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IIM AHMEDABAD CONSULT CLUB

IIM A Consult Prep Book

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Introducing the IIMA Consult Prep Book

This year, the Consult Club, IIM Ahmedabad, is proud to present the **10th edition** of the IIMA Case Book, an all-in-one document that bundles all key resources required to ace consulting interviews as one ready-to-use document. This preparation document aims to equip the readers with a holistic understanding of the highly featured case types in consulting interviews. Each case type is supplemented by an exhaustive and tried-and-tested framework(s) that can be used to solve these cases and nudge the reader toward developing a critical-thinking approach and problem-solving mindset. The cases and the guestimates in this document draw from the real-life interview experiences of candidates with leading consulting firms to keep the content relevant.

This edition of the case book has **21 new cases** across the 6 case types. We have **overhauled** our **Panorama Reports**, a collection of industry reports to deepen the reader's knowledge base. The format of these reports has been updated to offer sharp and relevant insights into **20 industries**, with **8** new industries added in this edition to keep up with the emerging trends in the market. We recommend supplementing case practice with these industry reports to capture industry-specific learning better. Beyond this, there is an added **focus** on Due Diligence, Mergers & Acquisitions, Pricing, & Digital Transformation case types to offer a well-balanced case prep roster.

While preparing for case-solving, the goal is to develop the consulting thinking-process and that there is no one right solution for any case statement, be it the cases in this document or the final interview questions. Hence, we have added a case that is solved through **two different approaches** to highlight the multiple paths for problem-solving. The case book also contains a compilation of the Key Frameworks to reference while structuring case solving, a Consulting Primer, and a Toolkit with a list of tips and tools to aid preparation. We sincerely hope this document provides you with what you need to ace your consulting interviews! And lastly, a massive shout-out to the Consult Club IIMA team, who worked incredibly hard to deliver this case book!

Riddhi Sharma
Coordinator, Consult Club, 2023-24

Acknowledgements

IIMA Casebook

We are grateful to all the people that have helped by sharing their cases and interview experiences, which has enabled us to put together a comprehensive preparation resource for the future batches.

We would like to thank Aditya Doiphode, Akash Bhardwaj, Naman Biyani, and Shashank Kudlur (PGP 2022-24) for leading the Case Book initiative and putting together this edition of the IIMA Case Book. We would also like to acknowledge the efforts of Ashraya Maria, Kushagra Sachdeva, and Shruti Gupta (PGP 2023-25) for helping the club put together this case book. They have ensured breadth and depth in the cases to give the reader a comprehensive view of the kind of cases they may be administered.

Panorama Reports

We would like to thank Anantha Varshitha, Hemanth Raja, Kaushik Vyas (PGP 2022-24) for leading the Panorama Reports initiative and putting together this revamped edition. We would also like to acknowledge the efforts of Abhijit Bhalachandra, Anjanee Khosla, and Gaurav BN (PGP 2023-25) for helping the club put this together. They have ensured that the analysis of all major industries relevant for consulting preparation are presented in a thorough, yet easy-to-understand manner.

We would like to thank Samridhh Sharma, Head, Publications, Consult Club (PGP 2022-24) for leading all these initiatives with thorough professionalism and delivering this integrated output.

We would also like to extend a special acknowledgement to Akanksha Gupta, Harshvardhan, Jatin Gupta, Varun Vaziraney (PGP 2023-25), and Sanjana Karthikeyan (PGP 2022-24) who supported the Publications team, the contributors of the previous editions of the IIMA Case Book as well as numerous Consult Club alumni whose feedback, over the years, has shaped this document. We would also like to thank students of the PGP 2022-24 and 2023-25 batches, many of whose submissions have added unmatched richness to the Prep book.

We would also like to extend heartfelt gratitude to Mr. Tushar Patel for generously letting us use his beautiful photographs of the IIMA Campus.

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How to use this book?

While reading this Case Book, we suggest the reader should use the interview transcripts to set up a case between 2 people (or groups), and after solving the case, the solution process sheet should be looked into to gain a broader understanding of the approach and areas of improvement.

The frameworks are there to give a direction initially to new case-solvers and should not be treated as a fixed boundary but could be utilized by the reader to cover any case which comes up their way according to their own logical structure. Also, the reader should leverage the recommendations, tips, and suggestions to apply learnings from one case to another.

Remember, the journey is as important as the destination. Case preparation is a group exercise with individual self-preparation as well.

Also, all cases are linked to the Panorama report of the industry they are concerned with. It is advisable to go through the reports to get a better understanding of the industry. The first page for each industry is meant to narrate a story to aid understanding while the two following pages will give a deep-dive into the industry

We wish you the best of luck in your case preparation journey!

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CONSULT CLUB

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★ Indicates the latest additions to the casebook

Structure of a Consulting Case Interview

Interviews usually test the candidates on both or any of the following criteria:
- Personality/behavioural questions (through HRQ)
- Problem solving (through cases and/or guesstimates)

Personality / Behavioural (through HRQs)

Candidates are strongly advised to be prepared for any kind of question that may pop-up from the information mentioned in their CVs, particularly past work experience, internships or projects, besides the most famous questions like what are your strengths and weaknesses, why consulting, why this particular firm.

Problem Solving (Case Interviews)

- <u>Expectations</u>
  Case interviews are used to measure candidates' ability to assess an unfamiliar situation, uncover relevant and minute details while applying their thought process to come up with one or more possible solutions to the problem, and finally communicating their recommendations in a structured manner.

- <u>Approach</u>
  The basic approach to solving a case interview is: First, understanding the problem and requirements, then identifying a structure that would help one solve the problem, then analysing the information available and finally, reaching a conclusion & giving recommendations

How to Approach a Case Interview

Understand & clarify the problem statement

- Candidates must be absolutely sure that they have clearly understood the problem statement, a mistake committed here has the biggest potential to ruin the entire interview.
- Ask clarifying questions in the beginning; someone who asks the right questions is better able to understand the complete problem and has a higher chance to come up with an accurate solution.
- It is not unusual for the interviewer to not divulge all the relevant information at once because they also try to test the candidates on their ability to extract information; the obvious purpose is to see how well the candidate may be able to do the same while interacting with clients.
- Do not make any assumptions unless necessary; if a candidate wishes to do, then its always better to communicate with the interviewer to get them validated.

Structure the problem

- This involves putting all the data received together and making a sense out of it. The A4 sheet technique is very helpful for this, however, candidates may use their own methods according to comfort level.
- Candidates should try to keep their structure as simple as possible because in some cases, the interviewer may ask for the working sheet, and accordingly should be able to understand the approach followed by just glancing at the sheet at once.
- Frameworks can be used for in structuring of data; however, do not try to force fit any framework just for the sake of using it. Also, whenever a framework is used, the candidates should communicate their approach of reaching the solution to the interviewer rather than saying that "I'm using market entry framework".

Analyse the case

- This is the main stage of the problem-solving process wherein the candidates are required to draw inferences from the gathered information. The process is aided by the structure they decide to follow using the chosen framework, if any.
- Candidates should ask two questions to themselves: a) How did this data point look like earlier for us?, and b) How does this data point look like for the competitors?
- It is suggested that candidates develop a hypothesis consisting of various possible solutions, ask leading questions to validate their hypothesis, and keep on narrowing their set based on the discussion. The candidate should continuously communicate with the interviewer to let them know of one's thought process. More often than not, the interviewers will help the candidate get back on track if they see that the person is thinking in the wrong direction.
- In case the candidate realizes that some data is still missing, do not hesitate to ask questions to extract it from the interviewer. No one will provide the information on their own but will surely help if well-directed questions are asked.

Arrive at a conclusion

- This is the last stage of problem-solving and perhaps the determinant of a candidate's success in getting through the interview. All efforts put in thus far are of little use if the candidate is unable to come up with a proper conclusion backed by a logical implementation plan.
- Try to ensure that the recommendations are close to reality since it increases their chances of being implementable in real life scenarios. Remember, concrete solutions fetch more marks than broad vague answers.
- Before finally communicating the solution, do a quick "sanity check", that is, evaluate if the proposed solution, particularly if its quantitative in nature, makes sense or not. This can be done by using bottom-up strategy if the original answer was derived following top-down approach or vice-a-versa.

Some Do's & Don'ts for the Interviews

Do's

- Build rapport: It plays a crucial role in how the interview pans out eventually. The opening interaction, continuous communication and patient-listening skills contribute to building rapport and thus, strengthening the candidature from the communication aspect of the interview.

- Be confident: Remain confident throughout the interview even if there's a feeling that things aren't going as expected. This exhibits an important trait of being able to maintain composure and handle critical situations, which are part and parcel of a consultant's life. Also, it has been seen that the interviewers more likely than not drop hints to help the candidate get back on track, hence, watch out for those in case there's a feeling of getting stuck

- Drive the interview towards your strong zone: The candidates can try to drive the interview towards the areas they are comfortable talking on. This can be done by using examples related to their domain area while answering the questions put forward by the interviewers. However, be mindful of not making it an irrelevant reference or overdoing it if the interviewer isn't interested in talking about that.

- Positive body-language: Try to be positive and cheerful throughout the interaction as it may help to cover a small mistake, if any, the candidate might have committed while solving the case. Further, candidates are evaluated on their overall presentation, that includes body language and communication skills apart from the most sought-after problem-solving skills.

- Closing note: The candidate should end the interview with a smile even if it wasn't the best of the interviews; sometimes even the candidate's positive approach may work in the favour and overshadow a mediocre interview.

Don'ts

- Interrupt the interviewer: This should never be done since there is a risk of missing out on some important information which the interviewer would have otherwise divulged. Further, it gives an impression that the candidate is impatient, and might not be a good team player.

- Assume any information unless explicitly given by the interviewer: Usually on getting a case from a familiar background or applying association rule, candidates tend to presume certain information. This should strictly not be done unless the interviewer gives the information explicitly. However, if a candidate has some prior information, either clarify that through questions from the interviewer or suggest that as a possible solution to the given problem.

- Get bogged down by frameworks: Frameworks are useful in structuring one's thoughts but should not become an impediment to "out of the box" thinking. For instance, an acquisition may be used to improve profitability; however, that would not fall under any of the conventional frameworks.

- Be Mechanical: Candidates are advised not to be mechanical while answering questions related to their personal experience as it gives an impression that the answer has been well rehearsed. Try to read the cues of the interviewers and involve them in the discussions.

- Panic: Mistakes do happen, either in calculations or while speaking on a topic. It is important not to freak out in such moments; rather as soon as a mistake has been committed, be ready to own up and admit it.

Key Frameworks

Profitability Framework

Profitability problems require analysis of revenues and costs of a company to zero in on the cause of decreasing/increasing profitability. Thorough understanding of revenue and cost heads for various industries can help bring out key insights and reach valuable recommendations.

Initial questions

- Get primitive understanding of company: What product/services does it offer? What geography does it cater to?
- Understand whether this is a company specific problem or an industry-wide phenomenon
- Keep in the mind the quantum of profit/losses and the time period

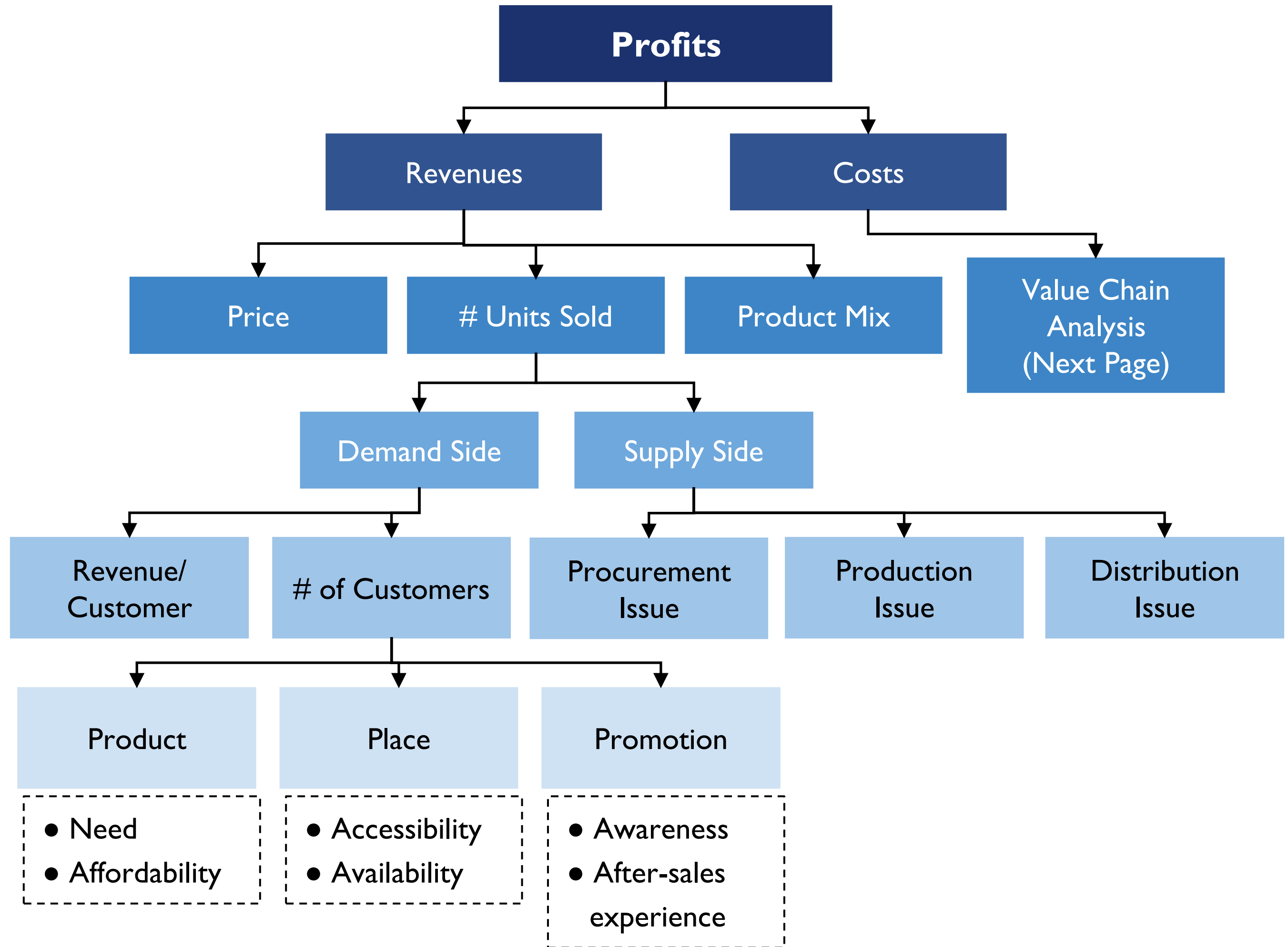
Profit vs Profitability

- Profits are merely a difference of Revenues and Cost, while Profitability refers to profit as a proportion of sales

Units Sold

- It can also be broken down as 'Internal' and 'External' factors; Internal issues being similar to the Supply Side break-down and External issues to be examined via PESTEL analysis
- Demand can be seen as: Market Size * Market Share

Approach/Framework



Profitability Framework

Value Chain Analysis
(Cost-side Analysis)

Research & Development → **Raw Material Procurement** → **Production** → **Storage & Transportation**

Research & Development
- Equipment / Tech.
- Human Capital
- Financing
- Patents

Raw Material Procurement
- Cost of Raw Mat.
- Contracts / Deals
- Supplier Party
- Wastage / Use Efficiency

Production
- Machinery
- Factory Rent
- Electricity
- Labour Hours
- Technology
- Capacity Utilisation
- Packaging
- Defects

Storage & Transportation
- Transport to Warehouse (routes, vehicles)
- Storage Facility (rent, electricity, labour)
- Transport to customer (routes, vehicles)

Distribution → **Marketing** → **After - Sales Support**

Distribution
- Sales Force
- Sales channels
- Training
- Incentives

Marketing
- Channels
- Spend on each channel (physical / digital)
- Conversion rates / channel

After - Sales Support
- Repairs
- Spare Parts
- Returns

- Costs can be also be divided as (depending on the type of problem statement & the information available):
  - Direct & Indirect Costs
  - Fixed & Variable Costs

Market Entry Framework

A market entry case (whether new product launch or entry into new geography or both) is hinged on two basic questions: Is it worthwhile entering the market (economically and strategically) and if yes, what would be the best way to enter the market.

Initial questions

- Always ask about company's objective to enter that particular market
- Get primitive understanding of company: what it does? What product to launch? Previous history with launches & why this particular geography/product launch? What part of value chain does it want to set-up?

Analysis

- It can also be done using Economic Analysis: Mkt. Size * Mkt. Share * (Price - Variable Cost) - Fixed Cost and Operational Feasibility: regulatory/other barriers in setting up a value chain - explore need to partner with others or enter into JVs in each bucket

Approach / Framework

Customer
- Segments
- Needs
- Size & growth
- Target Group
- Market Share

Company
- Product Mix
- Resources
- Key Assets
- Value Chain Analysis (feasibility of setting up: procurement - production - distribution
- Financial Analysis (break-even point)

Competition
- No. of competitors & market share
- SWOT Analysis
- Barriers to entry/exit - regulations

Product
- Gap between customer expectations and available products

How to enter
- Brownfield investment - Acquisitions
- Set up greenfield operations
- Joint venture
- Outsourcing

New Product Introduction Framework

In a new product entry case, a company is likely to aim for introducing a completely new product in a market or expand its existing product's reach in a new geography. An interviewee is expected to first align on the product's viability to succeed in the market followed by identifying the correct price point and target market and finally recommend levers that can drive product success in the market.

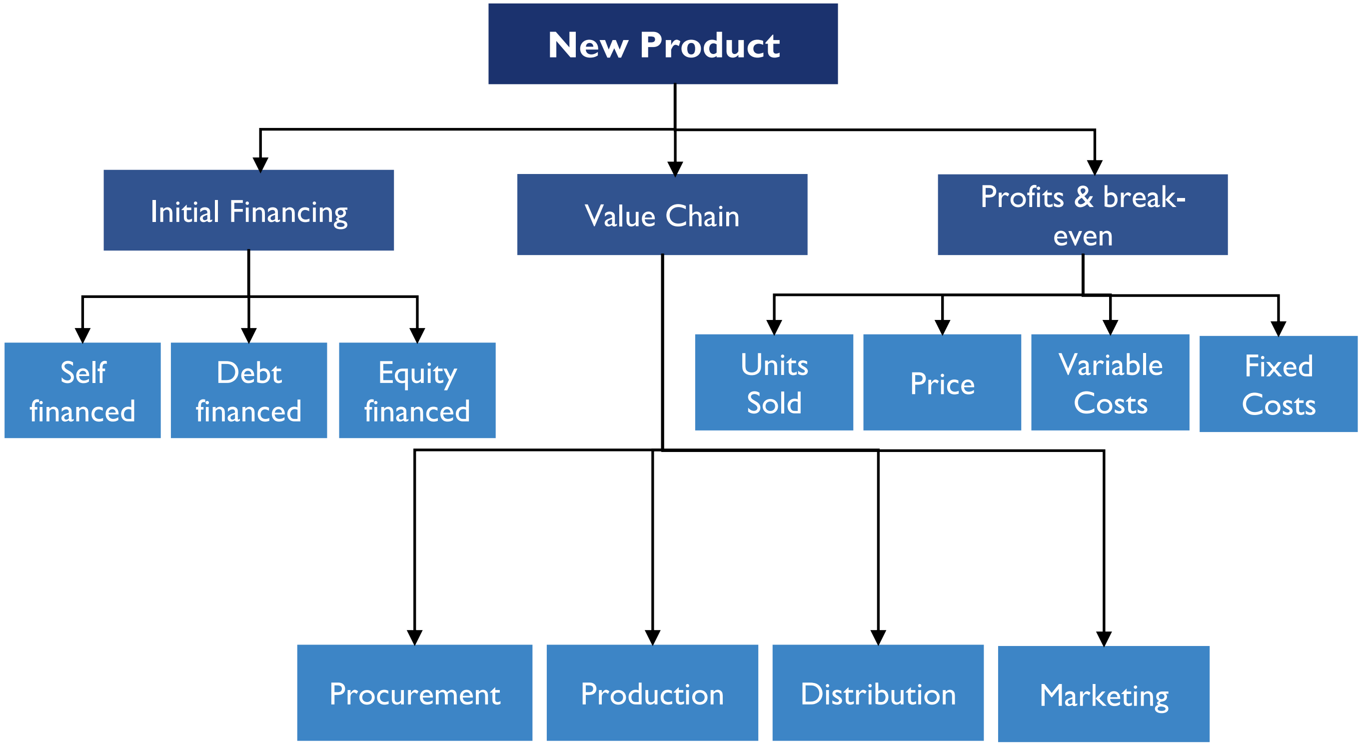
Initial questions

- Always ask about company's objective to launch a new product
- Get primitive understanding of company: what it does? More about the new product, target customers? Previous history with launches & why this geography/product launch? What part of value chain will it operate in?

Analysis

- The pros and cons associated with each bucket have to be brought out in the analysis, with having ready suggestions on how to overcome the possible challenges

Approach/Framework



Pricing Framework

In a pricing case the objective is to determine a methodology for pricing of any product. The product could be a new invention, it could have other competitor products in the market etc. The student should determine the objective of the company, understand the product features and market environment and then apply a relevant methodology to price the product.

Initial questions

- Always ask about company's objective for pricing the product
- Get primitive understanding of company: what it does? More about the product, target customers?
- Depending on objectives of profitability or market share or breaking even, recommend an appropriate approach

Analysis

- Some parameters like Willingness to pay, opportunity cost of having no products might not be directly provided by the interviewer, so try to develop creative proxies for the same which would determine the accuracy of your recommendation

Approach/Framework

Nature of Product

- New invention
- Modification to existing products
- Similar to existing product
- Pricing vis-a-vis another product

Value Based

- Willingness to Pay
- Opportunity cost of having no product
- Supply Demand trade-off

Cost Plus

- Fixed costs
- Variable Costs
- Break-even Analysis

Competitor Based

- Existing products and features
- Reference Price
- Willingness to Pay of current market

Growth Framework

In a Growth scenario, a company is likely to aim for XX% YoY growth. An interviewee is expected to first align the growth targets, followed by validating them, identify pillars that can support the growth targets, and finally recommend how the company can leverage/show go about these pillars.

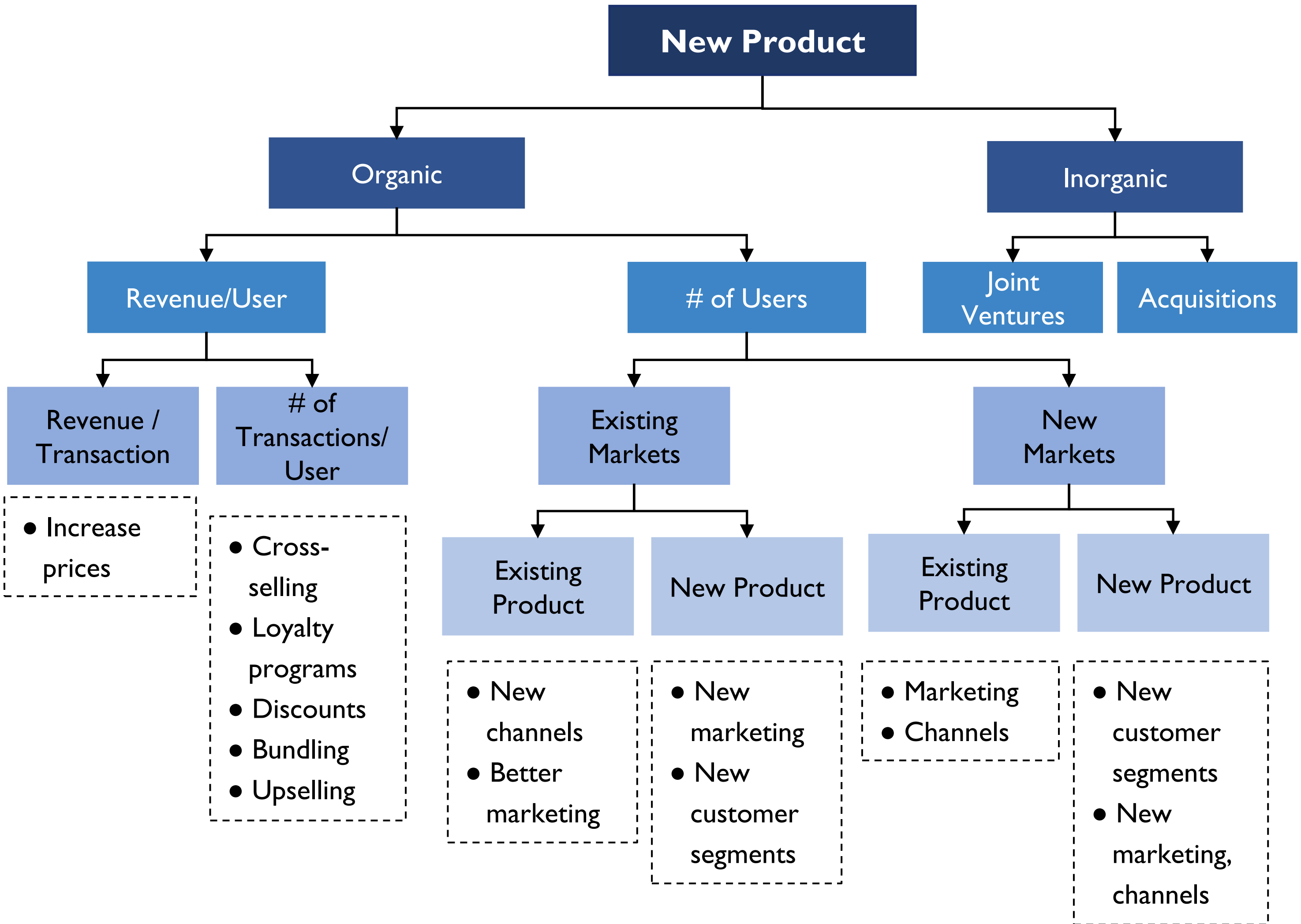
Initial questions

- Get primitive understanding of company: what it does? More about the product, target customers? What geographies?

Analysis

- The framework is a comprehensive version of the Ansoff Matrix, so the probing questions, the analysis and recommendations can be given keeping that in mind
- The creativity around the recommendations in exploring new channels/segments will earn brownie points

Approach/Framework



Mergers & Acquisition Frameworks

Mergers & acquisition provide means of inorganic growth for a company. It is important to evaluate a prospective merger or acquisition using a framework to understand the net benefits the acquirer can receive including financial as well as non-financial factors.

Initial Questions

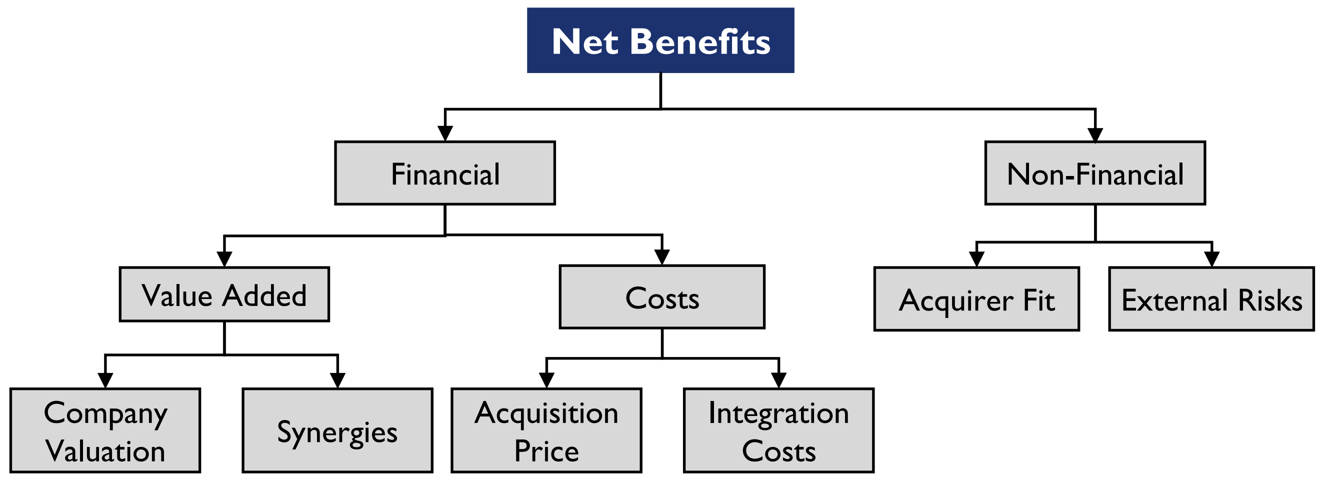
1. Understand client's company

Questions can be asked to learn about client's company, its current state, industry in which it operates, growth strategy and aspirations.

2. Understand target company

Questions can be asked to understand the target's market, market share, profitability, and its competitors.

Approach/Framework



Financial

Value Addition

1. Valuation: Target company's valuation indicate the present value of cash flows it can generate in future based on its current capital structure
2. Synergies: Synergies are additional benefits derived from combined assets of acquirer and target.

Synergies

1. Operational:
   - Revenue – Selling more quantity or higher pricing
   - Costs – Economies of scale/scope, savings in R&D or selling (SG&A) costs
2. Financial: Potential tax savings, (shield) improved leverage ratio, ability to take more debt

Costs

1. Acquisition price: This price is quoted to the acquirer for this M&A. Typically, the price value will be given by the interviewer.
2. Integration costs: Costs incurred during M&A process for integration of IT systems, operation processes and organizational structure.

Non-Financial

Acquirer Fit

1. Cultural Fit: Working norms, countries, entrepreneurial vs corporate, etc.
2. Organizational Fit: Similarity in org structure, talent & skill set overlap, etc.
3. Strategy Fit: Alignment in long-term growth strategies

External Risks: To be analyzed using PESTEL framework

Due Diligence Framework

Before acquiring a stake in a target company, a private equity fund usually conducts a comprehensive due diligence process. One part of the diligence is the commercial due diligence, wherein the fund leverages the expertise of consulting firms to focus on the business aspect of the target. This commercial DD framework, which has some similarities with the M&A framework, can be applied in any case wherein the client, not necessarily a PE fund at all times, wants to ascertain the commercial viability of the prospective investment.

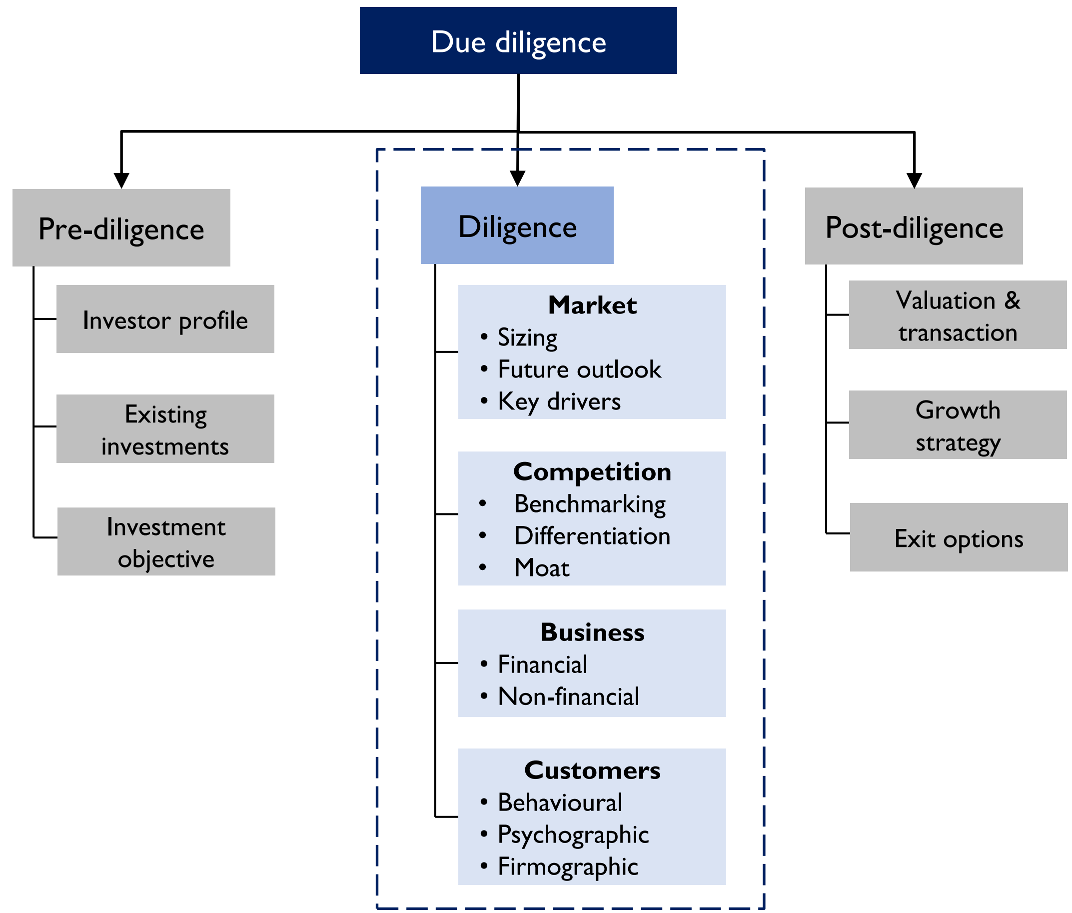
Initial questions

- Start with understanding the client's profile and past investments
- Make sure to understand the objective behind the prospective investment and incorporate that in your insights

Analysis

- **Market:** Determine whether the market is attractive to invest in. Like market entry cases, market sizing will be at the core of this.
- **Competition:** Benchmark the target with its competitors to determine relative strength. Ascertain how the target is differentiated and whether the differentiation is sustainable.
- **Business:** Understand financial factors such as monetization and fundraising as well as non-financial factors like operations, team, workforce strength
- **Customer:** Segment customers based on various criteria and analyse key metrics to understand if customers are loyal to the target

Approach/Framework



SWOT Matrix

	Facilitative	Prohibitive
Internal	**Strength** • Factors providing a competitive advantage to the company against its competitors • Ex. loyal customer base, strong brand, skilled employees, proprietary technology	**Weakness** • Factors resisting a company against operating at its optimum level in the market • Ex. lack of capital, high leverage, higher than market attrition, weaker brand image
External	**Opportunities** • External factors favorable for the company to build a sustainable competitive advantage • Ex. shift in corporate taxation, falling raw material prices, market trends, emerging technology	**Threats** • External factors which can potentially harm the company's profitability or operations in general • Ex. increasing competition, natural calamities, limited labor supply, upcoming regulations

PESTEL Analysis

P	E	S	T	E	L
Political	**Economic**	**Social**	**Technological**	**Environmental**	**Legal**
Govt actions – elections, fiscal policy, corporate taxation, etc.	Economy – inflation, interest rates, exchange rates, unemployment, etc.	Societal factors – demographics, cultures, beliefs, lifestyle trends, etc.	Level of adoption, automation, tech infrastructure, R&D, latest trends, etc.	Govt regulations, carbon footprint, risks for raw materials etc.	Laws - Intellectual property, industry regulations, licenses & permits, etc.

Marketing Frameworks

5C's of Marketing

Company	• Who are you? Understanding the company, products, channels, value chain, etc.
Customers	• Who are you selling to? Understanding the customers, segments, their needs, wants, etc.
Competitors	• Who is in your way? Understanding other players in the market, their strategies, etc.
Collaborators	• Who are you working with? Understanding your external vendors, suppliers, partners, etc.
Context	• What are current conditions? Understanding the business climate using SWOT & PESTEL

4P's of Marketing

Product	• Product is the item catering to a need • Involves product design, features, quality, range, branding, packaging, etc.
Place	• Place is the channel of delivery of product • Involves distribution, franchising, inventory, transportation, logistics, etc.
Price	• Price is amount being paid for a product • Involves pricing strategy, payment methods, discounts, allowances, etc.
Promotion	• Promotion covers the marketing communications being used for product • Involves channel mix, messaging, etc.

4A's of Marketing

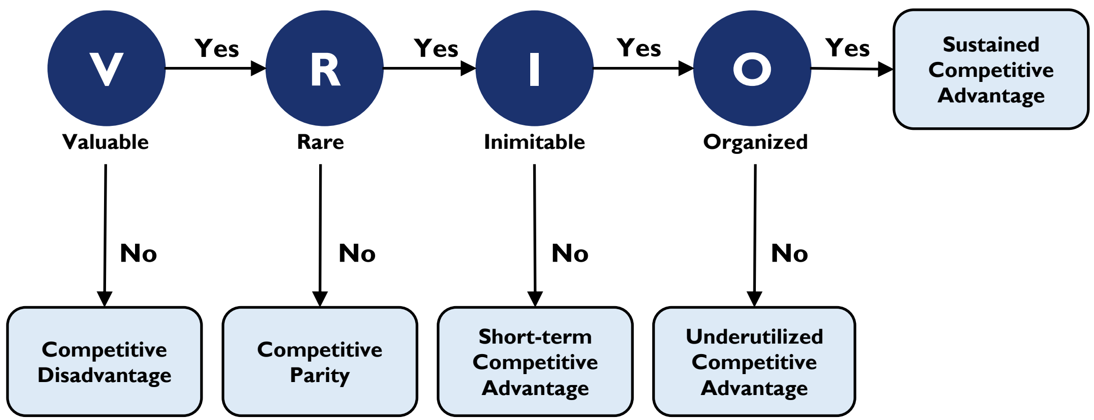
Awareness	• Product Knowledge: Customers should have sufficient knowledge to trigger a purchase • Brand Awareness: Customers' ability to recognize, recall and remember the brand name
Affordability	• Economic Affordability: Customers should have sufficient economic resources at disposal to purchase. • Psychological Affordability: Customers' willingness to pay for a given product or service offered by the company

Accessibility	• Customer Availability: Company should have sufficient stock to cater to market demand • Customer Convenience: Ease of access for a potential customer to the product or service
Acceptability	• Functional Acceptability: Objective in nature, based on product specification, performance, durability, etc. • Psychological Acceptability: Subjective in nature, based on product aesthetics, brand appeal, etc.

Miscellaneous Frameworks

VRIO

Used to determine whether a resource or capability can provide a sustained competitive advantage for a company.



STP of

Used to gain more insights into Big Data and determine the value of collected data

Segmentation

Dividing market into distinct groups of customers based on their characteristics or behavior

Targeting

Selection of a customer group to focus marketing efforts based on segment attractiveness

Positioning

Designing the product and promotional mix to appeal to the target market segment

AMO

Used to assess employee productivity and effectiveness in a firm. Typical applications involve to assess effectiveness of a salesforce personnel.

Ability
- Hiring, Training, Learning, Skill Development, Talent Management

Motivation
- **Expectancy** Clarity of goals, Control over performance
- **Instrumentality** Incentive structure, Performance metrics & evaluation

Opportunity
- Career planning, fair appraisal process, recognitions, empowerment

4Vs of Data

Used to gain more insights into Big Data and determine the value of collected data

Volume	Scale or size of the data is being generated
Velocity	Speed at which the data is being generated & processed
Variety	Number of different forms or categories of collected data
Veracity	Accuracy and truthfulness of the collected data

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Preamble to Case Solving

Not a 'one size fits all' exercise!

Structured problem solving is about understanding a business situation, breaking it open into subproblems, and analyzing it from different perspectives. Multiplicity of perspectives means that the same problem can be looked at in numerous different ways. As such, what aspect one targets is very subjective with no right or wrong choice.

The idea behind the frameworks we talk about in this casebook is to give that initial search potential directions. Given a particular situation, different people will choose different focus points and hence the structure they build will be different.

To illustrate the same, we first take up a simple problem statement and present two different approaches to the same. The idea is to highlight that there is no hardbound solution to a given case. You will see that while the two interviewees start with a similar preliminary analysis, the emphasis shifts onto different aspects of the problem statement and the analysis further builds accordingly.

Regardless of the structure chosen, the idea should be to be comprehensive in your analysis, and structurally break the problem, and you will be able to cover the underlying problem despite starting at different points.

While all other cases in this casebook are solved in one particular way, there can be multiple different ways to reach the same answer. This first case is just an illustrative example of how to crack the same problem through different approaches and the same principle can be extended to all the other cases we present throughout this casebook.

Campus Canteen (Approach 1) – Interview Transcript

A small canteen in the IIMA campus has witnessed a dip in its revenues. Help them recognize the root cause and give them some recommendations to grow their revenues.

Understood. Firstly, what is the scale of the decline we are talking about and for how long have they observed the problem?

The problem is fairly recent – last couple of months. We don't know the exact numbers but it's substantial enough to raise concerns.

Alright. To gain a better understanding of the client, can you please tell me more about the product, the customers, and the part of the value chain they operate in?

Sure, so the store has been running every day from 9am till late night 3am for over the last decade, selling basic snacks with the 3 key products being omelets, sandwiches, and puffs. The store is run by 6 employees divided equally in 2 shifts.

Is the decline seen particularly for any product or in any of the 2 shifts?

The trend is similar for all the products. But the 6pm-3am shift has witnessed the chunk of the decline.

Okay. Also, if it is an on-campus canteen, the typical customers would be students, professors and maybe the on-campus staff. Is that correct?

Yes, that's correct. But majorly, the revenues come from students.

Got it, is the problem specific to this canteen? Or are the other food outlets in the campus facing a similar issue?

No, the other outlets haven't seen a change in their revenues.

Alright, I have all the information I need to start addressing the problem statement. I will start by breaking down the revenue as a function of the following:
Revenues = # of orders * average order value
Do we know if either of the elements have been affected?

Primarily the # of orders have reduced, however, the AOV has seen a slight uptick.

Alright, I will first focus on the number of orders. The reduction in the volume can be driven either due to a supply-side issue or a demand-side problem. Do we have an indication as to where the problem lies?

Can you tell me more about both factors?

Sure. The supply side includes 3 main factors – procurement, preparation, and distribution. The demand side considers the customers' need, awareness, accessibility, affordability, and acceptability.

Okay, let's start with demand and then go to supply.

Sure. On the demand side, we can note the following:

a) Need – the inherent needs of the students should not inherently change in the last couple months.
b) Awareness – given the store has been in campus for several years, its awareness should not be an issue.
c) Accessibility – this can be due to a store location dynamics, which are particularly unfavorable for students visiting during the night shift.
d) Affordability – if we have increased the price recently, it might act as a detractor.
e) Acceptability – if the key products have inherently changed in quality or quantity, preference for them might have taken a hit.

Alright, so you are correct in inferring that need and awareness haven't changed. The products have not changed either. Accessibility in fact has improved, given the store has started delivering food to the dorms. The prices have just slightly increased for deliveries due to a small delivery fee of ₹10.

So, the demand-related factors in fact seem to be moving positively. Moving on to the supply-side, I want to first know more about our procurement mechanism and if it has changed in the recent past.

We have been procuring basic raw material like eggs, bread, etc. from a nearby store in Vastrapur for several years now. It hasn't changed except for the usual price increases.

Got it. Has our production capacity decreased due to a change in the equipment or employee factors?

No, we have the same equipment, and each shift has been run by 3 trained employees for a couple years now.

Okay, you mentioned that the store has recently started delivering food. How do our deliveries work?

So, one of the 3 employees usually walks to the dorms to deliver the food. Students like to order sandwiches and puffs as late-night snacks while studying so almost all deliveries take place during the night shift.

Ah okay, while our delivery orders might be increasing, the dine-in customers would certainly not be liking that. Due to the 3rd employee doing deliveries, the actual capacity of our food preparation would have decreased and must have increased waiting times.

That's a fair understanding. What can the canteen do?

There are 3 things the store can do:

a) Increase capacity by adding equipment so that more orders can be processed simultaneously
b) Hire one more employee for the night shift to maintain capacity
c) Increase the delivery fee to compensate for the dip in dine-in revenues

Campus Canteen (Approach 2) – Interview Transcript

A small canteen in the IIMA campus has witnessed a dip in its revenues. Help them recognize the root cause and give them some recommendations to grow their revenues.

Understood. Firstly, I would want to understand the product range that they offer. And what is their regular service time? Is it a night canteen?

Sure. So, the store runs from 9AM till 3AM late night every day. They mostly sell basic snacks. Their 3 key products are omelets, sandwiches, and puffs.

What is their scale of operations? How many staff do they have?

They have a fairly small store but positioned well. They have 6 employees distributed across 2 shifts.

Okay. Also, if it is an on-campus canteen, the typical customers would be students, professors and maybe the on-campus staff. Is that correct?

Yes, that's correct. But majorly, the revenues come from students.

Got it. Is the problem specific to this canteen? Or are the other food outlets in the campus facing a similar issue?

No, the other outlets haven't seen a change in their revenues.

Alright. I think have enough information to start my analysis.
Firstly, breaking down revenues,
Revenues = # Customer * # Orders per customer * Revenue per order
Do we have an idea on which if these could be causing the decline or would you want me to analyze both of them individually?

It is the number of orders going down that is hurting them. The AOV has actually gone up and the number of customers has largely remained the same.

Okay. Since it is the number of orders going down while the competitors around remain unaffected, I would want to switch to an individual customer's journey and see where exactly the drop off may be happening.

Sure. Go ahead.

I will break a customer's journey into three parts:
1. Before coming to the store
2. During the visit to the store
3. After the visiting the store

Have we identified an issue in any particular segment of this? Or would you like me to dive into each of these individually?

They haven't observed any particular change in how and why people approach the store. However, the complaints while people are at the store are rising.

Okay. So, once at the store, the customers are facing some issues. I would like to break this down further into factors that affect a customer's decision once they are at the store.

Sounds good. Go ahead.

I would break the decision into:
1. Product-related factors – quality, quantity, raw materials used, price
2. Service-related factors – wait time, seating availability, ambience

Do we understand where the problem might lie?

The product and everything that goes into it is largely the same. The complaints are mostly on the service aspect.

Okay. As I briefly mentioned, issues with the service could be about:
1. Increased rush limiting access to the products
2. Longer wait time post ordering
3. Insufficient or improper seating space
4. External issues like bad surrounding odor

While other things have remained mostly the same, people are complaining about experiencing longer wait times.

Because this is a service store the longer wait time would essentially be a supply side problem. Longer wait times may mean,
1. There are not enough workers
2. They do not have enough resources to work with
3. There has been a change in the workers and hence the lower efficiency
4. The general worker efficiency has gone down

The workers and the resources they use has remained the same. However, because of the newly started room delivery service, a worker is typically on the go delivering orders. That has reduced the available workforce in the store and hence the longer waiting times.

Campus Canteen

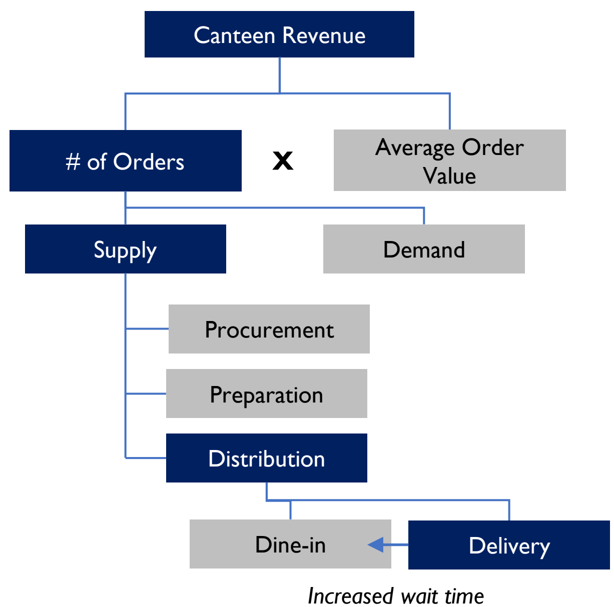
A small canteen in the IIMA campus has witnessed a dip in its revenues. Help them recognize the root cause and give them some recommendations to grow their revenues.

Case Facts

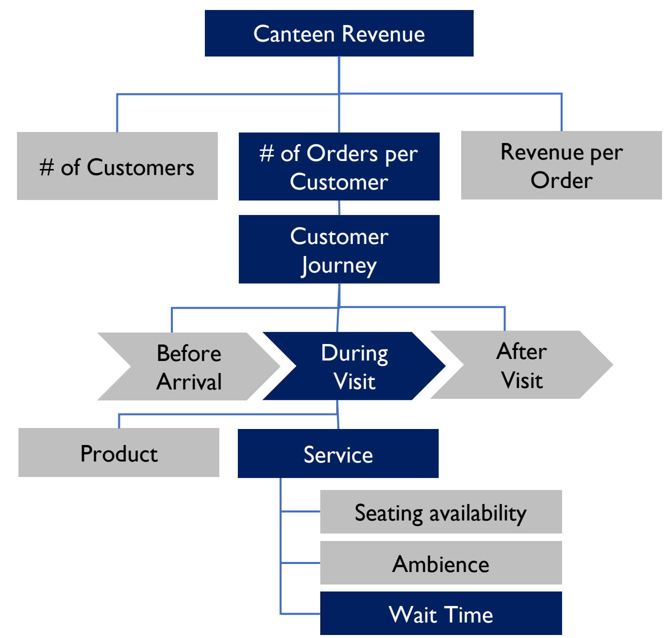
- The decrease in revenue is a recent problem ~ last 2 months
- The canteen runs from 9am-3am by 6 employees divided equally over 2 shifts
- 3 key products sold at the canteen are omelets, sandwiches, and puffs
- The chunk of the decline has been seen in the 6pm-3am shift
- Though the canteen caters to students, professors, and staff, majority of the revenue comes from students
- No other food outlet on-campus is seeing declining revenues

Approach/ Framework

Approach 1



Approach 2



Recommendations

- Add equipment to increase capacity to process multiple orders simultaneously
- Hire additional employee for night shifts to not face a shortfall of staff when deliveries happen
- Increase the delivery fee to compensate for the decrease of in-store revenue

Observations

- Approach 2 uses Customer Journey to exactly pinpoint the issue, which is more unequivocal than Approach 1
- Approach 1 identifies that one of the employees is also doing the delivery, which leads to higher wait times much faster by pinpointing issue in supply side

Profitability

Beer Manufacturer – Interview Transcript

Your client is a beer manufacturing company that operates in India. The cost structure for the company is poor as compared to the international benchmarks, and you have been asked by the client to find out why.

Is the problem only on the cost side, or should I also analyze the revenues of the company to look for a problem there?

No, the problem is only on the cost side.

Alright. Is the problem with only one specific beer product, or is the problem spread out across different products? Additionally, is this an industry wide problem, or specific to our client?

The problem is not limited to one product. In fact, the client is facing the problem across many beer products. Our key competitors, most of which are international players, haven't really been facing this issue.

Okay. I think it would make sense to break the costs down into the value chain to see where the cost issue lies. Should I go ahead with the same?

Sure, you can do that.

I would start by breaking this into the value chain. The components that I would like to analyze are as follows: R&D, Raw Material Procurement, Processing, Storage & Transportation, Distribution and finally Marketing. Does this sound okay or should I look into something more as well?

The value chain seems fine.

Next, I would like to understand which component contributes to the maximum deviation in costs so that I can analyze accordingly.

Good question! The processing costs seem to be the issue.

Okay, in that case, I would like to delve deeper into processing costs. However, before I proceed with the same, I would like to see if this is the only cost head that has an issue.

You may proceed with processing costs. There are no other cost heads where the client is facing a problem.

Okay, The possible sub-heads to analyze processing costs would be rent, electricity expense, machinery, technology, labour hours and wages, capacity utilization, packaging, efficiency (defects). Should I analyze all these heads or is there a particular head with an issue?

Yes. The client is indeed facing a problem in the utilization of capacity.

So, capacity utilization can be broken down as: Actual Output/Potential Output. Is the utilization with the current capacity 100%?

Yes, current capacity utilization is 100%.

This means we should look into potential capacity. How many plants and machines is the client currently operating?

As of now, the client has 3 plants with 3 machines each. Total capacity of each plant is 30,000 bottles.

How is this figure when compared with the competitors of the client?

Competitors are manufacturing 50,000-80,000 bottles per plant.

This difference might be due to more plants, more machines/plant or better efficiency of the machines being used.

Rightly pointed out. The difference is due to better efficiency of the machines which are primarily imported from China.

Okay. Then client might not have been able to install better machinery due to reasons either internal or external to the client.
Under internal reasons, we will majorly look at the two broad reasons:
1. Monetary – gross initial cost of machinery, availability and attractiveness of financing, and total cost of operations.
2. Non-monetary – accessibility to the seller(s), logistical issue in procuring the machinery, lack of skilled labour force. Which of these applies to the client?

The cost of the new machines is 1.5 times the normal machine, which is not a challenge for the client to invest and there is no special training needed for the labour force to operate the machine. There is no accessibility problem as well. Let's explore the external reasons.

Alright, under the external reasons, I will look at the following factors:

1. Economic – interest rates or exchange rates are not favorable to this transaction
2. Environmental – the alternative machine might not comply with the environmental standards
3. Political – unstable relations between the 2 countries might pose as a hindrance
4. Legal – importing such machines might require special licenses/permits or machine standards might not be in line with the law of the land
5. Social – Indian consumers have been pushing for fully made in India products which might put additional constraints on Indian companies
6. Technological – tools and other components which are available in the market might not be suitable for the alternate machinery

Great – the Indian government has put restrictions on import of several Chinese products and technology, and this machine is under that list. Thus, we have not been able to move up from the lower capacity machine. What would be your recommendations?

Has the client looked for similar machinery? Or have they consulted the authorities regarding this issue?

No, we have been made aware of the new machinery quite recently.

Alright, in that case, I will recommend 3 measures:

1. Short-term: look for similar vendors – The client can look at other countries where similar machines with a higher capacity are available. Since investment ability is not an issue for our client, then even if we pay a bit extra, we can cover that through scaling production.
2. Medium-term: lobby with the authorities – Several import restrictions have been withdrawn if they have harmed the interests of domestic businesses. The client can approach the government for lobbying in this matter.
3. Long-term: Design and develop machine internally – In the long run, the client can design and develop its own technology to expand production based on its own needs. Alternatively, the client can also acquire design licenses and then develop the machine in India

That's great. We can close the case here.

Profitability | Cost reduction | Easy | Distillers

Beer Manufacturer

Your client is a beer manufacturing company that operates in India. The cost structure for the company is poor compared to the international benchmarks, and you have been asked by the client to find out why.

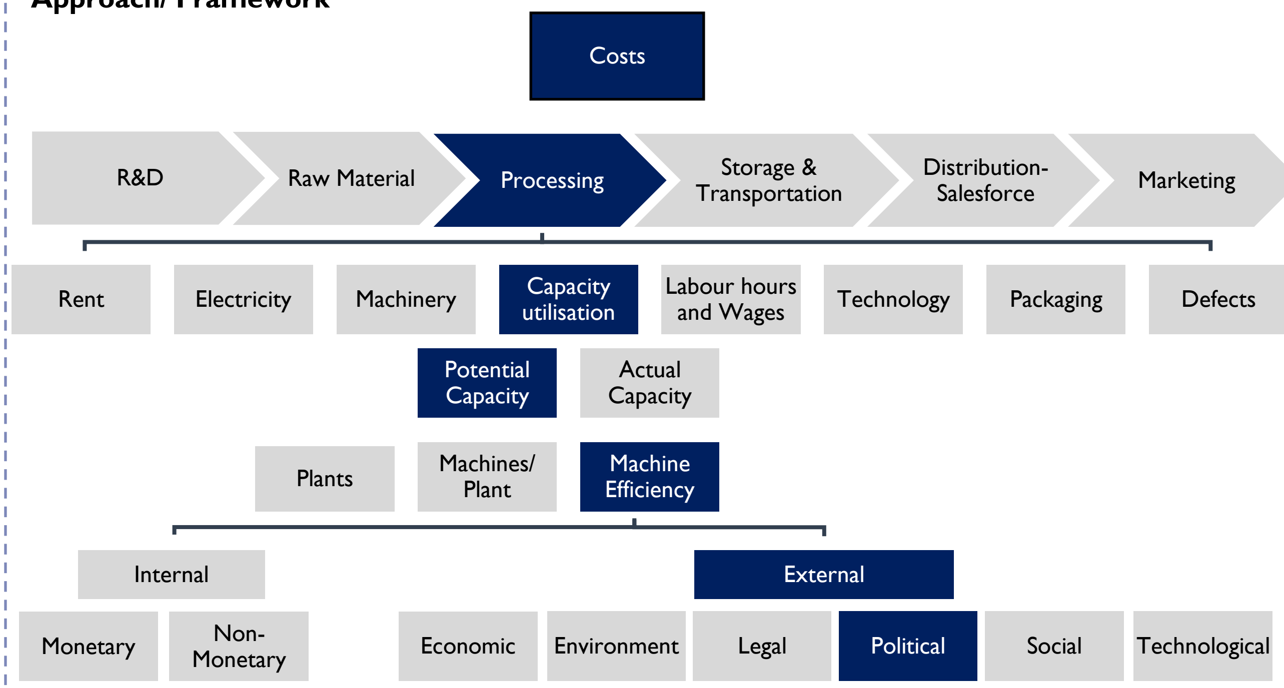
Interviewee Notes

- Qualitative case, no numbers provided
- A single cost head case where one issue needs to be identified
- The cost problem is identified to be in processing
- Either the client cannot invest capital or there are logistical issue in relation to getting advanced machines

Case Facts

- Client is a beer manufacturing company with multiple products
- It is facing cost issues with more than one beer product
- Thus, is not an industry wide problem
- Client has 3 plants with 30000 bottles capacity working at 100% utilization
- Advanced machines cost 1.5 times the normal ones and produce twice as much

Approach/ Framework



Recommendations

- Candidate should give a combination of short term and long-term recommendations.
- In the short term, the client can look for similar vendors in other countries.
- In the medium term, the client can lobby the government to relax restrictions.
- In the longer run, the client should aim to design and develop their own technology or acquire intellectual property from licensors.

Observations / Suggestions

- This is a cost reduction case where the interviewee should quickly establish the major cost buckets after discussing with the interviewer. The candidate can either probe each bucket along the value chain, or ask the interview which buckets to look into.
- Each cost component should be broken down into multiple cost levers to ensure that nothing is being missed out.
- When analysing a specific cost bucket, look into its components in decreasing order of their magnitude.

Retail bank – Interview Transcript

Our client is a major retail bank facing declining profits and is unable to compete. You have been approached to find the problem and suggest changes.

Sure, sir. So, the key problem I need to focus on is finding the issue with declining profits of our client which is a major retail bank. Is there any other objective I need to keep in mind?

No, please go ahead.

I'll start with a few clarifying questions. Is the problem plaguing most of the client's branches or is specific to a particular category (metro, urban, rural) of branches?

The problem is being faced by a specific branch located in a metropolitan region.

Given the problem is specific to a particular branch, it is fair to assume that the problem is not faced by the banking industry in general? Are the competitors located in that region also facing similar issues?

No, the problem is only being faced by our client.

How much have the profits declined by? And for how long has the client been experiencing this decline?

There has been a decline of 20% in profits. The issue has been around for 3 Quarters now.

Alright. Since the issue is that of profitability, could you help me with the trend in revenue and cost of that particular branch over the last three quarters?

Revenue has grown at a steady rate, but the costs have increased at a much higher rate.

Alright. In that case, I'd like to delve into the cost structure of a typical retail bank branch. All the costs of a retail bank can be mostly divided into three heads: Interest, Provisioning and Operating expense. Do we have knowledge as to which of above were not in line with the expectations of the client?

The interest expense is similar to comparable branches and the bad debt levels are also at par with the region.

Okay, so the issue is with the operating costs of the branch. The major operating expenses of the branch would include employee expense per customer, rent, utilities, stationery & postage, maintenance and depreciation expense. So, do we have any information of where the costs have been increasing specifically vis-à-vis our competitors or in comparison to prior periods?

The rent per square foot is similar to other banks in the area and has remained unchanged for the past year, maintenance, depreciation and utility expenses have also roughly been the same.

Okay, so that leaves us with employee expense per customer, which is salary/number of customers handled by each employee,, stationery & postage expense. Addressing the issue of employee and sales agents' salaries first, are salaries of branch employees and sales agents higher than industry standards?

The salary structure of employees for various positions is similar to that of comparable branches.

Alright. Then is it fair to conclude that the issue is of number of customers served by each employee. Given this expense is high, we can say that number of customers served per employee is lower than the industry standard, pointing us to the issue of overstaffing.

Okay. How would you further analyze this cost head?

Customers served per employee will comprise number of customers served per employee which will depend on the time taken by the employee per customer and the total working hours.

Yes correct. So, it has been observed that the time taken by the employee per customer is high. Can you think of possible reasons for the same?

The issues might be arising due to one of 3 broad reasons: a lack of either ability, motivation, or opportunity.

1. Ability: Lower skill level of newer employees or new procedures which employees are not skilled at
2. Motivation: Employees might be demotivated which would be slowing them down
3. Opportunity: The employees might not be able to achieve optimal efficiency due to external constraints such as bureaucratic processes or redundant formalities

So, how do you suggest we overcome this?

I can think of the following few steps:
1. Train the employees so as to enable them better understand the needs of the customer and thereby assist them efficiently.
2. Encouraging the branch customers to use bank's mobile app and website for availing basic services such as transferring money and balance inquiry. Demonstrate the services if required.
3. Set up a self-operating kiosk inside or outside the bank for deposit of cash and updating of passbook.
4. Have single window clearance for as many services as possible.

Thank you. These are reasonable recommendations.

Profitability | Cost reduction | Moderate | BFSI

Retail bank

Our client is a major retail bank facing declining profits and is unable to compete. You have been approached to find the problem and suggest changes.

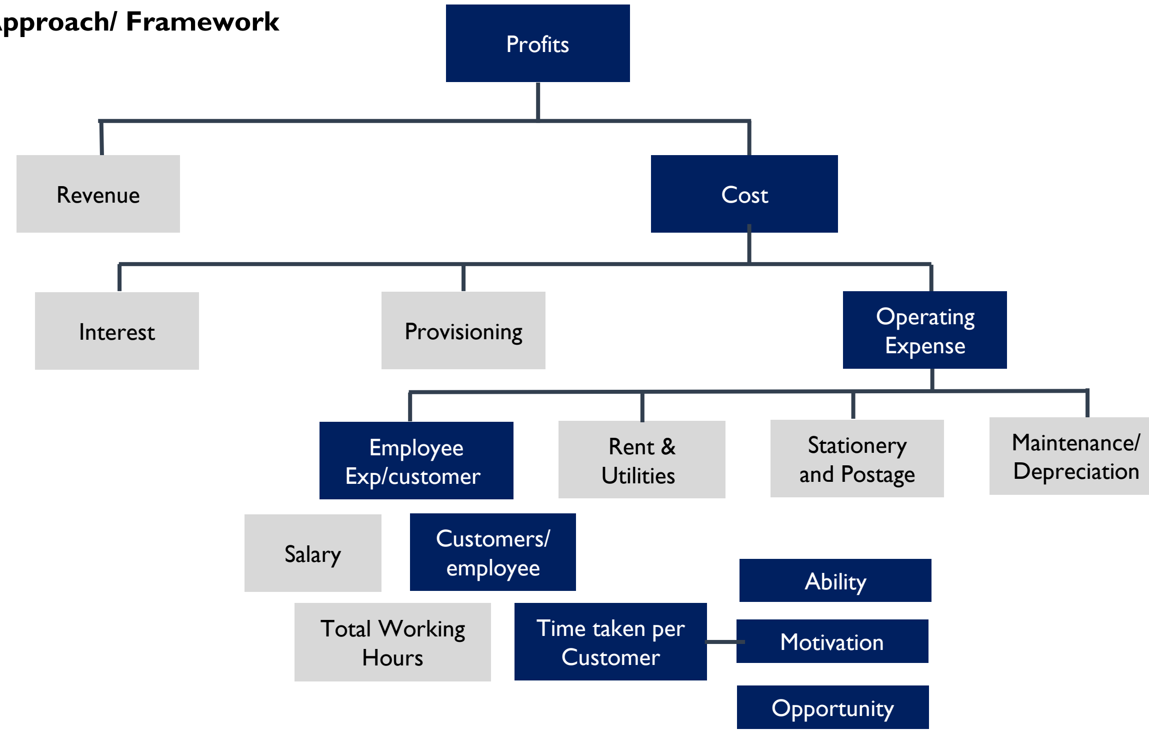
Interviewee notes

- Issue with costs
- Low efficiency of employees
- Lack of training to provide solution to customers in one go
- Multiple visits by customer for any service

Case Facts

- Client is a major retail bank
- Problem of increasing costs
- Problem specific to a particular branch
- Interest expense and bad debt level at par with other branches
- Fixed cost of employee salary similar to competitors

Approach/ Framework



Recommendations

- Improve the systems in place to ensure customer service is improved and time devoted by an employee decreased- introduce single window clearances and self-operating kiosks.
- Give proper trainings to employees to help them better assist the customers.
- Aggressive use and promotion of technology to avoid redundant tasks performed by the employees.

Observations / Suggestions

- Declining costs are majorly due to higher employee salaries. This can also be figured through higher customer handling charges.
- Once the problem is identified, it is important to figure out the reasons for the same- this can be done through industry specific metrics which measure efficiency/ productivity.
- Ability, Motivation and Opportunity framework me be utilized to assess the motivation of employees.
- Candidate needs to develop understanding of the cost structure in the banking industry.

Lease Fee – Interview Transcript

Your client is a private company in the United states that leases a jet. The lease contract is soon expiring, and the company want to renew the contract. The client now contacted you and asked you to find ways to reduce the lease amount. The current amount is $1 million, how can the company lower it?

That is an interesting case. As I understand, client needs to find ways to reduce current amount of leasing the jet. Do I need to look into other options of buying the jet or booking of private jet during the time of use? Or should I just focus on lease contract.

So, client needs to lease the jet as per his requirement. You should look into how to lower the cost of leasing.

I would like to know whether the jet should be exactly the same as the jet leased under the past lease contract? Also, what is the duration of the lease contract?

Excellent question. The jet leased under the new contract does not necessarily have to be the same. The current contract was for 1 year.

I would like to look at 2 factors affecting the leasing cost. First would be our client's requirement for the jet and second would be the lessor and its leasing contract.

Ok. Go ahead.

I would like to deep dive into requirements of our client. I would like to analyse the seating capacity required by the client as well as the # of times jet is used. What is the general occupancy of the plane over the last few years and what is the seating capacity of the leased plane?

The seating capacity of the plane is 40 and the occupancy has ranged between 8 to 10.

Great, so one way the firm could reduce its cost is by leasing a plane with a lower seating capacity. Considering that the occupancy rate was around 10, I believe that a plane with 15 seats should be sufficient. Assuming that the occupancy rate follows a normal distribution, it is very unlikely that there will be more than 15 people in the plane at the same time. However, if this is the case it is always possible for the plane to fly multiple trips.

I agree, that is a great suggestion.

Now I would like to analyze the usage of jet. I would like to know how often the leased plane is used per year?

The company uses the plane 3-4 times per year.

Ok, as we know that company uses jet only 3-4 times a year, do we know which months specifically the company uses the jet? I am coming from the point that if we know the specific months, we can lease the jet for those months only

Fair suggestion, but generally industry has minimum of 1 year of leasing contracts and client doesn't have fixed months when jet is required.

Ok, another suggestion because of low usage can be that the client can look into the possibility of co-leasing the jet with another company to make up for the months with low usage rates.

Sounds good. What can the possible problems with this suggestion?

There might be conflicts if both companies need to lease the jet at the same time. Well-defined rules need to be laid out to clear out conflicts in such a case.

Good point.

Now I would like to analyze the lessor and the contract. I would like to look into different lessors available to our client and how the length of leasing contract will affect the cost. What is the current relationship with the lessor and are there other lessor who have better pricing with similar services?

Client has been leasing the jet from the same lessor for past 7 years and trust him with quality. He doesn't want to look for other lessors.

Ok. So, as the current leasing contract is just for 1 year, the company could hence opt for a contract with a longer period. This should provide the firm with a discount.

Good suggestion. As you can see in the graph the leasing price per year in the initial contract is 1 million per year. The total price for a contract with a duration of 5 years is 4.2 million. What would be the cost savings for the firm if they switch to a contract with a longer leasing period?

The cost savings would be $160000.

What are some of the problems you can see with opting for a longer contract period?

The lease fee may increase as the contract period increases. In the rare event that the client decides to change the lessor or finds themself not in the requirement to use the jet, then the lease fee would be a sunk cost. A longer contract period also gives a sense of safety to the lessor and might make them lax with maintenance and upkeep.

Good points! Can you suggest additional ways to increase occupancy?

In the periods when the jet is not being used, alternative uses for the same can be explored - sub-leasing the same, using the jet as a restaurant to monetise it.

Good suggestions! We can close the discussion here.

Lease Fee

Your client is a private company in the United states that leases a jet. The lease contract is soon expiring, and the company wants to renew the contract. The client now contacted you and asked you to find ways to reduce the lease amount.

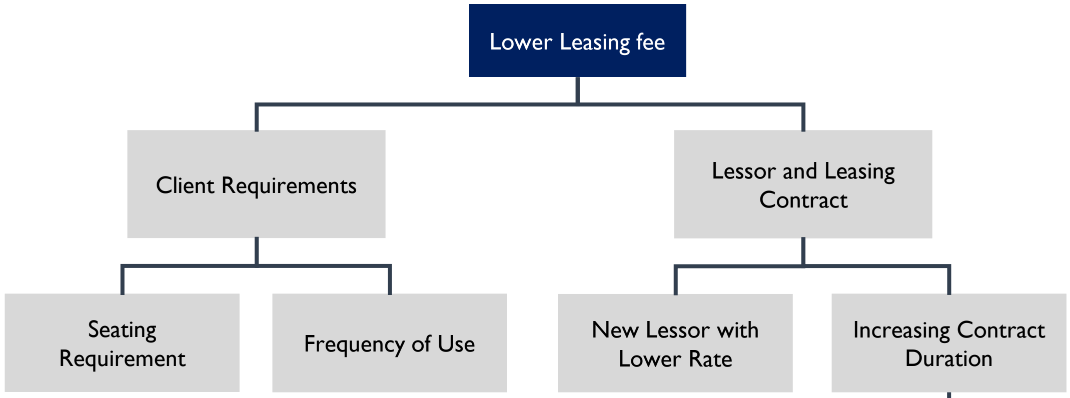
Interviewee Notes

- The jet need not be the exact same as leased under the present contract
- Assume occupancy follows a normal distribution and will rarely exceed 15 passengers
- Look into the requirement of the jet
- Duration of lease agreement can be modified to reduce costs

Case Facts

- The current lease fee is 1 million Dollar
- The contract duration is 1 year
- Seating capacity of the plane is 40
- The occupancy has ranged around 8-10
- The company uses the leased jet 3-4 times per month
- The contract has been renewed for the last 7 years

Approach/ Framework



Type of Contract	Short (1year)	Long (5 years)
Total Cost	1 million	4.2 million
Cost per year	1 million	0.84 million
Cost Savings per year		**160000**

Recommendations

- Lease plane with lower seating capacity: Since the plane hardly ever is used at max capacity, a smaller plane can be leased
- Share the lease contract with another party: Stringent contracts need to be established regarding usage
- Increase contract duration: A longer contract duration should result in discounts

Observations / Suggestions

- Conduct a feasibility analysis of the options recommended, wherever possible
- If a feasibility analysis is not possible, mention the caveats associated with your recommendations
- Structure the recommendation and do not give a laundry list of suggestions

Auto Insurance – Interview Transcript

Your client (IA) is an auto insurance company operating in India and has been facing reducing profitability in the last 2 years. They have come to you for help to identify the reasons and explore possible solutions. You can ignore reinsurance for the purpose of the analysis.

Can you tell me a little bit more about the competitive landscape and the position of IA? Also how fast is the industry growing?

Sure. IA is one of the 5-6 major players who dominate the industry and hold around 95% of the market. The market has been growing steadily at around 10% p.a.

Okay. And how is the company growing? Is it in line with the industry?

The market is growing at around 10% p.a, and the company's market share is growing in almost the same proportion.

Alright, is this reduction in profitability only being faced by the company or by competitors as well?

We do not have very accurate data of competitors; however, reliable estimates indicate that most of them have maintained profitability levels, and some have even increased profitability. What do you think are the possible causes for this?

It can either be due to higher revenues, or due to lower costs.

The industry is fairly competitive, and none of the players can get away with charging higher prices without losing out on market share. And as for number of customers, there has not been any major change as such. So you can move on from revenue.

Okay. Then I will move on to the costs side. I would like to map out the cost heads based on the value chain of our client: product/policy development, sales and marketing, underwriting, customer servicing, investment management, claims handling. Am I missing any major cost component?

No, this sounds fair.

Which cost head is majorly responsible for the increase in costs?

Cost on claims settlement has been growing faster than revenue growth.

Okay, then I would like to understand the possible causes of the rising costs. I would like to break Claims Settlement cost into Probability of Claiming and Average Claim Cost. Do we have information on which of these costs is rising?

Average claim amount has not changed. You can analyze probability of claiming.

Alright! Probability of claiming is a function of how stringent is a company's policy and customer distribution. Since competitors are not experiencing this increase in costs, is it possible due to too stringent policies being implemented by them?

I do not think that is the case. This would result in unnecessary loss of goodwill for the company. Further, the industry is highly regulated, and all players have similar policy terms and claim processes. Hence, this is not practical.

Okay, in that case, is it fair to say that the client is facing higher costs due to a different customer portfolio?

Yes. How will you further analyze the customer portfolios?

We can segment customers into buckets based on
a. Age group
b. Income bracket
c. Geography and terrain
d. Traffic in the area.
That would give us an idea of the risk, based on the general profile of the customers. So, do we have any data regarding this?

Yes, so although there is a fair mix in all the buckets, the portfolio is generally dominated by people of relatively younger age groups (less than 25 years). In terms of income, IA has a large base of lower and middle level income groups. It has its operations in all major cities –Delhi, Bangalore, Mumbai, etc.

That explains a lot. You mentioned that the company has a greater number of customers who are young. They can be considered riskier, as they tend to be rasher while driving, increasing risk of accidents, when compared with middle aged people having families. Further, you mentioned that they do not have too many customers in the higher income brackets. Higher income groups can be considered less risky as they use expensive cars, usually have professional chauffeurs who are generally more careful. Also, it has a lot of clients in cities with extremely high and aggressive traffic like Delhi, which have higher incidents of accidents
Thus, the company should either focus on improving the portfolio mix or should adjust premiums more appropriately to factor in the risks.

That sounds good to me. Thank you.

Profitability | Cost reduction | Moderate | BFSI

Auto Insurance

To increase profitability of an auto insurance provider

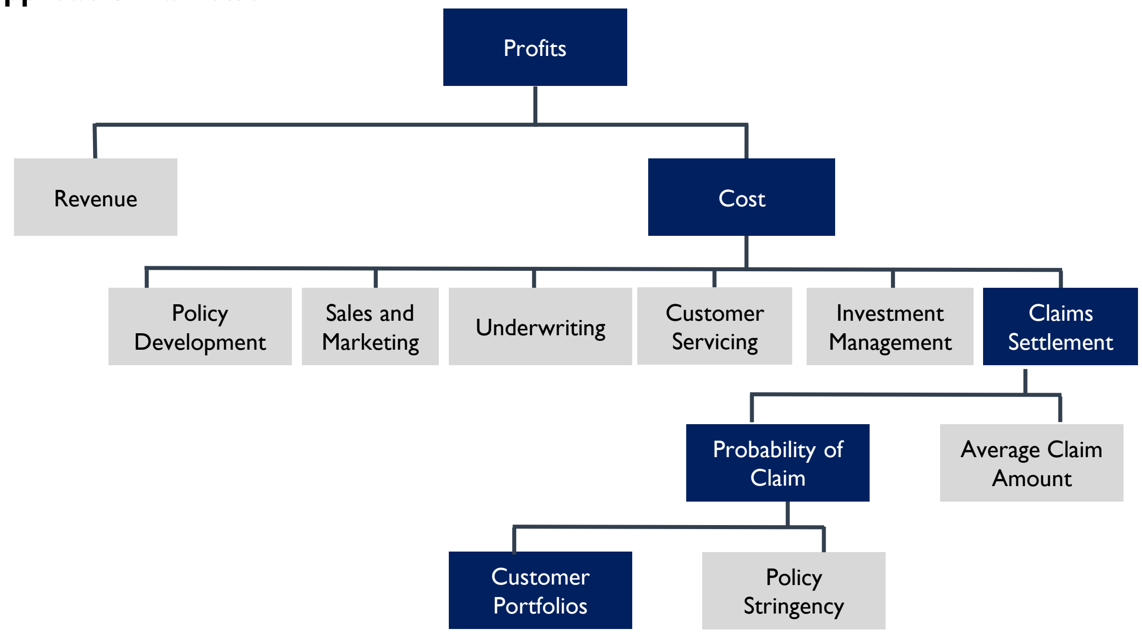
Interviewee Notes

- Profitability changes can be due to both revenue and costs
- Since revenues have been growing in line with industry, declining profitability must be due to rising costs
- Problem is also specific to the client (not an industry-issue)
- Analyse value chain of the client
- Claim cost has increased at a faster rate than revenue
- Understand the customer segment behind the rising claim costs

Case Facts

- Client is a top 6 player in a concentrated auto insurance industry in India
- Client has experienced falling profitability, but competitors haven't
- Revenues have been growing in line with industry
- Industry is competitive with little scope to charge higher than competitors

Approach/ Framework



Recommendations

- The problem arises due to high claim costs. High claim costs arise due to an unfavourable customer profile mix.
- Thus, the company should either focus on improving the portfolio mix or should adjust premiums more appropriately to factor in the risks.

Observations / Suggestions

- Have a clear approach. In this interview, the candidate took many questions before being able to pin down claim costs as the root cause. Nonetheless, it is clear that the candidate had a very clear framework in mind (Profitability > Revenues/Costs > Industry-Wide/Firm-Wide Issue > Value Chain > Claim Costs).
- Furthermore, the candidate also asked if there were cost components he was missing. This shows that the candidate tried to have a MECE approach, which is what interviewers are looking for.
- It is important to have an understanding of the nuances of the insurance industry to come up with the cost structure.

Education Provider – Interview Transcript

Your client is a South African education provider. Their revenues have been declining and they are trying to figure out the reason and define a plan of action for revival.

Alright. Can you tell me what exactly an education provider is? Are they a school?

The client operates post grade 12 level. They provide undergraduate and post-graduate courses. Some courses are completely offline, some are online, and some are hybrid.

Okay. Can you tell me how long this issue has persisted and what is the quantum of decline in profits? Additionally, can you please tell me where exactly in South Africa do we operate?

The issue has been going on for about 1.5 years now. The decline is significant but let's not get into any numbers. You can consider that we operate in the urban provinces of South Africa.

Alright. What is our primary target segment in terms of students?

We primarily cater to working adults between the age of 20-45 who wish to get formal certifications to improve career prospects.

Interesting. That is good to know. Further, can I know a little bit about the competitive environment? Are the competitors also facing the same issue as us?

There are about 6 major players including us. All other players are witnessing healthy growth. Previously we were 2nd in terms of market share but have now dropped to 3rd over the past 1.5 years.

Okay. So, it seems to be a grave problem. The decline in our profits can be a cost issue or a revenue problem. Can I know where I should focus?

Please focus only on revenues. What do you think are the revenue streams of such a player?

I can think of 3 major revenue streams. One being enrollments, the second being the money we earn from research and publications and the third being donations to us by third parties. Does this seem comprehensive? Is there any one you want me to focus on?

Yes, this seems good. Please focus on enrolments.

Okay. To dive a little deeper. Is this decline in enrollments focused on any specific geography or course? Also, can I know what domains do we cover?

The Durban province has suffered more than the rest and the most impact has been on undergraduate courses. Most of our courses are in the business and management domain, almost 80% in fact.

Okay. I think I have enough information to proceed. I shall focus my analysis on undergraduate courses. The revenue from enrollments can be dependent on the number of students enrolled, the portfolio of courses we offer and the fee per course. Have any of these changed?

The number of students enrolled has dropped.

Alright. The number of enrolled students could have reduced at 3 junctions. Pre enrollment which depends mainly on our brand value, the variety of courses we offer and accessibility of our program to everyone. The 2nd junction is drop-offs during enrollment which depends on the pricing and the process. Finally, is the post enrollment which can be any early drop-outs from the course.

The major issue we see is during enrollment. Can you elaborate more on the process aspect within during enrollment?

Okay. I think the process would include 2 major factors – the eligibility criteria and the time & effort when it comes to the active administrative process.

We have had to reject many applicants as they do not have a higher degree pass which is required for many undergraduate courses.

Okay. That is a big problem. Why does our competition not face this?

All other competitors also offer higher certification passes as part of their curriculum which we don't. This is mainly needed for undergraduate courses.

Okay. I think I have identified one of our major issues. Now I want to understand why the Durban province is suffering. Can you tell me how this province is different from others?

Many manufacturing firms have now set up operations in Durban.

Is it fair to say that our course offerings that are focused on business and management don't cater very well to getting a job within the Durban market where technical skills are necessary?

Correct. Many of our competitors offer technical courses and are doing vey well in that region. I think you have identified most of the problems. I had one additional question; we feel that our marketing efforts are not as effective as they were before. Can you help me identify why?

Effective marketing requires 3 factors – The right channel, the right message and the right spokesperson. All these must be aligned with our target customer. Can you tell me a little bit about our current marketing strategy?

We predominantly advertise through newspaper and TV ads. We feel that our messaging is fine as it is so, please ignore that for now.

Okay. I feel that given the changing times, LinkedIn, Twitter and other social media must be tapped into for advertising. Further, we can partner with workplaces as a training partner to upskill their employees. High value moves like sponsorship or celebrity endorsement can also be evaluated to generate massive publicity

That seems like a good idea. Can you please highlight the broad plan of action to revive the firm?

Sure. Can I take a minute to structure the action plan?

Please take your time.

Alright. In the near term, as a priority, the firm must look to offering a higher certification pass to solve the present eligibility issues. In the longer run, we should do a cost benefit analysis to evaluate its basket of courses and analyze if any additional domains can be added. Finally, we must continuously invest in marketing with specific focus laid on our new initiatives. Appropriate channels must be chosen to implement this marketing plan.

Thank you. That was all!

Education Provider

Your client is a South African education provider. Their revenues have been declining and they are trying to figure out the reason and define a plan of action for revival.

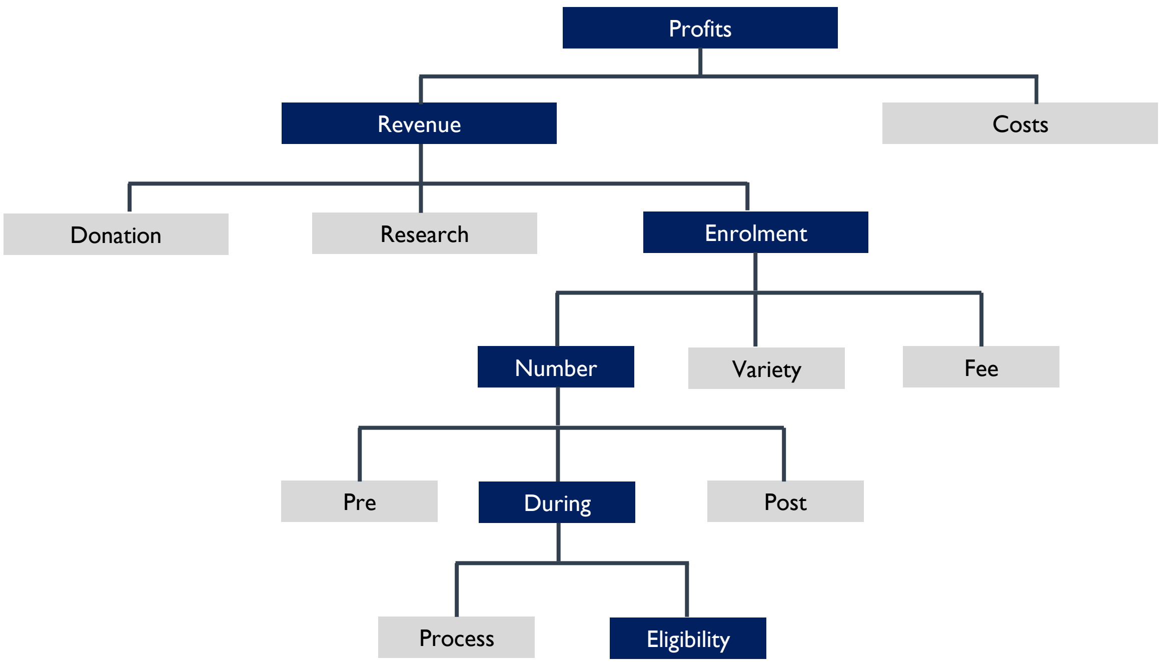
Case Facts

- South African education provider
- Target segment is adults between 20-45
- Present in urban provinces
- Majorly business-related courses
- 6 major players in market, we are 3rd in market share

Interviewee Notes

- 3 revenue streams – Enrolment, research, Donations
- Ignore costs
- Issue with enrolments in undergraduate
- Larger issue in Durban province

Approach/ Framework



Recommendations:

- Near term: Include provision of higher certification pass in curriculum
- Continuous: Invest in marketing through right channels
- Long term: Innovate basket of offerings

Key Learnings:

- These are 3 key revenue streams for an education provider
- Eligibility criteria and regulations can play a big role in education sector

Oil Distributor – Interview Transcript

Your client is an oil distributor. It owns 4 petrol pumps. Its profits have been constant for the past few years in one of the petrol pumps. Diagnose and recommend solutions.

I would like to begin with a few clarifying questions on our client. As per my understanding our client owns these petrol pumps, and the problem is specific to one of them. Is that correct?

That is correct.

Is the client a national distributor or a regional distributor? Also is the problem being faced by other petrol pumps in that region?

Being national or regional distributor is not relevant here. The problem is specific to the client's petrol pump

Since the petrol pump is facing profitability problem, I'll like to study the profit structure of the petrol pump and break it down into revenues and costs which are the two components of profit

Fair. You can assume that costs are not of concern right now and start by analysing the revenues.

In that case, I'll like to list break down the revenue sources between fuel sources and non-fuel sources. Among the fuel sources, do well sell only petrol or have other products as well?

Only petrol is sold currently.

Among the nonfuel sources, the possible revenue streams would be convenience store, value added services (paid air filling station, garage). Are there any other revenue stream I should be looking at?

No, you can go ahead.

I'll like to start by analysing the revenue from fuel sources first. I'll break it down into no of customers visiting per day, ticket size per customer, the price of petrol, and the distributor margins our client earns. Do we have any data of these based on current operations.

Currently the average no of customers per day is 100, ticket size per customer is 1 lt. and the price of petrol is Rs100/lt. Distributor margins are 10%.

Alright. So, to increase the profits, we need to look at increasing any one of them at least. How do these numbers look for our competitors?

You can assume that the prices are competitive, distributor margins are consistent across all players, and ticket size is also almost similar. The number of customers depends on a combination of multiple factors.

Okay. So, the number of customers will depend on three major factors: location, price and service. How are we in terms of location and service as compared to our competitors?

We are located in metro city like Mumbai and location is not an issue. Our services are also top-notch.

Ok. So, we need to look at the possibility of either increasing the prices or decreasing them and see their effect on the number of customers vising the petrol pump. Do we have any projection regarding the same?

Based on the market research, we have found that on every 10% increase in price, the number of customers decrease by 20% and for every 10% decrease in price, the number of customers increase by 5%.

This implies changing price will lead to overall reduction in revenues. Can we look at other ways of increasing the number of customers, like advertising?

Petrol is a commoditized product and advertising won't be helpful.

Okay. Then we don't see any way of increasing the revenues from fuel sources in isolation. Can we look at non-fuel sources and see if that is related to the number of customers visiting the petrol pump.

That's correct. 30% of people visiting petrol pump end up visiting the convenience store as well. The other non-fuel revenue sources can be neglected for this analysis.

So, this means we can look at the possibility of increasing the number of customers and see the net effect on revenue based on decreased prices and increased revenue from convenience store. Do we have any numbers related to revenue per person from the convenience store?

Yes. Currently the revenue per person from convenience store is Rs100. Your analysis is correct. Assume that the prices are decreased by x% and the revenue per person from the convenience store changes to y. Can you get the condition that must be satisfied for increasing net profit.

(Writes the equation) This means that decreasing the prices is not the sole criteria. We also need to look at ways of increasing the revenue per person or the percentage of people visiting the store. What are the products being sold at convenience store?

We currently sell general consumption items like chips, biscuits and other FMCG products. We don't have a big range of products. Can you give recommendations on ways to increase the revenue from conveniences store.

1. We can stock more items both in terms of variety and volume so that any customer visiting usually gets the product of his/her choice.
2. We can stock more items related to vehicles.
3. We can look at the possibility of advertising the store
4. We can also explore the option of introducing a new process where the payment for petrol will be done the store counter. This will essentially lead to all customers visiting the store and many people may turn up finally buying something. (Trade off needs to be done based on inconvenience caused for people who don't want to go to the store)

This is fine. Thank you.

Oil Distributor

You have been approached by an oil distributor facing with profitability problem in one of the 4 petrol pumps owned by them. Diagnose the problem and recommend appropriate solutions.

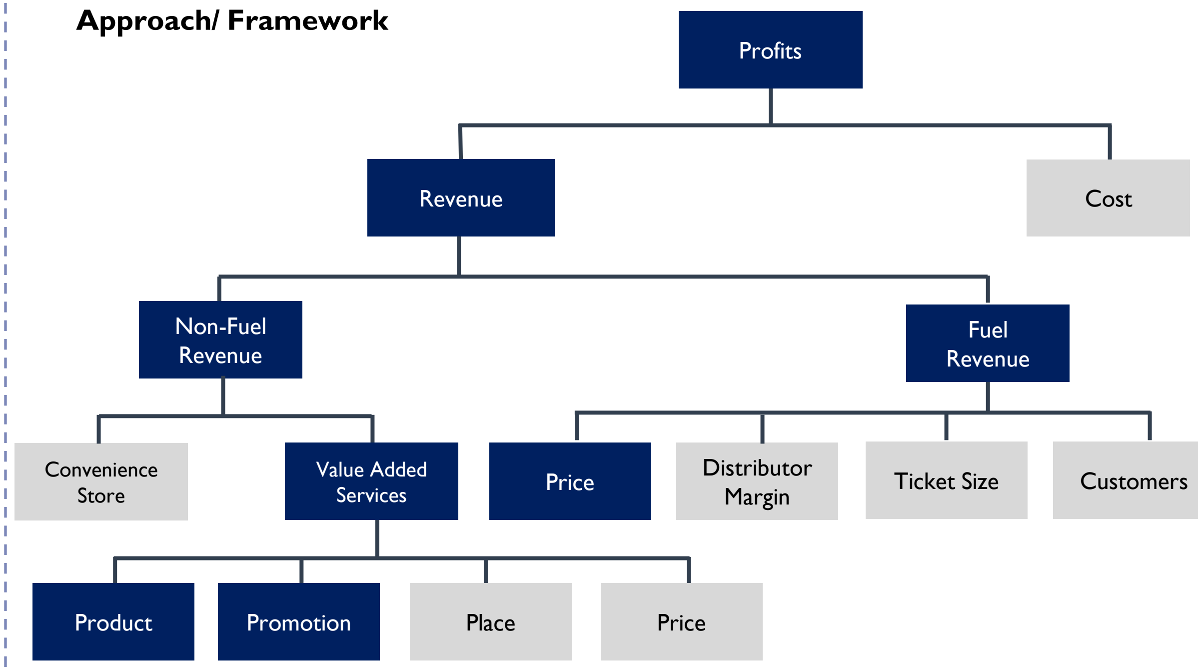
Interviewee Notes

- Profits have been constant over past few years due to problem in revenue generation.
- Identify the additional revenue sources for petrol pump- VAS, convenience store.
- Understand the interdependence of revenue sources on each other.
- Number of customers depend on location, price and service
- Changing price will lead to overall reduction in revenues.

Case Facts

- Client owes 4 petrol pumps, and the problem is in only one of the pumps.
- Problem specific to the client.
- Only petrol is sold currently.
- No problem on the cost side.
- No new competition.
- Petrol pump facing issue situated in metro city, no issue with the location nor with service quality.
- Advertising will not be helpful as product is commoditized.

Approach/ Framework



Recommendations

- Reduce price of petrol to get more customers.
- Increase the convenience store revenue: increase stock in terms of volume and variety; stock more vehicle related items; advertising the store; alternate payment process to increase visits to store.

Observations / Suggestions

- It is essential to figure out the key revenue streams for the petrol pump and their interdependence.
- Calculate the net effect of reduction in prices on profit and the possible ways of increasing revenue from convenience store.
- Develop equation between x and y and find the desired relationship for ensuring overall profits.

Price of Petrol	No of Customers	% of Customers visiting Convenience Store	Revenue per Customer from Convenience Store
Original Price (Rs 100)	100	30	100
Price Increased by x%	Customers decreased by 2x%	30	z
Price Decreased by x%	Customers increased by (x/2)%	30	y

Tractor Company – Interview Transcript

Our client is a major tractor manufacturer with nationwide presence. It is facing declining sales and is unable to compete. You have been approached to find the problem.

The key problem I need to focus on is finding the issue with declining revenues from tractor sales. Is there any other objective I need to keep in mind?

No. Please go ahead

Is this a nation-wide issue or should I focus on a particular market?

Focus on the West, where there is a major decline

What are the key product offerings and target market of the company? Is the company involved in direct retailing?

There is only one type of tractor in the market. Please focus only on that for the rural market. The company does indirect retailing through various distributors.

I would now like to deep dive into the problem. I would like to breakup revenue into 2 components i.e., # of units sold and price per unit. Do we have any information if any of these 2 has declined.

Our prices have remained constant, but we have faced decline in the number of units sold.

# of units can be affected by 2 components. Overall market size of the tractor and our captured market share. Has whole tractor industry faced decline, or our market share has declined.

Overall industry is not facing any decline. Our competitors have gained the market share.

Decline in our market share can be due to manufacturing issue leading to lower production, distribution issue or customer demand issue. Do we know because of which reason we are facing decline?

We can manufacture even for a 50% increase in demand. Capacity is idle. Also, there has been no change in ours or competitor's distribution. We are facing shortage of demand from customers.

Ok. So, we know that decline of the revenue is linked with decline of demand of our tractors by the customers. To further deep dive the reason of decline in demand, I would like to explore 4 factors i.e., our product, places we are reaching out, price of our product and our promotion strategy, all with respect to competitors. Also, I would like to know a bit about our competitors.

This looks good. There are 3 main competitors. Sales of one player have increased alarmingly while other have seen only a modest increase. The key issue is with the promotional activities. Why would that be?

Has the competitor increased the promotional activity more than us?

What promotional activities can you think of?

The promotional activities in this industry can be discounts, financing or increase in channel-based promotions. Is the competitor offering heavy discounts in the market?

No , it is the same. What can you think can be the issue with financing?

As we know that the tractors are mainly financed by different financing companies. Due to the recent slowdown in financial sector including both banks and NBFCs, it may be possible that we are not able to provide good financing deals to our customers as our competitor.

Excellent point. But the current issue is related to increase in channel-based promotion.

Okay. Other channels for promotion can be the print media, billboards, TV, radio and digital (SMS, internet, etc.) and the word-of-mouth publicity.

That is correct – the major issue was that our word-of-mouth publicity was less. Can you guess why?

Is there a negative branding about our company in the market?

No nothing of that sort. Think about what the competition could do to enable word of mouth?

They can organize trade fairs to directly connect with the consumers – telling them about the product and branding themselves.

Correct. They did organize a trade fair in multiple villages, called people to get free test drives and gave away prizes at the event. This was a part of the focused strategy to gain market in the West. Thank you.

Tractor Company

Our client, a tractor manufacturer, has been facing a decline in sales. You have been approached to find a solution to the problem.

