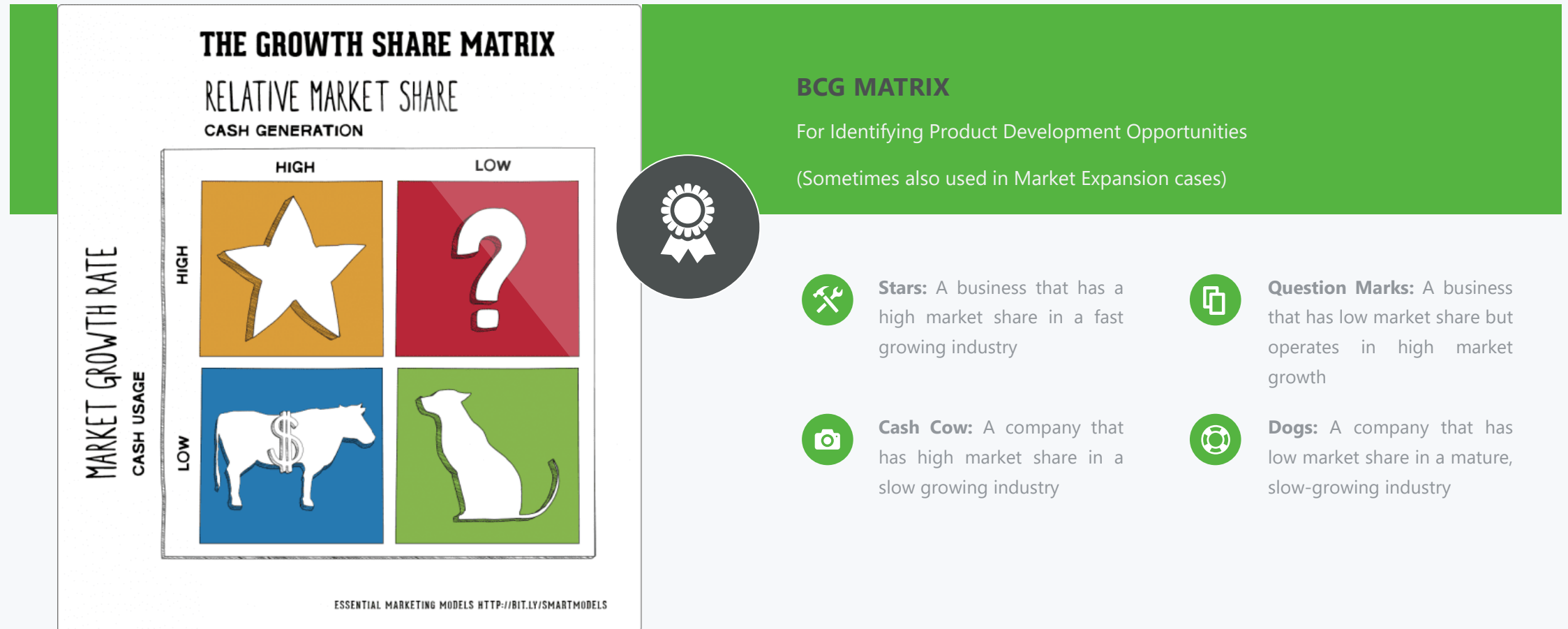
Turn it into a discussion with the interviewer



Pros Cons list in proper Consulting terms

BCG MATRIX

For people sitting for BCG, little icing on the Cake to impress the interviewer!



SOME HELPFUL TIPS:

- It is also **very important for you NOT to directly apply these frameworks**, i.e., you should never say during a case interview, "**I'm going to use the 4Cs framework**," or "I'll be applying Porter's Five Forces." This approach indicates no creative or analytical thought on your part! The more comfortable you become with these frameworks, the more you will start to develop your own and customize them according to the nature of the case.
- Keep in mind that the case interview is also an interview of interpersonal skills. The interviewer will be looking at your poise, confidence, communication skills, enthusiasm, energy, persuasiveness, etc.
- When the case is presented, **make sure you fully understand the question** and write it down, capturing all of the relevant details. Ask questions to clarify any ambiguities and reiterate the situation back to the interviewer before you begin the analysis.
- **Take a minute** to capture your thoughts on paper. As much as you might have the urge to, DO NOT start talking about the analysis right away. Politely ask if you can take a few moments to write your thoughts down. Almost always the interviewer will be expecting it, and will be glad to give you time to structure your framework.
- Remember, do not try to force the case into a specific framework or use a framework verbatim like the 4Cs or Porter's Five Forces. Incorporate your own various concepts as necessary.

SOME HELPFUL TIPS:

- Briefly walk your interviewer through your framework. Explain the path you want to take, outlining your rationale for choosing it.
- Ask relevant questions to gain further insight. Remember, **asking the right questions is key**. You are only given information to the questions that you ask, and if you make assumptions, state them clearly.
- Do not rush to get to "a solution." You are being evaluated, most importantly, on your logic and the process of your analysis. The recommendation you give at the end is only as sound as the thought process you used. So **think out loud!**
- Even though there might not be "a right answer," there certainly are approaches that are better than others. Stay focused on the problem at hand. Do not digress into detail that may not shed light on the issue just to sound impressive. You will not!

SOME HELPFUL TIPS:

- Use nice and easy numbers whenever you are estimating market size, price, costs, etc. You do not want to start factoring decimals.
- Develop clear and decisive recommendations. Provide options and a recommendation based on your analysis as to which solution is most suitable to achieve the objective at hand.
- **Practice. Practice. Practice.** Cracking the Case is mostly a developed skill. Understand the reasoning behind each case. The more cases you practice, the more you will be exposed to the different problems and the more you will be prepared. Leave nothing to chance. Good Luck!!!

FURTHER READINGS

- *CASE INTERVIEW SECRETS* by Victor Cheng (**Highly recommended**)
- *Case in Point* by Marc Costentino (**Contains good explanation on all Frameworks used in general**)
- IIM Ahmedabad Casebook 2019-2020
- *The McKinsey Way* by Ethan M. Raisel
- <http://igotanooffer.com>
- <http://www.caseinterviewsecrets.com>
- <http://craftingcases.com>
- <http://www.investopedia.com>

THANK YOU!