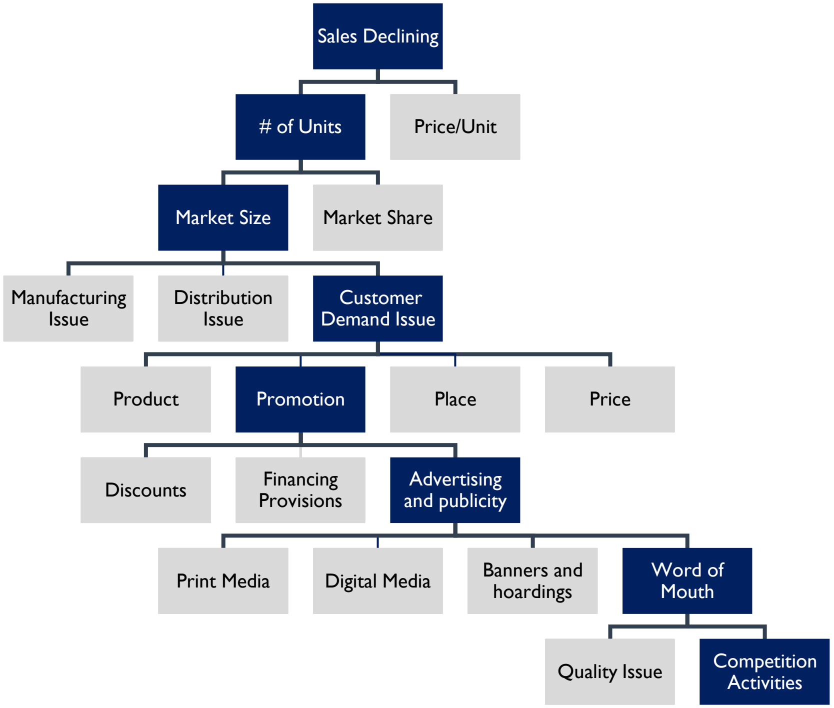
Interviewee notes

- Issue with promotion activity
- Same discounts as competition
- Same promotion spending across print and other media
- Low word of mouth publicity
- Increased competition activities

Case Facts

- Major tractor manufacturer, with only one major product
- Declining sales
- Only an issue in the West
- Prices have remained same, decline in units sold
- Decline limited to company and not industry
- No supply issue

Approach / Framework



Recommendations

- Increase penetration with counter offers and schemes.
- Give away indirect distributor inputs to increase retailing.

Observations / Suggestions

- Declining sales problems can also be separated into internal and external issues.
- Once the problem is identified to be in the publicity and advertising part, including word of mouth publicity is especially critical.

Diagnostic Center – Interview Transcript

Your client is a diagnostic chain in Mumbai. They have seen a decrease in profitability and want you to analyze the reasons.

To help me understand the problem better, please let me know if we have data about the magnitude of the decrease in profitability? Since when?

It is a recent phenomenon seen in the last 5 months. We do not have data about the exact drop in profitability.

Next, I would like to better understand our client. Could you elaborate on the various services provided by them? As far as my understanding goes, diagnostic chains can offer a host of services like blood tests, x-rays, USG, CT-scan, etc.

Correct. Diagnostic tests can be primarily divided into 2 categories: Pathological tests comprise blood, urine, stool tests. Radiological tests comprise X-rays, USG, CT-Scan, MRI. Specialty tests comprise ECG, EEG, Endoscopy, COVID-19, etc.

Okay! Does our client provide all the three types of services?

No, we provide pathological and radiological services.

That's helpful! Given you mentioned they operate a chain, how many centers do they have in Mumbai?

There are 4 centers, one each in the South, West, East, and North areas.

Is the decrease in profitability faced by all centers? Are some particular centers more likely to face this decrease?

Good question, The south center in Colaba, which is our oldest center and contributes 45% of our business is the only center facing this issue.

Okay! Next, I would like to understand the value chain of our client's operations. Does each center operate independently or are there some centralized operations (for example - centralized laboratories and finance functions).

We have a central laboratory, where samples from each center are sent for testing and reporting. The radiological services are carried out by each center independently.

Thank you, I have all the preliminary information I need. To begin with, I want to analyze profits as a function of revenue and costs. Do we have data about how these have been affected?

Revenues have declined. However, costs have remained the same.

The two streams of revenue will be pathological and radiological services. Another possible source can be the use of center infrastructure for purposes other than diagnostics. Do we have data about the revenue split, and if a particular stream is affected?

Revenues from the pathological tests have taken a hit.

Given the specified time period, I would like to break revenues from pathological tests for a center as No. of patient footfalls * No. of tests/patient * Average price/test. Is this a fair breakdown? Do we have data about these parameters?

There has been a decrease in the no. of patient footfalls.

I would like to examine this from the demand and supply perspective. As only one center is affected, and the operations of pathological tests are centralized across centers, I believe that this should be a demand-side issue.

Good, that's a fair point. Yes, the demand has reduced.

To analyze further, I would like to understand the various channels through which patients are able to use the pathological services.

The patients either visit us at our center or choose the at-home test service, to get the pathological tests done.

Okay, and are we facing reduced demand and revenue from both these channels?

No, the reduction in demand has been in the in-center visits.

Next, I would like to analyze the various sources of demand for in-center visits. These would be direct referrals from health centers like nursing homes, clinics in the vicinity, self-prescribed (ones who visit on their own - like for regular tests), and through any third-party platforms (online or offline)

That is fair. The no. of patient footfalls through direct referrals has reduced.

I would like to know, are there any specific health centers from where we use to receive the highest proportion of direct referrals?

Yes, there are 3 specialty nursing homes in the vicinity, from where we get more than 80% of such patients. There has been a reduction from all these 3 nursing homes.

Okay, I think the reasons for the same can be nursing home/doctor-related or patient-related. The doctor-related reasons could be a decrease in patient flow at the hospital, preferring some other diagnostic center for referrals or starting their own pathological services. The patient-related factors could be preferring a competitor service due to better price, service quality, or convenience.

Fair enough, so the doctors at these nursing homes have started teleconsultation services on a third-party online platform. The patients prefer to use these services whenever feasible. This has led to a reduction in the physical footfall at the nursing homes. Also, we do not provide services through this platform. What would be your recommendation?

My recommendations will be to try and get listed on this platform and look to acquire these patients through our at-home test service. We should also look at getting listed on more such online healthcare platforms to diversify the sources of our demand. We can also look at launching our own website and app for booking tests (if not already done), As we have a centralized lab, if not utilized at full capacity, we should also look at providing testing and reporting services to other diagnostics.

Good, Thank you.

Diagnostic Center

Your client is a diagnostic chain in Mumbai. They have seen a decrease in profitability and want you to analyze the reasons.

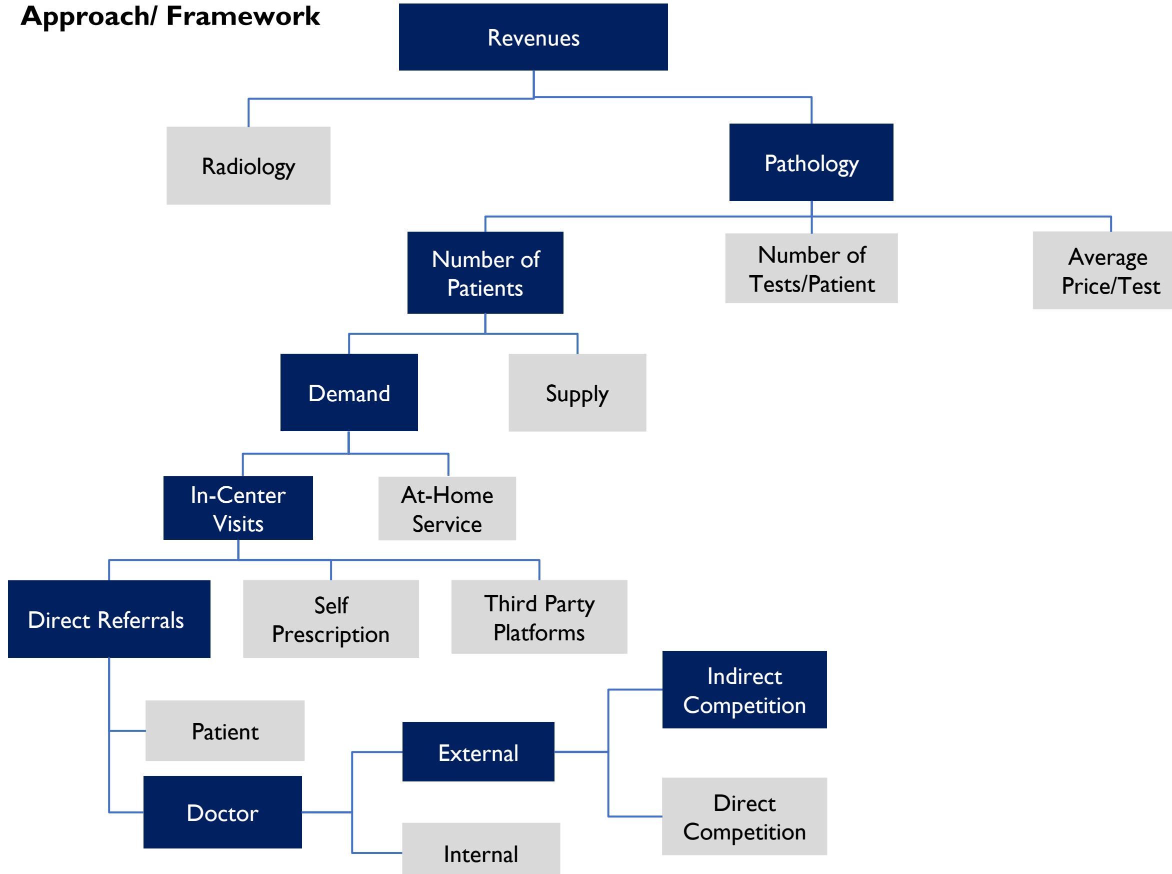
Interviewee Notes

- Important to start by understanding the various functions of the centers before diving deeper into the value chain.
- Zeroing in on geography and center is useful towards identifying the problem given Colaba-specific nature of the issue and the large revenue share of that center.
- Given limited understanding of the value chain within pathology, mathematical breakdown of revenues proved to be a helpful alternative.

Case Facts

- Decrease in revenue with costs unchanged
- Centres in North, South, West and East areas of Mumbai.
- Specialized tests are not conducted by our client.
- Colaba center (contributing to 45% of total revenues) is the only one facing reduction in revenues.
- Centralized path-laboratory but radiology is done at the center.

Approach/ Framework



Recommendations:

1) Partner with more and more third-party platforms.
2) Launch own website/app for booking.
3) Provide centralized lab services of testing and reporting to other diagnostic centers.

Key learnings:

1) Continuously sharing your hypothesis along with questions can lead to much quicker analysis of the case.
2) Using the 3C-1P framework for preliminary questions could have enabled an understanding of online competitors early on.

Fishing Company – Interview transcript

A fishing company has faced a decline in profits of 15% over the last year. The CEO has hired you to find out why this has happened.

I would like to ask some preliminary questions to understand the situation better. What exactly does the company do and what geography does it operate in?

It employs fishermen, who use the company's boats to go to sea and catch fish. They sell the catch directly to customers in the town. The company is also in the business of leasing fishing boats. The company is based out of Goa.

Alright. I'd also like to know whether the drop in profits is an industry wide phenomenon or is it just limited to our company.

The decline in profits is unique to our client.

Does our client have multiple product lines within seafood, or do they sell just fish?

They only sell two types of fish – large and small.

Do these products differ based on price, cost per unit and margins?

Small fish are considered premium and sell at 1.25x of the price of big fish. However, it costs the same to catch those fish.

Okay, that's interesting. So let me know try and identify the cause for drop in profitability. Since profitability is a function of revenue and cost, I'd like to analyse the two. Starting with the cost component, what has been the trend over the last year?

Our costs have actually gone down by 5%.

Okay, that's interesting. What about your revenue?

Our revenue for the last FY was down 12% YoY.

Alright, so the Revenue component is driving profitability down.

I guess so. So, what do you suggest?

Okay so in a typical fishing company, the major heads of revenue would be fish sales and lease of fishing vessels and equipments. Do we have any data with respect to these?

Yes, we do. Our lease income has indeed fallen from the the previous year on account of loss of a few customers. But leasing only contributes to about 15% of our total revenue. So, there's must be something else too.

So, a fall in revenue from fish sales must be driven by one of these three factors: fall in average selling price, dip in volume or a change in product mix. Do we have any indication about which of these it could be?

Yes, that's indeed correct. So, there has been a change in the product mix that we offer. We have found out that we are selling more large fish and fewer small fish than we used to last year. Can you help the company understand why this could be the case?

The problem of product mix could either be a demand side issue or supply side issue. Demand side issue affect the whole industry and since that is not the case, it is my hypotheses that the problem is one of the two: we are unable to catch small fish or are unable to sell them. Do we know which of these it could be?

Our catch of small fish has indeed fallen last year. What could be the possible reasons for it?

So, the problem could be either external or internal. Has there been any change in the composition in the water body where our fishermen fish? Is it possible that there are fewer small fish available, due to either the overall number of fish going down or the # of competitors going up?

No there's been no change in the composition of the sea. The proportion of small fish available is still the same. The number of competitors has stayed the same as well.

Okay then it seems to me that there is some issue with our process of catching and transporting fish. Has there been any significant change in the process over the last year? This could be any of the following: any change in logistical arrangements, change in fishermen, trawlers or fishing nets or even change in our area of fishing For e.g.. distance from the shore.

Actually, yes, there has been. Last year we went on a cost cutting drive. We wanted to reduce our expenditure on fishing nets, so we tied up with a company providing cheap recycled nets. However, these nets came with a square mesh instead of the diamond mesh that fishermen traditionally use. It was found that while the gaps in the diamond shape nets compressed when it came in contact with water, the square shaped mesh retained its shape under water and allowed a lot of small fish to escape through the gap in the nets.

That is some really interesting information!

Thank you for your analysis. You did a good job.

Fishing Company

A fishing company has faced a decline in profits of 15% over the last year. The CEO has hired you to find out why this has happened.

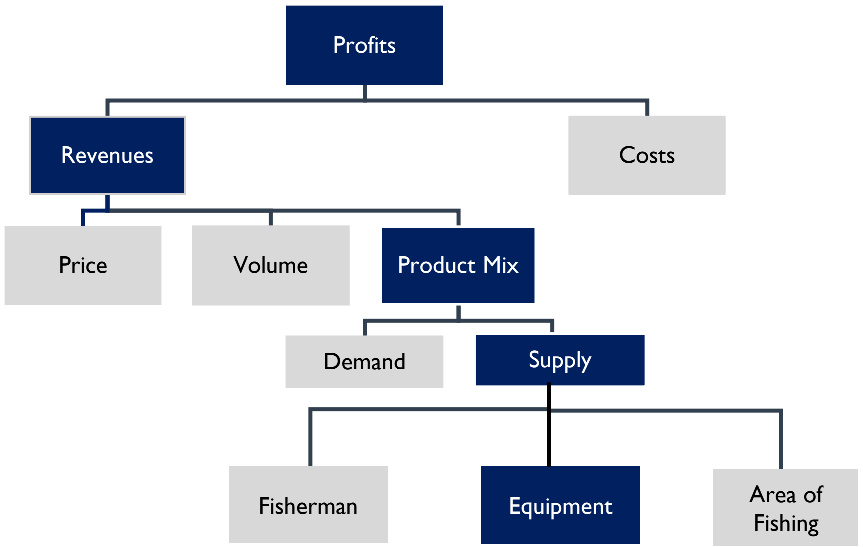
Interviewee Notes

- There could be two problems: either client is not able to capture fish or unable to sell them.
- No change in consumer preferences.
- No change in sea composition.
- Look for change in process of catching fish.

Case Facts

- Company based out of Goa.
- Fisherman sell directly to customers.
- Profits down by 15% over one year.
- Cost have gone down and so has revenue.
- Decline limited to client and not industry.
- 2 product lines: big and small fish.

Approach/ Framework



Observations & Suggestions

- It is important to ask preliminary questions to understand the company and the industry. A key insight (different product lines and different margins for each) was derived from the preliminary questions.
- It was important to note that change in sales of one product was not linked with change in consumer preferences. The problem can be on the supply side as well so it is useful to analyse the entire value chain to understand where the problem lies.

SpiceJet vs Indigo – Interview Transcript

Your client is SpiceJet which has recently seen a decline in profitability compared to Indigo. Analyze the problem and provide solutions.

I would like to ask a few clarifying questions before I begin to analyse the case. Firstly, I would like to confirm that we are focusing only on SpiceJet's airline business and domestic travel at that since we are comparing with Indigo?

Yes, that is correct.

Alright. I would like to then understand the recent industry trends over the last 5 years. Is the decline in profitability specific to SpiceJet or is it an industry wide phenomenon?

SpiceJet specifically has been facing the issue of decline in profitability.

Since this is the airline industry, has the decline been on some specific routes?

Across the nation.

Is there a specific reason we are comparing our profitability to Indigo's since our scale and target population of premium customers (if I can assume that) is different?

No specific reason. Indigo is doing well in the domestic market; they are not seeing the same decline that SpiceJet is.

Alright then. Since this is a profit problem, I would begin by splitting it into revenue and cost. Are we observing rising costs or declining revenues?

Both. Let's start with revenues and move over to costs.

Okay. Revenue for SpiceJet's airline business can be written as Price X Occupancy X Capacity. Have we observed a change in any of these components or across all ?

Price has remained the same. Occupancy has declined and capacity has increased.

Again, have these changes occurred across the country or only on some specific routes?

SpiceJet recently started serving some niche routes. Occupancy in those is lower

That makes sense. Just to clarify, since this is a new business for SpiceJet I would like to understand what kind of investments have been made? Has SpiceJet purchased a new fleet, or has it simply re-routed its existing fleet?

New fleet has been purchased.

Since it is an occupancy issue (low demand for SpiceJet), I would like to understand the customer profile in these niche routes. Do these routes have low airline travel demand or is this occupancy issue specific to SpiceJet? Is this demand likely to grow in the future?

Currently these routes have low travel demand but likely to grow in the future, and therefore the investment. The demand for premium SpiceJet travel has also been projected to rise.

That's very helpful. Since we have already made substantial investment, we may not want to withdraw fleets from these niche routes entirely for now. A few short-term measures which we can undertake are as follows:
1. We can expedite our marketing activities in these regions
2. We can analyse price sensitivity of the customer pool and accordingly price for now. We need to keep in mind that this is a price sensitive industry with little pricing power
3. Instead of having flights catering to these niche routes specifically, we can have our new flights on the conventional routes and have re-routing via these routes.

That makes sense. Let us now come to the cost aspect of the problem.

For the cost aspect of the problem, I would like to draw the cost value chain for SpiceJet which consists of the following- Cost of materials i.e., expenditure on fleet, processing costs which would include airport rent, employee salaries, IT services and fuel costs, storage costs which is maintaining inventories of spare parts, distribution and marketing and customer services (on-board services). Which part of the value chain would you say is suffering?

SpiceJet is experiencing high storage costs which have recently risen further.

Is Indigo also facing similar costs or is it just SpiceJet?

Only SpiceJet.

Inventory costs can be split into types of inventory held, number of inventory parts and cost of carry which would include pilferage, warehouse rent, poor demand prediction, poor inventory management & late supply costs. Is the cost higher than Indigo across all these components?

The cost is high specifically due to the types of inventory held. SpiceJet operates with different kinds of fleet whereas Indigo has one standardised fleet. Due to this, SpiceJet needs to hold more inventory. What implications would this have?

Due to different kinds of planes, there is a greater number of spare parts that SpiceJet is having to hold which is the reason behind higher costs. The costs have risen now more than before, could probably be driven by the new fleet purchased by SpiceJet for the niche routes. If the new fleet is of a different type, then cost of inventory due to the new purchase has increased overall costs and led to a fall in profitability.

That is correct. The new fleet purchased by SpiceJet is smaller and requires an inventory of different parts. What would your recommendations be?

Okay. So, there are a few things that SpiceJet could do vis-à-vis the inventory costs-
1. Standardise the fleet going forward – Make sure new purchases in the future are standardised.
2. Renting agreements with suppliers of inventory – alternative to purchasing expensive inventory
3. Hub & spoke model – Have a centralised location where inventory is stored and supply to all airports instead of maintaining inventory at every airport
4. Need basis – Order inventory on a need basis instead of maintaining excess

Profitability | Challenging | Aviation

SpiceJet vs Indigo

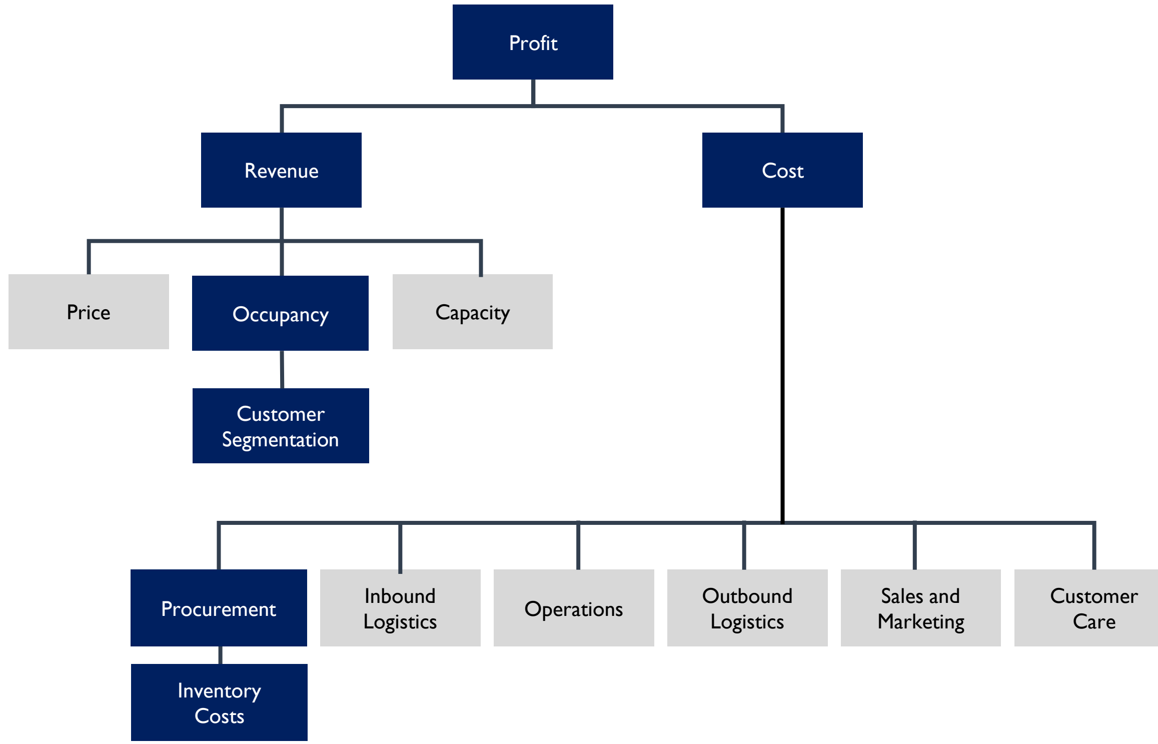
Your client is SpiceJet. It has observed a decline in profitability vis-à-vis Indigo. Analyze the problem and provide solutions.

Interviewee Notes

- Revenues have fallen and costs have risen.
- As substantial investments have been made, withdrawing altogether from niche routes is not ideal as demand is slated to grown in the future.
- New fleets purchased are of a different type leading to higher inventory costs.

Case Facts

- SpiceJet airways facing declining profitability. Not an industry wide trend.
- Focus on airline business, domestic travel.
- Occupancy has decline and capacity has increased.
- Problem across niche routes.
- New fleet purchased for niche routes.
- Faces high storage costs.



Recommendations

- Revenues- rerouting, bundling, expediting marketing, re-analyzing customer segment.
- Costs- Standardize fleet, hub & spoke, renting agreements, need based inventory procurement.

Observations / Suggestions

- Revenue should also be appropriately split into its components given the airline travel industry.
- Do not directly suggest to undo an action the client has taken, unless there is sufficient evidence to suggest the same.
- While devising strategy to improve occupancy, look at it from the 4P perspective.
- Candidate needs to develop an in-depth understanding of airline industry to split cost into components.
- Understanding of generic methods to cut inventory costs is essential- this can then be tweaked as per the airline industry.

Home Loan Provider – Interview Transcript

Your client is an affordable home loan provider. They started in 2018-2019 and have grown to have a book size of 1500 crore by 2022. However, the book size has remained unchanged for the last 8/9 months. What do you think are the reasons for this, and what can we do to help them?

Great. So, a couple of questions before we dive into the solution. What do we mean by affordable home loans?

They provide loans with small ticket sizes, usually between 10 to 15 lakhs

Is this stagnation an industry-wide trend given the current economic conditions? Additionally, what does our competition look like? How many direct competitors are there, & what's their market share?

It's not an industry-wide issue. It's something that has happened to our client only. We have around 4 competitors in the market, and all 5 players have an equal market share.

Since it's not an industry-wide issue and our book size has not increased over the last 8-9 months, is it safe to assume our 20% share has fallen and been taken up by our competitors?

Yes, that's correct. We don't have the latest numbers, but we expect them to indicate a significant fall in market share for us.

Okay, understood. So, to assess the reasons for this stagnation, I would like to look at it from demand and supply sides both. On the demand side, I would like to look at the number of consumers and the average ticket size per consumer. On the supply side, I'd like to evaluate if any internal constraints are impacting our ability to disperse loans, such as regulatory authorities' sanctions on our bank.

We can focus on the demand side for now.

Okay. Breaking down demand into the number of customers and average loan ticket size per customer. Have we seen a fall in any of these numbers?

The average ticket size has remained the same.

So, this implies that our number of customers has fallen. Have we seen an increase in repayments, or should I focus on just the fresh loans we are getting?

Good question. We can ignore repayments for this case.

Got it. So, to understand why the number of customers could have gone down, I would like to work through key elements of their journey – identification of need, competition analysis, selection of provider, processing of their loan, disbursement of loan and post-disbursement activities. We already know that demand hasn't gone down since the competitors aren't facing this problem, so I'd like to focus on the other elements. Is there anything specific you would like me to work through?

Yes, we know that the problem is in the processing stage. How would you break it down further?

We can look at the following stages: document collection, document submission, document verification and approvals.

Looks good. What next?

I'd like to walk through each of these elements and see where the customers are dropping out. What is our way of document collection – do customers submit it online or do they come to the branch to submit it?

No, all these remain the same.

Great. We can talk about approvals now. Based on my understanding of the banking industry, I believe there would be a multi-level approval process that would be followed – starting from initial approvals at the local branch manager level and moving up to the regional level depending on the customer's risk/total loan requirement. Have we seen any change in the approval process – have any new levels been added or have the rejections at this stage gone up?

That's correct. We've recently added a centralized approval layer at the zonal office to ensure tighter control on the process. However, the number of loans getting rejected at this stage has gone up.

Interesting. Is there any reason for this increase? Are the customer documents not meeting specific criteria or are there any deviations not identified earlier?

The approver is being extra cautious and asking for more customer documents. There is no fault at the previous levels of verification.

Understood. Given how we collect the documents from our customers from their homes, is it correct to assume that we now must travel back with these documents to their house and collect the updated ones again?

Yes. What do you think are the implications of this?

This would cause our turnaround time to go up significantly which could lead to dropouts.

Correct. That is what is happening. What are some recommendations you would give them?

My recommendation would be –

1) Analyze the abnormalities being identified by the zonal approver and see if we can incorporate them in our standard documentation so we can remove the incidence of this at the source

2) Relook the need for a centralized zonal approval

3) In the long run, we can consider moving to an online/app-based set-up so the turnaround time for the entire process can be reduced significantly

Great, I think we can end the case here.

Thank you for your time.

Home Loan Provider

Your client is an affordable home loan provider whose book size has remained unchanged for the last 8/9 months. What do you think are the reasons for this, and what can we do to help them?

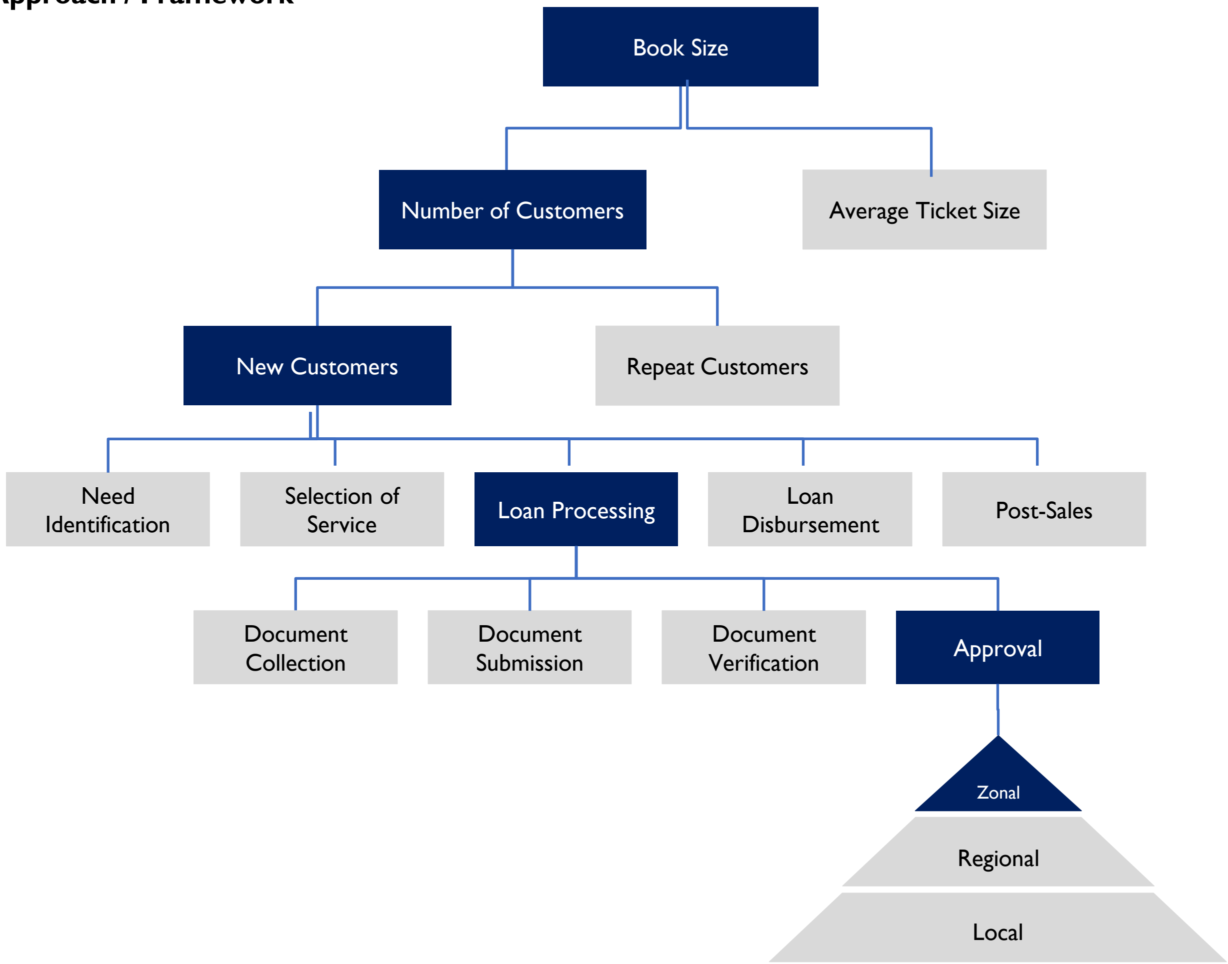
Interviewee Notes

- Profitability case to diagnose revenue stagnation
- 2 levels of customer journey need to be analyzed to diagnose the problem
- Process analysis indicates the reason why turnaround time has increased

Case Facts

- Client is an affordable home loan provider with ticket size ~10 to 15 lacs
- The client diagnosed the problem in the processing stage for the loans
- New layer of personnel added to the approval process, increasing the turnaround time

Approach / Framework



Recommendations

- In the short run – Analyze the abnormalities being identified by the zonal approver to remedy the problem at the source
- In the long run – Online/app-based set-up so the turnaround time for the entire process can be reduced significantly

Key Learnings

- The candidate did a good job of bifurcating the problem into demand-driven issues and supply-side issues even if the problem arises only in the demand side
- The candidate displayed industry knowledge when breaking down the customer journey during loan disbursement – having a fundamental grasp over different industries always helps

Port Operator – Interview Transcript

Your client is a port operator on the western coast on India. They have noticed that their profits over the last few years have been much lower than their expectations. They want you to figure out the problem and recommend solutions for the same.

Before I begin with my analysis, I would like to understand the problem statement a bit better. What is the quantum of the decline we've seen and how long has it existed?

Actually, there hasn't been a decline. It is just that they have not been able to meet the expectations that were set. This issue has persisted since they began operations around 3-4 years ago.

Oh, I see! Thank you for clarifying. Can you please share some numbers regarding the expectations we had and the actual profits we were able to earn.

Sure! The client has 3 revenue streams - Rental Charges, Storage & Handling. Our revenue expectations were unmet for all the 3 streams. The costs have been consistent.

Oh okay, I am unsure on what these 3 streams actually are, can you please elaborate on the same? Also, as the costs have been the same each year, can I ignore costs for the purpose of this analysis

Yes, Rental Charges refer to the fee charged to shipment companies for allowing them to dock their ships at our port. Further, they often need a warehouse to store their cargo near the port before the downstream logistics kicks in for which we charge a storage fee. Lastly, we charge a handling fee for providing our clients with the required labor to transport the cargo from their ships to the warehouse and from the warehouse to the trucks/ railway stations. These are all charged on a monthly basis. Also, you can ignore the variations in costs and focus on the revenues.

Great! Now that I have understood the problem statement, I would like to understand the business environment. Which geography does our client operate in? And are other ports operating in the same geography facing issues like our client?

Our client's port is located just south of Rajkot. And yes, our competition has seen a minor decline in revenues since we began operations, but for the purpose of this problem you can assume that our competition isn't facing this issue.

Alright! I think I have enough information to begin my analysis. May I take a minute to structure my thoughts?

Sure, go ahead.

Okay, so revenues are a function of 2 things: i) the number of clients we have and ii) the price we charge each client. I would like to delve deeper into these 2 parameters and understand where the issue lies. Does this sound like a fair approach?

Yes, it does. Why don't you move ahead.

Sure. Based on my initial analysis of the revenue figures I wanted to begin with Rental Charges. However, we are given that the client's actual revenues failed to meet expectations across all revenue streams. It will be highly unusual for a port operator to suddenly drop the prices of all kinds of charges, so the issue we are facing is likely to be on account of the number of clients.

That is an excellent inference! Why do you think we have been able to attract fewer clients than we had intended to?

Thank you! Now, a shortfall in our expectation of the number of clients could come from two factors i) It can be a supply-side issue, or ii) It can a demand-side issue. Since our competitors haven't noticed a similar shortfall in the number of clients, my hypothesis is that this is not due to a change in the inherent demand of our clients. It is likely that the issue stems from our client's inability to supply their customers with the services they want.

That's a fair point, please proceed.

Now I'd like to further segment my analysis into two parts. i) issues that are internal to the transaction between the port operator and their clients, and ii) issues that are external to the transaction between the port operator and their clients. May I begin with internal issues first?

Yes

Within internal issues, I'd like to look at 6 factors. i) Need or inherent demand- which we have already established is not the problem here, ii) Awareness of our port - which also shouldn't be an issue given that a new port is a massive investment and would presumably be big news, iii) Accessibility to our port - this could be a potential issue, iv) Experience our clients have while availing our services - this could also be a potential issue which depends on the quality of services we provide, v) Affordability of our services- which can be an issue if we aren't competitively priced, and vi) Presence of substitutes and competitors to our services. Have we noticed any problems in the 6 factors I have mentioned?

Your assumption on the Need and Awareness is correct. As we are a new port, we have used the most state-of-the-art technology available and provide services of the highest quality. Accessibility, Experience, and Substitutes also aren't an issue.

That's interesting! We are unable to attract clients even though we have the best port operations on the western coast. I'd now like to look at external factors.

Sure, go ahead.

Great, so now I'd like to look at macro-economic factors at play here. There are 6 lenses I'd consider, i) Political, ii) Economic, iii) Social, iv) Technological, v) Environmental, & vi) Legal. I will analyse these from the perspective of the manufacturer and not the shipment companies as they are the ultimate decision-maker on choice of port.

What do you mean by political? Could you please elaborate?

Political issues could be due to opposition by the government. This could manifest itself on the lines of certain regulations & laws, or even in the form of import duties that are specific to Gujarat, so that manufacturers are discouraged from using our port.

You are partly right. The reason we wanted to begin operating a port here was because there was a Special Economic Zone (SEZ) that was due to come up in Rajkot which are usually more liberal than the economic laws that are applicable in that particular nation. Therefore, the cargo manufacturers get discounts on taxes/duties when they sell through an SEZ. Unfortunately, due to many protests by the local public in Rajkot, the government decided not to sanction the SEZ. Therefore, we are finding it difficult to attract new clients, who in any case have a stickiness to their existing trade routes. Can you now give us recommendations to solve this problem.

Definitely. I have two sets of recommendations: long-term and short-term.

Long Term: i) Lobby with the government to sanction the SEZ, ii) Lobby with the government to improve the downstream logistics infrastructure to reduce the overall cost of transportation for the exporters and encourage them to use our port, iii) Align our services with the industry trends in terms of the type of cargo being exported to gain a competitive advantage.

Short Term: i) Partner with downstream logistics players to provide a join service at a lower cost as they would also be suffering due to the absence of the SEZ. ii) Provide price discounts.

Alright. Let's stop here. Well done. Thank you.

Port Operator

Your client is a port operator on the western coast on India. They have noticed that their profits over the last few years have been much lower than their expectations. They want you to figure out the problem and recommend solutions for the same.

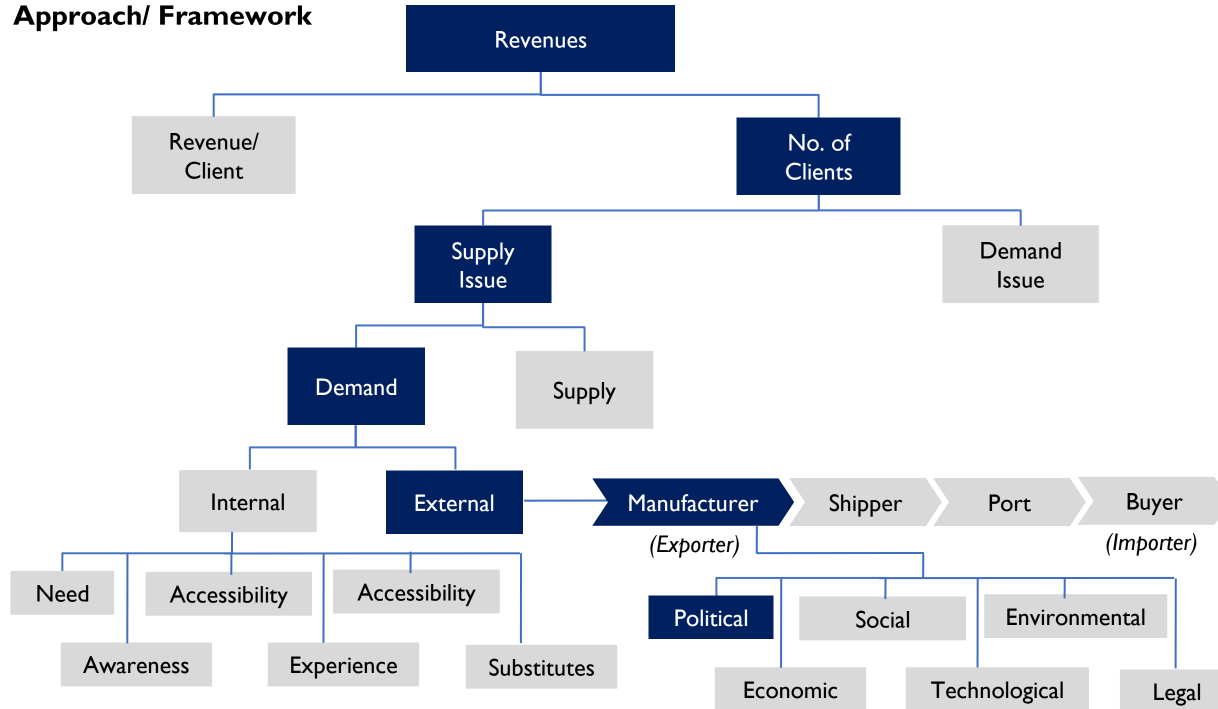
Interviewee Notes

- It is important to understand the problem statement i.e., shortfall in expectations and not profit decline
- Preliminary questions around actual revenue & expected revenue, geographic location, timeline & competitors were crucial to solving this case.
- Sharing hypothesis on "no. of clients" being the real issue helped get to the root cause quicker.
- Understand the value chain to identify the real decision-maker (here, manufacturer and not the shipment company).
- This case tests- structure, numeracy, judgement, communication & adaptability.

Case Facts

- Issue persists since inception- 3-4 years, and is specific to our client
- Port located south of Rajkot.
- Expected revenues, actual revenues & costs have remained the same each year
- Service quality is superior to competition
- Manufactures (exporters) think of shippers and port operators as nodes in the value chain. They are the decision makers.
- No demand side issue as our competition can reach their targets
- Political unrest resulted in the government not sanctioning the SEZ which resulted in low demand for our port.

Approach/ Framework



Recommendations

- Lobbying with the government to sanction an SEZ is such situations is usually futile but is still worth the effort given the capital investment that has already been made by the client
- Lobbying with the government for better downstream logistics infrastructure (roads, rail terminals, multi-modal logistics parks, IWT) is more prudent as it reduces the overall transportation cost for cargo (~50% of overall cost) & more importantly aligns with the goals of the government.
- Partnering with the downstream logistics players (truckers, rail operators, terminal operators) is a "service differentiation" strategy that was actually recommended by Kearney to the client
- Price discounts and alignment of services with industry trends is something that the port operator would have already tried, nonetheless, it is important to state.

Key Learnings

- Numbers are always given with a purpose, it is easy to ignore them when no insights are easily evident, but one needs to spend enough time digging deeper.
- Understanding the decision maker in the value chain is the key to unearthing many issues that exist with services providers that are part of value chains with more than a single node.

Fast Food Industry – Interview Transcript

Your client is the owner of a famous Burger Chain in India with various outlets located in and around major tech cities- Hyderabad, Bangalore and Pune near the major tech parks and major shopping malls. For the past two years you are facing decline in the profits. What's the reason behind it, and how would you improve the profits?

Just to reiterate, we need to identify the reasons for the decline in the profits of the burger chain and how to improve the profits.

Yes, that's correct.

Before getting to the analysis, I wanted to know about the business in a little more depth-
Is the issue of declining profits pertaining to a particular region or all three regions?

The profits have declined in the Bangalore region; for Hyderabad and Pune region, it has been increasing.

Ok, and Does the company operate through a franchise model or are a self-run business?

They are a self-run business. Why is it relevant here?

In some of the cases, it might happen that if there's a franchisee, then the operations remain standardized. But if they are a self-run business, they could try to change their operations depending on the different regions they are operating. So, they might have different streams of revenue or different cost structures.

Fair enough. Go ahead.

So now I would like to analyze the reason for the profits decline in the Bangalore region by breaking it down the profits into its two components- Revenue and Costs.

For this particular case, you can assume that the revenues have remained constant for the past years, but we have seen an increase in our costs.

Ok, so are the increasing costs an issue for both the outlets in shopping malls and tech parks or any one of them?

The costs for the outlets in the shopping mall have remained relatively in line with the revenue of the outlet.

To get the idea of the Tech park outlets- are those sites typical dine-in only, or they also have different services like drive-through and what are their operating times?

Good observation, they operate both dine-ins and drive-throughs in separate spaces but in the same areas. The Dine-ins are operational from 10 am to 11 pm, but the drive-throughs open in the evening from 5 pm to 2 am.

Why is that they are not sharing the same outlet?

Its not relevant but you can assume that there might be some layout issues related to the construction of the drive-through.

In this scenario, I would like to break down the cost side by going through the outlets near Tech parks' dine-in service and drive-through service. Further, I would like to divide the cost components into fixed and variable costs.
So, for the dine-in, the fixed costs would include the rent of the outlet, maintenance costs, employees' salaries, licenses, insurances, marketing and the variable costs would consist of the inventory, other utilities- uniforms, hourly payrolls.
For the drive-through, the fixed costs would include the rent for those premises, the employees, different insurance costs, licenses and the variable costs would consist of the hourly payoffs, inventory, and other utilities.
Is there anything else that I should consider?

No, this seems fine.

So do we know about the rents and payrolls for the dine-in outlets. Are they increasing?

No, they have remained constant for the past two years. You can consider that the fixed costs haven't increased much for them and also the variable costs are in line with the revenues. You can focus on the Drive-throughs.

So, in case of Drive-throughs as I discussed the fixed and variable costs, I am assuming the insurance costs, licenses and other utilities will be most likely constant. So, is there any issue with the employee salaries and the variable hourly payrolls.

Yes, the fixed employee salaries have increased significantly and also the hourly payrolls have gone up. Could you rationalize the reasons?

This could because of the following reasons- The fixed number of employees has increased in the drive-through outlet and their salaries have increased, but if we consider the increase in salary this would have also affected the dine-in outlets, so this could be attributed to the increase in number of employees owing to the increased footfall. The other reason could be the hourly payrolls have increased for the employees working late in the night with their numbers also increasing and mostly during the weekends.

Seems fine. So, what suggestions would you give to address these issues?

Ok so as we have now identified the cause of the increased costs, I will move towards the recommendations. Firstly, we need to identify the choke points in the system. So, the various components in a drive-through are -

- Microphone to place your order
- Employee listening to the order
- Movement of the burger order
- The window where the customer interacts with the employee to take the order

Makes sense. What can we change across these steps?

In the following points to reduce dependence on the employees, there are several points that could be automated. The order placed could be connected to a voice recognition system to automate the order placement. The window where the employee gives the customer could be replaced by another type of vending machine where the employee in the kitchen could put the order in a specified segment in the machine which could be accessed through an OTP given while placing the order. A conveyor could be used to transfer the food from cooking area to the segments of the vending machine.

Alright, is there anything else we can look at to reduce costs?

Another thing that could be done is to see if the number of employees in the night shift which are on hourly payrolls is justified with the number of the customers coming during that time. If its not justified, the drive-through's timing could be changed accordingly. Do we have any data about the arrival patterns?

The peak hours are 9 pm to 1 am, and average arrival before that. But after 1 am, it is very low.

So as the arrival is very less during 1 am to 2 pm we could change our operating hours from 5 pm to 1 am.

That's good. Do you think Capex for the automation sector could be justified?

Yes, I think even in the changing technological scenario automation provides you an added advantage of having a competitive advantage while reducing the redundant work.

Continued on the next page >>

Fast Food Industry – Interview Transcript

Continuing on the lines of automation, consider the burger chain contracted some vendors and received a deal for coffee machines. So where do you think these machines could be used and how do you justify going ahead with this venture?

Ok, so to analyse the scenario we have to look at the consumption patterns of coffee. So, I would like to analyse the footfall in different regions at different times of the day and also the coffee demand in the different regions. So, is there any data related to that?

Yeah, they had already done a market survey in all three regions, so it is found that the coffee drinkers are most in Bangalore followed Hyderabad and Pune but not much difference. Also, the footfall is maximum around 9-11 am.

So, do we know anything about the age group of the consumers?

Yes, there's a particular age group which consumes more coffee - 25-40 years.

Can we infer that from the given data that given the particular environment that there is in these cities, i.e., tech culture with most of the professionals working in tech firms and arriving to the office effectively at that time when the coffee consumption is also at the peak.

It's a valid inference.

In order to deploy the vending machines at the most optimal areas, it is necessary that they are near or around the major hotspots, i.e., around the Tech parks in all three regions, where the working professionals could have easy access to quality coffee without any hassle. So, the coffee vending machines could be used in the outlets near the tech parks to be better placed to succeed in this venture. Moving to the justification of the venture, do we have any data about the capex of the chain pre-decided for the vending machines and what are the total number of outlets in these three regions near the tech parks?

There are in total 4 dine-in outlets near tech parks in Pune. In Hyderabad, there are 5 dine-ins and for Bangalore, there are 7 dine-in outlets and 4 drive-throughs. In Hyderabad and Pune, there are no drive-throughs. They have a agreed upon capex of INR 10.5 Lakhs initially.

So, if we assume that a general vending machine costs around INR 35,000, so we can purchase 30 machines. And to reduce the bottlenecks we can install 2 machines in each of the outlets except for only one in two outlets in Pune. To get to know about the breakeven, is it safe to assume that the variable costs per dispensed cup is INR 30 depending on the premium quality, cost of standardised good quality cups and size of the serving. And what are they thinking to price per cup of coffee at?

Go ahead with the assumption. They are thinking of pricing it at around INR 100 per cup.

We have the fixed price, the variable price and the selling price, so we can find the break-even values for the number of cups to be dispensed for all the three regions. For Bangalore, it is 7000 cups, for Hyderabad - 5000 cups and Pune - 3000 cups.

So, if we consider during the peak hours i.e., between 9-11 am the arrival is 20 per hour and for the rest of the day it could be averaged out to ~2 per hour. So, for the day it is - 42 per day. For Hyderabad let's assume 80% w.r.t. to Bangalore and for Pune, let's assume 60% w.r.t. Bangalore. The number of cups per day in Hyderabad - 33 and Pune - 25.

The investment could be recovered around 170 days which is approximately half a year. So, if they want to use it in different regions and different outlets they can plan accordingly. So according to me they should go ahead with the venture.

Thanks, that would be all.

Fast Food Industry – Interview Transcript

Your client is an owner of of a famous Burger Chain in India. Identify the problem and provide recommendation to tackle the issue.

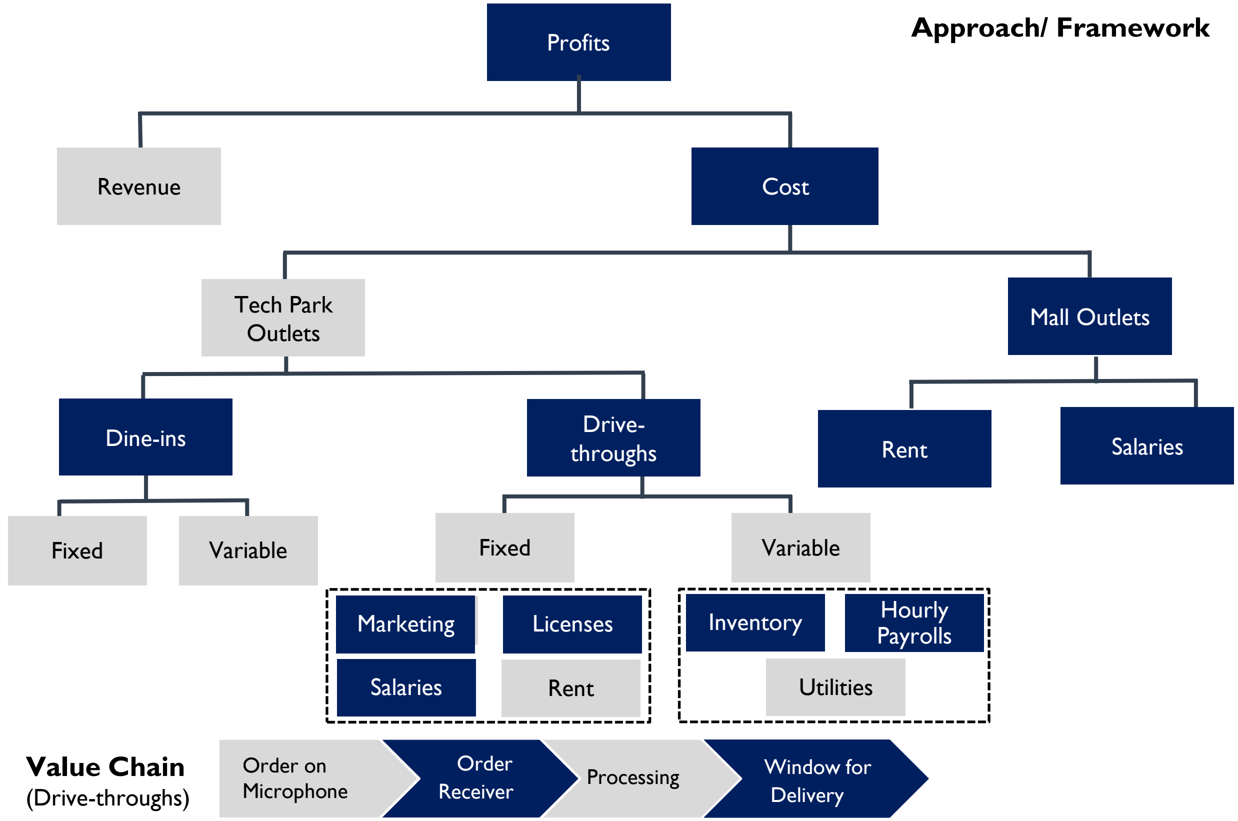
Interviewee Notes

- Reduced profits over a two-year period time because of increased costs.
- Identify the issues on the cost side.
- Two types of outlets- Tech park and Mall outlets, Issue only in tech park outlets.
- Identify the value chain choke points.
- For vending machines- Consumption pattern, and age group.
- Justifying capex through breakeven analysis.

Case Facts

- Increasing costs.
- Client has 20 burger joints in three regions with problem in Bangalore region.
- Tech park and mall outlets.
- For coffee vending machine-Peak hour for consumption- 9-11 am
- Capex for vending machines- INR 10.5 Lakhs.

Approach/ Framework



Recommendations

- Use automation in the value chain of the drive-ins to reduce the number of employees to keep the salary of the employees under control.
- To keep the costs related to hourly payrolls less, change our operating hours from 5 pm to 1 am.
- For Vending machine, install the vending machine in the outlets near to the tech parks and go ahead with the venture.

Observations / Suggestions

- It is necessary to understand the business model of the chain, even if there's some doubt clarify it to get a clearer picture of the issue.
- Along with this, it is important to understand the value chain of any offering.

Textile (Retail) – Interview Transcript

Your client is a leading textile company in India. Recently it has been experiencing a decline in its return on capital. Could you analyse why?

Sure, I would like to begin by understanding more about the company and its products. What geography does the company cater to? Could you please tell me about its product portfolio?

The client sells different types of menswear and womenswear through retail outlets. Their stores are spread out across India, mostly in Tier-I cities.

Alright. So that implies that the client buys clothes from wholesalers and sells it to consumers through retail outlets, is that right? Is the decline related to a particular store or region?

Yes, the client procures from suppliers and sells to final consumers. The decline is across all the stores in India.

Noted. Do we have any information about the quantum of the decline and since when this happened?

There has been a 4% decline in the last year.

Are other players in the industry facing this same issue?

No. It seems to be a problem specific to the client's firm.

Right. Are we considering the returns to just the equity shareholders or the overall return to the firm?

The decline is based on the overall long-term capital.

Great! I would now like to dive into the case and structure it to get to the bottom of the problem. I will begin by breaking down Return on Capital into its component parts: Operating Profits and Capital Employed. Next, I will identify which of these are a problem and further look into factors that may have changed to alter either of these. Would you like me to proceed in this way?

Yes, that sounds like a good start. Why don't you go ahead?

Since ROC is a function of profits and capital, I would like to know if the profits have decreased, or the capital has increased or both.

The capital employed by the firm has increased.

Okay. This implies that the firm is requiring more capital than last year to earn the same amount as operating profits, am I correct?

Yes, that is right.

To analyse why more capital is being used to generate the same profits, I would like to break down capital into its constituents. If we look at which assets are being financed, we can divide the capital into two parts- fixed capital and working capital. Fixed capital is the permanently deployed capital in the business, that would have been used to fund the land, buildings, machinery and other such assets of a long-term nature. On the other hand, working capital is used to meet the day-to-day operational cash requirements of the firm. Can we compare the balance sheet as on date with last year to understand if one or both of these components have increased?

That's a good idea. On comparing the two balance sheets, we find that the working capital invested in the business has increased.

Right. Since working capital equals current assets less current liabilities, we can further break down working capital by analyzing current assets and current liabilities separately. Current assets would include cash and bank, inventories, trade receivables, prepaid expenses, short-term investments, and advances. There can be other elements as well, but I am assuming these are the major heads. Is this assumption valid?

Yes, you can proceed.

Great. Similarly, we can segregate current liabilities into trade payables, short-term loans, accrued expenses, bank overdrafts and unearned revenues.

The next step would be to find out if any of the constituents of current assets or current liabilities have seen a pronounced change from last year. Alternatively, multiple constituents might have changed in small amounts resulting in a large aggregate change. Do we have numerical data that can help confirm either hypothesis?

From the balance sheets once again, we can say that there is a stark difference between the trade payables in the two years.

For working capital requirement to have increased, trade payables would have to fall given the relationship defined earlier. Now we could look into possible reasons why the firm's creditors have decreased. Can I proceed with this approach?

Sure, go ahead.

Some reasons why this might happen are as follows:-

First, the firm's suppliers might have changed, and the new suppliers have allowed a smaller period of credit than the earlier ones. However, this would have possibly had an impact on the cost of goods sold as well and thereby the profits, unless the price levels between suppliers are fairly similar.

Second, the existing suppliers might have changed their credit terms resulting in a shorter credit period and thereby lesser payables.

Have either of these events occurred?

Not really. Are you aware of how credit terms are framed in such contracts usually? Maybe that could help you pin-point the issue.

From what I know, suppliers usually allow retailers a certain period, say ten days, within which they have to make the payment for supplied goods. If the retailer makes the payment before that, he may be eligible for a cash discount, which is calculated usually as a percentage of the purchase price.

Correct. So what might have happened here?

The client may have changed its policy of payment to the suppliers. Earlier, the client would have been paying them the dues beyond the stipulated payment period. However, to avail the cash discount this year, the client could have reduced the credit period. In all probability, the benefit from the cash discount was outweighed by the increased working capital requirement as a result of the decrease in credit period from the suppliers.

Alright. That makes sense. Let us wrap it up here. Thank you.

Textile (Retail)

Your client is a leading textile company in India. Recently it has been experiencing a decline in its return on capital. Could you analyse why?

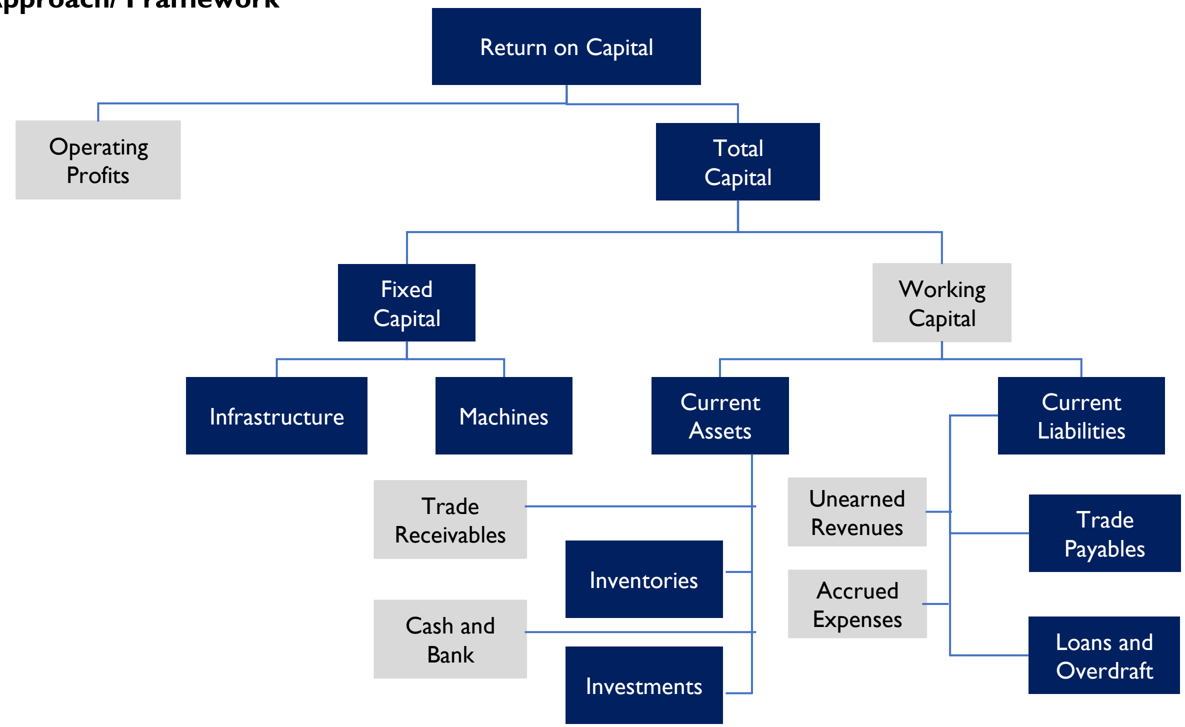
Interviewee Notes

- It is important to understand whether the cause of decline is due to profits or capital.
- Balance Sheet structure and retail-specific purchase contracts need to be focused on
- Decline is because of higher working capital requirements.
- Trade payables have reduced due to change in firm's policy towards supplier credit terms.

Case Facts

- Leading textile company in India (retail)
- Decline in return on capital (4% decline last year)
- Problem specific to the firm and not industry
- Focus on overall return on capital (not equity)
- Capital employed by firm has increased

Approach/ Framework



Recommendations

- Shift back to the old policy of the extended credit system rather than availing the cash discount.
- Another alternative is to negotiate with the suppliers in order to extend the period within which cash discount can be availed.
- Negotiate with customers in order to reduce trade receivables or avoid selling before payment (zero-debtor policy). This would free up some working capital.

Observations / Suggestions

- It is important to be aware of the different components that constitute capital.
- Textile industry-specific knowledge could help to ascertain forms of contracts and thereby reasons for the decline.

Beverage Manufacturer – Interview Transcript

Your client is a leading beverage manufacturer. Recently it has been experiencing a decline in its profitability. They want you to analyse the causes.

To begin with, I would like to know the timeline and magnitude of decline.

The decline has been observed over the past 1-2 years and has been around 5-10%.

Alright I would now like to understand the client's business a little better. Specifically, I would like to know about their geographical presence, product segments and parts of value chain that they operate in.

They manufacture, distribute and retail two kinds of products: fruit juices and beer, across India.

Okay. Has the decline been observed in a particular product segment or both? Also, who are their major competitors in this space, and have they experienced a similar decline or is the problem specific to the client?

There is strong competition in the industry, both in fruit juices and beer categories. The decline for client has been observed in the beer segment and is specific to the client.

I will begin by breaking down profits for beer business into its component parts: Revenue and Cost. Next, I will identify which of these are a problem and further look into Internal and External Factors that may led to a change in the revenue or the cost structure for the category. Would you like me to proceed in this way?

Sure. The revenues for the client have remained the same and are on par with the industry. I would like you to focus on the costs.

Alright, to proceed with my analysis, I will look at the steps in the value chain of the client's product and narrow down the possible areas where the costs may be rising.

Okay, please go ahead.

For a beer manufacturing firm, the value chain can be broken into raw material procurement, processing, packaging, storage, distribution and retail. Additionally, there will be transportation between these steps. Is there any step that I am missing, and you like me to focus on?

Well, to answer that, I have a question for you. Typically, when you go for a beer at a place, how do you dispose of the bottle?

I leave it at the restaurant. I presume the restaurant either throws those bottles away or passes it forward for recycling. Okay, so this means that there could be another step in the process after sale- returning of bottles and reverse logistics.

Bingo! Please proceed with your analysis.

Thanks. Has the client observed the cost increase in any particular step of this value chain?

The packaging costs for the client have risen.

Has the client made any recent changes to the packaging?

Yes, the bottle design has been slightly altered.

Alright, then the increase can be driven by increase in per bottle price by the vendor, which is likely because the bottle design has been altered or by the increase in number of bottles we purchase. Do we have an understanding of which of the two have increased for the client?

The unit prices have not changed. The number of bottles purchased has increased.

Okay so it seems like though the revenue has stayed constant- which means that unless the client has changed product prices, the number of bottles sold would have remained almost same, still the number of bottles purchased has increased. Now, based on our discussion so far, the packaging for the client could be sourced in three ways- in-house manufacturing of bottles, purchase from a vendor and refilling of the returned bottles. Which sources does the client use and has the increase been observed in any particular category?

The client does not manufacture bottles in-house, only purchase and refills. The purchase of bottles has increased.

Okay so my hypothesis at this point is that the increase in purchase of bottles is because of the decrease in refilled bottles. Reason being, as the refilled bottles would logically be lesser costs than purchased bottles, the client would most likely prefer to have maximum refilled bottles, which is why the increase in purchase of new bottles must be driven by decrease in refilled bottles.

To understand the decrease in number of refilled bottles, I will look at the reverse logistics chain for the bottles. After consumption, one would typically return these bottles to the stores or restaurants. Then these would be collected and then transported to the company's storehouses. Does this approach seem okay to you, or should I relook at it?

It is alright, let us go forward and test your hypothesis. The bottles, as you mentioned, after being returned to stores by the customers, are collected by a district level collector who then transports it to the client's warehouses.

Okay, so the decrease in number of bottles returned could happen at multiple points within this process. It could be because of decrease in number of bottles returned by the customers, which could be due to things like issues with ease of returning or maybe due to changed bottle design customers would like to keep the bottle and reuse on their own. The decrease could also be because of the number of bottles returned by shops - which might be possible if they've found some cheaper recycling alternatives or reselling options etc. It could also be because of losses on the way in transportation or losses in the client's warehouses. Is there any particular category you would like me to focus on?

Yes, I would like you to dig deeper into the transportation losses.

Okay, so transportation losses could be intentional or unintentional. The intentional category is where the transporter is intentionally reducing the number of bottles- like stealing some and reselling to other high paying company and the unintentional category is wherein the bottles are getting damaged. Which of the two factors would you like me to analyze first?

Assume that our partners are all trustworthy and we have foolproof contracts to protect us against such thefts. Go ahead and analyze the "unintentional category".

Okay the damage to bottles can be inflicted at three points: loading, transfer and offloading. In case of loading factors like rough handling could affect. In case of transfer many road, driver etc. related factors could be responsible. In case of offloading, factors like changes in the offloading bin could be a reason.

Onloading-offloading are smooth, those employees are seasoned and responsible.

Okay then it has to be transfer. During transfer there could be two kinds of factors that could affect the losses - internal and external. Internal factors are the ones that are internal to the bottle and likewise external factors are external to the bottle. I will look at the external factors first. Has there been any change in the route, vehicle, driver, container?

Nope everything is same.

Okay then I will analyze the internal factors. The bottles inside the truck, could be getting damaged because of collisions between each other or because of falling down. Now since the design of the bottles has changed, it is likely that the new design is more prone to toppling due to changed fitting within the crates (which were fit for earlier bottles). Increased collisions could also occur due to a similar reason.

Great. So how do you suggest we can manage this?

Beverage Manufacturer – Interview Transcript

I would structure my recommendations into two parts: reducing the decline in number of bottles lost and newer ways to reduce costs of the bottle.

Ways to reduce decline:.
1. Redesign better crates to avoid collisions and falling of bottles.
2. Another way could be to design a method to horizontally store bottles in the truck to reduce chances of falling.
3. Ensuring that the truck goes completely full so that there is lower degree of freedom for the bottles, and they don't move from their place and fall/collide.
4. Consumers can be incentivized to return more bottles, through ad campaigns, environment cautious communication offers, art installations etc.

Ways to reduce costs:
1. Look at recycling options through the vendor- for example selling the bottles back to the vendor for recycling. This income can offset the purchase costs.
2. Look at other packaging materials- probably like tin cans- however this would involve a significant marketing effort.

Okay thanks for those suggestions. We can close the case here.

Profitability | Cost reduction | BCG | F&B

Beverage Manufacturer

Your client is a beverage manufacturer who is facing a decline in profitability. They want you to figure out the reason for the same

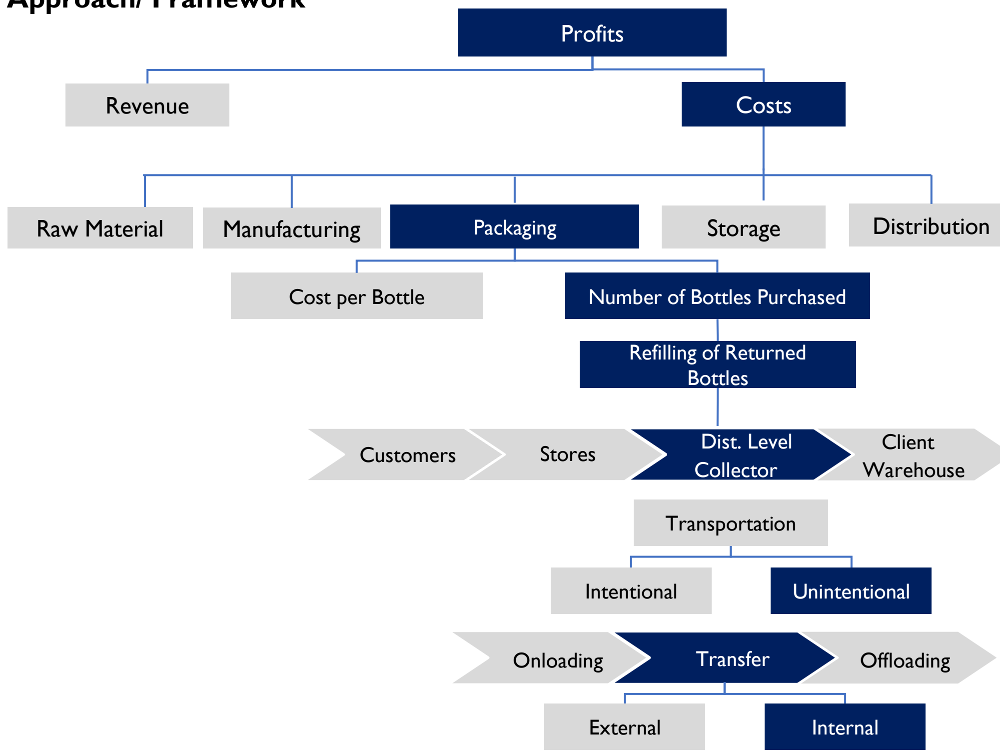
Interviewee Notes

- Include returning of bottle or reverse logistics in the value chain.
- Increase in purchase cost can be driven by increase in bottle cost or number of bottles purchased.
- Increase in bottles purchased is due to decrease in refilling of returned bottles.
- Transportation losses can happen at three stages- loading, unloading and transfer.

Case Facts

- Beverage manufacturer dealing in 2 kinds of products- fruit juice and beer across India.
- Client specific decline, over past 1-2 years.
- Focus on profits from beer. Focus on the cost side.
- Packaging has changed and packaging co.sts have increased.

Approach/ Framework



Recommendations

- Redesign crates or design a method to horizontally store bottles in the truck to avoid collisions and falling of bottles.
- Ensuring that the truck goes completely full so that there is lower degree of freedom for the bottles, and they don't move from their place and fall/collide.
- Consumers can be incentivized to return more bottles, through ad campaigns, environment cautious communication offers, art installations etc.
- Look at recycling options through the vendor- for example selling the bottles back to the vendor for recycling. This income can offset the purchase costs.

Observations / Suggestions

- When it comes to consumer goods, it is better to analyze the costs through Value chain- that way it is unlikely that you will miss any cost.
- It is important to take interviewer's buy-in to ensure that no steps are missed. Like here, it let to identification of reverse logistics.
- Relating previous findings with analysis at later stage is also crucial.

Water Purifier Manufacturer – Interview Transcript

Your client is a water purifier manufacturer in India. The client is experiencing lower profitability compared to its competitors. The client has hired you to analyse and give recommendations.

I would first like to receive clarification on how the client is defining profitability. Is it defined as the ratio profit/revenue? Also, is the profit being considered operating profit or net profit? Is it a recent phenomenon or long term one?

You are correct about the definition of profitability. The client is using EBITDA (Earnings Before Interest, Tax, Depreciation & Amortization) value for profitability calculations. This issue is occurring for past one year.

Okay. I think I am clear about the problem statement. Now, I would like to understand about the client's business. Where is the client located in the value chain of this product? I think at a high level, such a product will have its value chain as Suppliers → Manufacturer → Distributor → Retailer.

You are correct about the value chain. The client is mainly a manufacturer of the purifiers.

Okay. And what are different types of purifiers offered by the client? Is the profitability issue specific to any single type?

The client offers two types of technologies – RO and UV. Both types are facing the same issue.

Got it. Then, I would like to understand geographic span of the client. Where is the client currently operating namely location of manufacturing plant and covered geography of sales?

The client sales purifiers across India. The only manufacturing plant is in Gurgaon.

Okay. And to what kind of customers is the client offering its products?

The client sales purifiers to residential as well as industrial applications.

Is the profitability issue particular to a segment or across both the segments?

This issue is faced mainly by the residential segment of customers.

Next, I would like to understand about competition present in this industry. How is the presence of client in the market?

The water purifier market is largely organized. Organized players occupy 60% share in the market. There are four major players in the market and the client has a 28% market share.

Okay, I assume the client is a market leader considering such a high value of market share. I think I have our client's context. Now, I would like to evaluate different components of profitability with respect to competitors to get to the root cause behind client's issue. EBITDA could be split into two components – Revenue (+) and Operating Costs (-). Are both of these metrics affected for our client?

Revenues have been healthy. However, the Operating Costs are higher than all 3 of the client's competitors.

Okay! In that case, I would like to take a value chain approach to identify the components of Operating Cost that are leading to a decrease in profitability. Will that be a good approach?

Sure. You can move ahead with this approach.

The value chain in this industry can broadly be defined as Raw Material and other Inputs -> Inbound Logistics -> Manufacturing and Quality Check -> Storage and Outbound Logistics -> Marketing & Sales -> After-sales Service. Where is our client facing higher operating costs?

This looks good. The client is experiencing higher costs in the after-sales service component. Can you delve into that further?

Sure. First, I would like to understand how the client is operating its after-sales service. Do they employ technicians or outsource entire after-sales function?

The client, similar to the competitors, uses a dealership model for the after-sales services. Dealers can be exclusive for a company or may serve to multiple companies. The client, however, has focused on developing exclusive network of about 6000 dealers across India.

Okay. And what kind of after-sales service is being offered by the dealers?

There are two types – scheduled service which is offered to every buyer within the warranty period and unscheduled service which is offered upon receiving any complaint from the buyer. The cost of scheduled service is entirely borne by the manufacturer. Unscheduled service involves additional revenue to the client from sale of spare parts.

I would like to focus first on scheduled service as it is increasing only costs and not revenue.

Sure. Sounds like a reasonable choice. We can evaluate unscheduled service later if time permits.

Yes. So, I would like to divide costs of scheduled service as material (spare parts like filter to replace), man (employees like technicians in dealerships) and method (the process followed for the service). Is there any of these component where the client could be facing higher costs?

The client is as efficient as competitors with production of spare parts and the dealers are also following industry standard processes for service. Can you further expand on the dealership cost?

Definitely. I would consider the dealership cost per unit of the purifier to benchmark with competitors. I would divide the dealership cost into number of services per unit and rate charged by dealers per service. Number of services per unit can be further expressed as number of services per year and warranty period in years. Is the client offering anything different from competitors in these numbers?

No. The client is offering 2-year warranty period with standard number of services per year same as the competitors.

Okay. Then moving to rate charged by dealers per service, can you please explain if the rate is fixed or there are further components involved?

Yes. So, the rate charged by dealers consists of three components – a base value of Rs. 100/service, an incentive value of Rs. 50/service if the service time is less than 8 hrs. and a conveyance value per service depending upon the distance travelled by the technician.

Benchmarking against the competitors, is there any component where the client is incurring higher costs? Do we have any data about that?

Yes. So, the total costs incurred are higher for the incentive value component.

I see. I would like to split the incentive component as rate per service and the fraction of total services qualified for incentive. Which of these components is higher as compared to competitors?

Well, the rate of incentive component is common across all the dealerships. The fraction of qualified services seems to be higher in case of the client.

As the incentive is based on the criteria of service time less than 8 hrs., this could imply that maybe competitors have a tighter criteria for this component. Is there any reason why this value was set as 8 hrs.

So, the client had renewed the agreement with dealers about a year ago. In the new agreement of 3 years, the client decided to offer better incentive component to attract new dealers as well as retain existing dealers. Therefore, the criteria was set at 8 hrs. as compared to competitor's value of 3 hrs. Now, can you provide recommendations to the client based on the analysis performed?

Sure. I would like to divide the recommendations into two categories based on short-term and long-term orientation.

In short term, as the agreement will continue, the client may not be able to modify the dealership rate structure. The client can implement cost cutting operations in other parts of after-sales service operation. However, in long term, it is highly recommended to work on reducing the time criteria as it will also improve customer satisfaction with after-sales service. The client can renew the agreement with a tighter constraint and work on building better relationships with the dealers providing them the necessary support & expertise on improving operational efficiency.

Great. We can conclude here. Thank you.

Water Purifier Manufacturer

Your client is a water purifier manufacturer in India. The client is experiencing lower profitability compared to its competitors. The client has hired you to analyse and give recommendations.

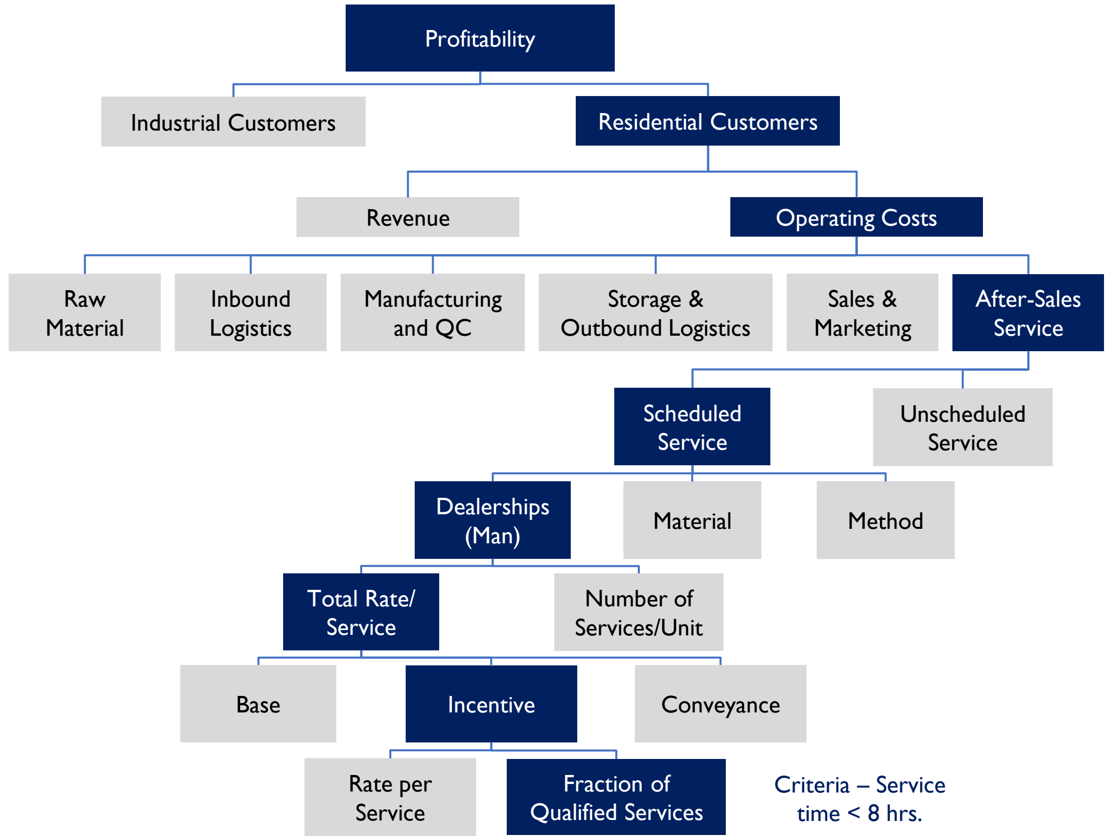
Interviewee Notes

- Right at the beginning, it is important to understand how the client is defining the profitability.
- Preliminary questions can follow 3C-1P (Company, customer, competitor, product) model. Additional Cs and Ps could be explored if felt necessary.
- Next, as the problem statement focuses on comparison with competitors.
- Here the interviewer asks the interviewee to focus on revenues for large scale clients.

Case Facts

- Profitability defined as EBITDA/Revenue.
- Focus on residential customers only.
- No differences in Revenue component
- In the value chain, only the after-sales service component is higher than competitors.
- No differences in costs involved with material supply & method of the service employed.
- The warranty period and number of services per year is same as competitors.
- Rates of dealership fees are standard across all the competitors.

Approach/Framework



Recommendations

- Short term: a) Explore alternate cost cutting measures to ensure competitive profitability as the agreement will continue for 2 more years.
- Long term: a) Work with the dealers to renew the agreement with tighter constraint on service time as it will also improve customer satisfaction.
  b) Develop better relationship with dealers by providing the necessary support and expertise to improve their operational efficiency instead of only changing incentive.

Key Learnings

- It was critical to structure the problem to identify the right root cause. Missing the structure could lead the case in vague direction.
- Think about the entire value chain even when the client is not an end-to-end player in the market. Interactions between the client and collaborators played a key role in this case.
- It is important to explain each step with the complete thought process to keep interviewer engaged and allow the conversation to flow throughout the case.

Meal Coupon Company – Interview Transcript

Your client is a meal coupon company. It is evaluating a shift from using paper coupons to a card-based system. It wants you to advise whether it should shift to the card-based system or not.

Great. I am not very conversant with the business model of a meal coupon company. Can you please provide me insights into the company's operations and how it earns profits?

Organizations give meal coupons to their employees, which the employees can use to have food at the workplace or use it at various retail stores & restaurants. The major advantage to employees is that they enjoy tax savings on the coupons offered to them.

Okay. So if I understand it, organizations pay XYZ cash and obtain coupons. They then distribute these coupons among their employees, who can utilize it in the canteen or at restaurants/ retail stores.

Yes. That's right.

Coming back to the case statement, is the decision to shift driven by profitability or should I consider other factors?

The major criteria for the decision would be profitability. We can examine other factors at a later stage.

What is the major reason the company is evaluating this decision at this stage?

The company wants to improve the convenience provided to customers. The current paper coupons is not convenient for customers.

Are the competitors launching a similar system? Or is the company the first to do so?

The company is the market leader in the space and drives the industry trends. It would be the first to make the transition, in case it decides to do so.

Great. So, there are no competitive pressures and the main criteria for evaluating the decision is profitability. So, I will analyze the potential increase in revenues and costs and accordingly evaluate the decision. Does that sound acceptable?

Yes. You can proceed in that direction.

I will start with the revenues side. The primary revenue can be expressed as:

No. of corporate tie-ups * No. of employees/company * Monthly allowance

The monthly allowance I expect is driven by the tax legislation and wouldn't undergo a change due to the shift. The average number of employees/company also doesn't undergo a change due to the shift. If due to the enhanced convenience, the number of companies opting for the scheme increase, then the revenues could increase.

The next major income item for the company is interest income. It receives cash from the company upfront while it needs to make the payment to the retailers/ restaurants later. The company can invest the money in the interim and earn interest on the same. With increased convenience arising from the card system, the employees would end up spending the amount earlier, as they are not constrained by the necessity to carry the coupons along with them. Hence, the shift can be expected to reduce the interest income earned by the company.

That's a good point. In the short term, the no. of corporate tie-ups isn't expected to increase. So, you can assume that the revenues will fall in the short term.

Great. Moving to the costs side, the major cost item would be the payment made to the retailers/ restaurants. In the current system, as its paper based, there is the possibility of duplicate coupons. Shifting to the card system reduces this risk and results in saving.

The next major saving would be in terms of printing costs. The card system is a one-time shift and doesn't require any recurring expenditure. This would enable the company to substantially save on its printing costs.

Moving to the costs of administering the card system, I want to understand how the company proposes to run the card system. Does it propose to have separate card machine or use the existing network?

The company plans to leverage on the existing Visa & MasterCard network which doesn't necessitate significant capital investment.

Great. That would also mean that there is no training costs which need to be incurred to explain how the system works to the retailers/ restaurants. Before I summarize, I wanted to check whether there are any cybersecurity issues which could arise due to shifting to the card system.

That's a good point. You can assume that there are no cybersecurity issues which arise from the shift. What is your suggestion for the company?

I think the company would save significantly on the printing costs and the administration costs. While this could lead to a reduction in the interest income, I expect this to be compensated by onboarding additional customers in the long run.

That's a good analysis. But there's one impact of the change which you are missing out on.

Sure. I will take a minute to respond. (After a minute). I think I missed a fundamental thing in the business model understanding. Not all coupons will be utilized by the customers. So, let's say the company sells coupons worth INR 100 and the customers exercise coupons worth only INR 80, the difference arising due to unutilized coupons of INR 20 adds to the profit of the company.

In case the company shifts to the card system, the no. of unutilized coupons will reduce due to increased convenience to the customer. Also, coupons are susceptible to loss and theft, which are also avoided in case of the card system. This could mean increase in the amount paid to customers and thereby decrease profits. This would have a significant impact on the profits.

Great. That's what I was looking for. Let's assume the company goes ahead with the card system due to the convenience factor. What measures do you suggest to plug the fall in profits?

I would divide the measures into two – a) aimed at increasing revenues and b) aimed at reducing costs. On the revenue front, the company can evaluate whether it can analyze the data from the card system and use it in its operations. The data analytics could be valuable for food companies and there is potential to monetize the data.

On the cost reduction side, the company can look at ways of reducing the amount paid to retailers/ restaurants. This could be done by imposing limits on points utilized at one go, frequency of usage and limits per retailer/ restaurant. However, this could have negative implications on the brand image and the customer satisfaction. This should be considered before undertaking any such measure.

That brings us to the close of the case. It was great interacting with you. Thanks!

Meal Coupon Company

Your client is a meal coupon company. It is evaluating whether to shift from the paper-coupon system to a card-based system. Evaluate whether the company should make the transition or not.

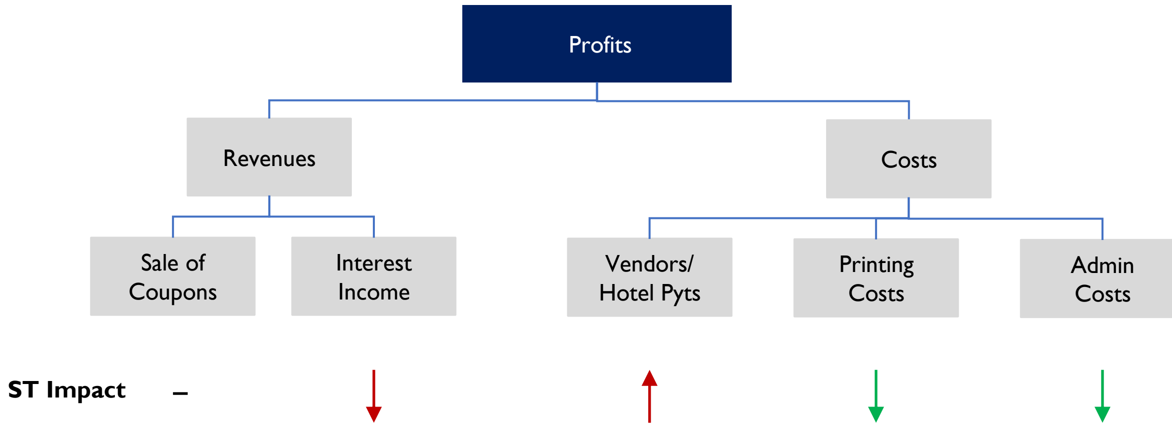
Interviewee Notes

- Interest income would decrease under the new setup leading to a decrease in revenue.
- On the costs side, this shift can result in a decrease in printing and admin costs.
- Check for cybersecurity issues which can arise
- Shift to this business model will reduce the number of unutilized coupons.

Case Facts

- Meal coupon Company envisaging shift from paper-based coupons to card-based system.
- Decision to be examined from a profitability perspective.
- Company would be the first to make this transition.

Approach/ Framework



Business Model

Recommendations

- Shifting to the card system would lead to increased card utilisation thereby increasing costs and simultaneously lower interest income earned by the company.
- The decrease in interest income vs the potential addition of corporates in the long term will determine the feasibility of the transition.
- In case the company goes ahead with the card system, it could look at data analytics as a potential revenue stream to increase profits.

Observations / Suggestions

- In case of an unfamiliar business model, take some time to understand the business model and confirm whether there are any gaps in your understanding. Drawing a small flowchart with the supplier & customer side helps in understanding the model better.
- In a back-to-back business model, always check the flow of cash to check whether there are differences which could result in profits to the company.

Steel Industry – Interview Transcript

Your client is an integrated steel manufacturer in India. Its current profitability is 4-5% and is higher than the industry average. However, the client believes that there is potential to improve the profitability further and needs your help in analysing the situation.

I would like to ask some preliminary questions. Can you please help me understand what does the term integrated steel manufacturer mean?

The client handles end-to-end steel manufacturing processes including sourcing of raw materials from suppliers, processing raw material to crude steel and then finished steel, and then selling it to end customers.

How many plants does the client own and where are they located?

The client owns a single plant in central India. Also, there are no plans to expand elsewhere.

What is the final product the company is selling? Who are the end customers?

The company sells steel sheets, steel rods or hollow pipes primarily to automotive industry, pipes industry and construction businesses. You can assume they all contribute equally in our sales.

Who are the major competitors and how are they performing?

The competitors are small local manufacturers and companies from China. They are not performing as good as us as the client has better quality products and charges premium for it.

So, the objective is to increase the profitability. Do we have any targets in mind?

None as such. We are just exploring to check if there exists an opportunity in reducing costs as our prices are already quite high.

Interesting. We can divide our costs primarily into raw material sourcing, manufacturing , storage distribution, general and administrative costs.

Sounds reasonable go ahead.

Consider the first kind of cost – raw material sourcing. There are three elements involved here – cost of raw material, alternate raw materials and supplier contracts. Can we assume that cost of raw material cannot be changed much as iron ore is a commodity?

Yes, I think it is a fair assumption. In fact, why don't you look into supplier contracts? Based on discussion with the client team it is apparent that they have too many suppliers.

Sure, having too many suppliers can be problematic as it increases the cost of supervising them and also increases the cost of raw material as there are fewer bulk deals. It also affects the supply guarantee.

So, what do you suggest? How should we go about this?

The first step will be to ensure we have sufficient supplies available with the suppliers to meet the client's increased demands if we opt for supplier consolidation.

Some of the suppliers have more capacity than the clients' needs.

Interesting. Then we should be providing incentives to the suppliers through bulk deals and guarantee order quantity. Secondly, to ensure quality of the product we should put contractual obligations on the suppliers to meet quality requirements and timely deliveries. Also, we can explore alternate raw materials to bring down our costs. Do we have any information on the quality requirements by the various industry groups – automotive, pipes and construction?

Quality requirements are quite high for automotive and construction industries. However, piping industry doesn't have stringent requirements.

Great. Then that implies we can use additional raw materials such as iron ore scrap from our own plant which will bring down the raw material costs significantly.

That sounds interesting and doable.

Moving on to manufacturing, what are the current efficiencies of the plant? And what processes go into the manufacturing of the different products – sheets, rods, and pipes?

The current plant efficiency is greater than 95% and is above industry standards. We can explore the processes though. The client currently prepares all three products with the same quality.

And why does the client them at same quality standards despite different market requirements?

The plant currently has only one blast furnace, which converts raw material into crude steel. There is high set up cost associated with it and thus manufacturing settings cannot be altered.

If I hear you correctly, then there is possibility to separate the production lines for the products and save on the costs for pipes. Is that right?

Yes. In fact, the R&D has been working on this.

Great, then we can move on to storage. Is the client facing any issues there?

Yes. The client currently has lots of inventory piled up at its warehouse.

Can you please help me understand which products currently have high inventory levels?

I cannot specify it by product. The final output is made as per the customer specifications. However, sometimes the customers delay payments for previous orders and so, the managers decide to hold the second delivery unless previous payment is made. This sometimes hampers customer relations. As a result, the orders stay in warehouses for more than speculated time.

So, we should be focusing on fast payments from customers for clearing inventory levels and improving customer relations. Is that right?

Yes. It looks like a big challenge.

What is the current credit policy for customers during purchase?

The client currently provides 30-day credit to the customers during purchase.

We can incentivize the client using 2/10 net 30 credit policy. This involves providing discounts to customers who pay in full within 10 days from purchase. As a result, the debt collection can be sped up and also the demand variability will reduce. Thus, clearing inventories. Also, it will be a win-win strategy as customers also get 2 percent discounts and thus can reduce their purchase costs.

I think it is good suggestion.

Lastly, can you help me understand the current distribution process?

I think it is optimized and has not further scope for improvement. Let us skip this part.

Great. So, I will quickly summarize our findings and recommendations for the same.

Sure. Go ahead.

The client is trying to solve for profitability. We analyzed the steel manufacturing value chain for the client, involving raw material sourcing, manufacturing and R&D, storage, and distribution. We found three problem areas:

1. The suppliers are fragmented
2. Current manufacturing process produces high quality products only and changing settings to adjust to product quality is not possible
3. There is inventory pile up at the warehouse due to issues with credit collection

It is recommended that the client makes the following changes in its process to reduce its costs:

1. Supplier consolidation and contract refining for timely orders, bulk deals and stringent quality requirements
2. Using scrap as raw material
3. R&D focus on new methodologies for improved manufacturing line
4. Revising credit policy to 2/10 net 30 credit terms

Thanks! That would be all.

Steel Industry

Your client is a steel manufacturer who wants to increase its profits. It wants you to figure out the key problem areas and solve for the same.

Interviewee Notes

- Improve profitability by focusing on costs.
- Value chain elements for manufacturing should be focused on.
- Supplier consolation and alternate raw materials can help lower costs.
- Separate production lines for the three products to help reduce manufacturing costs.

Case Facts

- Client handles end to end steel manufacturing process.
- 3 types of products sold – sheets, rods and pipes.
- 3 types of clients – automotive, piping and construction industries.
- No major competition.
- Client's business focus is on quality products
- Only one plant in central India.
- 30-day credit policy for customers.

Approach/ Framework

- Profits
  - Revenue
  - Costs
    - Raw Material
      - Cost of Raw Material
      - Alternate Raw Materials
      - Supplier Contracts
    - Manufacturing & R&D
      - Machinery
      - Technology
      - Labor Hours
      - Capacity Utilization
    - Storage
      - Inventory Age
      - Storage Condition
    - Distribution
      - Transport to Customer Sites

Recommendations

- Supplier consolidation must be conducted, and supplier contracts should be revised for timely orders, bulk deals and stringent quality requirements.
- Consider using scrap as a raw material.
- Focus R&D on developing new methodologies for a new and improved manufacturing line.
- Revise credit policy to 2/10 net 30 credit terms.

Observations / Suggestions

- It is important to understand every factor that can affect a particular cost.
- Steel industry related terminologies should be fully understood to be able to produce recommendations.

Client Card Company – Interview Transcript

Your client is a credit card company based out of India. Recently, it has been experiencing a decline in its revenues. It wants you to analyse why this is happening.

I have a couple of questions through which I would like to gain more clarity about the situation. Since when have we been facing this problem and what is the quantum of the drop?

We have been facing this problem for quite a few years now and we have seen a 10% dip in revenues.

Okay. By "credit card company", do we mean credit card issuers like Citibank, ICICI, Axis etc. or credit card networks like MasterCard, VISA etc.?

I meant to imply a bank like Citi, Axis, ICICI etc.

Sure, also, are there variants of the credit card? And does this problem pertain to specific geography?

We just have only one card and we have seen revenues drop throughout the country.

As far as I understand, earnings via credit cards primarily happen through interest on outstanding amount, annual fees and charges levied on merchants. Am I correct in saying so?

For the purpose of this case, let us assume annual fees is the only revenue stream with the company.

Lastly, are other companies also witnessing this problem or is it just us?

Sadly, this problem seems to be unique to our bank.

That is interesting. The problem has persisted for quite a few years, while the other banks seem to be unaffected by this. In order to assess this situation, I would like to dissect revenues and drill down to understand the source of this decline.

The revenues accruing to the bank because of cards can be primarily seen as coming from either the retail segment or the corporate segment. Do you want me to analyse any particular bucket first?

The problem ties with only the retail segment.

All right, now if the revenues have dropped, the cause can be attributed to either the number of customers or the annual fees charged per customer. Do we have any data on this?

We have not changed the annual fees in quite some time. However, we do agree that there has been a perceptible fall in the number of users of our card.

That is insightful. Number of customers at any point of time is linked to the rate at which the new customers join and the rate at which the old ones leave. Have we seen any change here?

Yes. So, the attrition rate has increased significantly over these past few years. However, on-boarding of customers is still happening at a steady pace.

All right, now I would like to look at the customer journey through the subscription and usage process. I believe that doing so should enable me to locate the exact problem the customer is facing.

Go ahead.

Firstly, I would like to analyse the need for credit cards. Given there exist a wide range of alternative payment options like UPI, the need for credit cards might have gone down. However, I find that unlikely since the problem of revenue dip has affected just our bank.

Secondly, I would look at how much are people aware about our cards; if we are adequately promoting our cards and the methods through which we are doing so. However, again, this should not be the issue since the problem is of high attrition rate and not of joining the company.

Thirdly, I would look at the customer experience.

Right, I would like you to focus on this bucket.

Sure. I would like to divide the customer experience into three parts and then see and then see if the problem lies in any of these components:

1. Pre-transaction
2. During transaction
3. Post transaction

The first stage would consist of the channels through which the customer can approach the bank for obtaining the card in the first place. It would also deal with the joining formalities that the customer has to fulfil to acquire the card. I would like to enquire if there is any change that we have seen in these steps.

No, these processes have remained intact.

All right, in the "During transactions" stage, I would like to look at the pain points that the customer might face. I can think of high transaction failure rate, unusually high processing time or lack of ease while using the card.

Umm, no. We compete well on these points and don't think they are issues to the customers.

Lastly, I think I would look at the "Post transactions stage". Here, the pain points of the customers might relate to the cumbersome repayment process of the credit availed, frequency and mode of sending reminder communication or perhaps, dissatisfaction with the customer service provided.
Does the problem lie with any of the above?

No, we don't think that the problem lies here. Can we possibly go ahead and look at what comes after the above steps?

Sure. I think I missed the renewal stage. Do we have an idea if there if some problem attached with the renewal stage?

Tell me more about it.

Okay, I think I can segment the problem associated with renewal into the following heads:
a) Frequency of renewal b) Issues with the process c) Customer support resources like quality of customer service representatives

Can you look at the issues with the process?

The process problem can be either time-related or effort-related.

Right, so we had constituted a new renewal mechanism, where the customer would have to re-submit the documents and his CIBIL would be reassessed. This could have come across as a more demanding process to the customer.

Okay, but why did we do so?

It was a compliance requirement from the regulator's end. However, the other banks apparently have chosen not to take it seriously and hence, their renewal processes are quicker and more flexible.
Can you give a few recommendations to help us turnaround the situation?

Definitely. Firstly, I would like to look at fixes in the short-term. In the short-term, our priority should be to curb this outflow through fire-fighting measures. For that, I think we can institutionalise the practice of sending renewal reminders well in advance. This would enable the customer to gradually complete the process and not be overburdened till the end.

Secondly, while we do the above, we can look at providing incentives like lower annual fees temporarily or co-branding with other companies.

In the long term, we can lobby with the government and request to make the compliance requirements less cumbersome. Alternatively, we can also look at taking the renewal process online and build an app for it, if we do not have such a facility currently.

Sure, that sounds doable. Thank you.

Client Card Company

Your client is a credit card company based out of India. Recently, it has been experiencing a decline in its revenues. It wants you to analyse why this is happening.

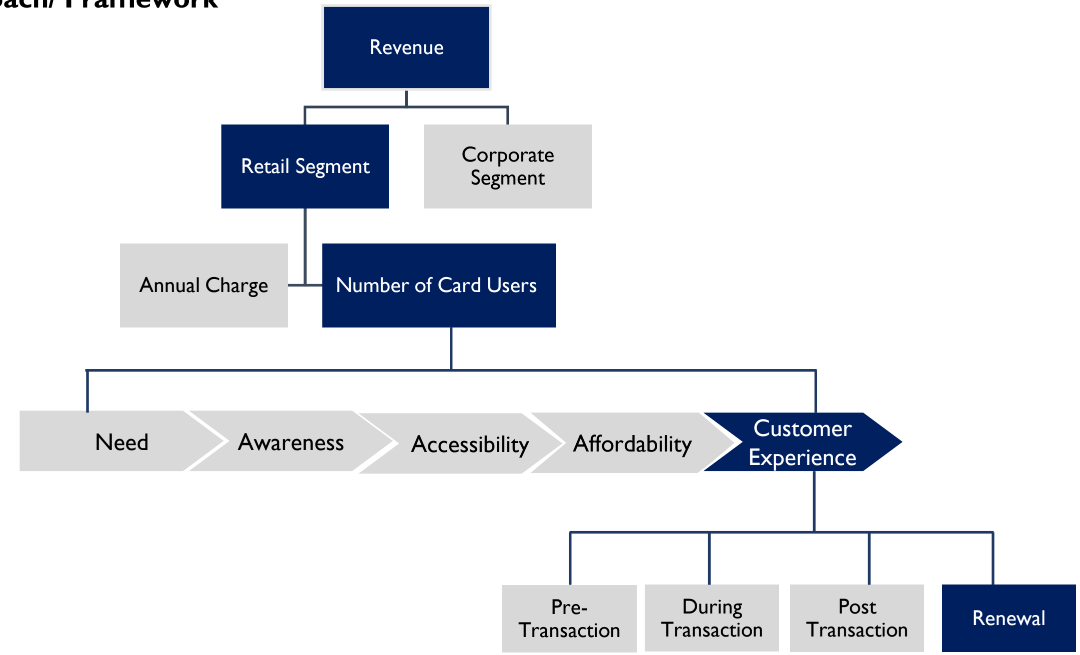
Interviewee Notes

- Customer churn rate
- Look at customer journey
- Banks are known for having lengthy documentation processes and record-keeping

Case Facts

- Credit Card company (issuer) with national presence facing 10% dip in revenues
- Revenue stream : Annual Charge
- Problem specific to the company
- Problem with retail customers

Approach/ Framework



Recommendations

- In the short term, Incentives to customers: lower annual charge or associations with different companies and sending reminders to the customers at frequent intervals before the renewal deadline can be done.
- Also, having an online facility (if not any) in place would be convenient for customers to upload their document details.
- In the long term, we can lobby with the government for easier procedures.

Observations / Suggestions

- Structure the problems till the end and modify the frameworks according to need. Segmentation of recommendations should also be done according to the time period.
- Have a longer-term vision of the business. This could have enabled the ascertainment of the problem with the renewal process.

Banking – Interview Transcript

Your client is an Indian commercial bank which has observed a decline in its profitability in the last 18-24 months. You have been roped in to identify probable cause(s) and give suitable recommendations.

Alright. Just so I've understood the problem correctly, our objective is to identify the cause of decline in profitability and suggest measures to reverse it?

Yes, you can proceed with that objective.

To get a more nuanced idea of the context, I have a few questions I'd want answers to. Is it fair to define a commercial bank as one that offers services to the public and to companies?

That is a fair understanding

Thank you. Could you offer me some more details about the bank's clientele: is it a public or private bank? And what is the rough urban-rural composition?

The bank in question is a leading player in the private sector. Also, most of the bank's business is from urban areas, and in rural areas it has a more muted presence.

Alright. What is the magnitude of decline that we are looking at? Also, are the other banks in the country also faced with a similar situation?

The dip in profitability has been recorded around 2 percentage points. Most competing players in the industry have a seen a steady growth during this period.

Interesting. This leads me to hypothesize that there's some systemic issue specific to our bank. I'd like to dive into the two major components of profits: revenues and costs. Is there any particular head you'd want me to look into first?

Before you do that, could you help me understand the major cost and revenue heads for a typical commercial bank?

Sure. The major revenue sources of a bank would be namely: interest income, transaction fees & charges and other tertiary services (like forex, advisory etc.). Investments could also be a major source of revenue. The costs, on the other hand, can broadly be segmented into two major buckets: interest expended (on deposits) and operational costs.
Do we have any numbers with respect to these components that could be useful for my analysis?

Is there any other cost head that you'd want to consider, especially in the Indian context?

Oh, yes. I missed out on the Provisioning and contingency cost, which must be a fair portion of the total costs.

Correct. So, to answer one of your previous questions, our revenues have grown in line with our projections, but our costs have grown significantly.

Sure. So, breaking the various cost components further down, interest costs can be subdivided into interest expended on corporate deposits and interest expended on retail deposits. The operational costs could be divided into fixed and variable expenses. Fixed expenses would comprise of rent, payroll expenses, utilities, other administrative costs, etc. The variable portion would comprise of raw materials, stationery, commissions, marketing and customer acquisition expenses, etc.

Good, that's a fair analysis of the costs. It has been recorded that our interest expenses on retail deposits has shot up disproportionately.

Understood. So, my understanding of the situation is that the average cost of funds for the banks has increased.

Yes. That's a fair understanding of the scenario.

Looking at how a typical commercial bank in India accepts retail deposits, two things come to mind: demand deposits like current/savings account and term deposits like fixed or recurring deposits. Now, term deposits typically enjoy a much higher rate of interest as compared to demand deposits, thereby meaning they are a costlier source of fund for the bank. Breaking it down further, there are two probable reasons for the increase in cost of funds: a) Change in the mix of deposits b) Increase in the rate of interest offered
My hypotheses is that there's been a change in the mix of deposits with the bank, in favor of term deposits. At this point, is it fair to assume that the average deposit per customer for demand deposits as well as term deposits have remained unchanged?

You can assume that to be true.

Okay. So, do we have any information about the mix of deposits and their respective rate of growth over the last 6-8 quarters?

Our demand deposits have grown by 3% while our term deposits have grown by 12%

Interesting. So, there appears to be a clear change in the balance of the ratio of demand deposits to term deposits. Assuming that the average deposit per customer has remained unchanged, the rate of growth in deposits is a function of: New customers added (-) Attrition in existing customer base. Do we have information on these numbers?

There has been no attrition in customers holding term deposits. The growth can purely be attributed to new customers. However, there's been a 10% attrition in the existing customer base as far as demand deposits are concerned.

Alright. Understood. I'll now try to understand the reasons behind demand deposits. These are the factors that come to my mind: safety, convenience, economical, mandated, access to credit.

You can focus on the short-term credit aspect.

Alright. Let me try and understand the short-term credit access facilities associated with savings and current bank a/c. The major ones would be bank overdraft facility, trade credit and credit cards. Is there any head you'd want me to delve into first?

Right. So, our analysis shows that the dip is attributable to a particular class of clients: ones who hold Credit Cards against their Current or Savings bank A/C.

Interesting. So, trying to understand the requirements of a typical credit card customer, I'd like to break a holder's journey down into Pre – During – Post. So, for any cycle (monthly/quarterly), the pre phase comprises of the payment of dues for the previous cycle and ends with the initiation of the new billing period. The during phase includes the period during which customers use the credit card – online or offline, shopping, withdrawals, lounge access to name a few. The post phase starts with the generation of bill by the company followed by the intimation of the bill amount, reminders, payment and ends with the confirmation of payment.
Have we been able to understand from our former customers as to which part of the process were they unsatisfied about?

Yes, we have. So, the pain point of our customers have been Reminders. They often complaint that they end up missing the due date (and therefore pay hefty penalty) due to our inefficient reminder mechanism. Give me three recommendations to resolves this issue & prevent attrition

Sure. I would suggest the following:

- Shift from traditional methods of reminders like e-mail, text to new age mediums like WhatsApp
- Offer auto-debit facilities to customers where ones holding Savings/Current A/C with our bank can give standing instructions for automatic payment
- Incentivize early payment of dues – some sort of pre-payment (before bill generation)

Thank you, that would be all.

Banking

Your client is an Indian commercial bank who has seen a decline in its profitability. It wants you to identify probable cause(s) and offer suitable recommendations.

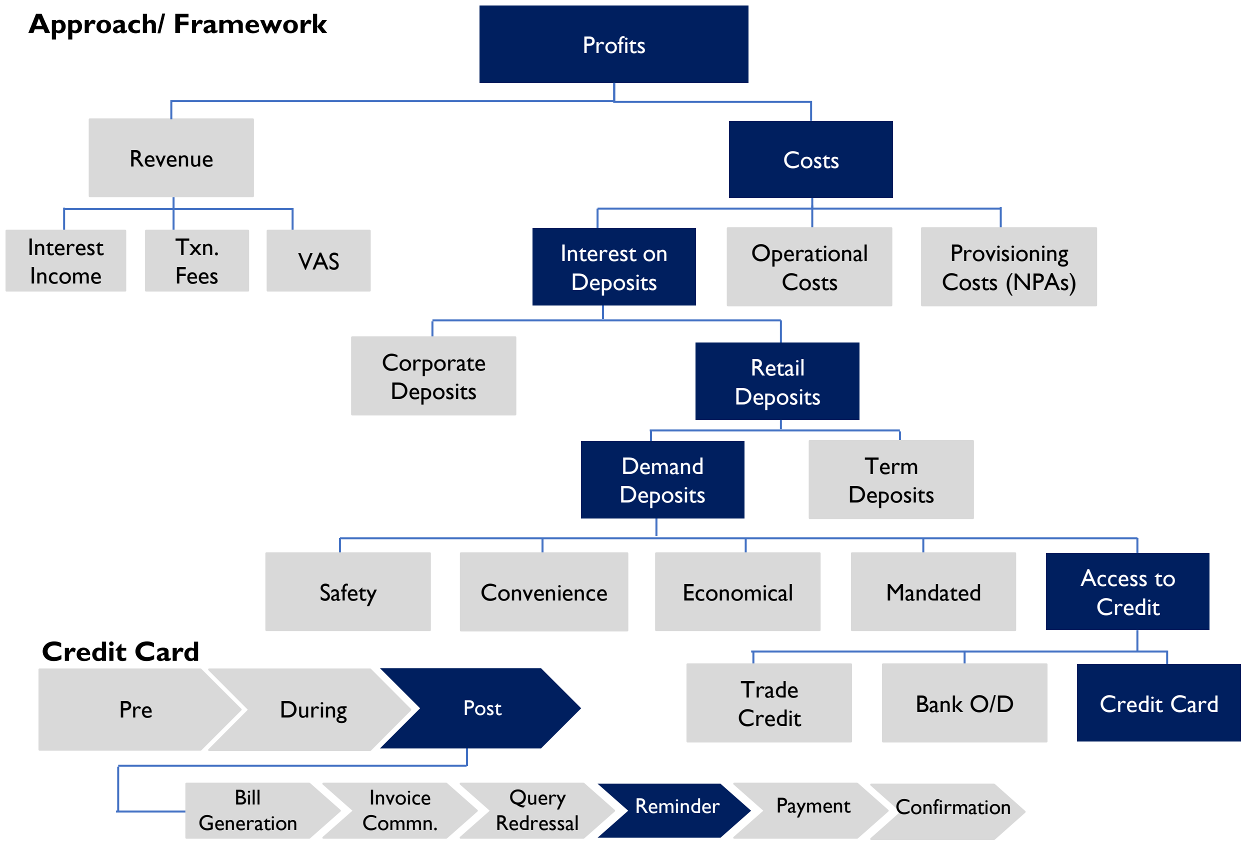
Interviewee Notes

- Provisioning and contingency would be an important cost head when it comes to banking sector
- Banking sector specific costs such as interest costs, NPAs should be focused on.
- Costs are high on account of increased average cost of funds.
- Visible attrition from a particular class of customers
- Understand the customer journey for credit cards

Case Facts

- Decline in profitability of the commercial bank in the private sector
- Decline since last 18-24 months
- Major presence in urban areas
- 2% decline in profitability vs competitors growing steadily
- Problem is not specific to any branch or geography
- Increase in costs, revenue growth in line
- Increase interest expenses on retail deposits

Approach/ Framework



Recommendations

- Shift from traditional methods of reminders like e-mail, text to new age mediums like WhatsApp.
- Offer auto-debit facilities to customers where ones holding Savings/Current A/C with our bank can give standing instructions for automatic payment.
- Incentivize early payment of outstanding amounts.

Observations / Suggestions

- It is important to have a fair understanding of the way a typical bank operates, its major sources of revenue and its cost heads.
- An idea of nuanced banking concepts like Net Interest Margin or NPAs creates a favorable impression in the eyes of the interviewer.
- An understanding of the purpose of holding a savings account or a credit card is helpful.
- It is important to observe the customer journey (in case of Credit Cards, here) at a granular level or the issue could easily be overlooked.

Restaurant – Interview Transcript

Your client is a restaurant owner. It has been experiencing a decline in profits. It wants you to analyse why?

Since when has the client been seeing decline in its profits? Also, do we have the magnitude of decline?

The client has been seeing decline is profits for the past one year, but there has been a significant decline for the past three months.

Is it only the client's restaurant which has seen the decline in profits or other restaurants in the area have also seen a declines?

Other restaurants have also seen some dip in their profits, but the client has been significantly impacted.

Now I'd like to understand more about our client. What type of a restaurant is it? And where exactly is it located?

The client has one high-end multi-cuisine restaurant located in a high footfall area of Agra.

Due to the Taj Mahal, Agra attracts a lot tourists. I'd like to understand the type of customers that visit the restaurant. Are they locals or tourists?

This is a fair observation. The customers are mainly tourists, and you can consider them to be international tourists.

Got it. The decline in profits could be due to increase in costs or decrease in revenue or a combination of the both. Do we have an idea which side the problem lies?

The revenues have declined significantly, while the costs have declined marginally.

Since, revenues have seen a major decline, let's first understand the reasons for its decline. A restaurant can have multiple revenue streams including dine-in, take-away and delivery. It can offer both food and beverages including alcoholic and non-alcoholic. Is our client into all of these

The client only has dine-in restaurant services and does not provide alcoholic beverages.

Okay. Has the average number of customers being served at the restaurant in a day reduced or the average amount spent per customer has decreased?

The average amount spent per customer has not changed but the number of customers visiting the restaurant has decreased.

The decline could be because of a lower demand or the client having supply constraints and not being able to fulfill the demand.

The client has been able to cater to all the customers who have visited its restaurant.

The issue lies in the reduction of demand then. The average number of customers visiting in a unit time can be seen as:

Total number of tourists visiting India * % tourists visiting Agra * % visiting the client's restaurant. The problem could lie in any of these parts.

The total number of tourist visiting India and % of those who visited the client's restaurant, both have declined.

This is interesting. Let's first look at why tourist visiting India have decreased. This decrease could be either due to a change in the International perception about India, increase in processing hassles such as visa approvals or change in preferences of the tourists due their country's economic reasons or increased availability of alterative options.

With the current slowdown internationally, the international tourism market has seen a decline and India has been affected by it too. Now can you look at why the % of tourists visiting the client's restaurant has decreased?

To understand this, I would like to look at the customer journey through the process of dining. For this, I would like to divide the journey into three parts. The first part of the journey will start with the decision to eating food till reaching the restaurant. The second part will include the experience inside the restaurant and the third part will include the journey after exiting the restaurant.

Sure, please go ahead.

To finalize the client's restaurant to eat, the customer needs to be 'aware' about the restaurant. Reviews on TripAdvisor like sites, or by food bloggers, along side the promotion by the restaurant itself are the primary sources of information. Many tourist also ask for recommendations from their friends, travel agents and from the tourist guides around the place. The tourist will then check the price of the restaurant to ensure 'affordability'. Finally, once the restaurant has been decided, the tourist will head towards the restaurant. The restaurant should be 'accessible'. Mismatch in location from google maps, change in routes or route blocks due to construction activities, difficulty in parking spaces etc. could negatively impact the tourist's decision to visit the restaurant. Do we know is there any problem here?

Yes. A few months back, the restaurant decided to reduce the commission of the tourist guides because of which these guides have now started recommending our competitor's restaurants to the tourists. You can now move to the next phase of the journey.

Interesting. This can potentially explain why the costs also decreased, but we'll look into it later. Once, the customers reach the restaurant, there may be issues with the – 1) waiting time, 2) the seating arrangement once seated, 3) presentation and design of the menu, 4) cutlery and the other amenities, 5) service by the staff and their attitude, and 6) general ambience of the place. Has there been changes in any of these?

Can you look at the ambience part in more detail? What all would it entail?

Sure. The ambience to a restaurant is aided by the features inside the restaurant like the music, fragrance, visual appeals of the paintings, the overall décor etc. The view from a restaurant also adds to the ambience, used by roof-top cafes, sea-facing restaurants etc. Here, a view of Taj Mahal can be an added experience to the customers.

That's great. A building construction started three months back which has blocked the view of Taj Mahal from the client's restaurant. This has deterred many customers. Can you quickly also look at the last part of your journey?

Once the customer has exited the restaurant, she may avail a service from near the restaurant including local shopping or visiting a sweet shop. She may have to take a transport mode to visit another place. The restaurant may engage in loyalty programs as well. However, since tourist visits are generally a one-time visit, loyalty program doesn't seem to be important here. Can you suggest if any of these has had any changes in recent times?

Outside the restaurant was a famous paanwaala shop which got closed due to the sad demise of its owner. This has also impacted few customers. Can you give some recommendations now?

Since, blocking of Taj Mahal's view is the major reason for the decline in revenue, the restaurant can explore if relocation is possible, though that would be tough. While continuing with the same location, the restaurant can provide differentiated ambience with local Agra's feel, provide value-added services, and include paan in its menu. We will have to see why the tourist guide commissions were reduced. If increasing it is possible, that could be done or alternatively, non-monetary incentives can be provided to these guides.

That's great. Thank you.

Profitability | Revenue decline | Challenging | F&B

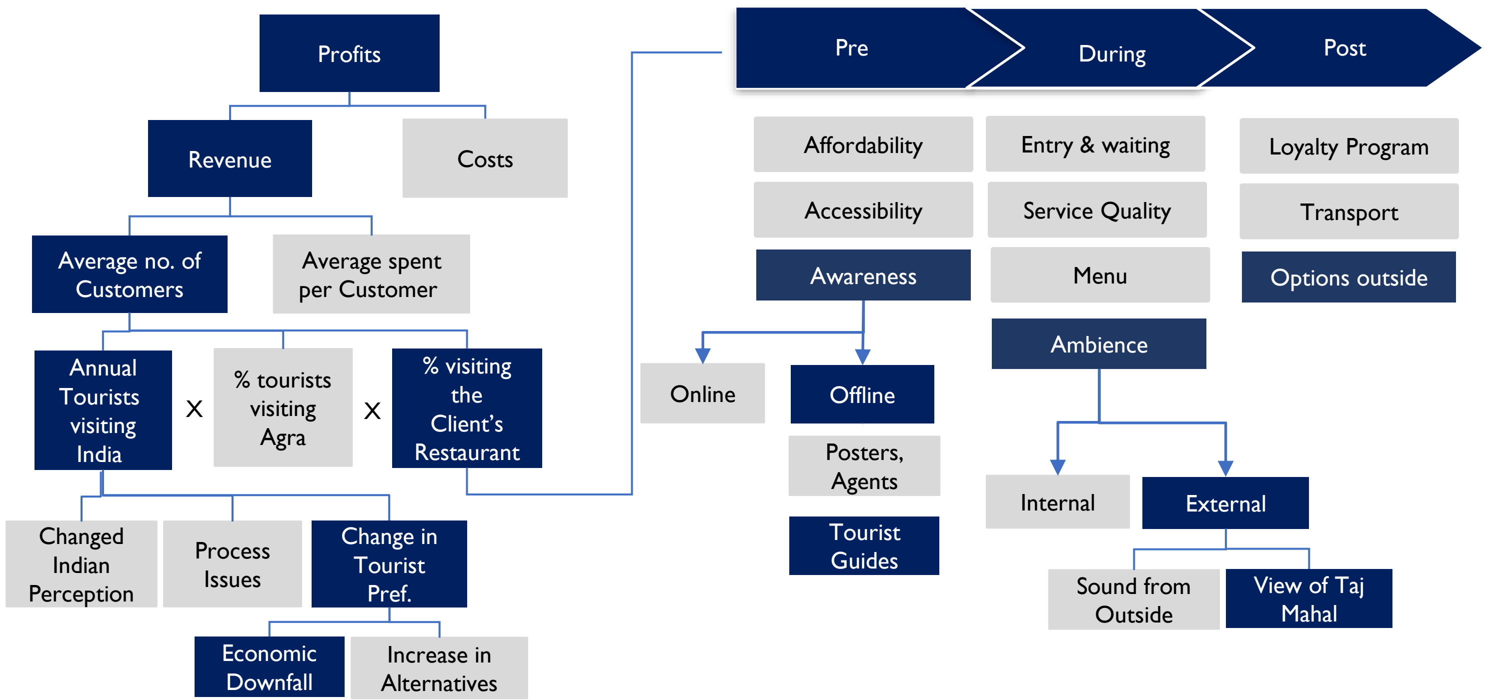
Restaurant

Your client is a restaurant owner who is facing a decline in profits. It wants you to figure out the reason for the same.

Interviewee Notes

- Since the competition is also facing decline in profits, it is likely to be an industry wide issue. But higher decline with the client suggests client specific issues as well.
- Before proceeding ahead with the decrease in revenue, it is important to understand if it is a demand or supply side issue.
- Specifics about the Agra city should be kept in mind to customize the arguments.

Approach/ Framework



Recommendations

- Since the Taj Mahal has been obstructed from view, the hotel can provide differentiated ambience with local Agra's feel, provide value added services and open a paan counter to try replacing the paan shop experience.
- Since there has been a decrease in offline advertising through agents, we can look at our increase in offline advertising through tie ups with hotels, maintaining good rating on food apps etc. Also, we can have strategic advertisements by placing our placards near prominent areas in Agra.

Suggestions

- While moving from one phase of the customer journey to another (say from pre phase to the during phase), one should confirm from the interviewer if she has covered all the aspects. This ensures that one doesn't move back and forth the phases of the customer journey.
- Structure the recommendation and do not give a laundry list of suggestions.

Seat Manufacturing – Interview Transcript

Your client is a seat manufacturing company. They have hired you to figure how to reduce their total cost of operations.

I would like to know a bit more about the company. Where is it located? Is it solely into manufacturing? Who are its customers?

It is in India and has factory down South. Its customers consist of 2-wheeler auto manufacturers. It does has have a salesforce to maintain relations with auto-companies but is primarily a manufacturing entity.

Oh! Approximately what share of the market does it command?

It is actually a local plant which supplies only to automobile manufacturing factories located in the same SEZ and it's the only locally available manufacturer.

So, our client is company which manufactures seats for two-wheeler vehicles and is located in an SEZ where their customers are also present. They want me to come up with cost-cutting mechanisms. May I ask why?

With the slowdown in the auto-sector, they have been forced by their customers to reduce the prices at which they sell their seats. Also keep in mind that the company has been trying to cut costs on its own.

Makes sense. Auto-manufacturers generally have higher negotiating power over their suppliers. So, the way I am going to approach the problem is to look at each stage of the value chain and identify the cost heads. Once I have done that, I'll try to come up with ways in which we can cut costs for the company. Before I drill down further, do we have any specific cost reduction

Go ahead with your approach. Though there is no specific cost-reduction target, remember that your incentives are tied to the percentage reduction in costs you affect.

Okay! I have broadly broken the cost heads down into Raw materials costs, production and R&D costs, storage costs, distribution costs and sales costs. Production costs would include variable costs of processing & fixed costs of factory overheads. Sales would also include the same. Do you want me to focus on any specific cost head?

What do you think you should focus on?

I would look for avenues for cost reduction which comprise of a majority of my costs.

For something like a seat for a 2-wheeler, the customers probably send the design specifications to our client. In addition, the client is a local player. Both above reasons gives me confidence that the R&D costs are a small percentage or are non-existent. Outbound logistics & are likely to be a small percentage of the total costs since our client local. Sales also probably contribute to a low percentage of the costs as he is the sole manufacturer and salespeople mostly act as liaisons. Most of the cost is likely be concentrated in the Raw Materials & Production costs. At this point I would like to clarify about the production process . How exactly does it work?

Good. You were right in identifying that the RM cost is the highest. The seat is made up of three components, the plastic frame, the foam and the rubber covering. The plastic frame is manufactured in house. The raw material i.e., plastic goes through an injection molding process to make the plastic frame. The foam is cut & set on top & the seat is covered with rubber and stitched. The suppliers of raw materials are also in the same city and hence you can neglect inbound logistics costs as well.

Got it. I would first like to focus on raw materials costs. The total cost of raw material/seat can be written as *(Writes Equation)*. Hence, we can either reduce price, reduce wastage, or the designed quantity of raw material for the seat. For reduction in price, we can negotiate with our suppliers to reduce prices…(interrupted)

Don't you feel the company would have already tried negotiating raw material prices? Keep in mind that you need to come up with something the client hasn't thought of yet.

Okay. Presently, one of the ways in which one can reduce the prices is by using cheaper but low-quality raw material. However, I will not recommend that since it will cause a significant loss to customer experience for a marginal benefit in the cost. Besides we can look at:

1. Reducing material usage: Generally, 2-wheeler seats are stylized to create ergonomic seating, which might result in wastage during the process. Instead, we can design foam elements in such a way that there are straight cuts, to optimize the material.
2. Changing base design: For reducing the amount of material and wastage, we can work with our customer to implement some design changes which will result in cost savings.
3. Reducing other wastes: For plastic frames we can reduce the thickness of the seat. In injection molding there is certain amount of wastage associated with each plastic frame in form of support structure. If the design of the mold includes manufacturing of multiple frames at the same time, we can reduce the wastage per seat.
4. Saving on support materials: Instead of stitching the rubber material onto the foam, we can marginally save on the seam material by using an adhesive to stick the rubber covering on the foam.

Good, some of the above measures were not implemented by the client yet and will be useful for them. Do you have any long-term measures?

To constantly keep costs low, the workforce in the factory must be motivated to achieve high productivity and low costs. Also, factories traditionally have had a bureaucratic structure with significant managerial overhead costs. However, the company I interned for had managed to have very low managerial overheads in its factories due to its HR policies.

Oh! Can you briefly outline how you would approach the design of HR policies for this client?

We have already identified that the firm's objective is to reduce costs. In designing the HR policies, I would look at each of the subsystems in place and figure out how to modify the policies such that it will result in an increase in productivity. The subsystems would include Recruitment, Training, Compensation, Incentives, Performance Appraisal, Promotions and Retention. In each subsystem, we can check for whether they are geared towards the objective and modify them in case they are not. E.g., we can have a suggestion scheme with a monetary reward in case the suggestion results in significant savings. Should I go ahead and analyze the system?

No that's okay. Let's wrap up the case here. You did well. Thank you.

Thank you, It was a pleasure interacting with you.

Profitability | Cost Reduction | Moderate | Manufacturing

Seat Manufacturer

The client is a seat manufacturing company. They have hired you to figure out how to reduce their total cost of operations.

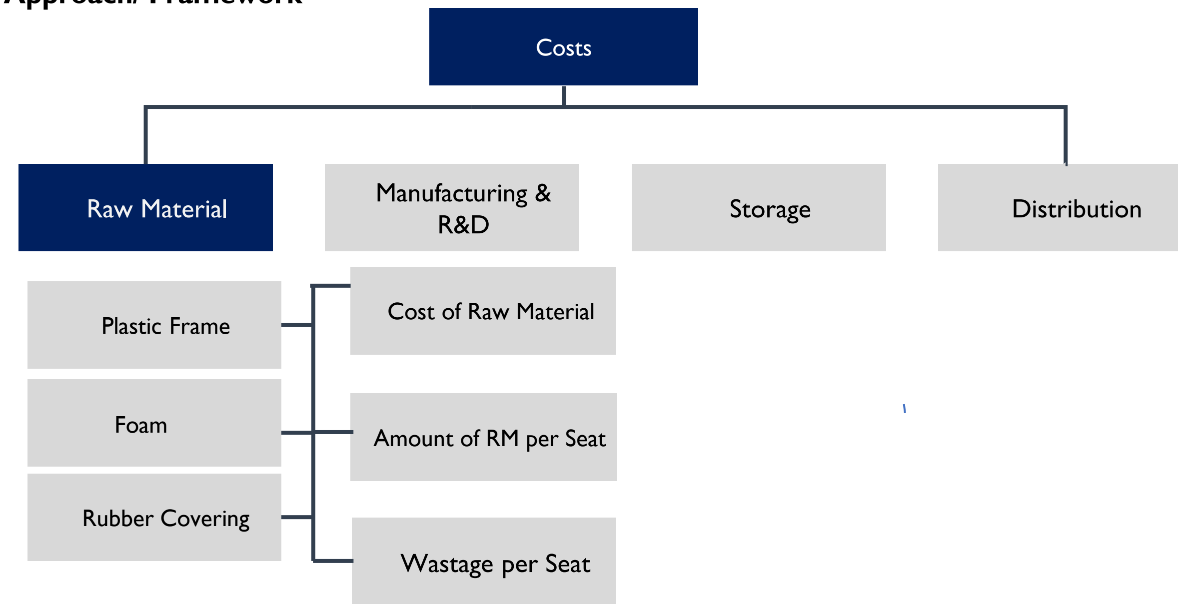
Interviewee Notes

- Identify the biggest buckets and prioritize them.
- Client is trying to reduce costs on their own. Need to come up with innovative solutions.
- Client is the only local manufacturer and has a competitive advantage.
- Auto-manufacturers have significant negotiating power. The client's company may not.
- Enquire about the production process from end to end.

Case Facts

- Seat manufacturer for automobile.
- Located in South Indian SEZ.
- Primarily a manufacturing entity.
- Customers are 2-Wheeler auto manufacturers.
- Reduced prices due to slow down in auto sector.
- Objective: Reduce costs as much as possible.

Approach/ Framework



Recommendations

- The client should take the following short-term measures for each of the materials:
  - Plastic frame – Reduce wastage by changing to a multi-mold setup, reduce amount by reducing thickness.
  - Foam – Reduce wastage by implementing straight cuts.
  - Rubber Covering – Stick instead of stitch, to reduce wastage.
- In the long term, the client should implement changes in its HR policies to continue with a long-term low-cost strategy.

Observations / suggestions

- The interviewee should quickly identify & clarify the cost heads of the company & then be able to prioritize them.
- Interviewee does identify some key elements of the strategy of the client i.e. low cost, low negotiating power. It would have been a good idea to state them up-front.

Key Takeaways

- Be innovative in your solutions, but also be structured. 80:20 rule was used particularly well when each cost head was evaluated; value chain to evaluate costs.

Battery Manufacturer – Interview Transcript

Our client ABC Batteries, is a battery manufacturing firm whose profits have been declining in the past 6 months. You have been approached to identify the core issue behind this and suggest a few recommendations.

I would like to clarify a few things before analyzing the problem. Firstly, I would like to ask more about the products our client sells.

The client sells 2 kinds of batteries – AA/AAA type batteries which are used in remotes and other electronic appliances; and D-cell batteries which are used in torches.

Okay, is the decline in profits in both kinds of batteries?

D-cell battery sales have been declining.

Okay, thank you. I would like to understand more about where our client lies in the value chain. You said that the client manufacturers batteries, but are they involved in other processes of the value chain?

Yes, ABC manufactures batteries, but they also employ sales executives who reach out to regional distributors and wholesalers who finally give the batteries to the retailers for them to sell. These retailers are the local electrical shops, as we see in an Indian neighborhood.

So, from your statement, my understanding is that ABC sells all over India, but do they also sell in other markets?

We sell exclusively in India, but what do you think our markets would be?

For the AA and AAA batteries, I believe the market would be pan-India. But since the profit problem pertains to D-cell batteries I would like to focus on that. Since D-cell batteries are used in torches, I believe their market would be geographically sparse. I have frankly seen very few torches in urban areas. Maybe they are more predominantly used in Tier-II cities and rural areas.

Yes, that's correct!

I would also like to ask whether the decline in profits is an industry-wide issue or not. Meanwhile,
could you also tell me more about the competitive landscape in the industry?

For the D-cell battery, there are 2 major players in the industry. ABC has 30% market share and the competitor, XYZ has 50% and the rest of the market is fragmented. The client is the only one facing the issue, while XYZ has actually seen an increase in profits in the same time period.

Interesting! This might signify that our customers are switching over to our competitor. For my last question, I would like to understand whether the profit decline is across the market or specific to certain geographies.

The decline is across India; However, some geographies are more affected than others

Thank you for all the information. I would like about half a minute to gather my thoughts and analyse the issue at hand. I believe the decline in profits can be due to a decrease in revenue or an increase in costs. Do we have any information of this change vis-à-vis our competitor?

Our costs remain constant and our revenues for D-cell in this period have declined.

I understand that the revenues is the product of average selling price and the number of units sold. Do we have any data on this?

You don't need any data; You may analyse the case qualitatively.

Do we have information as to which of these entities has decreased in the past 6 months?

As mentioned earlier, we haven't had any changes in our business, but the number of units sold have decreased.

I believe that this could be due to 2 factors, one could be due to a decrease in demand from the end consumer, the second could be due to a supply side issue – either ABC is unable to supply the necessary units to the retailer or the units are lost midway in transportation. Since you said ABC hasn't changed anything in their business, I believe they are sending the right number of units to distributors.

Yes, that is absolutely correct. In fact, it is the customer demand which has decreased.

Oh, that's interesting! To analyse why this decrease might have happened, I would like to look into the overall purchase cycle for the end consumer of D-cell batteries. I would like to take a few moments to structure the same.

Sounds good, go ahead!

In the purchase cycle, I would like to consider 3 major steps influencing the customer's decision to purchase. Pre-purchase, during purchase and post purchase factors. Sir, I believe the need of the product would have not changed, mainly because the issue is specific to our client and not industry wide. Also, I'd like to ask here if ABC is any different in terms of product features and price with respect to competitors.

This makes sense. ABC actually has comparable product specifications and post-purchase benefits. They sell at a 5% lower retail price as compared to our competitors. But this has been historically maintained the same.

So, even when our competitor is higher priced, it is still able to capture our customers. Out of these, would you want me to focus on any aspect where the main problem may lie?

So, I'd like you to focus mainly on the awareness of the product

For awareness, I would like to look at 2 different types of customers.

1. Those who consider battery to be a commodity & a low involvement product and is not aware of the battery brand. These people usually rely on the retailer push to finalize the purchase decision.

2. Those aware of the battery brand through television, hoardings advertisements word of mouth feedback or past experience.

Excellent, in one of the major markets, our sales executives have left the company and new employees are facing trust issues with the retailers, because of which the retailer is pushing the competitor's product to the unaware customer. Moreover, in the past 1 year, the competitor has launched a division of torches pan-India, which are sold bundled with their D-cell batteries. Thus, customers are aware of their brand and repurchase the same type of cells on expiry. Now you can suggest some recommendations on how to resolve this.

We have found 2 issues.

1. In order to tackle the competitor's entry into the torch market, ABC can either launch its own division of torches, if it is feasible operationally and financially, or can partner with existing torch brands to market their products bundled with ABC batteries. ABC can also advertise the D-cell battery to be price competitive and compatible with all brands of torches..

2. In order to build trust with the regional retailers, ABC can focus on hiring local experienced salespeople for the role; and also reach out to the Key Opinion Leaders of the markets to build credibility. For the retailers, ABC can construct cash or trade discount schemes, or have trust building and community workshops.

Your recommendations seem sound! You can now synthesize the case.

Battery Manufacturer

Your client is ABC Batteries, a battery manufacturing firm whose profits have been declining in the past 6 months. You have been approached to identify the core issue behind this and suggest recommendations.

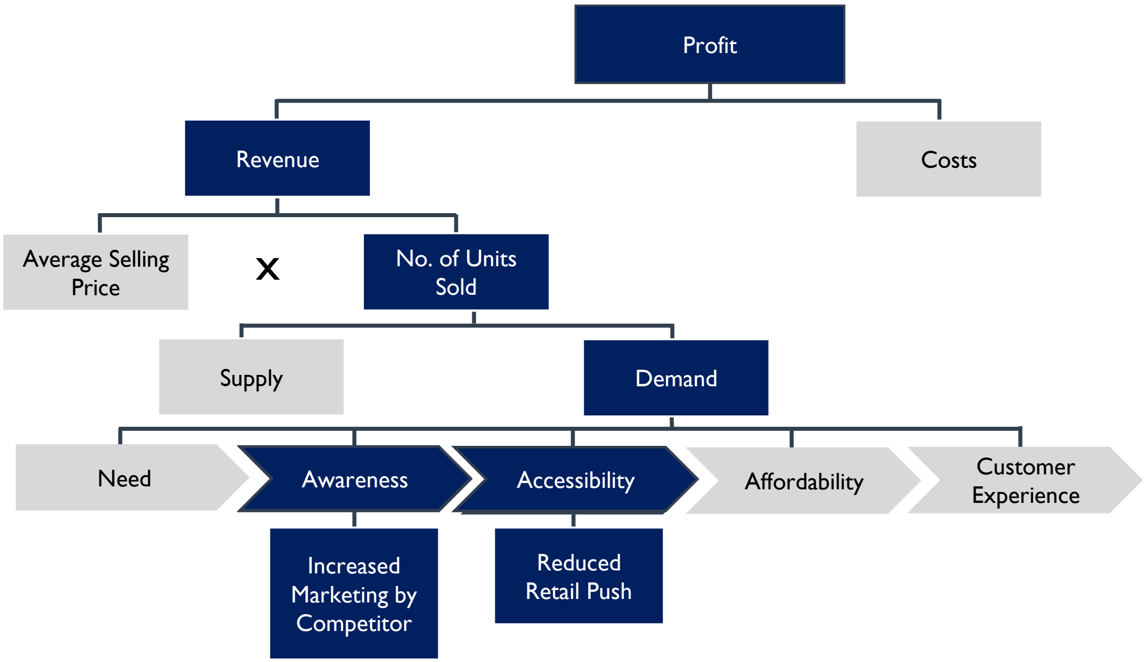
Interviewee Notes

- AA/AAA used in remotes, electronic appliances.
- D-cell used in torches, more prevalent in tier II cities and rural areas.
- Market doing better, so company specific issue.
- Business hasn't changed, so costs, price and supply hasn't changed.

Case Facts

- Client sells 2 kinds of batteries – AA/AAA and D-cell; profit decline in the latter only.
- Along with manufacturing, employ sales executives to reach out to regional distributors and wholesalers, they finally give batteries to retailers to sell.
- Decline in units sold across India, some geographies more affected
- XYZ has 50% market share in D-cell market, ABC has 30% share, rest fragmented.
- Comparable product specifications and post-purchase benefits, retail price 5% lower for ABC.

Approach/ Framework



Recommendations

To tackle competitor's entry into the torch market by:

- Launching own division of torches if operationally, financially feasible; else, partner with existing torch brands.
- ABC can advertise D-cell battery to be price competitive and compatible with all brands of torches T.
- Building trust with regional retailers.
- Focus on hiring local experienced salespeople, reach out to Key Opinion Leaders of the markets to build credibility.
- Construct cash, trade discount schemes for retailers; have trust building and community workshops.

Observations / Suggestions

- For such cases wherein the demand has been decreasing, it is always better to know about the competitors before delving into the need, awareness, etc.
- When awareness is the issue, it is better to ask about the sales and distribution process and know about the nuances of the same in the market.

ZoomCar – Interview Transcript

You client is ZoomCar and they are facing declining revenues. They have hired you to help them.

Before diving into the case, I would like to know more about the client and the issue at hand.

Sure, go ahead.

My understanding of ZoomCar is that it is a self-drive car rental company. They rent out cars to customers and charge a fee for the same. Is that understanding correct or is the client in another business?

Yes, your understanding is correct.

Can you help me with the revenue streams of the client?

Since you are aware of ZoomCar, can you take a shot?

So, there are 3 models that I am aware of. First is renting for short trips. Within this, they either rent with fuel costs included or excluded. The booking is for a fixed duration and distance. Excess duration and distance is chargeable along with a penalty. They also collect security deposit at the time of booking. The other is long-term bookings, i.e., 6 months or so. Is that correct?

Yes, that's right.

Since when has the client been facing this issue?

For the past 4 months.

Who are our major competitors, and have they also been facing similar issues?

We have 3 other competitors, and they are not facing any such similar decline.

ZoomCar operates in major Indian cities. So, is this issue particular to a geography or is it being faced across all locations?

The company is facing it across India.

Before diving into the case, can I take some time to structure my thoughts?

Sure.

As we discussed, there are three revenue streams – long-term bookings and short trips, with fuel and without fuel, so do we know which stream is facing this issue?

It is being faced across all, but more pronounced in the short trips case.

Okay. So, revenue is a function of (No. of cars x Utilization Rate x Average trip revenue) + any penalties for time or kms exceeded. Do we have any information if we are facing decline in any one of these?

What exactly do you mean by utilization rate?

This is basically the number of bookings.

Okay, in that case, the utilization rate has come down.

Understood. So, this could be driven either from the demand side or the supply side. Do we know which of it is the case?

Yes, we do. But can we look at both of them in detail starting with supply side?

Sure. So, in supply side, since the number of cars has remained the same, we might not be able to provide the cars to customers. This could be driven by less uptime for the cars i.e., they are under maintenance for a longer period. However, it is unlikely that this is happening at the same time at all the locations.

Yes, that's a good observation. Now let's look at the demand side.

Sure. On the demand side, we could be facing lower demand from new customers or repeat customers. Do we have any details here?

It is across both these segments.

Okay. Just give me a moment to further structure my thoughts.

Go ahead.

Next, I would like to structure the problem into 3 buckets – Attraction, Selection and Retention. Under attraction, I would like to look at awareness and availability. Also, I believe that the need for the service has not gone down since the competitors are not experiencing similar decline. Is that a fair understanding?

Yes, go on.

Under selection, I would look at affordability, booking process and delivery of car. Lastly, under retention, I would look at quality of car, customer's overall experience during the ride, car drop and refund of security deposit. Do we know if we are facing any issues under any of these buckets or would you want me to have a look one by one?

Yes, that sounds good. Let's take it one by one.

Sure. I will start with Attraction. So, as we discussed under the supply side, availability does not seem to be an issue. That leaves us with awareness. Has there been any change in the outbound marketing effort or has there been any negative publicity in terms of reviews, that we have observed in the last 4 months?

Yes, that has been the case. There have been a lot of negative reviews that are being posted on various social media platforms.

So, this explains the decline in the bookings from both new customers and repeat customers. Do we know what are these negative reviews about?

Can you list out the possible reasons and then we can discuss further?

Sure. Since the reviews are posted by existing customers, I would like to analyse the customer journey. For this, I would like to divide this into pre, during and post-journey. Does that sound good?

Yes, go ahead.

Under pre-journey bucket, we can look at the process of booking the car. This would involve exploring issues with the platform for booking i.e., website/app, accessibility of the platform, sign-up process, account verification, user-interface, pick-up locations/car drop facility and payment options. Do you think I have missed anything?

No, this looks good to me. Let's move to the next bucket.

Under the during journey part, I will look at issues with behaviour of employee delivering the car, trip start procedure, quality of the car (AC, power windows, seats, noise etc.), any deviations from the stated fuel levels, breakdowns and subsequent assistance, drop location/car pickup and behaviour of employee picking up the car.

Okay, let move on.

Lastly, in the post journey phase, I will look at incorrect charges for damage/fuel, other hidden charges and, timeline and mode of refund of security deposit.

That's great. This is where the company is receiving the negative reviews. They have not been able to refund the security deposit on time which is leading to a lot of social media backlash. Can you suggest some recommendations to counter this issue?

Sure. I would like to divide the recommendations in short-term and long-term. Under short term, firstly, we can look at reducing the security deposit for the upcoming bookings. Also, we can extend the refund timeline and mention it explicitly on the app, so the customer is not taken by surprise later. Another option is to give customers an option to get the refund as Zoom credits which can be used for other bookings. This can help us since not a lot of customers make repeat bookings at very high frequency.

Long-term suggestions would be to look for other lines of credit or raise additional funding. We can also look at optimizing the cost structure. We can also try and partner with some other e-commerce platforms wherein we can offer coupons/vouchers to customers equivalent to the refund amount. For example, we can strike a deal that we get Rs. 1000 coupons for Rs. 900, effectively leading to 10% savings for us.

Is there anything else you would want me to look at?

That's all, thank you and all the best.

ZoomCar

You client is ZoomCar and they are facing declining revenues. They have hired you to help them.

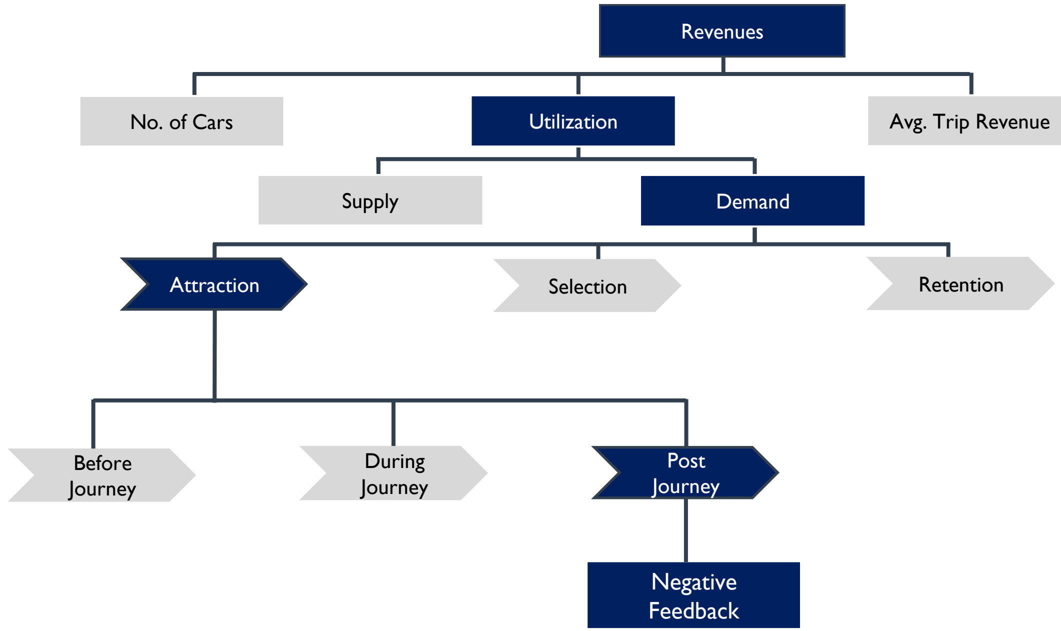
Interviewee Notes

- Clarify probable revenue streams.
- Rule out issues which seem unlikely to occur across India simultaneously.
- Split recommendations into short-term and long-term.

Case Facts

- Client has been facing declining revenues for 4 months.
- 3 other major competitors, none of which are facing this problem.
- Problem all across India.
- Lower demand for both new and repeat customers.

Approach/ Framework



Recommendations

- Short-term: reduce security deposit amount; extend refund timeline and mention this explicitly on app; offer ZoomCar credits to be used for further bookings for refund.
- Long-term: Look at other lines of credit or raise additional funding; optimize cost structure; partner with ecommerce sites to offer coupons/vouchers to customers.

Observations / Suggestions

- The candidate was expected to have some idea about the possible revenue generators for ZoomCar.
- The candidate used the term 'utilization' without explaining what it meant, could have elaborated on the terminology they used.
- The interviewer asked the candidate to explore all buckets at several points, this opportunity was used by the candidate to use prior information given to rule out possible issues.

Chartered Flight Operator – Interview Transcript

Your client is a chartered plane operator with declining profits. Evaluate its problem.

Understood. Before I delve into the case, I have a few clarifying questions to better understand the problem statement. Our client is a chartered plane operator and they have been facing falling profits.?

Yes. Correct.

Also, by how much have their profits declined and since when? Which area do they operate in and is the decline in profit limited to a specific area? Are other players in the market also facing this issue?

Profits have declined by of 5-10% over the past 1 year. They operate within India and the problem is not isolated to a particular area. Other players in the market are doing well.

Got it. As per my understanding, chartered flights are usually used by extremely wealthy individuals, mostly HNIs. Is there any other major customer segment that our client caters to?

You are right. There are two types of customers – HNIs who use it for personal use and Corporates who use it for official purposes.

Alright, I presume that the customer journey in a private airline business would be different from normal airline operators. What is the process of request of such as service?

The client is a standard chartered flight operator who provides flight services as per the specific needs of the customers. Booking can be done through a website or through relationship managers.

Thank you. I would like to analyze the case in more detail. Profit is equal to revenue minus cost. Is there any information if the revenues have declined or if the costs have increased and by how much?

The client has experienced declining revenues and increasing costs.

Understood. Should I analyze both cost and revenue? Is there any specific area that I should take first?

Let us analyze both cost and revenue. You can begin by examining the falling revenues.

Revenue can be segmented into the number of chartered flights and the average charge per flight. Do we have any data on which of these has declined over the period?

Both the number of chartered flights and the average charge per flight have declined. Why don't you first assess the decline in the number of chartered flights flown and we can then move to the decline in average flight per charge?

Sure. The number of chartered flights booked over the period is equal to the maximum possible run multiplied by the booking %. Have we faced any issues that would impact our ability to execute flights or have the booking percentage gone down?

The maximum possible runs have remained the same. The booking percentage has gone down.

Understood. This means that demand for our services has gone down. In terms of customer journey, there are 4 key stages - brand awareness, pre-flight booking, service experience, and long-term engagement. Is there any specific segment that you want me to look at?

Our awareness efforts have remained the same and flight experience is one of the best.

Ok. Has there been any decline in the number of bookings in terms of new and existing clients?

Yes , there has been decline in both new and existing clients.

Sure. While I understand that customers can make the booking through the website and Relationship Managers, can you please elaborate on the booking procedure?

Consumers can book a chartered flight by directly contacting the relationship managers. When the consumer goes through the website, they can submit a request for a callback and one of the relationship managers will contact them.

Thank you! That is very helpful. I think, booking rates can be impacted by the website efficiency or relationship manager experience. Do we have any information if the website interface has been facing any issues or if the relationship manager process has suffered?

The website interface has not changed. Why don't you focus on the relationship managers aspect?

The relationship manager can be rated on service quality, service time in the short run and long-term relationship development. Is there any other aspect involved and what is declining among these?

The relation managers are trained to execute the service with quality.

Okay. Do we have any information about how long it takes for our relationship managers to fulfil a request and how it compares against the market average?

Based on preliminary market research, it takes ~7 days for relationship managers to process the request while the competitors are able to do it in ~2-3 days.

Understood. The time taken to fulfill a request is equal to the total number of requests divided by both the number of relationship managers and their efficiency rate. Since the demand gone has down, I think we need to focus on the number of relationship managers and their efficiency rate. Has the number of relationship managers decreased over the period?

No, it has remained the same.

In that case, we need to focus on the efficiency of relationship managers. The efficiency of relationship managers can broadly be impacted by the following factors – their ability to perform the task (adequate training, skills, and qualification, experience level), motivation to do the task (right incentive schemes), and opportunity to complete the task (conducive environment to aid them while fulfilling their task). Is there any specific area that you want me to focus on or I can go over them one by one?

I think you have arrived at the problem. We have been facing high attrition rates and have lost 2 out of 5 RMs. The new RMs are not that experienced frequent changes leads to drop in efficiency. Why don't we move on to analyze the falling average charge per flight?

Great. Can you please help me understand a bit more about the pricing structure? Do we have a fixed charge per flight irrespective of the consumers or does the occupancy play a role?

For each booking, the final charge is segmented into a fixed charge for each booking and a variable charge dependent on the occupancy rate per flight.

Has there been a decline in fixed charge or is the decline in average charge due to lower occupancy?

The fixed charge has remained the same.

Okay. So, our occupancy rates have gone down. In order to analyze this further, I would like to break this down as per our two major customer segments – HNIs and corporates. Do either of them has a higher average occupancy rate and if their proportion in total bookings has changed over the period?

Corporate clients have higher average occupancy rates. Over the period the client has moved more towards HNIs with their share in total bookings increasing from 20% to 50%.

Understood. Then is it safe to assume that this shift towards HNI customers is the driving factor for our lower average charge per flight? Also, is the shift deliberate from our end?

Yes, you are right. The move is deliberate as we are better positioned for them. Why don't you look at the cost aspect as well?

Sure. I think the costs for a chartered flight operator can broadly be segmented into Fixed and Variable costs. Where Fixed Costs would include major cost items like Leasing, Employee costs, and maintenance costs and variable costs would include the cost incurred as per the flights – primarily fuel and Service Costs. Do we have information on which of the two may have increased in this period?

The increase in employee costs has been a concern for the employee

Employee costs can be segmented into cost for flight crews or non-flight staff. Do we know if any of the two have increased?

Only non-flight staff costs have increased. Can you think why based on the information shared?

Okay. Employee cost can be broadly categorized as– Salaries (including benefits), recruitment and training. I presume recruitment and training costs would have increased due to increasing attrition?

Good work! You may now summarize the case and go ahead with recommendations.

Sure. The client is facing high turnover rate which is leading to poor service speeds and higher employee costs. In short term, the client should focus on recruiting more experienced RMs,, identify reasons for attrition and create incentive schemes to reduce attrition. In the long term, I would suggest an end-to-end automatic booking process with minimal human involvement.

Chartered Flight Operator

Your client is a chartered plane operator with declining profits. Evaluate its problem.

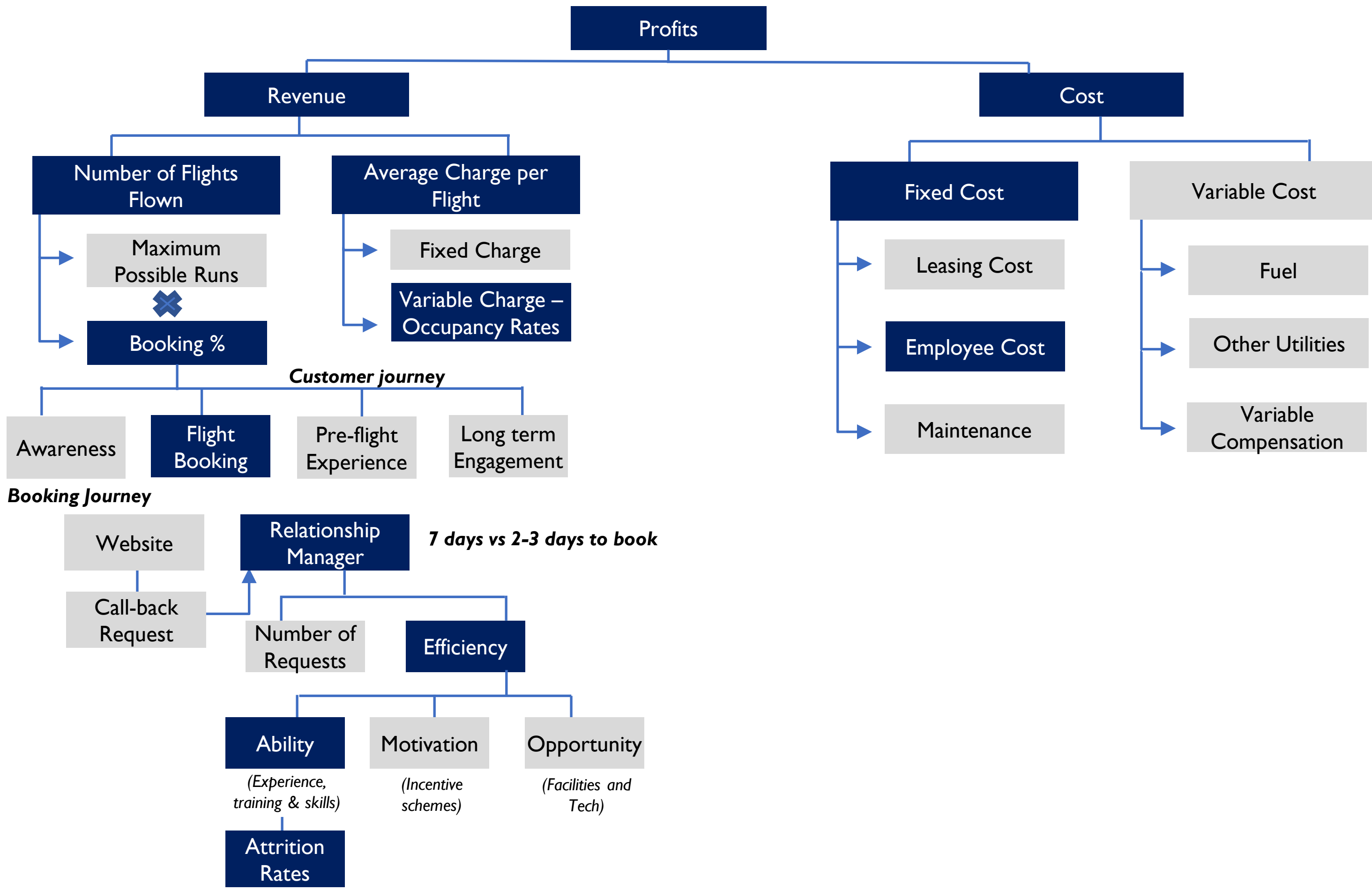
Interviewee Notes

- Important to understand the business model and different types of consumers.
- Structured approach should be complemented by interviewer suggestion and feedback.

Case Facts

- Client is an Indian chartered flight operator.
- Declining profits by 5-10% for nearly 1 year.
- Other players in the market have not suffered.
- Customers – Personal HNIs and corporates.
- Business model – boking through website and relationship managers.

Approach/ Framework



Recommendations

- <u>Short-Term</u>: focus on recruiting more experienced RMs, train the current staff better, identify reasons for attrition and create incentive schemes to reduce attrition.

Recommendations

- <u>Long-Term</u>: focus on developing an automated website booking system to reduce dependency on relationship managers, create a centralized system to increase speed and accountability, and refine our hiring pool to ensure good quality of recruits.

Grocery Retail Store – Interview Transcript

Your client is a grocery retail store owner. Recently it has been experiencing a decline in its profits. They want you to analyze the causes and recommend solutions for the same.

To begin with, I would like to know whether the profits is being affected at a single store or a chain of stores. I would also want to know the timeline and the magnitude of the decline.

It is only a single store. The decline has been observed over the past 1 year and has been around 5-10%.

Alright, where is the store located, and for how long has the store been open?

The store is in an urban city, right next to a metro station. It has been open for the past 5 years.

Okay. So, the client has been facing this problem only since last year. Next, I would want to know whether this problem of decline in profits is being observed by other grocery stores nearby?

The other stores have not seen a decline.

Okay. I believe that a typical grocery store would sell all kinds of product categories, ranging from fresh fruits & vegetables, packaged and frozen foods to household, healthcare, and personal care items.

That is correct. Let's also assume that selling these products is the only source of revenue.

Okay, I just had another question regarding where the client lies in the value chain? Do they only procure and sell products, or they have an in-house brand that they manufacture and sell in the retail store?

The client does not have an in-house brand. They only purchase and sell products of different companies

Great! I would now like to dive into the case and structure it to get to the bottom of the problem. I will begin by breaking Profits into its component parts: Revenues and Costs. Next, I will identify which of these are a problem and further look into factors that may have changed to alter either of these. Would you like me to proceed in this way?

Yes, that sounds like a good start. Why don't you go ahead?

Since Profit is a function of Revenues and Costs, I would like to know if the revenues have decreased or if the costs have increased or both have happened simultaneously.

The costs have remained the same, but the revenues have declined.

Okay, looking at the revenues, the major heads of revenue would be selling of different product categories, as mentioned before. Has the client seen a decline in any one of these categories or multiple categories?

There has been a decline in all the categories.

Okay, that is interesting. The problem of decline could either be a demand side issue or supply side issue. Supply side issue would consist of whether the client has enough products available in the store or the products are available, but the store is unable to sell them. Demand side issue would consist of a drop in consumer demand of the products in the client's store. Do we know which of these it could be?

There has been no change in the supply and availability of the products, it is more of a demand side problem, could you further look into this.

Sure, I would break down the consumer demand in the following way, the revenues would be: (Number of customers in the nearby area)*(% of customers that enter the store)*(% of them that buy the products)*(Average ticket size). I would want to analyze these factors one by one.

Sure. Let's assume that the number of people in the city and in that area haven't changed or decreased.

Okay, it would be highly unlikely that they would have decreased as it would also lead to a decrease in profits of nearby stores. The problem could lie in number of customers that enter the store or % of them that buy the products or the Average ticket size.

Yes, go ahead.

Sure. The client has seen that the number of customers entering the store has decreased.

Okay, to analyze this I would want to investigate the following four factors: The promotion and awareness of the store amongst the customers, accessibility to the store, the prices of the products and the kind of products being sold in the store.
I would now like to look at the number of customers entering the store.

Do you think that this would cover all the aspects?

Okay, maybe not. I would want to look at the customer journey instead

Yes. Go ahead with this approach.

Sure, looking at the customer journey. I would want to break this down into three parts: Pre-Buying, During-Buying and Post-Buying. Pre-Buying would include the journey from the decision of buying groceries to reaching the store. During- Buying would include the journey from entering the store to leaving the store, Post-Buying would include the journey after the customer has left the store. Is there something that you'd like me to focus on?

This covers almost all the aspects. I would want you to look at the Pre-Buying and During-Buying journey.

Sure, I would analyze the Pre-Buying journey first and then move on the During-Buying journey. Pre -Buying would include the decision of buying groceries, choosing which store to go to (which would include awareness and affordability), choosing the mode of transport and reaching the store (accessibility aspect). I believe that the decision of buying groceries would not have changed as groceries are used on a day-to-day basis. Looking at choosing the store, it could be that another grocery store has come up near the client's store or customers have started buying groceries online, but then this would also decrease the profits of other grocery store in that area. I believe that this is highly unlikely.

You are correct. I would want you to look at the accessibility to the store and list down the modes of transport that people would use to reach the store and analyze them.

Okay, the modes of transport that people would use to reach the store would include walking or cycling, personal vehicle (two wheelers and four wheelers) and public transport (cabs, busses, autorickshaws and metro). Since the store is located next to a metro station. I believe that majority of the customers would be using the metro trains to reach the store as it would be more convenient. I wound want to analyze this first and then move to other modes of transport.

Yes, you are correct, majority of the customers use the metro trains. You can start by analyzing the metro trains.

Alright, so we know that customers reaching the store have decreased. Looking at the metro trains, I would like to look at four aspects: Awareness, Accessibility, Availability and Affordability. Awareness would consist of people being aware of the metro station and its facilities. Accessibility would include how convenient it is to reach the metro station and access the trains. Availability would include the frequency of trains, number of trains and capacity of trains running in the metro station. Affordability would include whether customers are able to afford the tickets which would depend on the price of the tickets. I believe that there could be a problem with any of these factors.

Yes. There has been an ongoing construction work of a new metro line at the metro station since past 1 year due to which there has been a decline in the frequency of trains.

Okay, that explains why lesser customers are reaching the stores as lesser number of trains are reaching the metro station. I would now want to look at the next mode of transport. Is there something in specific that you'd like me to look at.

Grocery Retail Store – Interview Transcript

Yes. Can you look at the customers that use personal vehicles (four wheelers) as they form the next highest share of people going to the grocery store.

Sure, I would like to look at the customer journey here. I would want to break this down into three parts and see if the problem lies in any of these components. Pre-Travel, During-Travel and Post-Travel. Pre travel would include the journey till the onboarding of the vehicle. During travel would include the journey from onboarding to deboarding the vehicle after parking, Post-Travel journey would include the journey after deboarding and then reaching the store. Is there anything in specific that you would like me to look at.

Yes. I would want you to focus on the During-Travel journey, primarily the parking bit.

Alright, it seems that there is a parking issue. The factors that come to my mind which would affect the parking of vehicles would be: Safety, Convenience, Capacity and Price. Safety aspect would consist of whether people feel safe to park their vehicles in that area or parking space. Convenience would include how convenient it is for the customers to park their vehicle, get down and reach the store. There could also be a capacity constraint, due to which people are unable to park their cars or the prices could have gone up due to which customers would not want to park their cars. Have I covered all aspects or am I missing out on something?

Yes, you have covered almost all the aspects. So, there has been a new furniture store that has come up near the grocery store, which has taken up half of the parking space and the parking charges have also shot up.

Okay, as the parking capacity has decreased, lesser number of people can park their cars and people are reluctant to pay a higher price due to which the number of customers reaching the store has decreased.

Alright, you've done a thorough analysis of the Pre-Buying journey, let's move on to the During-Buying journey.

Sure, The during buying journey would include the journey from entering the store to leaving the store. I'll break it down into two parts: find & procure the products (ease of finding the products, which would include collection of a basket, browsing through the products, checking for the freshness of the product, whether they require any help in finding the products, and their accessibility) and then proceed to the payment counter, payments can be done through cash, cards, online payment, or some other method of payment. Am I going in the right direction, or have I missed out on something?

Yes, you are going in the right direction. The products are easily accessible and are available and let's also assume that there are enough employees in the store to help the customers in the buying process.

Okay, that means that there is an issue with the payment process I would now like to look at the payment process.

Sure, go ahead.

Looking at the payments, I would want to know percentage share of different payment methods.

Majority of the customers use cards, followed by cash for making transactions.

Alright, I will analyze the payments through cards first and then look at the cash transactions. Looking at the pain points that the customer might face. I can think of high transaction failure rate, or unusually high processing time.

Indeed, the construction activities of the new line at the metro station have led to a loss of signal of the card machines at multiple times during the day due to which there has been high processing time and failure rate of transactions. Can you give the client some recommendations regarding this problem of declining profits?

Sure, I would like to suggest recommendations for short-term and long-term basis. In the short term, firstly, if people are unable to come to the store, the store can start home delivery of the products. Secondly, the parking space area can be renegotiated, (valet parking can also be arranged).

In the long term, the store can install a repeater (to enhance signal strength). A proper cable connection can also be established as, metro construction would take a lot of time.

Thank you. We are done with the case.

Thank You.

Profitability | Profit Decline | Challenging | Retail

Grocery Retail Store

Your client is a grocery retail store owner. Recently it has been experiencing a decline in its profits. They want you to analyse the causes and recommend solutions for the same.

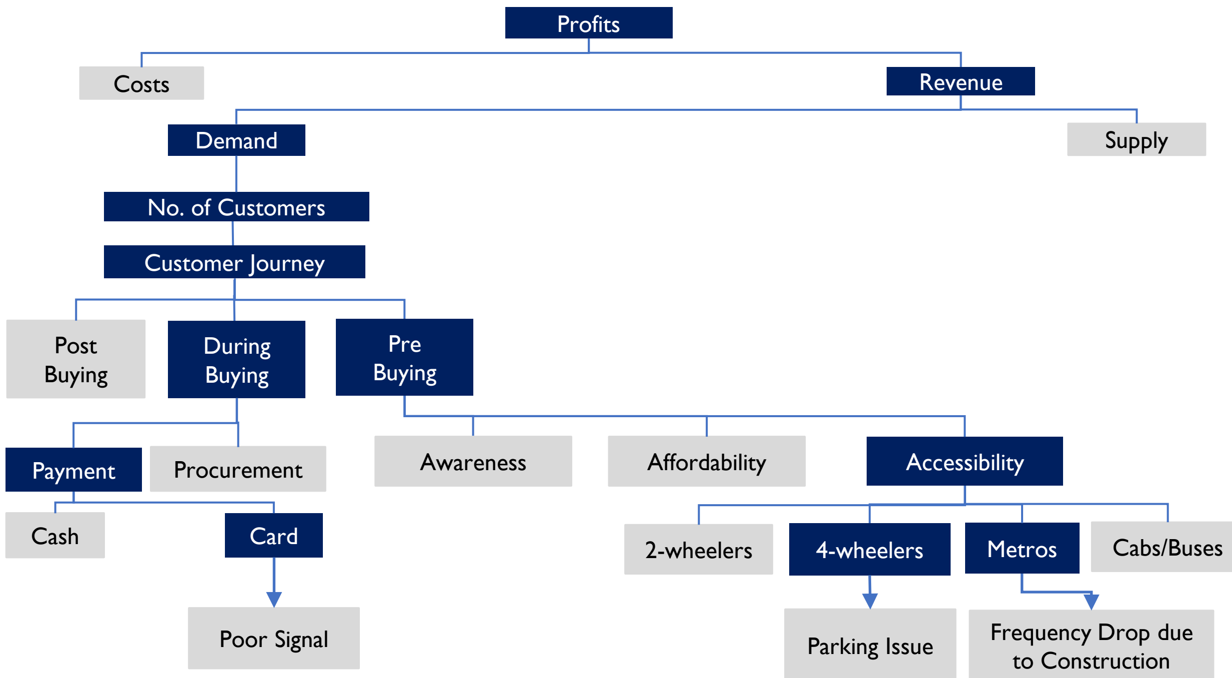
Interviewee Notes

- It is important to understand whether the cause of decline is due to low revenues or high costs.
- Customer journey needs to be focused upon for decreasing numbers.
- Less customers because of low frequency of metro trains and lower parking space.

Case Facts

- Problem specific to only the client and not other grocery stores.
- Revenues have declined across all categories.
- Accessibility of the store has led to less customers.
- Payment process affected by poor signal due to construction.

Approach/ Framework



Recommendations

- In the short term, firstly, if people are unable to come to the store, the store can start home delivery of the products. Secondly, the parking space area can be renegotiated, (valet parking can also be arranged).
- In the long term, the store can install a repeater (to enhance signal strength). A proper cable connection can also be established as, metro construction would take a lot of time.

Observations / Suggestions

- It is important to breakdown the cause of the problem such that all aspects are covered.
- Analyse each part till the end, even though we might have found some strong reasons in previous analysis.

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Market Entry

Production House – Interview Transcript

Your client is a large production house based out of Andhra Pradesh that produces the best Tollywood movies. They are looking to create an OTT platform where they can host their movies. The client has consulted you to advise them whether they should do so or not.

If I may confirm, our client is a large production house producing Tollywood movies and is contemplating if they should create a new OTT platform for their content.

Correct.

I have a few clarifying questions before diving into the analysis. Is the client looking to create a platform only for their movies? Or is it open to host other movies?

Only Tollywood movies aimed at Telugu speaking population in AP and Telangana

What kind of content will be hosted on the platform? Movies/ TV Series/ Videos etc.

They want to leverage their existing movies already produced for the platform. But the client is also open to hosting movies and TV series of other production houses for the regional audience.

What kind of movies does the client have? Do they target any particular target segment such as based on age (young/old) or genre (romance, action etc.) ?

They have movies from all genres and across segments. They do not target any specific segment.

What is the objective of the client for creating an OTT platform?

The client wants to generate more revenue through the platform. Most of the movies are being pirated and not generating any money after they are removed from theatres.

How is our platform going to be priced? Is it affordable like 'Aha' or premium such as 'Netflix'?

Client wants it to be budget friendly and priced low to attract all the Telugu speaking audience

Got it. I now have good clarity about the client's objective. Can I take some time to structure my thoughts?

Sure. Please take your time.

I'd like to approach this issue by first assessing the market attractiveness, then the financial viability, followed by operational viability. Aspects of market attractiveness include evaluating the market size, growth potential, existing competition, and market trends. The economic viability aspect is assessing the profitability of venturing into the OTT business. Factors such as regulatory approvals, resource availability, and technological capabilities would comprise operational feasibility. Do you find this to be reasonable, or should I consider any other factors?

No, you can go ahead with this structure. First, please start with estimating the market size.

I would divide the market size (in rupees) into two categories: the number of users and the average monthly subscription fee per user. To calculate the number of users, I would further divide it into two categories: potential market size and conversion rate. The market size is the total Telugu-speaking population in the states of AP and Telangana (Assuming other states do not have significant viewership), which is about 15 crores. Considering 5 people per household, this translates to 3 crore households. We can assume that there will be only one subscription from each family. Now, I'd like to divide the households further based on their income level and rural/urban to bring affordability into picture.

The approach seems fine. Can you complete your analysis with only income factor and estimate the market size.

Sure, I will further divide it into three income levels: low, medium, and high, with 40% in the low and medium income levels each and 20% in the high income levels. This results in 2 crore low- and middle-income families and 1 crore high-income families. Assuming that a subscription to an OTT platform is not a necessary good, the affordability would vary by income level. I would assume 100% for high-income groups, 50% for medium-income groups, and 20% for low-income groups. Are these fair assumptions?

Yes. Makes sense to me. You can go ahead.

On calculating, this would give us 2.2 crore households purchasing the OTT subscription. Now, I would like to bring in two additional factors of awareness and adoption. Awareness depends on our marketing efforts. Since we are a major production house, I believe the awareness would be as high as 80%. Adoption would depend on existing competition in the market. Considering a highly competitive environment with Aha, Sony, Zee5, etc. along with large players such as Hotstar and Netflix, I believe only 40% would adopt. With this factors into consideration, our final number of expected subscriptions is 0.7 crore.

Alright. That is a good estimate. Now let's discuss the prices. How much do you think we should charge our customers?

We can set the price based on the following methodologies – cost-based pricing, competitor-based pricing and value-based pricing. Considering, the industry, I believe competitor and value-based methods are more appropriate for an OTT platform subscription.

Yes, you are right. Let's decide on a monthly subscription price.

First, I would like to examine the pricing of other OTT players on the market – Netflix charges Rs. 499/month for its basic plan and falls into the premium segment, whereas Disney-Hotstar charges approximately Rs. 150/month. Given the vast variety of content they offer users, we can consider this to be the maximum price. In addition, I am aware that DTH services typically charge between Rs. 10 and Rs. 20 per channel per month. Given that the OTT platform would provide greater scheduling flexibility without interruptions from advertisements, it would therefore provide greater value to the user. Also, because we want to make the subscription available to all range of audiences, we should price it on the cheaper side. Rs. 50 per month seems to be a reasonable price. Does this seem fair to you?

Yes. It seems fair.

So, the total market share obtained would be 0.7 crore* Rs 50 per month = 35 crore per month or 420 crores per year.

This looks to be highly attractive. I think we should make this move. How do we go about this?

Correct, there are few ways to go about entering this market. 1) Greenfield way - We can start from scratch by investing in IT resources and building a platform from scratch; 2) Acquire the platform from an existing player such as Aha; 3) Outsource the creation of a platform to a reputable IT firm.

What is your recommendation?

Considering we do not have any IT capabilities. Greenfield way would be very costly and will not be a guaranteed success. Considering OTT platform would be critical revenue source, outsourcing it would not appropriate as it will reduce the control. I believe acquiring an existing platform would be the best way forward if the client has resources readily available that can be spent.

Good. Thank you for the recommendation. We can end the case here.

Production House

Your client is a production house based out of Andhra Pradesh that produces the best Tollywood movies. They want to host their movies on their own OTT platform. The client has consulted you to advise them whether they should do so or not.

Interviewee Notes

- Identify the objectives and gather knowledge about the client to give better recommendations.
- Understand the reasons why client is interested in entering the OTT space.
- It is important to understand the industry in case you are not aware of it. Considering the candidate is from Andhra, they did not ask much about industry. However, it is always better to confirm with the interviewer if the industry facts can be used for the case.

Case Facts

- Focus on hosting client's assets (movies). Open to host content from other production houses for regional audience.
- Target segment – all genres across segments
- Position as a budget friendly platform.
- Assume it is happening at time of interview.
- Client wants to generate more revenue through the platform.

Approach/ Framework

Market Entry into OTT
- Market Attractiveness
- Financial feasibility
- Operational feasibility

Market attractiveness
- Potential market size
- x
- Conversion rate

Market attractiveness calculation

# Telugu speaking households			Affordability factor
	Low Income (40%)	x	100%
	Medium income (40%)	x	50%
	High income (20%)	x	20%

=

Total Subscribers = Affordable households x Awareness filter (80%) x Adoption filter (40%)

Pricing Framework

Pricing
- Cost based pricing
- Competitor based pricing
- Value based pricing

How to enter market - framework

How to enter market
- Greenfield. Start building from scratch
- Acquire a competitor
- Outsource to an IT firm

Recommendations

- Acquiring an existing platform would be the best way forward if the client has resources readily available that can be spent.
- The client should leverage its brand and movies initially to promote the platform, and then try creating network effects by acquiring content from other popular production houses.

Key Learnings

- It is important to understand the objective and gather knowledge about client business to make better recommendations.
- This is an example of a case where breadth of preparation is tested by interviewer. It includes working on guesstimate, pricing and GTM strategy for the same case.
- When breaking down market attractiveness. A simpler approach would have been (market size) * (market share), which is commonly used by many interviewees.
- Assume numbers that are easy for calculation and confirm them with the interviewer for guesstimates.

Online Dating App – Interview Transcript

Your client is an online dating company that wishes to enter the Indian market. Evaluate the venture.

Okay. First, I would like to understand the objective of our client. Why was India chosen?

The client wants to maximize long term profits. India was chosen due to its huge population and massive smartphone user base.

Okay. Does the client have any targets, timelines or budget in mind?

There are no specific numbers that they have in mind. The client wants be a competitive player in the Indian subcontinent.

Alright. Now I will try to understand a little more about the client. What is their primary business and where are they based out of?

They are based out of UK and run a dating app. Their app has a freemium model where users can use for free for an unlimited time and upgrade to a premium model on a subscription basis. They are not involved in any other ventures.

Okay. A few more questions about the client. How competitive are they in the UK market? Do I just consider an app or a website as well? Further, is their app just a normal dating app like Tinder/ Bumble or do they have any special features or niche target audience?

The client is the market leader in UK. Restrict your analysis to an app. There isn't any niche target audience, and you can consider the app to be very similar to Tinder/ Bumble in terms of usage.

Alright. One final question before I proceed with the analysis. How the dating app market looks like in India?

There are 2 major players who hold ~80% of the market share. The remainder is fragmented. Please ignore the marriage apps and websites in your analysis.

Sure. I think I have enough to proceed. In my approach, I'll first understand the market attractiveness by identifying market size. Then I shall check for economic viability by analysing potential market share and costs. Finally, I'll check for operational viability and any future risks/ opportunities.

Sure. This seems like a great approach. Please ignore costs in your analysis. Why don't we begin with the market sizing.

Okay. Considering a population of 1400 Mn, I shall first split it between rural and and urban. Given the nature of our product, I will ignore the rural population. That leaves us with 560 Mn people.

Seems reasonable. How will you proceed?

Now I shall consider filters like income group, smartphone ownership and data usage. However, I feel that these aren't very exclusive and will have dependencies amongst themselves.

Yes, you are correct. Why don't you use a 75% factor to cover for all these filters.

Thank you. That leaves us with ~420 Mn people. Now I shall divide this into age groups as this is an important factor that determines usage. I would also further divide each age group into male and female as both genders will have different likelihood of using a dating app. Finally, a factor would be taken to consider the likelihood of usage. This factor would consider conditions like – If the person is in a relationship or not? If not, are they willing to date? And if yes, then are they willing to explore online dating.

That seems great. Why don't you proceed to find the numbers. (*Detailed numbers in the next page)

Okay. Based on what we discussed, the market size comes out to be ~28 Mn people. Do you want me to find the market size in terms of dollars?

No. That isn't needed. This market size seems good to the client. How much share do you think we can gather in the market over the years?

Just to employ some benchmarks. Has the client entered any emerging markets in the recent past? How has that panned out?

Yes. The client did enter a similarly competitive geography last year and they have been able to gather an 7% market share in the first year.

Okay. Then a 5-10% market share in the first year seems like a good target.

To understand the longer-term market share, I want to understand the differences between our offering and that of the competitors. These would be across 3 major buckets: 1. Business factors (brand value and pricing) 2. Dating factors (Quality of users, UI/ UX,) and 3. Tech factors (matching algorithm, safety features)

This seems comprehensive. We haven't decided on the pricing yet. Our brand has decent recognition in India. Rest of the factors are similar to the market players. But we have better UI/ UX.

Okay. We seem to hold a slight advantage. Given we play our cards right, we can aim for at least a 25-30% market in the next 4-5 years. Do you want to analyze the operational feasibility and future considerations now?

No. I had some other questions in mind. How would you go about the pricing and positioning of our premium offering?

Alright. Can I know the current pricing of the market players?

Yes. The leader charges Rs 450 for 3 months while the 2^{nd} player charges Rs 400 for 3 months. I am not concerned with numbers. Can you tell me your overall pricing and positioning strategy to maximize long term profits?

Okay. So, I shall keep the discussion qualitative. One of the key requirements of a dating app is to have a lot of good quality users due to the network effects. Hence, my strategy will revolve around maximizing user acquisition in the near term and then retaining them in the long term.

That seems fine. Please go on.

Initially, I would price the premium offering at very minimal rates to attain user conversion to premium. The packages offered shall also be 12-month packages (at negligible costs) to hold on to users for an extended time period. A referral system can also be implemented to increase word of mouth downloads. All of these must be supplemented with strong marketing campaigns. Often, lack of female users is a problem in a dating ecosystem. To counter this special marketing campaigns will be launched which focus on safety and offer the product free/ at further discounted rates.

That seems like a good strategy to acquire users. How would this play out long term? Do you see any issues?

Such a strategy can lead to prolonged price wars and destroy the margins of the entire industry. One critical requirement would be to constantly invest in improving our technology, UX and adding new features so that we can gradually raise the subscription fees over time.

Okay. That was a good analysis. We can close the case here.

Online dating app – Case Structure

Your client is an online dating company that wishes to enter the Indian market. Evaluate the venture.

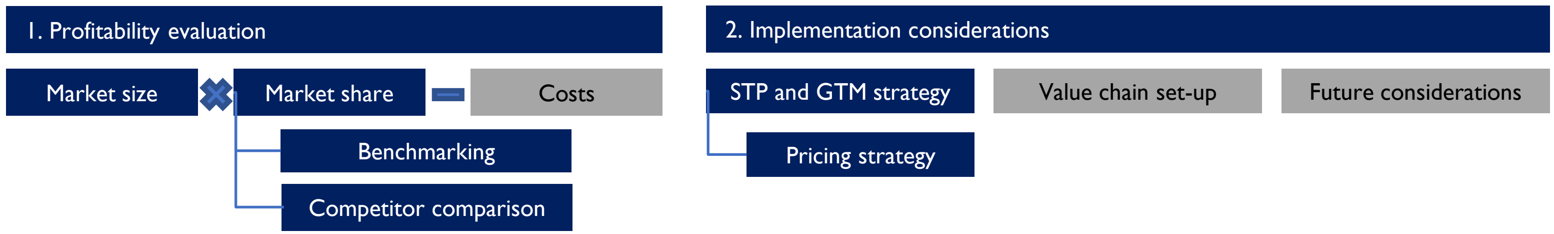
Interviewee Notes

- Important to understand the client, their business model and the competitive landscape within the geography selected for entry
- Strategy chosen needs to match the overall objective of the client

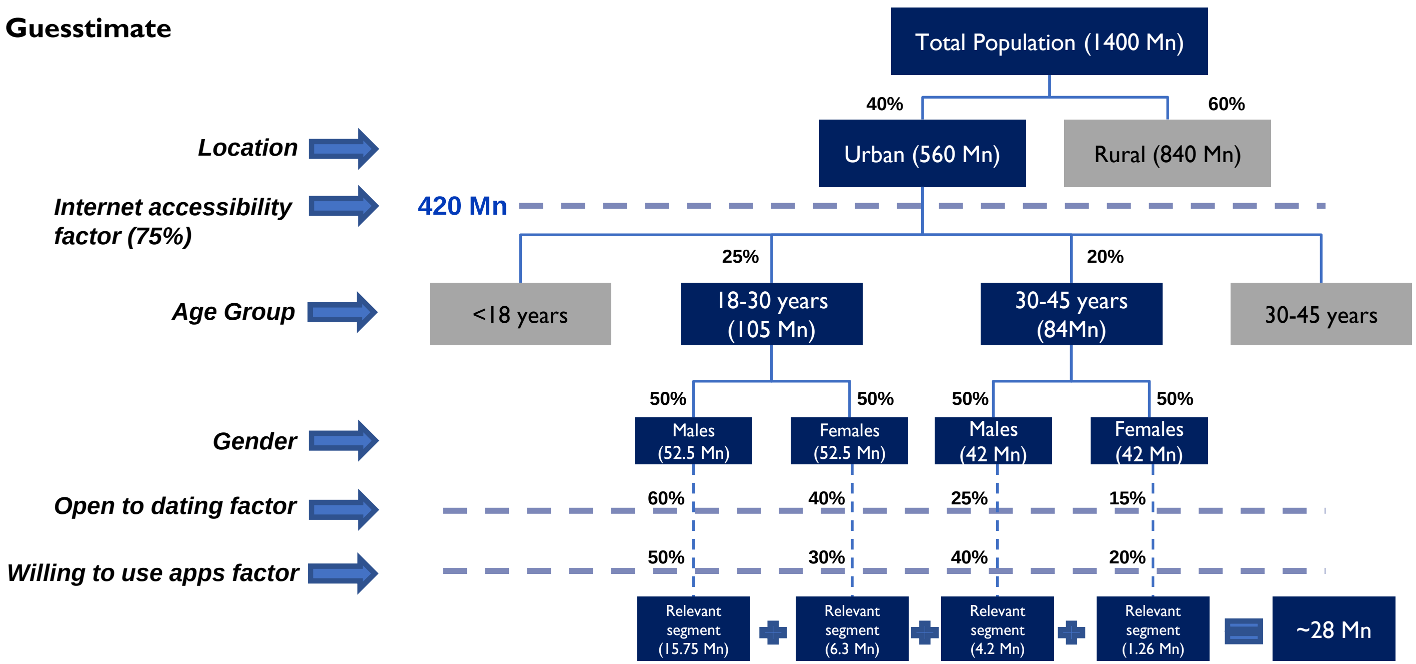
Case Facts

- Client is UK based and a market leader
- Objective is long term profitability
- Operates on a freemium model
- Wants to enter India which has 2 major players
- Client has marginal advantage over incumbents in terms of UI/ UX of the app

Market Entry Framework



Guesstimate



Recommendations

- Client should enter the Indian market and focus on developing a huge user base through massive marketing and attractive pricing plan

Key Learnings

- Past instances of market entry can be used as benchmarks for potential future ventures
- In products with network effects, user acquisition is key and must be prioritized

Insurance company – Interview Transcript

A foreign insurance company has observed very low penetration of home insurance in the Indian market. It already has its presence in the health insurance and life insurance segment in the Indian market. It is planning to enter the home insurance category. You have to build a go to market strategy for the client.

Could you give me some additional information regarding the case. What are the primary objectives for entering the home insurance segment?

The client believes that there's a real-estate boom happening across India, and hence a potential market which is expected to grow substantially in the coming years.

Okay, so they're concentrating on the growth of the housing market. What products are they planning to sell in this segment?

Their home insurance products would not only be limited to new houses but would also be relevant for renovation of existing houses.

So ideally, we'll be looking at not only people who own houses, but also people who are planning to buy new homes. Can you tell me a bit more about the current competition in this segment?

There is low penetration; not many companies have ventured into this segment.

That's great. So, we don't have to fight competitors to grow our share. We can build our customer base from scratch. Can you tell me what kind of clients are we planning to sell our products to?

The company hasn't decided this yet and would like to know your thoughts on this.

I would start by segmenting the Indian population in terms of their income groups in the rural and urban market. Since the company wants to enter the home-insurance market, initially, it can ignore the rural population since home ownership among this population is low. In terms of the urban population, I would segment this market according to income groups.

That's right. What segment should the clients target?

Very few people in the low-income segment would own a house, whereas for a middle-class person, buying a house is a dream. So, there will be a large portion of the population in this segment who would be thinking about purchasing a house. Also, the individuals in this segment are more risk-averse and would want to protect their house with insurance. People in the high-income segment would also be interested in our products. Therefore, the client should target the middle-income and high-income groups.

(The interviewer questioned the assumptions for each segment)
Moving on, assume that the client has decided to enter this market. How would you roll-out the products to their intended customers?

As the client is already present in the life and health insurance segment, it would have insurance agents on the ground. So, my first move would be to educate the agents about our products through training programs in main cities in the initial months. We can begin with the existing agents, and over a period of time, can look to hire specialized agents.

Training the sales-people is good, but how would that ensure that customers buy these products if they aren't interested in them in the first place?

If the penetration of home insurance is low, then that could be due to two reasons - either people don't know about it or don't trust these products. So, we need to educate them about the importance of getting their home insured. We can reach out to these customers through home builders and contractors. We can also tie-up with banks, who can inform clients about home insurance while giving out home loans.

Okay. Do you see any other roadblocks or pitfalls of your roll-out plan?

The roll-out would be slow and gradual. Since our current sales force is trained to sell health & life insurance products, they would need training regarding the home insurance products. Also, since we are educating the masses, then we are also educating them for the competitors. So even if the competitors have marginally better prices, then people would go for them as people in this segment would be price sensitive.

What analysis can you do, that would help the CEO to take much more decisive action.

We can do the "customer lifetime value analysis" by considering their acquisition cost and the revenue earned per customer over their lifetime. This will give an indication to CEO if this is segment is worth entering.

We could have also explored the option of acquiring any existing player. Also, we cam try and explore any previous ventures into this space by any of our competitors to help us appreciate the challenges of this segment.

Furthermore, we also need to analyze the regulatory framework and see if there are any legal constraints hindering the expansion in this segment.

I think we can stop here. Thanks a lot for your time. I liked the way you approached the case.

Insurance company

A foreign insurance company has observed very low penetration of home insurance in the Indian market. It already has its presence in the health insurance and life insurance segment in the Indian market. It is planning to enter the home insurance category. You have to build a go to market strategy for the client.

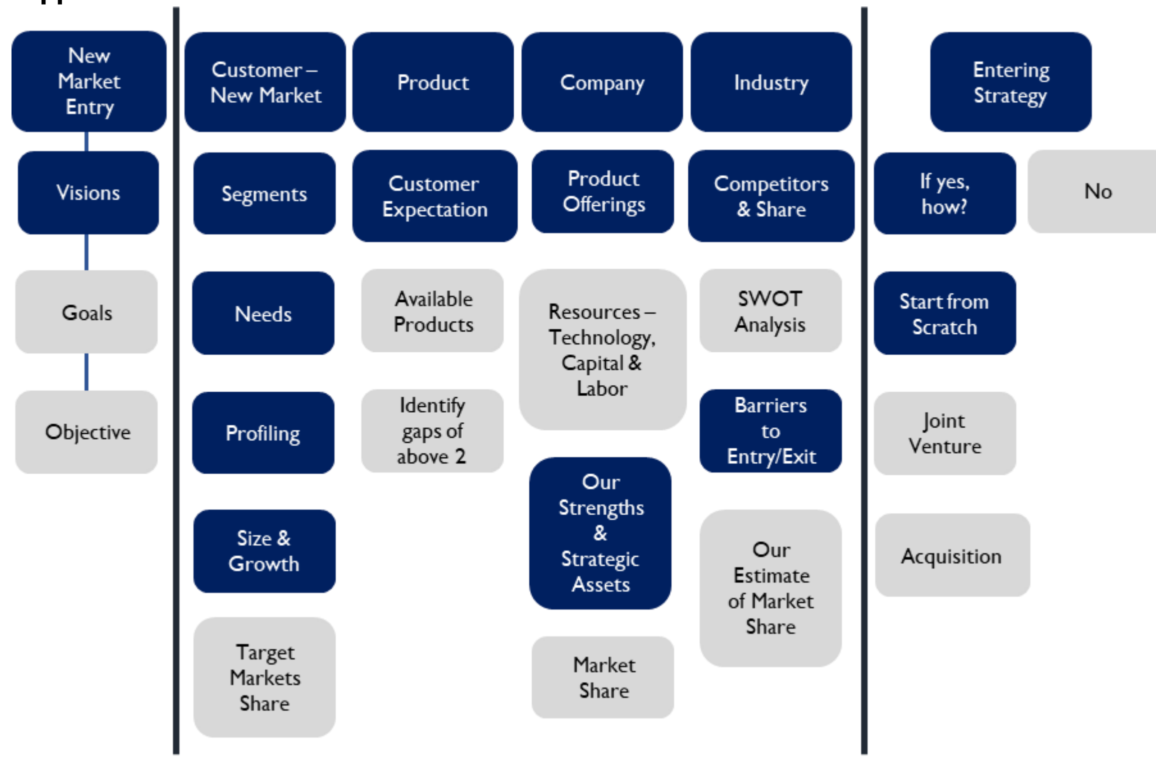
Interviewee Notes

- Understand the vision/objective of entering the new market
- Determine Target Segment; based on this try to determine how to plan for a successful product offering using the 4 P's of marketing: Price, Product, Promotion, and Place
- Analyse how to use current strengths (industry presence)/resources (sales people) to expand into the new market
- Identify potential problems/barriers that company may face while entry

Case Facts

- Client is a foreign insurance company, and is already present in the health and life insurance segment in the Indian market
- Low penetration in the home insurance segment

Approach/ Framework



Recommendations

- The client should enter the home-insurance segment
- They are already present in the health and life insurance segments, and can leverage their existing salesforce to introduce home insurance products to their clients
- Real-estate industry projected to grow; home products cover both new and existing houses, making the Urban Middle and High-income group preferred target segment

Key learnings

- Very important to understand here who your target customer is
- Probe every information that interviewer has provided in the beginning: For ex: why is penetration so low and what does it mean for our client?
- The candidate could've dwelled a bit more into the implementation which would have added more value to his arguments.

Real Money Gaming – Interview Transcript

Your client is an established player in the Real Money gaming space in India. They now want to expand internationally, and they want your advice on the same.

I am not really sure what Real money gaming means. Could you please tell me more about it?

Sure. Real money gaming means games where actual money is involved. This will majorly include games like Poker and other gambling games.

Understood. Thanks for the information. I assume that the game would be playable on both App or a website. Is that a correct assumption to make?

Yes. It is available in both the modes.

Understood. Thanks for the information. I would now like to know more about the client itself. Can you tell me more about the competitiveness of the market? Does the client have any major competitors?

The market is at a nascent stage in India and has a few players with many expected to enter. Consider our client as a market leader in India.

And what about the competition in the International market?

Competition does exist internationally but only in a few countries.

Understood. One more thing I want to understand is the type of customers that the client caters to. As per my understanding, since the client offers gaming platforms that involve gambling, it would mostly be played by people in the middle-high income segment who have enough disposable income. Also, the audience should be in the age group of 20-40 age group, primarily male, who are interested in playing such kind of games. Do these assumptions make sense?

Yes. These assumptions are correct.. I now want you to identify the countries in which we should plan to launch our operations initially and the basis for selecting such countries.

Few factors that I would consider to select countries of interest would be market attractiveness, the competitive landscape, and ease of entering the market. To check for attractiveness, I would estimate the size of the market and growth potential during the initial expansion phase. This would be dependent on factors such as population, age distribution, access to internet, etc. The competitive landscape can help with understanding how fragmented the industry is and how much market share we can reasonably expect. Factors such as regulations, political conditions, macros, culture and norms, etc. can help us assess the ease of setting up business there. I'll be able to shortlist 5-6 countries using these filters.

Sounds good. I would now like you to proceed further and estimate the market size for our client in the Indian market.

I will estimate the size of client's customer base as - (Total population of India) * (% of male population) * (% people in 20-40 age group) * (% people in middle/higher income age group) * (% people having access to internet) * (% people willing to play such games). I have assumed the client's market share to be 100% in the above formula, given that this is a nascent market in India. I can now put numbers in these fields to estimate the customer size.

This is good enough. You don't need to precisely estimate the actual value.

Alright. Now that I have understood about the client, the services they offer, the competitive landscape and the estimated size of the current customer segment, I would now figure out the strategies that can be adopted for international expansion.

On that. Can you tell me how would you go ahead with the business expansion in this country?

Sure. To detail this out, I shall look at pre-entry, during entry and post entry factors. In the pre-entry stage, we would first need to get government approval for launching this app and website and to setup our operations in the country. In the during entry phase, we would have 3 main considerations: Product design, marketing and sales, product operations and maintenance. In the post entry-phase we would need to focus on monitoring the evolving regulations and re-evaluating our strategy as competition grows.

This sounds good. Can you please take me through the factors in the during entry stage in more detail?

Sure. Product design would be essential to tweak our existing product for the target geography. Modifications will also have to be made regularly as trends within the country evolve. Secondly, marketing and sales will be key to attract and retain customers. This can be done by showing targeted ads through digital marketing on various websites, apps, OTT platforms etc. If regulation permits, then sponsoring big entertainment events can also be a great way to build name recognition. Finally, we need to manage the daily operations of the app. We would need to deliver regular updates and address any bugs. Finally, since gambling and real money is involved, we would need to setup a comprehensive grievance redressal system.

Across all these initiatives, we would need human capital with a variety of skills. We must also evaluate if additional hiring needs to be done or if the existing team can be restructured to this new initiative.

Great. We can end the case here.

Real Money Gaming

Your client is an established player in the Real Money gaming space in India that wants to expand internationally. Evaluate the venture.

Interviewee Notes

- Understand the business clearly and then come up with the potential customer segment for that business.
- List out the factors that will help eliminate countries where business expansion will be difficult.
- Develop the go-to-market strategy for the company while entering the new market.

Case Facts

- Real money is online gaming where you can actually win/lose money like gambling.
- The market in India is nascent. So, there is no competitor

Market Entry Framework

1. Shortlisting countries for expansion

Market attractiveness	Competitive Landscape	Post Market
Market Size, Growth potential	Competitors, Market structure/ Composition	Regulations, macros, culture, political conditions

2. Go to Market Strategy

Pre Market	During	Post Market
Government Approval	Marketing	After sales
Setting up offices		Customer Grievances

Guesstimate

Total Population

- ***Gender*** → Male | Female
- ***Age Group*** (Male) → <20 years | 20-40 years | >40 years
- ***Income level*** (20-40 years) → Low Income Group | Middle Income Group | High Income Group
- ***Internet*** (Middle Income Group) → No Internet Access | Internet Access
- ***Willingness*** (Internet Access) → Willing | Unwilling

Recommendations

- Since the operations majorly involve launching and regularly upgrading the app and the website, it should be easy for the client to expand geographically.

Key Learnings

- It's important to understand problem statement clearly. Any confusion should be immediately clarified otherwise it can lead to errors later while solving the case.
- In any case involving internet-based business, internet-penetration is very important factor to consider.
- Always communicate well. First explain your approach to the problem and then ask the interviewer for feedback.

Electric buses – Interview Transcript

The client is an international manufacturer of Electric Buses and has a substantial presence in the European market. The client is impressed by the initiatives taken by the Government of India (GoI) to promote the usage of Electric Vehicles (EVs). You have been hired to find out if the client should introduce these buses in India.

I would like to confirm if I have understood all the critical aspects of the client's situation. Our client is an electric bus manufacturer who has a substantial presence in other markets, so I am assuming that their buses are beyond the technical feasibility stage and are complaint with the stringent European environment laws. We need to see if this product can be feasibly launched in India and evaluate the market characteristics to analyze if this would be a good move.

That's correct. The client does not face any regulatory barriers to entry in India. You've understood the situation well, how do you propose going about the solution?

Since this is a new product in a new market, I would like to structure my discussion around the product characteristics (development and customization) for the Indian market. If the introduction of the product is feasible, I'll move on to the launch (competition, challenges, distribution and promotion) part of the case.

This sounds fine to me.

To start with, can you tell me something more about these electric buses? How are they different from traditional fuel-based buses?

There are quite a lot of differences between these buses, but to help you out, I'll point out a few major ones – the major difference is that these buses produce less than 90% greenhouse gases as compared to traditional buses. These buses also run-on electric batteries, which means that these buses can run 150-200kms on one charge.

That is good. It gives us the advantage to position our product as an environmentally-friendly alternative that can be used for an extended period. I would also like to understand how has our client priced these buses in their existing markets.

They are selling these buses at approx. 1.6 times the price of fuel-based buses; however due to the presence of heavy environment taxes, many companies prefer to buy these buses in the long-run.

That might be a problem for us. Since these are short-to-medium distance buses, they would be used mostly for intra-city travel. However, unless they have a similar incentive, the likelihood that private/public bus-operators will accept a costlier option is, according to me, quite low.

That's a fair point. Assume that the government is providing a 5-year tax holiday to companies investing in the electric vehicle industry and would give special tax breaks to private operators who promote environmentally-friendly buses.

Ok, this means that our major target customers – both in the public and private sector - are receptive to the product. Can you also tell me if there are existing EV bus operators in India?

No, the client would be the first-company to introduce such buses.

That does play for and against us. It's good for us since we would have the first mover advantage and will be able to capture more market, but it might play against us as the infrastructure required to support these buses may not be present and awareness of the EV buses might be low. Can you also tell me what is their target region or cities in India?

Assume that the company will initially operate only within Ahmedabad and has the capital and resources for this. Given this information, can you suggest some company and market specific strengths and possible problems that the company might face.

(draws and discusses SWOT table) To summarize, the company has the requisite experience to manufacture and customize these buses, and the environment-friendly policies of the government, and the associated financial incentives, are a good reason to expand into India. The growing urbanization in India, and the large population that uses public transport, also justify the need for a product that can meet demand without compromising the environment. However, there are certain major problems/barriers as well – oil is currently at its lowest price in over a decade, which may make it difficult to convince operators to switch to these electric buses. Also, the high-price of these buses, the lack of charging infrastructure and operability for a short distance (before being put to charge again) are some other problems that the company might face. One other major problem that I foresee is that tenders in the public sector are often offered to lowest-bidders, and if the client can't match the prices of its competitors, then it won't get business from the public sector companies operating in the transport sector.

Ok, that sounds like a detailed analysis. Based on this, what is your recommendation?

My final recommendation would be not to introduce these buses in India since current industry landscape and market conditions are not favorable for such a move. However, soon, once the government policies become more supportive and the market conditions change to favour EVs, the company may reconsider its position on entering the market.

Very good. Thank you.

Electric buses

The client is an international manufacturer of Electric Buses and has a substantial presence in the European market. The client is impressed by the initiatives taken by the Government of India (GoI) to promote the usage of Electric Vehicles (EVs). You have been hired to find out if the client should introduce these buses in India.

Interviewee Notes

- Customers – Target customers may be receptive of the Electric buses due to financial incentives promised by government
- Competitors – There are no other direct competitors – first mover advantage but that means proper infrastructure to support these buses is also missing
- Industry – Lowest prices of oil in over a decade; tenders often offered to lowest-bidders in public/transport industry

Case Facts

- Client is a manufacturer of Electric Buses and has a substantial presence in Europe – product is beyond technical feasibility stage
- These buses produce less than 90% greenhouse gases as compared to traditional buses
- Buses run 150-200km on one charge
- Client is currently selling buses at approx. 1.6 times the price of fuel-based buses

Approach/ Framework

New Market Entry
- Visions
- Goals
- Objectives

Customer – New Market
- Segments
- Needs
- Profiling
- Size & Growth
- Target Markets Share

Product
- Customer Expectation
- Available Products
- Identify gaps of above 2

Company
- Product Offerings
- Resources – Technology, Capital & Labor
- Our Strengths & Strategic Assets
- Market Share

Industry
- Competitors & Share
- SWOT Analysis
- Barriers to Entry/Exit
- Our Estimate of Market Share

Entering Strategy
- If yes, how?
  - Start from Scratch
  - Joint Venture
  - Acquisition
- No

Recommendations

- The client should not enter the Electric Bus market
- While the government has introduced various incentives to promote these vehicles, the current business environment and market conditions don't support entering into India
- In the near future, once the government policies become more supportive and the market conditions change to favour EVs, the company may reconsider its position on entering the market

Key learnings

- Understand while evaluating a market you should also look at its drivers: positives & negatives
- Try to probe which specific geography company is looking to enter: within India too a company can look at only a particular city or combination of cities

Strengths	Weaknesses	Opportunities	Threats
Technical Expertise / First mover advantage	Lack of charging infrastructure	Large population using public transport	Other Foreign/ Domestic Players
Saving on Fossil Fuel costs / pollution	High Price of Electric Buses	Increased Urbanization and Acceptance of EV/Buses	Growth of other Public Transport solutions
Government Policies	Short-Medium distance use only	BRTS Infrastructure	Global Crude Prices – all time low

Healthcare Test Kit Manufacturer – Interview Transcript

Your client is an Australian Healthcare test kit manufacturer which has decided to enter the Indian market. You have been hired to advise them on the mode of entry and pricing strategies.

I would like to know more about the client. What sort of healthcare test kits does it manufacture and what are the key customer segments?

The company makes basic healthcare tests which are used for testing blood sugar levels in labs. The kits can be used by lab technicians only and hence the key customers are pathology labs.

Using retail as a proxy for healthcare, the value chain for the kits would be, that the test kits are sent to distributors who then sell it retail outlets.
How is the company performing in Australia? Are they present in any other country? Also, what is the objective for entering into the Indian market?

You are correct in your assumption of the value chain. The company is the market leader of these test kits in Australia with a 65% market share. They are currently not present in any other country. The main objective of deciding to enter the Indian market is business expansion. The company aims to stabilize operations and turn profitable in the next 2-3 years.

That seems like a reasonable objective given its position as the market leader in the Australian market. I would now like to know about the healthcare test market in India. How many players are there and what is the market share of the current market leader?

There is one major player in the Indian Healthcare Test kit industry that has a technologically similar product as your client. The rest of the market is made up of small fragmented players.

Ok, I think I have sufficient data to begin my preliminary assessment. For entering a new market, they have two options: Greenfield and Brownfield. With the Greenfield option they can enter the Indian market from scratch. This would involve setting up operations of the company. Since the company aims to turn profitable in 2-3 years of entry into India, setting up manufacturing facilities does not seem feasible. The company can thus import the devices from Australia and sell them in India.
If the company goes for the Brownfield option, they can acquire an existing company. Since there is a market leader, and the rest of the market is fragmented we can acquire that player.

Let's assume the client wants to go ahead with the Greenfield option. What are the initial strategies you would recommend to gain the market share?

The client can partner with big hospital and laboratory chains across the country to start with. This will help in achieving sustainable revenue streams. Once this is done, then the focus can be shifted to independent labs across the country. As is common with the pharma industry, the pharmaceutical sales representatives (PSR) generally help create awareness about the product. The client should focus on developing a dedicated on-ground sales force for the kits.

Good insight into the PSR part. Moving on to the pricing aspect. How should the client price these test kits?

There are 3 pricing strategies that can be followed. The first one is competitive pricing. Since it is a fragmented market with a single leader, our client can match the prices being charged by the market leader to grab a share of the market. The second is cost plus margin pricing. Since the product manufactured by our client is technologically like the one being made by the Indian market leader it can be assumed that the per-unit cost of manufacturing the product is similar. In such a case the client should charge a price that is equal to cost plus a margin benchmarked to competition. The third pricing strategy is value-based pricing. Here price will be based on the product attributes and the perceived sense of value by the consumer. If the client can tweak the kit in a way that helps provide additional value for example quicker results or higher accuracy, then price can be increased in accordance with the perceived increase in value of the customer.
Since the product is very similar to the market leader's product, our client can opt for the second strategy i.e. cost plus margin. Over time as the product is modified, the price can be changed.

That is a quite comprehensive coverage of the types of pricing. Before we close the case I want to hear your thoughts on the target market share for the client.

For the target market share we can look at three approaches. The first being benchmarking against competition. The market share that the industry leader was able to obtain during the initial years of its operations can be used as a broader estimate after adjusting for overall industry newness factors. The second approach can be benchmarking against own experience. However, since the client has not moved beyond Australia this cannot be used as a reliable method because of the differences in the Indian and Australian health care markets. The third method is estimating the needs of the test kit via total number of path-labs in the country and average tests conducted by each path lab. Here the difference in demands of rural and urban areas will be kept in mind before estimating the average demand per path lab.

Those were good strategies. We are done with the case.

Healthcare Test Kit Manufacturer

Your client is an Australian Healthcare test kit manufacturer which has decided to enter the Indian market. You have been hired to advise them on the mode of entry and pricing strategies.

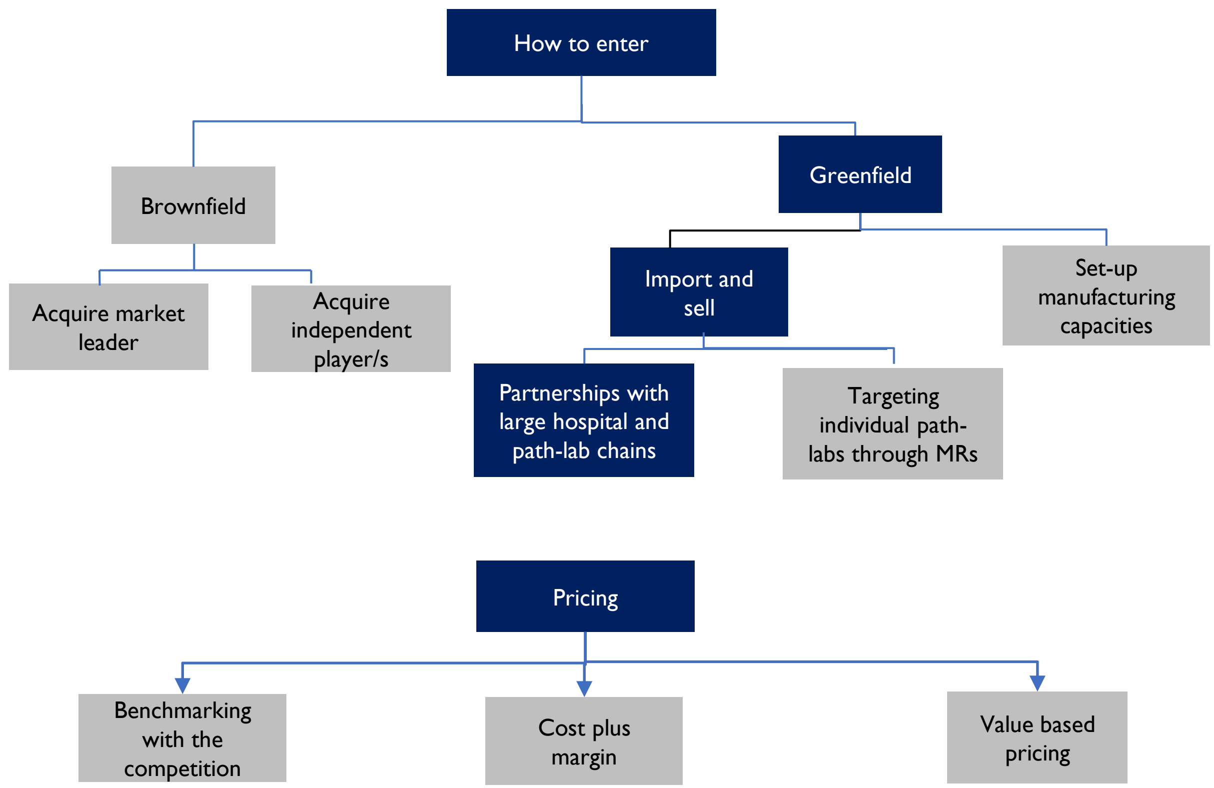
Interviewee Notes

- It is important to understand the objective and timeline for achieving the objective. i.e. Why enter the Indian market, what are the timelines to break even and turn profitable.
- Enquire about the client's performance in the home country. That can give insights into the scale and financial health of the company
- Enquire about the target industry and understand the competition
- Develop pricing strategy in accordance with the competitive environment and objectives of the company

Case Facts

- Australian company (65% market share) which manufactures healthcare test kits, has decided to enter the Indian market
- The Indian market has a market leader (70%), and the remaining part is largely fragmented
- The company has decided to enter via the Greenfield option
- The client's product is technologically similar to the market leader's product.

Approach/ Framework



Recommendations

- Short term: a) Create a handbook/ manual with technical specifications of all the products for sales personnel, so that it becomes easier for them to explain the
- Long term: a) Provide training to the employees on how to deal with large scale clients.

Key Learnings

- It is important to understand the objective and the timeline to achieve the desired objective
- It is important to think about the industry and competition both in home country and target market
- In case of a single market leader case, cost plus margin pricing or competitive pricing works best

Skin Care Manufacturer – Interview Transcript

Your client is a skin care products manufacturer in the U.S. They are contemplating whether they should enter India or not. Prepare a Go To Market strategy for the client.

Ok, so before starting the analysis I would like to know why are they looking to enter India, and do they have a particular metric in mind that will help us evaluate this opportunity?

India has a large population and India's skin care industry is growing at the rate of 8% p.a. Our client believes that if they would be able to breakeven in the first year, it's a good opportunity.

I would also like to know what kind of products does our client sell in the U.S. and do they want to enter India with the same set of products? Also, how is our client's product portfolio different from any other face cream?

The client sells face creams and serums in the U.S., and they would like to enter India with their face creams. The client uses natural ingredients in its creams unlike the incumbent players which use artificial ingredients.

Coming to the point of competitors, I would like to know what is the competitive landscape like of the face cream industry in India.

The Indian face cream segment is dominated by two big firms, each having a market share of 50%.

Ok. Also, where does our client operate in the value chain? Do they plan on rolling out their products pan India?

So, the client manufacturers on their own and sells their products through 3rd party distributers. They would like to roll out their product pan India while targeting the premium segment of products for women aged above 18.

Thank you for the information. Firstly, I would like to conduct a financial feasibility analysis. Then I'll try to look at the barriers to entry along with the operational feasibility. Lastly, if the plan is feasible, I would like to look at the possible modes of entry.

Go Ahead.

I will analyze the financial feasibility with the help of the following equation-
Market Size x Market Share x (Price p.u. –Variable Cost p.u.) – Fixed Cost
Do we have information regarding any of these variables?

Let's assume that in the first year we would be able to capture 5% of the market. The price of 1 unit is Rs. 1500 and variable cost per unit is Rs. 800. The fixed cost that the client will incur would be close to Rs. 200 Crores. You can calculate the market size for me.

Thank you. Taking a population size of 130 Crores and assuming 50% of it to be females, I get 65 Crores. I would further divide this into 30-70 split based on urban-rural divide. Considering the price of the product and the premium segment our client is targeting, I would like to focus on the urban population which comes out to be 20 Crores. Urban population can be divided based on income levels as 20-30-40-10, representing BPL, Lower Middle class, Upper Middle class and Rich class, respectively. The client's prospective customers would be the Upper Middle class and Rich Class which comes out to be 10 Crores. Assuming 50% of 10 Crore women use face creams instead of a full body moisturizer the target comes out to be 5 Crore. Does this number seem reasonable?

Seems fair.

Ok. Assuming 1 unit of the face cream lasts for 3 months, a person will buy it 4 times per year. Using the above equation and the information provided, the profit comes out to be Rs. 500 Cr.

Great. Let's go to the next part.

Sure. Now I would like to look at the barriers to entry that our client might face and then the operational feasibility.
I have identified some possible barriers for our client.
Regulatory – Might have to get an approval from the medical board or other relevant authority.
Inputs – Client might face hurdles in sourcing natural raw materials for manufacturing in India.
Market – The client might face headwinds due to the duopolistic nature of the market.

Before starting with the operational feasibility analysis, I would like to know whether our client plans to import its product or manufacture it in India?

Good question. The client plans on setting up its manufacturing facilities in India.

Alright. The value chain would be as follows.
Raw Materials → Manufacturing → Logistics → Distribution → Customers
Have I taken all the aspects into consideration?

Yes, this looks fine.

Great! I would like to evaluate these variables step by step.
Raw Material – will our client be able to source the required raw materials for production?
Manufacturing – will the client be able to manufacture 50 Lakh units in India to meet the demand?
Logistics – will the client establish its our own logistics network or use a third party?
Distribution – will our client sell on their website, ecommerce platform or through retail stores?
Customers – does our client have the required marketing capabilities for the Indian market?

The client will be taking advantage of its existing vendors to source the raw materials. The manufacturing facility will be well equipped to produce 1 Crore units. The client would use third part logistics to distribute their products pan-India. Client would sell their products through a national specialty products chain along with selling through ecommerce websites.
Could you investigate some of the ways in which our client can market their face cream?

Sure. Our client can look to market their face cream in the following ways:
Advertisements can be given in women's magazines and journals. Social media can be leveraged to advertise to the wider audience. Free trials could be given with the help of smaller sachets. Client can also come out with smaller packaging at a lower price to expand its target segment.
They can also sell through partnerships with dermatologists.

Good, let's move ahead.

Ok. Now I would like to look at the possible modes of entry which are Joint Venture, M&A and setting up our own facility.
Joint Venture – Entering into a JV won't be a good idea considering the use of natural ingredients by our client unlike the competitors. This would also dilute our brand and our value proposition.
M&A – This option will also dilute our value proposition in terms of natural ingredients. Also, the size of the existing players makes it an expensive and risky proposition.
Setting Up – Setting up our own manufacturing facility seems to be an attractive mode of entry although it may be a time-consuming process, but it will help the client to maintain its value proposition.

Good. Can you also look at some of the barriers to exit that our client might face if the project fails.

Sure. Some of the barriers to exit that I can think of are:
Regulatory – The foreign Investment might have a lock in period for the client, making it difficult to withdraw operations.
Scale of operations – Considering the establishment of the manufacturing facility, any withdrawal would be met with huge losses. We might have to look at buyers of client's manufacturing facility and operations.

Ok, so what is your final recommendation to our client?

The client should move ahead with the opportunity of entering India. The project is financially attractive with a prospective Rs. 500 Crores in profit to be made in first year. The barriers to entry are also minimal, hence a smooth entry is expected. The value chain seems to be figured out by the client. The suggested mode of entry would be to set up its own operations to save the value proposition and brand image. They can further look at enhancing their product as per the needs of the India consumers, specifically skin types and weather, for establishing a firm hold and continued profitability.

Great! It was wonderful interacting with you.

Market Entry | Moderate| Beauty & Personal Care Sector| McKinsey Buddy Case

Skin Care Manufacturer

Your client is a skin care manufacturer in the U.S. They are contemplating whether they should enter India or not. Prepare a Go To Market strategy for the client.

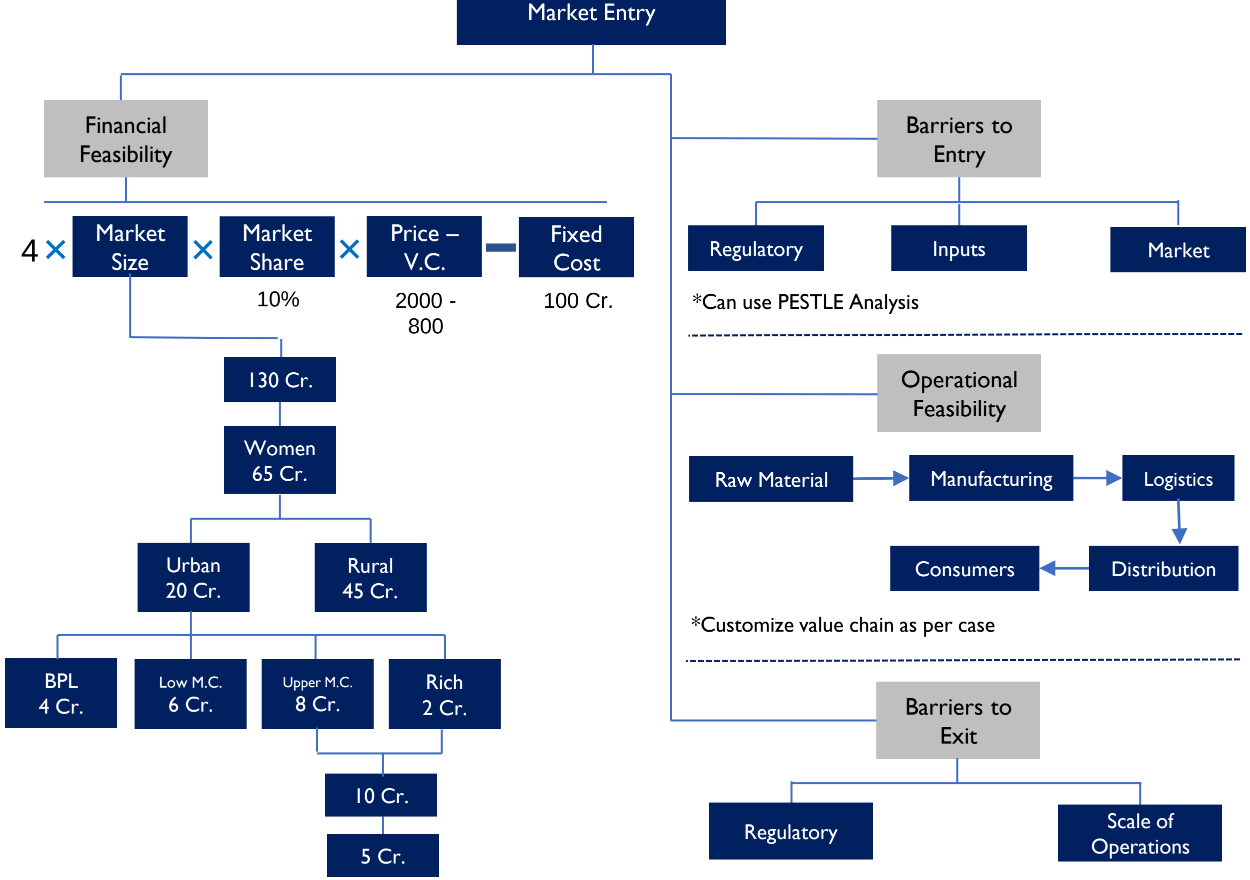
Interviewee Notes

- It is important to ask the interviewer about the objective and metric for evaluation
- One should ask about the product or service with which the client wants to enter the market
- Always communicate your plan of action to the interviewer
- Cover all the conclusions under individual analysis while giving your final recommendations

Case Facts

- Client sells face cream and serums in U.S.
- Indian market dominated by two firms
- Product falls in the premium segment; has natural ingredients
- Hoping to capture 10% on the market in the 1st year
- Price p.u. Rs. 2000
- V.C. p.u. Rs. 800
- F.C. Rs 100 Cr.
- Plans to manufacture in India
- Client has figured out the value chain

Approach/ Framework



Framework Summary

- The interviewee started with financial analysis and probed the interviewer for existing data
- Barriers to entry were checked before operational feasibility to identify any constraints that the client might face
- Barriers to exit is an unconventional addition to the market entry case

Key Learnings

- Market entry cases are exploratory in nature and require less guidance by the interviewer. The interview is primarily driven by the responses of the interviewee.
- Constant communication and asking the right preliminary questions to the interviewer is the key to not get lost in the case.

Anti-smoking pills – Interview Transcript

The 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.

I would like to confirm if I have understood all the critical aspects of the client's situation. Our client is in the business of making anti-smoking pills that reduce the urge to smoke for smokers. We need to do see if the product is feasible to be launched in India and evaluate the market characteristics such as size and client's share based on the price.

That's right. Now that you've understood the situation well, how do you propose going about the solution?

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.

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

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

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.

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.

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.

What are the other countries where the product has been introduced? How receptive have the customers been in those countries?

The other countries have smokers who are quite similar to the Indian consumers. The product has been quite a success.

Ok, this means that the target audience will be receptive to the product, and we can assume that there is a strong market for the same. I will now proceed with the estimation of the price and market size. 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. 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.

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?

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 nicotine bit and indirectly position this as a life-saving drug.

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

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

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

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.

Good. What about the other 20%?

I am assuming that the remaining 20% will comprise of smokers who are unwilling to quit smoking (10%), perceive the price to be high (5%) or are not aware of the product (5%). This percentage can decrease as we move further in the product life cycle and the product becomes well established through marketing and promotion efforts.

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

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.

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

Anti-smoking pills

The 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.

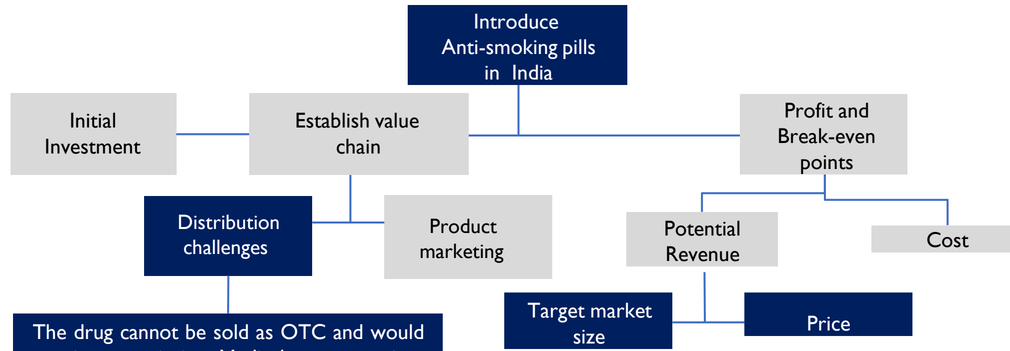
Interviewee Notes

- New product launch – Anti smoking pills
- Country - India
- Premium product- requires premium price
- Product characteristics (suitability for Indian market) & Product launch (competition, distribution and promotion)
- How is the product different from existing? products
- What is the competitive scenario in the market
- Product has already been introduced in some countries

Case Facts

- Client is in the business of making anti-smoking pills
- Client wants premium price for its product
- Client wants to find product's potential in India – target market, market share and feasible price

Approach/ Framework



The drug cannot be sold as OTC and would require prescription. Medical representatives and direct sales agents need to be hired who can push the product to the doctors who in turn will prescribe it to the patients.

Client needs to invest in training of its sales reps so that they can convince the doctors with product's value proposition.

Filters	Number projections
Population base (Delhi)	150 lakhs
% population who smoke % smokers who want to quit % quitters who can afford the product	40% 20% 75%
Potential customer base Potential revenue	150*.4*.5*.75 = 9 lakhs 9*2160 = 200 Cr
Revenue projection across India (25% penetration)	200/150*0.25*10000 =3333 Cr

Recommendations

- Price point should consider both customer's willingness to pay and product's incremental value proposition over existing products in the market
- IPR/ Patenting the drug can prevent competitors to enter market and facilitate capture of market share
- Spend more on training the medical representatives and direct sales agents to push the product to the doctors who in turn will prescribe it to the patients

Key learnings

- Marketing of the product can be briefly discussed since the product charges a premium price to its customers
- Long term product goals and ways to improve product penetration across its lifecycle could have been discussed
- Remember to use comparable from similar launches by same company or competitors

Fintech in UAE Market – Interview Transcript

Your client is a Dubai based E-commerce firm backed by Indian payments giant Paytm. The firm wants to enter the fintech market in UAE and want your recommendation on this

What is the firm's objective behind this? Do we have any decision metric in mind that we can use to evaluate such as revenue or profits target?

So, like any other business it wants to maximize its revenue. While the firm does not have a specific revenue target it wants to maximize its ROI in the next 5 years.

Understood. Can you tell me a bit more about our client. When we say e-commerce is it similar to Amazon or Flipkart.

Yes, the client is exactly like Amazon with majority of its operations in the gulf region.

Also how long have we been in the market and what is our position in the market currently?

The client was the first e-commerce firm in middle east and currently controls more than 50% of the market which is valued at $10 bn. There are 3-4 other competitors, but they have less than 10% each market sure.

That means we are the market leader and have a dominating position. Now coming to the business vertical, I am not much familiar with fintech space but what I understand is that it is a very broad market with solutions such as insurance, wallet etc. Is there any specific product that we want to launch with?

That's a good question. We have 4 key verticals in mind: A wallet like Paytm, Micro lending card for loans of small denominations, Stock-broker, Marketplace for insurance and credit cards. If we have to decide only one out of the above 4, what do you think which one would be the most relevant choice for the client

Since we are the market leader in e-commerce, I will evaluate the above options based on (1) Market size (2) Competitive landscape (3) Synergies with existing company. But before moving ahead with this, I would want to know get more context on the fintech space in UAE.

UAE economy exactly like India is also driven by cash transactions accounting for more than 40% of the transaction value. The fintech space is completely non-existent in the country. We will be the first mover.

Really interesting. I would look at a payment wallet solution first. Given the market similarity to India, this product will help us establish a market amongst the masses first and subsequently we can introduce more specialized products. It will also help us facilitate payments on our e-commerce platform and thus accelerate customer acquisition.

Excellent. What next?

So now I would want to evaluate the business from 2 perspectives:

1. Economic analysis to know how big is the market and what proportion I can capture
2. Operational feasibility where we look at how to establish the business and what can be the key risks of venturing into this new space.

I would want to start with economic analysis first.

My expected profits will be equal to Market size * Market share.*Average contribution margin minus the fixed costs/initial investment

Do we have any information on the market size that we are looking at or do I need to estimate the same

Good. So, assume that the fixed costs are essentially zero because of an already established technical business. Also, since the market is non-existent, we will need to estimate the market size in dollar value. Let us estimate the profits for the first year.

I will start by estimating market size in terms of $ value.

Market size = Number of addressable customers * Number of transaction per customer * Value per transaction per customer

For the number of customers, I will look at the population of UAE and adjust it for age, internet penetration, smartphone penetration, bank account/credit card penetration.

Fair enough. Do you think your formula will give you the correct market size? This will only give you the value of transaction that happens on the platform and not the revenue.

Apologies. I think there will be an aspect of commission that the platform will make on every transaction which needs to be incorporated.

Correct. Moving ahead, how do you think we can get a reliable estimate of the other 2 parameters?

Maybe we can look at average transaction size and no of orders per customer on our e-commerce platform.

Don't you think that will give us an overestimate. Remember that this product will essentially replace your daily cash transactions at local mom and pop stores rather than e-commerce. Similar to what we see in India with Paytm.

Ahh. Then we can use comparable by evaluating avg transaction size and no of orders per customer for Paytm when they launched in India and adjust them for purchasing power parity and higher per capita income in Dubai.

Ok. So, let's say that this gives us a very attractive market size.

Next, I would want to look at the market share that we can capture. Given the nascent industry in UAE, we can benchmark market share achieved by similar products in similar markets such as India or other gulf nation. For instance, market share that was captured by Paytm in 1st 5 years

Let us assume that this market makes sense economically for the firm to enter. What next would you suggest?

Since economic feasibility has already been established, I would now want to look at the operational feasibility of the business. I would want to look at the entire value chain comprising of Technology platform followed by merchants followed by consumers.

However, since we are operating in the financial space, before moving ahead I would like to know if there is any regulatory barrier that I must be aware of?

Good point. So, the law of the land mandates that at least 51% of ownership must reside with a UAE based bank.

That might throw challenges. I think we have 3 strategic options here:

1. Set up our own bank but that will be a time-consuming process and we might lose the first mover advantage.
2. We can enter into a joint venture with one of the major banks
3. We can also acquire a UAE based bank, but our current financial position may not allow us to do so.

Thus, Joint Venture seems to be the most feasible option here. However, a key risk that needs to be highlighted here is we should have some sort of protection that stops these incumbents from entering the fintech space.

Fintech in UAE Market – Interview Transcript

Yes, Joint Venture seems to be the most appropriate step here. Our technical expertise in the market will also be a unique value proposition for banks to partner with us.

Understood. Next, I would want to look at the creation of platform. Given that we are the biggest e-commerce firm in UAE and are owned by a global fintech giant, creating the right platform does not seem to be a major challenge.

Correct!

After this I would look at how we will onboard merchants on our platform. I will divide merchants into 2 parts: New acquisition, Existing e-commerce platform merchants. I will target the merchants associated with my e-commerce platform first which can act as the early adopters of such a platform and spread word of mouth around it. On the other hand, to on-board local mom and pop merchants, we can run incentive schemes like zero commission for first few days via our sales force.

Ok.

Also, since it is a 2-sided platform, we will also have to ensure simultaneous addition of customers on the platforms to appease both the parties. I will again target my existing e-commerce customers first via cashback, discount offerings, loyalty programs etc.

However, in all our acquisition efforts we will have to pay considerable attention to possibility of frauds which happened a lot with Paytm.

That's a good insight. I think we have covered all the aspects of the value chain. We can stop here.

Fintech in UAE Market

Your client is a Dubai based e-commerce firm which wants to enter into the fintech space. They need your help to figure out how to do this?

Interviewee Notes

- It is important to understand the business model that company is going to launch and the current status of the business
- Analyze possible synergies that will shape company's strategy
- Use similar market comparable and ratios to calculate market share, market size
- Establish the value chain for a general new age tech startup
- Identify barriers to entry that company may face while entry specially for financial firms

Case Facts

- Client is the market leader in e-commerce
- Client wants to enter into the fintech space with a payments wallet product
- Market is nonexistent in UAE with no competition
- Client wants to find out the market potential/revenue for 1st year
- The product works on a commission model

Approach/ Framework

Market entry into Fintech

- Economic Analysis
  - Market Size
  - Market Share
- Operational feasibility

Ask for comparable ratios from similar market to evaluate these

Market size = Total addressable population × Number of transaction per year per customer × Avg transaction value

Total Addressable Population: Population → Age Filter → Internet penetration → Smartphone penetration → Bank accounts penetration

FEASIBILITY ANALYSIS: VALUE CHAIN SETUP & REGULATORY BARRIERS

Regulatory Barriers → **Technological Platform** → **Customer Acquisition** → **Merchants acquisition**

- Regulatory Barriers
  - Local ownership requirement
    - Joint Venture
    - Acquisition
    - Own Bank
- Customer Acquisition / Merchants acquisition
  - Acquiring existing customers and merchants
  - Acquiring new customers and merchants

Recommendations

- The client should enter the fintech market

Key learnings

- In such an open-ended case, be as exhaustive as possible for market size estimation and value chain setup.
- Always clarify the business model of the company and the new sector.

European Airline – Interview Transcript

Your client is a European Airline who is facing stagnant growth in Europe and would like to explore Indian market. Please help them with this

Ok. I would like to further get to know about client. What kind of airline are they? Where all are they operating? What is their current market position? Do they have any particular target market to enter into India like domestic or international sector, low cost or premium etc.

Our client is a low-cost airline company in Europe. They are operating in most countries across Europe. They don't have any market in mind, and you can suggest them the same.

What is the primary objective of our client? Do they have any profit objectives for entering India

They don't have immediate targets but are looking for long term growth

Ok. I would also like to know current Indian market scenario. Can I assume it to be current market scenario in both domestic and international market?

Yes. The domestic market has majorly 5-6 players with Indigo having maximum market share. International market has multiple players with Air India having maximum share

Ok. I would like to layout my structure; I would first like to see financial attractiveness of the market. If market is attractive enough, I would like to see operational feasibility in the market where, I would first check if there are any major barriers preventing our entry and then check how will we be able to establish the value chain. I would then like to look how we can enter the market and any future risks we will face.

This structure looks good. Let's look at financial feasibility first

In financial feasibility, I would like to analyze market size, market share and the profitability we can achieve. I would also look at the growth of the market. As our client is already in low-cost airline, I will first evaluate if the client should enter the Indian domestic market in low-cost segment and then add the value of other opportunities like flights between India and Europe

Make sense. For simplicity, let's assume that the client enters domestic market only. Also assume that the client first targets major cities only

Ok. To calculate market size, we can approach by calculating traffic on major airports by looking at the number of flights taking off * # of passengers/flight*Price/ticket for a year from major airports. Do we have any data regarding the market size, or should I calculate?

It's fine. Let's assume that market size is 50,000 crore.

Ok, now I would like to analyze the market share

What do you think about this market size. Is it attractive?

For that, I would like to know the current revenue of our business.

That is $5 BN

That is equal to 5*70*100 crores = 35,000 crores. I think the market is can be attractive if we are able to capture good market share in it

Also, you forgot that growth is our primary objective. You didn't ask earlier but we want a sustainable growth of 1-2% on our overall revenue

Ok. Do we have data about the growth of the Indian market. After calculating the market share, I will verify if we are achieving the required growth or not.

Sure. The Indian market is growing at a rate of 20%

Ok. I will move onto market share. I would like to compare the markets we will target, the kind of facilities we will provide, the prices we will keep and if our brand name is known to Indian market. Do we have data for this.

The client currently haven't planned this and would like your advice. How else can you calculate the market share?

India, being a low-income country, is price sensitive. So, we must keep competitive prices to gain market share. Also, as we are targeting major airports, so would be able to reach out to most customers. We can look into the last player that entered Indian market to benchmark market share

Good. Assume, Vistara to be a low-cost carrier and was the last entrant. They have been able to gain 5% market share. Apart from this, what other benchmarks can you investigate?

We can further look into if our client has entered any new territory like India and how they have performed there. Also, we can benchmark it with any other low-cost airline which entered any similar market.

Good. Let's assume that you will be able to gain 5% market share

Sure. So now to see sustainable growth, we will be able to earn a revenue of 2,500 crores in Indian market that will grow minimum at Rs 500 crores per year assuming our market share remains the same. This means we have growth of around 500/35000 = 1.5%. Thus, this market share meets our target growth rate in Indian Market. I would now like to check the operational feasibility. First, do we know if we will be able to get license to operate in India

We will be able to get the license. Instead of going into operational feasibility, I would like to know the factors you will judge to decide How to Enter into Indian market

To enter into Indian market, we have 3 choices including enter on our own, enter through a joint venture and enter through M&A. To decide on these factors, we can look into cost, control, operational feasibility and time.

That sounds good. What are the options for us if we want to enter through M&A considering current Indian market scenario

Currently, there are multiple airlines in India that will be ready to sell their stake. We ca look forward to invest in Jet Airways, Air India etc. which are looking for buyers.

Ok. So, let's assume that we will buy Jet Airways. The cost required for acquisition is $1 billion. Can you evaluate this investment amount?

Do we have required cost of capital and profitability of business?

Assume cost of capital to be 8% and profit margins to be 10% and time period to be 10 year

So, as we calculated earlier, we will be able to generate 2,500 crores of revenue in year 1 which will grow by the rate of 20%. This means that we have profits of 250 crores in 1st year followed by 300, 360, and so on at an investment of 7000 crores. Thus, we can calculate NPV and payback period to establish if the investment makes sense or not

But you forgot to take in the factor of increase in market share due to acquisition

Oh yes. We also have to see how brand name of Jet airways can help us in acquiring more market, thus increasing our revenues.

We can close the case now

European Airline (Bain buddy case)

Your client is a European Airline who is facing stagnant growth in Europe and would like to explore Indian market. Please help them with this

Interviewee Notes

- Important to ask about any qualitative and quantitative objectives especially about growth
- Define the scope of the problem as it was open ended
- Identify company's current type of airline, operational countries, market position, revenue etc.
- Competitor scenario in the Indian market

Case Facts

- Client is European low-cost airline who want to analyse Indian market
- One of the big brand in Europe, want to focus on growth in revenue through Indian market
- Open to options of entering into different sectors in the airline market
- Open to suggestions about how to position the product, price the product etc.

Approach/ Framework

Financial Feasibility

Current Market
Market Size - Calculating domestic airline size (bottleneck approach) – 50,000 Crores
Growth – 20%

Market Share (5%)
Major players
Market share/position
Product USP, Price, Airports (Place), Brand
Benchmark – Last entrant, similar country, similar entrant

Growth
50000*5%*20*/35000

Operational Feasibility

Major barriers to entry
Government Regulation
License Rules
FDI rules

Value chain setup and Risks
Government License
Airport setup and gates permissions
Infrastructure development
Employees
Sales Channel

How to Enter & Entry Decision

Options
Self
Joint Venture
M&A

Evaluation Criteria
Cost
Control
Operational ease
Time

Financial Evaluation
NPV
Payback
IRR

Recommendations

- The airline should enter the Indian market as it is meeting the growth targets it have from entering the Indian market
- The airline should not acquire Jet airways as overall NPV of the project is negative
- The airline can enter into the market by itself or look fir the Joint Venture, whichever's NPV is greater

Key Learnings

- Market entry generally don't come with growth objective. Keep the objective in mind while asking interview questions and check once if there is any quantitative targets interviewer is looking for
- Conclude each analyses once it is completed. E.g. After market sizing, conclude if the market size is good, bad or should be further analysed depending on share
- Apart from analysing 4P wrt competitors in market share, do a benchmarking analyses to try to come up with better market share percentage
- Recheck earlier calculations if any new information is provided in the analyses (E.g. Jet Airways Brand)
- Don't worry is the case is long. Always keep your patience and look at each bucket individually

Fantasy Gaming App – Interview Transcript

Your client is an Indian digital gaming company that wants to enter the fantasy gaming space. They have approached you to evaluate the venture and determine the feasibility of their entry strategy.

Sure, I would like to the client's reason for venturing into the fantasy gaming space.

The client has existed in the digital gaming space for 7 years and is witnessing a stagnant user growth rate of 2% annually. They want to capitalize on the new fantasy sports market growing at 20% annually.

Okay. Can I know what kind of digital offering the client currently provides?

The client has a casino app with games such as Poker, Roulette, and Blackjack.

Great, now I would also like to know how the company generates revenue through this app.

The app makes money from advertisements and In-app purchases for game coins. The regulations don't allow real money to be used in the app as that would be considered illegal (gambling). The client is cash-strapped due to revenue stagnation & increased marketing costs to fight similar apps.

Okay. Is there any information available about the customer segments, say, basis age groups?

Sure, 35% of the users are less than 18 years old, 50% are in the bracket 18-50, and 15% are 50+.

Can I know what the client plans to offer with the new fantasy gaming app? Also, are they considering using real money, unlike the previous application?

The client wants to focus on fantasy football during the first year. You are correct in assuming they can use currency to build teams and play against different players, per new legal guidelines. However, users must complete the KYC process before joining. The app takes a 10% cut per game.

Thanks for that. Can I also know about the other players in the fantasy gaming industry?

It's a nascent market. However, 5-6 players have a similar offering but exclusively to cricket.

With that, I would want to know the entry strategy the client is considering.

They offer Rs. 200 worth of coupons to the players on the casino app to try the new game. Users can link their mobile wallets and use the coupon to add money to the app. They can redeem it after a stipulated time, given that they've played enough games. Why don't you tell me how you begin evaluating this move if the client wants to recuperate this investment in one year?

I would first check the financial feasibility of this strategy and then highlight the operational risks.

Please go ahead.

For this strategy to be economically feasible, the 1st year's revenue should equal the total amount invested in the coupons to break even.

Yes, you are right in this assessment. Please proceed using this approach.

Sure, I would take the relevant market size from the casino app. The factors I would consider (in order) are – a) Eligibility b) Awareness c) Affordability

Sounds good. Please help me with these factors and the further process.

Sure. Out of the 10M users, I would determine those who can legally play on this app due to underlying factors like age and KYC documentation. Since fantasy gaming is only legal for those above 18, we can only consider 65% of users. Out of these 6.5M users, I would look at how many users are interested in football, so they'll be motivated to play the game. Then I will consider affordability constraints. Can I know if any data is available regarding the same?

With a few surveys conducted in the past, the client determined that almost 20% of casino app users followed football regularly and were interested in fantasy sports.

Sure. It leaves us with 1.3M users. However, we should only account for the users who can afford to bear the financial risk of wagering their own money after the coupon amount is used.

The client estimates this number to be 40%. Very quickly, what factors do you think govern this ratio?

There can be multiple reasons such as – age group (elderly tend to have low levels of leisure spending), income group (low and very high-income groups would not be able or interested in spending in the app), confidence in knowledge of football, time available to keep up with the game, etc.

Sounds fair. Please go ahead with your analysis.

Accounting for all of these, 520k users is our obtainable market. Some users would not be sticking for the whole year. Do we have any estimates for the churn rate?

Yes, using similar apps' benchmarks, we can assume that 20% of users will churn out.

It leaves us with ~400k users. I will now calculate ARPU. Do we have any information for the same?

The estimated average user spend is Rs. 1500 per month.

Sure. The app makes 10% per game. For the whole year, this translates to Rs. 1800 per user. The total revenue is 1800 * 400k = Rs. 720 M. The total cost is based on the total obtainable market is 200 * 6.5M = Rs. 1300 M. This strategy isn't feasible if the client's objective is to break even in the 1st year.

Let's assume the client decides to go ahead with this strategy even with an extended payback period. How would you evaluate the operational risks associated with this move?

I would categorize risks as app-related and external risks. For the app-related issues, I would classify them into 3 more buckets – a) Pre-customer acquisition b) During c) Post-acquisition to explain the risks leading to customer attrition. For a) we consider product risks and financial risks. Product risks include complicated redemption process or unattractive coupon amount, underwhelming user reviews on the app store disincentivizing potential users, and low product visibility. Financial risks include a high capital requirement and substantial fixed costs before the app is operational.

Sure, let's also consider phase during operation as well.

Great. During phase can be segmented into product-related, and competitor-related risks. Product risks include a bad interface, app crashes, loss of user data & security concerns, and complex transaction process. Competitor-related risks can be similar apps imitating the product, scams resembling the product, and bigger players extending their offerings to include football.

Sounds good enough. What about the external risks?

Sure. The external risks can be bucketed into Legal, Social, and Technological risks. Legal risks concern authorities and regulations around fantasy gaming and using real money. Social risks include social backlash, bad press, users gaming the system to redeem rewards without participating, etc. Technological risks include internet penetration, app availability on different platforms, computation speed and efficiency expectations.

Great, I think we can end the case here.

Thank you for your time.

Fantasy Gaming App

Your client is an Indian digital gaming company that wants to enter the fantasy gaming space.

Interviewee Notes

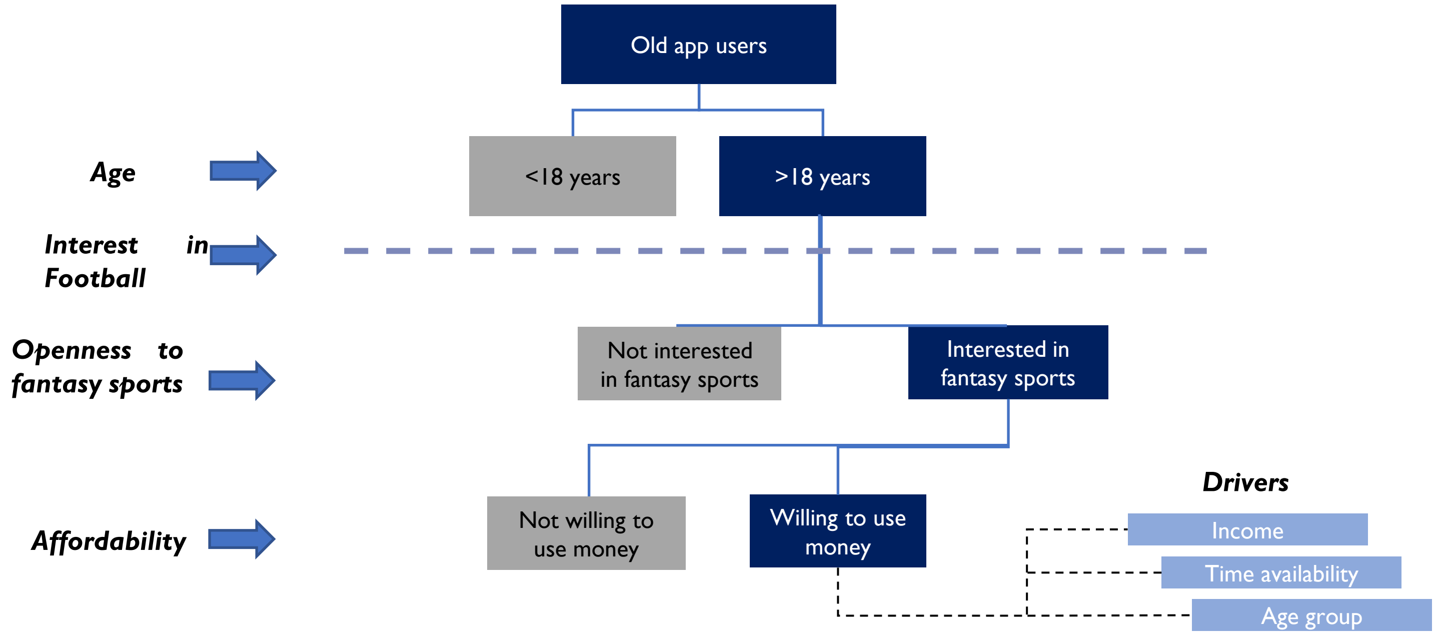
- This case needs a quantitative analysis to evaluate the entry decision
- The client has the option to leverage their position in the digital gaming space to enter into fantasy gaming space
- Decision has to evaluated on the basis of economic feasibility

Case Facts

- Client already exists in the digital gaming space
- Client wishes to offer Rs. 200 / user to try new app
- Values of filters related to affordability, availability, and eligibility provided
- Market research suggests that an average users monthly spend is Rs. 1500

Operational Risks

Guesstimate



Recommendations

- Since the objective of breaking even in 1st year is not being met, the venture should not be undertaken
- With an extended payback period, risks both internal to the product as well as the market risks need to be considered

Key Learnings

- Considering that the decision is based on quantitative analysis, it is important to extract all the numerical data from the interviewer
- Be communicative and run the approach through the interviewer before initiating calculations to address any concerns the interviewer might have post-analysis

Galileo's Telescope – Interview Transcript

Assume it is the year 1609. The prolific Italian scientist Galileo Galilei has recently invented the telescope, and is considering launching the product in the Spanish kingdom. He has consulted you to advise him on whether he should do so or not.

Interesting! I would like to start off by understanding Galileo's motivation behind this move. Is he looking for any specific financial target over some time period from this venture?

This invention is the first of its kind, and Galileo merely wants to advance the cause of science to as many people as possible. He has no financial target in mind.

Understood. Based on what I know about modern-day telescopes, my guess is that Galileo's telescope is an instrument perhaps made of metal and glass and used for astronomical observations. Is this a fair understanding? Are there any other features I should be aware of?

That's an accurate guess! Additionally, you may know that the product is around 4-5 feet in height and can be used by a single, untrained person.

Alright. Is there any specific reason for Galileo to consider the Spanish Kingdom?

The Spanish Kingdom hosts a large proportion of population of Europe.

Okay, one final question – does Galileo has any prior experience in market entry?

He does not, in fact this is the first of his products he is looking to commercialize.

I have enough background information to proceed. My overall approach would be to break the problem into two parts – first, I would want to assess the worthwhileness of this venture in by computing the market size in terms of potential customers. Second, I will assess the feasibility of setting up and operating this venture. Does this seem like a fair overall approach?

Yes, you may proceed with the market sizing.

Alright. I am taking a demand-side approach, starting from the population of the Spanish Kingdom and apply filters to arrive at the market size. The filters I have in mind are gender, affordability and interest in astronomy. If these seem fine to you, I'll construct a formula for the same.

Why would gender be relevant? Also, how will you find the % people interested in astronomy?

Unfortunately, in the 1600s, education for women was discouraged. Thus, assuming that literacy is a base requirement for interest in astronomy, we can exclude women from the target market. Among men, I will find the % people interested in astronomy by considering two nested factors - % literate, % interested in astronomy among the literate.

Alright, that sounds like a fair approach. For the purposes of this case, you may ignore the filter of affordability. What percentage values will you take for all other filters?

We can assume a 50% gender ratio. Literacy was lower back then as compared to even developing nations in the modern day (which have around 60% literacy), thus we can take a literacy rate of maybe 30%. Sciences were not as popular back then as they are now, and astronomy is just one discipline among many sciences. Thus, I would take a very small fraction, perhaps 5% or 10% to account for those interested in astronomy among literates. Does this sound reasonable to you, or should I rework my estimates?

You may take 5% for the filter for interest in astronomy and proceed.

Great! Now that we have all the filters in place, we need the population of the Spanish Kingdom in 1609. Do we have data around that?

I would be interested to see how you go about estimating that population.

Alright. I'm not totally sure how to go about that, but a basic approach is the following. Using the formula, Population = Area*Density, I'll first estimate Spain's present-day population. Then, by considering an appropriate growth rate, I'll compute the Spanish kingdom's population for 1609. I'm assuming that the Spanish kingdom and present-day Spain have the same area, is that alright?

Good approach! Assume a doubling of population of every 100 years. You may use proxy data based on your knowledge about the world to compute Spain's area and density.

Great! Based on my limited understanding of geography, a typical European country may be crudely considered as having approximately the same area as a large Indian state such as Maharashtra. Population density of Spain will, however be significantly smaller than most Indian states. I don't have exact data at hand, but is this overall approach reasonable?

Good rationale. For simplicity, you may consider the present area and density of Maharashtra as 300,000 km^2 and 400 /km^2. Take the Spanish Kingdom's area to be 50% larger than Maharashtra. Spain's population density can be taken as 25% of Maharashtra.

Alright, with this data, the Spanish Kingdom population is calculated as 1.5*300,000*400*0.25*1/16 = 3 Mn approx. Therefore, total market size = 3,000,000*0.5*0.3*0.05 = 22,500 potential customers. Without considering affordability, is Galileo satisfied with serving this market?

Yes, this is an attractive market size for the client. You can proceed with your analysis.

After assessing the market size, I shall now look at the feasibility of entering and operating in this business and assess any barriers. I will break my analysis into three parts – pre-entry, at-entry and post-entry. Does that sound good?

Yes, let's quickly run through each.

Pre-entry, there can be financial and non-financial hurdles. Financial hurdles could arise from a lack of funds to set up the value chain. Non-financial hurdles could be in the form of regulations - 17th century Europe was dominated by the Church, which could oppose a scientific invention.

Let's assume that Galileo has enough money, and plans to, set up the entire value chain on his own. The point about Church interference is valid – it could pose a real threat to the business.

Noted. To assess at-entry feasibility, I'll evaluate the entire value chain, by breaking it down into three parts – production, distribution & retail, marketing & aftersales.

In production, the main issue would be to evaluate if the client has, or will be able to procure, key resources, including raw materials, equipment, land for production, and human capital.

In distribution & retail, we look at four aspects – storage, transportation, distributors/salesforce, retailers. Proper storage would entail availability of facilities and labour for safe warehousing of raw materials or finished goods. Safe transportation facilities will be key due to long, inter-country travels and the value and fragility of the product. We would also require partnerships with third-party distributors/have employees of our own, in addition to having a sales force, to push our product in the Spanish market. We might need to offer incentives to retailers as well.

For marketing the product well, initial discounts may be offered to end customers. The client could also tie-up with renowned scientific institutions who might display and promote this product. I'm not exactly aware of how advertising was done back then, but we could leverage traditional media of communication such as print. Is this a fair breakdown of at-entry barriers?

This is a good analysis. All these outlined requirements can be put in place, although special care would be needed to tackle safety issues during storage and transportation.

Noted. We could have measures around packaging and proper stacking to avoid damage.

Moving on to post-entry hurdles - although this is a novel invention, there is a possibility of other inventors replicating it. The concern of religious backlash may arise even post entry.

All good points. Religious backlash is a major concern and threatens crippling our business, if not also risk the lives of value chain participants. Can you think of any solutions to tackle this risk?

Hmm, the client could position the telescope as a product that will boost trade and tax revenues for the Kingdom. We can also try and lobby with Ministers or other major trade entities within the Spanish cabinet. Furthermore, we can try and think of other use cases, such as military and seafaring, where the telescope could be used after some repurposing. This will not only result in goodwill with the monarchy who might support us in case the Church opposes, but also help diversify into multiple use cases, aiding from a long-term growth point of view.

Alright, that will be all. Thank you for your inputs.

Galileo's Telescope

Your client is Galileo Galilei. He has invented a telescope and has sought your advice regarding introducing this product in the Spanish Kingdom.

Interviewee Notes

- Crucial to understand the context (client, product, customers, regulations etc) given that case not set in present day
- For similar reasons as above, it is especially important to clarify each assumption with the interviewer
- Use proxy data to estimate population. Clarify method, take help of interviewer if required
- Establish exhaustive value chain to evaluate barriers

Case Facts

- Europe, 1609
- Client is inventor Galileo Galilei
- First-of-its kind telescope to be introduced in the Spanish Kingdom
- Client looking to evaluate if a sizable number of potential customers exist
- No financial targets, limitations with respect to investment

Approach/ Framework

Market Entry

- Market Attractiveness
  - Market Sizing
- Feasibility Analysis
  - Pre-Entry
  - At-Entry
  - Post-Entry

Market Sizing

Market Size (# potential customers)

Population of Spanish Kingdom in 1609 → Gender Filter → Literacy Filter → Interest in Astronomy Filter

Population of Spanish Kingdom in 1609 = Area of Spain (present) X Population density of Spain (present) X Factor to account for population growth

Estimate using proxy data of present-day countries/states

Feasibility Analysis

- Pre-Entry
  - Financial: Funds availability
  - Non-financial: Regulations
- At-Entry
  - Production: Raw materials, land, labour, equipment
  - Distribution & Retail: Storage, transport, distributors, salesforce, retailers
  - Marketing & Aftersales: Discounts, tie-ups, advertising
- Post-Entry
  - Product Replication
  - Religious Backlash

Recommendation

Client should enter the Spanish market, subject to the following caveats:

- Safe handling of fragile & valuable product can be arranged
- Soft measures such as lobbying, repositioning can be put in place, to reduce risk of religious backlash

We also recommend the client perform a thorough financial analysis to better assess long-term viability of the venture.

Key Learnings

- Crucial to understand the objective of the move, and the context of the case in an unconventional setup
- Guesstimation using proxy data is an important tool, be prepared to deploy it in suitable scenarios
- Important to be prepared to revise one's memorized values for filters during guesstimation, as the case could be set in a completely different context as compared to the present day
- In case you aren't aware of certain things, it's totally okay to take help from the interviewer and solve the case in a conversational mode

Petrochemical company – Interview Transcript

Your client, a foreign petrochemical company, produces 5 chemicals; C1: Methane, C2: Ethane, C3: Propene, C4: Butane, C5: Benzine, and other aromatics. It wants to enter the Indian Market. Help the client make this decision.

I would like to ask a few clarifying questions before I begin to analyse the case. Can you help me understand a little bit about the company and its value chain? I understand that crude oil would be one of the raw materials, but can you help me with the details of the process?

The five products that I mentioned are made from naphtha, a by-product in the production of diesel and kerosene from crude oil. So yes, crude oil is the primary raw material, but there are several processes after it.

I also wanted to understand our objective for entering the Indian Market?

The client wants to expand its operations. The Indian petrochemical industry is quite attractive as it grew at a rate of 8% before Covid.

Are we looking at any specific benchmark the company expected to meet in the Indian market in terms of profit/revenue?

No benchmark as of now, they are just pursuing expansion

I would also like to understand the scope of operations of the business and their current location

The client is located in Europe and has its operation across various countries in Europe.

Okay I would like to switch to some market related questions now. How is the Indian petrochemical market in terms of competition? Are there several competitors? Can you help me with their scope and size too?

The Indian petrochemical market is very competitive; it has 2 significant players with 50% market share and 8 other players who occupy the balance 50% market share.

My hypothesis is that operations for the firm usually take place in a B2B set-up. Therefore, their customers would mostly be heavy metal industries and other companies. Can you help me with what their customer portfolio will look like if they enter the Indian Market?

That is right. Its customers will be automobile, textile, construction, and electronic companies.

Please give me a minute to structure my thoughts on how to go about solving the case.
I believe we are still at a Go/No-Go stage in the decision-making process here. I would like to analyze three questions
How attractive the Indian Petrochemical business - understanding the market scenario, including the condition/status of competitors, supplementary products, substitutes and complementary products.
Financial feasibility - analyzing the costs, both capital investment and operational costs, and revenue streams.
Operational feasibility - laying down a detailed value chain of this entire process.
Lastly, I would like to understand barriers to entry, mode of entry, and any other risks and challenges

Your framework looks comprehensive, but why don't we ignore financial feasibility and focus more on the operational aspects of the client.

Yes sure. Should I first assess the general market attractiveness, or dive straight into operational aspects?

You can proceed with assessing the market attractiveness.

I would look at the qualitative factors (the growth drivers) to understand the scope and growth prospects of this business. The growth drivers for this business would be the contribution of the customer industries (automobile, textile, construction and electronic) to the GDP, fuel prices, foreign exchange rates, the growth rate of petrochemical industry, etc.
If these factors are good, I would move ahead with the plan

All these seem to be in favor of the client, so you can move on to the value chain aspects now.

I would structure the Value Chain in the following manner
Research & Development & Market Survey –> Establishment of plant and machinery –> procurement of crude oil –> procurement of other inputs –> inbound logistics –> quality check of crude oil and preliminary cleaning –> manufacturing of petrol and diesel and then acquiring naphtha- manufacturing of petrochemicals (C1 to C5) as by products in the process–> quality and safety check –> storage –> outbound logistics –> disposal of waste –>customer service.
At each of these stages I would I would like to understand if there are any internal or external constraints. In internal constraints I would estimate the nature and number of resources required (labor, machinery, expertise), and does the firm have these capabilities. In external constraints I would like at government regulations. Do you want me to dig deeper in one of the elements of the value chain or should I investigate each one by one?

This looks good. I would now want you to analyze what factors should the client consider while deciding the location of the plant.

I would like to bifurcate the factors into qualitative and quantitative factors.
Qualitative factors: The company should not be in the residential area. Moreover, it should be located in an area where they can employ the local workforce. Since crude oil is mostly imported in India, it would be a good idea to locate the plant near the ports.
Quantitatively, the cost of the land, logistics cost and taxes and duties must be considered before deciding the location of the factory.

This seems fine. Can you also help me out with the capital investment as well. The petrochemical industry requires a major machinery known as the cracker machinery which costs Rs. 150 crores. Please help the client allocate this cost to the outputs from the business. You can allocate costs to the 5 petrochemicals. Sold by our client

We can follow any of the 3 different approaches to allocate the machinery cost to the products.
1. **Volume based allocation**: The total cost will be allocated in the ratio of the volume of chemicals produced from the process.
2. **Price based allocation**: The market price of the final products can be used as a benchmark to allocate the fixed cost. Ratio of the selling prices can be used. Since in the beginning of the case you had mentioned that the Market is extremely competitive, the client would be a price taker and not a price maker, hence it can allocate machinery costs based on the market prices.
3. **Contribution based allocation**: Like the 2nd method but here the variable costs of the products, if varying are also taken into consideration. This doesn't seem to be the case here since all are by products of the same process. Hence, I would either like to go with the first or the second approach but since it is a commodities market, I would prefer the first one over the second.

Good. What factors would you consider while choosing the supplier of naphtha/crude oil?

I would like to segment the factors into 2 parts; Financial aspects and Operational aspects. **Under financial aspects** the input cost of crude oil along with the total cost of production of naphtha, if we start from the beginning of the value chain. Costs can be further categorized as cost of oil, import duties, logistics cost.
Under operational aspects the client must focus on the terms of contract which will cover, flexibility in dealings, timings, credit terms, etc.

Petrochemical company – Interview Transcript

Your client, a foreign petrochemical company, produces 5 chemicals; C1: Methane, C2: Ethane, C3: Propene, C4: Butane, C5: Benzine, and other aromatics. It wants to enter the Indian Market. Help the client make this decision.

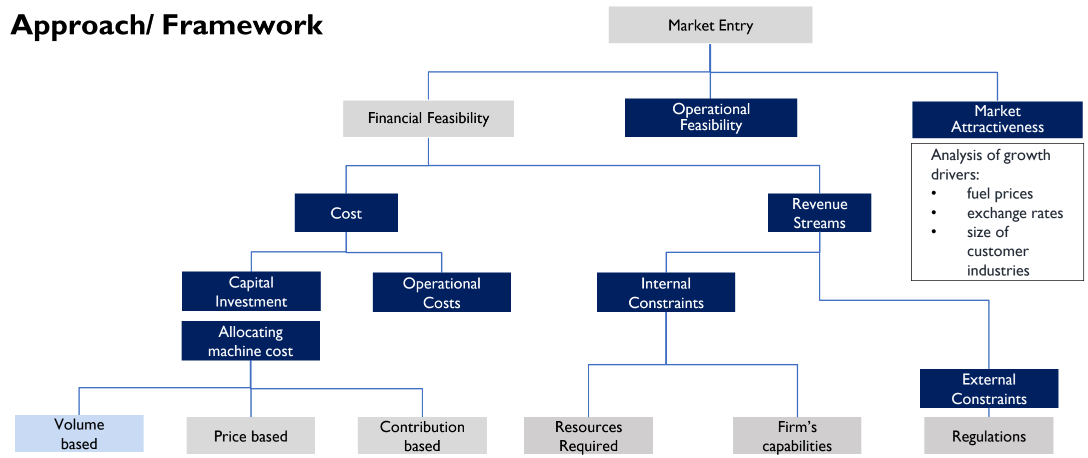
Interviewee Notes

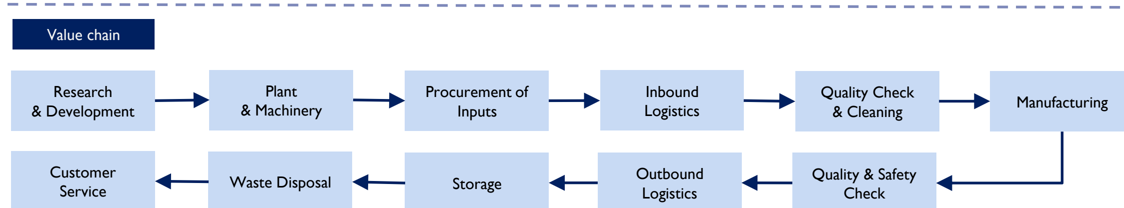
- Client in petrochemical industry – produces 5 chemicals (C1-C5)
- Client currently based in Europe- wants to enter the Indian market
- Pursuing no specific benchmarks, but an expansion motive

Case Facts

- The Indian market is very competitive; i2 significant players with 50% market share and 8 other players with 50% market share.
- B2B set-up. Clients include automobile, textile, construction, and electronic companies.

Approach/ Framework





Recommendations

- The client should enter the market, given there are no government regulations, and they have enough resources
- They should choose a location, that is proximate to raw materials, customers and ports
- They should allocate machinery costs basis volume of chemicals, as variable costs don't vary much to effect contribution

Observations / Suggestions

- The candidate did a good job in keeping their structure versatile enough to accommodate the questions asked by the interviewer
- The structure adopted by the candidate was very comprehensive. Perhaps even a simpler version of the value chain would suffice

Pricing

Helicopter service – Interview Transcript

Your client is a Heli air service provider. How would you price this service? Is it a viable business?

Alright. First of all, I would like to understand what exactly is a Heli air service and where is the client planning to operate it?

Heli air service is a helicopter service for inter-city transport. The client is planning to operate it in Delhi. The service would be from the airport to two different ports at the two ends of the city

Are they operating anywhere else?

Yes, the client has operations in London, Paris and New York

Is there any specific reason for choosing India?

They are excited about the growth opportunities in India and feel that it is the right time to enter the market

Are there any existing players in the market?

No

Then our main competition is with existing services like cab or metro. How are we placed in comparison to these services?

What according to you are the advantages of the proposed service?

The major advantage would be in terms of time saved and the luxury and convenience

That's right. The travel time would reduce to half.

OK. Now coming to the pricing part there are 3 possible pricing strategies that we can look into

1) Cost based pricing
2) Competitor based pricing
3) Value based pricing

Since we do not have a direct competitor, I would like to focus on cost based and value-based pricing. Is there a particular strategy that you would like me to start with?

Why don't we start with the costs? What are the major costs involved?

The cost can be divided into fixed and variable. One of the major fixed cost would be for the helicopter. Are we planning to buy a new helicopter, lease it or get it from another market where we currently operate? How many helicopters are we planning to get?

We plan to rent it and start with one helicopter.

Ok. Other fixed costs would be the airport charges, maintenance charges, salaries of the employees, insurance cost etc. The main variable cost would be the fuel cost. Do we have data about the costs?

The cost of renting the helicopter is Rs 16 Lakhs per month. Airport charges us Rs 2 Lakh per month while the salaries of the employees come out to be Rs 4 Lakhs per month. The other overheads are around Rs 1 Lakh per month. The helicopter uses 60 Liters per hour. The cost of the fuel is Rs 75/liter.

I would like to estimate the minimum amount that our client would need to charge in order to break even. Our fixed costs come out to be Rs 23 Lakhs per month. The cost of the fuel would depend on the number of trips that we would take in a day. Is there a fixed number of trips that we are planning?

No, why don't you calculate the optimum amount

You mentioned that our heliair service would go to the two ends of the city. On taking a cab it would take around 2 hours to reach. The helicopter would cover the distance in 1 hour. Since we only have 1 helicopter, we would need to alternate between the two ports. After completing 1 trip we would need to have a break both for the pilot and the helicopter. Thus, I would like to assume that we can complete the whole trip in 2.5 hours and be ready for the next one.

Go Ahead

We can complete 4 round trips per day. The helicopter would be in use for 8 hours. Thus, the cost comes out to be Rs 36,000 per day. How many days in a month are we planning to operate it?

25 days

Then the total cost would be Rs 9 Lakhs per month. Thus, to break even we would need at least Rs 32 Lakhs per month from the passengers. We have a total of 100 trips in a month. Can I assume the helicopter would accommodate around 4 people?

Yes

Even if we get 100% occupancy for all our flights, we will need to charge the people Rs 8000 per trip just to break even which is a pretty high cost. I would like to do a sanity check to make sure that the number is in the right range. The only Heli air service I know is for Vaishno Devi which costs around Rs 1100 for a 5-minute ride. Thus, it would be around Rs 13,200 for 60 minutes however since the fixed costs don't change with increase in length of trip Rs 8000 seems to be a good estimate. This contrasts with taking a cab would cost around Rs 800 thus they are paying 10 times the amount. For this to be a viable option their time should be worth at least Rs 7200 per hour. This is true only for the very rich people who can buy their own helicopter and would thus have no need for our service. Thus, I don't think that it is a viable business.

Well done

Helicopter service

Your client is a Heli air service provider. How would you price this service? Is it a viable business?

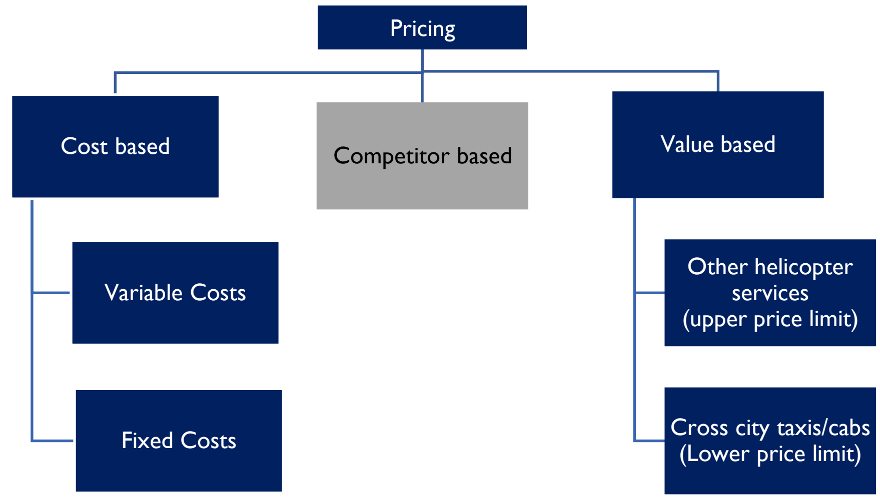
Interviewee Notes

- First service of such kind thus there are no competitors
- Operating in Delhi
- 2 ports will be operated to the two different ends of the city
- Time would reduce to half

Case Facts

- The cost of renting the helicopter is Rs 16 Lakhs per month.
- Airport charges us Rs 2 Lakh per month
- Salaries of the employees are Rs 4 Lakhs per month
- The other overheads are around Rs 1 Lakh per month
- The helicopter uses 60 Liters per hour. The cost of the fuel is Rs 75/liter

Approach/ Framework



Recommendations

- Understand the client's business and his expectations through clarifying questions before going on with the structure
- It is important to analyze all the possible pricing strategies. Here the service has a value-based price, but the cost is so high that it becomes unviable
- Do sanity checks wherever possible

Key Learning

- Use of capacity constraints i.e., time limitations to estimate number of trips
- Value based approach used to evaluate upper and lower bounds for price (using similar services as proxies)

Light bulb – Interview Transcript

Surya electrical company has invented a new bulb that never burns out. It could burn for more than 500 years and would never blink. The director of marketing calls you into her office and asks, “How do you price this.” What would you tell her?

Alright. So, before we figure out the appropriate price for this new light bulb, I would like to ask a few questions about our company, this product, the potential customers and the competition.

Go ahead

What is the objective of the company regarding this product?

To gain as much profits as possible.

Ok. I would like to know more about the product now. Is this a completely new product or has our company/ any other company introduced something similar in the past?

No this is a completely new product that we have developed. (the product is new: follow that branch)

In that case, is the product patented?

We have a patent pending, and no one else is trying anything similar.

Can you tell me if the product has any disadvantages? Does it use more energy? Or is it harmful to the customers in any way?

No, it is safe product ready for the market. It also doesn’t use more energy

I see. I was thinking we could either price the product at a price comparable with the competition or base it on the costs that we have incurred we can also look at the price the consumers might be willing to pay. Since you have mentioned there is no competition, I shall rule that out and focus on what costs we have incurred for this.

Ok go on.

So how much have we spent on R&D for this?

₹120 Cr. for this light bulb.
For a conventional bulb it costs us 4 rupees to manufacture, we sell it to the distributor for 10 rupees, the distributor sells to the store owner for INR 14, and he sells it to the customer for 18 rupees.
This light bulb costs ₹400 to manufacture.

Ok so if the manufacturing cost is 100 times, then accordingly the customer will have to pay ₹1,800 for one light bulb. On the up-side this is a bulb that will never burn out, so say the people will buy it once for the next fifty years and are essentially paying for 100 bulbs that they would have used in the next 50 years. (considering a bulb change twice in a year)

So? Will the customers agree?

I do not think so. However, we have spent ₹120 Cr. on the project, and it is a very useful invention. Let us broaden the scope for the product a little and think more about the customers. I think various city councils are our customers too as they need to provide lighting for the streets and public places. There may be around 3000 streetlamps and another 1000 bulbs at various stations, hospitals etc.

Ok, what are you proposing?

These customers incur an additional expense of maintenance and changing of the light bulbs and maintaining staff for it etc. If we can sell this product to them, they will save on these additional costs and will not have to worry about maintenance at all. Estimating that these bulbs are available for ₹500 to the city, upon which they need to pay labour charges of ₹200 each to two workers needed to change the bulb, it still costs them ₹900 per bulb, twice a year. We can have a mark-up over this and sell each bulb at ₹4,000 each. They would recover the amount in two years, and we can use this price-based costing to get a very good profit. It is important that we make a good profit on this product because for every sale of a new technology-based bulb, we are losing the sales for 100 conventional bulbs.

Good point , thank you.

Light bulb

Surya electrical company, has invented a new bulb that never burns out. It could burn for more than 500 years and would never blink. The director of marketing calls you into her office and asks "How do you price this." What would you tell her?

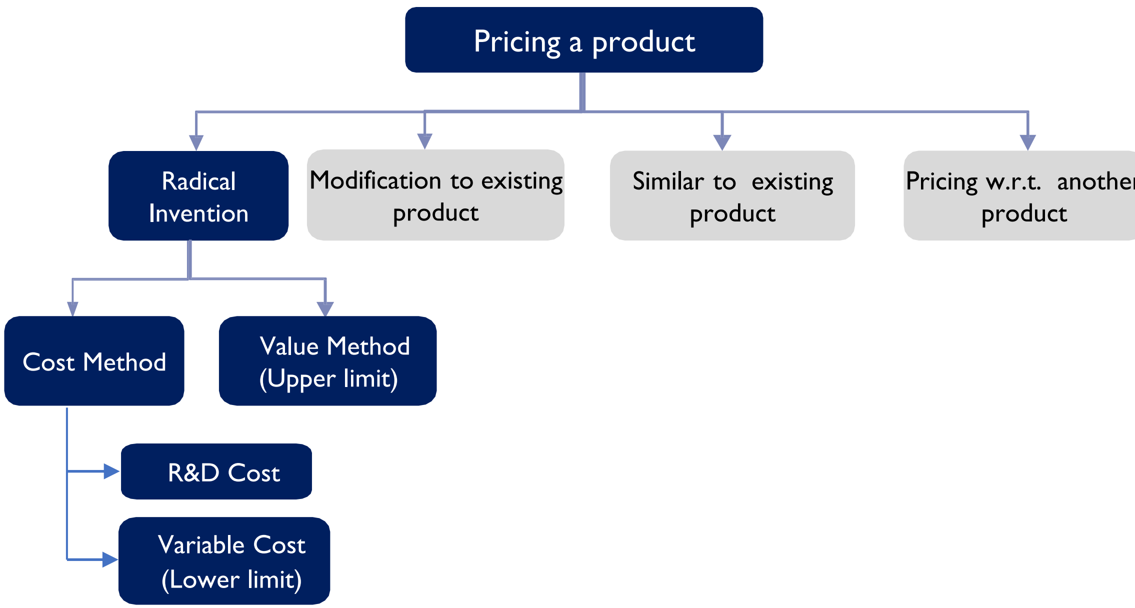
Interviewee Notes

- New product in the market with a distinct longevity feature
- Other utilities are similar to a common bulb
- This is a modification to an existing product yet comes with an advantage that no bulb in the market has.
- The objective is to gain as much as possible

Case Facts

- The invented light bulb lasts for 500 years
- No threat of competition in the near future
- R&D cost is ₹120 Cr.
- Conventional bulb costs ₹4 to manufacture
- The new bulb costs ₹400 to manufacture

Approach/ Framework



Recommendations

- Since the manufacturing cost is 100 times that of conventional bulb, customers would ideally have to pay ₹400 for us to recoup costs. This is improbable since customers would not shell out a huge amount for a bulb and the longevity benefits are difficult to be perceived by the average customer.
- However, this innovation can be useful for public places such as streets, stations, hospitals etc. where additional staff is required for maintenance. A long-life bulb in such areas would be extremely useful as maintenance costs would be largely reduced. Hence, such customers should be targeted for this product.

Key Learnings

- Sense check pricing by cost method using the value method (will customers pay that price for the product)
- Look for alternative markets/customers when cost-based pricing too high for traditional customer

Superspeed travel – Interview Transcript

Your client has found a new transportation machine that can travel to any place in just 5 minutes. The machine is housed in Mumbai. They need your help in deciding how to price this machine?

I would like to start by getting a more clearer understanding of the client and the product. What are the other products offered by the client? What are the geographies in which this machine will operate? How many machines with how much capacity is the service going to start with?

The client is has decided to enter into the aviation industry. There is only one machine will start operations on a circuit with 11 stops across the world, in all the major cities. The machine has 5 business class seats and 15 economy seats .

So is it fair to assume that the machine takes 5 minutes between all successive locations and so it makes 1 round trip back to Mumbai in 1 hour? Does it operate only for fixed hours?

Yes, 1 hour for a round trip and 1 hour to cool down after each trip. It operates 24 hours/day.

Alright, having now a fair understanding of the product proposition, I would like to lay down the approach. Several pricing approaches can be looked at, depending on the pricing objective of the client - market share, profits or generating more demand?

Absolutely, the objective of the client is to generate sustainable and continuous demand for the service.

Then I would suggest we look at the Value based and competitor based approach for pricing this service. I would look at customers in 2 classes for business and economy for each of these.

Please go ahead with both, starting with the value based approach.

Sure! Under value-based approach, we can look at Willingness to Pay by evaluating the opportunity cost of having no product and also consider the supply-demand ratio to evaluate initial pricing range.

Please assume that there is enough demand for the product for it to reach high to full capacity utilisation and as for supply it is constrained with 1 machine of 20 seats.

Okay. Then we can look at the willingness to pay for each of the 2 customer classes. I would like to assume here that the business class for this service would constitute the people who own private jets or travel by chartered planes, while the economy class would the business class passengers of normal flights. Is that a fair assumption?

Yes, it is a fair assumption. Please go ahead with this.

To calculate willingness to pay, I would like to estimate the amount of money saved by a person of either class by using this machine to travel using their average income and estimated worth of savings by using the machine.

Yes, go ahead.

For a business class customer for this service, which would typically be a person who owns a private jet, the average income range can be taken to be $10 Mn p.a. Similarly, for an economy class customer, average income would be around $500K p.a. Do these sound like sensible figures to base my calculations on?

Walk me through the logic behind suggesting these numbers.

So I have assumed that the average cost of operating a private jet for a year is around $1 Mn, and thereby average income level has been taken to be a large multiple of the figure. For the economy class, a lot of the frequent business class travelers have their travel sponsored by their company, So the average pay of managers at such levels is taken to be around $500K p.a.

Sounds fair! Please go ahead.

Assuming that a trip across continents is an average of 12 hours, I will estimate the potential time-saved using this machine. Since a trip from the 1st point to the last one takes about 1 hour and not all passengers will make the entire trip.

Assuming a uniform distribution of passengers across the potential lengths of trip, we can say that the average duration spent in the machine would be 30 mins. Hence, the time saved would be 11.5 hours, which if estimated from income levels is $13K for the business class and $700 for the economy class. If this estimation seems fair, I would move on to the competitor based approach.

Yes, these numbers look fine, go ahead.

Under competitor based approach, we will look at the reference price of both the customer classes in terms of what they are paying currently. Does that sound okay?

Yes. Please proceed.

For the business class, the people who normally own private jets, the annual cost of operating a jet is $1 Mn. Assuming that on average, this private jet is used twice a week, we can say that across a year it is used for almost 100 trips. This gives us an estimate of around $10K for one trip. For the economy class, the usual business class ticket on average costs $2K. If these calculations seem fair, I can go ahead with suggesting a price range.

Yes, these look fair. Please go ahead.

So for business class, given the usual cost of 1 trip on a private jet is $10K and there are savings worth $13K being incurred, we can price it at the lower of two, around $10K for now, and look at demand response before potentially planning for any changes. For the economy class, with the usual cost of $2K and savings worth $700, we can price mid-way, somewhere around $1300, keeping this as the average cost.

Will you charge a flat price to each consumer or will you recommend using any other pricing method?

Charging a flat price might not be the best idea, since not all customers will travel through all destinations. Instead, the price of $10K for the business class and $1300 for the economy class can be kept as base prices. The customers can be charged depending on the displacement they travel from the starting point.

Sounds fair! Any other suggestions that you would like to give to the client?

Yes. First, depending on demand, the distribution of business and economy seats can be varied going forward, choosing a mix which maximises revenue. Second, if and when more such machines are developed, a combination of routes can be explored, such that no customer has to travel through multiple destinations. Lastly, the client can potentially look into developing a leasing model for this machine if the rents so earned generate more revenue than the ticketing model.

Sounds good. We can close the discussion here.

Thank You!

Superspeed travel

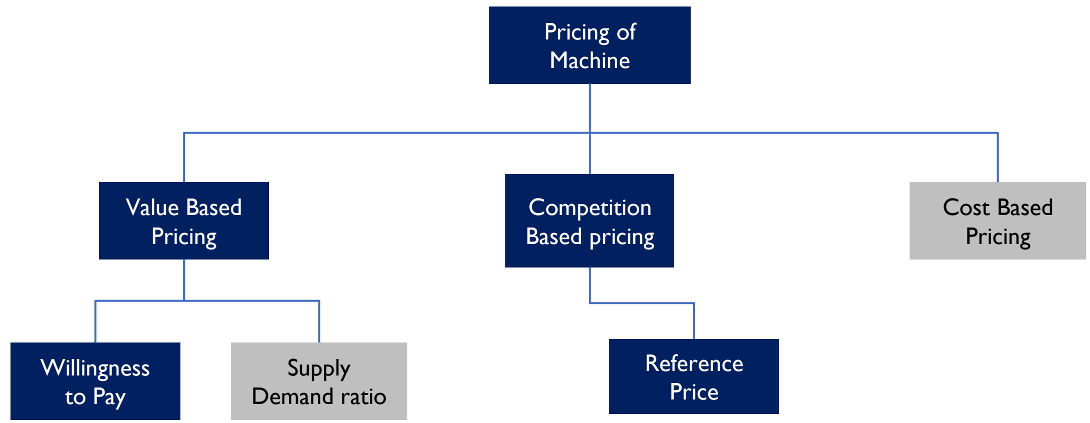
Your client has found a new transportation machine that can travel to any place in just 5 minutes. The machine is housed in Mumbai. They need your help in deciding how to price this machine?

Interviewee Notes

- Cost-based pricing is not relevant since this is a one time product that the client has found
- Business Class: owners of private jets; Economy class: business class travelers of the regular flights

Case Facts

- Only 1 machine with 11 stops, so 1 hour for a complete trip and 1 hour to cool down with 24 hours operations
- 20 Seats: 5 Business class, 15 Economy class



(Worth of time saved calculated using Annual Earnings)

- Business Class: $10Mn p.a. aggregated for 11.5 hours = $13K
- Economy Class: $500K p.a. aggregated for 11.5 hours = $700

(Calculated using current spendings)

- Business Class: $1Mn cost of jet p.a., aggregated for 1 trip = $10K
- Economy Class: Average cost of business class ticket = $2K

Recommendations

- Understand the machine's overall proposition and operations before proceeding with calculations
- Try to converge the figures found via the two pricing approaches to reach a final price range for the two customer types
- If the demand is high for the business class, then eventually the economy seats can be replace with a few business class seats

Key learnings

- Understanding the operations of the machine and value created for customers
- Analyzing willingness to pay and current costs of transportation

5G Plan Pricing – Interview Transcript

Your client is an Indian telecom operator. They are planning to launch a new 5G plan in the market and require your help in pricing the plan.

Sure. Firstly, to better understand the client situation – what is their current scale of operations? Do they have a pan-India presence?

Yes. They are a pan-India player and one of the largest operators in India.

For their current range of services, can I assume they have an existing 4G-base present?

That's a fair assumption. They do have existing 4G plans running.

Data plans typically have a talk time component added as well. Additionally, there are also plans with only data pack Are we looking at just the data plan or a combination plan?

Let's take a combined – data + talk time plan.

Okay. The 5G rollout has different stages to it. There are infrastructure investments required, permissions, allocations and other regulatory requirements also needed. What stage of the journey are we currently at?

We have already started rolling out 5G services across the country adding the necessary infrastructure. We currently have presence in 500+ cities. Though we do not have a dedicated 5G plan for our users.

How does the current market look like? Are there other players who have launched 5G services already or will we be the first ones?

We have one major competitor. If you understand the Indian telecom market, it has largely been a duopoly over the last few years. Both of us have a nearly equitable market split in the 4G userbase.

And does our competitor have existing/running 5G plans?

Not really. Both of us are at the expansion stages for the service. Like us, they have ramped up their 5G network presence in 450+ cities and expected to launch dedicated 5G plans soon.

Understood. We can take three broad approaches for pricing the new plan:
1. Value-based pricing basis our current offering
2. Competitor-based pricing basis the existing customer offerings
3. Cost-based pricing

Because we do not have existing competitors in the market, we cannot do a comparative analysis. I would prefer value-based pricing over cost-based pricing from a consumer behavior perspective.

Sounds fair. How would you go about pricing the plan now?

I would basically start with a baseline data + talk time plan and evaluate the incremental value add switching to a 5G service would offer. This would give us the perceived value of the plan.

Go ahead.

As far as my understanding of the telecom services is concerned the factors relevant to a consumer are:
1. Serviceability: a) Device compatibility and ease of upgrade, b) Geographical coverage
2. Performance: a) Network Speed, b) Network stability, c) Transfer speed or latency, d) System lag and buffer-free media streaming
3. Limits: a) Data limits, b) Post-limit drop in speed and quality
4. Value added services: a) IoT or other additions and multi-device ecosystem, b) Future potential of adding services

Is there anything else that I should factor in?

You have broadly covered the ideas. How do we proceed from here?

Firstly, let us assume that a baseline 4G plan in India costs about Rs. 400 per month. This includes unlimited talk time and 1.5GB data per day.
Now, I will consider a region that has all the necessary requirements and is being serviced. For the performance, do we know how fast are 5G services against the current 4G implementation?

5G spectrum is a whole range and is expected to be 10 – 100x faster than 4G when fully implemented. For the limited offering right now, let us say it gives 2.5x (seems to be low) the speed.

Great. I would combine stability of the network in all forms be it buffer-free media, calls, or general avoidance of lag in the system. Do we know how the stability of 5G networks would differ against existing 4G networks?

Let's say we add a 5% premium for stability.

Lower latency or transfer speed is a relevant factor for people looking at the network for gaming. Can we quantitatively assess the performance difference between 4G and 5G on this?

Theoretically, 5G is supposed to reduce latency 10x. But, in more practical implementations let's say it reduces it to 50%.

The limits on data are more strategic decisions and will be difficult to quantify it. So, basis the other numbers I would price the new service at,
Rs. 400 * 2.5 * 1.05 * (100%/50%) = Rs. 2100 for a similar plan.

Do you think it is a fair price? Would people be willing to switch to this more than 5x jump you are quoting?

Yes, the price is high and might have resistance in adoption. But we can focus on the long-term benefits of switching to 5G. In order to offer reduced prices, we can also try and cut down on the margins we currently have.
A large set of our users might not actually be utilizing the daily 1.5GB limit. We can look at the average consumption and reduce our margins basis the actual costs incurred to create demand for the new 5G services.

Fair point. Now, if you were to do a cost-based estimation of the prices, how would you go about doing it?

For cost-based pricing I would consider, a) Infrastructure costs, b) Spectrum bid costs, c) Operational expenses
Add a profit margin to get the expected revenue.
I am aware of the current user base we have, and can use the same to estimate the demand for the service basis the likelihood for conversion. Next will try to estimate break-even price assuming a 2.5-to-3-year recovery window.

Okay. Let's say we did that analysis and that tells us that we should price our offering at Rs. 4000/month initially. Would you go ahead with that price?

I will not go ahead with that price because the reception of the service at that price point will be very low. Our demand estimation will be inaccurate for such high price points. As I said before, we will need to revise our estimations in this case.
We will have to increase the market demand for the service itself before launching formal plans. Offering collaborated services in the initial years and large discounts would help.

Good. Thanks for the analysis.

Pricing | Moderate | Telecom

5G Plan Pricing

Your client is an Indian telecom operator. They are planning to launch a new 5G plan in the market and require your help in pricing the plan.

Interviewee Notes

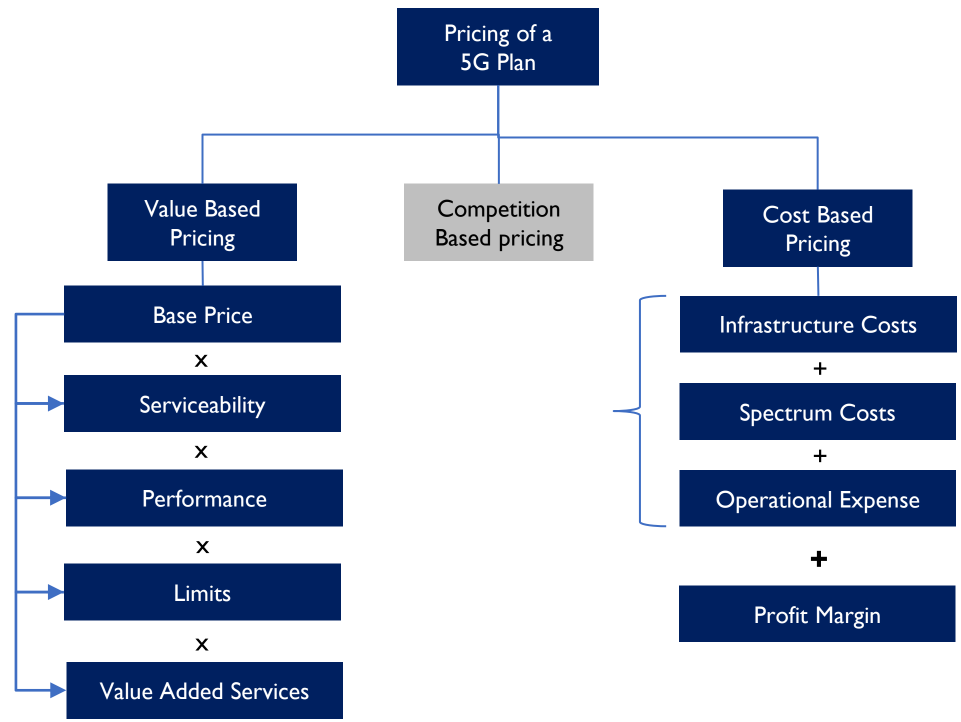
- Pan India player and one of the largest operators in India
- Existing 4G plans
- Data + Talk-time plans
- One major competitor; at expansion stage
- Do not really have many existing competitors, hence comparative analysis not possible/helpful

Case Facts

- Baseline 4G plan in India costs INR ~400 / month, inclusive of unlimited talk time and 1.5GB data / day

Additional facts:

- 5G spectrum expected to be 10-100x faster than 4G when implemented; currently at 2.5x speed
- Premium for stability – 5%
- 5G to reduce latency 10x, practically to 50%



Recommendations

- It is important to analyze all the possible pricing strategies. In this case, we do not have a set of competitors, hence value and cost-based pricing have been prioritized over competition-based
- Understand the current offerings for 4G plans (basis talk time and data offered)
- Understand the computation of perceived value of new 5G plans and assess how the different factors are accounted for within the same

Key learnings

- Understanding the important aspects/factors within the telecom industry and the different value-adds/services (e.g., speed, stability, latency, etc.)
- Analyzing the current landscape of 5G spectrum in India and willingness of consumers to switch to 5G plans

Residential Complex – Interview Transcript

Your client is an upcoming builder in Kolkata. He has recently built a housing complex and wants to figure out how to price the apartments. Help him decide a price.

I would like to ask a few clarifying questions before I begin. I want to understand a few things about the complex. What kind of a locality is it located in and how crowded is the market in that region?

The complex is on the outskirts of the city. It is an upcoming region which the client has managed to make headway into before any other builder.

Is there any specific reason for choosing this location?

There are a few offices coming up near by along with a metro project announced by the State Government connecting the area to the main city

This would be able to attract people working in these offices and people who are willing to travel in search of cheaper apartments. What are the number of apartments and buildings in the complex?

There are 10 buildings with 100 apartments each.

So, 1000 apartments. Okay, Are these segmented into different categories? And if yes, what are the kind of amenities offered by each of the categories?

Assume all the apartments fall into the economy category and that the amenities are at par with the industry standard.

How much has the builder invested in this project and what is the gestation period he is comfortable with?

The builder has invested 250 crores and expects a 10–12-year gestation period

Okay, lastly what is the average size of a single apartment?

A single apartment is on average 2000 square feet.

All right. I would like to look at three kinds of pricing and then take a decision on which pricing method to go ahead with. I will look at cost based, competitor based and value-based pricing.

That sounds reasonable, let's look at cost-based first in that case

Okay, So I have a few questions before I begin. I want to know about the expected profit margins and maintenance charges per flat, expected sale schedule and pricing strategy to be followed for different flats

Consider profit margins to be 10% of the cost incurred and maintenance charges to be payable annually and thus not included in the pricing of the apartment . The client is expecting to sell 20% of the flats every year in the next 5 years. Assume floor 1-5 to be priced 10% higher than 6-10.

Our price should be such that it should include the cost incurred by the client and the profit expected out of the project. Considering the profit to be 10% of the investment made in the project. The total expected revenue would be 280 crores. Expected Revenue = number of flats*price/square feet*square feet. Since some flats are to be priced higher than others, price/square feet for floor 1-5 would be 1467 and price/square feet for floor 6-10 would be 1333 INR. Since all the apartments would not be occupied in the first year, we can increase the price of the apartment in future years to account for growth, improvement in surroundings and inflation.

Okay, and what would be the questions you would consider with regard to the competitors?

I would find the competitors' prices and costs in the economy category to gauge their margins. Moreover, I would compare their offerings with ours to see if they offer more or less for unit price. I will then price the apartment basing competitor as the benchmark.

One to go now. What about value-based costing?

Well proximity to Metro and office spaces certainly be a reason to add a premium to the competitor - based pricing I had discussed earlier, assuming the competitors don't offer this advantage. We can also look at proxies in other parts of the city to analyze the prizing strategy followed by builders. Therefore, I would price the apartments at a premium above the competitors' prices, with an overall constraint of keeping prices above or equal to the cost-based rate that was computed.

That's fair, What would you recommend in this case?

Since it is upcoming region and metro services are not being offered right now, so competition and value-based pricing would not help us much and we should go with cost-based pricing till the area is sufficiently developed.

Residential complex

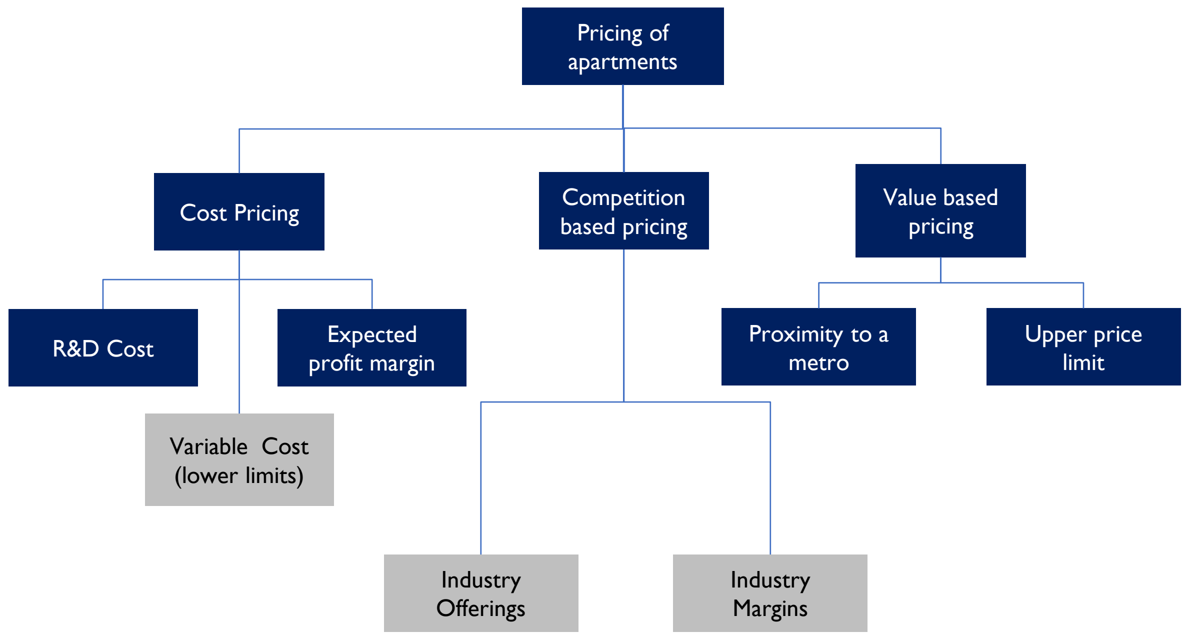
A builder has approached you to know the price at which he should sell the apartments in his newly developed housing complex in Kolkata

Interviewee Notes

- No product differentiation as such
- First mover advantage
- Cost, competitor, value
- Regulatory concerns

Case Facts

- 10 buildings x 100 apartments/ building = 1000 apartments
- Located on the outskirts of Kolkata
- 10–12-year gestation period
- Capex 250 crores



Recommendations

- Understand the client's business and his expectations through clarifying questions before going on with the structure
- Figure out a way to collate or coalesce the three prices found through the three methods

Key learnings

- Estimated Gestation period of investment and location are important in construction cases
- Different flats (products) of the same family/group may be priced differently
- Price can be increased over time, as value of product increases

Cow Feed – Interview Transcript

Your client has developed a new variation of cow feed they want to know how to price it optimally for the Uttar Pradesh Market, How will you go about it ?

Can I get some details on the client ? Their country of origin ? Whether this is their first product, or do they have other products ?

The client is from Sweden & this will be their first product in the Indian, specifically in UP

Since we have to price this cow feed, there could be three standard pricing approaches and we also have to consider a fourth option, how this cow feed will play into the barter system that is primarily present in these villages.

Can you elaborate on the barter system ?

Villages are generally tight knit communities where the people would generally exchange goods for goods or favors, for example a farmer could give crop waste for a cow and get some milk in return, would you like me to start my analysis with such a system ?

Excellent point! However, for this situation we would not consider such interactions. What else do you think could be done to price this product?

I can think of three approaches to price the cow feed, a cost-based approach that would allow us to cover the basic costs, a competitor-based approach which would give us a benchmark and finally a value-based approach which would be based on any USP that our product can provide

Please go ahead with all three, starting with the cost-based approach

Since this project would have involved significant RnD, do we have any costs that we need to recover, & what is the timeframe within which we would like to cover this cost?

While this would be an apt assumption, for now focus only on the variable cost for this product

I'd like to focus on the value chain of the cow feed then, I will assume it involves the same steps to deliver a bag of cow feed as any packaged product. Do we know if we are going to be manufacturing in India ? The one major cost that I can foresee is related to the last mile connectivity issues

Yes, you are correct in your assumptions, we will be manufacturing in India, but last mile connectivity is still a cost guzzler, the final cost for a bag of cow feed is Rs 1000

Great that gives us a lower limit on the price, do we have any expectations on margins?

Yes, about 10 percent

So that gives us a price of Rs 1100 , Now to check if this price is viable or not, I would like to do competitor benchmarking, do we have any data on the competitors in this market ? If not, then do we have any prior market research data on the customer's willingness to pay?

While there are small players in the market, there is one major player that sells the cow feed at Rs 950 a bag

Oh! So, we seem to be in a bind! If we can't provide any extra value, we can't justify our price. We should look at the value-based approach next, but before that I have a few questions about the product of the competitor and our product

Yes, go ahead

The first question is regarding the dimensions of the bag, does our bag have the same quantity as the competitors? If yes, can I please know how many cows can the bag feed at once or a single cow can be fed for how many days ?

The competitor's cow feed bag and our bag have the same dimensions, a single bag can feed a cow for 30 days.

Since we have already covered that significant RnD has been spent, Does our cow feed benefit the cow or the cow owner in any way, let us say for instance the cow feed would lead to an increase in the milk production of the cow ?

Experiments have shown that cows that have been fed on our product show an increase in milk production by 6 liters over 10 days and also have a shinier coat.

Great! That is something that we can work on, however just before I would like to clarify a few things, will the experiments conducted show the same results in the field ? What I mean by this is that there could be a difference in the breed of cows used for the experiments and the final cow that eats the cow feed in the market ? Should I consider any such anomalies ? Also is there a quanta of time after which the cows show these results?

Good point! You can assume that cows in India will only be able to give 4 liters of extra milk for the same cow feed, as per the time before the results are seen, you can assume instantaneous results

Can I know the milk price per liter ?

Sure, it is Rs 50

So, From my calculations, we are able to provide a customer with Rs 600 of extra value compared to the competitor's bag, so we can price our bag between Rs 950 – Rs 1550, we can charge a price lower than Rs 1550 and still make a profit!

That is great ! So, we can close the case here, all the best !

It was a pleasure interacting with you!

Pricing | Moderate | Animal Husbandry | BCG Summer placements interview round

Cow Feed

Your client wants you to price a new variation of cow feed for the Uttar Pradesh market

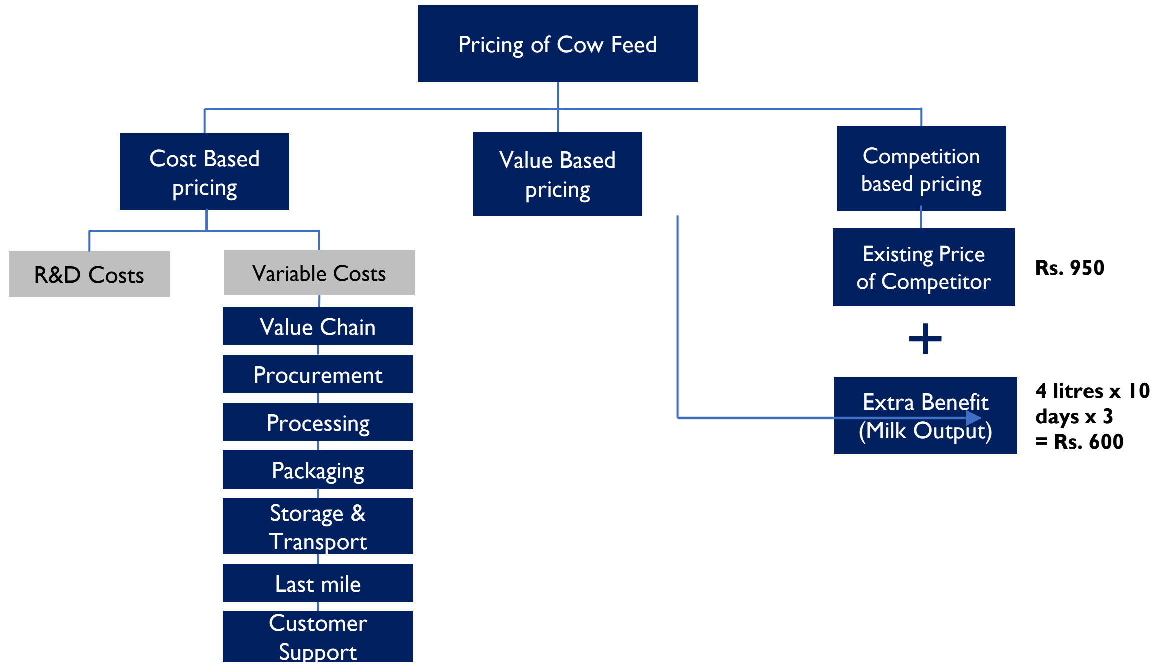
Interviewee Notes

- Standard pricing approach would work here, however the UP market is different and involves an informal barter system.
- Fixed costs for RnD are not considered for the case, only variable costs considered.
- Experimental results may vary from the actual results, as seen in this case when the milk productivity increase is not the same for the cows in India.

Case Facts

- Production of the cow feed bag is similar to any standard packaged product.
- Major competitor prices the bag at Rs 950.
- The Price of Milk Rs 50 per litre.
- Cow feed causes the cow to produce more milk and the skin of the cow to become "shinier".
- Extra milk produced by the cow is 6 litres in 10 days (experiment) and 4 litres in 10 days (actual)

Approach/ Framework



Key Learnings

- The case mentioned that the cow becomes "Shinier" , can also consider the value of an animal when it is dead, however the question may not be valid in a state like Uttar Pradesh (still should have been asked).
- The dimensions of the bag could have been asked a bit earlier. Should be ready for a guesstimate if the RnD costs are to be recovered.
- Although the time horizon for the product is small, it is still safe to ask if the time value of money is to be considered or not.

IPL Bidding – Interview Transcript

Your client is an Indian Premier League (IPL) team that wishes to bid for Virat Kohli in this year's IPL auction. They want your advice in the assessing the fair value at which Kohli should be acquired.

Can you tell me if the client is a specific team? How has the client performed recently and why are they interested in pursuing Kohli?

Assume that there is no sentimental reason for the team to acquire Kohli, nor vice versa. The client was at 7th position 2 years ago. They currently rank 5th out of 10 teams. The teams wants to make it to the finals this year. They believe that Kohli fits well with the team's young core due to his leadership and can help their struggling batting line-up.

Since we want to boost our chances of reaching the finals due to Kohli's addition, I'm assuming there is a negligible chance of ending up lower than 5th. Do we have more data to validate this assumption?

You are right. Client's chances of doing worse can be taken 0. Moreover, Probability of staying at 5th is 30%, moving to 4rd is 30%, ending up in 3rd place is 25%, being the finalist is 10%, and winning the IPL is 5%. Please tell me if there is any other information you need.

I would like to understand the bidding process, what bearing does it have on the bid price of Kohli, and how many competitors are pursuing Kohli more aggressively than us.

Assume that we are only concerned with Kohli's fair value, and the client will not bid more. Also, the other teams are rational and follow a similar approach to valuing players. There are no salary caps on bidding for more players. Why don't you tell me how you plan on finding Kohli's fair market value?

Estimating the fair value will be tough using cost-based pricing as we cannot bifurcate cost between fixed and variable components. Similarly, competitor-based pricing isn't optimal as we are not concerned about how much would other teams pay to acquire Kohli. Value-based method can be a viable framework to find Kohli's fair bid price. Using this, we will assess the expected benefit we get after acquiring Kohli. The bid price has to be lower than that value.

Sounds good. How would you quantify the benefit client would accrue after acquiring Kohli?

I would estimate the increase in team's revenue after Kohli's acquisition. This will be the upper limit of the bid price. Here, ending up at different ranks will impact the change in revenue, and I will find the expected value of such benefit using the probability data provided by you.

Seems like a good approach. What are the ways in which an IPL team generates revenue and how would Kohli's acquisition affect them.

The main sources of revenue are the share of media rights from BCCI, ticket sales, merchandize sales, brand sponsorships, and prize money. On an average, an IPL team can expect an income of Rs 200 Cr. I can see Kohli's acquisition impacting media rights income. Some part of it can be taken as fixed, and some variable which depends on what is the final position at the end of IPL. Brand deals will generate more money if the team has superstars like Kohli. Prize money is proportional to the final position. More tickets and merchandize will be sold due to Kohli's star power and fandom. May I know the exact revenue share per stream?

Sure. Media rights have the greatest share in revenue (40%), followed by brand sponsorships (25%), then prize money (15%), and then tickets and merchandize sales (10% each). An IPL team's average annual revenue is indeed 200 Cr. I would now like you to calculate the impact on media rights and prize money first.

I will assume 80% of the media rights to be fixed and 20% to be variable. To calculate change in media rights' revenue after Kohli's acquisition, we will only consider the increase in the variable component. I will assume that the increase in variable factor revenue distribution will be symmetric to the prize money revenue distribution. Variable revenue is expected to increase by 14.5% (calculated on the next page using probability and revenue share tables). This equals an increase of 3.28 Cr for media rights share and 4.35 Cr for prize money income.

This is good enough. Let's move to brand endorsements and deals next.

Sure. Considering the constraints teams face while endorsing a brand such as limited space on the team uniform, very little time to shoot advertisements, etc., there is very little scope to increase the number of deals as most teams are already operating after taking up as many deals as they could. Kohli's image can help the client charge more per client due to his fandom and superstar status, increasing brand visibility.

Correct. We know that the last team Kohli belonged to was able to charge a premium of 10% on its brand deals compared to our client.

In that case, the deal value would increase 10% if the client were to acquire Kohli, resulting in a net revenue increase of Rs 5 Cr

That's good enough. What about revenue from tickets sales?

Tickets sales over the year is (Average tickets sold per game)*(Average price of the ticked)*(Number of home games scheduled per season). I will assume the number of games to be the same as last year. Number of tickets sold is (Occupancy of the stadium)*(Total number of seats). We can assume occupancy to go up roughly by ~20%. The ticket price can also be sold at a premium. Do we have any information for these metrics?

You're correct in assuming that number of home games played remains the same. However, client's stadiums has 70% occupancy on an average. They expect it to be 77% in case Kohli joins the team. BCCI does not allow any team to increase the ticket price.

In this case, average occupancy increases by (77%-70%)/70% = 10% leading to a symmetric 10% increase in ticket sales which is Rs 2 Cr.

Sounds reasonable. On to the merchandize sales now. Assume that the merchandize sales and tickets sales display high correlation when new players join the team.

With this information, I can take the increase in merchandize revenue for the client to be 10%. This would lead to an increase of Rs 2 Cr. Summing up the increase in expected revenue's values, we get a net benefit of Rs (3.28 + 4.35 + 5 + 2 + 2) Cr = Rs 16.63 Cr. This should be the upper limit of the bid that the client should place to acquire Kohli. A few points to consider are that we have not considered the possibility of star players making special demands such as better coaches, amenities, trainers, equipment, leave requests etc. which have a cost associated with them. This should be deducted from total revenue to find the net value of benefit that the team would get post-acquisition.

This sounds good enough. Let's end the case here.

IPL Bidding – Interview Transcript

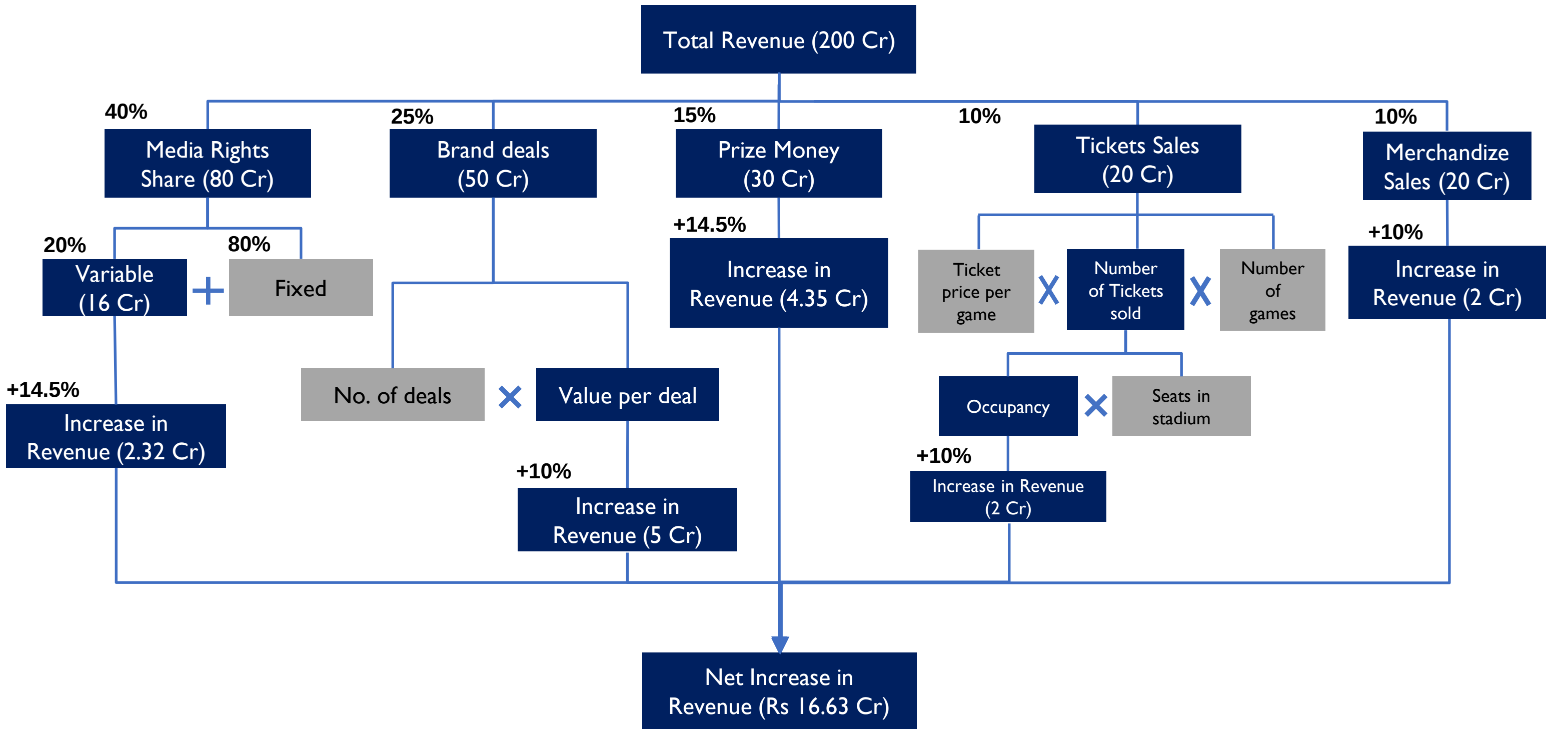
Your client is an Indian Premier League team that wishes to bid for Virat Kohli in this year's IPL auction. Advise them on how much they should bid.

Case Facts

- No sentimental reason to buy Kohli, find his intrinsic value
- Team finished 5th last year and will finish above that with Kohli

Interviewee Notes

- Ignore any budget constraints
- Cost and competitor-based pricing not relevant
- Value based pricing done by looking at potential increment in team revenues if Kohli is bought



Calculating expected increase in variable revenue streams (prize money & media rights) that are dependent on ending rank

Team Rank	1	2	3	4	5	6-10
Probability	5%	10%	25%	30%	30%	0%

×

Team rank	1	2	3	4	5	6	7-10
% of variable revenue	25%	20%	15%	15%	10%	5%	2.5%

=

(Return if Rank 1st)*(Probability of Being 1st) + (Return if Rank 2nd)*(Probability of Being 2nd) +…. Return if Rank 10th)*(Probability of Being 10th) = 5%*25% + 10%*20%.... + 0%*2.5% = **14.5%**

Key Learnings

- The major revenue streams for a sports team is usually – Cut of media rights, Cut of central sponsorship, Team sponsorship, Merchandise, Ticket Sales
- Media rights is often the major source of revenue for the league and each of the teams

Drug Pricing – Interview transcript

Your client is WHO and they are concerned with the cyclicity in the prices of Malaria medicine and want your help to figure out why this is happening.

Before I begin solving for the root cause, I would like to understand the facts of the case better. (1) What exactly is the cyclicity pattern-annual or something else and for how long have we observed this? (2) How much is the variance? (3) Are we considering global changes or restricting to a geography?

Fair enough. (1) The cyclicity is annual with similar annual variations of highs and lows for about a decade (2) Let us assume that it only a few percentage points but enough. I want you to focus on the qualitative aspects here. (3) Global.

Thanks. So, from the annual cyclicity, we can make two assumptions- (1) There is no structural industry level shift presently, though there might have been 10 years ago which we can explore later & (2) From a supply-demand perspective, it is unlikely that for a disease, the demand will have similar annual variations. So, I will assume that it is a supply side issue. Is it alright to go ahead with that?

You are quite right.

Oh alright. Can we assume that the supply cyclicity is the main reason and that it is opposite of the price cyclicity? In which case, I would like to understand the medicine a little more. Are we considering multiple variants? Also, what is the API (active pharmaceutical ingredient)?

Yes, and you can assume that there is only one standardized product with one API which is chemically derived from a plant source grown through individual farming.

Oh alright. So, my strategy here would be 2 step- (1) Understand the model of flow of the product from farm to client to identify the location of supply bottleneck in a lean supply year. (2) Once that is identified, I would like to understand the factors contributing to that lean supply. To understand the first, am I correct in assuming the following process? (Exhibit 1)

The strategy seems good. You can assume that the problem is the total farm output cyclicity. All the other downstream steps are standardized.

Oh alright, thanks! Before I look at farm aspects, I want to highlight that lower outputs would increase cost at downstream steps also as fixed cost per unit will be higher when units are less. Ignoring that I would like to break down the total farm output as follows (Exhibit 2). I will consciously not be including external factors such as government policy and environmental factor changes as these are unlikely to have annual impacts. Before I proceed further, I would like to understand the spatial distribution of farmers and the type of farmers.

I agree with your assumption and the process map is good. To answer your question, the peculiar aspect here is that 95% averaged farm output comes from 4 eastern Chinese provinces from small and marginal farmers.

That is interesting! I would like to focus on these farmers then. Productivity and other factors are unlikely to be this cyclical. Thus, I would like to first focus on the macro aspects of number of farmers and area sowed per farmer. Do we have any data to suggest cyclicity in farmers sowing the crop each year?

Yes. All the other factors are fairly constant over the years, but the farmer count is cyclical. Can you think of a reason why? Take a moment.

I think it can be because of two factors, either the farmers (1) CANNOT grow every year or for some reason (2) DO NOT want to grow every year. The first could largely be because of cyclicity in inputs to grow the crop, like seeds or specialized fertilizers and the second would largely be dependent on price realized last year. Given the case facts that the farmers are small and marginal and that there is price cyclicity, I am inclined towards the latter. There are more farmers growing in year N, which leads to more supply with a constant demand and thus prices fall. Next year there are less farmers, thus less supply and higher prices, leading to a cyclical behavior.

You are right. This is what we diagnosed the problem to be as well. Can you tell me the assumptions you are making here?

Sure. There are 3 fundamental assumptions- (1) The crop also has an annual growing cycle (2) The farmers arrive at the market at a similar time and thus do not have bargaining power and there are no losses and no storage infrastructure at the farm level (3) The introduction of the plant as a raw material must have happened 10 years ago replacing something else.

Great. This was well done. Best of luck for the subsequent rounds.

Thank you. It was a pleasure interacting with you.

Pricing | Challenging | Pharma

Drug Pricing

Your client is WHO and they are concerned with the cyclicity in the prices of Malaria medicine and want your help to figure out why this is happening.

Interviewee notes

- Be qualitative. Global impact.
- SUPPLY side issue.
- API is unique and one variant. Derived from PLANTS!
- Issue- farm level.
- Ignore Government and weather.
- Focus on macro issues
- No of farmers- cyclical

Case Facts

- Malaria, WHO, cyclicity in prices.
- Facts-Annual phenomenon. 10 years ago.
- 95% from small marginal Chinese (east) farmers

Approach/ Framework

Exhibit 1: Process map of the product production steps (Please note that transportation costs/processes discussion between any 2 processes will be discussed along with these if needed)

Farm (includes sourcing inputs)
↓
Processing of raw material
↓
Medicine manufacturing
↓
Supply to wholesaler
↓
Supply to retailer

Exhibit 2- Process map of the annual output drivers (upstream to downstream). Every point is multiplied in the total; change in any of the 6 factors will lead to change in output.

Number of farmers
↓
Field area under cultivation/farmer
↓
% Field area under cultivation for this crop
↓
No. of cropping cycles/year
↓
Units of crops/unit field area (Cropping density)
↓
Productivity factor

Recommendations

- Increase penetration with counter offers and schemes
- Give away indirect distributor inputs to increase retailing

Observations / Suggestions

- The interviewee looked at it from demand and supply side, which can further be broken down into internal and external issues
- If you are not aware about the pharma industry, it is okay to ask the interviewer to give you a brief explanation of the same – In this case, the interviewee was aware about API, which he/she made use of in the supply chain

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Growth Strategy

Apparel Manufacturer – Interview Transcript

The client is in the apparel business in the US and wants to expand their top line. They need your suggestions on how to achieve the growth.

I would like to confirm the objective before I proceed. The client is seeking suggestions to increase revenues. Is there any other objective? And do we have a number on the increase envisioned?

Yes, 25% and that is the only objective.

Okay, I would like to understand the client a little more. Specifically, I want to understand three things- the product segments they operate in, the price point to get a sense of the segment they deal in and the position of the industry- fragmented or consolidated?

Alright. So to answer your first and second question- we are mid-priced jeans manufacturer known for our quality at affordable price. We operate in a fragmented market with push from both low and high-end manufacturers along with same segment competitors. However, in this fragmented space, we are one of the top 5 players.

That helps. So given it is a fragmented market, the growth within the market can come by either acquisition or without. In the first case, we will have to do due diligence to acquire a company or in the latter case, we can grow organically by increasing the number of customers or revenue per customer.

Sounds good. Can you quickly run me through how you can increase revenue per customer for a product like jeans?

Sure. So, we can either change the price depending on price elasticity or increase buying frequency of the customer. The latter can be done by reducing shelf life of our jeans. However, given that we are known for the quality, this is a bad idea possibly. What other things we can look at are discounts, loyalty programs and seeing if there is a possibility of cross selling across products.

Alright. Let us look at the other idea of increasing number of customers.

We will have to study the segment we have targeted and strengthen our positioning to acquire more customers. This could be through channel improvement or advertising. Here I am assuming, we are not trying to redesign the product. So, can you give me some data around which is our target segment and how do we reach them?

Our target segment is low-mid income adults, both male and female. Instead of advertisements, I would like you to explore what else can you do to augment revenues?

In this case, we can look expanding into new geographies, new product lines or new customer segments.

How do we capture new customer segments?

Since we are an established brand in the mid-price segment, can launch a new brand in the premium segment. It can be launched under a different brand name which will have a higher price point and will be sold in limited stores only. This brand will be showcased as a premium and high-quality brand and will cater to higher paying segments with new products. This brand will be under the same parent company but will be distanced from the original brand to not confuse the customer.

What will be the distribution strategy for the luxury brand?

We can think of having an omni-channel strategy with focus on D2C. As we already have stores for mid-priced jeans, we can leverage that as well as launch a new D2C channel since D2C provides higher margins and more control than traditional channels.

What things you will focus on while launching an omnichannel luxury brand?

I would focus on 3 key things:
1. Brand messaging: Unlike regular brands, luxury customers look for experience and authenticity. We should look for effective storytelling such as sharing the tales of artisans who have made the jeans to connect with consumers.
2. Invest in technology: D2C brand can improve profitability over time by collecting data on its consumers and by effective targeting of ads. Additionally, the strong visual appeal of the website will enable to drive sales
3. Excellent customer service: It is important to have robust return/refund policies for D2C brands to gain trust. Services like BOPIS (buy online pick in-store) or BORIS (Buy online return in-store) should be provided for a seamless omnichannel experience.

Sounds reasonable. Let's move on. How do you suggest the client expand to other regions?

So, we will have to explore different target markets on the following 4 factors-
1) Size of the market in terms of demand for jeans and favourable attitude to jeans
2) Paying capacity
3) Ease of setting up manufacturing/distribution operations
4) Competition

Ok. So, we have decided to pick China as our new market. What could be possible bottlenecks?

I will build on the same analysis I just did. Some of the possible bottlenecks are:
1) Getting licenses might be difficult
2) Presence of low-cost competitors.
3) Price point may need to be altered since mid-priced jeans might be expensive in China. We can go for a low-margin model in which we offer discounts on the selling price but keep it profitable This will of course be done after analyzing the price elasticity of the market and how much of revenue can we expect compared to selling at the current price

I'd also like to know whether we can shift production to China or open a new factory there to cater to the new market?

What purpose would that solve?

Since the cost of production in China is lower compared to majority markets, we can go for a cheaper product while keeping the margins the same. This will help undercutting competitors and will result in higher sales and higher revenues depending on the price elasticity again. Additionally, if we move our production here, it will also help with cutting prices in the current market as well and cater to a larger market.

Alright. That makes sense. Let us wrap it up here. Thank you.

Apparel Manufacturer

The client is in the apparel business in the US and wants to expand their top line. They need your suggestions on how to achieve the growth.

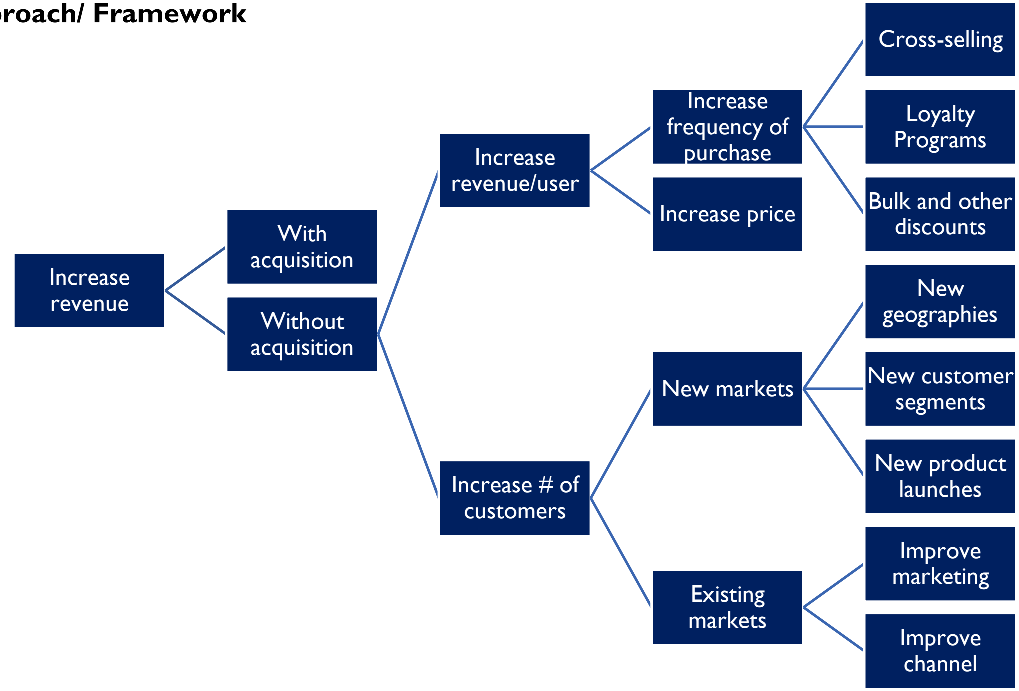
Interviewee Notes

- Expand by 25%
- Look at elasticity
- Acquisition
- No go- China

Case Facts

- Jeans manufacturer in US
- Mid priced
- Quality
- Fragmented market but top 5
- TG- Male and female adults

Approach/ Framework



Key learnings

- Above structure provides an exhaustive framework on how to approach the problem from a consumer side
- Clearly identify if the company wants to focus on gaining more from its existing consumer or acquire new customers
- Trying to bring in insights which are relevant and current in the market such as D2C channel strategy to score brownie points

Elevator Manufacturer – Interview Transcript

Your client is an elevator manufacturer. Lately, a new competitor entered the market who has been eating into the client's market share. The client needs your help to devise a competitive response.

Just to confirm the objective, the client wants strategies to stem the loss of market share they have been experiencing. What exactly has been the decline and when did the competitor enter? Does the client have a specific target market share in mind that they want to attain?

They had a market share of 70% at their peak 2 years ago but this has now declined to 50% since the competitor entered the market. They just want your help to understand how they can prevent a further decline in this and maybe re-attain their market position.

Before I structure our approach, I need to clarify a few more things. For how long has the client been in this business and in which geography?

The client has been a well-known name in this industry since the past 20 years. They manufacture in Europe and have traditionally served European and US customers.

Interesting. This means the client was able to become the dominant player in terms of the market share at the global level despite presence only in two continents.
Who exactly are their customers? What does the client's value chain look like?

They usually have long-term contracts with builders. Whenever a new building block comes up, the client is responsible for shipping and installing new elevators.

The longevity of the client and the long-term nature of the contracts would typically mean close relations with customers which would help in this B2B industry.
Can you tell me a bit more about the competitors – How many competitors are there and what are their market shares?

There are basically just these two players in the market. The competitor has been able to attain a market share of 25% since they entered 2 years ago. The remaining 5% of the market is made up of small, regional players with negligible market shares.

How does the client compare with its competitors? Have they been facing a similar problem?

It is just the client who has been facing this problem. In terms of the product, the competitor has brought in a far superior elevator which is both faster and is priced cheaper.

Interesting. Product differentiation by competitors leads me to hypothesize that the client did not undertake any product innovation over the years and customers are thus shifting to their competitor's superior products.

That is a fair conclusion.

Given this, I would like to take the following approach to consider the strategies the client can adopt to grow their revenues. They can look to expand their business either organically or they can adopt an inorganic expansion strategy by partnering with other firms.

What exactly do you mean by an inorganic strategy?

As part of an inorganic strategy, the client can look to partner with other firms or acquire them with the aim to integrate vertically along the value chain.

That makes sense. Let us focus on organic strategies for now.

To grow their revenues organically, we can consider total revenues as the product of the total number of customers and the average revenue per customer. The client can look for growth opportunities in either of these.

Alright. Let us consider them both one by one.

Talking about the total number of customers, it will be the product of the total number of potential customers of the client's product and the percentage conversion among them.
Given the lack of value offered by the client in terms of product quality and price, this is the first thing they need to address to increase the percentage conversion. The client needs to look at the typical customer's purchase journey, understand their needs, invest in R&D to improve their product and improve their cost structure to offer a better price to the customer.

Makes sense. Let us talk more about increasing the potential customer base.

To increase the total number of potential customers, the client can either continue to focus on geographies they are already present in or instead venture into new geographies. In particular, the client has traditionally done well in the European and US markets. Can they venture into new countries? Where exactly is the client's competitor focusing on?

That is a good point. Yes, the client can consider moving into new geographies. In fact, their competitor has been focusing on Asian markets which have been experiencing a healthy growth.

Interesting. It seems the competitor has been able to tap into new markets which the client has missed out on. The client can do the same and target Asian customers. They can look at other potential markets in the world as well and be the first one to move there.

How else can the client grow their total customer base?

The client can either target new customer segments, develop new products or explore new distribution channels.
In terms of new customer segments, the client can look to partner with builders of both commercial buildings and residential societies as well.
If the client is willing to invest, they can introduce new products. They can leverage synergies in their manufacturing process by innovating products that require similar manufacturing capabilities (materials/processes used). They can also leverage synergies in their distribution/sales network by making other products required by their existing customers - escalators, moving walkways etc.
They can look to expand their existing distribution and sales network as well. As a long-time brand in a B2B business, they can leverage their sales relationships to persuade customers from defecting to other manufacturers while they meanwhile understand and address their pain points.

Excellent. Let us talk about the average revenues per customer.

The average revenue per customer would be the product of the average volume purchased per customer and the price charged to them. I assume the total number of elevators a customer buys would be dependent on the contract length, building specifications, the real estate industry etc.
In terms of pricing, the client can look at a price discrimination strategy to extract maximum value from different customer segments. If the client has other products that they offer, they can look at bundling and cross-selling as viable profit maximization strategies as well.

Good. Is there anything else?

As a trusted name, the client can even look to leverage their brand by forging long-term customer relationships based on trust. Further, even though they are surpassed in terms of speed of elevators, the client can possibly identify other customer needs such as safety or luxury and re-brand themselves. Accordingly, they can sell elevators to hospitals or luxury hotels and charge a premium price as well.
Finally, their competitor's ability to innovate and excel quickly in this market points to superior organizational capabilities. The client can perhaps look to poach the top management of the competitor to attain fresh talent.

That will be all. We can close the case here.

Elevator Manufacturer

Your client is an elevator manufacturer. Lately, a new competitor entered the market who has been eating into the client's market share. The client needs your help to devise a competitive response.

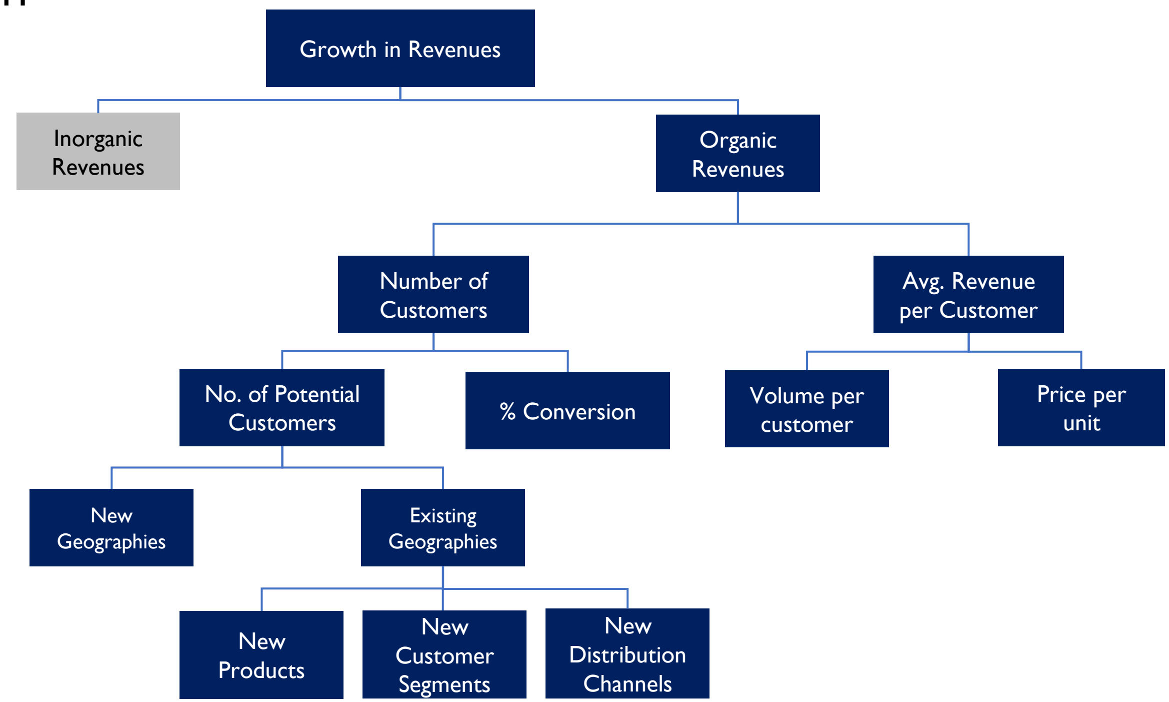
Interviewee Notes

- It is important to note that the industry is a B2B one, and their declining market share is despite the client being the incumbent.
- The focus of the case is on an ability to outline as many creative competitive strategies as possible.
- It is important to move quickly through the structure and suggest as many strategies as possible without being bogged down in the details of one specific strategy.

Case Facts

- Client is a well-known name and has been a dominant player in the elevator market for the past couple of decades.
- Market share decline is due to superior value offered by the competitor in terms of product quality and price.

Approach/ Framework



Recommendations

- Partner or acquire other companies to achieve forward and backward integration.
- Negotiate contracts to ensure optimum revenue per customer.
- Invest in R&D, perform operational redesign, consider organizational restructuring, and leverage brand and sales network to dissuade customers from defecting.
- Venture into new geographies, new customer segments or new distribution channels to tap into new customer markets.

Key learnings

- Although the case asks for a competitive response, the objective is to achieve a growth in revenues and thus the growth framework is apt for being exhaustive here.
- It is important not to be flustered by a lack of knowledge of the elevator industry. It is more important to proceed in a structured manner and use creativity to come up with responses to increasing competition. Other than the ones mentioned here, there is scope for more creative options as well.

2 & 3-Wheeler Manufacturer – Interview Transcript

Your client is a 2 & 3 wheeler manufacturer selling the product PAN India. They are witnessing a growth of 4-5% while the industry is growing at 9-10%. How can they increase the growth more than the industry

I would like to understand the objective of our client. What does he mean by growth? Is he referring to the top line of the company or bottom line of the company? And what is the timeline of the objective?

Growth refers to sales in INR, and the objective is to grow the sales within 1 year at market level growth

Okay, so we need to look at company sales. Since when is the slow growth of 4-5% witnessed?

It is a recent phenomenon

Great. So now I would like to know the products offered by the company and where in the value chain does our client lie?

Yes, good question. The major product offerings are bikes, scooters, e-rickshaw and client is involved in manufacturing & distribution through dealers. You can assume the process like Hero Honda

As you mentioned that the client is selling PAN India. So is the growth figure of 4-5% consistent across all the regions or are their any specific region that is suffering from slow growth

The growth is same across all the regions

Oh, so the issue is not region specific. Now, I would like to understand the growth of each product segment of our client vs the industry

Product wise growth figures are Scooters: 10% vs 20%, E-Rickshaw: 2% vs 2%, Bikes: 7% vs 7%

That's interesting, so the scooter segment is growing slower than the industry. While others are at par with the industry. Just to rule others out, what is the revenue split of the 3 segments

Yes, so the scooter contributes 25%, E-Rickshaw 70% and Bikes 5%

Okay, we have 2 problems at hand:

1. The slow growth of scooters with respect to the industry (market)
2. Slow industry growth of E-Rickshaw which contributes our maximum revenue share

I would like to deep dive on both the problems. Do you want me to focus on any problem first?

Let's first focus on E-Rickshaw

Sure, do we have data of the market share of E-Rickshaw?

Yes, the market share of our client is 70%

That's interesting! So, our client hold a major market share. But the market is stagnant so to find a sustainable growth strategy we need to look at increasing the market size.

Can you suggest some measures to increase the market size?

Sure, to start with, I would first find the target market for E-Rickshaw and then we will see the market size based on the customer affordability, accessibility. Am I good to proceed?

Yes, please proceed.

So, the target market would be the substitute of normal Rickshaw in places with easy availability of charging stations. Then the customer affordability need to be considered. Do we know the price point of the E-Rickshaw and that of normal Rickshaw?

Let's assume that the charging stations are located in metro cities like Delhi, Mumbai, Bangalore & Kolkata. The price of E-Rickshaw is half that of ICE- based Rickshaw.

Okay. As the charging stations are located in few cities, the market is stagnant. But the price of E-Rickshaw is quite attractive to increase the presence in other cities as well. In order to increase the market size, our client can tie-up with state government to invest in setting up of charging stations in Tier-II & Tier-III cities. This will lead to increase in market size. Now, to capture a bigger market share, our client can add some additional feature in the product such as fast charging and better-quality product with more powerful motors.

Good. Those are some good suggestions
Now let's go into the scooter segment. Can you give me suggestions to grow the scooter segment?

Sure, before diving into ways of expansion, can you confirm is there any shift in the product type which led the industry grow faster than our client.

Our competitor have improved the design of the scooter.

Interesting, so this might be one of the reason for customers to shift towards competitor's product. For growth of the scooter segment, our client can either expand organically by themselves or adapt an inorganic strategy by partnering with other manufacturers,

Our client don't want to partner with any other manufacturers. Can you provide ways to expand by themselves

To expand organically we can look into the total number of customer and average revenue per customer. To increase the total number of customers, we would start with estimating the market size. I would like to estimate the market size through customer segmentation which can be done through data available in online aggregators.

First, we will identify users who visit the website to search for 2-wheelers, then we will further segment the customers who were searching for scooters, then we will further segment the users who searched for the scooters with similar specs as our product. This will give us our target customer segment. Once we get the target segment, we can group them further based on Age, gender, regions using data mining tools.

Good. Now assume the target market size is of INR100 million. How would you increase the revenue in the next 1 year that is higher than the industry growth rate?

Given that the competitors are innovating to attract customers. Client must enhance the R&D spend. Next to increase the customer reach towards the brand and build the brand awareness could be done through aggressive marketing and building the brand presence through digital interactions with experts on Aggregators website, client's website, Influencers, cars & bikes shows, store visits, magazines & print media.

Okay. So we can wrap up the case here. What is your final recommendation?

In order to achieve the growth as per the industry growth rate, our client has 2 options:

1. First, increase the market size of E-rickshaw as it contributes to the major revenue stream for our client. This can be done by entering new geographies by eliminating the shortcoming of charging stations which can be achieved by tie-up with government. Also launch of new product with new additional features can be considered.
2. Second, organic growth through increase in R&D spend and consumer awareness would be the recommended step.

2 & 3-Wheeler Manufacturer

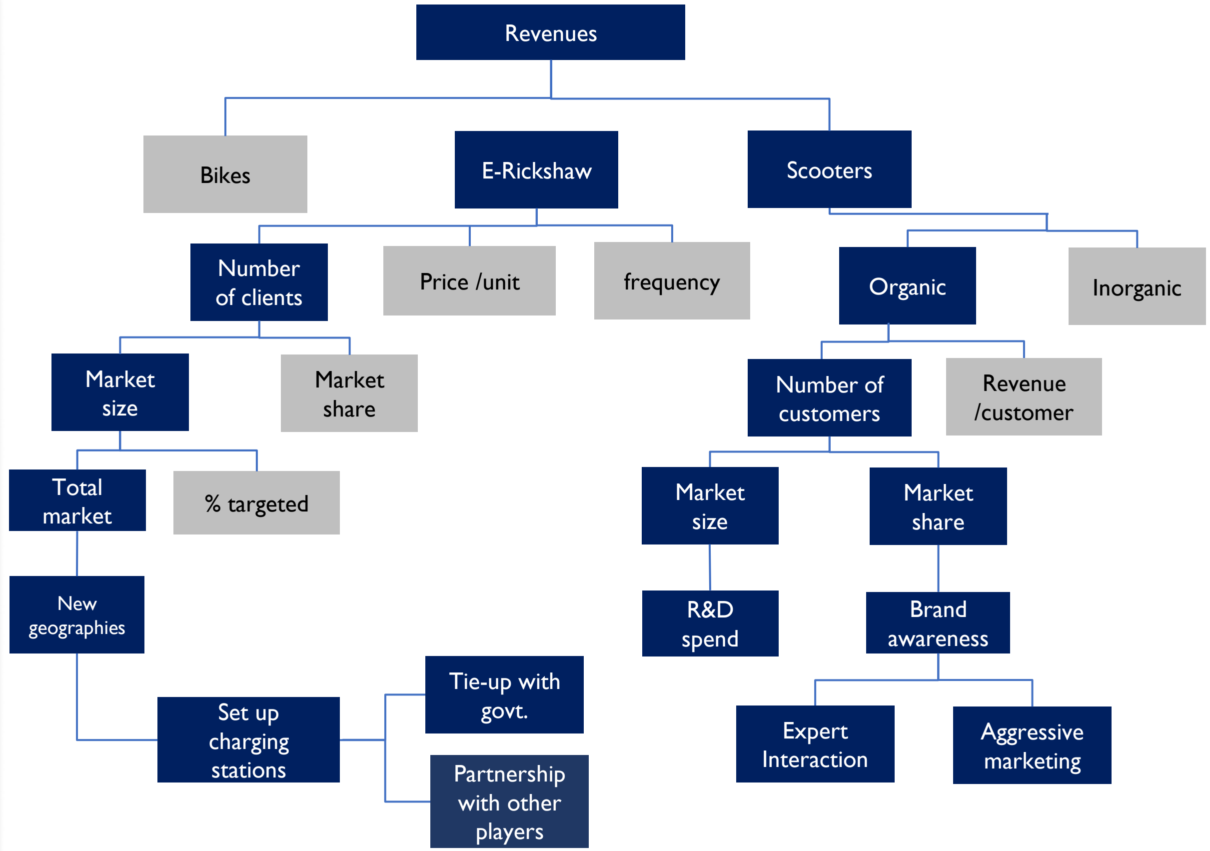
Your client is a 2 & 3-wheeler manufacturer selling the product PAN India. They are witnessing a growth of 4-5% while the industry is growing at 9-10%. How can they increase the growth more than the industry

Interviewee Notes

- It is important to understand the timeline of the growth strategy.
- Enquire about different product mix, revenue streams, geographies, value chain.
- Enquire about revenue split which could get the major areas to focus
- Product wise growth comparison of the client and the industry

Case Facts

- Growth is slow across all the regions. So it is not a region specific issue.
- Focus on E-Rickshaw and scooters.
- E-Rickshaw's growth is slow but contributes 70% of client's revenue
- Market share of E-Rickshaw is 70%.
- No cost side issue.
- External factors contributing to low market size of E-Rickshaw
- Brand presence is essential for scooters because the industry is growing rapidly but the growth of client's product is low



Recommendations

- E-rickshaw : increase the market size of E-rickshaw as it contributes to the major revenue stream for our client. This can be done by entering new geographies by eliminating the shortcoming of charging stations which can be achieved by tie-up with government and partnership with other players. Also launch of new product with new additional features can be considered.
- Scooters : Organic growth through R&D spend & increase in consumer awareness would be the recommended step.

Key Learnings

- It is important to get a clarity on the objective and the timeline for growth strategy
- It is important to compare the % contribution of revenue product wise to get a clear idea about the issue.
- Conformity from client at each step helps understand if moving in the right direction

E-commerce – Interview Transcript

Your client is Flipkart. They have requested your advice on medium-term strategy, for the next 3-5 years.

Are there any specific objectives that I need to keep in mind?

We have a dual objective of growth and improving profitability.

Understood. Do we have any information on the competitive scenario?

You can assume that we have only one competitor – Amazon India. We have a 55% market share in terms of Gross Merchandise Value.

Okay. I would like to break down the problem into the following four parts:
1. Increasing customer acquisition
2. Increasing customer retention
3. Increasing number of transactions/basket size
4. Increasing per transaction profitability and overall profitability

The first three will take care of our growth objective and will have some bearing on the profitability objective as well. Does this approach work for you?

Yes, this works.

In that case, I'll start with figuring out ways to increase our customer base. Do we have any information on our existing customer base?

80% of our customers are in urban areas, and account for 95% of our sales. Within urban areas, 60% of our customers are from metro areas.

Interesting. Our customer base is highly concentrated. Any particular reason why we have not expanded much in rural areas?

The Company has been trying but has been unsuccessful. Can you figure out the reasons?

Some possible reasons that I can think of:
1. Access: Do people in rural areas have access to internet? And do they know about Flipkart?
2. Serviceability: Can Flipkart service all those locations, in terms of logistical capabilities?
3. Trust/Inclination: Are rural consumers comfortable transacting online? Or are they comfortable only with the physical kirana stores?

Good. So, the issues we have been facing are lack of trust and very high last mile delivery costs. Any suggestions around the same?

For trust issues, can we appoint a person in every reasonably-sized village who will help in placing and delivering the orders and more importantly, will be the face of the organization. For reducing last-mile delivery costs, can we partner with some logistics companies specializing in that area? Or maybe India Post? They have the widest reach.

In fact, we can onboard Kirana stores and adopt an omnichannel strategy. These kirana stores can be equipped with a mobile/tablet and can take orders on behalf of the customers. They can earn a commission on each sale. Plus, they can serve as a mini-warehouse for us, helping in last-mile delivery as well. Customers can come there and pick up their goods rather than us delivering them to their doorstep.

Interesting ideas. Let's move on the next aspect.

Sure, now we need to figure out a way to retain customers. Before we do that, do we have any information on whether we are comparable to our competitor in terms of product selection, delivery and overall experience?

For the purpose of this exercise, you can assume that we are similar to them in almost all aspects. We are currently competing primarily on pricing.

Okay, but that would not align well with our profitability objective. Can we create a customer retention program on the lines of Amazon Prime?

Flipkart had tried launching loyalty programs like 'Flipkart First' and 'Flipkart Plus' which provided faster delivery and greater discounts to its members. But it failed to take off. Can you think of why it failed when compared to 'Amazon Prime' ?

'Amazon Prime' apart from providing benefits on shopping - like free shipping, one-day delivery and greater discounts – also provides free access to its OTT service and Prime Music. I think these additional features make Amazon Prime membership much more lucrative.

To compete with Amazon Prime, Flipkart will also have to bundle their loyalty program with other features. We could explore tying up with other service providers such as Apple to provide access to Apple Music, Apple TV, Apple News etc. But this would incur additional costs.

Interesting suggestions. Let's move on to profitability now. How will you reduce costs?

What are our biggest cost heads? I would assume marketing (including discounts) and logistics?

Yes. They form around 70% of our total operating costs.

Okay. The measures we discussed should hopefully reduce our reliance on discounts. So that should bring down the marketing costs over time. We can also look at better targeting of ads, I am sure we are already doing that. But as we gather more data, maybe our targeting will improve bringing down our marketing costs.

For logistics, we will actually have to spend more in improving our warehouse and transportation network as we expand, which will result in benefits over time. Our suggestion on kirana stores can hopefully improve our logistics efficiency and bring down costs.

Anything else you wish to add?

Walmart has recently acquired Flipkart. Walmart is known for its supply chain efficiency, maybe we can draw some lessons from them and figure out collaboration areas

Good. Lastly, Flipkart is also struggling to expand the growth of its B2B marketplace– 'Flipkart wholesale' which targets MSMEs and small-scale Kiranas. What could be the possible reasons

1. Competition from established players like Amazon, Udaan etc.
2. Kirana stores and MSMEs have long-lasting informal relationships with their local wholesalers. It is difficult to gain trust
3. Working capital is a major problem for Kirana stores and MSMES. Maybe, our credit terms are not favourable. Also, cash is the favoured mode of transaction for these vendors, and they may not be comfortable transacting online.
4. There is also the additional upcoming risk of the ONDC (Open Network Digital Commerce) initiative by the government. If successful, this will add to the competition

E-commerce

Your client is Flipkart. They have requested your advice on medium-term growth strategy, for the next 3-5 years.

Interviewee Notes

- There are two objectives: growth and profitability (which can be conflicting, especially in platform businesses in growth stage)
- The value chain of the e-commerce business (or any digital business) would involve customer acquisition, customer retention, increasing basket size and increasing transaction profitability

Case Facts

- 55% market share
- Amazon is the only competitor
- 80% of our customers are in urban areas, and account for 95% of our sales. Within urban areas, 60% of our customers are from metro areas.

Approach / Framework

Customer acquisition
- Focus on rural areas
- Co-opt kirana stores

Customer retention / **Increasing transaction basket size**
- Loyalty program
- Aggregator model
- One-stop shop

Increasing profitability
- Logistics cost
- Marketing cost

Key learnings

- This is more of a 'conversational' type of case rather than one which is following a particular structure. (generally observed in final rounds)
- In case the company involved is a well-known one, be sure to use your knowledge of the company during the interview. For example, here, the interviewee mentioned about Walmart (ideally, should have mentioned much earlier as could have provided an interesting direction to the case). Also, be aware of the recent development like ONDC – bringing these insights helps to differentiate yourself.
- In case you have work/ internship experience, do think about the common issues faced by that industry – the interviewer might give you a case on that particular industry

Newspaper Company – Interview Transcript

Your client is a national newspaper company. They were facing a decline due to covid restrictions in the pandemic. However, after pandemic the revenues are growing at a natural slow rate. Client needs your help in growing the revenues.

Okay, I want to understand more about the client. Where all does it operate and what types of newspapers does it print and what type of customers does it cater to?

The client prints a standard newspaper in English language not leaning to any political party. It operates across India except for North-East. The customer segment is across all age-groups.

Okay, do we have information about the competitors in the market and whether they are also growing at a natural rate?

We have 3 major competitors in the market and all of them are growing at a much faster rate.

Sure, do we have any growth target and timeframe in mind?

Yes. We are looking to grow revenues by 1.25 times in 1 year

Fine. I am assuming that the client just prints the newspapers and sends it across to its agencies. I also wanted to understand the different revenue streams for the client. Currently, I can think of Ads, Retail sales, Subscription, events. Is there anything that I am missing here.

This seems okay

Sure, further I want to understand the bifurcation among these streams. Do we have data on it. Also, I want to know whether the client has any digital presence.

No, we don't have any data on bifurcation. Also, the client is not into digital segment yet. Also, the client is willing to increase the revenue through content delivery only

Okay, I think I have enough information on the issue. I would like to consider two approaches the client can adopt to grow the revenues: Organic i.e., expanding through their own business or inorganic i.e., by expanding using JVs, mergers, and acquisitions. Do you want me to consider any strategy specifically?

Let's focus on organic strategies only.

Sure, we can consider total revenues as the product of total number of customers and the average revenue per customer. Should I focus on either of the two?

Sure, let's focus both of them one by one.

Sure. The average revenue per customer has two levers: The revenue per transaction and No. of transactions per user. As we only have a single newspaper, the revenue per transaction would be the monthly subscription charge or the price paid for a single newspaper purchase. However, increasing the price with same services might not be a feasible option as the customers might shift to our competitors. However, we can add extra articles, op-eds, special news on weekends and then our marginal increase in price can be justified.

Yes, correct. Let's move on.

The client has also add options at additional price along with the newspaper like Weekly Market recap 2-pager on Saturdays, Bollywood stories on Sunday, Special Trivia for competition preparation, government job vacancy listings articles etc to bundle and cross-sell along with the newspaper.

Yes, let's focus on increasing the number of customers now.

Sure, I would like to breakdown the total number of customers as Market Size multiplied by Market Share. Considering the Market size ie., the total consumer base first, we can look on increasing it by either of the two ways: Moving into new geographies where we can focus on providing services in North-eastern region as well, as the accessibility has considerably improved.

Okay. Carry on.

Another way, the client can look to explore is through developing new products. If the client is willing to invest, it can launch other variety of newspapers and magazine for different genre like Business, General Knowledge, Weekly Round-ups etc. which require similar capabilities. Also, if the client has resources, it can move into digital segment by launching news through their own site, app, video news, and news aggregator platforms. However, as the timeline is just 1 year it won't be feasible to develop operations from scratch and thus JV and acquisitions can be thought of as a way to enter digitally.

Good that's a fair point. Let's move on to increasing market share.

Sure, to increase the market share I would like to step into the shoes of a typical customer analyse the journey. Does it sound a fair approach to you.

Yes.

So, I would like to divide the customer journey into three parts. The first part of the journey will start with the decision to subscribe or buy the newspaper. The second part of the journey would involve the experience during reading the newspaper and the third part would be concerned with post reading the newspaper.

Sure, please go ahead.

Sure. For a person to purchase of the newspaper there would be three factors that client can look to improve, first would be the awareness about the newspaper, thus proper advertising and promotions using hoardings, digital media need to be done. Second is the accessibility. Client would need to ensure that all the major vendors, book stalls, railway stations have the newspaper readily available, The client can provide lucrative benefits for the vendors to incentivise them for preferring its newspaper more. And, the third would be the affordability. The client can look to provide discounts on long term subscription and keep competitive pricing for the retail sales of newspaper.

Good. Let us move to the next part.

Once the customer has purchased the newspaper, there are three levers that would affect the journey: First is the veracity. The client would need to ensure that its proposition of delivering unbiased news is maintained and the content of the articles and the news is factually as well as logically correct. Second thing is the variety. The client should ensure that as a general newspaper, there are variety of news available from all the spaces in a holistic manner. It can also try to ensure that the editorials and guest editorials to be from different sectors and engaging renowned personalities for it. The client can also ensure fun games like puzzle, sudoku to be provided in the newspaper. The final would be the quality of content. Having legible content with high quality images and graphics goes a long way in sustaining loyal customer base. As an example, the Dainik Jagran in my area had an issue with printing of the images and as a result, it lost a substantial amount of subscription.

Yes, this makes sense. Let's move to the final part.

Sure. Now, I would like to move into the journey after client has read the newspaper. This can involve providing extra benefits to engage them for a longer time. For example, providing comic strips, anecdotes, stories in a sequence-wise manner to inculcate curiosity for the next day's newspaper. The client can also provide coupons in the newspaper which had to be collected in a specific number, let's say 60 days, and these could be redeemed at vendor in terms of gifts, discounts and rewards. This can ensure the stickiness of the customers to our newspaper. Finally, there can be a feedback portal as well, where customers can send their take on the news, or raise some specific issue, participate in a poll using sms, app.

That sounds interesting. Do you want to cover anything else.

Till now we have covered, increasing the reach of the newspaper as per the ask of the client. However, we can look into the advertising revenue stream, which is a lucrative and one of the fundamental options to grow the revenues in this sector. Strategies like implementing region-based targeted advertising, ensuring high quality graphics in advertisements, promoting influencers and celebrities on paid basis using articles etc. Do you want me to deep dive into it?

That's great insight but let's stop here. Thank You.

Newspaper Company

Your client is a national newspaper company. The client wants to grow its revenue.

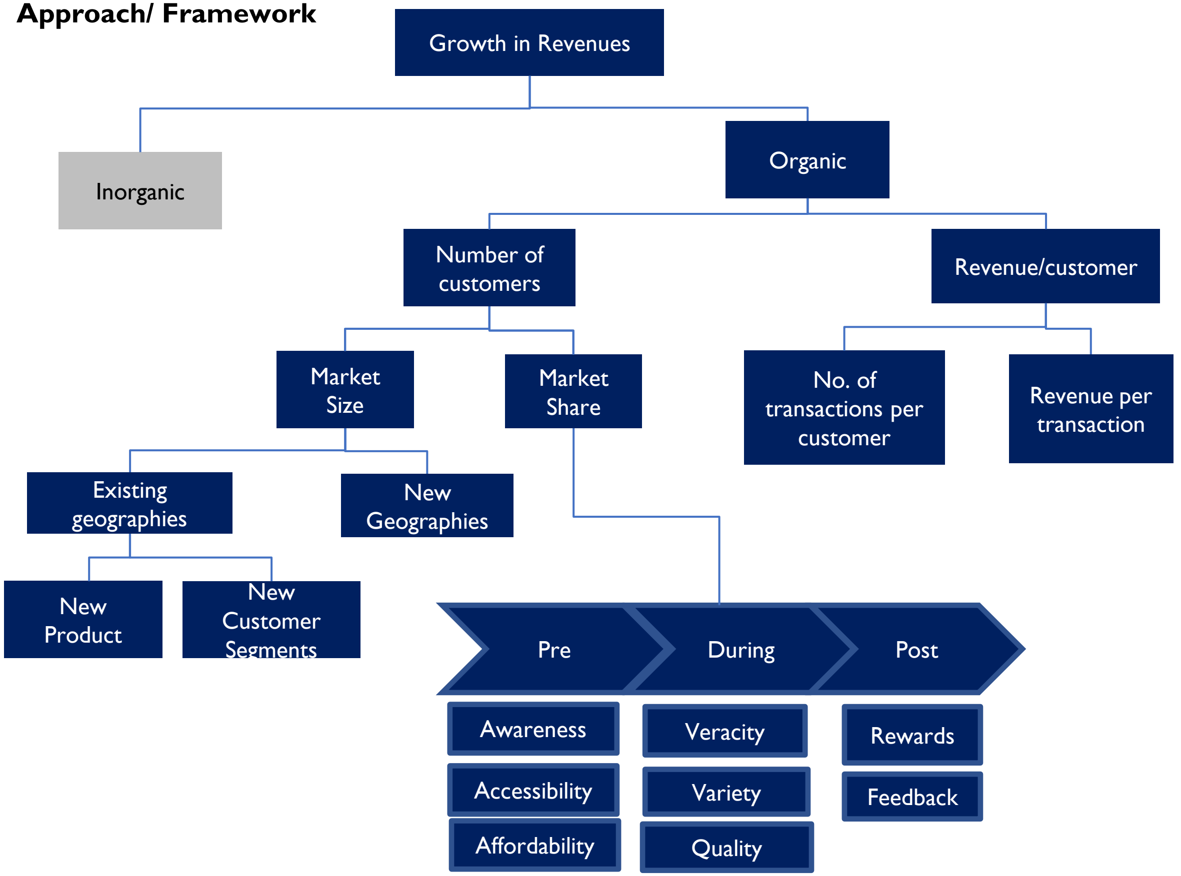
Interviewee Notes

- It is important to understand the business of the client, Thus, concise questions about about product mix, geography, competitors, different streams of revenue are needed.
- It is important to understand the resource constraints in hand for the client. Thus, bide in the interviewer while proposing new initiatives.
- Here the interviewer asks the interviewee to focus only on revenue increase using content delivery i.e., reaching to maximum number of customers.
- The focus of the case is to come up with multiple creative strategies as quickly as possible.

Case Facts

- The client prints a single standard English newspaper.
- Revenues have not grown as per the industrial standard.
- The client operates in pan-India except North-east
- The value chain of the client is similar to conventional newspaper companies.

Approach/ Framework



Recommendations

- Venture into new geographies, new product development and new customer segments.
- Promote bundling by releasing special weekly edition content
- Improving the aspects of customer journey of a normal newspaper reader from awareness to feedback

Key Learnings

- The case deals with the application of growth framework and exhaustively covers all the scenarios.
- Even if you don't have knowledge of the industry, try to be creative and relate with newspapers you have been reading to come up with some ideas. This will be appreciated by the interviewer

Midstream Oil & Gas Company – Interview Transcript

Your client is an Indian oil and gas company looking to increase their revenues. Suggest a growth strategy for them.

I would like to start with a few preliminary questions. What business exactly is our client into and in what geographies? Is there a growth target in their mind?

The client operates in the midstream sector i.e. transmission and marketing of oil & gas. They operate pan-India and are looking to grow by 4x over the next 10 years.

Ok, so I would split the options to increase sales into exploring existing business or exploring new business. Within existing business, I will look at options to increase volume or price and within new business, I will consider M&A, entering a new geographical market or introducing a new product.

Great. Let's focus on new businesses.

We can analyze the new businesses using a 2x2 matrix of products versus business. With the existing product, the customer can look to penetrate more in the existing business or expand into a new business. With a new product, the customer can remain in the existing business by modifying the product or enter a new business. The new business can be related (integration) or unrelated to the current business. Do we have any data around what the client is looking for?

Yes, so as you correctly identified client wants to enter a completely new business of drinking water distribution. They want to setup water purification plants to supply water to municipal corporations.

Interesting. So, if I understand correctly, the client will source water from the water bodies, purify it in its own plants and sell it to municipal corporations. Are we looking only at drinking water supply?

That's right. How would you identify a good geographical location to start this business ?

I would analyze different locations and choose the ones where there is no distribution network currently, which have water scarcity and a large population. I would also look at the purchasing power of the municipal corporations, regulations, and possible synergies with my current distribution network.

Hmm, what else? Since you would be selling water to municipal corporations, does it make sense to set up a plant in a place with no municipal corporation supply? Also, in the places where municipal corporation exists, they already have a water sourcing and purification network. Why don't you think from the perspective of demand in the future?

Okay understood. From the future perspective, I would benefit by setting up the plants and sourcing network in a location where water sources are expected to dry up. Hence, I can use my current pipeline network to source water from far away places and purify in my own plants.

Perfect. Our team carried out a similar analysis and they have identified Bangalore as one such location. Can you help us size the Bangalore domestic potable water market?

Should I look at sizing by value? Also, I will look at only the household daily potable water demand.

Yes, by value. Assume the municipal corporation buys water from the client at Rs. 10 / kL.

(Interviewee calculates similar to the table on the next page). I would segment all the households of Bangalore based on a rough estimation of income. My assumption would be that higher-income people would live in bigger houses and have higher water demand.
Assuming only 50% population would have municipal water supply, my daily water demand comes out to be 2.5 million kL / day. This translates into a revenue of Rs. 25 million / day.
This market size seems attractive even if we can control a 60-70% share once the other sources dry up.

Sounds reasonable. Once the water dries up, what alternative sources can be possible ?

We can look at rainwater harvesting, sourcing water from locations near Bangalore, harvesting groundwater from nearby forests and supplying to Bangalore or we can look at sourcing seawater from a coastal town, purifying it and supplying to Bangalore

Great. Our client is looking to source sea water from Chennai, transporting it to Bangalore by setting up a new distribution network, purifying it in plants near Bangalore and selling to the municipal corporation. Can you list down the costs which will be incurred by us?

I can divide the costs as Fixed and Variable costs. Fixed costs would involve the infrastructure costs i.e setting up of pipelines, purification plants, licensing costs, insurance costs, and salaries. The variable costs will be the cost of buying seawater, operations costs, maintenance costs, wastage and theft costs.

What costs would you include under the operation cost and what would they depend upon ?

The operations cost would include the utilities costs like costs of running the pumps and power houses to source water and supply it to Bangalore. Another cost would be the cost of running purification plants and cost of running powerhouses to supply water to municipal corporation.
The operation costs would depend upon:

1. The distance over which water is supplied (We should look at minimizing this distance from Chennai to Bangalore by setting up underground pipelines)
2. The gradient of the on-surface pipelines (Given that Bangalore is surrounded by many mountains, and we cannot have underground pipelines throughout)
3. Specification of Pumps such as their quality and efficiency.

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

Midstream Oil & Gas Company

Your client is an Indian oil and gas company looking to increase their revenues. Suggest a growth strategy for them.

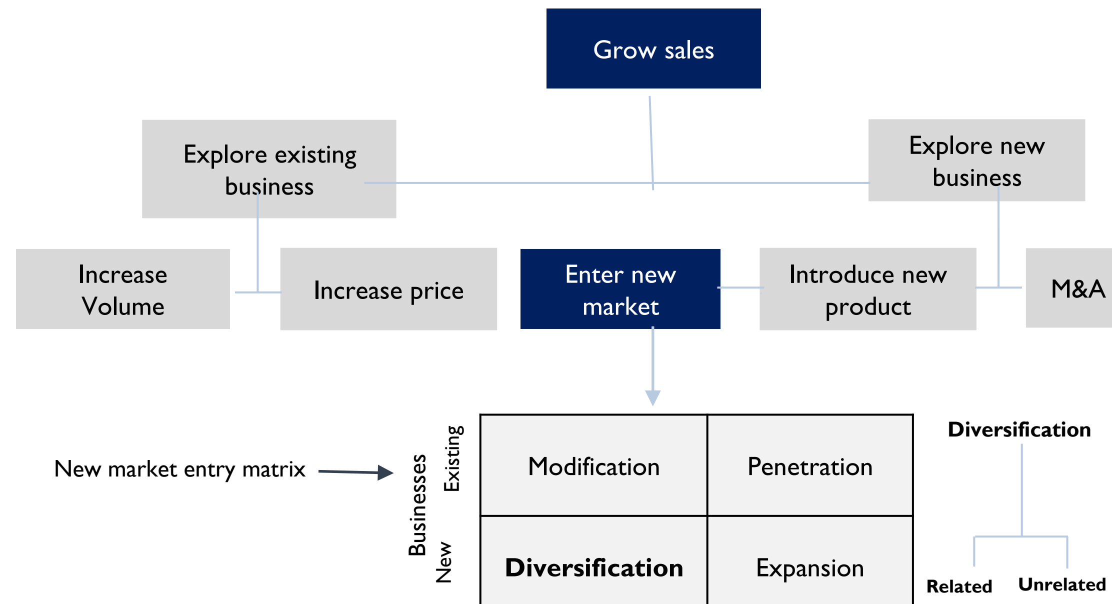
Interviewee Notes

- Expand in India only
- Differentiating factor: client has a wide distribution network
- Can expand by expanding existing business or exploring new business
- For water business, focus on areas with scarcity of water supply.
- Benefit by setting up the plants and sourcing network in a location where water sources are expected to dry.
- Focus only on the potable waster supplied to households of Bangalore.
- Cost of pumping water will be a major cost

Case Facts

- O&G co. operating in midstream sector i.e. transmission and marketing and has pipeline network throughout India.
- They are targeting a revenue growth of 4x over next 10 years (Another hint that client will look for new businesses)
- Current operations are pan-India
- Client wants to enter a completely new business of drinking water distribution. They want to setup water purification plants to supply water to municipal corps
- Water sold to municipal corporation at Rs. 10 / kL.
- Client want to source sea water from Chennai and supply it to Bangalore using its network

Approach/ Framework



Starting Assumption: Bangalore Population: 12 million (3million households)

Recommendations

- Expand by entering the new business of setting up water purification plants and selling water to municipal body
- The market size of Bangalore for potable drinking water looks attractive and given the expectation of future scarcity, it looks like a good place to set up the operations
- Major costs would be incurred in establishing the network of pipes and operations (purification and supply)

Key learning

- The case was quite lengthy and involved growth strategy, market sizing as well as some qualitative analysis
- The MECE growth framework at the start helped to quickly identify client's growth srtategy

Income	Low Income	Medium Income	High Income
% households	60%	30%	10%
Municipal water supply	20%	50%	100%
Water consumption (kL)	1	2	4
Total water demand (Kl)	2,500,000 /day		

Revenue = 2,500,000 x Rs. 10 = Rs. 25,000,000/ day

Wool Yarn Manufacturer – Interview Transcript

Your client is a Wool Yarn Manufacturer. It wants to grow its revenues 5x in 5 years and has approached your firm. How would you go about it?

Before I venture to formulate a strategy for growth, I would like to know more about the client's business model and the competitive landscape where it operates.

The client currently operates only in India and is the market leader with a 10% market share. The market is fragmented. It sources wool and converts it into yarn, which is sold further sold to its customers. The demand and production of wool yarn are seasonal in nature. If any wool is left, the same can be sold in the international market.

I want to learn more about the business in small steps. Firstly, I would like to understand the competitive scenario. It seems like the market is highly fragmented if the client is the leader with 10% share. Do we know the reason behind the market being fragmented? Also, what is the share of the next-in-line competitor?

That is a fair observation. The Indian market is highly fragmented due to the limited capacity of wool manufacturers. Sales are made to big businesses – so client relationships are very important. Our client has long-standing relationships with its customers and can reap the benefits of economies of scale. Therefore, all the other players in the market have shares of around 1% each.

Secondly, I want to learn about the client's operations, starting from the supply side and leading to the demand side. Who are the suppliers of wool? How is it that we can further sell wool without being a wool manufacturer?

Good question. There are two types of wool in the market – Merino Wool and Normal Wool. Merino Wool is of high-quality wool and comes from Africa. You can assume that our client only works with merino wool. The prices are decided in the international market and the firm is a price taker. Rise and fall in wool prices are passed on to customers. As the wool is internationally traded, excess wool can be sold in the international market at any time.

I want to continue with the questions on the supply side. Since there is an international market, it is fair to assume that the supply of merino wool is not a constraint. Also, as the client only deals with merino wool, is the 10% market share only in the merino wool yarn market or the entire wool yarn market in India?

That is an excellent question. The client commands 60% of the market in the merino wool yarn segment and does not wish to enter the normal wool yarn segment.

Since the client wants 5x growth in 5 years, we would need to command 300% of the current merino wool yarn market. Do we have information regarding the growth of the market in India?

Yes. The market is growing at a 10% rate.

This would imply that the client would need to venture outside India to be able to meet its growth target of 5x. Before moving on the demand side, I would like to understand the client's processing capacity. Does the client have any excess capacity?

Your observation about moving international is correct. To answer your question, the client is operating at 100% capacity. It cannot increase capacity through part-time labour. The financial resource constraints are such that they cannot heavily invest in purchasing additional plants.

This information limits the options the firm has available. There could be two ways to go about it. Since wool yarn production is seasonal in nature, the firm can try to smooth out the production schedule so that it may produce year-round. This would entail some minor investments in storage. Additionally, the firm can try and lease the spare capacity from the smaller players in the market. This is under the assumption that some domestic players have excess capacity.

You are moving in the right direction. Is there any other information you require from my side?

Yes. For the demand side, I would like to understand the international demand scenario. Are there countries where we are already exporting our yarn? How are we operating there?

Internationally, the client operates through agents. The company has never served other countries on its own and does not feel it has the required expertise for the same. In terms of demand, most of our shipments go to the east – Japan and Indonesia.

It seems like the company has been operating through agents solely because it has not built the required capabilities for venturing outside India. Before I move to formulate a strategy, it would help to know why Japan and Indonesia are high-demand countries. Is it a trend or has this been constant over time?

These countries have a growing demand for merino wool yarn in recent years. You may call it a trend.

Why are the domestic producers not catering to the demand? They should have been amongst the first ones to foray into the market.

Wool yarn manufacturing is a capital-intensive industry. The demand in these countries is growing but is not large enough to be catered by domestic players at a profitable rate. I think we can proceed with formulation of a strategy.

The client wants to grow 5x in 5 years. Since it has already captured 60% of the market in India, it would need to venture internationally to grow at the target rate. There are two parts to my strategy – Capturing Growing Domestic Market and International Expansion. Is there a specific segment you would like me to focus on?

The two-part strategy seems fine. Focus on International Expansion part.

The client currently operates through agents in the international market. I believe it is fair to assume that these agents charge a mediating fee or commission. We can remove the middle-man to improve the margins. Now, for growth, we can look at an organic or inorganic strategy.

Do you think organic growth makes sense here?

Since the client does not have enough financial resources, it would make more sense to go through channels which require lesser investment. As organic growth requires considerable investment, it is not recommended. Within inorganic growth channels, Strategic Alliances and Joint Ventures should be preferred considering the financial resource constraint.

Good. I believe we can wrap up the case here. What is your final recommendation?

There are two parts to the final recommendation:
1. First, I would recommend tapping the countries in an order of priority. Countries where the domestic players have not developed yet, such as Japan and Indonesia, are good prospects for Strategic Alliances or Joint Ventures. Other markets can be considered at a later stage.
2. Second, the client should not lose sight of its domestic market. For the capacity constraint, it can smooth out production throughout the year or lease capacity from other players for catering to both domestic and international customers.

Very good. We can end the case here. Thank you.

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Wool Yarn Manufacturer – Interview Transcript

Your client is a Wool Yarn Manufacturer. It wants to grow its revenues 5x in 5 years. Formulate a growth strategy for the client.

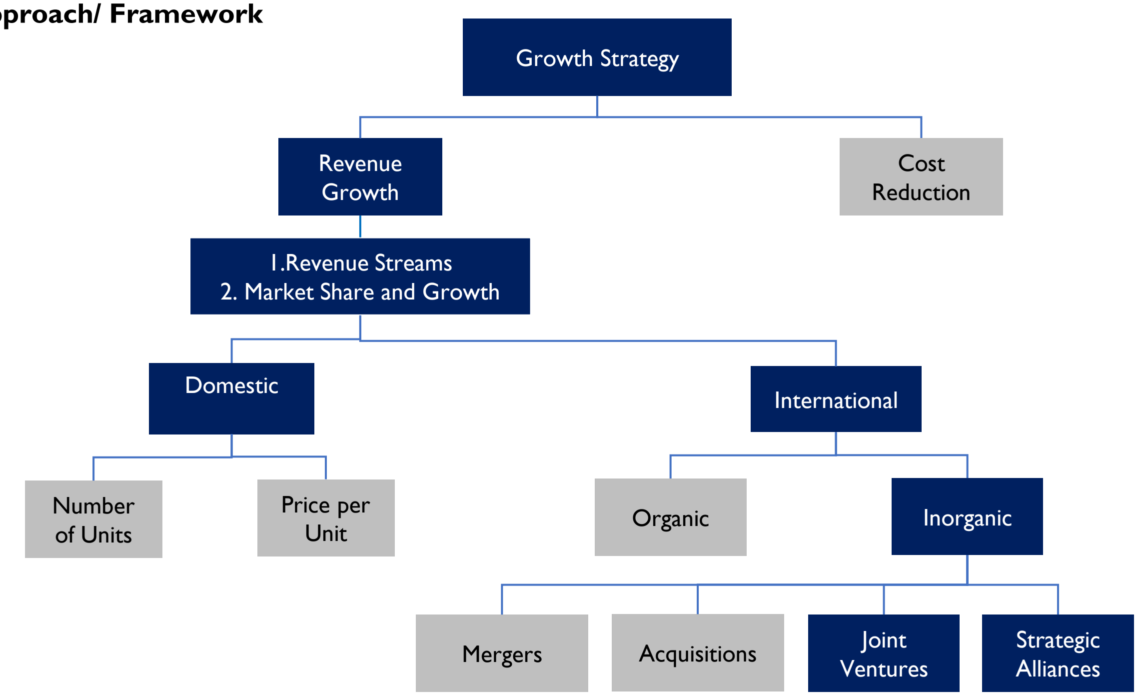
Interviewee Notes

- Open-ended case: Requires higher number of preliminary questions. It is better to lay down a structure from the beginning.
- Understanding of business model, both domestically and internationally, is important. The operations might be drastically different.
- Size and growth of market segments needs to be benchmarked with client targets.

Case Facts

- Client is market leader in a fragmented market due to its specialised wool yarn segment and customer relationships.
- Domestic market is not big enough to fit in with client's growth targets.
- Financial resources and capacity are important constraints.

Approach/ Framework



Recommendations

- Inorganic Growth: Strategic Alliances and Joint Ventures in undeveloped markets with growing demand. Financial constraints restricted other modes of expansion.
- Focus on Domestic Market: Catering to growing domestic demand by smoothening the production schedule and leasing excess capacity from smaller players.

Key Learnings

- Immediate Clarifications: There was a lot of data in the case. It was helpful to clarify doubts as and when they arose.
- Explicit Assumptions: If any assumption is made, the same was mentioned explicitly. The interviewer could point out if it does not stand.
- *Data-based Observations:* Presence of mind always helps. Observations from quick number-crunching can create a good impression in front of the interviewer.
- Clarification on Terms: Clarification on exact terms is essential. E.g. terms like "Market Share" can be used for overall market or for specific segments.

Indian PSU – Interview Transcript

Your client is an Indian PSU that is into multiple businesses. They need your help in devising a growth strategy for next 10 years.

I would like to understand the objective first. In that regard, do they have any metric in mind?

The client wants to increase its revenue by 4 times in 10 years.

Okay. What is their current revenue? And how has the revenue trended over last few years?

Their current revenue is around 3000 crore rupees. It has remained stagnated over last few years. Thus, they are especially focused on devising a growth strategy.

Got it. Now I would like understand client's business. In that regard, I have two questions. First, what are the different business categories the client operates in? Second, what is the contribution of each of these businesses to the overall revenue?

The client is essentially a manufacturer and has three business segments based on product type– mining and construction equipment, metro train coaches and non-combat defense vehicles. Currently, the first two segments contribute 40% of total revenue and defense contributes 20%.

I have another question here. What is the growth in revenue of each of these segments?

While the metro train coaches segment is growing at 3-4% annually, the other two segments have been seeing a decline of 1-2% annually leading to a stagnant revenue.

Thanks. This helps. I will take 30 seconds to structure my approach. So, I intend to analyze the problem in four parts. I will first analyze each of the segments individually to find growth opportunities. Then, I will reconcile the opportunities to build a growth strategy.

Sounds Good. Go ahead.

I would first like to analyze the metro train coaches segment because it is one of the biggest growing segments and is also growing. Also, in India as more and more cities are implementing metro project sit looks like a lucrative segment to me.

You are correct. Even the company entered into this segment a few years back to overcome the decline in revenue due to other two segments.

Great. Before I look into growth opportunities, I need to clarify about their business model. I have two questions. First, are the metro train coaches standardized or customized as per requirement? Second, does the company sell coaches to metro train operators like Delhi Metro Rail Corporation?

Answering the first question, coaches are made as per the customers' specifications. And, you are correct, they sell coaches to rail operators which are usually PSUs. As such the selling process involves bidding for tenders. However, in the selection process, the officer has some discretion in choosing the supplier.

Got it. What is the competition like in this industry?

So, there are two more players. One of them is a local private manufacturer while other is Japan based manufacturer. The foreign player has been losing the market in recent years.

Interesting. Is it because of low cost of manufacturing for local players while foreign player also has to bear transportation cost and import duty?

Yes, you are correct.

So, I think I have enough understanding of the business to analyze growth opportunities. I would like to break up my analysis into existing business and new business. Within existing business, I would analyze opportunities incurrent market and in new market. Within new business I would analyze if opportunities exist for vertical and horizontal integration. As mentioned earlier, I would look for unrelated diversification opportunities at the end after analyzing each of the business segments.

Sounds Good.

Ok, so starting with analyzing current market for existing business. As the specifications are provided by customer, there might not be much to differentiate through product. So, the client could aim at two things to gain more customers–cost reduction and differentiation through service.
On cost reduction, since cost of raw materials like iron/steel is not under client control, client can aim for increasing efficiency of manufacturing process through means like updating to latest technologies.
On differentiation through service, I have two suggestions. First, they can provide better after sales service. Second, they can have separate relationship manager for each of the customers to build long term relationship. In every few years, metro projects expand, so this can help in getting new contracts.

The client already has the latest technology. Good suggestions on differentiating through service. The private player is currently known for better service which has helped it in gaining more customers.

Thanks. Now we can look into new market for more opportunities. Before moving further, I would like to confirm if the client operates only in India?

Yes, the client is currently supplying only to the customers in India.

So, the client can look for upcoming metro train projects in South/South-East Asian countries, including Nepal, Bangladesh, Myanmar, Sri Lanka etc. Here the company may cater to customers without incurring a large transportation cost & may not even face competition from local players.

Good point.

So, until now we have looked into growth opportunities within existing business. Now, I would look into growth opportunities through new business. First, there are opportunities for vertical integration. If we consider backward integration, the client can get into steel/iron sheets-making business. Its other business segments also require the same material so this would also help in reducing costs.

Okay. But can you highlight few criteria which client could analyze before entering this segment?

Sure. Competition in steel industry, initial investment, demand to achieve economies of scales, etc.

Okay. Looks good. Go ahead.

On forward integration, I think there is not much opportunity from client side as requirements are set by customer. Moving to horizontal integration, we can check other needs of rail operator like engine, rail line etc. Here, synergies from mining and construction equipment manufacturing can be exploited.

Makes Sense. Do you have any more suggestions?

No. Perhaps we can move to second part of analysis.

We will wrap up the case here as we are short on time. But I am sure that you can replicate this process for other business segments as well. Thank you.

Indian PSU

Your client is an Indian PSU that is into multiple businesses. They need your help in devising a growth strategy for next 10 years.

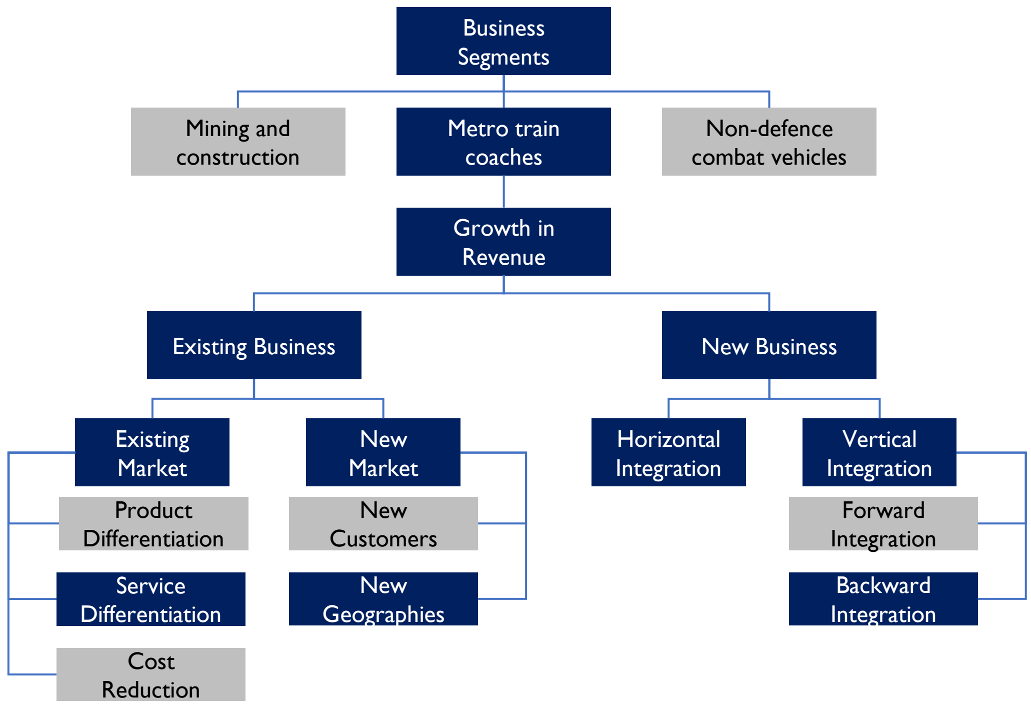
Interviewee Notes

- The target metric for growth could be revenue, profits, market share, GMV etc.
- Understand the business. Questions could also be asked in a structured manner
- Set the overall structure, divide it into multiple parts

Case Facts

- Metro train coaches' segment is growing at 3%-4% annually, the other two segments are declining at 1%-2% annually
- Coaches are made as per the customers' specifications
- There are two more players - a local private manufacturer and other is a Japan based manufacturer
- The client has the latest technology
- The private player is known for better service.

Approach/ Framework



Recommendations

- For the metro train coaches, better after sales service which includes maintenance, repair etc. can be provided
- The client can have separate relationship manager for each of the customers to build long term relationship
- The client can look for metro train projects coming up in South-East Asian countries especially the neighboring countries of India like Nepal, Bangladesh, Myanmar, Sri Lanka etc.
- In terms of horizontal integration, client can look into other needs of rail operator like engine, rail line etc. In backward integration strategy, they can get into steel/ iron sheets making business.

Key learnings

- The case was qualitative in nature, a working knowledge of the various pillars of business segments and how they can be leveraged can bring additional brownie points.

OTT Platform Growth – Interview Transcript (1/2)

Your client is a pan-India video streaming OTT platform like Hotstar, Netflix etc. Due to the competitive industry their growth has stagnated. It wants you to devise a growth strategy.

I would like to understand the objective of our client. What does he mean by growth? Is he referring to the top line of the company or bottom line of the company?

The client wants us to focus on topline growth and ignore the cost side.

Okay. Does the client have any targets, timelines or budget in mind? Are they open to exploring new businesses or expanding outside India?

Look at a 2-fold strategy with plans for short-term (1 year) and long-term growth. There are no specific targets. Ignore budgetary constraints and foreign expansion. Stick to the present business.

Alright, I will explore ways to achieve both short-term and long-term growth. Further, can I know a little about the business model of the company?

The company has a freemium model and has an app and website. Its free version is monetized by advertising revenue and has a total user base of 30 Mn people. The premium version is available for INR 150/ month and has a total subscriber base of 3 Mn people.

Okay. So, is there a particular segment you want me to focus on for this growth strategy?

Yes. Please focus only on the premium customer base.

Sure. I would like to know a little about the platform. What content do we offer and in what languages? Is there any content difference between the free and premium models? Do we produce our own content or do we license it from 3rd parties?

We offer entertainment content like movies, TV shows and short films across various genres. Our content is both in English and Hindi. A large chunk of our English content is produced in-house while all our Hindi content is licensed. In-house content is only available on the premium version. This holds true even with some of our licensed content.

Great. Can I know a little about our user demographic? Also, do we have any idea on user perception of our content?

Our content is well received by the users. Within English we have noticed that our in-house content receives much more traction than licensed content. Most of our users are urban youth.

Is this trend purely due to the quality of our in-house content or are there any other factors at play?

A part of it is due to our content quality. But there are 2 more contributing factors. Firstly, a lot of licensed content is also available on other platforms which reduces their demand. Also, we follow extensive marketing for our in-house content which results in its high popularity.

Ok. Can I know what the competition in this market looks like?

80% of the market consists of a few major players (Netflix, Prime, Hotstar, Sony). Rest is fragmented.

Okay. I have enough information to proceed. Growth can be through 2 major levers – Organic and inorganic growth. I will first focus on organic growth.

That looks fine. How do you plan to achieve Organic growth?

Revenues from premium segment can be divided into number of customers and revenue per customer. However, both these are interconnected. I will focus on increasing number of customers. This can be done in 2 ways - increasing our target market size or our share in the target market.

How do plan to increase the target market size?

Given that we are urban-centric, we can look at increasing our presence in tier-2 and below areas. This will require targeted marketing and might also need the introduction of regional content.

We don't plan to enter the regional content market or divert focus to tier-2 cities as we feel there is still a lot of untapped potential in tier-1 urban areas.

Alright. Then, we can look at diversifying from entertainment content by going into sports, news etc. This require a lot of content acquisition and is more of a long-term plan.

That seems interesting but is a massive jump from where we are. Limit your analysis to the current content base that we have. Why don't you look at increasing the market share of the existing business?

To increase our market share we can focus on content-related factors or non-content-related factors. In non-content related factors, we can look at improving platform factors like UI/UX, suggestion algorithms or look at widespread marketing.

We are already on par with major competitors when it comes to the factors you mentioned. What else can we explore?

Then we can look at tweaking our pricing to see if overall revenues increase. Is the Rs 150/ month the only payment plan we have? How are competitors priced?

Yes, that is our only pricing plan. Aside from Netflix, we charge more than our competitors.

Considering, the competitive industry we can look at reducing our prices. But a detailed analysis needs to be performed on whether the resulting market share increase will compensate the price reduction.

Good point. Let's say that reducing prices will lead to larger revenues. How will you implement this?

Instead of outright reducing the prices permanently, discounted limited-time offers can be given. This will create subscription urgency and leave the door open for any future price increases. Additionally, we should add, annual plans, mobile-only plans and distinct subscription tiers to offer greater flexibility to subscribers. I feel that all this combined will help us realize our short-term growth.

Great. How do you plan to achieve the longer-term growth we target?

Here we can look at content-related factors. Given that our in-house English content is performing well we should keep that up. The big gap I see is with our Hindi content. Looking at the insights from our English segment, I feel we should start producing in-house Hindi content.

Good point. But our in-house production team doesn't have experience in the Hindi segment.

We can develop this capacity from scratch but going the acquisition route for inorganic growth might be easier. Are there any Hindi content producers in the market that we can acquire?

There is a small company ABC which distributes original content via its YouTube page and website. It has around 5 Mn YouTube subscribers and its content is well liked. But its website, meant for paid users has low traction. They are struggling to monetize their high-quality content.

Given their potential and the issues they are facing, ABC can be a viable target. I shall evaluate this acquisition by looking at financial and non-financial factors. Under financial factors, I shall explore the benefits and the costs. Under non-financial factors, I shall explore cultural fit and legal aspects. Starting with the benefits – is it fair to assume that a chunk of ABC's loyal users will switch to our premium service upon acquisition? Plus, there would also be non-ABC users who would switch from our free model to our premium model.

Yes, that is fair. Assume that ~0.5 Mn users will be added due to the ABC brand and ~1.5 Mn of our free users will turn premium.

Great, that would mean ~2 Mn new premium users added over a period due to the acquisition. Do we know how much we may have to pay for acquiring them?

Due to monetary issues faced by the target, we believe that we can acquire them for ~INR 90 Cr in a cash plus stock deal.

By those numbers, I see that we are acquiring ~2 Mn premium users at a cost of INR 450 per user (i.e., 90 Cr/ 2Mn). What is our present customer acquisition cost? Can we finance the INR 90 Cr deal?

Yes. There are no issues in financing this deal. Our current customer acquisition cost is Rs 500[1] which is also around the industry average.

OTT Platform Growth – Interview Transcript (2/2)

Great. This deal seems to present us with a huge upside even without considering any future new users outside of our firm and ABC. This deal will also offer massive synergies – more bargaining power with production houses and advertisers; and overall better value proposition to users. Further, due to digital nature of the business and small scale of ABC, integrating it with us won't be a hurdle.

Great. Why don't you analyze the non-financial aspects of this deal?

Both companies cater to youth, and I feel that giving ABC creative freedom & retaining their top management will preserve their existing culture and content quality. We must also be careful in the legal structuring of this deal to ensure that we get exclusive access to their past and future content.

Perfect. Why don't you briefly outline the post-acquisition risks and considerations?

While ABC has produced exceptional content in the past, there is a major risk in if they will continue to do so. Hence, giving them creative freedom and any additional support will be critical in the initial stages. What works for us is that as ABC's management will also hold company stock after this deal, they will have a major incentive to perform well. Further, we must consider if widening our Hindi content base will have any negative impact on English-friendly subscribers who may move to other niche platforms. Another critical decision we must take is under whose name to brand ABC's new content and what to do with their YouTube Channel.

Great. We can take those up in later discussions. Let's close the case here. Thank you.

OTT Platform Growth – Case Structure

Your client is a pan-India video streaming OTT platform like Hotstar, Netflix etc. Due to the competitive industry their growth has stagnated. It wants you to devise a growth strategy.

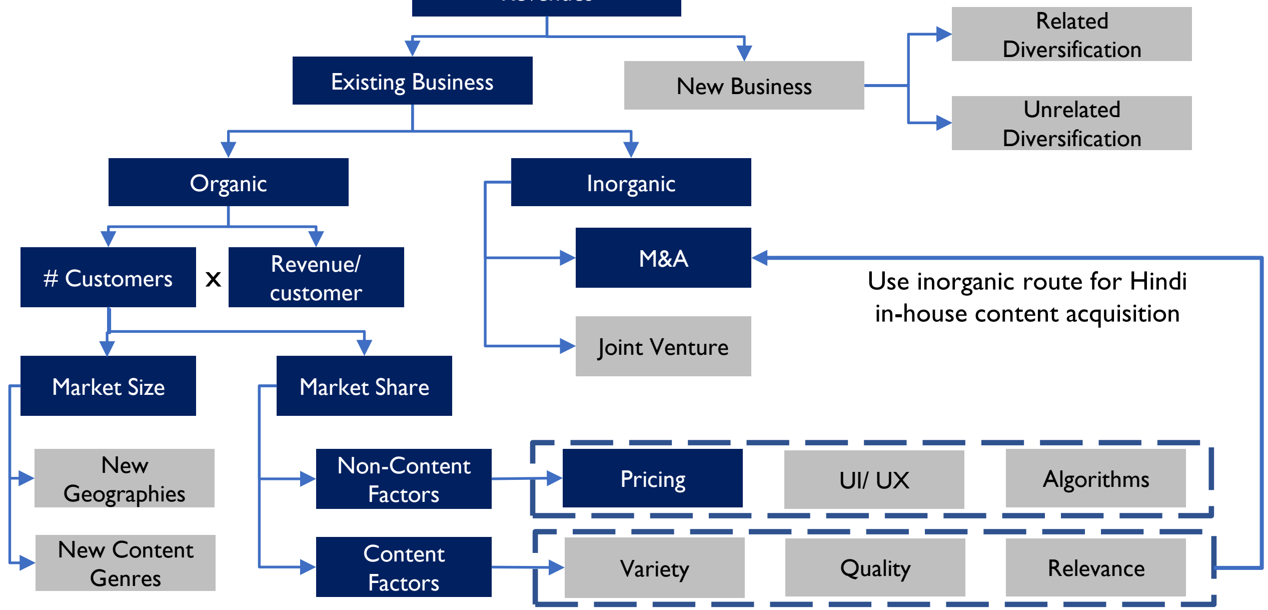
Interviewee Notes

- Important to understand growth objectives – topline vs bottom-line, timelines, targets, constraints etc.
- Essential to understand the business model, the current state of users, the nature of content etc.
- In qualitative factors like content – it is essential to understand what makes it popular – just the content or the surrounding marketing etc.
- Navigating competitive landscape is essential in growth
- Just the idea of reducing price isn't enough, implementation is also important.
- Here the acquisition target was provided and only the analysis of if we should acquire was needed. Detailed market scan will be needed in selecting our target if not provided.

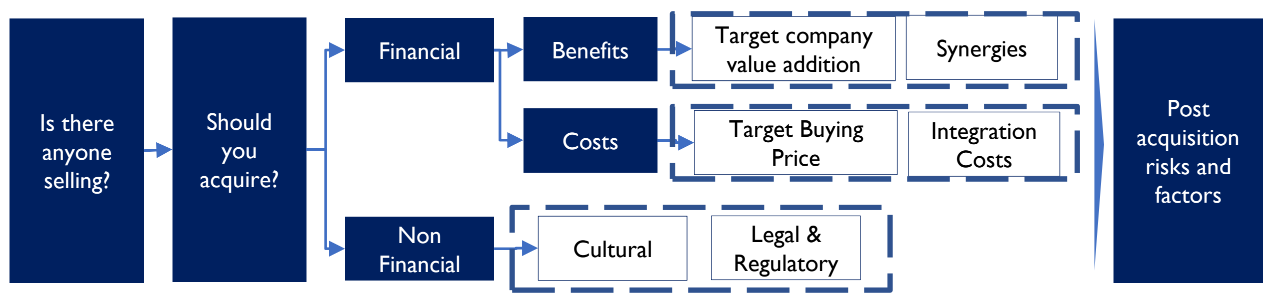
Case Facts

- Client has English and Hindi entertainment content.
- No issues on cost side and focus only on India.
- Look at both short-term and long-term growth.
- Focus only on revenues from the premium segment.
- In-house content is only produced for English and sees more engagement than licensed content.
- Client doesn't want to expand into regional content or any other content types (news, sports etc.).
- Client is open to acquisitions and has the financial capacity for it.

Growth Framework



M&A Framework



Recommendations

- Short-Term: Proceed with the updated pricing plan with limited time discounts, multiple subscription levels and a mobile only plan.
- Long-Term: Begin detailed due diligence of ABC and start negotiations. Also identify alternate targets to keep options open.

Key Learnings

- Understand objective well and structure growth plan in broad segments to cover every aspect. Be cognizant that short- and long-term growth works differently.
- In M&A cases quantifying benefits and costs can be very tedious. Best to ask for data upfront and take it forward. Using basic metrics (like CAC here) can help justify decisions. Doing a complete valuation is not usually possible.

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M&A and Due Diligence

AI Startup Acquisition – Interview Transcript

Your client is an Indian E-commerce platform. It is looking to acquire a young AI focused startup. The asking price is 250 cr. The client wants your input to value the acquisition and determine if it should go ahead with it.

Okay, understood. I'd like to understand the parent company a bit better. What are their offerings, scale of operations and target markets?

The client is a pan-India operating E-commerce platform focused on beauty and personal care products. It has an annual revenue of 5000 cr. Its target market is the upper-middle class population, especially women because of its product offerings.

Great! Can you give me an idea of the acquisition target company as well, specifically about their core product, business model and scale of operations?

The target company works on a service model, where their AI software generates and offers valuable insights to companies based on their customer interaction calls. They are a young startup with annual revenue of just 5 cr.

Understood. I believe the objective of the acquisition is a strategic one then?

Yes! That's correct. The company wants to improve its backend technology, especially to improve customer relations and support services efficiency. They believe the target firm's technology and expertise will aid the same.

Got it. Since the client is acquiring the target company for its technology and expertise, will the target firm continue to run its operations of selling services or exclusively focus on the client's firm?

Good question! The client wants the acquired firm to exclusively focus on the parent company's operations post acquisition.

Understood. Usually, startup valuations can be constrained by previous rounds of fundings. Can you provide details of the same along with their valuations?

For now, you can assume there are no such constraints.

Great! Would it be okay if I take a few seconds to structure my thoughts?

Sure!

Got it. So, I'd like to focus on three aspects to judge the opportunity: financial feasibility, Risks and benefits and culture fit between the organizations.

Yes, we can start with that list.

Coming to the financial feasibility, I'd be calculating incremental cash flows from improved processes, and deduct the future cash flows from the existing services model of the target firm.

Sounds good, please proceed.

I'd like to estimate the incremental cash flows out of our client's improved customer experience and streamlining of after sales services. The improved customer experience will benefit the company by increasing repeat purchases. Streamlining of sales services will help reduce overhead costs of support staff. It can be broken down into a formula as follows:
Incremental CF = EBIT(1-T) * % Increase in sales - Services revenue

Great! How will you estimate the % increase in sales?

To estimate these benefits, we can rely on data from the client about customer attrition due to bad post purchase service and effectiveness measures of target firm's technology such as increase in customer satisfaction scores.

Sounds good!

Can you please provide me with the EBIT margin, estimated % increase in sales, and effective tax rate?

Sure. The EBIT margin for last year was 10%, effective tax rate of 20% and you can take the increase in sales as 5%.

Understood. So, our Incremental CF = 5000 * 0.10 * (1- 0.2) * 0.05 - 5 = 15 cr. Can I assume the hurdle rate to be 20% and a growth rate of 15%?.

Yes, the assumptions seem fine.

Great! Then we get the NPV of 300 cr. Let's move on to risks and benefits?

Sure.

In terms of the benefits, firstly the team with their expertise in AI can help develop new AI based features for the app. This can further improve customer experience and their lifetime value. Secondly, the founders can be made part of the senior product team, where they can help align the top management's vision with new emerging AI/ML technologies. Lastly, the tech team's costs can also be reduced which would have been needed to deal with after sales service issues.

Sounds good. What about the risks?

The risks would involve firstly the chances of attrition of the developers behind the AI model due to change in deliverables and operational focus. This would reduce how well customized the model could be for the E-commerce platform. Secondly, innovation in the field can lead to leapfrogging of technologies which can render our acquired firm redundant.

Great! Let's move on to the next parameter.

Sure, let's look at the culture fit of the organizations. Is it okay for me to assume that the target company's employees must be used to a largely flat organization that promotes new ideas and risk taking. While the E-commerce giant would have more structured processes, although the HR would be trying to maintain an entrepreneurial culture.

Yes, that sounds like a fair assessment.

Understood. While this difference in hierarchy and incentives can lead to clashes, they are not significant enough to hinder the merger altogether. The common thread of a fast-growing entrepreneurial culture exists, which can help with the target firm's employees adjusting to the new organization.

Sounds good!

So, summarizing the parameters we have looked till now, the NPV of the company post acquisition will be 300 cr, which is above the current ask of 250 cr. The risks involved can lead to a scenario where we suffer a loss, but the other potential benefits of incorporating AI in other business functions and top management decision making more than balance out those risks. The culture fit is also not a significant issue; therefore, we can go ahead with the acquisition.

Alright. Let's stop here. Well done. Thank you.

AI Startup Acquisition

Your client is an Indian E-commerce platform. It is looking to acquire a young AI focused startup. The asking price is 250 cr. The client wants your input to value the acquisition and determine if it should go ahead with it.

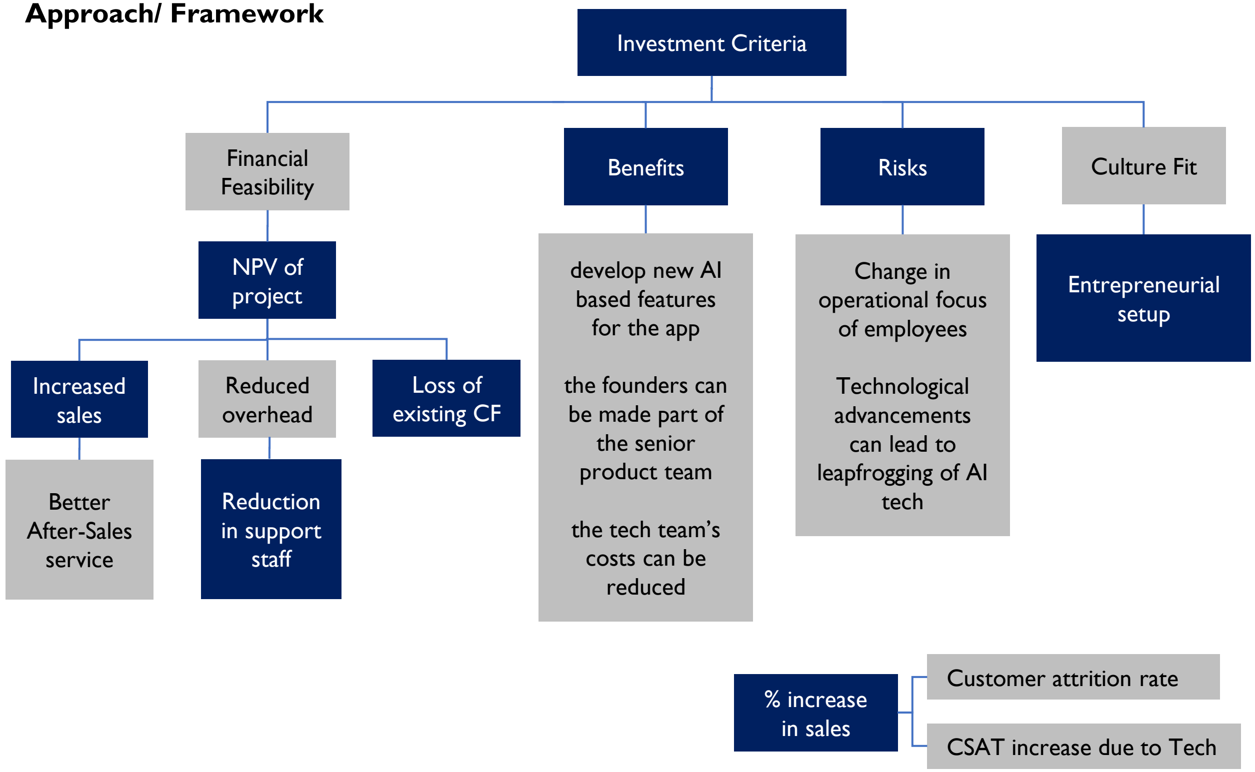
Interviewee Notes

- It is good to start by understanding both the acquiring and target companies scale and scope of operations.
- Objective of the acquisition needs to be clearly identified. Here, the scenario of a strategic acquisition changes the approach moving forward.
- Incremental cashflows should also account for loss of cash flows in case of change in focus of operations.
- In case of complex data-based assumptions, simply listing out the variables to be considered should be enough.

Case Facts

- Client is a pan-India E-commerce platform focused on personal care products with annual revenue of 500 cr.
- Target firm provides post sale service optimization through an AI model.
- EBIT of 10%, Effective tax rate of 20%, increase on sales as 5%.

Approach/ Framework



Incremental CF = EBIT(1-T) * % Increase in sales - Services revenue

Incremental CF = (5000 * 0.10) * (1- 0.2) * 0.05 - 5 = 15 cr

Recommendations

- Inquire about target and acquiring company's details first to deduce the objective of acquisition from your end.
- In case of technology based firm's acquisition, cross check for the possibility of reduction in revenues from old operations due to focus on parent company's tech needs.
- State your assumptions of hurdle and growth rate, then verify from the interviewer if you can move forward with them.

Key Learnings

- In case of complex data based calculations, simply stating the variables also works.
- In case of strategic acquisition, ask for a roadmap moving forward to understand how operations will change.

PE Investment Proposal for a Road Asset – Interview Transcript

Your client is a global PE firm looking to partially diversify into investing in infrastructure assets. Currently, they are evaluating an investment proposal for a highway project. They have hired us as consultants in this regard.

Firstly, I would like to understand more about the firm in terms of its investment focus and portfolio.

Our client is one of the largest PE firms based out of USA. For two decades, they have been investing in growth-stage startups across the globe and have an AUM of ~$70 Bn. The firm's vision is to become a full-fledged alternative investor. Recently, they have raised another fund with an investment focus on infrastructure assets.

I see. In this regard, what would our scope of work be?

The client has hired us with two specific mandates:

1. To help them draft a standardized investment checklist
2. To assess the risks involved in the investment proposal under evaluation

Great. So, I have a few questions pertaining to the investment proposal under evaluation. Is this a greenfield project or investment in an existing highway? Also, what is the proposed location?

This is an investment proposal for a 500 km greenfield highway project proposed to be built between Chennai and Coimbatore.

Interesting, As per my knowledge, these infra projects involve a bidding process and specific commissioning objectives. Could you tell me more about the same and the investment objectives of the client?

That's correct. The union government has initiated a tender process for the project wherein the interested investors are required to submit a closed-bid. The project would be granted on a Build-Operate-Transfer (BOT) basis.
Client's investment objectives are as follows:

1. Achieve an IRR of 25%
2. Investment horizon of 10 years

Got it. Finally, I would like to know about the revenue model, funding structure in terms of Debt-Equity mix, construction & operating period and any technical / financial / strategic partner that we are looking to onboard.

Good questions. Revenues would primarily be earned through tolls and rentals from way-side amenities. The proposed debt-equity ratio is 60:40. Construction is supposed to be completed within 3 years and the operating period will be 20 years. The client will have to onboard a technical partner with construction expertise and may look at onboarding State govt. as a strategic partner

I feel I have adequate information to get into the case. The investment criteria should be:
Economic attractiveness – Revenue model, financial projections, break-even analysis, profitability
Funding plan – debt-equity mix, debt repayment terms, interest rates, convertible instruments.
Technical capabilities – past credentials of technical partner, construction expertise, technological capabilities for toll collection, maintenance of highway, accident prevention
Valuation and returns – NPV analysis, IRR computation, payback period
Others – Construction risks, operational risks, exit risk, regulatory considerations?

Can you elaborate a bit on the financial model template and NPV/IRR analysis?

Sure. The financial model layout should be as follows:
Construction period: Costs incurred to develop the asset will be capitalized. Interest on debt will also be capitalized.
Operating period will include:
Revenues: Tolls (based on traffic and fee projections); Shop rentals (fixed rentals based on area and variable rentals based on sales projections)
Operating costs: Annual repairs and maintenance basis road quality, weight of vehicles, projected wear & tear; salary to staff on toll booths and housekeeping staff; Electricity & other general expenses
Depreciation: Based on useful life of asset
Interest: Based on debt amortization schedule
Tax: Basis tax laws

Sounds good. Now let us focus on the risk assessment of the investment proposal under consideration?

Sure. I would look at the risks in a sequential manner by categorizing them as follows:
1. Pre-construction risks 2. Construction risks 3. Operational risks 4. Financial risks 5. Exit

Absolutely. You may proceed with this.

Sure. I would do a detailed risk-assessment of the following risks:
Pre-construction – Over-bidding risk, risk of breaching T&C of tender, risk of people not clearing highway construction site, risk of not finding a technical & strategic partner
Construction period – risk of construction delays, risk of failure to meet quality standards, regulatory clearances
Operating period – risk of more frequent repairs & maintenance, risk posed by alternative modes of transport and alternative routes between Chennai and Coimbatore, toll collection effectiveness, accidents
Financial risks – Cost overruns during construction, inflation overshoots, increase in cost of funding
Exit risks – risks of not finding a buyer, not getting the desired valuation

We are done. Thank you.

PE Investment Proposal for a Road Asset - Framework

Your client is a global PE firm looking to partially diversify into investing in infrastructure assets. Currently, they are evaluating an investment proposal for a highway project. The client has hired us with two specific mandates:

1. To guide them draft a standardized investment checklist
2. To assess the risks involved in the investment proposal under evaluation

Approach/ Framework

- Investment Criteria
  - Economic Attractiveness
    - Revenue Model
    - Projections
    - Break-even
    - Profitability
  - Funding Plan
    - Debt:Equity mix
    - Repayment term
    - Interest rate
    - Convertibles
  - Technical Capabilities
    - Past credentials
    - Construction expertise
    - Technological capabilities
    - Toll collection
    - Maintenance
    - Accident prevention
  - Valuation & Returns
    - NPV Analysis
    - IRR computation
    - Payback period
  - Risks
    - Pre-construction
      - Over-bidding
      - T&C breach
      - Site clearance
      - Technical partner
      - Strategic partner
    - During Construction
      - Construction delays
      - Quality standards
      - Regulatory clearance
    - Operational risks
      - More frequent R&M
      - Alternative routes
      - Alternative modes of transport
      - Toll collection effectiveness
      - Accidents
    - Financial risks
      - Cost overruns
      - Inflation overshoots
      - Increase in funding cost
    - Exit risks
      - Failure to:
      - Find a buyer
      - Get desired value

IPL Team – Interview Transcript

Your client is a PE firm. They are considering investment in an IPL team. The client wants you to evaluate this investment and suggest a bid price.

Before I start, I would like to ask a few clarifying questions.

Sure

What does the client intend to gain out of this?

Our client has a small but growing catalogue of sports investments. They believe the Indian sports growth story and want to investment. They expect to make a profit from the investment.

Can you tell me more about the client's previous investments in sports teams? Where are the teams based out of and which sports leagues are they a part of?

The client has invested in three teams so far all in USA. These include teams in the NBA, the MHB and the MLS which is a soccer league.

Alright. Moving on to the team they are considering investing in, can you tell me about their performance?

The team ended up as the runner-up two seasons ago. They have ended up in the seventh position in the last season.

Do we know why the team is on the market? Why are the current owners selling the team?

The current owner is a PE firm, and they want to exit to capitalize on their investment.

How much stake does our client intend to purchase? Are there other firms bidding for the team?

Our client intends to purchase a majority stake in the team. We do not know if other firms will place a bid for the team or not.

Thank you. Let me start evaluating the investment. I intend to first look the sports team; the IPL at large and then analyse if the investment is a good fit for our client.

Sure, go ahead.

To analyze the team, I will look at the current profitability, try to estimate the growth, and then analyze the risks.

Let's start by estimating the team's profitability. Can you list the revenue heads first?

I believe there are the primarily four revenue heads for an IPL team, namely revenue share of broadcasting rights, merchandise sales, ticket sales and sponsorships. Am I missing anything?

No, that covers it.

Do we have any data for these revenue heads?

The broadcasting deal was for 40,000 crore rupees over 5 years. Merchandise revenue was 115 crore rupees, sponsorships bought in 175 crore rupees and ticket sales bought in a further 10 crores rupees.

Alright. Do we know the cut that BCCI takes for the broadcasting revenue.

They take 50% of the total broadcasting rights.

Alright. After BCCI's cut, we are left with 20,000 crores. I assume this is split evenly among all the teams. Therefore, each team earns 2000 crores over the broadcasting contract's 5 years, resulting in a revenue of 400 crores rupees per team per year.

That's correct.

Adding the four heads up, we have a yearly revenue of 700 crore rupees.

Good job. Let's move to the costs. Can you list down the cost heads?

The major cost heads I see are the licensing fees paid to BCCI, costs to run their home stadium, player costs, equipment costs and cost of producing merchandise. Have I covered everything?

Yes, you have.

Do we have any information on these cost heads?

BCCI takes a fee of 450 crores, player costs are 50 crores and you can assume all other costs to add up to 60 crores.

That results in a total cost of 560 crore rupees. Subtracting this from the calculated revenue, we have a gross profit of 140 crore rupees per year.

Good job. What will you look at next?

I will try to project the growth in profits over the investment horizon. Do we know how long the client intends to hold team?

Let's assume the client holds it for five years. How will you estimate growth.

If we look at our revenue heads, the broadcasting deal will give us a fixed income over the next five years. The other three heads are likely to grow linearly with IPL's viewership.

We can perform a regression on with past revenue and viewership numbers to understand the relationship between it.

That seems fair. How will you estimate the growth in viewership?

We can use regression to estimate the growth in viewership as well. Besides statistical techniques, we can also look at viewership of comparable leagues such as the Premier League in the UK as a steady state projection for the IPL and project future viewership based of it.

Good job. Let's move on and look at the Indian sports industry at large. What risks do you see in the industry?

There are three risks over the next five years that the client needs to be concerned about. Firstly, at a league level, IPL viewership needs to continue growing at a healthy rate to attract sponsors and allow merchandise sale. Secondly at a team level, if any team starts increasing their expenditure on players during bidding, it may prompt other teams to do so as well to maintain competitive parity. This will reduce our profitability. Lastly, at a player level, any scandals may negatively effect viewership for certain teams which may hurt the overall brand.

Finally, evaluate the investment fit.

While looking at investment fit, I will look at the synergies the client and the team can leverage, the evaluation and the exit strategy.

Analyze the synergies and fit.

Alright. As the client's experience in handling sports teams can allow the client to bring in innovative management techniques and practices from the American leagues. Additionally, it would be a good fit for the client portfolio as the IPL team would bring diversification to the portfolio. Therefore, the client should invest.

Lastly, please calculate the bid price.

Does the client have a target rate of return?

Yes. You can take a hurdle rate of 20%.

Do we also know the historical growth rate of revenues for the team?

The team profit has grown by 10% over the previous three years.

Alright. If we take these values, we can calculate the value of investment by diving the profit estimated by the difference between the hurdle rate and growth rate. That would result in an investment value of 1400 crore rupees. Therefore, I would not suggest the client to bid more than this amount.

Thank you. We can stop here.

IPL Team

Your client is a PE firm. They are considering investment in an IPL team. The client wants you to evaluate this investment.

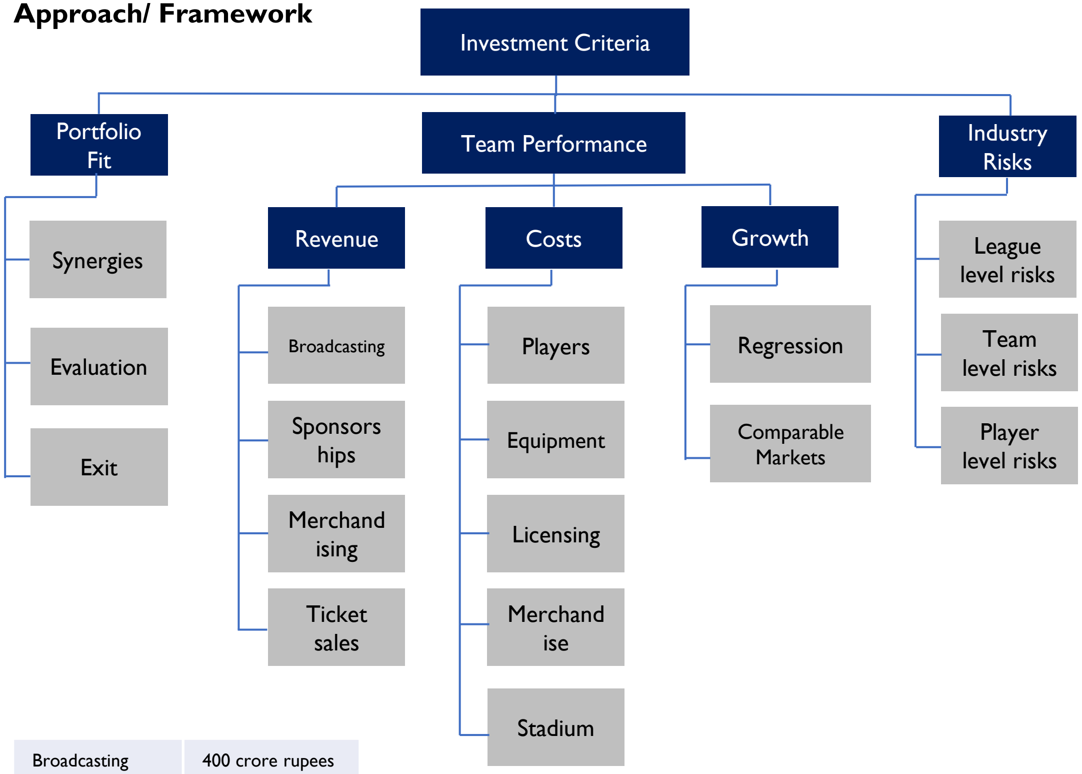
Interviewee Notes

- It is important to understand the objective of the client, in this case, profit.
- Enquire about the PE firm, its current portfolio and the IPL team.
- For the estimation of the bid price, figure out revenue and costs and divide by the hurdle and growth rates.
- Make a list of revenue and cost heads and ask the interviewer for data.
- It is essential for the interviewee to list methods to project growth.
- Add more structure to industry risks by breaking it down by unit of analysis.

Case Facts

- Client wants to earn a profit by investing in the IPL team.
- The client already has investments in sports teams in USA.
- The client expects a hurdle rate of 20%.
- The annual revenues are 700 crore rupees and the costs are 560 crore rupees.
- The client is looking to exit in 5 years.

Approach/ Framework



Broadcasting	400 crore rupees
Sponsorship	175 crore rupees
Merchandising	115 crore rupees
Ticket Sales	10 crore rupees
Total revenue	700 crore rupees

Licensing	450 crore rupees
Players	50 crore rupees
Others	60 crore rupees
Total Cost	**560 crore rupees**

Revenue	700 crore rupees
Cost	560 crore rupees
Gross Profit	140 crore rupees
Bid Price	1400 crore rupees

Recommendations

- The estimated revenue for the team is 700 crore rupees per year and the estimated cost is 540 crore per year.
- The client should bid for the IPL team. The maximum bid the client should place is 1400 crore rupees.

Key Learnings

- It is critical to understand the client and the asset with preliminary questions before starting such a case.
- It is important to split a due diligence into parts so as to cover the asset, the industry and the portfolio fit.
- The revenue and costs can be split into different heads to make the guesstimate easier.

Chain of Phoenix Shopping Malls – Interview Transcript

Your client is a PE firm. They plan to purchase the chain of Phoenix shopping malls in India. How should they go about it?

Before I begin, I would like to ask a few clarifying questions. I want to understand the client's portfolio and the financial objective?

The client has a mixed portfolio of different sized investments but none in the real estate space. They are planning to enter the real estate market and are interested in acquiring this because it can potentially be a part of their portfolio and could generate revenues for them. They plan to exit in the next 8-10 years.

Great, Can I know some details regarding the malls? As far as I know, there are two malls in Mumbai (Phoenix Marketcity and Palladium). Where are the other malls located? Are they also in Metro cities? How big are the malls? How old are they and what kind of a malls are these, in terms of the kind of shops and stores in the mall (normal retail stores, luxury shops, anchor shops like Big Bazaar etc.)?

Sure, There are total of 14 malls present in other Tier 1 cities at premium locations. The average mall size is comparable to the standard industry average, the malls are 5-10 years old, and they have a mix of normal retail shops, luxury shops and anchor shops.

Okay, should I look at the price and valuation also?

No, just focus on the other factors for due diligence.

Great, in order to analyze whether this is a sound investment, I would like to look at the attractiveness of the industry, the attractiveness of the assets, competitive moats and key risks. Is this a sound approach?

Yes, go ahead.

Sure, I would want to look at the attractiveness of the industry. Looking at the industry, real estate can be categorized into commercial and residential. In commercial we further have office space, retail, warehousing and other spaces. Malls would fall in the retail space. I would want to look at the retail real estate environment in these different Tier-1 cities. Specifically, I would want to look at how the industry is in terms of market size & constraints of growth (capital, supply-demand and talent required).

Great, Go ahead.

Looking at the market, I am assuming that the market size would be big enough for a PE firm to be interested in. Hence, I would want to look at the constraints of growth, looking at the real estate sector. I believe it is pegged to capital expenditure (as it requires money to set up the malls & also run them) and is dependent on how capital flows (as most of these businesses run on leverage). Therefore, it will also depend on the macroeconomic factors of the country. It also seems more cyclical than other industries. Is this a fair analysis?

Yes, good observation. Let's say the market size is attractive and the macroeconomic factors are also showing a positive sign. What would you want to look at from the supply and demand lens?

Sure, from the supply-demand lens, I would want to know the trends of the demand which is the absorption and supply which is the new mall additions and vacancy in the last 4-5 years in each of the cities.

Sure, the average vacancy has decreased, also new mall additions are slow despite an increase in absorption.

Great. Now, I have a good understanding of the market. Looking at this, it seems that the industry outlook is good because the increase in demand is more than the increase in supply. Based on the trends, the industry attractiveness looks good. Is there anything else that you would want me to look at?

No, you have done a good analysis. Now look at the attractiveness of the assets. To make it easier let's just focus on the Phoenix Marketcity mall that you had mentioned.

Great, so I'll focus on the Phoenix Marketcity mall located in Mumbai. In order to look at the attractiveness of this asset, I would like to look at the profitability of the mall. I can break down Profits as Revenues minus Costs. The major sources of Revenues that I can think of would primarily consist of rental income and other sources of revenue which would consist of advertisements, car parking and renting out open space for events, etc.
Looking at the Rental Income I can break it down into Total area of the mall* % leasable area* % Occupancy * Rent per sq. foot per month. The other sources of income can be taken as certain percentage of the rental income.
I would now like to know how we compare in each of these variables w.r.t. to the industry. Also, since the mall is located at a premium location, is it safe to assume that the occupancy and the rent per sq. foot would be higher than the industry average?

Yes, you're right. Are you sure you want to compare these variables only with the industry average? Before the comparison can you quickly estimate the rental revenue of the mall?

Sure, estimating the rental revenue of the mall:
Assuming % occupancy= 90% and Rent per sq. Foot = INR 200 per month. Rental income would have a fixed & a variable component. Fixed would include the fixed rent of the store and variable component would include a percentage of the store's sales.
1) Fixed Rental Income = Total area of the mall * % leasable area * % Occupancy * Rent per sq. foot per month
2) Leasable Area = Number of floors * Avg. number of shops per floor * Avg. area per store
3) Calculations for one floor. A normal store in a mall would be of a 3BHK size, having an area of 1,000 sq. feet. An anchor store would have a size of 5,000 sq. feet and there would be bigger shops like a Reliance Mart or a Movie theatre having an area of 10,000 sq. feet. Assuming 50 normal stores, 5 anchor stores and 1 large shop per floor. The total leasable area would be, 50*1,000+5*5,000+1*10,000 = 85,000 sq. feet. For 4 floors total leasable area would be 4*85,000 = 3,40,000 sq. feet. Calculating the fixed rental income. It would be Total leasable area * % Occupancy * Rent per sq. foot per month 3,40,000*0.9*200, which is approximately INR 6.1 Cr per month. The rest of the revenues can be calculated as a % of this fixed rental revenue.
Does this seem fair?

Yes.

Coming back to the previous question, I would also want to compare it with the past trends of the mall itself. Do we have any data regarding this?

Yes, the average rent per sq. foot and occupancy is growing with a CAGR of 12% & 4% over the last three years, respectively.

Okay, Since there is a positive trend in the rent per sq. foot & occupancy of the mall, I infer that the asset is attractive. Another aspect that I would like to consider is that I would want to look at the number of tenants, quality of the tenants, tenant stickiness and the churn rate. For example, big players like PVR Cinemas or Inox Cinemas, would be sticky tenants. Could you tell me more about the number and types of tenants in the mall?

Sure, the mall has 90% sticky tenants like Inox, Shoppers Stop, H&M etc. and 10% unsticky tenants which consists of local retail shops.

Okay, my forecast is that in the near future, the occupancy rate would be high as there are more sticky tenants as compared to unsticky tenants.

Good. Can you quickly tell me the main cost heads?

The major cost heads would be depreciation costs, maintenance costs, insurance costs, utilities cost and employee costs. Is there something that I am missing out on?

Chain of Phoenix Shopping Malls – Interview Transcript

No, Good Job. Now, focus on competitive moats.

1) Since, we have 90% sticky tenants, the exit costs of sticky tenants would be high which would act as a competitive moat.
2) Looking at it from the perspective of a commercial mall, we need to look at what gets people to commercial malls and most of the time it is the brand. The second moat is brand. If the mall has a good reputation, bigger brands will want to associate with the mall. For example, Marks & Spencer, Zara, H&M, Lacoste etc. With these kinds of shops on board, the mall would have a higher footfall of customers.

Okay, that's a good analysis. Can you identify the key risks associated with this asset?

I would like to look at the risks in the following categories:
1) Technological Risks 2) Financial Risks 3) Competitive Risks 4) Regulatory Risks 5) Infrastructure Risks
Technological Risks : E-Commerce is huge threat to the offline retail space. Players like Amazon and Flipkart are catching up quickly.
Financial Risks: Since the client would be taking a huge debt, the kind of cost of capital that the client would have to incur to undertake this investment and maintain it would be huge and would expose the client to a lot of financial risks. If the occupancy rate goes below a minimum threshold, there would be a problem as we'll have an asset in the balance sheet that won't be generating future revenues.
Competitive Risk: If another mall opens within the vicinity of the Phoenix Marketcity mall, it would be facing competition from that mall.
Regulatory Risks: If the government changes the land usage pattern by making it a residential area or if there is a highway coming up in the nearby area, the retail stores could go for a toss and the client might have to shut down the mall. But usually, the government does not do that.
Infrastructure Risk: We would need data regarding the seismic capacity of the mall, as during an earthquake it might get damaged.

Well done. What is your final recommendation?

The industry is growing, and the Phoenix Marketcity mall is outperforming the industry in terms of leasable area, occupancy rate, rent per sq. foot. It is also showing competitive advantage through high exit costs and brand value. The magnitude and the probability of the risk occurrence is low. I would conclude by saying that it is a good investment opportunity, assuming it is available at a reasonable valuation

Chain of Phoenix Shopping Malls – Interview Transcript

Your client is a PE firm. They plan to purchase the chain of Phoenix shopping malls in India. How should they go about it?

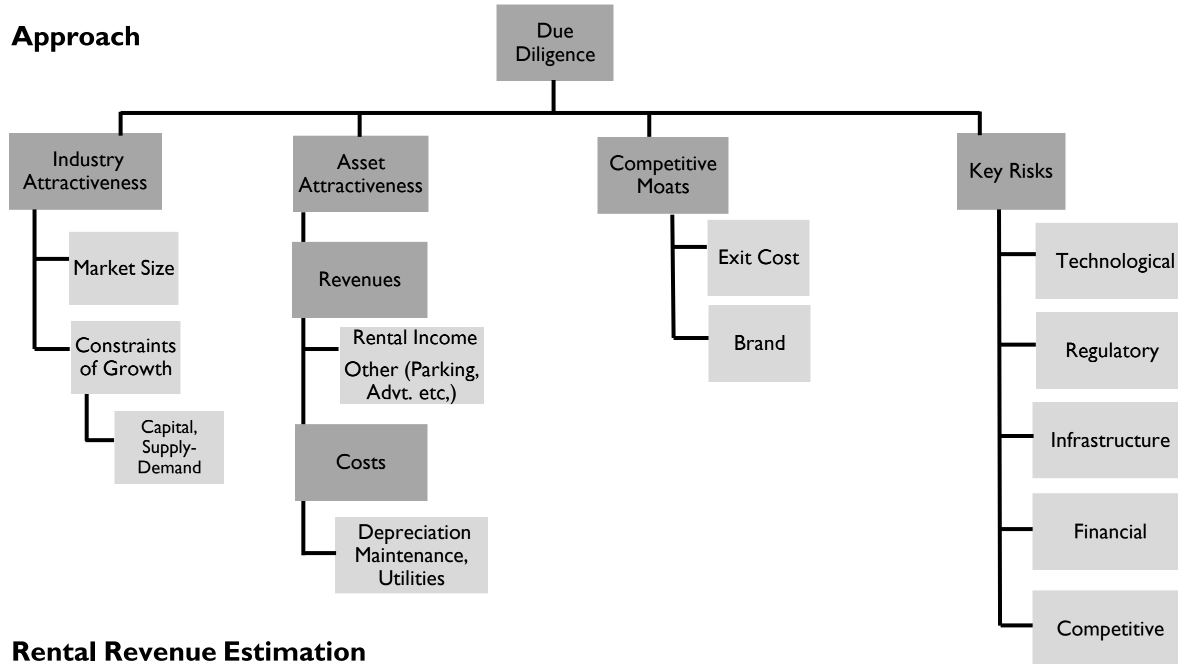
Interviewee notes

- Client- PE firm, interested in investing in the chain of Phoenix malls in India
- Look at industry attractiveness, Asset Attractiveness, Competitive moats and Key Risks

Case Facts

- Malls are at a premium location in Tier 1 cities, 5-10 years old, have a mix of shops
- Vacancy has decreased, absorption has increased.
- Rent per sq. foot and Occupancy rate have increased for the Marketcity mall

Approach



Rental Revenue Estimation

Fixed Rental Income = Total area of the mall* % leasable area* % Occupancy * Rent per sq. foot per month
Fixed Rental Income = # of floors *Avg # of Shops per floor* Avg Area per shop % leasable area* % Occupancy * Rent per sq. foot per month

No of floors= 4, % Occupancy= 0.9, Rent per sq. foot per month = INR 200
Per floor:
No of retail shops = 50, Area= 1000 sq. feet. | No of anchor shops = 5, Area = 5000 sq. feet | No of Big shops= 1, Area = 10,000 sq. feet
Total Area per floor= 85,000 | Total Area = 85,000* 4= 3,40,000 sq. feet.

Revenue= 3,40,000 * 0.9 * 200 = INR 6.1 Cr per month

Observations/ Suggestions

- Always remember to compare the asset with the industry as well as the asset's past performance.
- Further brainstorming on mitigation of risks can be touched upon briefly

Online Grocery Start-up – Interview Transcript

Your client is a private equity firm which wants to invest in an Indian online grocery start-up - BlinkMart. They need your help with the commercial due diligence of this deal.

Understood. Before I proceed, could you please tell me a bit about the PE firm – its portfolio and primary sectors.

The PE firm usually invests in large consumer businesses, but it wants to diversify and add start-ups to its portfolio. This would be their first such investment, and thus you would need to help them with a DD checklist.

Okay. I have some idea about the online grocery market, but I have some questions about the target. What markets does it currently operate in and how much market share does it hold?

Our target is one of 4 major competitors, all of which operate in tier 1 cities. It holds around 35% of the market and is owned by the largest food delivery company in India.

That sounds promising. Such businesses usually run either on an inventory-based model, where they own a wide range of products and deliver through dark stores; or an aggregator model, wherein they connect customers to nearby stores. Which model does our BlinkMart follow?

Good question – BlinkMart has over 400 dark stores and follows the inventory-led model.

Great, I think I have enough information to get started. As a checklist, I would propose a 3-stage model – Pre-diligence stage, Diligence stage, and Post-diligence stage.

Alright, can you briefly describe each stage?

Definitely. In the pre-diligence stage, we look at 3 major parameters –

1. Investor's profile – the stage it usually invests in and the typical deal size
2. Existing investments – the portfolio of industries and business it has invested in, and prospective synergies it can leverage
3. Investment objective – the purpose of such investment

Sounds okay. What are your thoughts on this?

I think the client's profile does not exactly match this investment as it usually invests in large, established businesses. But its existing investments are also in consumer industries, which could help create synergies. Additionally, several global PE firms are now adding start-ups to their portfolio in order to benefit from their high growth rates. Thus, it does not sound like a bad idea for our client to look at an investment in BlinkMart.

Yeah. Then, let's get to the diligence stage.

Sure, in the diligence stage, we would be looking at a wide range of factors through the lens of 4 major parameters – Market, Competition, Business, and Customers.

Okay, how about we delve into each one by one?

To analyze the market for online grocery, we would try to understand three sub-factors:

a) Market size
b) Future market outlook
c) Drivers of the market

Alright, let's try to estimate the market size. How do you think we can approach it?

One way to get an estimate the size of the Indian online grocery market is through industry reports and expert interviews. However, since it is a nascent industry, reports would only be directional. Another way is to guesstimate it using relevant filters.

We have some estimates for the TAM in terms of users from secondary sources, but let's test them through a quick guesstimate. What all factors would you consider?

Alright, to get an idea about the total addressable users of online groceries, we would need to delve into regional, age, income, and occupational factors.

That sounds good to me. Go ahead.

These start-ups are mainly targeting earning professionals (including working couples) and students studying outside their homes. They aim to provide convenience to those who have the spending propensity. Thus, the estimation process would be something like this:

1. On the first level, I would want to restrict the target market to tier 1 cities, similar to how current players have done.
2. Subsequently, I would narrow down to 2 major age groups – 18 to 25 and 25-40. The first age group comprises of students and the second corresponds to working professionals.
3. For these people, the focus should be on upper middle and rich sections as the others would prefer a nearby mom-and-pop stores over an additional delivery fee.
4. Finally, for the 25-40 age group, we would only include the working professionals who are majorly the ones availing this service.

Tier 1 population – **120M**

Age 18-25 – **15%** + Age 25-40 – **35%**

Income – **30%** + Income – **30%**

Students – **100%** + Professionals – **40%**

Based on this, our market size would arrive to approximately 10.4 million.

Great. I think the market side is okay. Let's talk about competition.

Alright, in my knowledge, the market in focus is intensely competitive. While we do enjoy a 35% share in a market with just 4 players, it might also be because of our parent brand's strength. There are certain headwinds in terms of the competition that are noteworthy:

1. There is high level of price competition in the market as customers want deep discounts.
2. The competitors are not very differentiated in their offerings, given similar offerings, prices, and delivery times. Often, even the app UI/UX is similar across brands.
3. Customer cost of switching is low thus brand loyalty is difficult to build.

Given these insights, finding a moat is difficult.

Good insights. How about the business part?

We would have to consider these 2 sub-factors under business:

1. Financial – Revenue streams strength, range, and sustainability; fundraising
2. Non-financial – Operations, tech, and people (founders + employees)

In my knowledge, most existing start-ups in this space have spent heavily on marketing and their unit economics are not feasible in the long run. Is that true for BlinkMart as well?

Unfortunately, yes. BlinkMart also gives deep discounts, and adding its warehousing and delivery costs give out a negligible margin. We can skip the non-financial aspects and talk about the customers.

Sure. To validate the customer side, we would analyse the following aspects:

1. Behavioral – buying frequency, average order value, basket composition, churn
2. Psychographic – adoption level, satisfaction, share of wallet

We can analyse these using consumer data we collect as well as through surveys.

Got it. What would you include in the post-diligence stage.

Once the diligence is completed and we decide to invest in BlinkMart, we will look at the (a) valuation & transaction, (b) post-investment growth strategy, and (c) exit.

Sounds great. We have a decent checklist – let's close here.

Online Grocery Start-up

Your client is a private equity firm which wants to invest in an Indian online grocery start-up - BlinkMart. They need your help with the commercial due diligence of this deal.

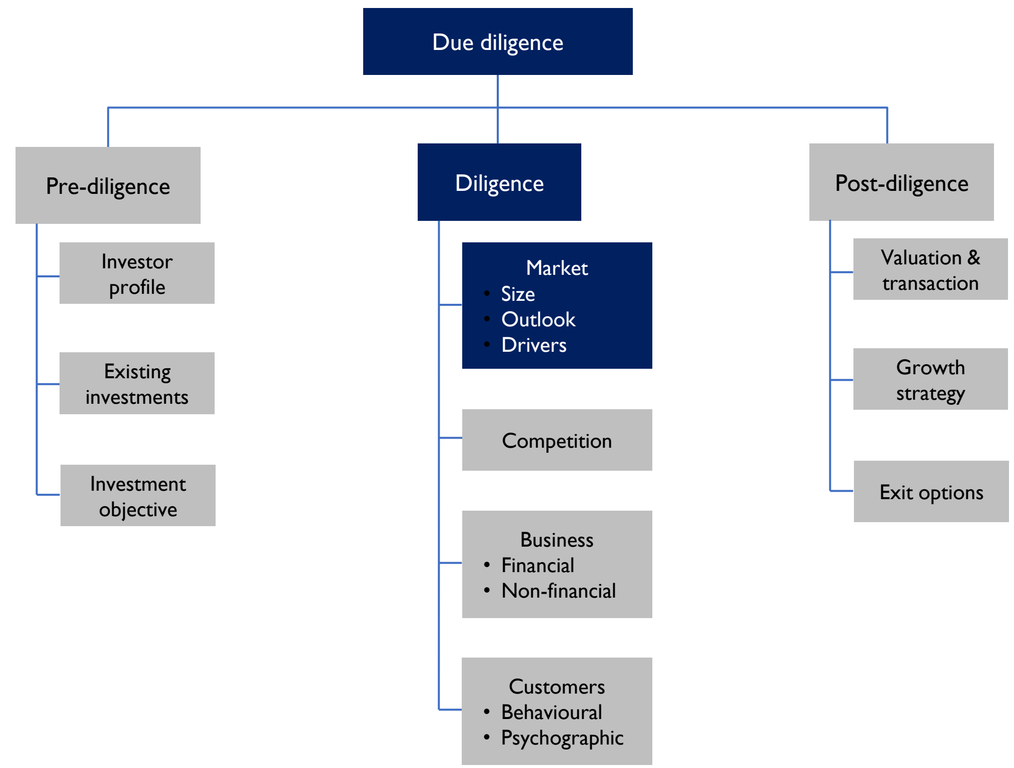
Interviewee Notes

- Ask questions about the orientation of the PE firm - how and where it usually invests.
- Also clarify the objective of this investment.
- Basic knowledge about industries, revenue and operating models, and contemporary trends is critical for a DD case.
- Understanding the market in question is important for several factors of the diligence stage. These factors can often be intertwined.

Case Facts

- PE client wants to start investing in high-growth start-ups
- Current focus on established consumer businesses
- Target company is an inventory-based online grocery start-up; 400+ dark stores, 35% market share

Approach/ Framework



Key Learnings

- It is important to gather the exact requirement of the client. In this case, the PE firm wanted to conduct a commercial due diligence.
- Usually, commercial due diligence is just one part of a more comprehensive diligence process, which is carried out by all investment companies (PE, VCs) before making an investment.
- In this case, the client was new to start-up investing, and specifically wanted an initial checklist.
- Starting with pre-diligence stage helps us understand the investor's perspective better, and information learned here can be effectively utilised in later stages.
- The diligence stage is the most critical part of the case, and thus needs to be the most detailed - thus broken down into 4 major components which are individually analysed.
- Market size calculations are the usual sizing guesstimates that we solve in other types of cases. However, these need to carry more nuanced insights in DD cases.
- The post-diligence stage makes the case more comprehensive by detailing the steps post diligence.
- An investment recommendation might or might not be requested in the case based on the depth of the case and the information provided.

Sovereign Fund – Interview Transcript

Your client is a sovereign fund of Saudi Arabia. In a bid to diversify, it aims to acquire a football club, Newcastle United of the English Premier League. The asking price is $1.3 B. The fund wants your input to value the company and to determine whether it should acquire Newcastle.

That sounds like an interesting problem statement. To get a better idea of the situation, I would like to ask a few clarifying questions. In what sectors does the Saudi Arabian sovereign fund generally invest?

The fund has a wide range of diverse investments. Their primary motive is to further diversify and move away from its oil sector-dominated portfolio.

Okay, so what would be the motivation of the fund for this particular deal?

The fund already holds a stake in a few global sports teams, including a football team in USA. The top management is very keen to buy a team in the Premier League to compete with its contemporaries (other funds) and win the coveted title.

Great, I would now like to now understand any major constraints that the fund might face considering that it is a major foreign investment aiming for a majority stake in the club. There might be a minor chance of non-cooperation by the British government.

Yes, the fund is trying to get hold of 100% of the stake. And for now, you can assume that there are no issues regarding the same. It can facilitate the required transactions and complete the takeover.

Understood. As I am not too familiar with football, it would be great if you could provide some information about Newcastle and how the Premier League functions.

Sure. I am an avid football fan so I think that I can do justice to this question. So, English Premier League has 20 clubs that play head-to-head matches twice (one match in their home stadium and another match in the opponent's stadium) in the season. Newcastle United consistently finishes in the Top 10 positions. It has a rich legacy and a very passionate fanbase.

Great! Do the Premier League teams only play in the League, or do they participate in other global tournaments?

That's a good question. They do participate in other English and European football tournaments. However, for now, you can assume that the team participates only in the Premier League and the English Cup.

Now that I have a little understanding of football and the club, I would want to determine the **financial viability** and **operational feasibility** to gauge the practicality of the acquisition.
To determine the financial aspects, I would like to look at the major revenue sources and cost drivers to approximately **calculate the cash flows**. By taking into consideration the conventional hurdle rate, I will then calculate the discounted cash flows to determine the **Net Present Value** of the club.
Next, I will look at the **potential synergies** that can positively impact the cash flows. Finally, I would consider some of the **intangible factors** that would affect the overall management of the club by the fund. The above steps would give us a clear idea regarding the operational and financial feasibility of successfully running the club after the proposed acquisition.

That sounds great. First, let us discuss the financial viability of the acquisition.

Thank you. Can I take a few minutes to jot down the various sources of revenue and the cost drivers?

Yes, sure. Please go ahead,

Okay. After imagining myself being at a football stadium, I identified the following sources of revenue for the club:

1. Ticket sales
2. Prize Money – League, Cup Tournaments
3. A share of broadcasting rights – Global and Local
4. Sponsorships – Kit Sponsors, Team, Stadium, Social Media, etc.
5. Advertisements in the stadiums and the Training centres
6. Merchandise sales
7. Other minor revenues - parking, stadium tours, museum (if present), event hosting, etc.

You have listed most of the sources more or less. Don't you feel hungry or thirsty when you're watching the game?

Being a foodie, I actually do. Keeping that in mind, royalties or revenues from the various outlets present in the stadium would be another major source of revenue.

Okay. Coming to the numbers, while the broadcasting rights bring in about $175 M yearly for the club, it gets an additional $70 M from sponsorships and advertisements and $30M in Prize Money. You can go ahead and calculate other major sources of revenue and you can ignore the other minor revenues you have listed above.

I will first start with the concessions and the outlets; I am assuming that around 50% of the attendees would be interested to buy something from the stores. Their purchase value would be around $20 per game (burger, sides and a drink).

Yes, that sounds fair.

Now moving on to the ticket sales, They would be playing 18 home games according to the league schedule. I want to assume that Newcastle would play around 12 home games in the Cup Tournaments to round it up to a total of 30 games. Additional information regarding the number of seats in the stadium would help me out to finish the estimate.

The seating capacity of the St. James Park is 60,000.

Thank you. Now, amongst the 60,000 seats, there would be a wide range of seats based on the view, proximity to the field, amenities for the stands, etc. For example, some would be premium seats (grandstand), some would be reserved for the season ticket holders and the remaining seats would be for normal viewers. The tickets would be priced very differently in the above-mentioned cases. Moreover, I would expect an almost 100% attendance for the games against the legacy teams and high-profile games, however, the attendance might drop down to about 70% in the other low-profile league games and cup tournaments.

Yes, those are very good observations. For now, you can assume that there is only one type of ticket that is being sold and it costs $50. And regarding the attendance, you can consider an average occupancy to be 80%.

Sure. That will decrease the hassle a little. In the case of merchandise, to keep it simple, I am considering that about 2 M items per year are sold by the club – both for the fans and the tourists. The average order value would be around $100. Considering that the practice is generally outsourced, can I assume that the club gets royalties of around 10% from the outlets?

Good, that's a fair assumption.

I will take a minute to quickly calculate the total revenue. The club would earn about $381.4M based on the assumptions.

Sovereign Fund – Interview Transcript

Yes, absolutely! Now let's take a look at the costs side.

Okay. Before going ahead, I would like to ask about the status of the stadium and other facilities. Does the club have its own stadium, or does it rent the complex and other facilities?

Again, that's a good question. The club owns the stadium.

Thank you, then there would be no cost involved for renting the facility. The major costs would constitute:-
1. Player salaries
2. Office and administration costs (including the salaries of the workers and the management
3. Sales and advertising
4. Stadium and training facilities' operating expenses and maintenance
5. Interest expenses, Depreciation, Amortization, Taxes

Yes, you have covered all the heads. Let me give you some information regarding the costs. The overall salaries and front office costs add up to $150 M annually. The club spends $90 M on sales and advertising. Finally, it costs around $40 M for facility maintenance. Other costs can be ignored for simplicity.

Thank you. Then they would add up to $280 M in total. To calculate the value based on the discounted cash flow, can I assume the hurdle rate to be 15% and the growth rate of the cash flows to be 5%?

Yes, that sounds fair.

So based on the above assumptions, the valuation of the club ends up being $1.014 B. So, we can take it as $1B.

Great! Now, as you pointed out, let's look at the synergies.

Okay. I will look at the revenue side synergies first.
1. Increase in Sponsorship Value - the fund can leverage its relevant contacts to get more appealing and valuable sponsorships
2. Broadcasting Deals - negotiate a better broadcasting deal because Newcastle would gain a broader fanbase in new countries
3. Higher revenue from stadium outlets - can negotiate for better royalties, establish new guidelines and change some outlets
4. Merchandise – owing to the greater fanbase, there would be substantial increase in sales

Sound spot on! Let's move ahead to the cost synergies.

The synergies on the cost side would be-
1. Management cost reduction
2. Eliminating redundant assets – Advertising, Facilities expenses etc.
3. Financial savings – Possibility of access to cheaper capital

Yes, that sounds fair. You can consider that the synergies can be obtained from the first year itself and Newcastle would gain additional cash flows of $50 M.

That's massive. This would push the valuation to $1.5B and considering that it is well above $1.3B, we can go ahead with the acquisition purely on financial terms

Seems like it. The deal looks favourable for the fund.

However, we need to look at some intangible factors to determine the overall fit of the acquisition.
1. Management Competence – The current capability of the administration needs to be evaluated. Based on this the owners might move ahead with major restructuring. There is a possibility of cash flow improvement, nonetheless, the club might face a backlash from the fanbase and the players.
2. Ability of the fund to run a legacy football club
3. Access to Capital
4. Risks of achieving required synergies – The synergies add $500M to the valuation which is just $200M above the ask. Minor deviations in operating principles to achieve synergies would adversely impact the cash flows of the club, and thus the valuation
5. Culture clashes – the plausibility of major differences in the culture of the club and the management principles of the owners
6. Regulatory barriers – British Government, English Football Association, etc.
7. Macroeconomic risks involving football and England
8. Opportunity Cost – availability of better investment opportunities

Considering the M&A history of the fund, all the above concerns can be dealt with. You have done a great job assessing all the core aspects. We can close the case for now.

Revenue sources calculations

Stores in Stadium	
Attendees/Game	48,000
Attendees buying at the stores	50%
Purchase value/ attendee	$20
Number of Games	30
Total Value	**$14,400,000**

Ticket Sales	
Stadium Capacity	60,000
Average attendance/ Game	80%
Ticket Price	$50
Revenue/ game	$2,400,000
Number of Home Games	30
Total Ticket Sales	**72,000,000**

Merchandise	
Items sold	2,000,000
Order Value	$100
Royalty	10%
Total	**20,000,000**

Sovereign Fund

CONSULT CLUB

Your client is a sovereign fund of Saudi Arabia. In a bid to diversify, it aims to acquire a football club, Newcastle United of the Premiere League. The asking price is $1.3 B. The fund wants your input to value the company.

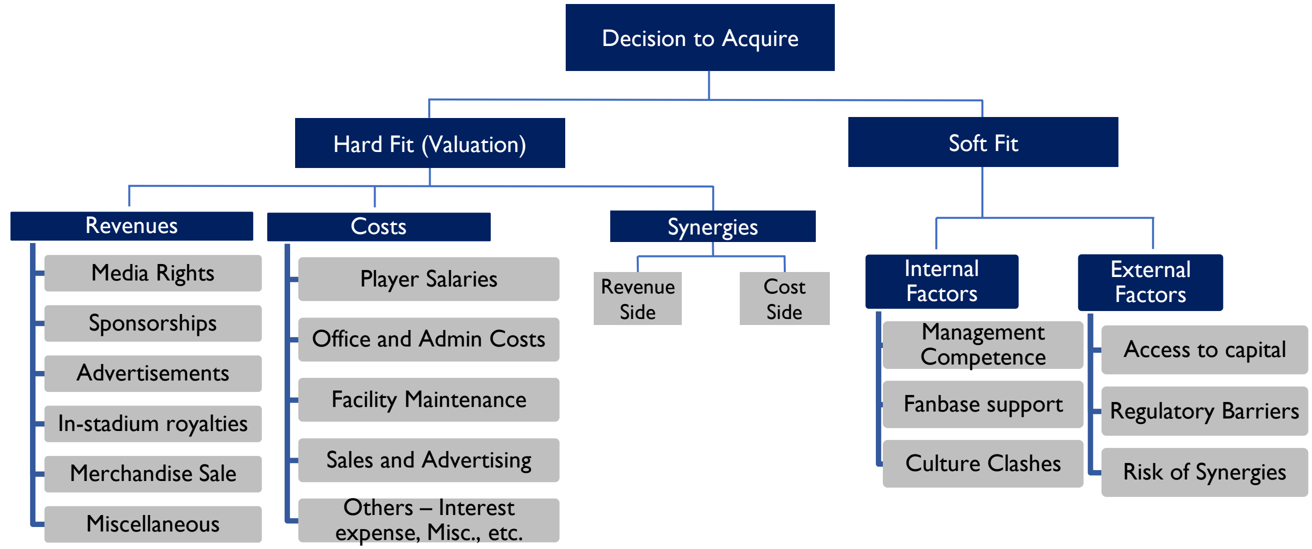
Interviewee Notes

- It is important to understand the motivation behind the fund's acquisition of the club.
- Analyse the case using the hard fit (financial aspects) and the soft fit (intangible factors) M&A framework.
- The candidate themselves should exhaustively list out the sources of revenue and costs. Subtly provide hints if required.
- It is essential for the interviewee to point out the various synergies that would help the fund improve its cash flows.
- Mentioning about the general consumer trends pertaining to people watching sports would fetch brownie points.

Case Facts

- Hurdle rate is 15%.
- The major facts can be taken from the tables on the right.
- The overall salaries and front office costs add up to $150 M per year. The club spends $90 M on sales and advertising. Finally, it costs $40 M for maintenance.

Approach/ Framework



Revenues	
Broadcasting Rights	$200,000,000
Merchandise	$20,000,000
Sponsorship and Ad revenue	$75,000,000
Ticket Sales	$72,000,000
Royalties from Stadium stores	$14,400,000
Total Revenue	**$381,400,000**

Costs	
Player Salaries	$150,000,000
Admin Costs	
Sales & Advertising	$90,000,000
Facility Maintenance	$40,000,000
Total Costs	**$280,000,000**

Valuation	
Revenue	$381,400,000
Cost	$280,000,000
EBIT	$101,400,000
Synergies	$50,000,000
Hurdle Rate	15%
Growth Rate	5%
Final Valuation	**$1,514,000,000**

Recommendations

- According to the financial calculations, we are getting a valuation of $ 1.014B. Comparing to the asked price of $1.3B, this is of a lower value. However, considering the various cost and revenue synergies, we are able to observe an improvement in the valuation of the club at $ 1.5 B . So, we can go ahead with the acquisition.
- In terms of soft fit, the fact that you have mentioned that the concerns can be dealt as the these have been handled previously, the club can go ahead with the acquisition.

Pepper Spray Manufacturer

Your client is a pepper spray manufacturer witnessing an increase in negative reviews on Amazon. Please find out why and suggest appropriate actions.

That's interesting. Am I right in assuming that pepper spray here refers to the self-defence device the general public uses?

Yes.

Also, is this increase specific to any one product?

The company manufactures only one standard product.

Who are our client's competitors? Are they facing a similar issue?

Yes, our competitors are also affected by this increase.

Okay. Has this increase been observed across geographies? Since when and by how much?

This trend has largely been driven by reviewers from Ahmedabad for the past 1 month. The magnitude is not important for the purpose of this case.

What has been the trend in sales? An increase in negative reviews may not be bad news if overall sales are rising and the proportion of critical feedback is the same or lower.

The sales have been rising but the proportion of negative reviews has been rising even faster.

That cannot be good news. Thank you, I have enough information to start solving the case, I will take a minute to organize my thoughts.

Sure. Go ahead.

We could look at internal and external factors to study this change. I want to examine internal factors first. By internal I mean specific to the industry, not just our client.

That makes sense. Go on.

I will further distinguish product-specific and purchase-specific factors. Within both, we can look at changes across three stages - before, during, and after using or purchasing the product.

That sounds good. How will you analyze these three stages?

Product-specific factors will include packaging or portability (before use), efficacy or reliability (during use), and side effects or reusability (after use). Some examples of purchase-specific factors are product discovery (before purchase), checkout convenience (during purchase) and return or exchange options (after purchase).

Good. You have hit the nail on the head. The negative reviews are focused on the side effects of the client's pepper spray. People in Ahmedabad started using our client's product to defend against stray dogs. While the spray is safe for use on human beings, it is very harmful for dogs and has led to multiple long-term issues. This led animal lovers to criticize our product on Amazon.

This sounds very new to me. Is it possible for our client to make this product safe for dogs?

That will reduce its efficacy when used on humans. Our client has shown willingness to market a pepper spray specifically meant for dogs, which is milder and does not have side effects. Such products are currently available in North America. Can you tell me what organic and inorganic means can our clients use to launch such a product?

Organic means would involve developing the product from scratch. This can be done through internal development or via outsourcing. Inorganic means would involve acquiring the product. This can be either a partial acquisition (product licensing or technology transfer) or a complete acquisition (through a merger, company acquisition, or joint venture).

How will you analyze whether acquisition of another company is a good prospect?

I will focus on 3 things. A) Will our client benefit from the acquisition, in line with their objectives? This will include topline improvement (for example, through new products, markets or channels) or bottom-line improvement (input cost reduction, tax benefits, etc.). B) Do the benefits outweigh the cost of acquisition? This involves an analysis of financial benefits of acquisition, valuation of the target company, and any transaction costs. Finally, we have C) What kind of risks and challenges exist post-acquisition? These can again be internal or external.

Can you give me some examples of internal and external risks?

Internally, examples include soft challenges such as cultural fit issues and key personnel risks or hard challenges such as financial or legal risks. Externally, we could consider macroeconomic risks and competitive dynamics.

Understood. Okay, our client seems interested in acquiring another company so it can launch the dog-specific pepper spray. It has identified two companies: Company A and Company B. The financial benefit to our client will be the same as the total net margin they currently generate.

Company A sells 40,000 boxes yearly for Rs 800 per bottle with a 25% net margin. Company A will only accept an all-stock deal.

Company B sells 20,000 boxes yearly for Rs 500 per bottle with a 20% net margin. Company B is only willing to accept an all-cash deal. Our client will rely entirely on borrowed cash to pay for this acquisition.

I notice you mentioned the quantity in boxes and while the price quoted was for each bottle. Should I assume that each box contains one bottle?

Good catch! No, that's not true. Company A sells one bottle in each box. However, Company B (which is the market leader) focuses on selling combo boxes at low prices. Each box contains five bottles.

Okay! In this case, Company A makes a total net margin of 40,000 boxes * 1 bottle per box * Rs. 800 selling price * 25% margin every year, which is equal to Rs 80 lakhs.

On the other hand, Company B makes a total net margin of 20,000 boxes * 5 bottles per box * Rs. 500 selling price * 20% margin every year, which is equal to Rs 1 crore.

That's good. All else equal, which of the two companies should our client acquire?

Assuming equal valuation of both companies, and also assuming that other quantitative and qualitative factors are identical, it is important to go back to the terms of the deal you mentioned before.

In case of Company A's all-stock deal, it will be important to consider the cost of equity of the business. On the other hand, in case of Company B, we will focus on the cost of debt.

How will you use those numbers?

If the cost of equity is less than 80% of the borrowing cost, it makes sense to acquire company A. Otherwise, our client should acquire company B. This is because if we calculate the ratio of total net margins to cost of finance (in percentage), it will be lower (and more favourable) for company A only when the cost of equity is less than 80% of the cost of debt.

Say the cost of equity is 12% and a bank loan is available at a rate of interest of 15%, which company is more attractive?

Based on my logic above, both companies will be equally attractive in this case.

I think you are missing something.

You are right. The bank loan will be tax deductible. What is the marginal tax rate for our client?

The client pays a marginal tax of 40%.

Okay, in this case the effective cost of debt is 15% * (1-40%) = 9%. In such a situation, it is more attractive for our client to acquire company B.

Thank you. We can close the case here. Please do not use pepper spray on dogs!

Thanks to you for an interesting case. Don't worry, I will not be using pepper spray on my canine friends any time soon.

Pepper Spray Manufacturer

Your client is a pepper spray manufacturer witnessing an increase in negative reviews on Amazon. Please find out why and suggest appropriate actions.

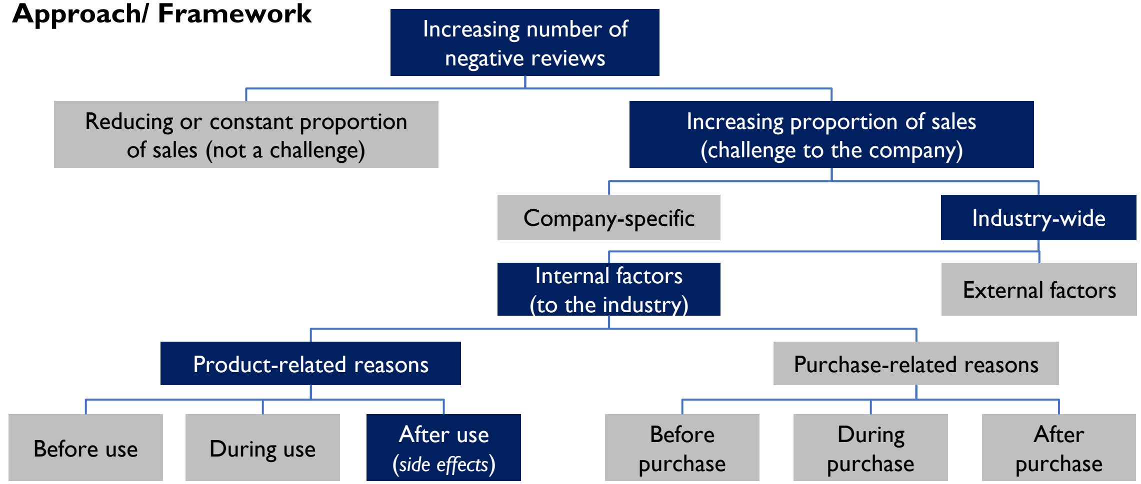
Interviewee Notes

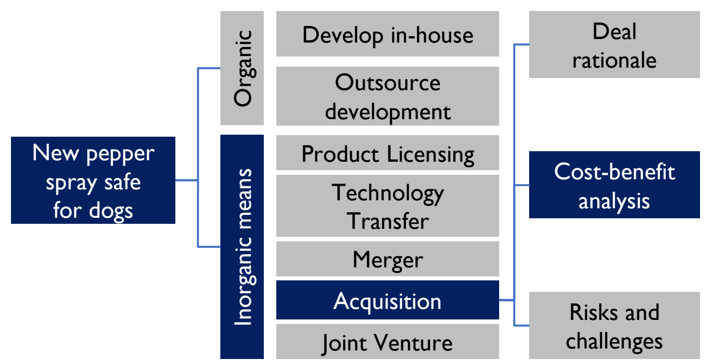
- Important to see that the interviewer's first prompt might not be a problem to solve for. Explore possibilities where the client would not have a negative reaction to the given "problem" statement.
- It can be helpful to use examples to ensure clarity of communication with respect to the meaning of each bucket.
- Adequate knowledge of the M&A framework can prove essential in solving such cases, combined with basic knowledge of finance.

Case Facts

- Company manufactures and sells only one product
- Trend seen in Ahmedabad specifically
- Use of pepper spray for self-defence against stray dogs led to increasing sales, but also resulted in more negative reviews by non-users due to side effects
- Not possible to have common pepper spray for humans and dogs
- Cost of equity is 12% while interest rate on loan is 15%
- Marginal tax rate for the client is 40% and loan borrowings are tax deductible

Approach/ Framework





Company	A	B
Boxes	40,000	20,000
Bottles per box	1	5
Selling price	Rs 800	Rs 500
Net margin	25%	20%
Total net margin	**Rs 80 lacs**	**Rs 1 crore**
Cost of funds	12%	15%(1-tax) = 9%

Recommendations

- Our client should choose to acquire Company B over company A in order to facilitate the launch of a dog-specific pepper spray product.

Key Learnings

- Even when using simple frameworks like internal and external, it is a good practice to clarify the meaning of both terms so that the interviewer is on the same page as the interviewee.
- It is important to focus strongly on the interviewer's vocabulary. In this case, not spotting the inconsistency in the use of boxes and bottles would have yielded a perverse result.
- Important concepts from MBA subjects (especially core courses such as financial reporting and analysis) need to be revised thoroughly to avoid mistakes in guesstimates (such as the tax deduction on cost of borrowing in this case).

Pharma Giant's Acquisition– Interview Transcript

The CEO of a publicly listed global pharma company has approached us and wants to know your opinion on whether they should acquire patent and selling rights for a new drug that cures balding which is developed by a pharma lab.

Firstly, I would like to understand the objective of our client to undertake such an exercise. Are there any targets in terms of revenue growth or is it for a strategic motive?

The client doesn't have any specific thing in his mind, but if it finds the deal to be attractive then the drug will be rolled out across the globe. The deal on offer is for $ 1Mn and wants us to analyze the attractiveness and recommend a course of action.

I would like to know more about the client in terms of its customers, products, past experiences, capabilities of the company and where does it operate in the value chain? And are there any constraints with respect to time or financial flexibility?

Client is a vertically integrated end-to end player and has a diverse portfolio of drugs for diabetes, cardiovascular diseases. The company is doing very well in its markets and there are no constraints. Apart from that it also has a few fitness related prescription and OTC (Over The Counter) drugs.

Okay, thank you. Now I would like to know more about this new balding drug. What is the key differentiator for it? What is the efficacy of the drug and are there any side effects?

Good question, so the patient needs to take a single pill and it is good for the entire lifetime. It is hard to tell the exact efficacy since the clinical trials for the drug are yet to be made, though the researchers are expecting the drug to have a good efficacy with negligible side effects. While there are a few other balding cure drugs in the market, but the new drug is expected to be significantly better. What do you think are some of the substitutes or competitors for the drug?

I think there are 2 classes of bald people - the ones who do not do anything about it medically and use wigs, caps or just ignore balding. And the other group that opts for certain treatments. The treatments can be further divided into invasive and non-invasive techniques that are available in the market. Invasive techniques technique including injections, and surgeries and Non-invasive ones include various traditional medicines like ayurveda, specific oils, and non-traditional drugs.

Yes, that's a comprehensive list.

Great now that I have got a fair understanding of the client, the new drug and the competition I would like to take a few seconds to structure thoughts, if that is okay with you?

Sure, take your time!

Sure. I would like look at this problem with a five-pronged approach:

- Market attractiveness: Here I would like to look at the market size, the growth potential and the degree of competition.
- Financial feasibility: Here I would calculate the fair value of the project using the NPV method and the way in which finance can be arranged.
- Synergies and fit: How the new drug fits in the existing portfolio of the client and the benefits or opportunities that the company will gain out of this acquisition of the new drug.
- Operational feasibility: Challenges that need to be tackled to undertake the entire process post-acquisition, including the clinical trials, setting up the plants and distribution & marketing.
- Risks and benefits: Any potential risks that need to be taken into account before engaging in the process.

Yeah, I think we can work with your list. Let's begin with the market attractiveness, in that how will you estimate the market size for the new drug?

I would like to construct a formula to estimate the market size:
(# of bald people)*(fraction opting for a treatment)*(Fraction opting for the non-invasive technique)*(fraction of that opting for the non-traditional techniques)*(fraction opting for the drugs)*(market share of our drug)*(price of our drug). Now to proceed further do we have any data, or should I make some assumptions?

It is estimated that 1,00,000 people will buy this drug if it turns out to be successful and we will price the drug at $10,000.

So that makes the market size of $3Bn, given that everyone is ready to pay the price of $10,000.

That is correct, now let's move forward with the financial analysis. How will you proceed?

I would like to first look at the costs side. For that, I will break down the costs into fixed costs and variable costs. The fixed costs will include the clinical trials costs, plant setup costs, marketing and distribution cost, and other fixed costs. On the variable side the raw material, labor cost would be included. So now do we have any quantitative data for the same?

Yes, we do. The variable costs are $4Mn and the marketing and distribution is also $4Mn, setup cost and other fixed costs are also $4Mn and the costs for the different phases- 1, 2, and 3 of the clinical trial are 4Mn, 20 Mn and 100Mn respectively. So now given this information what should be your next question?

What is the probability of success in the different phases of the trials? As it would be required for calculating the expected value of the clinical trials. Also, if Phase 1 turns out to be a failure, then we will have to abandon the project without going for Phase 2. And likewise for taking a decision for phase 3 depending on the phase 2 success.

Good question, the probability of success in phases 1, 2, and 3 is 0.1, 0.2, and 0.4 respectively.

So, basis the given information we can calculate the expected value of the clinical trials cost to be $ 8 Mn (Please refer to the framework). And similarly considering the probability of success for the project the expected revenue can be calculated as (Probability of success for Phase 1* Phase 2* Phase 3)*($3Bn)= $ 24 Mn. So, the net difference of revenues and costs is $ 4 Mn. Now do we know the average tax rate?

You can consider a flat 50% tax rate.

The net value of the new drug should then be $ 2 Mn (i.e., $4Mn*50%). Now the current offered deal of $ 1 Mn seems to be attractive as the NPV of the project would remain positive.

Yes, the client would be happy with the net $ 1Mn NPV. What else would you consider further?

I would now consider the synergies and fit for the new drug. Given the clients diverse portfolio of drugs and presence across the globe, the new drug will fit well in the fitness category. And given the disruptive nature of the drug and its quick impact, the brand image of the company will get a boost if the drug is rolled out successfully. On the operational feasibility aspect, the existing plants and distribution capabilities of the company can be leveraged easily to roll out the drug globally.

Okay now what do you think are some of the risks in going ahead with the proposal?

Sure. I have collated the risks into the following categories:

- Internal risks:
  - Failure in phase trials: If the risk appetite of the company is low then there could be a threat to the financial flexibility of the company due to the huge costs involved in the trials.
  - Delays in the clinical trials will further put a burden on the company.
  - As this is a single dosage drug, the growth rate of the drug would be very low.
  - Beware of specific logistic considerations for the drug.
- External risks:
  - Threat of counterfeit drugs can damage the brand image of the company.
  - Country specific regulations: The company will have to deal with the countries to get the drug approved.

So, will you buy the patents, Yes or No?

Yes, the client should go ahead with the acquisition at the price of $1Mn.

Thank You. We are done with the case.

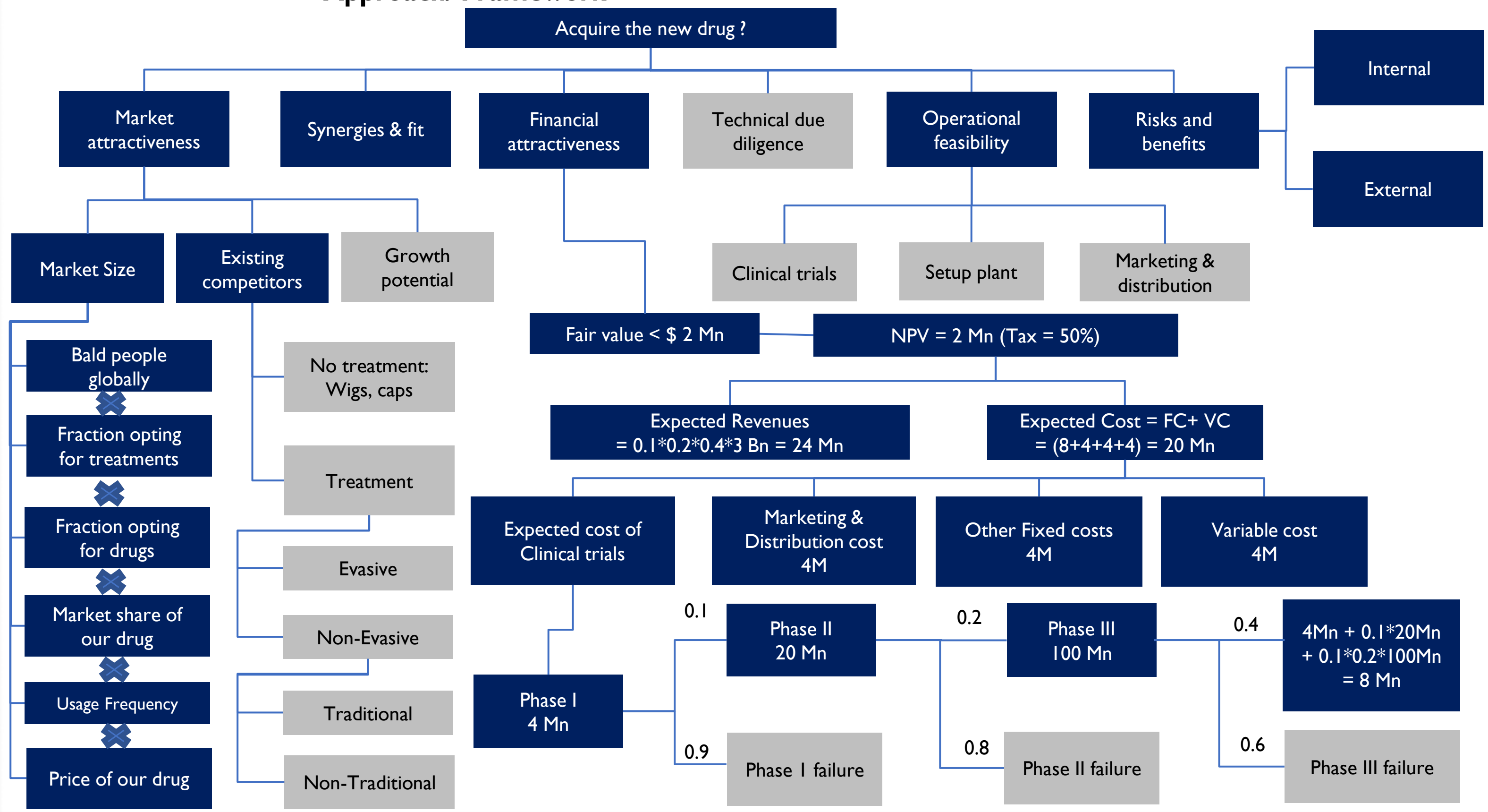
Pharma Giant's Acquisition

Your client is a CEO of a global pharma company. The client has an offer to buy the patent and selling right for a newly developed drug that cures balding. It wants you to analyse the acquisition dilemma and give recommendations.

Interviewee Notes

- It is important to understand the objectives and constraints of the client
- Enquire about both the acquirer and the acquiring company and understand the product mix, geography, type of integration across supply chain, competitors.
- It is convenient to structure at each step instead of laying down a laundry list of things.
- Make use of formulas.
- Assume all the values are mentioned as the present values. Therefore, ignore the time value of money.

Approach/ Framework



Recommendations

- Short term: a) Do a through technical due diligence of the drug by using the expertise of company researchers.
  b) Plan and expedite the process of clinical trials to get timely approvals for rolling out the drug globally.
- Long term: a) Leverage the technical expertise to ensure the drug quality and leverage the existing distribution network of the company with direct promotional strategies directly to the consumer.
  b) The plant's equipment can be salvaged as the demand for the drug will drop due to its one-time usage, therefore get rid of excess capacity.

Key Learnings

- It is important in cases like this to be comprehensive, and hence bucketing the problems into different sections helps in structured thinking.
- Beware of calculation mistakes in a quant heavy case, multiply the probabilities appropriately to calculate the expected value.
- Go through the industry insights to be aware of the drug development phases in case of pharma industry.

Private Equity firm – Interview Transcript

Your client is a PE firm which wants to invest in a company which helps to provide employment to underprivileged students via skill development programmes. You need to do due diligence and analyse the feasibility of the investment.

Sounds good. Firstly, I would like to understand our client's motivation behind the investment.

There are two motivations primarily, financials gains and driving social impact.

Okay, does the client have any number about the quantum of investment that it wants to make?

There is no restriction as such. We would like to help in analyzing various factors to decide this.

Okay, and is there any exit multiple that you have in mind or any return that you are expecting from this investment?

Good question. So, we are looking at a 16% CAGR on the investment over a horizon of 6 years after which we plan to exit.

That's helpful. I would now want to get some information about the existing portfolio of the client. Has the client invested in similar companies previously? How does its portfolio look like?

Yes, the client has invested in similar companies before but none of them are based out of India. To answer your second question, our current portfolio consists of growth stage startups from the healthcare, services and ed-tech sectors based out of India and other south-east Asian countries.

Great. Now that I have information about our client, I would like to know more about the company in which we plan to invest. Can you tell me more about the company and their business model?

Yes sure. It is a family run company started by 3-brothers. They work with the underprivileged students from Eastern-Indian states of Orissa, Bihar and West Bengal. Their business model is to upskill students in theoretical and vocational skills and help provide them with employment. They get revenue sources include fees from the students at a subsidized amount and commissions from the companies where the students are employed.

Thanks for this. Are there specific skills or sectors in which the students are trained?

The students are unemployed youth who are provided training as beauticians, for cutting and stitching jobs and as baristas for coffee shops. They are continuously expanding the range of their skill program.

It is a fragmented market and there is high competition from some similar early-stage start-ups.

Do we have any information about the profitability of our client ?

So currently the client operates at 15% net margin while the industry operates at 16% margins.

Is there any other differentiation that the company has?

The company has invested heavily in technology to continuously identify the gap in demand for the required skills in the industry. It also uses help to identify prospects and incentivize them to join the program by identifying government schemes to avail scholarships and get skilled.

Lastly, what's the equity structure of the company and has there been any prior investments?

Good question. There haven't been any prior investments and the equity is split equally between the 3 brothers.

At this point, I feel I have enough information to proceed. I'll take a moment to structure my thoughts to produce an overall approach to analyse the feasibility of the investment.

Sounds good, please go ahead.

Okay, I would like to divide the analysis into 3 buckets – firstly estimating the market attractiveness and coming up with the valuation of the company. Next, I would like to investigate the synergies that we draw from the investments. Lastly, I would like to look at the various risks associated with the company. I would also know about the company's founders and their vision.

That sounds like a fair approach. Explain me your approach to estimate the total market size.

I'll start by estimating the population of West Bengal, Orissa and Bihar which should be 20% of the total population. Next, I would segment the population by age (18-25 years which is 20% roughly). We can further look at urban and rural segments and then look at the low- and middle-income category. Does that sound like a good approach?

Do you think you are missing any other criteria?

Since we are looking at skill programs, we should be looking at only the unemployed youth and students. We can use the labour participation rate and unemployment levels to get a figure. I can then multiply the market with the average fees to get the revenue. To further understand the revenues from commissions, I would like to know the commission rate and the number of companies that we are catering to currently and how is the demand expected to change.

Let's assume that there is enough demand. How would you get the projected revenues for the next 6 years to estimate the value of the firm.

I can take population growth as a proxy for the growth in the number of candidates. Similarly, the commissions will be based on the number of employees that we could place. Knowing 15% profit margins, we can discount the cash flows to get the present value of the firm.

Good, let's move on and look at the other factors.

Sure, I would like to now look at the various synergies that we can draw from the previous investments. I would like to look at revenue synergies, cost synergies and efficiency synergies. In terms of the revenue synergies, based on our other investments in home services sector we can drive demand for the company and identify skill training opportunities. The client can draw cost and efficiency synergies from similar foreign-based startups in our portfolio by means of technology transfer.

Good points. Let's talk about the equity holding and investment amount that we should look at. What factors would influence this decision?

Firstly, I would like to understand the nature of the investment – are we looking at a strategic investment with a majority stake or are we looking at a financial investment.

As I mentioned, we plan to exit in 5-6 years, so it is a financial investment.

Right, so if we are looking at a minority stake in the company, the investment would depend on the valuation of the company and other possible PE firms who are looking to invest in the same company. We should also look at the willingness of the founders about the extent of dilution of their shares.

Good points. There are in fact 2 other firms looking to invest in the same company. Let's quickly now look at the various risks and exit options before the client.

Sure. First and foremost, I would like to do a legal due diligence to see if there are any litigations, tax liabilities or regulatory compliance issues with the company, which can contribute to legal risks. I would look at the debt structure as well as the employee contracts of the company. In terms of technological risks, there are chances of obsolesce of some of these skills and need to adapt quickly to changing demands. There are economic risks, with respect to getting fees from the underprivileged in cases where sufficient government scholarships are absent. There is also high competition in the sector and threats from competition who can eat up the market share. In terms of exit options, the company can look to sell its stake back to the initial promoters or another PE firm since there are existing competition.

Alright, I think that's a comprehensive analysis. Any final recommendation?

Given the demand and good profit margins of the company, the investment looks lucrative, and the client should go ahead with it,

Alright, thank you for the recommendation.

Private Equity firm

CONSULT CLUB

Your client is a PE firm which wants to invest in a company which helps to provide employment to underprivileged students via skill development programmes. You need to do due diligence and analyse the feasibility of the investment.

Interviewee Notes

- It is important to understand the rationale for the investment
- The preliminary questions should cover questions about the client and the target company to get important case facts.
- It is essential to have a basic understand of the private equity industry and the process of due diligence,
- It is important for the interviewee to link important case facts to subsequent answers.
- Guesstimates can be qualitative or quantitative depending upon the interviewer. The approach should be laid out clearly. If numbers are required, reasonable assumptions can be taken. (For example, slightly higher unemployment levels in eastern India)

Case Facts

- Objective for investment is both social impact and financial gain.
- 16% CAGR and a time horizon of 6 years.
- No issues on cost side.
- No poaching of customers by competitors.
- The existing portfolio of the client and prior investments
- The industries that the target company caters to currently
- The ownership structure of the target company
- Profit margins and industry competitiveness

Approach/ Framework

Commercial Due Diligence

Valuation and financial feasibility		Synergies and Business Model		Exit Options and Risks	
Intrinsic Value	Acquirer's Value	Synergies	Business Model	Exit Options	Risks
Market Size	Differentiation	Revenue Synergies	Customers	Total Exit	P E S T E L
Growth Rate	Competition	Cost Synergies	Operations	Partial Exit	
Profitability	Equity Structure	Efficiency Synergies	Financials	IPO	

Guesstimate Approach: Market size of underprivileged youth seeking jobs

Segment total population to get population of Bihar, Orissa and WB (~20% of total – 25 crores)	
Segment further by age groups (18-30 years ~ 20% of 25 crore – 5 crore)	
Rural (70%)	Urban (30%)
Lower Income group (80%)	Lower Income group (40%)
% unemployed and seeking jobs(10%)	% unemployed and seeking jobs(15%)
Total number of unemployed youth seeking jobs in the 3 states ~ 30 lacs	

Recommendations (Beyond the transcript)

- a) Do a proper analysis of the competitive landscape to gauge the competitive edge of the target company and also look into the threats of new entrant specially a big player.
- b) Understand the operating model and the technology used of the target company to gauge the scalability of the business model.

Key Learnings

- In cases of due diligence and M&A, the preliminary questions are the most important and adequate time should be given to get relevant case facts.
- The question about financial and strategic investment should have been asked in the beginning. Again, since time horizon was known beforehand, here case facts could have been linked better
- It is important to think of synergies even between existing portfolio of the PE firm to the target company like potential technology transfer from companies in the portfolio operating abroad
- In the guesstimate, it is essential to first lay down the approach the validate from the interviewer if something else is missing

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CONSULT CLUB

Unconventional

Pointers to Remember

- Never try to force fit a framework
- Understand the problem really really well
- Ask the interviewer if you're unfamiliar with a particular industry, do not hesitate to ask questions
- If the industry is familiar, comparisons with companies you know about would help in providing recommendations
- Be as comprehensive as possible and hence bucketing the problems into different sections will help in structured thinking
- Can be looked at through 2 lenses – qualitative & quantitative (as a mathematical problem)
- Using the 3CP i.e., of Company, Customer, Competitor and Product approach works in certain cases, but focus on keeping the approach MECE
- In certain cases when the scope of the cases is broad, the interviewee should ask if the focus needs to be on a specific aspect to structure thoughts in that direction
- While scoping the problem, the interviewee can consider if there are competitors in the same industry and the strategies, they follow

Easy wins

- Breakdown into a mathematical formula
- Always remember Demand and Supply
- Any problem can have an internal cause (in control of company) or external cause. For external cause, use PESTEL to analyze possible issues

Bid Strategy for GOT Season 8 – Interview Transcript

Your client is Company X. They have been approached by HBO to bid for the eighth season of GOT. They want your help to evaluate the opportunity and determine the correct bidding strategy.

I would like to ask a few clarifying questions to get an understanding about the case. Could you please elaborate on X's business model and current product offerings?

X is an OTT platform operating in India. The company has a website and an app where customers can access media content by paying a monthly subscription fee. X has its own content as well as tie-ups with other providers to provide a curated list of Movies, TV Shows, News Channels and Sporting Events on its platform for its subscribers.

What is X's objective for this bid? Is it to increase user base, or revenues or profits? And what makes GOT so attractive for X?

X wants to maximise their profits and this bid should account for that. As for GOT, it is the most watched English TV Series in India.

I would like to now understand the bidding terms. Will this bid be for the eighth season only? Also, will X have exclusive rights for this and till when is the bid valid?

The bid will be for exclusive rights to stream GOT's eighth and final season, and valid only for the duration that the show is on-air.

Has X bid previously for GOT and if so, do we have any information regarding the bidding process? Also, is it okay to assume that the offer has been made to X's competitors as well?

It's a closed bidding process that HBO extends to X and its four other competitors. The client had bid for GOT's seventh season but did not win the bid. They were informed that they were close second and had bid $3 Mn for Season 7.

Finally, a quick question about the competitors. Who are the major competitors in the Indian market and How does X differentiate itself from them?

As mentioned earlier, there are four other competitors, but for the purposes of the case, focus only on X. Enough discussion! I would like for you to now come up with a bidding strategy.

Sure. I would like look at this problem with a three-pronged approach (Framework 1):

- Financial feasibility: Revenue and Cost calculations to get an upper cap on the bid amount
- Strategic viability: How this investment aligns with X's other stakeholders
- Risks: Any potential risks that need to be considered before engaging in the process

Good! Let's begin with financial feasibility. What would be the major Revenue heads for X?

There would be three major revenue streams for X (Framework 1):

- Subscriptions: Incremental Subscription Revenues due to season 8 being shown exclusively on X's platform
- Advertisements: Revenues from auctioning advertisement slots during episode screening. Here, I am assuming an ad model akin to a TV network's ad model. Does it sound fair to you?
- Other Sources: Additional Revenues from sources such as merchandising, brand tie-ups, etc.

You can go ahead with the ad model assumption. However, X doesn't have any merchandising rights for GOT. What information do you need from me to calculate X's revenues?

I would need the following: (i) X's monthly Subscription fee (ii) No. of episodes in GOT S8 (iii) GOT viewers not currently on X (iv) Average ad rate per slot per episode (v) No. of slots auctioned per episode

Glad that you asked. I have the following data sheet with me. This should help you calculate revenues for X (Data sheet provided in table I).

Thank you. From my calculations, X's revenue from Subscriptions and Advertisements comes out to be $6 Mn (table II). However, I think there are some synergistic benefits to adding GOT on our platform. These can be attributed to following factors:

- Customer Stickiness: Some of the additional customers would stick around after GOT ends increasing their CLV for X. These benefits need to be added to our revenue calculations
- Additional ad revenues for existing programmes: X can leverage its added user base to charge a premium for ad slots in its existing shows during GOT's 3-month on-air run-time

These are some very good points, and you can assume an additional benefit of $1 Mn from Synergy. Can you please now list down the cost heads for X?

I have divided X's costs into two buckets (Framework 1):

- Direct Costs: This header would include the Bid amount, Streaming costs, Marketing costs
- Overheads: This would include incremental legal costs, regulatory costs, customer service costs

Apart from this, there would be Costs of capital (which would include costs of financing the investment and opportunity costs of not putting the money elsewhere).

Assume that X expects to incur additional costs of $1 Mn apart from the bid amount. X has expected an ROI of 20% to incorporate for the cost of capital.

Oh, I think I have all the data now. Based on my calculations, the bid amount for GOT season 8 cannot exceed $5 Mn to get the desired ROI of 20%.
Now, I'd like to focus on the Strategic feasibility. Adding GOT would affect the way subscribers interact with the platform. Given the adult nature of content, some of the family-centric subscribers might get dissuaded from continuing. Also, this would affect our tie-ups with existing content providers which infer HBO as their competitor or substitute.

These points are valid, but we can safely assume that X is strategically aligned with getting HBO onboard. Can you please now identify three potential risks that X needs to be aware of?

Sure. I have collated the risks into the following categories:

- Customer centric: X might not attract enough new customers on the platform given the subscription price and the presence of alternate channels of piracy like torrents, illegal streaming
- Content centric: The content is not up to the mark increasing mid-season customer and advertiser drop-outs. Given the explicit content, X could also face added regulatory pressures
- Platform centric: Focus on GOT might lead to self-cannibalization with decreased viewership for the platform's existing content. Plus, X needs to minimize platform glitches that could inhibit user watching experience, leaving the new viewers unsatisfied with the platform

I think we can stop here. Thank you.

X's Bid Strategy for GOT Season 8– Interview Transcript

Your client is X. They have been approached by HBO to bid for the eighth season of GOT. They want your help to evaluate the opportunity and determine the correct bidding strategy.

Interviewee Notes

- Understand X's business model and offerings
- Enquire about X's objective and how the bid decision is fulfilling it
- Come up with a strategic plan using Market Entry framework
- Identify major sources of revenue and ask for relevant case information to do financial analysis
- Incorporate synergies and opportunity costs in feasibility calculations
- Check strategic alignment with other stakeholders
- Evaluate the risks involved in the bidding process

Table 1

Case facts	Values
Monthly subscriber fee	$2
GOT Running time	3 months
Total GOT fan base	1.25 Mn
Current GOT fan base on X's platform	0.5 Mn
Mkt share captured (for GOT season 8)	80%
GOT episodes in S8	10
Ad time per episode	10 min
Average ad duration	30 sec
Average ad bid value	$15 K
Synergistic revenues	$1 Mn
Direct Costs	$0.8 Mn
Overheads	$0.2 Mn
Cost of capital	20%

Approach/ Framework

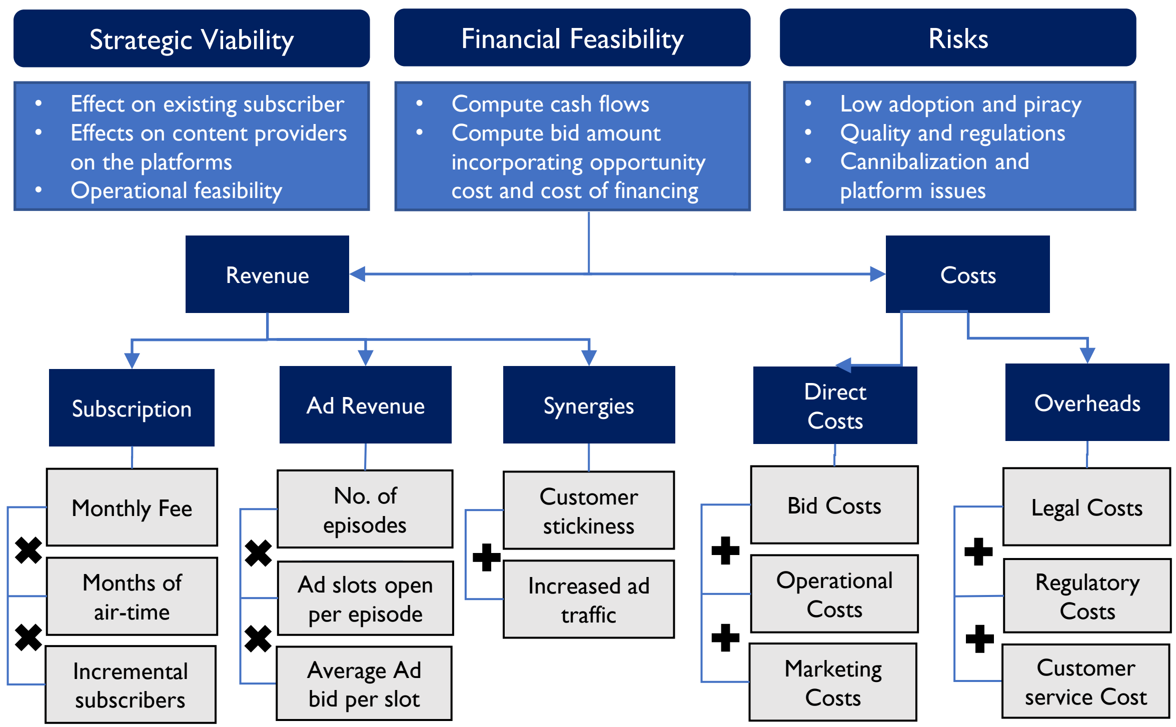


Table 2

Revenue Calculations			
Subscription mode		Ad Revenue	
Increased subscribers	0.5 Mn	No. of episodes	10
		Ad Slots per ep	20
Monthly fee	$2	Average ad bid value	$15 K
Subscription months	3		
Revenue generated	**$3 Mn**	**Revenue generated**	**$3 Mn**

Key Learnings

Noteworthy points

- Asked probing preliminary questions to scope out the issue and identified client's objectives
- Correctly identified the revenue streams and cost headers for an OTT platform
- Proposed bid strategy was concurrent with the client's objectives
- Covered major risks associated with this move

Points of improvement

- Made inferences about ad revenue streams without confirming with the interviewer
- Did not analyse current bid strategy with the last year's one to do a feasibility check
- Piracy and regulatory issues could have come up earlier in the case while estimating revenue and cost headers

Increased processing time – Interview transcript

Your client is a packaging manufacturer who has been facing a higher completion time of delivering a job. Diagnose and recommend solutions.

I would like to begin with a few clarifying questions on our client. I'll like to know what exactly constitutes the completion time for a job.

The completion time is the time taken from receiving the raw material to completion of the entire manufacturing process.

Alright. I am not very familiar with the packaging industry. Could you please elaborate on the process followed by them and whether this problem is only being faced by our client.

You can consider it to be similar to any other manufacturing industry. It basically manufactures carton boxes used in packaging of various products. There are different processes to be followed sequentially involving different machines based on the nature of job. Also, the problem is being faced only by our client.

Okay. I would also like to know how many manufacturing facilities we have and whether the problem is limited to any particular plant/facility.

Good question. The client has three manufacturing locations across India. However, the problem is only being faced at one of the locations.

Just a final question, you mentioned that different processes are followed for different jobs. Could you tell me what are the different type of jobs being processed and whether this problem is specific to any particular type of job.

We usually classify the jobs based on the no of cartons to be produced in a job. It is classified as small or large based on whether the cartons exceed 5000 or not. Also, we have the following data on the target vs actual completion time : (Small Target: 36 hrs, Actual: 72 hrs; Large Target: 48 hrs, Actual 54 hrs)

Looking from the data, it seems that the problem is primarily in the small jobs, and I would like to analyse this in more detail. Would that be okay?

Yes, you can go ahead.

I'd like to start by identifying the different components of completion time and looking where the problem lies. The completion time would consist of actual manufacturing time and the idle time. So do we have any information if the difference between actual and target is specifically in any one of them?

No, we have actually exceeded the target time in both of them.

Alright, in that case, I would like to start with the manufacturing time. This would be dependent on the number of processes involved, run speed of different machines involved and the average order quantity for the job. Have we seen increase in any of these?

You can assume that the average order quantity is same, and the number of processes involved is also the same. However, we have observed that the run speed of machines have reduced, and this has happened across machines.

Okay. So, this could be because the machine has some problem because of it the operators are not able to run it at the desired speed. However, this would affect the large jobs as well and considering the increase is not the same in both, there must be other factors also contributing to this increase. Operators' skill level can be issue but that would again affect the large jobs as well.

Yes, actually that is correct. The small jobs being received in the recent past have become more complex and the operators have found quality issues while running it at higher speed. This has forced them to run at less speed.

Ok. So this explains the increase in manufacturing time for these jobs. Now I would like to analyse the reason behind the increase in idle time for these jobs. The idle time would consist of idle time per machine and idle time between machines. The idle time per machine would consist of the make ready time, and breakdown time. The idle time between machines would be due to unavailability of the subsequent machine or prioritization of some other jobs.

That's correct. We have seen that there has been an increase in the make ready time for these jobs as well as increase in idle time between machines. Can you identify the possible reasons for the same?

As you mentioned earlier that the jobs being received in the recent past have become more complex, this could be the reason for increase in the make ready time as operators are not able to do it quickly. For the idle time between machines, it could be a lack of planning and scheduling that leads to unavailability of the subsequent machine or clash of priority at the plan level.

Yes, that is correct. What we have observed is that there is no clash of priority in from demand side, but the line managers are seen to be prioritizing the large jobs. Why do you think the line manger would be interested in prioritizing large jobs over the small jobs?

I think the main KPI for line manager would be the daily output in terms of no of cartons produced and the efficiency. As you mentioned that these small jobs run at a lower speed, the line manager maybe prioritizing the large jobs to meet his/her target and delay the small job intentionally.

Great. So can you suggest some recommendations to prevent this problem in the future.

I'd like to give the following recommendations:

1. For increased manufacturing time: The operators should be given adequate training so that they are able to run these jobs at specified speed without any quality defect. The plant can also take the help of other plants and see if similar type of jobs are run there and what processes have been followed by them.
2. For increased idle time: The make ready time can be reduced by improving the skill level of employees as mentioned earlier. An increased supervision can also help in bringing down the make ready time. For the planning and prioritization problem, the incentive and targets for the line manager can be based on the number of jobs completed (for each category) instead of the output in terms of cartons. The planning can be improved by forecasting the time taken at each of the machines and planning accordingly.

Do you want me to analyse anything else?

This will be fine. Thank you.

Increased processing time

Your client is a packaging manufacturer who has been facing a higher completion time of delivering a job. Diagnose and recommend solutions.

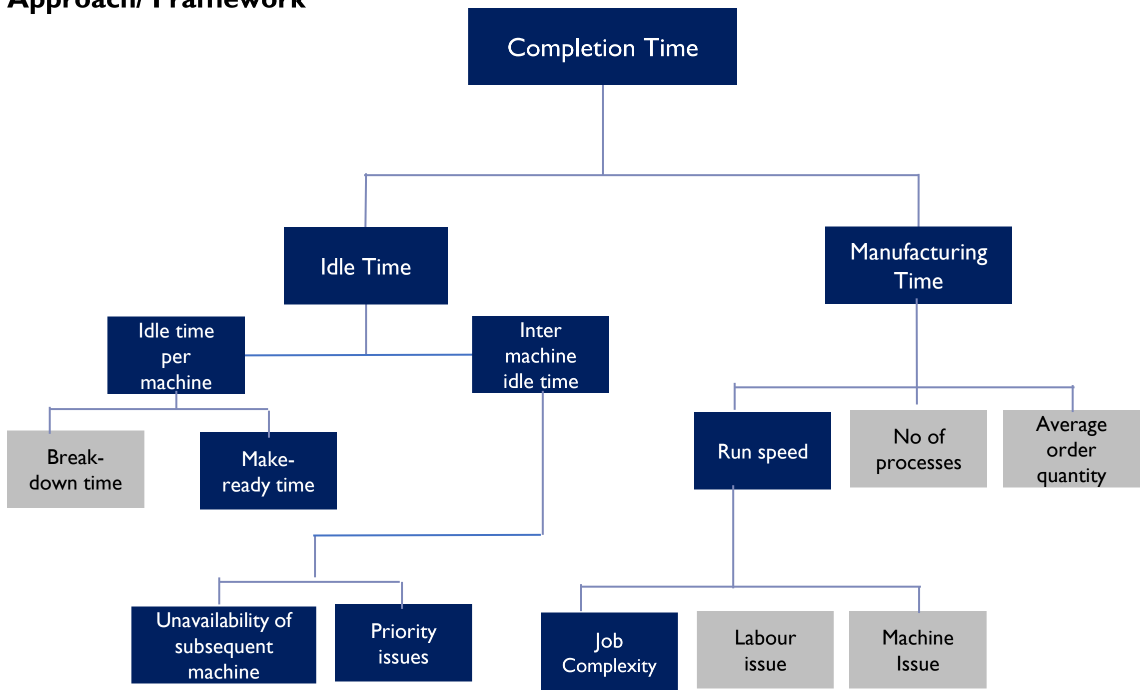
Interviewee Notes

- Understand the components of the completion time
- Identify the time taken in each of these components against the target time
- Identify the underlying reasons for these increased time

Case Facts

- Problem only in one of the manufacturing plants
- Problem not being faced by other competitors in the same area
- Completion time defined as time taken from receiving the raw material to completion of the entire manufacturing process.

Approach/ Framework



Recommendations:

- Provide training to operators
- Change the incentive scheme/daily target for line managers
- Proper forecasting of the time taken at a particular machine to improve planning accuracy

Type of job	Target Time (hrs)	Actual Time (hrs)
Large (more than 5000 cartons)	48	54
Small (less than 5000 cartons)	36	72

Key Learnings:

- Ask the interviewer if you're unfamiliar with a particular industry, do not hesitate
- There could be multiple factors/issues leading to the problem identified, so always cover all options

TT Association of India – Interview Transcript

Your Client is the TT Association of India. They have set a target to win an Olympic Gold in the 2025 Olympics. They have brought you on board to help them chart out a path to achieve this target.

I would first want to know more about the TT Association of India, its structure, and its responsibility in selecting participants for representing India in the Olympics.

Assume the operations to be very similar to the BCCI. It is the central body for table tennis and has state boards. Any state or national TT games are controlled by the association and have the responsibility for international representation of TT at various sporting events.

Ah, that is interesting! Just in continuation to this, is it safe to assume that the board gets its funds from the govt and some sponsorships?

Yeah, that is a fair assumption. Just that the funding level is much lesser than BCCI, and you can assume that the sponsorship is negligible.

Understood. Next, I would like to gain some more clarity on the target. For that, could you please help me with the current standing of the Indian team, the competitors, and if there is any specific category which I should focus on, or if we are talking about all the men/women singles and doubles.

Nice. So, we are only focusing on the women's category for both singles/doubles. We generally get eliminated before the semi-finals, and the main competitors are China, the USA, New Zealand, and South Korea.

That is quite useful. One last question before I move forward with structuring. What timeline are we in? Since the Olympics is in 2025, do I need to lay down a plan for four years, or is there something else?

Well, yes, assume that the year is 2021 itself, and you have to lay forward a plan for four years.

Got it. I guess I have a basic sense of the problem statement and request a min to structure my thoughts.

Sure.

To plan for the next four years, I would start by breaking the problem along three axes:

1. Identification of right talent
2. Training
3. Performance at the Olympics.

I will start with the scouting process. Does the structure seem fair to you?

Well, yes, please continue.

Right, so could you let me know how the scouting mechanism works currently. I hypothesize that there will be district competition followed by the state and then the nationals. Do we have any data on the frequency of any such competitions and the number of players from each selection?

The mechanism is exactly as you mentioned. The frequency is yearly once, and the problem here is that we do not get sufficient girls who play TT.

Oh, that is where I was getting at. Thank you for the information. So, I will first focus on the no of players and then see if the frequency of selection can impact the quality of selection. Does this make sense?

Yes, it does. You can assume that we cannot really change the frequency for simplicity. Why don't you only focus on the number for now?

Noted. Now, to see why the female community's participation is low, I will further break it down into awareness, motivation, and capability.

1. **Awareness** – seeing if the parents or the students are sufficiently aware about the scope a game like TT has and if the competitions are adequately publicized.
2. **Motivation** – Do the families know about the sport and the potential to grow both personally and professionally. Try to understand why and why not they will be willing to dedicate time and energy to this game.
3. **Capability** – To see that the girls who have the awareness and motivation for the sport can get the required training or infrastructure to play.

Does this seem fair to you, and is there any specific bucket you want me to dig deeper into?

Yes, it does seem fairly exhaustive. Why don't you focus on the awareness part and give recommendations on increasing it?

Sure. The most effective way is to target school kids and teachers in both government and private schools. We ask the state-level organizers of the TT association to tie up and visit schools, talking about the previous success in this field and talking about the benefits of the game. Pamphlets also need to be distributed so that kids can go through the whole idea post the visit by the association's people. A few advertisements in the local channels about the upcoming games also would help stimulate interest. The latter would be contingent on the budget we have and needs to be allocated to states where the expected conversion is the highest.

Ok, let us move to the training part now. Assume that the team has been selected, and we now need to focus on the training aspect so that the team becomes capable of winning the gold medal.

Right, so the training can be broken down into skills and infrastructure. The skills can be broken down into physical skills, technical skills, and mental skills. 1. **Physical skills** are the fitness part. That can be further broken down into the diet and workout routine. For diet, each player has special requirements, and a nutritionist to focus on their intake will help build a healthy body. A fitness coach helping each of them stay fit. 2. **Technical skills** will be agility, speed, and hand-eye movement. This will need a proper coach to teach the tricks, help India's best players with their weak areas, and also mastering their strengths. 3. **Mental skills** are their ability to cope with stress, and a professional psychiatrist to motivate them weekly would be helpful.

Infrastructure would ensure that players have a dedicated sports complex to practice which imitates the international standards. Also, the gym and fitness be covered in this. Is there anything else that you want me to cover in this bucket before I move forward?

No, I guess you can move forward.

Moving to the on-the-day performance. I see that we fail to reach the finals, and there are four major competitors. I believe that each country/player has a very different strategy of playing a game. Some are offensive, and some are defensive. Before each game, studying the player's strategy with which the match is scheduled and accordingly devising the game strategy would help. We can also have an advantage here as the competitors would be underestimating us and might now come that prepared. Having a professional person to keep them motivated during the game would also help with the mental game pressure. Is there anything else you would want me to cover?

Well, I guess you have quite comprehensively covered all the aspects of the plan. The case's main aim was not any right answer, as you can see. It was more meant to send you down the exploration path. My main idea was to see how you break down an abstract problem and make some sense out of it. We could close the case now.

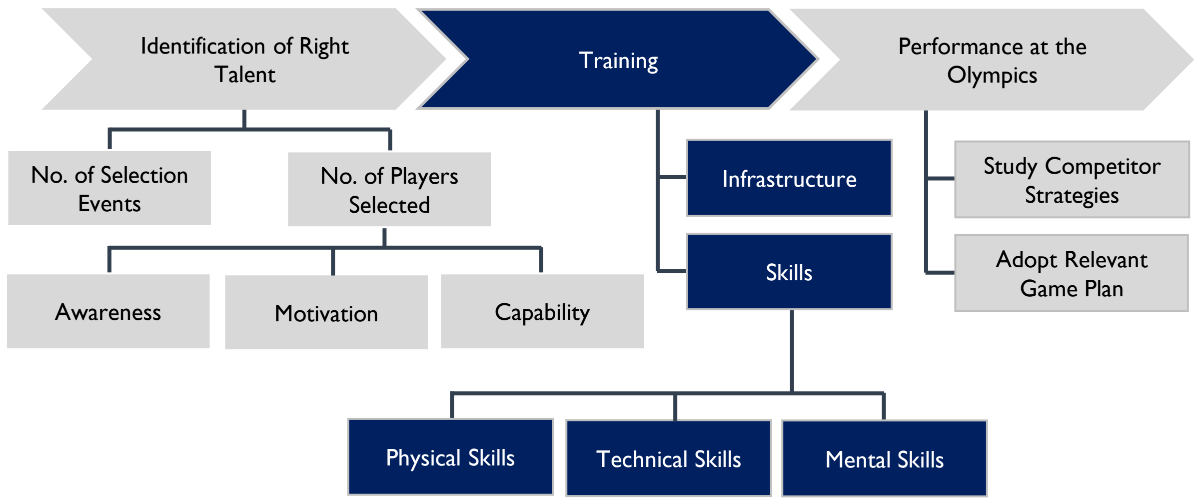
TT Association of India

Your client is the TT Association of India. They have set a target to win an Olympic Gold in the 2025 Olympics. They have brought you on board to help them chart out a path to achieve this target.

Interviewee Notes
- Clarify the time frame
- Clarify the role and responsibilities of the TT Association of India
- Narrow down the scope by the type of events in focus for Olympics 2025
- Establish current standing in the Olympics

Case Facts
- Client is the central body for TT and has state boards
- Responsible for state and national level games, international representation
- Funding level very less compared to BCCI, negligible sponsorship

Approach/ Framework



Recommendations
- Awareness: target school kids and teachers in both government and private schools; pamphlets distributed; advertisements in local channels
- Performance at the Olympics: professional person to keep the team motivated; study strategies of competitors before matches
- Sponsorship/Funding

Observations / Suggestions
- Such cases are meant to test the first principles and the creativity of the interviewee. So, the interviewee should not be afraid of deriving real life examples and personal experiences
- Another strategy that helps in such cases is conversing with the interviewer about what his/her views are
- The final motive of this case was not to derive suggestions, rather it was to judge the capability to structure and objectively touch every point of development, staying MECE

Pharmaceutical Company – Interview Transcript

Your client is a pharmaceutical company planning to divest one of its molecules. They have approached you to help with the valuation.

Sure, thanks. I would like to know if I got the problem right. Our client is a pharmaceutical company, planning to sell a molecule's patent to another entity and needs our help with the valuation of that molecule.

Yes, that's correct.

What is our client's objective? Is it to maximize profit or to maximize the reach of the molecule?

They want to get the maximum economic worth for the patent they have developed after spending substantially on R&D.

How far is the client in terms of R&D on the molecule? Are they currently selling this drug? Additionally, I understand that this molecule is just one of their inventions. Are they commercially selling other drugs?

They have created a pill but have not started selling it yet. Yes, they are selling other drugs successfully for more than a decade now.

What is the therapeutic area for the said molecule and what is the therapeutic area that the client generally deals in?

How would that matter?

If the products in portfolio are related, there are positive or negative spillover effects. Example: Adding a complementary product increases the sales of an existing product. Divesting can have the opposite effect.

Makes sense. Continuous use of this pill cures baldness. The client generally sells medicines for diabetes and cardiac issues. As you can guess, they can't foresee any positive impact on the sale of current portfolio if this pill is launched or any negative impact of this divestment.

The pill would be sold Over-the-Counter (OTC) but the already existing portfolio of drugs needs prescription. So, distribution also differs. So, we can ignore the spillover effect and evaluate the valuation of just this molecule in isolation. The patent is for how many years?

5 years. Why do you think that matters?

If the client keeps the patent, it can sell the pill monopolistically for the next 5 years. Hence, to perform valuation on the molecule, we need to estimate the present value of future profits for the next 5 years from the sale of this pill.

You are right, so what other information would you need to value by this approach?

We would want to find the present value of profits over the next five years. Since profit is a function of revenue and cost, we need estimates on both.
Revenue = estimated sales*price.
Here, estimated sales = Number of customers*recommended frequency*Average duration
Costs = fixed cost + variable costs.

What do you mean by average duration?

We can categorize the drug as a cosmetic drug. So, customers would use them for different durations. Some might drop very soon while others might continue to use it. So, we need a weighted average to take that into account.

The client has done market sizing and ascertained that it will convert 100,000 customers over the next five years. Average frequency of use is twice a week or 8 times a month. Average duration of use is a year. One pill can be sold for $100 . You can ignore the time value of money.

Okay, so the number of pills to be sold over the next 5 years are 100,000*8*12= 9,600,000 pills. The revenue will be 9,600,000*$100= $960,000,000 i.e., $960 million. Do we know the cost figures too?

Yes, the cost of producing one pill is $40. This includes both fixed and variable cost.

The total profit comes out to be 960,000,000- 40*9,600,000=$576,000,000 i.e., $576 million

Wouldn't you consider R&D cost?

No, that is sunk cost. That can't be saved even if we sell the patent now.

Right, but are we sure that the client would earn $576 million? Do you see any risks?

In which country is the client aiming to sell this pill. And do they need trials?

The client is US based. And FDA stipulates extensive trials.

Has the client completed trials?

No, they are yet to begin with their trials.

Then, there is a possibility that the molecule might not succeed in trials and fetch zero return.

What more data do you need in that case?

I would need to know the following:
1) The number of phases of trials
2) Cost of each phase
3) The probability of success of each phase

There are three phases. The first trial costs $4 million and there is a 10% probability of success. The second trial will cost $3 million and it will be successful with a probability of 30%. The third and last phase would cost $2 million and its success has a probability of 40%. These probabilities are independent of the previous phase of trial.

Following cases are possible:
1) The trial can fail at 1st phase with 90% probability
2) The trial can be successful at 1st phase and fail at 2nd phase with 0.1*0.7= 7% probability
3) The trial can fail at 3rd phase with 0.1*0.3*0.6=1.8% probability
4) The trial can finally be successful at all stages with 0.1*0.3*0.4= 1.2% probability.

So, what is the final expected profit

It would be 0.9*(-4) + 0.07*(-7) + 0.018*(-9) + 0.012*567=2.552 million= $2,552,000 [Table 1]

This is considerably lower than the previous estimates. Which number is hurting the profitability the most?

The probability of success of the very first trial is very low. This has cascading effect on all further scenarios. It would be fair to say that this number is hurting the overall profitability the most.

Give me a minute…
I just got a call from one of the competitors who wishes to buy the molecule at $5 million. But they need an answer right now in a minute. They are on the other side of the phone and are asking if we are in or out.

$5 million is double the expected return. And the drug will succeed in trials with a bleak probability of just 1.2%.

In or out? 20 seconds left.

In. I recommend to seal the deal.

Yes, fairly done. Any regrets now?

None, the molecule was very different from the current portfolio. Current brand equity would not help in sales. Marketing efforts would have to be done from scratch. That will also amount to some costs.
This molecule would be sold OTC and the existing drugs are prescription based. Establishing a different distribution channel would need more expenditure.
Additionally, we did not consider the probability of the product not catching up even after passing through all the three phases of trial. Factoring all this, I think we had a good deal.

Pharmaceutical Company

Your client is a pharmaceutical company planning to divest one of its molecules. They have approached you to help with the valuation.

Interviewee Notes

- It is important to understand the objective of the client.
- Enquire about client profile.
- The molecule is a cosmetic drug sold OTC, different from current product portfolio.
- Valuation needs estimates of revenue and costs.
- Valuation needs to be done in isolation.
- The interviewer specifically asked the scenario in which client would not be able to earn the revenue arrived at by market sizing.

Case Facts

- Focus on maximum return for the company.
- The OTC sold pill is for baldness. The client deals in Diabetes and cardiac issues related medicines since a decade.
- Patent is for 5 years.
- Another deal available at $5 million.

Approach/ Framework

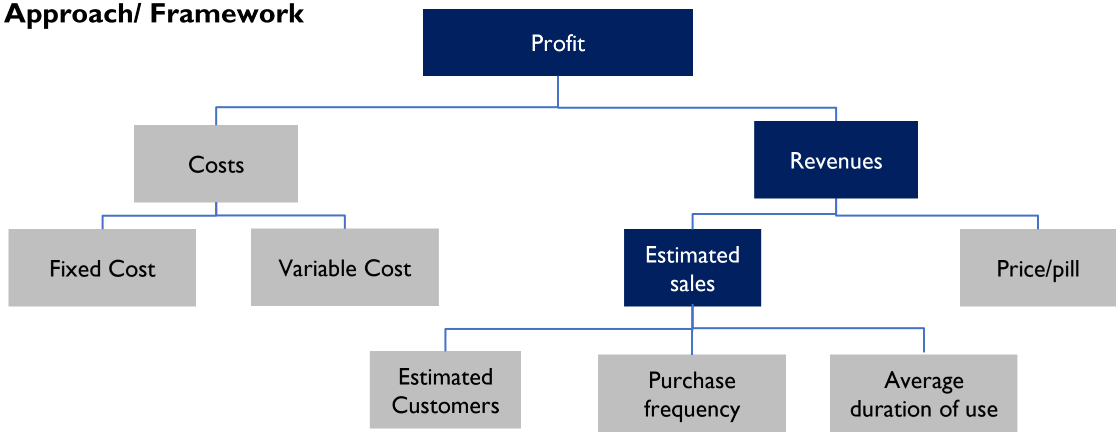


Table 1: Estimation of profit after considering probability of trial success

Scenario	Probability	Cost (in million)	Profit (in million)	Return (Profit- Cost)
Fail at 1st trial	**0.9**	**4**	0	**-4**
Fail at 2nd trial	0.1*0.7=**0.07**	4+3=**7**	0	**-7**
Fail at 3rd trial	0.1*0.3*0.6=**0.018**	4+3+2=**9**	0	**-9**
Successful at all stages	0.1*0.3*0.4=**0.012**	4+3+2=**9**	576	**567**

Return as per probability= 0.9*(-4) + 0.07*(-7) + 0.018*(-9) + 0.012*567=2.552 million= **$2,552,000**

Recommendations

- Since the deal was offering double of the expected returns, it was a good call to sell.
- Considering the overall product portfolio of the company, additional expenditure like marketing and distribution would bring the expected profit further down.
- It is a good practice to remember the industry throughout the interview. Trails are a peculiar characteristic of pharmaceutical industry.

Key Learnings

- It is important to understand the objective of the client. The whole question could have taken a different turn had the objective been to make the pill available to maximum people.
- It is important to pay attention to the questions asked by the interviewer. They wanted to channel the interviewee towards the right approach. In this case, it was the concept of trial of drugs.
- Understanding about the overall business of client is important before formulating any strategy, even if the problem statement is for a narrower business unit.

'Go Green' strategy – Interview Transcript

Your client is planning to launch a new Airlines Company. The airline will differentiate itself by being a 'green' airline. He has approached you, a consultant to help him suggest ways in making his airline 'green'.

So, if I understand correctly, the client wants to launch an airline which will focus on being 'green'. By being 'green', do we mean adopting and excelling in sustainable practices or is there some other interpretation?

Yes, you are right. It means adopting sustainable practices.

Okay, could I know why the client wants to adopt this? What is his ultimate objective?

Well, the client feels that the world is increasingly becoming conscious about sustainability practices. Being a 'green' airline, it will be able to capture a market of passengers even by selling tickets at a relatively higher price.

Sure, I would want to understand a bit more about the company at this point. Will it be a low cost or a full-service airline? Does it plan to operate in international markets or in India?

They will prefer to be a full-service airline. It will primarily be an Indian airlines, but it will have international flights.

Could I understand a bit more about the current context? Have other players started with these practices? Do we have any benchmark?

No, we would be the first in the industry. There is no benchmark.

Okay, so I feel that I have some idea about the problem. I would like to proceed analysing it by first drawing out the value chain (Draws out). Do you want me to focus on any one? Or should I start from sourcing?

Start wherever you want. You are the consultant.

Okay, so I feel that sourcing would be that of fuel and aircraft.
While I know that the suppliers are well established there are certain in-flight changes that can be introduced to reduce the weight of the flight. For example, lighter carbon fibre seats can be installed. Similarly, we could look at re-configuring the cabin crew or cockpit to reduce weight.
For fuel, we could look at a mix of biodiesel and normal fuel something which was tried by Spice Jet.

Okay, what else?

That would cover sourcing. Next, I would like to come to planning operations. This would include flight & crew scheduling, route selection etc. (refer value chain). The flights need to be planned such that it minimizes fuel use. This would involve better scheduling, not flying flights at less than capacity and reducing idle waiting time at the runway.

Okay. Could you think of a metric in this respect which would be useful?

Fuel/passenger. I think we should focus on reducing this.

Okay. Please continue with your initial analysis.

So, after planning, I would like to look at the pre-flight operations. This would involve ticket counter operations, gate operations, baggage handling, and pre-flight bus service. We could look at going paperless by removing paper tags and plastic zip locks and using e-boarding passes. We could also look to use aerobridges to reduce fuel use in operating buses. We can substitute the ground service equipment with electric powered instead of conventional diesel.

Interesting suggestions. Please continue with your analysis.

Next, I would look at in-flight operations. We could look at reducing paper and plastic on board by cutting back or eliminating magazines and buying lighter beverage carts.
Also, since we are planning to be a full-service aircraft, in-flight meals could be served in biodegradable containers.

Fair enough. What else?

After this, we would come to outbound logistics. Here again, we could use aero-bridges or electric buses to transport passengers to terminals. Baggage can be transported from flights to collection belts using electric/solar powered ground service equipment.
For major terminals (like metro cities), full-service airlines offer additional services like pick-up and drop car rental. We could substitute that with pooled-car or shuttle bus services.

Do you think you have missed out any major factor in your overall analysis? What do you think a major airline operator will need to have to sustain its operations?

I apologise, I had missed its corporate offices. An airline would have offices all over the country. We could look at sustainable practices there. Use of solar energy, going paperless etc. to reduce our overall carbon footprint.
We could also look at adopting green practices in reporting such as ESG reporting in our financials and conducting green audits by specialized firms.

What will be some of the major challenges in the initiatives suggested by you?

First, the initial fixed cost would be higher. Purchasing electric or solar powered ground equipment is not common in India so it would require special orders.
Second, since I suggested changing the configuration of the cabin and cockpit to reduce weight, these might require regulatory approvals.
Third, many customers are not comfortable using e-boarding passes. There will be an additional cost of educating passengers or we might lose out on sales.

Okay, Sounds good. Could you summarize the case for us?

Our client is looking to launch a new 'green' airline and needed suggestions to adopt sustainability practices. After analysing the relevant functions in the value chain, we came up with areas where the client could implement different techniques. It starts with green sourcing, better planning of flight operations to reduce fuel/passenger, reducing the use of paper and tags in the pre-flight operations, reducing the use of plastic in in-flight operations, reducing carbon footprint in the outbound logistics and also incorporating sustainable practices in the corporate offices of the firm. This would help our client go a long way in achieving his goal.

Okay. Thank you.

Unconventional | Moderate | Environment

‘Go Green’ strategy

Your client is the CEO of an Indian Airlines Company. He has approached you, a consultant at a top notch firm to help him make his firm go green. How do you go about it?

Interviewee Notes

- Try to use the 4C structure (Company, competition, context and cost) to gain more information.
- Gauge the motivation, reasoning of the CEO for going green.
- Try to use a value chain to break up the entire problem into parts.

Case Facts

- Client is an Indian Airlines Company
- It wants to “go green”

Approach/ Framework

Sourcing	Planning Operations	Pre-Flight operations	In -Flight operations	Outbound Logistics	Marketing & Sales	Service
Aircraft	Route Selection	Ticket Counter operations	Food/Offering	Baggage Collection	Advertising	Baggage Handling complaints
Fuel	Flight scheduling	Baggage Operations	Bio-Toilets	Connecting Flight	Promotions	Complaint follow ups
Green Audits	Reduce fuel per passenger	Gate Operations	Flight Crew	Hotel Reservations	Loyalty Programs	Feedback
	Passenger yield management	Bus & Airbridge		Car Rentals	Travel Agent Connections	Customer Engagement
		Administration			Bulk Discounts	

Key Learnings:

- The interviewee should first clarify what “go green” means. Then he/she should understand more about the company and operations. Finally, the problem should be broken up into a value chain to simplify it.
- Give recommendations under each bucket in the value chain. Be exhaustive.
- If the industry is familiar, comparisons with companies you know about would help in providing recommendations.

Engagement Assessment Retail – Interview Transcript

You are a consultant for a leading management consulting firm. A potential client has been identified by one of our partners in the retail sector. There is a possible project that can be engaged with the client. Please help us evaluate if we should undertake the project.

Sounds good. I'd like to start with understanding more about the management consulting firm, its location, and current scope of activities.

The firm is one of the top 3 consulting firms and the client is being engaged by the India office of the firm. The client is an Indian company as well.

Okay. I'd further like to know more about the client in question. What kind of a retail chain is this? What are the products being sold and does the company operate across India?

The company has stores across India, majorly on the outskirts of major cities and in small towns. It deals in three types of products: FMCG, Apparel and Household Electronics.

Interesting to know. Do we know the split of revenues or profits that each of these three product lines bring to the company? Also, does it manufacture its products or is only into retailing?

Good question, close to 70% of the revenue of the company comes from Apparel and this mostly consists of not-so-expensive clothes targeted at the lower middle-class. It is restricted to retail.

Got it. What are the kind of projects that the potential client is considering engaging our firm for?

The client has major issues with cost optimization at the store level as well as having the right workforce size (downsizing or hiring employees as required).

Perfect. Can I please take a minute to structure my thoughts and analyse the situation?

Sure, take your time.

Right, so I'd like to break down the engagement assessment, or rather client assessment into 3 parts: Firm Capability, Economic Viability and Operational Synergies. Do you think there could be any additions to this structure?

No, this looks good.

Okay. So, I'll start with first assessing our firm's capabilities and determining if they are suitable for the client and its projects. We can further look at Capability from two lenses: Subject Expertise and Resources available.

Talking about Subject Expertise, can we further split it into two kinds of experience. Have we done any projects in the past either for a similar retail client or in a very similar topic (cost optimization and workforce reduction)?

Our firm has very limited experience with clients in the retail sector. However, we have a deep expertise in both cost as well as manpower optimization projects across industries. A majority of our experience in this domain of projects stems from the metals and mining sector.

Oh. I think it would be critical here to understand if this expertise and the skills can be transferred to the retail sector.

Exactly. What are the factors you would consider when evaluating this?

I see three factors: Technological Complexity, Scale of Operations and Geographical Distribution. I would rate the first two factors to be much more complex and nuanced in the mining sector, hence transferring skills to the retail sector would not be an issue. However, since the client has stores distributed across the country at the grassroot level and we have experience in Mining that I see has a concentrated presence in only a handful of plants, we might face issues when it comes to optimizing thousands of distributed stores.

Coming to Resources Available, do we have enough quantum as well as skill levels of human resources (consultants) available to undertake new projects?

Yes, there is no shortage of skilled consultants at our firm in the foreseeable future. We can move onto the next aspect you have.

In that case, I'd like to move on to analyse the Economic Viability of the engagements. I'll start by breaking down profitability into revenue and costs. On the cost side, do we see any other major cost heads apart from consultant pay and project expenses such as travel, accommodation, etc?

You can consider only these two expenses to cover the major cost components. You can further investigate the revenue side.

Sure, as I understand, many consulting projects are billed by the number of hours consultants at each level put in. Please correct me if that's not the case. Also, how long do we expect a typical engagement with this client to be?

Yes, billing by the hour is one method. However, we are increasingly shifting towards variable pay in many projects with say 20% bonus on completion of deliverables and maybe another 10% on top if we exceed expectations. A project usually goes for 3 months but some projects are longer.

Understood. I'd then like to split revenue into current and future benefits. Under current benefits, I'll take a short-term view of the revenue from a single or maybe a couple of initial projects. My hypotheses would be that this would not be a huge amount and I'll focus more on the future benefits.

Sounds good. What kind of future benefits are you thinking of?

I can think of direct and indirect future benefits. The direct benefits would be future projects and recurring or long-term consulting projects if the client is happy with our work.

Under indirect benefits, the revenue from other client projects that our firm undertakes as a result of the expertise we build in this sector can be included. Also, positive network effects in the form of good word of mouth by the client might be a critical long-term benefit from other companies in the sector or the client's value chain.

Interesting points. Is there anything about the client you'd like to evaluate in order to take the long-term view that you're hinting towards? How do you go about doing that?

Yes, I will want to evaluate if the client will be in a good position in the future so we can reap these long-term benefits. A way of doing this is to project future position based on past data.

I see three elements here: Company Financials, Scale of Operations and Brand Value, which is more intangible in nature. Do we have any data on the client's financials to start with?

Seems like a good approach. Yes, the client's revenues have been consistently going up and it has been reinvesting the profits into opening new stores, growing at the rate of 50 stores annually.

Alright. This information looks encouraging. However, I would want to understand the growth in the scale of operations to make a better assessment.

Sure, what factors are you interested in the growth of operations of the company?

3 factors: a) Performance of current stores, b) Distribution of current and new stores, c) Competitive forces in the industry. I'd also like to understand if new stores are only for clothing or also for other product categories?

Well, while most of the current stores are doing well, a few are unprofitable and the company shut down some stores in major city centres. However, the growth rate of new stores on city outskirts and small towns is much higher. The new stores are distributed evenly across the country. As of now, we don't see any nation-wide retail chain competing in low-end clothing, however there are several competitors in FMCG and electronics. What is your final assessment and what kind of consulting projects do you recommend for future revenue?

Based on the strong position in clothing segment and profitable growth across the country, I would recommend taking up long-term projects with the client.

Further, I see projects along the value chain of the company: a) Pre-Store: Supply Chain Optimization in logistics, in both transportation and storage, b) In-store: Digital Transformation of its store operations, and Loyalty Program Design c) Post-store: Reverse logistics and After-sales

Sounds comprehensive. Thank you, we can close the case here.

Engagement Assessment Retail

You are a consultant for a leading management consulting firm. A potential client has been identified by one of our partners in the retail sector. There is a possible project that can be engaged with the client. Please help us evaluate if we should undertake the project.

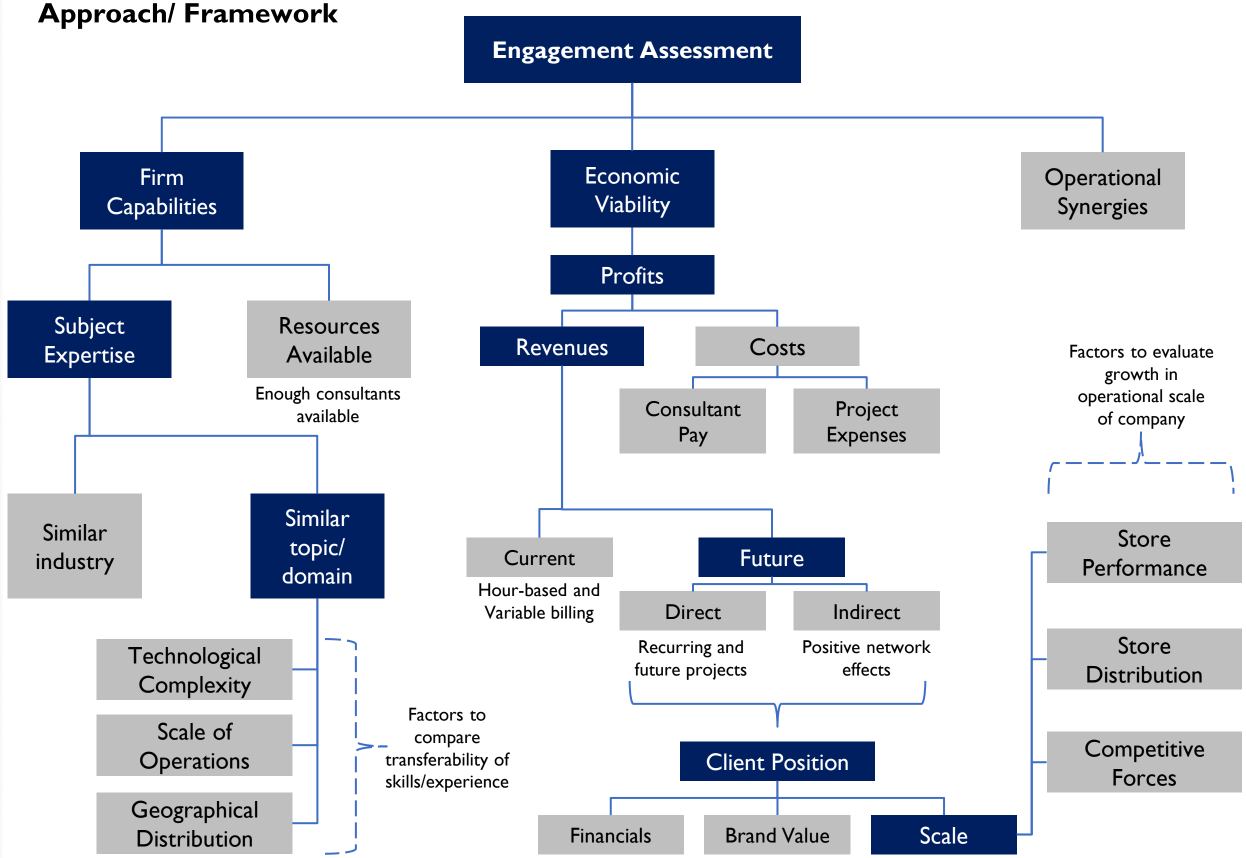
Interviewee Notes

- All the stakeholders involved (in this case, the consulting firm as well as the retail company) need to be probed
- Diving deeper into the client's objectives in engaging the firm gives information that drives structuring later in the case
- Starting with a high-level structure to evaluate the potential engagement and then adapting as per new firm as well client information helps
- Recognizing a long-term perspective for revenue was paramount in this case
- Making a balanced assessment based on synthesis of all case facts drove the final recommendation

Case Facts

- Client company operates in FMCG, Apparel as well as Electronics
- 70% of the revenue is driven by low-end clothing
- Presence on city outskirts and small towns across India
- Client looking for cost and workforce optimization projects
- Prior firm experience of cost optimization in mining industry
- Client revenue increasing and growth of 50 stores per year

Approach/ Framework



Key Learnings

- It is important to adapt the preliminary questions to probe a few steps further into the split of revenues across products or value chain aspects.
- Taking cues from the interviewer on where they prefer driving the interview and asking relevant questions throughout the case gives important information.
- Stating a hypothesis and confirming with the interviewer when not sure about a particular industry demonstrates clarity and confidence.

Recommendations

- Decision: Undertake the engagement with the client
- Types of Consulting Projects:
  a) Pre-store: Supply Chain optimization in Logistics (Transportation and Storage)
  b) In-store: Digital Transformation of store operations, Loyalty program design
  c) Post-store: Reverse Logistics, After-sales-support resilience

Declining website traffic – Interview transcript

The client is a web-based media news aggregator platform. The website has been seeing a drop in traffic of late. Diagnose and recommend solutions.

I would like to confirm the objective before I proceed. The client's website has seen a drop in traffic, and they want to figure out why this is happening and fix it. Is there another objective?

No other objective.

Okay, I have a couple of questions. What exactly do you mean by traffic? Would you count the same user accessing through different mediums such as phone, laptop, etc., as separate traffic?

Good question, we consider every hit on our website as traffic, regardless of which user it is. So, to answer your question specifically, yes, we would recognise that as separate traffic.

Thank you. Going further, I would like to check if there is any data regarding the change in traffic over the last two-three timeframes. What is "of late"? How was the trend before that?

We've been seeing a steady decline in number of users since about 6-7 months now. Before that, we were witnessing healthy traffic growth rates, ~ 20% every year since inception in 2016.

Alright, by decline you mean an absolute decline in the total number of users and just not a decline in the growth rate, right? Also, is this an industry-wide issue?

Yes, for both.

Alright, thank you. So just to summarise everything so far, the website has been seeing a decline in hits on the website over the past few months, which goes against the general trends observed over two years.

Sounds good.

I believe that traffic can be broken down into traffic from first time users and traffic from repeat users. Do we have any data regarding which of these two segments have taken a hit?

Yes, we have data saying that the number of new users are still growing at a steady rate, while the number of repeat users have been declining at a pretty quick pace.

Thank you. I shall look into the possible reasons for a decline in traffic from repeat users now. I believe that a user looks for three things when using a website, especially a content site like a media aggregator. The first would be the quality of the content, the second would be the cost of the content, and the third would be the delivery of the content. I shall delve into these to figure out where the issue is stemming from.

Okay, go ahead

Firstly, has the quality of the content we are delivering to consumers changed in any way in the last six months? Has the editorial team changed? Have the journalists changed?

No significant changes

Alright. Do we know if the pricing of the website has changed in the last six months, with something like a free trial for first-time users? Has a significant competitor reduced their prices or changed their pricing structure recently?

No, none of us have made any changes to the pricing structure in the relevant timeframe.

Alright, I think the issue stems from the delivery of content. I shall break this down in to two components: operational and aesthetic, and then drill down.

Okay, go ahead.

The operational component can be broken down into:

- Internal factors: Here I would like to know whether the speed of website has declined due to website architecture or increased load.
- External Factors: I would like to know whether the competitive landscape due to maybe competitors investing in better content. There could also be regulatory change which can force us to change the way we deliver our content. Maybe government restrictions or censoring.

Good. So, there is no change in the speed of the website nor there is any change in the competitive landscape. However, there has been a recent regulatory change. The company operates in the EU region. That should give you a hint on what it could be.

Ah! EU recently launched the new Global Data Protection & Regulation Act (GDPR) that could have led to a decline in traffic.

Correct. To comply with the act, we have to show a bright red visible banner that informs the user that the website is using cookies to track activity and takes consent from him/her for the same.

Ah, so I believe that repeated visits to the website are becoming cumbersome owing to have to click on the large banner each time they visit the website, thus leading to an overall decline in the quality of the customer experience.

That is correct. Any recommendations for the same?

Without having a detailed sense about GDPR, I propose the following:

a. Make the banner less flashy and intrusive, but visible. So, any changes to the color scheme and the font type to make it less in-the-face can help reduce the impact on the customer.

b. Focus on developing quality content: While the website now is only a media aggregator, the company can take steps to develop exclusive content with top writers so that users are forced to put up with the banner in order to consume quality content.

c. Move away from a user tracking model and consolidate content delivery as the only feature. Remove features that require user data. This would also help allay fears that the website can be used to influence public opinion based on popular sentiment.

That will be all, thank you.

Declining website traffic

The client is a web-based media news aggregator platform. The website has been seeing a drop in traffic off late. Diagnose and recommend solutions

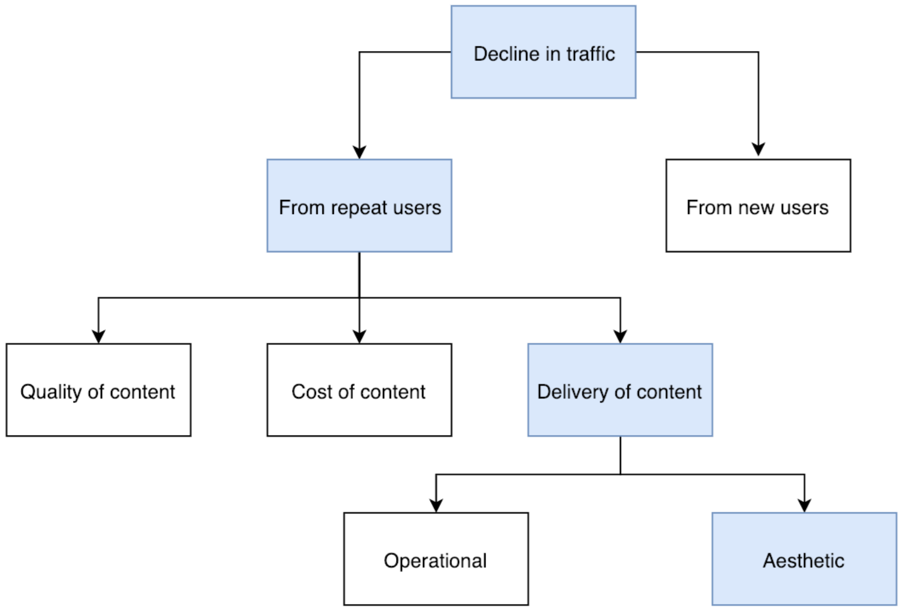
Interviewee Notes

- Steady growth rates previously
- Problem is with retention of users
- Identify drivers of repeat users
- Understand the factors that could lead to attrition

Case Facts

- Industry wide issue
- No problem with new users
- No new competition
- No changes in pricing by any of the companies
- No change in content quality

Approach/ Framework



Recommendations:

The issue is with the new, obtrusive, legally-mandated GDPR cookies banner, which is ruining user experience. Thus,

a. Make the banner less flashy and intrusive, but visible.
b. Focus on developing quality content.
c. Move away from a user tracking model and consolidate content delivery

Key Learnings:

a. There were some redundant questions given that the interviewee had identified that the problem is not company-specific but industry-wide. Such questions should be avoided.
b. It is important to take time and think the framework/approach through clearly in cases such as this one where none of the conventional frameworks can be applied. (Can be looked at, through the lens of Company, Customer, Competitor and Product)
c. It might be worthwhile knowing some common digital marketing terms such as bounce rate, click through rate etc.

Public Distribution System – Interview Transcript

The Ministry of Consumer Affairs, Food and Public Distribution has been witnessing lower collections from the Public Distribution System. They have approached you to identify the key drivers behind this trend.

Interesting. If I understand correctly, the fair price shops under the PDS sell basic grains at extremely affordable prices and this scheme is run jointly by the Centre and the states.

Yes, that's right. The shops largely distribute 4 products – wheat, rice, sugar, and kerosene. These products are procured by the central government while the fair price shops are run by the individual state governments, which are also responsible for issuance of ration cards to the eligible people.

Understood. Have all states experienced lower collections? Or is the problem specific to certain states?

Good question. The problem has been most prominently observed in Kerala. For the purpose of this case, you can focus on just that.

Alright. Since when has the Ministry witnessing this problem? Could you also quantify the extent of the issue for me?

While we do not have very solid estimates, collections have gone down over 30% in the last 2 years.

Thanks. Also, have collections gone down for any specific foodgrain, or is it largely consistent across products? From what I understand, rice would be the staple grain for Kerala while wheat consumption would be low.

The issue is not specific to any grain. It's a trend being witnessed across all shops in Kerala for all products.

Okay, I have adequate information to step into solving the problem now. I would first look at the lower collections issue. Given the product mix is not relevant, the collections can be determined as below:
Collections = # of beneficiaries x monthly quantity purchased per beneficiary x central issue price

That's fair. We know that the central issue prices have not gone down. It's a volume problem.

Interesting. Since ration cards are usually issued for a period of 5 years and this problem has been observed only over the last couple years, I believe the number of beneficiaries going down is not the key issue. Additionally, the centers for registration and renewal of ration cards are also highly accessible, thus the beneficiary list should not move much.
With this assumption, monthly quantity purchased per beneficiary is likely where the issue lies.

Yes, the number of beneficiaries have not gone down drastically but they have been tapering their quantity purchased from the fair price shops.

Looking from an internal-external perspective, this could either be due to increased utility provided from other sources (external driver) or decreased utility from the existing source (internal driver).

Assume that the quality of the produce and ease of disbursal of the PDS scheme has remained constant over the years.

This leads me to believe that the beneficiaries have more value accretive options available to them. I would like to segment them into government schemes or non-government (private) schemes. It seems unlikely that private players would cater to BPL segments, as the margins here tend to be slim.

Yes, though private players have not changed their offerings, we can look at other government schemes.

People may have increased their discretionary spend towards existing schemes or new schemes introduced by the government. Given that it is a recent problem, I believe that either there is an increased budgetary allocation (subsidization) towards existing schemes or better alternatives have been launched.

It seems that beneficiaries are leaning towards newer government schemes. Can you analyse why?

Sure. We can consider the following parameters to ascertain higher preference towards other schemes:

1. Need
2. Awareness
3. Accessibility
4. Affordability
5. Acceptability

Alright. Go ahead.

Herein, I believe that need and awareness for government schemes would have remained fairly stable over the last 2 years. We have established that accessibility is not a concern. Fair price shops are heavily subsidized; thus, affordability should also not be a problem.
Thus, acceptability must be the factor of concern. Am I correct in assuming this?

Yes, you may proceed.

Under acceptability, I would like to look at:
1. Functional Acceptability: The consumer may be experiencing higher levels of service, or better quality in terms of taste and nutrition derived from the food.
2. Psychological Acceptability: The alternate offering may be psychologically more satisfying to the consumer. For instance, it may convey a higher stature upon the individual, leading them to satisfy their esteem needs.

Yes, you are correct on both fronts. Recently, the Kerala Government has introduced a new scheme along the same lines as "Amma Canteens" in Tamil Nadu, wherein nutritious food is served at nominal rates to BPL segments. Further, the canteens are operated as buffets where these segments are accorded more respect as opposed to fair price shops.

Ah, then such canteens must have shifted the preferences of BPL consumers away from ration shops and raw grains, in favor of ready-to-eat meals at inexpensive prices.

Absolutely. Now that we have identified the key driver, let's close the case.

Public Distribution System – Interview Transcript

The Ministry of Consumer Affairs, Food and Public Distribution has been witnessing lower collections from the Public Distribution System. They have approached you to identify the key drivers behind this trend.

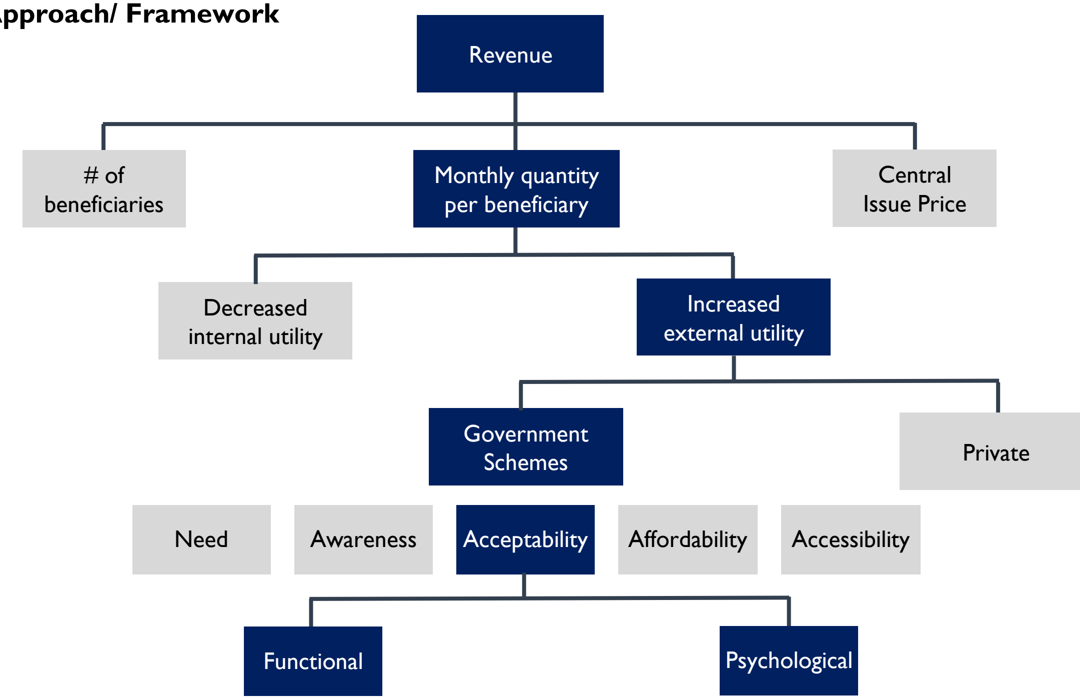
Interviewee notes

- Prices have not changed, neither have the # of total beneficiaries
- Beneficiaries reducing their monthly quantity purchased
- Increased utility provided by other government schemes

Case Facts

- Client is the Ministry of Consumer Affairs (PDS)
- Problem of decreasing collections
- Problem specific to Kerala
- 30% decline in collections over the last 2 years
- Consistent across all food grains

Approach/ Framework



Observations / Suggestions

- It is important to narrow down to the geography/segment where the problem lies, at the start of the case
- Once the problem is identified, it is important to figure out the reasons for the same – quantitative formulas can help you remain MECE in your structure
- Candidate needs to develop understanding of the value chain in public sector disbursal schemes

UK Oil Crisis – Interview Transcript

Your client is the government of UK and they are facing an oil crisis across the country. The client wants you to analyse why and suggest some measures to solve the problem.

I would like to understand what does the client mean by an oil crisis. Also, I would like to know the time frame of the crisis.

There are extremely long lines at the gas stations across the country. The crisis is a recent phenomenon and there is no specific time frame.

Okay, I would now like to understand our sources of oil. How much do we import and how much do we mine internally? Also, in what form do we import the oil and from which countries?

Good question, we do have some oil mining facilities in the country, but for simplicity, you can assume that we import all the oil we consume. We import the oil from Saudi Arabia, mostly in the form of crude oil which needs further processing to separate it into its components.

Next, I would like to know if the long lines are pertaining for a specific fuel or is it across all types of fuel stations?

The long lines are there for all types of fuel stations.

Oh Okay, so the long lines at the fuel stations could be due to three reasons – increased demand, inefficient fuel station management or inadequate supply, although, the second reason seems unlikely given it's a recent phenomenon. Do we know which one is the case here?

Great observation, the crisis is due to inadequate supply of fuel to the stations.

Now, the inadequate supply could be due to internal problems while processing and transporting the oil in our country or due to inadequate import?

We are facing issues due to issues internal to the country.

Moving forward to further understand the situation, I would like to understand what part of value chain is causing the problem. I would like to break down the value chain into its parts and narrow down the problem.

The crude oil is transferred from the ships to the dockyard, from where, trains are being used to transport the oil to the refineries for further processing. The refineries use distillation to separate crude oil into its components and the trucks to transport the oil to the fuel stations. Do we know what part of the value chain is causing the issue of inadequate supply?

Good breakup of the value chain. The loading of oil to dockyards, transporting it to refineries and processing them does not seem to have any issue. The major issue occurs when the trucks are used for transportation of oil to the stations

Next, we know that there are three processes involved during the transportation of oil from refineries to the stations. The loading up of trucks with fuels, the transportation of trucks from refineries to the stations and the unloading of oil into the stations. Do we know which process is causing the most trouble?

Good, let us look at the transportation phase. Why don't you move ahead with analysing the reasons for the same.

To analyze the problem further, I would like to look at it from the perspective of different components involved. I would segregate the transportation phase into 4 components, i.e., namely the fuel transportation related issues, the truck related issues, driver related issues, and route related issues.

Good, that' a good breakup. The issue seems to be with the drivers.

I would break the problem down into a formula of oil transported with drivers being a key factor: Quantity of oil transferred = Quantity of oil per driver hour* no. of hours per driver* total number of drivers.

Yes, that's a good observation. How would you analyze the problem further?

The number of productive driver hours can be calculated by the number of drivers, the working hours per driver and the efficiency of the drivers. Do we know which of the above three factors might have declined?

Yes, the number of drivers has declined which is causing the delay in transfer of fuel to stations which, in turn are causing long lines at these stations. Can you think of some possible reasons as to why the number of drivers might have declined?

Sure. The most obvious reason that comes to my mind is the covid scenario. The drivers might have returned to their hometowns due to low work availability and are facing issues now because of travel restrictions. The other most probable reason could be a pay cut due to covid which has reduced the supply of drivers. One other reason could be a shift of drivers to other professions which seems a bit unlikely given the short time frame of the problem.

Good, you are correct. The drivers had returned to their homelands due lesser work availability, and they are now facing issues to return to UK given travel restrictions due to covid and Brexit scenario. Now that you know the reason, can you suggest some recommendations to overcome the same?

Definitely. I would like to break down the recommendations into two broad categories: short term and long term.

Under the short-term recommendations, I would suggest three ways:

1. Provide the drivers with essential workers status to ease their movements.
2. Increase the working hours of current drivers with overtime pay.
3. Keep the military on standby for extreme circumstances.

Under the long-term recommendations, I would suggest two ways:

1. Build train tracks connecting refineries to major towns enabling transfer of fuel through trains, thus, limiting the dependability on drivers.
2. Build state level reserves of fuel for usage in times of emergency.

Alright. Let's stop here. Well done. Thank you.

UK Oil Crisis

Your client is the government of UK and they are facing an oil crisis across the country. The client wants you to analyse why and suggest some measures to solve the problem.

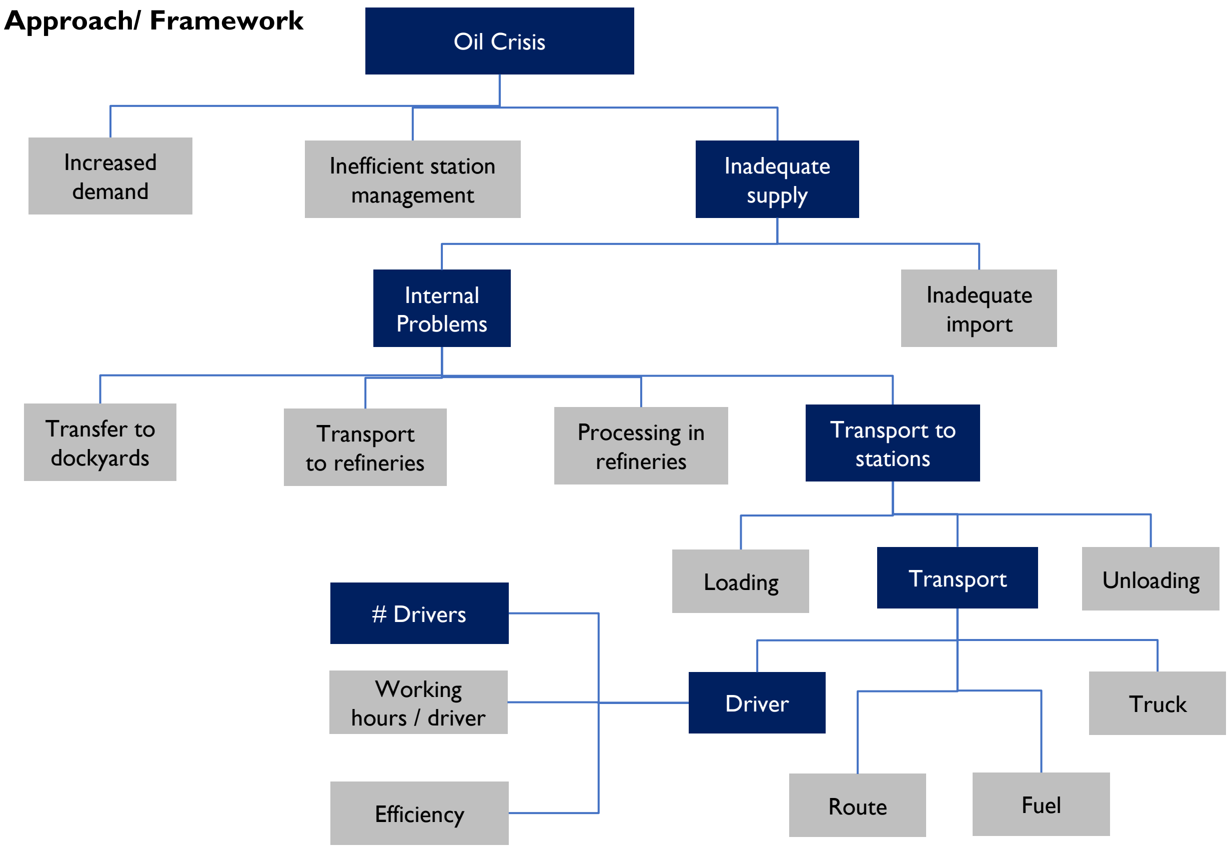
Interviewee Notes

- It is important to understand the problem statement at hand i.e., what does the interviewer mean by an oil crisis.
- Enquire about the sources of fuel and the specific fuel type facing the problem.
- It is important to analyze every part of value chain.
- Inadequate supply is causing long lines at fuel stations.
- Import has not declined.
- Productive driving hours have declined.

Case Facts

- Focus on fuel only through imports.
- The long lines are being caused by inadequate supply.
- There are no issues with import of fuel.
- The issue is with the transportation phase to fuel stations.
- There is no issue with the trucks, the fuel transferred and the route taken.
- The problem arises due to the decline in no. of drivers due to Brexit and covid.

Approach/ Framework



Recommendations

1. Short term: a) Provide the drivers with essential workers status to ease their movements.
   b) Increase the working hours of current drivers with overtime pay.
   c) Keep the military on standby for extreme circumstances.
2. Long term: a) Build train tracks connecting refineries to major towns enabling transfer of fuel through trains, thus, limiting the dependability on drivers.
   b) Build state level reserves of fuel for usage in times of emergency.

Key Learnings

- It is important to think about the factors local to the problem statement. Here, covid and Brexit, both factors played up a major role in this situation.
- Inquiring about the product segmentation during the preliminary phase gives a lot of context. Had this been a problem with a particular fuel, the situation would have been way different.

Ski Slope – Interview Transcript

Your client has inherited land on a ski slope from his grandfather. What would you suggest him to do.

I would like to understand more about the land first. How big is the land and where is it located? How can it be accessed – through roadways, air and/or water ways? Is it a touristy area or is it secluded and unexplored?

It is 5 acres of land located in a remote location 20 kms away from Manali. There is a small road that connects this land to the mall road at Manali. It is mostly unexplored and there is no other significant structure/building around the property.

Are there any special features about this land? Is it rich in minerals or extremely fertile?

No nothing of that sort.

Okay, I would also like to know a bit about the client background. What he does and if he has monetary objectives like maximining profits, stabilizing cash flows. Or non-monetary objectives like an emotional attachment, philanthropy?

The client is a big industrialist, and he wishes to gain profits from this land.

Is the client open to diversifying his business? And does he have any limitations on investment?

Yes, he is open to diversification. There are no limitations on capital.

Great. The client can either decide to sell or own the land partially or fully. However, selling would not be a good option given the objective. If he owns the land, he can choose to construct asset(s) on the land and monetize them himself, construct asset(s) on the land and rent them out to someone else or simply rent out the bare land.

The client wishes to own the land himself and construct assets for earning revenue.

Alright, the client can start a business in the primary, secondary or tertiary sector. Since the land is not fertile or mineral rich, primary sector can be ignored. The client's background as an industrialist will help if choosing the secondary sector. However, given that the land is a ski slope the most attractive option could be in the tertiary sector especially in the hospitality industry.

Makes sense. Assume the client wants to open a ski resort on the land. Would you recommend this to him?

Before that, I would like to understand more about the kind of ski resort the client would like to open. Who would the target market be? Who are the competitors?

The client wants to open a high-end ski resort for wealthy Indians. Competitors would include other luxury hotels/resorts in North India with skiing facilities.

Ok, to check the feasibility of this, I would like to assess 3 things - i) the attractiveness of this proposition, ii) feasibility of opening this resort in terms of both financial and operational aspects and iii) long term sustainability of the project. Does this seem like a fair approach?

Yes please go on.

Given that the objective is profits, I would like to look at 3 factors while assessing the attractiveness of the proposition- the market demand, the expected share of demand that the client can gain and the profitability of the proposition. The market demand is the Total Addressable Market (TAM) including both skiers & non skiers who wish to visit ski resorts. Further, we can estimate the profitability for a year as Market demand * Market share * (Price - Variable costs on a per person basis) - Fixed costs. Do we have any data regarding the same?

Assume the TAM is 5 Million people & we can gain 2% of these customers in a year. Variable costs are 98% of price & fixed costs are Rs 2 Million. How would you estimate the price? Is the proposition attractive?

Pricing can be estimated by benchmarking costs, analyzing competitors or estimating customer value. There are 2 services offered by the ski resort - (I) Boarding and lodging facilities (II) Skiing.

For (I) we can use competitor-based pricing as customers will compare with other resorts while booking for a vacation. Since this is a premium ski resort it can be compared with a resort like Khyber in Jammu and Kashmir which charges ~Rs 20000-30000 a night with meals included. As new entrants we can price ourselves ~Rs 15000-25000 depending on the seasonal demand. For (II) we can use value-based pricing. Rs 1000 charged for one-hour slot at entertainment parks like Snow World, could be taken as a proxy to price the skiing service.

Assumed the average stay length is 2 days, the occupancy is 2 people in a room and person skis 2 hours on an average, the average price paid by each person is Rs 22,000 which translates to 5M*2%*(2%*22000)-2M = Rs 42 million annually. Thus, this proposition is attractive.

Is there any other way you could check the profitability? Ignore the ski park.

Yes, this can also be looked at from the supply side. We can assume with a land of 5 acres, the resort has roughly 100 rooms. In the 6 months of snow, we can assume an 80% occupancy rate and in the rest 6 months, a 50% occupancy rate. We can then multiply this with the price-variable costs on a per room basis and finally subtract fixed costs.

That sounds fair. Could you move on to the next part of the analysis

Sure. Next, I would look at the market entry feasibility which would be divided into financial and operational feasibility. The client has no limitations on investment and is already a big industrialist who will have access to capital markets for raising debt. Hence the initial funding should not be an issue. Other things we could look at are the timeframe of the project in terms of payback period and the consistency of cash flows.

There are no issues with the payback period. What risk do you foresee with cash flows?

The major issue I can think of is high variability in the cash flows. A large chunk of the investment will be upfront, and revenues will trickle slowly. Moreover, since this is a seasonal industry, there will be higher unpredictability during non-seasonal times. However, to avoid the latter, the client can position the ski resort as an luxury wellness retreat center offering therapies like Ayurveda.

Ok sounds good. Moving on, what will your considerations be in operational feasibility?

This can be divided into 3 phases – pre-construction, construction, functional phases. During the pre-construction phase issues can arise due to non-transferability of skill of the entrepreneur since this is a new industry for him, government regulations, permits required and environmental impact assessment. In the construction phase we should consider 4 things –accessibility of the location to transport supplies, contractor selection, correct weather selection for construction and the boarding lodging requirements for workers. The main issues of the operational phase would be around accessibility of resort by road, customer safety and all-round availability of staff at the resort.

Fair. Assume all this is feasible for the client. What would you do next?

The last thing I would check for is the long-term sustainability of the project. The long-term competitive advantages that the client can leverage are the prime location of the land and his financial backing as an already established industrialist. However, the client would also face threats and risks. This can be divided into internal and external factors. Internal factors would include safety hazards and non-accessibility to resources owing to remote location. External risks would be posed from entry of a new competitor, adverse weather conditions, economic risks where a recession or a pandemic like covid shrinks the demand for vacations or political risks.

Good. Assume the client is very happy with your analysis and wishes to go forward with this plan. What kind of business models can he chose from to operate and run this resort?

The client can choose to carry on operations organically or inorganically. In the first case he can either start a new chain of hotels or put the resort under the current brand he operates. Inorganically, he can choose out of 3 options- enter a joint venture with an existing chain of hotels, outsource the day-to-day operations to another firm or enter into a franchise agreement.

Ski Slope

Your client has inherited land on a ski slope from his grandfather. What would you suggest him to do.

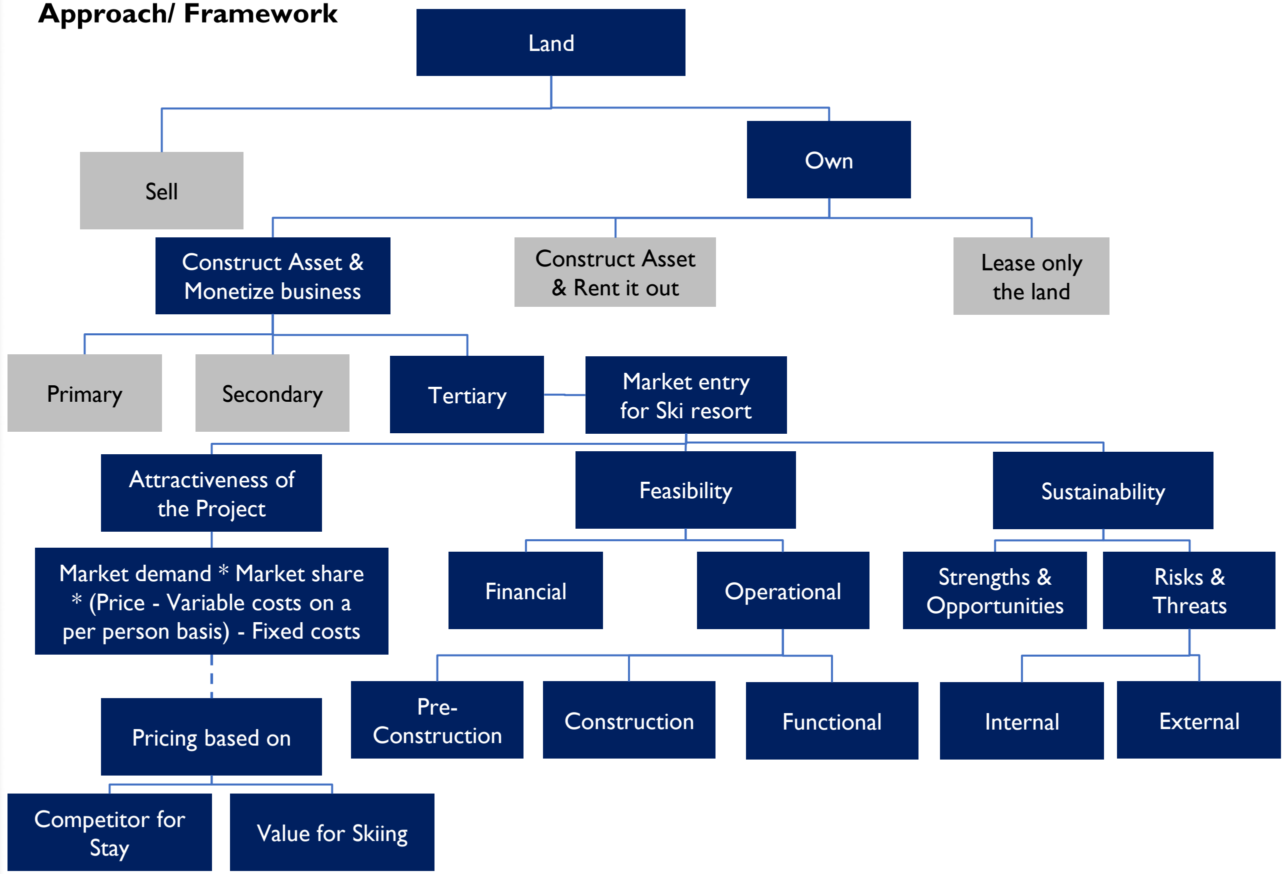
Interviewee Notes

- Though this starts out as a vague unconventional case it has elements of Market entry and Pricing.
- Understand characteristics of the land and objective of the client well.
- It is important to distinguish if the land itself is the asset or some other construction would be done to supplement it.
- Once you chose to own the land, it is important to break it down further into creating a business around it or simply leasing it out.

Case Facts

- Client has got a piece of land on a ski slope
- Land is 20 kms from Manali in remote location
- Wishes to enter the hospitality industry with a high-end ski resort for wealthy Indians
- Questions on profitability and pricing of the product after giving data on TAM and costs
- No financial constraints on investment

Approach/ Framework



Recommendations

- Client should enter the market since market is attractive, project is feasible and sustainable.
- Business Models for operation include entering a joint venture with an existing chain of hotels, outsourcing the day-to-day operations to another firm or entering into a franchise agreement
- Client should be cognizant of internal risks like safety hazards, non-accessibility to resources and external risks from competition, weather, economy or politics

Key Learnings

- It is important to break down how the attractiveness of the project is measured. In this case it is as per profitability - the objective of the client.
- It is important to think about multiple ways you can use the business despite having thought of opening a ski resort in the very first instance.
- Market entry can be broken down into 3 questions: (I)Is the market attractive for you to enter? (II) Is this attractiveness sustainable? (III) Is it viable for you to enter the market?

Horizontal integration in E-commerce – Interview Transcript

The CEO of Flipkart has reached out to you to evaluate the business opportunity of merging Flipkart Fashion, Myntra and Jabong to realize economies of scale. Could you advise the clients on the same?

Before analyzing the problem statement, I would like to understand our client better. What are the three businesses and how are the three different?

You may assume them to be three different subsidiaries of Flipkart catering to Apparel and Fashion Accessories. Myntra basically caters to middle-aged women, providing modern Indian wear. Jabong on the other hand, is more youth oriented and emphasizes strongly on latest fashion and western wear. Flipkart Fashion is more generic, catering to all three of them

Great. Is there any specific, tangible objective the client has behind this merger?

The client feels that he can increase revenue while decreasing cost through this. However, other executives have cited concern over this. He wants to maximize profits for Flipkart both in the short and in the long run.

Alright. Could you help me understand which set of operation are we looking to merge? Both frontend and backend?

Yes, we are open to all sorts of integration. The client wants to integrate at-least some portion, if not all, of both frontend and backend

Great. I would like to take a minute to structure my thoughts around the same. I would like to divide the analysis into three aspects: a) Financial Feasibility, where I would like to focus on Revenues and Costs; b) Operational Feasibility, where I would analyze the creation of synergies in the value chain; c) Risks involved where I would focus on Internal and External Risks that could affect us in the long run.

That seems to be fine. Let's begin the analysis.

There are two revenue streams of Flipkart: From transactions and from advertisers. The transactional revenue is depended on the no of visitors on platform, % of them who get converted, transactions per customer and the sales value per transaction. Starting with the no of visitors, it depends upon the brand of the platform and the awareness among the users. We should decide what should be the name of the single platform. Since Flipkart is the most popular of them all, we should keep Flipkart. There might be Myntra customers who shop for other products on Flipkart. However, as seen in the world of social network, people today prefer specific portals over generic, particularly in a highly involved purchase like apparel. Hence, there is a risk we might lose out on customers in the short run.

True. However, there would be Jabong customers who would be moving out of the target customer base. While they would drop off the platform in the short run, the integration would ensure they still find the platform useful.

Absolutely. However, we must also consider the positioning of the brand eventually. Myntra is famous for modern Indian wear, which would play a large role in attracting its customers. Switching the positioning to a generic platform might entail losing out on a long-standing goodwill. We might have to consider promoting across all platforms equally, as our customer base would be highly heterogenous. Even if the customer is aware, the next step is downloading the app or hitting the website. It is there we would be realizing huge benefits of scale. Due to low phone memories, particularly in rural India, people generally would prefer keeping only 1 app in the mobile instead of 3. Integrating the platforms would help us cater to the entire family of users through the single app.

True. However, the client is concerned that the integration would make both the website as well as the app very heavy for download.

True. For website, we can think about having an easy to load homepage, which would gradually open to subsequent pages to better manage download. For app, we must divide the entire download into two parts, first the default app which should be small. Subsequently, on every usage, we should download live data of the page from the server, to better manage the size. The major concern for me is that a platform like Flipkart would not be able to provide the specific, personalized filters available on Jabong/Myntra related to apparels. However, due to large amount of data, would be able to gather a lot of customer data to better curate recommendations

Absolutely. Anything else you would like to add?

We can also look towards providing a uniform loyalty program with which every customer is able to benefit for every purchase on the platform, be it for himself or for his family. With a recommendation system, cross-selling would also improve, thereby leading to better loyalty.
We can also leverage the loyalty program to create discount programs and product bundles. Can I move to the advertisement revenue now?

Yes, how do you think that would be affected?

Advertisement revenue could further be split into no of advertisers that we would enroll, the frequency of ads they demand, the impressions per ad and the price per impression. I feel that since the space would be limited along with a generic platform, apparel brands who used to target specific customers might feel their brand get diluted on a generic platform like Flipkart. However, we would be able to target a lot of non-apparel brands as Flipkart hosts a wide variety of products. Since the number of visitors would increase as all of them would arrive on one platform over three, the impressions would increase. We can further improve impressions by creating targeted advertisements based on rich data we would be getting, further enhancing the per impression price.

Great. That looks comprehensive. Could you also look into the operational aspects, their synergies and the impact on costs.

Sure. For this, I would be creating the entire value chain. We would first need developers to maintain the app, which would be just one as compared to three. Suppliers and sellers would be apprehensive as now the competition would increase manifolds for them. However, in the long run, due to network effects and high switching costs, the customer turnout would increase, reducing the bargaining power of sellers. We would also be able to capitalize heavily on logistics and warehousing expenses with the increase in scale. For after-sales service, a uniform employee force would lead to cost savings along with optimization of marketing expenditure.

What are the possible risks associated with this merger? Which all stakeholders we should be most concerned off?

The first is the legal aspect to it. CCI might be against creating a firm with such a large market power. We should also consider if the integration would be culturally unfit. Myntra and Jabong are different in terms of organization, goals and positioning. This would otherwise deter the synergies we aim to capture through the combined platform.

Fine. Could you summarize your recommendations as to what steps should the client take on the same?

The client should look to immediately consider the integration as far as the backend is concerned, as it would help in reducing cost without hampering customer purchase. However, the client should duly consider slow progress as the foundations of the resulting large organization should be strong. In the front-end, the client should run a pilot about the positioning and the brand name to understand customer response. If the response is positive, it should go ahead with integration on that end as well. If not, the three platforms should be maintained separate with a common loyalty program. This would improve the visibility of the platforms, allowing for an integration 2-3 years later.

Horizontal integration in E-commerce

The CEO of Flipkart has approached you to evaluate the opportunity of integrating the Flipkart- Fashion division of Flipkart, Myntra and Jabong together into a single entity. What components of the three businesses should he integrate and what he should not?

Interviewee Notes

About the business

Three different subsidiaries

Myntra:

Target age - (>35) years

Fashion – Indian wear

Jabong:

Target age - 14-35 years

Fashion – Western wear

Flipkart:

Target age – 14-60 years

Fashion – All

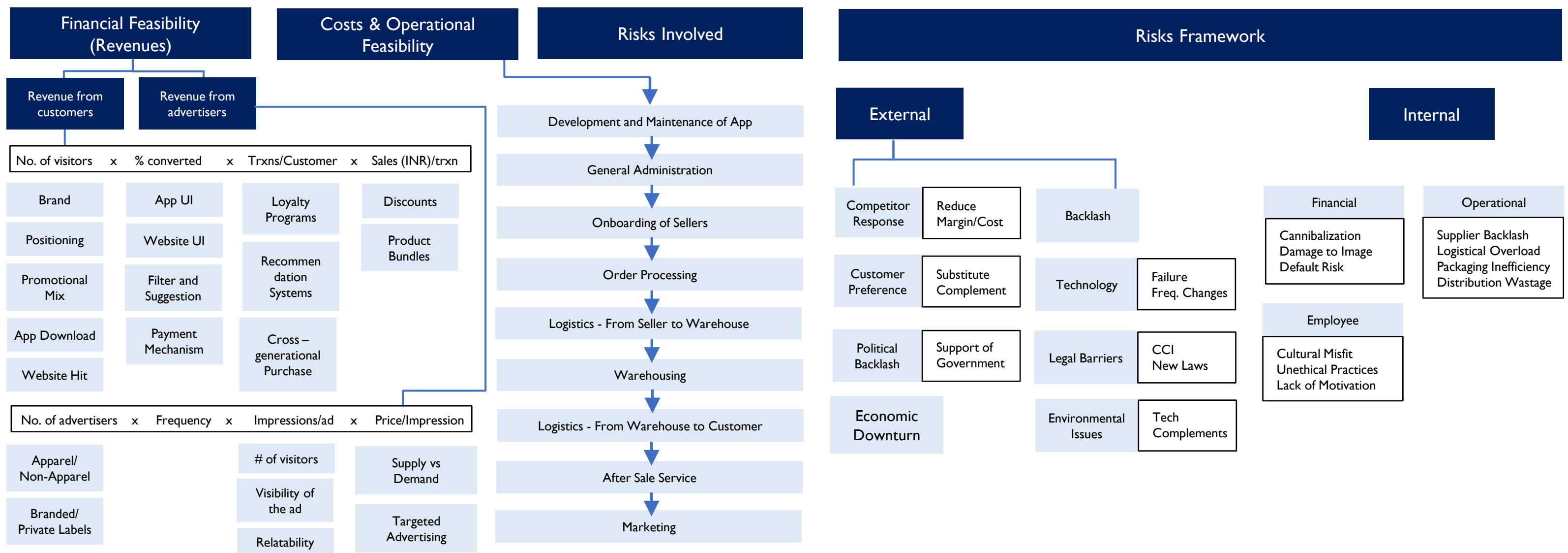
Objective of integration

To maximize revenue potential in the long run

Scope of integration

Open to all avenues: complete integration under 1 label to integration of some part of businesses

Approach/ Framework



Recommendations:

- The client should submit a proposal for backend integration of the operations of the three companies to realize economies of scale
- It should conduct a pilot with regards to front end integration, to gauge customer response
- Even if it is not satisfactory, the client should consider incorporating a common loyalty program to improve customer loyalty, drive traffic across the three platforms, and create a rich database for targeted advertising, thereby improving advertisement revenue

Key Learnings:

- The scope of this case is extremely wide and thus the interviewee should ask if the focus needs to be on a specific aspect (Eg. Finances or operational synergies or risks and so on)
- Human resources and cultural integration is an important aspect to consider in mergers

Food delivery service provider – Interview Transcript

Your client is a food delivery service provider, and they have seen their NPS fall from 7.5 to 6.7 in Ahmedabad. The client wants you to understand the reasons and provide recommendations.

Sure. Firstly, I would like to understand the meaning of NPS and how it has been computed.

NPS is essentially the net promoter score, and here it refers to the market research done, where a single survey question was asked – "Would you recommend this service to a friend?" The scale given was from 1-10.

That helps. Was this survey rolled out to a sample population? Further, what was the time period of this survey?

This survey was rolled out to existing customers in Ahmedabad over a period of 3 months.

Oh okay. Also, before I proceed I want to be sure that there was no change in the way the survey is conducted and results analysed from the last survey to this right?

Good question. No, the process to conduct the survey has not changed.

Okay, so I understand that the NPS is computed by aggregating the NPS scores received and dividing them by the number of customers surveyed. Have there been any major outliers to the average NPS this time or has there been any significant increase or decline in no. of customers surveyed?

The client has noticed some outlier low scores that pertain to 10% of the customers in Ahmedabad.

Oh Okay, to further understand these outliers, can they be categorized into any specific demographic, geography or existing/ new customers?

Most of the outliers belong to specific locality of Ahmedabad.

Okay, I will keep this in mind. Now, I would like to explore the different causes of concern that could be prevalent. I think they could either relate to the company, competitors, or product/ service experience.

You can explore the product and service experience further.

Sure. I would like to envision the customer's journey and I will bifurcate it into 3 phases – 1) Pre ordering 2) ordering to delivery 3) post delivery. Does that sound like a good approach?

Sure. Can you elaborate broadly what you would cover under each of these buckets?

Sure. In the pre-ordering phase, I would look at aspects related to any change in awareness of the app/website, availability of the application/ website, accessibility of the app, and any other technical or UI/UX issues while using the app to order food.

Sure. This seems okay. You can go ahead and analyse the next phase.

Sure, From ordering to delivery, there could be grievances raised by restaurants, delivery partners or customers. However, since we are focusing on NPS, I believe we would only focus on the customer experience. Considering this, I would look at issues related to listing and variety of restaurants available on the app, availability of information/ reviews, UI, UX and aesthetics, delivery and packaging issues and payment issues. In the post-delivery phase, I would cover customer grievance redressal issues.

Let's focus on the delivery and packaging aspects.

Sure. So, the customer may face packaging issues due to a change in the materials used. Do we know whether the same material as earlier was used, or if there is any change? In case it is the same material used, has any food type changed, is there any specific wastage/ spillage issue, or is there any specific awareness/grievance around the sustainability of the packaging?

Yes, the client recently shifted to more sustainable packaging that is paper-based and not reusable. This has aggrieved some customers. Especially the ones that live on the outskirts of Ahmedabad. It takes longer to reach those areas and paper based packaging does not hold.

That explains the specific 10% outliers of the customer segment. Does this segment have any specific characteristic with respect to the locality as discussed earlier?

Yes, this specific locality is located on the outskirts of Ahmedabad and is quite far from most of the restaurants located in the main city. Let's now move to the delivery aspect.

Sure. Delivery partners or customers could raise delivery grievances. We would like to focus on customer grievances since we are analysing the fall in NPS. The delivery issues from the customer's end could be related to the time taken, delivery mode or delivery partners' behaviour.

Sure. You can go ahead and analyze delivery partner behaviour.

Unsatisfactory behaviour by delivery partners could be due to inability (say less training) or low motivation (say, stress due to long time or distance or less resources to travel).

Yes, that is fair. You could say it is due to stress. The delivery partners generally get tired by travelling longer distances. Also, this is a newly formed locality which does not have accurate geolocation on the maps. This requires the delivery partner to spend extra time trying to locate the exact house. This makes them impatient and hence, they seem to be slightly rude to the customers.

Okay, that makes sense. Is there any further implication to this? Or are there any ancillary issues pertaining to this?

You can go ahead and summarise the case and provide recommendations

Sure. The client has seen a drop in its NPS ratings over a period of 3 months due to two major reasons pertaining to 10% of the customers that live in a vicinity that is on the outskirts of Ahmedabad city. The reasons are 1) packaging issues due to non reusable sustainable packaging used 2) bad delivery partner behaviour due to long distance and inaccessibility of the locality on maps.

Okay, go ahead.

Considering this, I would like to segment my recommendations into two parts. Core recommendations and peripheral recommendations in the short term as well as long term. The core recommendations directly provide a potential solution to the problem at hand whereas the peripheral recommendation suggests solutions to improve NPS.

Okay, go ahead

In the short term, core solutions could be to assign highly trained employees specifically to service that locality and to specifically use reusable (possible non sustainable) packaging in the meantime to address the spillage issue. In the long term, the core solution could be to work with the geolocation agencies to improve the locality's mapping services and find sustainable reusable packaging alternatives, if economically feasible.

What about the peripheral solutions?

In the short term, the food delivery partner can introduce discounts and promotions for customers in that locality to retain customers and work on the personal grievance redressals of these customers on priority. In the long term, the food delivery partner can roll out detailed guidelines for the behaviour and sensitisation of delivery partners and redress all their grievances so that they are satisfied and work with full motivation.

Alright. Let's stop here. Well done. Thank you.

Food delivery service provider – Interview Transcript

Your client is a food delivery service provider, and they have seen their NPS fall from 7.5 to 6.7 in Ahmedabad. The client wants you to understand the reasons and provide recommendations.

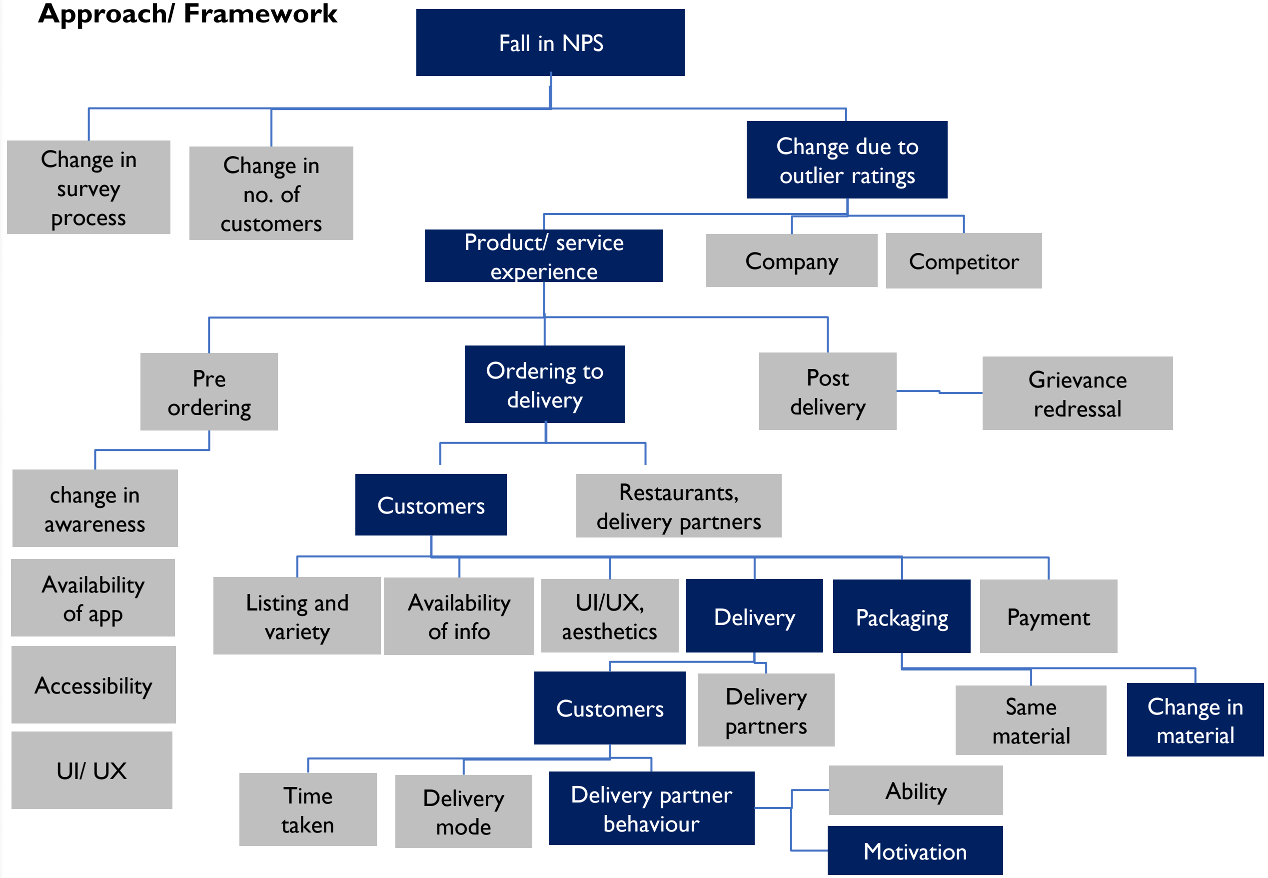
Interviewee Notes

- It is important to understand the metric in question and the constituents of the metric.
- In case of a fall in metric, you can question whether the methodology of computing the metric has changed
- It is a good idea to ask if there were any outliers in this case – makes it easier to approach
- In case of familiar food delivery businesses, say Swiggy, think not only about ordering on the app but also the entire customer journey, including packaging, delivery and payments.
- Customer journey is generally a good way to go for service-based issues
- Joining all the dots together with respect to the smallest of information provided can open up the case sometimes.

Case Facts

- Fall in NPS due to extremely low ratings given by 10% of customers
- These customers live in a particular geography
- The focus is on the customer journey
- Unlike typical app-based cases, the focus is on issues outside the app
- No competitive forces involved
- Both issues with respect to delivery and packaging are faced by the 10% of outlier customers

Approach/ Framework



Recommendations

- Core: 1) Short term: a) assign highly trained employees specifically to service that locality b) specifically use reusable (possibly non-sustainable) packaging to address the spillage issue.
  2) Long-term: a) work with the geolocation agencies to improve the locality's mapping services b) find sustainable, reusable packaging alternatives, if economically feasible.
- Peripheral: 1) Short Term: a) introduce discounts and promotions for customers in that locality to retain customers b) work on the personal grievance redressals of these customers on priority.
  2) Long-term: a) roll out detailed guidelines for the behaviour and sensitisation of delivery partners and redress all their grievances so that they are satisfied and work with full motivation.

Key Learnings

- It is essential to understand the metric in question properly. Asking questions about the survey process and computation of metrics will make the analysis more holistic.
- Core recommendations and peripheral recommendations in the short term as well as the long term. The core recommendations directly provide a potential solution to the problem at hand, whereas the peripheral recommendation suggests solutions to improve NPS.

Threat of new entrant – Interview Transcript

Your client, C-Mart is the largest discount grocery retailer in West India with 300 stores. For several years, C-Mart has surpassed the second-largest retailer (200 stores) in both relative market share and profitability. However, the largest discount grocery retailer in North India, N-Mart, has just bought out C-Mart's competitor and is planning to convert all 200 stores to N-Mart stores. The CEO of C-Mart is perturbed by this turn of events, and asks you the following questions: Should I be worried? How should I react? How would you advise the CEO?

This is how I would like to approach the problem: First, I'd like to understand the market in West India to understand how C-Mart has become the market leader. Then I'd like to look at the market in North India to understand how N-Mart has achieved its position. Finally, we can merge the two discussions to understand whether N-Mart's strength in North is transferable to our market.

That sounds fine. Let's start with our market.

I'd like to understand what is causing C-Mart's higher profitability. Is C-Mart more profitable because it has more stores, or does it have higher profits per store?

It has higher profits per store.

Higher profits could be the result of lower costs or higher revenues. Do we have any indication on which of the two is causing the higher profits per store?

C-Mart's cost structure is similar to that of competitors, but it has higher per-store sales.

Higher per store sales could be because the prices are higher, or quantity sold per store is higher.

Since we are a discount retailer, our prices need to be competitive. Quantity sold per store is higher. Can you think of why this could be the case?

This could be because our stores are larger, C-Mart has greater product variety or because the stores are better managed.

Our store size is similar, and we sell similar products to competitors. C-Mart's stores are managed differently from those of competitors. C-Mart uses a franchise model in which each individual store is owned and managed by a franchisee who has invested in the store and retains part of the profit.

In that case, I would guess that the C-Mart stores are probably better managed, since the individual storeowners have a greater incentive to maximize profit.

You are right. C-Mart's higher sales are primarily due to a higher level of customer service. The stores are cleaner, more attractive, better stocked, and so on. I think you've sufficiently covered the Western market - let's move now to a discussion of the North Indian market.

How many stores does N-Mart own in the North, and how many does its closest competitor own?

N-Mart owns 2,000 stores and its largest competitor owns approximately 500 stores.

Are N-Mart stores bigger than those of its competitors?

Yes. N-Mart stores average 20,000 square feet, whereas competitor stores are 10,000 square feet.

This suggests that N-Mart should be selling almost 8 times the volume of the nearest competitor.

Close. N-Mart's sales are approximately 5 times that of the nearest competitor.

I would think that sales of that size give N-Mart significant clout with suppliers. Does it have a lower cost of goods and hence lower prices than the competition?

In fact, its cost of goods is approximately 15 percent less than that of the competition and its prices are on average about ten percent lower than those of the competition.

I think I've learned enough about N-Mart. I'd like to ask a few questions about N-Mart's ability to succeed in the West. I'd first like to understand whether N-Mart has a strong brand name in our market, and does it carry products similar to C-Mart's?

N-Mart has no brand recognition in the West. The two companies carry similar products, although the C-Mart stores lean more heavily toward local suppliers.

Is there any reason to think that the costs of doing business for N-Mart will be higher than they are for C-Mart in the West? Specifically, is N-Mart likely to have higher labour costs, leasing costs or higher raw material or distribution costs? N-Mart might incur higher distribution costs than C-Mart because it will have to ship products from its Northern warehouses to the West.

You are partially right. C-Mart must also cope with the same labor costs. C-Mart has the advantage in distribution costs, since it gets more products from Western suppliers. However, since C-Mart continues to get a good deal of product from the North, the actual advantage to C-Mart is only about two percent of overall costs.

All this suggests that N-Mart will be able to retain a significant price advantage over C-Mart's stores: if not ten percent, then at least seven to eight percent.

I would agree with that conclusion. Can you please summarize your findings?

In the near term, C-Mart might be safe. Its stores have a much stronger brand name in the local market than N-Mart's, and they seem to be well managed. However, as consumers get used to seeing prices that are consistently seven to eight percent lower at N-Mart, they are likely to shift to N-Mart. The CEO certainly has to worry about losing significant share to N-Mart stores in the long term.

Can you suggest possible strategies for C-Mart?

Given that in discount retailing competitive prices are a keyway to retain customers, C-Mart can look at the value chain from procurement to distribution to retailing and see where it can cut costs and hence offer more competitive pricing. In procurement, it can try negotiating competitive prices with suppliers. It might want to consider offering fewer product lines, so that it can consolidate buying power and negotiate prices with suppliers that are more competitive. In distribution it could try cutting down on transportation costs. With retailing, it can look to negotiate lower margins for retailers if possible. Finally, they might want to consider instituting something like a frequent shopper program, where consumers accumulate points that entitle them to future discounts on merchandise.

Thank you. All your suggestions are interesting and worth analysing further.

Threat of new entrant

The Leading discount grocery retailer in West India is facing the threat of a new entrant

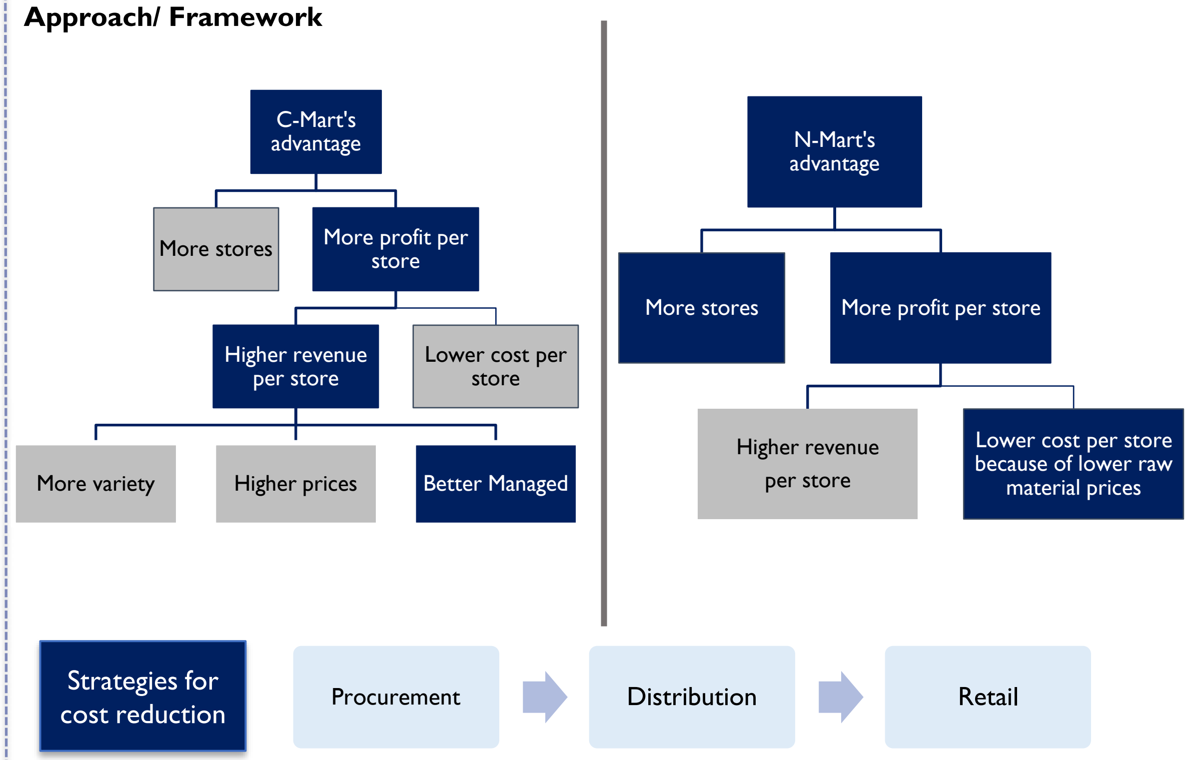
Interviewee Notes

- Understand C-Mart's competitive advantage (in terms of profitability)
- Understand N-Mart's competitive advantage
- Can N-Mart's competitive advantage be transferred to West?
- C-Mart has 300 stores compared to nearest competitor's 200 stores
- N-Mart has 2,000 stores compared to its nearest competitors 500 stores
- N-Mart sales are 5x that of nearest competitor

Case Facts

- C-Mart: market leader in West
- N-Mart: market leader in North
- C-Mart: no cost advantage
- C-Mart: franchise model – better managed – higher sales
- N-Mart: large bargaining power with supplier

Approach/ Framework



Recommendations

- It is important to cut costs to compete with N-Mart
- Costs can be cut in
  - Procurement: Negotiate lower prices with suppliers
  - Distribution: Cut transportation costs
  - Retail: lower retailer margins and introduce loyalty programme

Key Learnings

- Evaluating competitive advantage and response; also can take a value chain approach to identify advantage across the chain
- Learning the nuances of the retail market (Revenue/profit per store)

Suggestions/Observations

- An alternative approach would be to divide the threat of new entrant into the following buckets- Scale economies, product differentiation, brand identity, switching cost, access to distribution channels/raw material/technology, capital requirements and Government protection

Petrol Pump Loyalty Card – Interview Transcript

Your client is in the business of petrol pumps in India. It had recently introduced a loyalty card to retain more customers, but it hasn't performed as per expectations. It wants you to give recommendations to improve the attractiveness of the loyalty program.

Thank you for the case. First, I would like to ask a few preliminary questions to understand the client better and analyse why has the loyalty card not performed well.

We already know the reason. The customers are not finding the value of the gifts that are redeemed attractive enough. You can ask preliminary questions to understand the client.

Is it a single petrol pump or a chain of petrol pumps? Do we know the location? Also, my understanding by petrol pump dealer is that their only responsibility is to manage the petrol pump hence they are not involved in manufacturing. They procure petrol directly from manufacturers and are not involved in transporting process as well.

Assume it to be a single petrol pump located in any tier 1 city. That's the only city they operate in.

I'd now want to understand how the entire mechanism of loyalty card works. Is it used to pay for petrol or is it like Spencer's loyalty card wherein points are credited to the card. In that case, how many points are credited for each transaction?

You cannot pay using the card. One point is credited for every Rs. 100 spent at the petrol pump.

And what is the value of each point? Also, how, when and where can the points be redeemed?

Each point is worth 50 paise hence 2 points are worth One Rupee. The points can be redeemed once 200 points are accumulated. The customer can visit the petrol pump to redeem against a catalogue of products that includes things like Boat earphones, steel water bottles, and so on.

How is the competition? I feel that it is a very competitive industry and customers are indifferent between the petrol pumps. Also, has any competitor also launched any loyalty programs?

Since the pump is in city, there are multiple pumps near client's pump. The client is the first one to implement a loyalty program.

Okay. May I please take a few minutes to structure my thoughts?

Sure, please take your time.

Since our objective is to make the card more attractive, we can look at ways to either increase the value derived from the card or improve the convenience through changes in process. Hence, I would structure the case by looking at the customer journey and trying to find ways to increasing attractiveness. The customer journey would broadly have 3 parts – Issuance of card, credit of points and redemption of points. Should I go ahead?

That sounds good. Please go ahead!

In issuance, I would look at the process of issuing the card which would include convenience and the fees charged for the card. Looking at the process first, do we know how many forms a customer must fill for issuance of card, number of days it takes for the card to be issued and is the card linked to the mobile number?

There are 2 forms involved. After receipt of the forms, it takes 14 days to issue a card which the customer must collect from the petrol pump. It is not linked to the mobile number.

Okay. And does the client charge any issuance fees as well as annual fees for the card?

Yes, the client charges a nominal fees of Rs. 100 as issuance fees to recover the processing and the card costs.

So, my recommendations would be to transform the issuance process to link the loyalty program with the customer's mobile no. The client should ask for the customer's mobile number and the customer will be enrolled in the loyalty program with an OTP. This means no forms, immediate onboarding and no need to visit within 2 weeks to collect the card. Since this will eliminate the processing & card costs, the client can waive off the Rs. 100 issuance fees as well. Is this feasible? Should I look at ways of transitioning existing customers to mobile based system from cards.

Yes, this is a good suggestion. The client will implement this. You can ignore the transition process.

For credit of points, I will again look at the process first and then the value of the points being credited. Since we followed a card-based system earlier, I am assuming that the client had to swipe the card after every transaction. Also, is there a possibility to increase the number of points credited for each transaction?

Correct. The client is open to increasing the value of points marginally.

After implementing mobile-based program, the points can be automatically credited by adding details of the cars to mobile number. This would lead to improve in efficiency at the petrol pump as well as higher customer convenience. The client can give additional points if certain milestones are reached for e.g., visiting >1 every month for 6 consecutive months, >25000 in a year, etc.

Good point.

Now moving to the most important part of the analysis: redemption. We can break it down into 3 parts: process, value and variety. I would further divide process into access and restrictions. Since we already know that customer needs to visit the pump to redeem points, we can introduce an online option which would make the process easier. To further incentivize the access, we can partner with other petrol pump dealers around 25 KMs to be a part of this program. We also know that the minimum points required to redeem is 200 points. To earn 200 points, customer needs to purchase petrol of Rs. 20,000 which can be a big amount for 2 wheelers and non-regular users. Hence, I'd recommend to remove the restriction of minimum points to redeem.

Okay.

I would split value into actual value and perceived value. To increase the actual value of points without a corresponding increase in costs for the client, the following 3 things can be explored:
1)Tie ups with fintech – The client can tie up with fintech companies like Paytm and Stripe to issue co-branded digital cards powered by mobile numbers
2) Partner with D2C brands – Cost of acquisition of D2C brands are relatively high. Giving customers an option to redeem points on their products would save the D2C brands money
3) Vouchers – Partner with brands like Amazon, Swiggy, etc. to redeem points against their vouchers.
The client can pass on the benefit from all the above partnerships to the customers leading to higher value of points. E.g., Stripe can waive off the surcharge on payments and the cashback can be passed on. Similarly, Swiggy might charge the client Rs. 400 for a voucher of Rs. 500 thus client can let customers redeem Rs. 500 voucher for 800 points instead of 1000.

These are interesting observations. How do you improve the perceived value?

We can introduce either nostalgic products or novel products. Nostalgic products could be phantom cigarettes. Example of novel products could be Mahabaleshwar strawberries in Mumbai (assumed pump is in Mumbai) or Kitkat chocolate by Hershey's which is available only in USA.

Very interesting.

The client can increase the variety by:
1)introducing products of lower value like stationary items since the minimum points restriction would be scrapped
2)Petrol Pump – Allow points to be redeemed at the petrol pump itself. It could be done by either redeeming against petrol pump or non-monetary benefits like priority lines
3)Product portfolio – Partnering with D2C brands, vouchers, and onboarding more merchants

We will convey all the recommendation to the client. Thank you!

Petrol Pump Loyalty Card

Your client is in the business of petrol pumps in India. It had recently introduced a loyalty card to retain more customers but it hasn't performed as per expectations. It wants you to give recommendations to improve the attractiveness of the loyalty program.

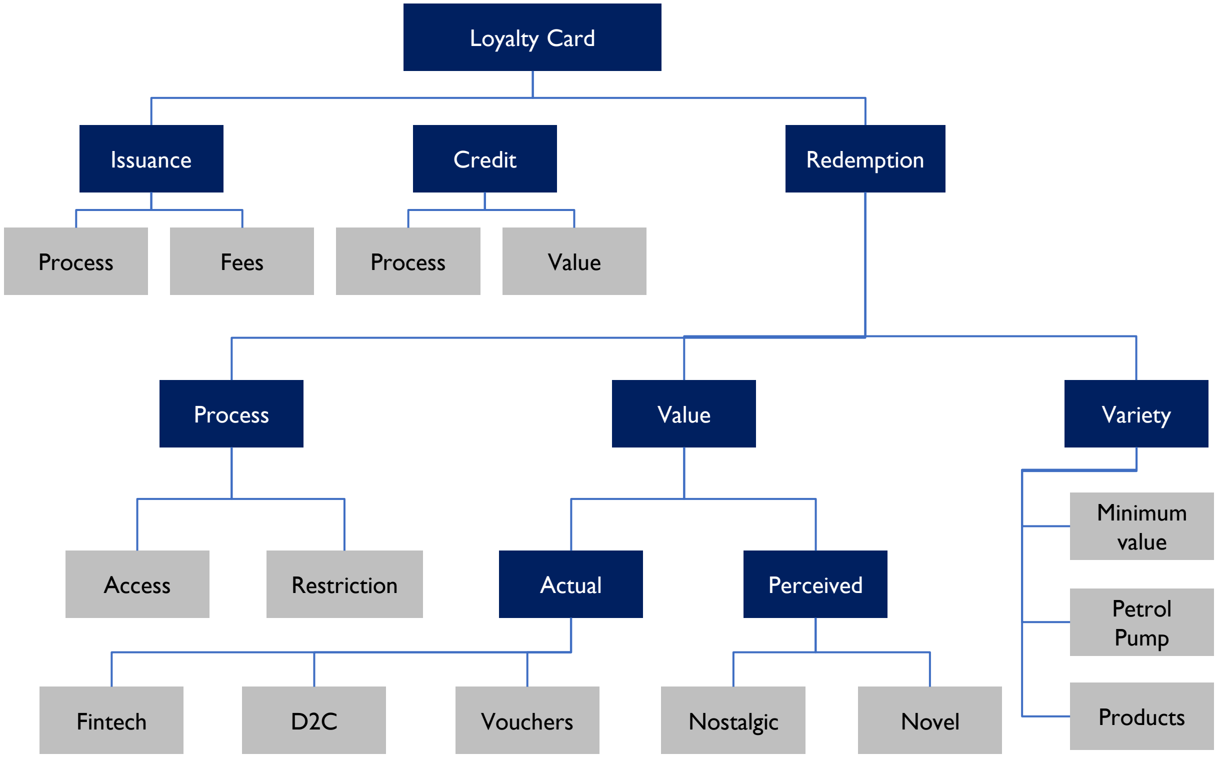
Interviewee Notes

- Do not start giving recommendation. Try to split the steps through MECE. In such cases, using the journey of customer is mostly a good idea.
- Enquire about location, number of pumps, and competition.
- Spend time on understanding on how the entire process works right from issuance to credit to redemption.
- Also understand what options a customer has during redemption and what is the value of points in Rupee terms.

Case Facts

- The reason of the problem is already available – lack of attractiveness
- Final value of redemption for every Rupee spent is 0.50% of money spent (1 point for Rs. 100 – redeem for 50 Paise value)
- Loyalty Card is the medium through which points are credited and redeemed

Approach/ Framework



Recommendations

- Introduce mobile based loyalty system instead of card based
- Waive all kinds of fees and costs for customers
- Remove minimum points criteria and give additional points for consistent/large customers
- Onboard fintech, D2C, other merchants
- Allow redemption at petrol pump – both monetary and non-monetary benefits

Key Learnings

- It is important to apply structure even in unconventional and unstructured cases
- Important to demonstrate on the feet and out of the box thinking while solving unconventional cases

Cross-Sale Insurance Revenue – Interview Transcript

Your client is a leading insurance player that sells loans pan India. Despite the good business, they have seen very low cross-sell revenue and are anticipating your help on the same.

To start with, I would want to understand the business a little better. Lending institutions may offer a host of different insurances. Do we know the different types of lends our client specializes in?

Sure. So, we sell 4 different types of insurances majorly – vehicle, health, life and crop.

And about the cross-sell revenue, is it about selling a vehicle insurance to a life insurance user and vice-versa?

Correct. We keep pitching other types of insurances to our current customers. The interconversion is what we measure through cross-sell revenue.

Next, I would want to understand our customers. Do we have a primary identification of our customer base – say rural vs urban, or similar? I understand that given the non-intersecting nature of these insurances, we may be serving different customers across segments. A crop insurance may have farmers as their prime target, a life insurance may not.

As you rightly pointed out, we have fairly distinct customer bases across segments.

How has the industry been doing? Are other insurance providers facing similar issues?

Not really. The insurance industry as a whole is doing fine.

Great. To understand the problem, I would want to look at it from an individual consumer's perspective. Their interaction can be visualized as,

1. Pre-sale = interaction with agents (in-person or otherwise)
2. During sale = application process, agent network
3. Post-sales = claim process, service center availability

Please let me know if there is an identified pain point in any of these. Else, we can start analyzing them individually.

The major issue for us is in the lead generation phase itself. We are unable to convince our customers to buy other insurances. A probable solution to increase our hit rate is to try and pair the existing insurances and pitch it to our customers. What parameters would you consider to pair the insurances?

Based on the purpose they serve, I would club them into 3 different categories,

1. Physical wellbeing = Life, Health
2. Economic = Crop, Business insurances
3. Lifestyle = Vehicle, Home

Then we can target customers within each category. Say cross-sell life insurance only to the existing health insurance users and not as much to the vehicle insurance users.

Fair ask. But let us try and extend this. You have 4 options. You can club any two of them and form 12 different pairs (selling health to life user is different from selling life to health user). Now, if there were 20 such options, you would have 380 options. Your buckets wouldn't be as exhaustive then. Is there anything else we should try?

Makes sense. Let us then try and define a formula to measure the relation between two different insurances. This will give us a priority order to target the customers as well.

Okay. What would your formula look like?

Before that, can we use our existing customer data to estimate the success rate between individual types of insurances?

Yes. Our data can tell you the percentage of health insurances who converted towards crop insurance, or life insurance, and so on. Would that help?

Definitely. Then the formula becomes,

Relevance Index (a,b) = Revenue from a * Revenue from b * % conversion from a to b

The revenues account for the scale of each option and the conversion rate uses the correlation to give us the best yielding combination.

Good. So let us say we define the revenues from each segment in the form of a relative strength. We say Vehicle and Health are strong sector for us and we make higher revenues there. Crop and Life are weak for us with lower revenues. Given that, if you have to guess the top 2 pairs what would they be?

Given that vehicle and health are strong sectors for us, we should try and piggyback on the strong ones to increase our revenues. I think health and life should have a very strong correlation and should form a good pair. Is that understanding correct?

Correct. Based on our experience, the correlation between health and life is actually very high. On this, would you recommend selling Health insurance to a Life insurance user or the other way?

Because we have a stronger presence in the health insurance sector, we should use the strong base to expand our presence in the weaker sector of life insurance. So, I would sell life insurance to existing health insurance users.

Fair enough. Suppose I tell you the other well correlated pair is vehicle and crop. Sounds odd but can you explain it?

A probable explanation is that the vehicle insurances we are issuing are more towards farm-oriented vehicles such as tractors, trucks, etc.

That makes sense. Most of the vehicle insurance we issue are in fact for tractors.
Good analysis. We can rest the case.

Cross-Sale Insurance Revenue – Interview Transcript

Your client is a leading insurance player that sells loans pan India, who are facing low cross-sell revenue.

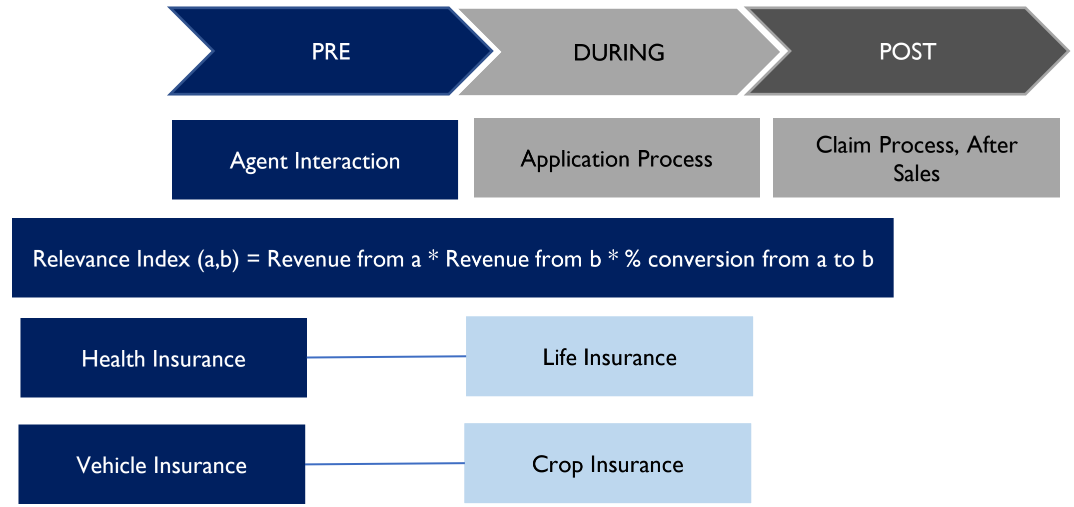
Interviewee Notes

- It is good to clarify what kinds of insurance the company sells and to what types of customers.
- It is important to appreciate here that target segments for each type of insurance is different.

Case Facts

- Client is an insurance company, selling 4 types of insurance.
- The client is facing problems in generating sufficient cross-sale revenue.

Approach / Framework



Recommendations

- Pairing up of weaker sectors with highly correlated stronger sectors to piggyback on stronger sales and drive more sales
- This analysis can help better target customers and drive cross-sale revenue

Key Learnings

- A bit of on-the-spot thinking is needed to pivot approaches. A simplistic formula-oriented analysis helps arrive at the solution.

Level of Educational Achievement – Interview Transcript

Your client is a newly appointed Governor of a province in a South Asian country. One of his key objectives is developing the Education system of the province and wants your advise on the same.

What does the client mean by developing the education system of the province? Is it about increasing enrolment rate and decreasing dropouts and absenteeism or about increasing the quality of students in terms of the grades they achieve? Is there any time frame for the same?

The client wants to maximise the level of educational achievement, measured by students performing at grade level. The client wants to see concrete improvements in 5-7 years.

Okay, I have a few questions. Firstly, is there any national policy framework that the Governor must adhere with? Secondly, what kind of province is it in terms of development? Thirdly, should the policy be targeted towards public schools or both public and private schools?

Good questions. You can ignore any limitations imposed by the central government. Focus on only public schools for this case. The province is largely underdeveloped, and a traditional area.

Okay. Further, do we have any data on the number of students enrolled in public schools, and the percentage that meet expectations? Are there any gender-based difference in enrolment and achievement? Additionally, what is the teacher-student ratio in these schools, since that is a major factor contributing to level of achievement.

There are 8-10 Million students in public school, with around 25% of them meeting expectations. There is no difference in metrics between genders. Teacher-student ratio is 1 teacher per 30 students, with teachers mostly well qualified.

Okay, I think I have got all the information I needed. The number of teachers is not a problem. Now, I would like to look further into the reason behind such a low achievement level. In this, I would divide the factors affecting achievement into two factors- inside the school factors, and outside the school factors. The former would include curriculum and infrastructure factors, the latter includes outside factors that affect a student's academic factors. Does this seem like a fair approach?

Yes, can you elaborate on the outside school factors?

Yes, these can be bucketed into 4 factors: Awareness, Accessibility, Affordability, and home conditions. Awareness would include the level of awareness one has regarding the benefits of attending school and job opportunities afterwards, accessibility is about how accessible is attending the school for a student, which will impact the attendance rates. In affordability, there would be metrics such as cost of uniforms, books and tuition (if these are borne by students) and the opportunity cost- in case of child labour. Home conditions would largely be motivation by parents for studying, as well as basic home stability. Does this seem comprehensive?

Yes! The students are not required to pay any fee for uniforms, books or tuition. However, opportunity cost seems to be a major problem in the province, can you elaborate further?

Sure! Since child labour is prevalent in underdeveloped areas, sending children to school would remove that income the child earned for that family. This can lead to low enrolment rates, as well as high absenteeism, wherein children are missing a few days to earn money. Absenteeism is negatively correlated to achievement level and class performance. Does this seem like the correct approach?

Yes. Absenteeism is the main issue that results in low level of educational achievement. Can you suggest some ways to overcome this?

Definitely. I can look at two possible ways to do this, first is incentivizing attendance or educational achievement, the second is to enforce stricter child labour norms. Considering it is an underdeveloped South Asian province, the latter seems unfeasible in the short term.

Absolutely. Let's look deeper into incentivizing attendance. How would you go about it?

I would look at providing both- monetary and non-monetary incentives. Monetary incentives can be based on attendance metrics and marks, non-monetary incentives can include providing free meals, transport services, increased infrastructure at school, and the like.

Okay, consider the following scenario: The client has decided to provide monetary incentive in terms of direct transfer of $2 per month to students. The total budget for this is $170 Million. There are 4 Million students in rural areas, 3.5 Million in Semi-Urban areas, and 2.5 Million in Urban areas. How will you carry out this policy?

After a quick calculation- in case we give $2 per month to every student, the budget would last us less than 9 months. Is it possible to reduce the transfer amount per student or shall I proceed with the prospects of alternate revenue streams and selection mechanism for students to receive the transfer?

The transfer per students can't be reduced. Let's look deeper into the other two aspects.

Alternate income streams would include CSR and donations, advertisements on school walls/ equipment.

Selection can be done based on the attendance level of students, level of achievement or partial implementation in certain geographies. For the third option, do we have data of differences in grades or attendance across geographies?

Yes. Urban areas have the maximum grades and attendance due to lower child labour. 10% of the students are regularly absent, compared to ~25% in rural and semi-urban areas.

Okay. Since I believe differentiation in monetary transfers in a single geography might cause dissent, we can remove the urban areas from this scheme. We can carry it out for the other two areas for 11 months, assuming 1 month of summer break. Does this seem like a fair approach?

Yes, absolutely!

Great, so now I would like to look at how to implement the policy. Here, I would look at disbursement mechanisms and student selection. In disbursement mechanisms, the ideal way is to deposit money straight to the bank accounts of the students' parents. This would reduce corruption possibilities and be highly efficient. In case of non-existence of records or bank accounts, a school-wise disbursement can occur, wherein each school is transferred money monthly to disburse cash to students. Another approach is through the Public Distribution System, wherein parents get money with monthly rations, ID being done through ration cards. For selection, strict attendance requirements, say 75% must be met to be eligible for the transfer. This can also be supplemented through monetary rewards for the top performing students.

Do you see any problem with the suggested disbursement mechanism?

Yes, there are multiple avenues for corruption in non-digital channels. To overcome this, there should be a requirement of maintenance of attendance and disbursement records, submitted periodically to a central commission. Additionally, periodic surprise checks can be conducted to gauge the actual attendance and achievement levels in schools.

Correct, is there anything regarding the policy that you'd like to change?

Yes. The policy acts as a good stopgap measure for increasing attendance in schools. However, it fails to have any **long-term** consequences. In the long run, we should try to eradicate the root cause, i.e. child labour, which would be solved through increasing the household income with more stable job opportunities, and stricter enforcement of the rule. Additionally, awareness seminars can be conducted with parents, and job guarantees can be provided for those who have graduated from school with certain grades to increase attendance and performance levels.

Moreover, even with 75% of the students attending schools, only 25% are at the grade level, indicating a low teaching quality, or a sub-standard curriculum. Both need to be assessed for sustainable improvement in achievement. The client can also look at other educational avenues such as skill development courses for students (like ITIs in India), that can ensure a respectable livelihood straight out of such institutes for students. Prospect of employment straight after graduation is a major motivator for disciplined attendance of students.

Alright. Let's stop here. Well done. Thank you.

Level of Educational Achievement

Your client is a newly appointed Governor of a province in a South Asian country. One of his key objectives is developing the Education system of the province and wants your advise on the same.

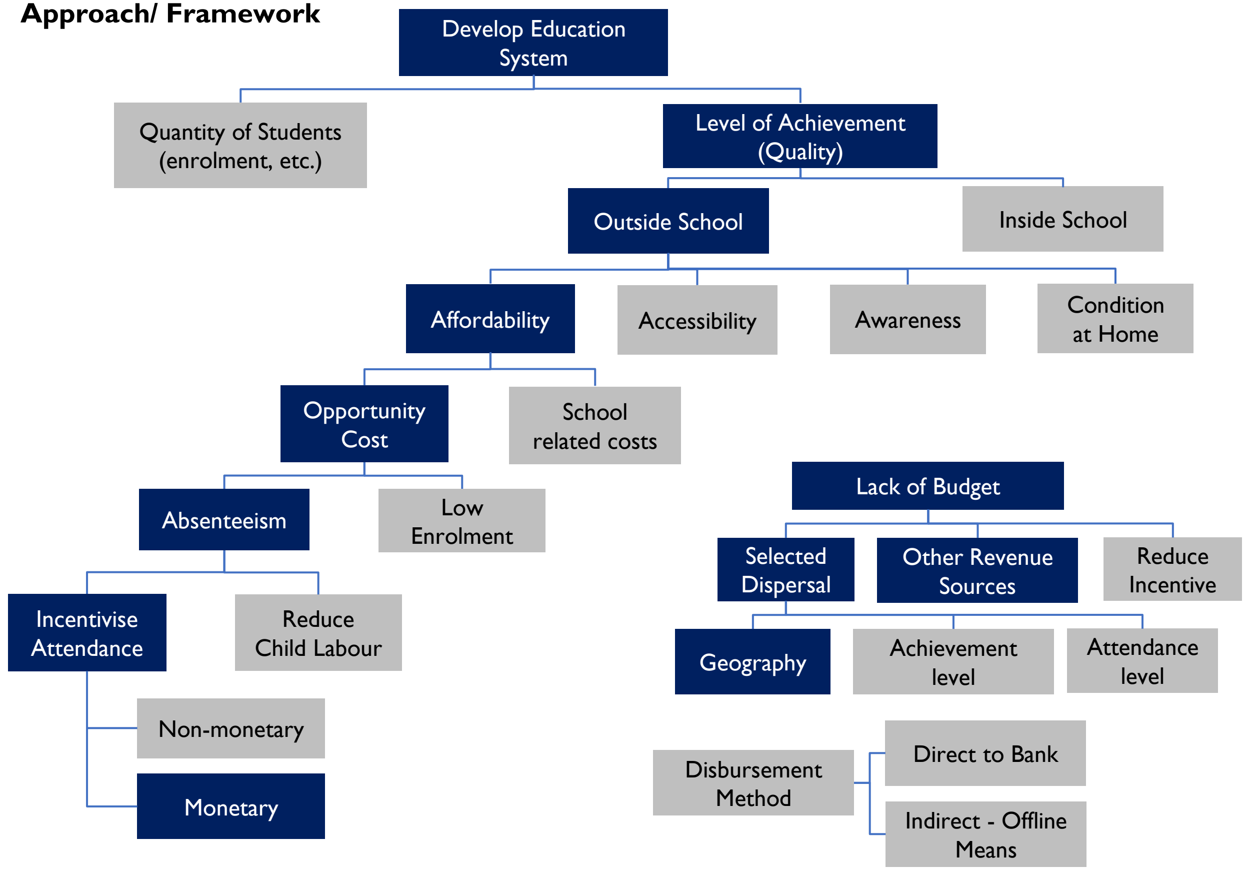
Interviewee Notes

- It is important to understand the objective of the client i.e. what do they mean by developing the Education system?
- Try to understand the existing condition through specific questions regarding the level of achievement, enrolment, teacher-student ratio, etc.
- Try to make broad frameworks to encompass every possible factor.
- Check the financial possibility of any decision in case the budget is given.

Case Facts

- Issue is with quality of students, not enrolment rates.
- The province is largely underdeveloped
- No issues in teacher-student ratio.
- Issue of attendance levels- largely in rural and semi-urban areas.
- No accessibility issues, schools are widely present.
- Issue with low family incomes, forcing children into child labour and reducing their attendance, grades.
- Policy to transfer money for attendance levels, limited budget.

Approach/ Framework



Recommendations

- Short term: a) Awareness sessions for parents to highlight the importance of education, including career prospects and potential earnings.
- Long term: a) Change in curriculum and teaching quality to increase level of achievement. This is a problem because out of those attending, only a minority are at grade level in terms of learnings
  b) Remove child labour through stricter enforcement and increasing earning capacity of parents through upskilling + higher demand for workforce
  c) Increase in skill based courses, following the model of ITIs in India. This entails basic skills like carpentering, plumbing, etc. which can ensure earning potential post graduation.

Key Learnings

- It is important to understand the objective and the existing scenario. It is imperative to get to the root cause through directed questions, rather than assuming the cause.
- Observation skills are required in case interviews. It is important to note down the pros and cons of anything the interviewer states to fetch brownie points.
- Such cases are meant to test comprehensiveness of the candidate. It is imperative to focus on first principles and think about the customer (student) journey while applying frameworks.

Retail Chain – Interview Transcript

Your client is a traditional big-box retail chain in India. They are looking to improve their business with the help of digital transformation. They need your advice on how to go about the same.

Alright. Do they have a specific goal in mind with respect to the same? And why did they think about Digital Transformation now specifically?

No one specific goal, but they are open to exploring. The client has been a pretty traditional chain with very limited technology usage till now and is facing increasing competition in the space. Hence, they want to become more competitive by leveraging tech.

Also, can I know a bit more about the client? How many outlets do they have? Are they spread pan India? What kind of customers do they serve?

The client has 25 outlets spread across northern and central India. They sell pretty much everything under the sun, as D-mart does. They, too, follow an everyday low-price model but have been struggling a bit with profitability recently. They majorly serve lower middle-class and middle-class populations.

I think I have enough information to proceed with the problem. There are three major areas where digital transformation can have a major impact – Strategy, Front End, and Back End.

What does each of these entail?

DT (Digital Transformation) for strategy would include leveraging technology to either tweak or pivot strategic decisions related to segmentation, targeting, positioning, operational format, and even the business model as such. The operational format here can include moving to a multi-channel approach over a basic brick-and-mortar approach, for example. So should I explore this with respect to our client?

The client is sure about its overall strategy. We can move towards the front-end solutions.

Front-end solutions generally can be split based on customer experience, merchandising and promotion, loyalty programs, pricing, and PoS solutions. How is the client doing on these factors?

The client also seems to be decently digitized in the front end. No major avenues for improvement

Got it. Coming to the back-end solutions. They can be split into operational and support functions. Operational ones include Procurement and Vendor Management, Logistics and Warehousing, and Assortment and Mix Planning, while the support functions include Finance and Human Resource management. I would want to explore each of these in some detail.

Sure, go ahead.

In terms of logistics and warehousing, how is the company currently managing it, and is it facing any issues in terms of inventory management?

Currently, inventory management is done manually via paper trail and communication over email and phones. Yes, the company is facing issues such as delays in receiving shipments and frequent miscommunications.

This could be one of the contributing factors to lower efficiency and higher costs which might be making the client less competitive w.r.t to other competitors. Implementing DT solutions like IoT along with digitizing the supply chain will help the client monitor and track every inventory unit while also allowing seamless communication and reducing the need for workers, which might provide a cost-cutting opportunity.

Makes sense. Let's carry on.

Moving to procurement and vendor management, how is the company currently handling it?

Company has multiple vendors for each product category spread across the nation and has individual contracts with each of them. The management happens through procurement managers, mostly manually.

This allows a decent scope for improvement on two fronts. Implementing proper analytics solutions can allow us to get a better view of our requirements and might allow for some consolidation in terms of vendors. This will give the company better negotiation power if it places larger orders with fewer vendors. Further, having a vendor management platform for the use of managers and vendors will save a lot of man-hours and provide further opportunities for cost-cutting by improving efficiency. Having this platform would also improve our relations with the existing vendors as it would act as a one-stop solution for them to keep track of orders sent by us and manage their billing and receipts with us.

That's a great insight. What about assortment mix and planning? How would you go about determining if the company needs a solution for it?

I would do it in a two-pronged approach – first part would be to do an inventory analysis to understand metrics like inventory turnover, inventory levels, excess inventory, and stockouts. Excess inventory would mean that the company is selling something people don't want, and frequent stockouts would mean that the company is not estimating the demand properly. The same would be supplemented via competitive benchmarking with other similar competitors and seeing if our assortment includes outdated or is missing any in-demand items. Based on this analysis, we can decide whether to implement an assortment mix and planning solution or not.

Let's say we did this analysis and found that the solution is indeed needed. Next, what about support functions?

Finance and HR are areas where DT generally adds significant value. If the processes aren't digital, then digitizing them and integrating them with other areas mentioned above would create a streamlined process and allow for a better way of handling the processes.

Fair enough. Let's say we decide to go ahead with transformations in procurement and vendor management, warehouse and logistics, and assortment mix and planning. How would you go about prioritizing their implementation?

I would majorly look at three factors. Firstly the impact of the transformation in terms of costs saved or additional revenue generated along with the ROI. Secondly, the timeframe of implementation and any cross-dependencies between the three. Based on this, we can prioritize the implementation.

Alright, that will be it. Thank you.

Retail Chain

Your client is a big box retail chain looking to improve their business through digital transformation.

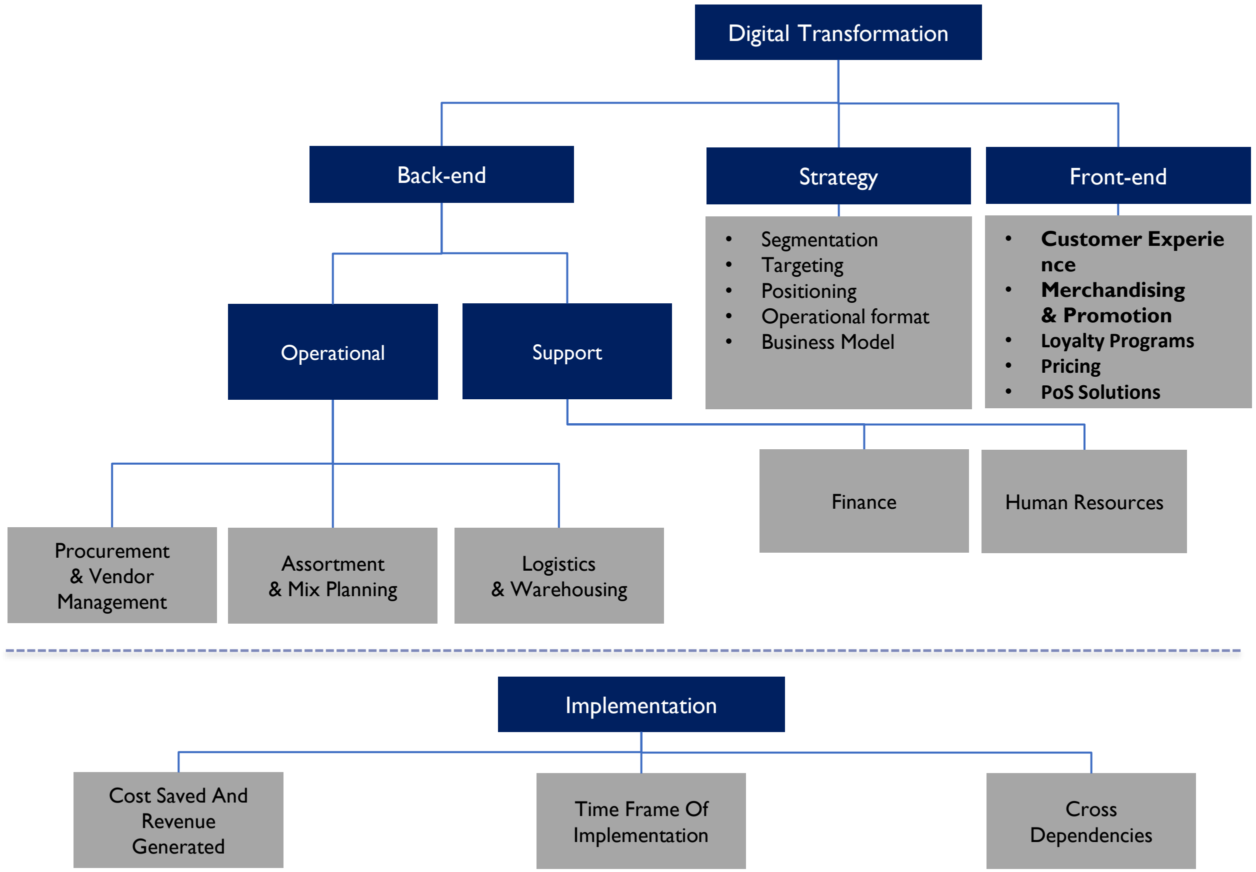
Interviewee Notes

- Three areas where digital transformation can make an impact in a retail store include: strategy, front-end (customer-facing), and back-end (operational and support functions)

Case Facts

- The client has 25 outlets across Northern and Central India.
- They sell everyday consumer products, like D-Mart.
- They follow everyday low-price model and cater to lower middle class and middle-class populations.
- The store is decently digitized in front-end.
- Inventory management is done via paper trail.
- The store has multiple vendors for each product category, and individual contracts with vendors.

Approach/ Framework



Recommendations

- The client should implement IoT along the supply chain to monitor and track every unit, set up a one-stop vendor management platform, and leverage analytics to benchmark against competitors along value chain.
- Finance and HR processes should be digitized and integrated with other areas.

Observations / Suggestions

- Open-ended case: The candidate brought in a degree of structure by asking exploratory questions on different operational areas that could be affected.

Digital Transformation of an FMCG Client – Interview Transcript

Your client is an Indian FMCG Company specializing in Salty Snacks. They have approached you to transform themselves digitally. Suggest a suitable strategy for them.

Thank You for the Problem Statement. I would like to collect my thoughts and ask a few preliminary questions. What exactly do you mean by Salty Snacks? What is their product portfolio?

The client is a market leader in the Indian and Western Salty Snacks industry. They make a wide range of products such as Traditional Indian Snacks also called 'Namkeen' (like Aloo Bhujia and Masala Peanuts), Potato Wafers and Extruded Snacks (like Kurkure Sticks and Corn Puffs).

Alright! Which part of India do they operate from? Which all regions do they serve?

The client has retail presence all across India except a few regions like Northeast India, Kerala and Gujarat, which are predominantly served by local players. The client has its manufacturing facility in in Nagpur but has tied up with Contract Manufacturing Units (CMUs) in other parts of the country from where they serve the remaining regions.

Okay! What is the predominant cost of their packet? Do they specialize in Rs. 5 or Rs. 10 Packs or are they only make large case?

How is this relevant to our problem statement? To answer you, they don't specialize in any size and their SKUs are priced right from Rs. 5 for a 20g Pack to Rs. 60 for a 300g Pack.

Thanks for this information. I would like to know more about their current levels of digitization and automation. Also, is there any particular functional area on which I should focus?

Yes, I would like you to look at this problem from an Operations lens. Their manufacturing facility is fully automated. No other aspect of operations has been digitally transformed.

One final question. How much are they willing to spend on this digital transformation exercise? What is the time horizon they have in mind for these investments? This will help me evaluate my suggestions accordingly.

They are willing to spend roughly upto Rs. 25 Cr (~1% of their Annual Revenue) for this transformation exercise, over a period of 24 months.

Sure, I would begin by analyzing the Value Chain of our client's operations. First, I would like to focus on the Inbound Logistics. Then, I would move to the subsequent stages such as Manufacturing, Outbound Logistics, Marketing and Sales. Does this seem fine?

Yes, this is okay. But we can skip Manufacturing as it has already been fully automated.

Sure! Inbound Logistics can be broken down into Order Placement, Transportation and Receiving the Goods and Inventory Management at the manufacturing facility. The in-house warehouse could be digitally managed. Whenever fresh stock comes into the warehouse or leaves the warehouse for manufacturing, it could be scanned by a barcode reader to track the stock left in the warehouse. This could help in keeping track of the remaining stock. This could then be leveraged to digitally place an order with the vendor, saving time and money. Should I delve deeper into my analysis?

No, this is good enough. Just one point to note is that it may not be feasible to digitally place the order as it is dependent on the technical capabilities of the upstream vendor, which is not in our control. You may now proceed to Outbound Logistics.

Sure, the Outbound Logistics component can be broken down into Order Reception, Processing and Transportation. Before I proceed further, I would like to understand the distribution structure of our client. Could you please give me some insights about this?

Alright! Our client services its end customers through Retailers who stock our client's products. Super-Stockists across India place orders from our client and purchase goods. Super-Stockists in turn service Distributors who in turn service Retailers. There are on-ground salespeople employed by the client who drive sales at each of the above steps.

Sure! In this case, since we have full control over downstream distribution process, we can adopt a digital order taking process. We can digitally monitor the stock of the end product which we have in our warehouse. Therefore, we can ask push all of our Super-Stockists to place orders through our website (digital platform). Does this seem okay?

Yes, it does! Please continue.

After we receive the orders, we can optimally route the order to the nearest unit i.e. our own manufacturing facility in Nagpur or any other CMU such that the order servicing costs are minimized. While the manufacturing costs might be lower in the Nagpur plant, the logistics costs might be higher as compared to CMUs, as the CMUs might be closer to the Super-Stockist.

This is good. However, the on-ground salespeople drive both Primary Sales (Sales to Distributors) and Secondary Sales (Sales to Retailers). Could you please highlight how this could be digitally monitored?

Got it! The major aim of the salespeople is to visit different outlets and sell the products, right? I can think of three different use cases: Pre-visit, During-visit and Post-visit.
In the Pre-visit use case, the route taken by the salespeople could be optimized to have the greatest revenue impact. Outlets close to each other have to be tagged to the same salesperson to reduce costs. Also, the purchase data of the previous months of the same outlet could be presented to the salesperson via an app, to aid their pitch.
During the visit, the time taken by the salesperson in each outlet could be benchmarked with other colleagues to design better incentive structures. The salesforce effectiveness is something which could be monitored.
Post the visit, real time data can be captured from the salespeople to understand the latest trends in the market, which could be used to estimate demand and also engage in NPDs. This will also help the client track the inventory at the different levels of the supply chain.

Perfect, this has been very insightful. One final question, any suggestion for the client to create new sales channels?

Hmmm, the client can create a website to enter into the D2C segment. They can also enter the B2B segment by getting into HoReCa.

Thanks a lot! We can end the case here!

Digital Transformation of an FMCG Client

Your client is an Indian FMCG Company specializing in Salty Snacks. Suggest a suitable Digital Transformation strategy for them.

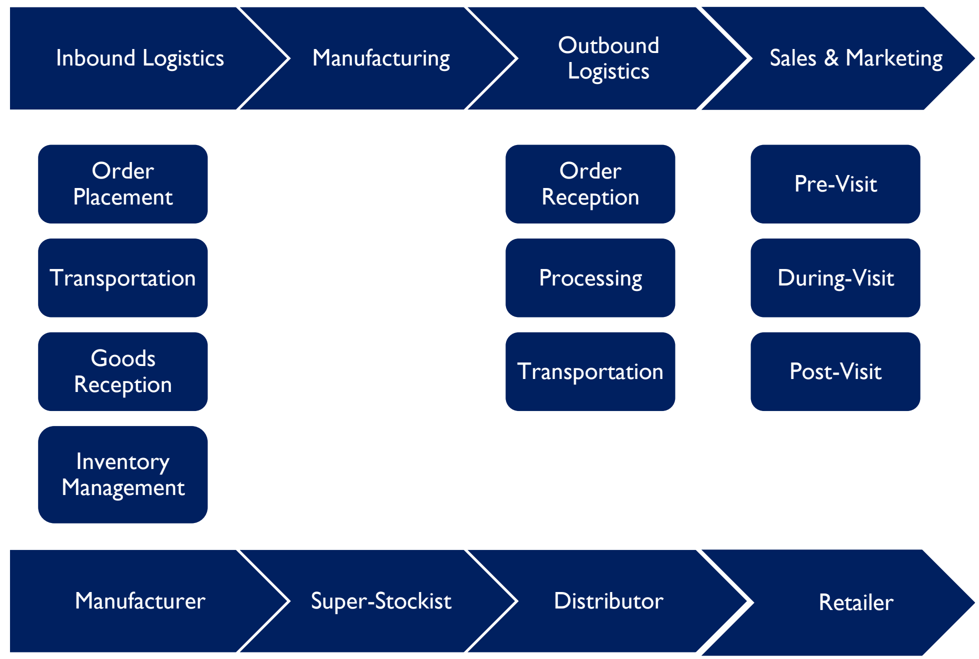
Interviewee Notes

- Client wants to digitally transform their operations.
- They are willing to spend upto Rs. 25 Cr. within the next 24 months.
- Using the value chain framework might be a good idea.

Case Facts

- The client is the market leader in the Indian Salty Snacks industry.
- Their manufacturing facility is automated, but the other aspects of operations are not digitally transformed yet.
- The client manufactures in its own facilities as well as through CMUs (Contract Manufacturing Units)

Approach / Framework



Key Learnings

- The case threw light on the different processes involved in FMCG operations
- The Sales & Distribution structure of Indian FMCG Companies was thoroughly highlighted
- Nuances regarding the control (or lack of control) in the upstream and downstream process were highlighted

Oil and Gas – Interview Transcript

Your client is a major Oil & Gas player. They were going to expand their refining capacity by Dec 2023. However, due to policy changes and competitive pressure, they now want to do it by Dec 2022.

Can you tell me a little more about the client – which part(s) of the Oil & Gas industry does it operate in? – Only downstream or midstream and upstream as well? What is the geographical footprint of the company?

It is an Indian public sector player operating primarily in the downstream segment.

I see. What is the current refining capacity and refinery wise-split of the company? What is the targeted capacity?

Their current capacity is 15 MMTPA of crude oil processed split between two refineries – 10 MMTPA and 5 MMTPA. They want to expand their 5 MMTPA plan to 12 MMTPA.

Interesting. So, am I correct to assume that our objective is to help the client shorten the expansion project completion time from Dec 2023 to Dec 2022, i.e., shorten it by a year?

Yes, that's correct.

Okay. I would like to propose an overall strategy here. First, I want to understand the current status and map out the proposed phase-wise timeline. Then we can proceed to analyzing the time proposed for each step and the sequencing to identify possibilities for crashing the processes. Finally, we can look at the risks and additional finances, if any, associated with the schedule and possible measure to prevent and mitigate the challenges in case of a delay.

That seems reasonable. Go ahead.

Great. I would like to first look at all the inputs and setup requirements for the expansion plan. Mainly I would want to focus on capital requirements, licenses and permissions, raw material inputs like crude oil supply and land acquisition. Next, I would want to look at the design and planning phase. Herein, I would want to focus on the design process and timelines, tendering process (as applicable), After that, we can look at the equipment procurement, construction and installation phase. Finally, ways to expedite the testing and inspection phase can be looked at. Did I get the stages correctly or is there anything that I missed?

Yes, you got them.

Could you share the expected timeline for each phase? Also, is there any particular bucket you want me to analyse first?

Sure. So, let's assume we have the capital requirements, fuel supply, licenses and land acquisition figured out. The design and tendering processes are expected to take around 6 months. The ensuing procurement and installation of equipment is expected to take 3 years. Finally, the inspection and testing should last some 6 months, setting us up for operations 4 years from now.

Got it. So, we need to crash the process by around 12 months reducing it to 36 months

Correct.

Okay. I would like to start with looking at the design and planning phase. I have a few questions regarding the same:

- Is the design of the plan done in-house or through external consulting?
- What is the current status of the design plan?
- Is it done phase wise or is the complete design done at once before moving on to the next stage?

Currently we have identified an outside EPC for the designs. They have quoted a total time of 6 months for all the deliverables.

I see. Is there any particular reason why we are not doing it phase wise? We can get the designs in stages and start commissioning their fabrication. To optimize this, we can ask the EPC to start with the design that requires maximum time for fabrication, delivery and installation.

That seems a good approach. So, we know that the main reactor takes the maximum time, which is, 3 years, for fabrication and delivery. No other equipment takes more than 2 years for the same.

Interesting. Can we ask the EPC to prioritize the design of the reactor? If yes, by when can we expect them to deliver the same? Additionally, what would be the cost implications of the same?

The EPC can deliver the reactor design in 1 month. Do not worry about the costs.

Great. That should crash our project time by 5 months as all other equipment will anyhow take less than 2 years post the commissioning. Is that correct?

Yes, that can be done. Let's move on to the next phase.

I would like to understand the fabrication and delivery process better. My current understanding is that once the designs from the EPC are received, a tender would be floated for the fabrication of the equipment. Once the contractor is selected, the fabrication would begin. The final step would be the delivery and installation of the equipment.

That's correct. We expect the tendering process to take up to 3 months. The fabrication is expected to take another 2 and a half years for the reactor. The delivery and installation should take another 3 months.

I would like to take them up one by one. I am also assuming that all other equipment have a much shorter lead time of under 2 years and the reactor is the bottleneck that we need to investigate.

That's true.

First looking at ways of expediting the tendering process, 3 months seems like a long time. Is there any particular reason for the same?

Since these are highly specialized equipment and the potential contractors are often not apprised of the requirements before hand, we like to keep a 2 month bidding window to give them time to prepare and bid for the same.

I see. Can we reduce this window? This might result in some additional costs as the bids might not be as competitive as before. We can mitigate the same by ensuring that our tender is very detailed. Also, doing it only for the reactor first should make it easier for the bidders.

We can reduce it to the minimum window of 2 weeks.

What about the fabrication? What is the mode of transport used for the delivery?

The fabrication is a black box for us. Not much we can do about it. The delivery depends on the contractor used. 3 months for international contractors and 15 days for an Indian one.

I am guessing selectively going for an Indian vendor might result in some additional costs. Are there any other concerns?

No, that's about it. We can look into the same.

Great. Additionally, we can incentivize the contractor for early completion of the work.

Good. Let's move on to the inspection phase.

Can you help me understand the inspection and testing process.

Sure. Inspection and testing is done in cycles of 15 days. Usually there are a lot of failures due to specification mismatches and compatibility issues with the current plant. So various iterations are needed. Certification is done by DGH officials who very often take months to give an appointment for an inspection visit. The subsequent paperwork is also bureaucratic and can take weeks.

I see. Can we take some precautionary steps to ensure that failures are minimized? Our engineering team can work closely with the EPC and the equipment manufacturer to minimize such instances. We can leverage our connections with the government to expedite the DGH approval process.

Great. Let's end the case.

Oil and Gas

Your client is a downstream O&G PSU who want your help in expanding their refinery faster.

Interviewee Notes

- It is imperative to recognise and clarify early on that this is an operations and project management case to avoid focusing too much on other aspects like finances.
- This is an interviewee driven case – make reasonable assumptions and keep verifying them with the interviewer.
- The objective is to understand your ability to break down the project into sub parts and analyse each of them.

Case Facts

- Original plan ends in 48 months. New requirement is to complete in 36 months.
- Capital expenditure is not a concern. Client is willing to take up reasonable additional costs.
- Design and planning phase can be reduced by 5 months.
- Fabrication, delivery and installation by 4 months.
- Inspection and testing by 3 to 4 months.

Approach/ Framework

Setup	Designing	Procurement & Installation	Testing	Certification & Operation
Crude Oil Supply	Selection of EPC	Tender process	Failure resolutions	
Capital Req.	Design plan	Fabrication	DGH Inspection	
Licenses	Phase wise vs All at once	Delivery		
Land Acquisition		Installation		

Recommendations

- Source the design of the bottleneck – the reactor first. Bundle the remaining designs together and complete in second phase. Minimises loss of economies of scale while crashing the lead time significantly.
- Leverage the vested interest of the government in a PSU refinery expansion to meet new norms to expedite processes like plan and port/checkpost clearances, approvals, etc.
- Proactive planning rather than reactive planning to minimise uncertainties and ensure timely completion of project.

Observations / Suggestions

- It is important to demonstrate an understanding of bottlenecks and the interdependencies between various steps of any project.

FMCG: Supply Chain – Interview Transcript

Your client is an FMCG company, with revenues of $2 billion. Our focus is on one product that they manufacture which is frozen dough. They are facing a problem of high spoilage rate in comparison to the competitors. Last year, the client implemented first-in, first-out (FIFO) inventory management system and started closely monitoring the shelf life of dough. The initiatives reduce the spoilage rate from 10% to 7.5%, still much higher than the industry average of 2.5%. They want you to identify the cause behind the high spoilage rate.

Okay, I would like to confirm the objective before proceeding. The client, a manufacturer of frozen dough, has been experiencing a high spoilage rate even after the initiatives they carried out last year and want our help to identify the issue. Is that correct? And since when has the client been experiencing this problem?

Yes. Since the past four years.

Alright. To gain a better understanding of the client, can you please tell me more about the product, the customers, and what part of the value chain does the client operate in?

The client manufacturers and transports the goods to the distributor as per the demand. Dough, as you may know, is used for bakery products; it is frozen to extend its shelf life to 120 days. The product should reach the customers with a minimum 60 days of shelf life remaining. There are two primary customers: Supermarkets and Restaurants.

That helps. A couple of more questions to clarify the problem. Are we calculating spoilage only for finished goods or at all stages of the process? How do we define spoilage- is it if a good is lying in the warehouse beyond 60 days, i.e. remaining shelf life <60 days?

Good question. We will restrict ourselves to the spoilage in finished goods. Yes, the shelf life determines the spoilage.

Great! So, although the spoilage is calculated for finished goods at the warehouse, there can be other factors leading up to it. My approach would be to look at the different components of the value chain and benchmark it against the industry best practices. Taking spoilage as products lying in the warehouse beyond 60 days and not desired by the customers, my hypothesis is that the quantity of goods produced is more than the demand leading to overstocking. Hence, I would first focus on identifying reasons for this and then move to assess factors, if any, that may affect the quality of the product.

That seems like a fair approach. You can go ahead and analyze the value chain.

The value chain for an FMCG company starts by procuring raw material, manufacturing and packaging the product, storing it in the warehouse, and finally delivering it to the customer as and when there is demand. Please let me know if I have missed out any component? Also, one last assumption I want to confirm is that the product, like any consumer good, is made to stock?

That value chain is correct. Yes, that is true. The goods are made to stock.

Okay. Starting with the procurement of raw material, is there any significant difference in the quality of raw material the client uses in comparison to the competitors? Lower quality of raw material can reduce the shelf life of the dough as it is perishable in nature.

The client has the same supplier as the competitors. So, you can assume that the quality of the raw material being received by everyone is uniform.

Alright. Moving on with manufacturing and packaging, can you brief me about the client's manufacturing practices and if they deviate from the industry?

The client, like all other players in the industry, manufactures dough using a machine. The client's machine is relatively older than the competitors, but the technology utilized by both the client and competitors is similar.

The efficiency of machinery deteriorates with time. Using an old machine can pose two issues for the client:

i) Lower efficiency, that is, the machine is slow and takes more time in the production process or that it requires more raw material to produce the same quantity of dough.
ii) Lower effectiveness, that is, the quality of the dough manufactured is substandard

The machine is efficient in quality, usage of raw material, and production time but has a long changeover time. Changeover time is basically the time that is required to set-up a machine between two production cycles.

As per my understanding, if there is a long changeover time, companies often adopt a strategy of having larger batch sizes in order to 'amortize' the production and resource time over a larger number of items. The suitability of such a strategy depends on the industry and product. Do we know if any such practice is being followed by the client?

Yes, good observation. The production is carried out in large batches, which is leading to the spoilage since the batch sizes are larger than the demand for the product.

Products like 'Frozen Dough' perish when the batch sizes are larger than the demand, leading to loss of time for the extra product being produced in every batch. For instance, a batch produced today must reach customers within 60 days. Since batch sizes are larger than the demand, units remaining are declared spoiled.

Is all of 7.5% spoilage due to large batch size?

No, this accounts for 3% of the spoilage. The remaining takes place at the warehouse, so you can move on to that aspect.

Okay. Proceeding to the warehouse, because we are focusing on the quantity aspect, I am assuming that the storage facilities of refrigeration, moisture control, and temperature are satisfactory. Even with FIFO in place, there is consistent spoilage. This could be due to two reasons:

i) Supply side issues due to inaccurate demand forecast/estimation, thereby leading to over-production
ii) Demand side issues, like high fluctuating demand from the consumers which renders forecasts imprecise.

The former is right. The client uses a software to forecast demand and the estimates are not accurate. What do you think is wrong?

The inaccuracy could either come from the data fed into the software or the software itself. Because the spoilage rate has been consistent, we can rule out the possibility of human errors in capturing data.

i) Error in the mechanism of feeding data into the software
ii) Outdated software giving imprecise calculations

The latter is correct. The client is using outdated software which is not able to give accurate results. Well Done!

FMCG: Supply Chain

Your client is an FMCG company experiencing a high spoilage rate for one of its perishable products. They want your help to identify the problem areas to reduce the spoilage rate.

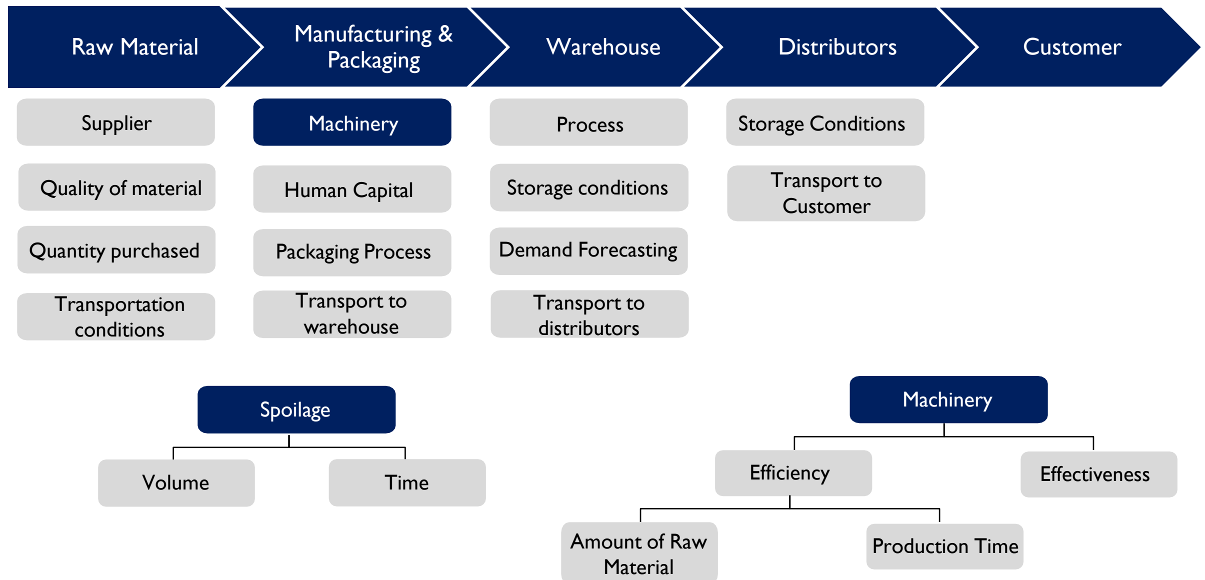
Interviewee Notes

- Objective: Reduce spoilage rate
- Clarify meaning of spoilage and where is it calculated
- Understand the value chain
- Analyze the entire value chain and benchmark with industry
- Important to realize that since spoilage means products still in the warehouse with shelf life of <60 days, there is over-production.

Case Facts

- Spoilage Rate
  - Industry: 2.5%
  - Client (last year): 10%
  - Client (Current year): 7.5%
- Strategy Implemented
  - FIFO
  - Monitoring shelf life
- Shelf life: 120 days
- Reach customer with minimum 60 days of shelf life
- Spoilage is calculated for finished foods at the warehouse.
- Customer:
  - Supermarket (bakery)
  - Restaurants

Approach/ Framework



Recommendations for the client

- Invest in reducing the changeover time to make production of small batches feasible. Solutions: i) Repair the existing machine, or ii) Install a new machine. Do a long-term cost-benefit analysis for taking decision.
- Update the forecasting software to have accurate estimates of demand.
- As the units declared spoiled are not inedible but only not desired by their current customers, till the time client implements the above two recommendations to reduce the spoilage rate, they should look for alternate customers or alternate uses of the spoiled units.

Observations/Suggestions

- Volume-variability: One product does not imply no variety. Another reason contributing to spoilage could be inaccurate forecasting of volumes of different varieties of Frozen Dough, which means there can be underproduction for some varieties and overproduction for others.
- Important to mention that other factors such as quality of raw material, pilferage, rodents, weather conditions, refrigeration, etc., are not included because of the initial agreed upon definition of ‘spoilage’.

Road Congestion Issue – City Corporation : Interview Transcript

MCGM, the City Corporation of Mumbai has onboarded you as a consultant on a study. They want you to create a report on road congestion in the city. the report should cover an analysis plus recommendations, and it should take both a short term and long-term view. Let's hear from you about how you would approach this.

That sounds interesting. So, we're working on this report on road congestion in the city of Mumbai. When you say road congestion in the city, are their specific regions you want me to focus on?

Let's focus on Greater Mumbai and look at the entire congestion situation there.

Sure. Like you said, this report would be broadly structured in two parts. I would first look at an analysis of the current situation including the various data points that should be looked at. Thereafter, I'd move to the recommendation stage basis the analysis.

That sounds fair let's move into the first part then.

When I think of road congestion with first principles, I see it as a supply-demand problem. Supply being the availability of infrastructure and demand being usage of it. Congestion is the cause of greater than required time spent on travel: either due to slow movement or obstacles.
Focusing on supply side, I would look at the road infrastructure and the facilitation infrastructure. Firstly, for road infrastructure, the parameters under consideration would be

a. Width, wherein I would have to look at effective road width which is often lower due to encroachment or double parking.
b. Quality of roads and connections amongst roads
c. In terms of obstacles, there can be two types of them – unintended and administrative. Unintended obstacles can include potholes, accident debris or broken roads, and administrative obstacles include tolls and check points.

Alright. That's good. But are you missing something? What other factors can affect the congestion in the supply side?

Actually, while looking at road congestion, I would also have to look at public transport: road and non-road. Former includes buses, autos and cab services. For buses, I would specifically like to look at routes, capacity, quality and functioning parameters like timeliness. For non-road public infrastructure, I would look at local trains and metros. This can further be categorized as currently operational and planned projects. I would also need to analyse touch-points between non-road and road transport modes because last mile connectivity is important.

Sounds good. Let's move on to the demand side now. What factors would impact the existing traffic flow?

At a broad level, I would look at the city population multiplied by vehicle ownership. The former can grow due to indigenous population growth or migration into the city.

Let's focus on the vehicle ownership for now.

Sure, here I would look at trends of vehicle ownership. Then I would look at multiple categorizations of vehicles: two-wheeler and four wheelers, commercial and private, cargo and consumer.
I will then look at average ridership per vehicle in private vehicles and utilization rates for commercial vehicles. For a demand side analysis, it also makes sense to categorize kinds of travel which primarily be work related, education related, health-related or recreation related. On similar lines, we can identify geographical hotspots for all these travel categories within the city.

Great. So, anything else to do in the analysis stage?

So far we've looked at supply and demand at an aggregate level but we also need to apply the lens of time because there might be mismatch during specific time periods leading to peak hour traffic.

That makes sense. Let's move to the recommendation stage then.

Sure. Solving for it can also take supply side and demand side approaches.

For supply side under road infrastructure, the short-term steps would be improving road quality, removing any obstacles, and planning for diversions and one-way traffic. The long terms steps would be widening of roads, building new networks and the construction of overhead roads.
For improving the public transport, there should also be encouragement for non-motor transport through the construction of cycling and walking tracks, capacity building (through new routes and higher capacity), and overall quality improvement of road and non-road public infrastructure. Last-mile connectivity can be improved with public transport and initiatives like public bicycle or e-cycle stands.
Lastly, new age modes like air-taxis might be explored further in the future.

Great, what can be the congestion alleviating approaches on the demand side then?

Road congestion can be tackled by getting fewer people to travel itself, getting fewer people to travel on road or by getting the people travelling on roads to use fewer vehicles.

Okay, how do you plan to implement these?

The first one can be achieved through promotion of work from home at firms or having staggered working hours at firms, thus tackling peak hour traffic.
For having fewer people on road, adoption of non-road public transport needs to be improved. This can be achieved by focusing on Awareness, Accessibility, Affordability and Experience of public transport: Awareness through public campaigns; Accessibility by improving touch points; Affordability through incentivization for public transport (lower rates) and dis-incentivization for private transport (road taxes, fuel charges, vehicle prices, etc.); Experience by improving ambience and ease of use.
For getting people to use fewer vehicles, ridership per vehicle needs to be improved by encouraging and enabling car-pooling through government mandates, public campaigns or promotion of start-up firms working in the space. Government schemes like odd-even can also contribute to car-pooling.

That's great. I think you've covered the broad aspects of the report. Do you know what congestion pricing is?

I believe it's a concept where toll or fine is charged on cars according to traffic conditions on a route.

That's mostly correct. So MCGM currently has a proposal for implementing dynamic congestion pricing across major road routes of Mumbai. The idea is to conduct a real time analysis of traffic conditions on routes and charge a toll accordingly. More the traffic, higher the toll. The idea is to achieve traffic equilibrium across the city.
MCGM wants you to come up with a brief implementation structure for this proposal.

Okay, this is an interesting proposal. Let me take some time and come up with a brief structure.

Sure.

So, implementation will have three major parts:
Firstly, real time analysis of traffic conditions, which can be done through a Google maps like technology, along with cameras and drones. Second, for mass communication of traffic conditions and route charges, there can a mobile application or website to inform citizens, along with large digital boards on routes to inform everyone. Lastly, the actual transaction be undertaken on the app as well as physical toll booths. The Fast tag technology can be deployed as well for this.

Alright, that's good. So, what are a few risks that you perceive with this proposal, just off the top of your head?

Roads and transportation are public goods, and the primary objective should be to ensure non discriminatory access. This might be an issue due to digital divide. Further, this might lead to a situation where economically stronger groups secure better access to transportation facilities. This can be addressed by incorporating subsidy for certain social groups. Apart from this, the proposal might also face acceptance issues amongst the wider public due to the complexities involved.

Good points. We can close this analysis here.

Road Congestion Issue – City Corporation (Analysis)

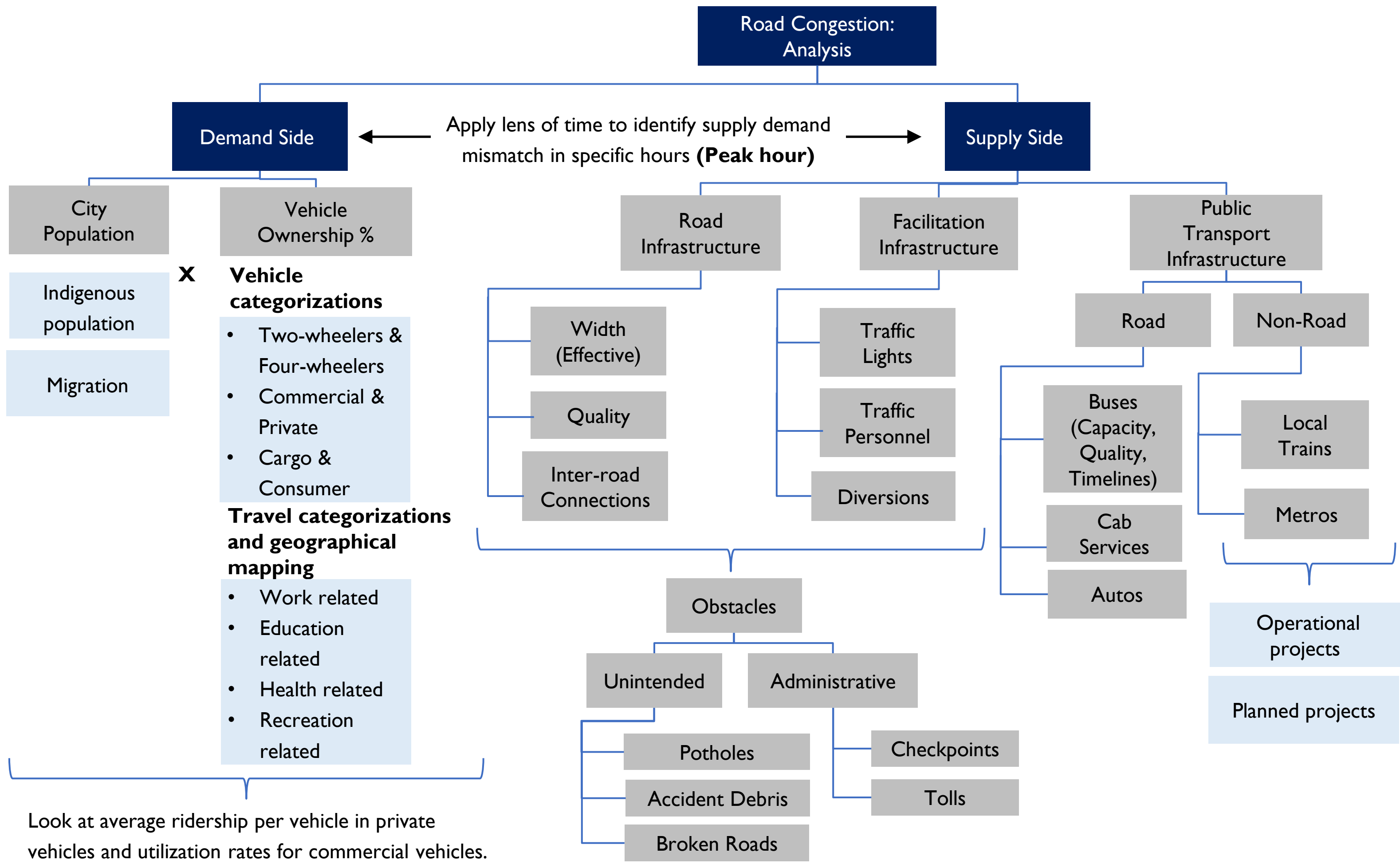
MCGM, the City Corporation of Mumbai has onboarded you as a consultant on a study. They want you to create a report on road congestion in the city. The report should cover an analysis plus recommendations, and it should take both a short-term and long-term view. Let's hear from you about how you would approach this.

Interviewee Notes

- Road congestion is a combination of two things: slow movement and obstacles
- Cover public transport in all parts of the analysis
- More people in each vehicle whether private or public = fewer number of vehicles on road

Case Facts

- Prepare the report with two aspects: Analysis and Recommendations
- Focus on Greater Mumbai Region
- Give short-term and long-term recommendations
- Dynamic congestion pricing - concept



Key Learnings

- In such cases, it is important to define the problem statement as tangibly as possible. Here, defining what is meant by road congestion and what effects of it are to be solved for.
- Thinking on absolute first principles allows creation of a broad structure in these unconventional cases.
- Recounting personal experiences helps in adding points to the analysis

Road Congestion Issue – City Corporation (Recommendations)

MCGM, the City Corporation of Mumbai has onboarded you as a consultant on a study. They want you to create a report on road congestion in the city. The report should cover an analysis plus recommendations, and it should take both a short-term and long-term view. Let's hear from you about how you would approach this.

Interviewee Notes

- Road congestion is a combination of two things: slow movement and obstacles
- Cover public transport in all parts of the analysis
- More people in each vehicle whether private or public = fewer number of vehicles on road

Case Facts

- Prepare the report with two aspects: Analysis and Recommendation
- Focus on Greater Mumbai Region
- Give short-term and long-term recommendations
- Dynamic congestion pricing - concept

Road Congestion: Recommendations

- **Demand Side Steps**
  - Fewer people travelling
    - Promoting work from home
    - Staggered working hours
  - Fewer people travelling on road
    - Increasing Public Transport adoption
      - **Awareness**: Public Campaigns
      - **Affordability:**
        - Public transport incentivization
        - Road transport dis-incentivization
      - **Accessibility**: Ease of use and touch points through last mile connectivity
      - **Experience:** Ambience improvement
  - Using fewer vehicles
    - **Car pooling**
      - Govt. Mandates
      - Start-ups
      - Campaigns
- **Supply Side Steps**
  - Road Infrastructure
    - **Short term steps:**
      - Quality improvement
      - Obstacle removal
      - Diversions and one-way planning
    - **Long term steps:**
      - Road widening
      - Fly-over construction
      - New road networks
  - Public Transport
    - New Routes
    - Higher Capacity
    - Improving last mile connectivity with public transport and other initiatives
    - Infrastructure Enhancement
  - New Age Transport modes

Key Learnings

- In such cases, it is important to define the problem statement as tangibly as possible. Here, defining what is meant by road congestion and what effects of it are to be solved for.
- Thinking on absolute first principles allows creation of a broad structure in these unconventional cases.
- Recounting personal experiences helps in adding points to the analysis

Commercial Vehicle Loan – Interview Transcript

Your client is a leading Indian bank. They are planning to initiate a new loan scheme for commercial vehicles. They need your help designing the policy for the new scheme.

I would first like to understand the bank and the new offering. I will assume a large-scale pan-India operation for the bank, if I may. What is their current portfolio as far as loans are concerned?

Yes, that is a fair assumption. On their offerings, they do have numerous different type of loans in their mix. In fact, they do offer vehicle loans as well currently. Just that they offer them mostly for personal use vehicles such as your SUVs etc. Now they want to extend that to commercial vehicles as those mini-trucks you see.

When offering loans for commercial vehicles, we can either offer that to individual users or on a larger scale to organizations buying in bulk for their business purposes. Have we decided what offering would be?

We will offer it only for individuals for now. Simply because we are into offering vehicle loans for regular use vehicles to individuals and just want to extend that.

I would like to understand the overall market next. I am assuming there are other banks or even NBFIs offering these loans. How are they positioned?

Fair point. There are numerous banks and as you said NBFIs offering such loans. But for now, we are not concerned about them. We do not need to benchmark our offering against them. We will focus on deciding our internal policies for giving out these loans.

Let us take an individual marble transporter for that. He is planning to buy a carrier worth Rs.6 lakhs. He will pay Rs.1 lakh on his own and has come us to lend him the remaining Rs.5 lakhs. How do we decide?

Sure. So, I will try and understand his financial standing and assess the probability of him defaulting on the loan. May I assume that the revenue from the sales of marbles is the only source of income for him?

Yes.

How many members are there in his family? Does any of them have a particular source of earning I should factor in?

It is a typical Indian nuclear family. He lives with his wife and 2 kids. His father also stays with him. None of them have a constant source of income you should consider in your analysis.

I will try and understand the business first and estimate his earnings. I will look into the possible expenses and deduce his monthly earnings. Then I will estimate the EMI and see if he can sustainably payout the loan. I will factor in the potential risks at the end and take the final call. Should I move ahead with this approach?

Yes. Go ahead. How do you calculate his revenues?

As a transporter, the revenue is a direct function of the number of trips times the value generated per trip. The number of trips itself will be a function of the demand and the capacity of the carrier. We will need to assess the service side constraints as well to assess the number of trips undertaken.

Let us simplify it a bit. Let us say that he has just one large retailer to serve, and it takes him one 50km trip for him to reach the retailer. These are daily trips, and each earns him Rs.3000.

Perfect. Assuming that he works for 25 days a months, he gets Rs.75,000 (Rs.3000 * 25) from the sale of marbles.

That is a fair assumption. What next?

Next, we will try and estimate his expenses. For a 50km daily trip, assuming that the vehicle gives 10km per liter pf petrol and that the petrol prices are constant at Rs.100 per liter, his monthly transport costs are Rs.25000 (100km/10kmpl * Rs.100 * 25). There will be other costs such as the maintenance cost of the vehicle itself, the toll taxes involved on the route, and others.

You are right in your calculation. Let us take maintenance and all such overheads to amount Rs.5000 over a month.

Great. So, the total on-road cost becomes Rs.30000 per month. That leaves him with Rs.45000 dispensable income. Next, I will try and understand his living expenses. The primary expenses I will consider is food and other necessities, rent and housing expenses, education expenses of children, other miscellaneous experiences. Seems fair?

Mostly good. Any particular expense you would highlight in the miscellaneous header?

Probably with an elderly father in the house, the expense of his medicines can also be factored in, particularly is he is not on a pension scheme himself.

Good point. So let us say that this is a tier 2 city, and he pays Rs.5000 in monthly rent, roughly Rs.10000 on his food and other expenses and the children education and other expenses combined come out to be another Rs.10000.

That sums up to Rs.25000. That leaves him with a dispensable income of Rs.20000 (45000-25000). The other major expense for him will be the EMI towards the loan itself. Do we know the specifics of the loan contract such as the rate, the time period?

Good. Let us say that the loan is being offered at 12% per annum for a 5-year period. You can calculate the EMI later; it will amount to something around Rs.12000. How do you assess this?

That leaves him with Rs.8000 of monthly savings. The savings are positive, and we seems okay to be able to make the payments. But risks needs to be accounted for. Besides the regular loss of business possibilities, other considerations like medical emergency for an old father, or maybe university/college admissions for his kids or otherwise there are risks to be accounted for.

Based on the analysis of such factors, we can decide on a cumulative factor. So, let's say we get a 0.5 factor over the disposable income, we can say that if the expected EMI is at most 0.5 times the net savings, then we will payout the loan else we will not. This number can be calculated using historical data from our regular vehicle loans or other loan offerings.

Great point. We have done that analysis at our level and let's say that factor is 0.65. What would you say then?

0.4 over a Rs.20000 net income means a maximum EMI of Rs. 8000 is safe. Since, the current plan has an EMI of Rs.12000, we should not sanction the loan to him. We can change the contract terms and see if there is a possibility because a 5-year window seems too short to me.

No worries that would not be needed. Thanks for the comprehensive analysis.

Commercial Vehicle Loan

Your client is a leading Indian bank. They are planning to initiate a new loan scheme for commercial vehicles. They need your help designing the policy for the new scheme.

Interviewee Notes

- Leading Indian bank = Should have large pan-India presence
- Commercial Vehicles = Specific mention so other types needs to be checked
- New loan scheme = Should benchmark against existing schemes

Case Facts

Company:

- Current portfolio of loans offered = Having experience with different kinds of loans eases the process during a fresh launch and also serves as a data bank to be used.
- Scale of operation = Pan-India vs a localized operation can be contextually very different

Customer + Product:

- Individual clients against large-scale industrial players = Different contractual demands and hence scheme

Competitors

- Other players in the market = serves both as a benchmark and a data bank to get industry numbers
- Current market shape = possibility of a new player entering
- Role of NBFIs in the analysis = Special case with large disruptive power

- Net Disposable Income
  - Transport Earnings
  - Total Expenses
    - Vehicle Expenses
      - Fuel Expenses
      - Maintenance
      - Toll Payments
      - Overheads
    - Non-vehicle Expenses
      - Rent & Housing
      - Food & Living
      - EMI Payments
      - Health & Education

Header	Calculation
Transport Earnings	25/month * Rs.3000 **= Rs.75000**
(-) Vehicle Expenses	Fuel 100km/10kmpl*Rs.100*25/month = Rs.25000 Non-Fuel = Rs.5000 **Total = Rs.30000**
(-) Others	Rent = Rs.5000 Food and Living = Rs.10000 Health, Education etc. = Rs. 10000 EMI Payments = Rs. 12000 **Total = Rs.37000**
Savings	**Rs.8000**

Key Learnings

- Scoping the problem at the very start is the key on unconventional cases as this. Without defining the subject of analysis, it would have been very difficult to dig further.
- Quantitative cases are by their nature very particular. Double checking the exact calculation before speaking is very important. A small error is a major dampener. Best way to check is run the entire calculation through the interviewer briefly.
- Important to make assumptions on the fly both as an unconventional and a number-heavy case. Always a good idea to keep explicitly stating the assumptions and avoid a carry-forward effect of errors later.
- Interviewer always wants something particular out of these. Good to be in the discussion mode and present as many alternatives as possible and let them lead you. Being conservative and very particularly hypothesis-heavy might actually hurt.

Rural Credit Rating for Microfinance Institution – Interview Transcript

Your client is a microfinance institution that wishes to prepare a credit rating framework for microfinance loans for the rural Indian population. Assist in creating the framework.

Okay. First, I would like to understand the objective of our client and their existing business.

The client wants to capture new markets and maximize long term profits. The client finds immense potential in microfinance sector.

Okay. Is the client targeting a specific geographic region or a specific rural segment. What is the timeline for GTM strategy?

There are no specific numbers that they have in mind. The client wants be a competitive player to capture the rural market segment.

Okay. What are the key sources of income that the client is targeting?

The client wants to target rural farmers as they constitute a major segment market. The client wants to be accessible to all including individual farmers, family trusts, corporate farmers, and co-operatives. What do you think what be the necessary data the client would want to have to proceed with their objective?

Credit rating is an essential part of banking decisions. For credit rating, estimating risks would be the key factor.

That seems fair, Please go ahead.

I would like to structure the credit rating framework in 3 parts now. First, I would identify factors that are a function of the risks related to rural sources of income by categorizing them based on income, assets, and liabilities. Second, I would like to create a credit rating mechanism based on the identified risks. I would try to set up a framework based on the risk identified and define the weightage of such risks based on their financial and non-financial consequences. Third, I would like to devise a credit scoring mechanism in line with competitors and risk environment.

You can go ahead with identifying the factors contributing to risks.

I have segregated different categories of income, liabilities and assets relevant predominantly to the rural sector. I would prepare a form soliciting this information when potential customers apply for a loan.

Let's first deep dive into each of the categories that are in consideration

I would start with income and bifurcate it into agricultural and non-agricultural income as farming is the largest income source in rural areas. The agricultural income could be in terms of wages or profits from farming. I would like to deep dive into the profits.

Please go ahead.

Profits from farming would be a function of Revenue and Costs. Further, the revenue can be divided into price and number of units produced. While the Price would depend on the crop and the market conditions, the unit produced would be Area times Yield per unit Area. The revenues are prone to fluctuation depending on the weather conditions, and hence can be highly volatile. These are the parameters on which can be used as input for the credit score. Further, all major cost heads such as raw material, labor are market commoditized. These costs would not vary hugely across years.

How does that affect the credit score?

The cost factors might not affect the credit score in terms of individual but would have a macroscopic effect on the region by affecting the agricultural profitability. The overall degree of profit volatility can also be treated as an input while assigning a credit score.

Great. Now you can talk about other factors

Sure. Moving on to non-agricultural income, this would be largely from rent, poultry or sale of by-products. The proportion of agricultural and non-agricultural income would also be a factor under consideration as it would convey the stability of revenue streams of the farmers.

Now should I deep dive into assets and liabilities?

Yes, you can.

For Assets, I would again like to bifurcate them into agricultural and non-agricultural assets. Agricultural assets can be land and equipment, whereas non-agricultural assets in typical rural areas can be gold, poultry and other investments such as in SHGs (self-help groups). Liabilities can be existing loans or any borrowed working capital.

The amount of assets held by farmers vis-à-vis their liabilities, including the amount they owe to moneylenders, friends etc., can be assessed as another input while developing a credit rating.

Okay. You have identified the factors to be considered for assessing the risk. How will you collect this data?

I would like to now define a broad mechanism to collect the information relating to the identified factors. Firstly, the farmer would be required to declare income, assets and liabilities. This information shall be verified by various sources.

Okay. How would you go about verifying this information?

I would now validate this information through third-party sources. They could be categorized as personal – such as family; professional – such as money lenders, suppliers; and social sources – such as police, panchayat etc. .

Great! You can now go ahead with the next steps

Based on the information received and validated, I would like to go ahead by assigning risk scores for every bucket and weightages to every bucket therein. For this, do we have any competitor information publicly available that discusses the weights generally assigned to such factors? We can consider benchmarking with existing players in the short run while we decide an alternative.

This is proprietary information and we do not have access to the same. Any other alternative?

I could undertake research to find out relation between these income, assets and liability classes and defaults. I could also factor in the risk of default based on past defaults and trends in the geography/sector.

Okay. That's it from my end for now. Thanks for your time.

Rural Credit Rating for Microfinance Institution – Case Structure

Your client is a microfinance institution that wishes to prepare a credit rating framework for microfinance loans for the rural Indian population. Assist in creating the framework.

Interviewee Notes

- Important to understand the client, their business model and the competitive landscape within the geography selected for entry
- Strategy chosen needs to match the overall objective of the client

Case Facts

- Client is a financial institution that wants to foray into rural microfinance in North India
- Objective is long term profitability

Credit Rating framework

1. Risk evaluation – Identify and validate factors for risk
   - Income
   - Assets
   - Liabilities
2. Create rating based on risk parameters
3. Create credit scoring mechanism

Structure

- Income
  - Agricultural
    - Wages
      - Fixed income
      - Income based on % of production
    - Profits from farming
      - Costs
        - Raw material
        - Equipment
        - Utilities
        - Labour
      - Revenue
        - Price
          - Nature of Crop
          - Variation due to Supply Demand or other factors
        - #Units Produced
          - Area
          - Yield per hectare
  - Non-agricultural
    - Asset Renting
    - Sale of By-products (Eg. seeds)
    - Poultry Based
- Assets
  - Agricultural
    - Land
    - Equipment
  - Non agricultural
    - Gold
    - Investments in SHGs, FDs, etc.
    - Poultry
- Liabilities
  - Existing loans
  - Borrowed Working capital

Verify information using 3 types of proofs –
1) Personal evidence - On ground verification
2) Professional evidence – Suppliers, customers
3) Social evidence – local administration (to the extent possible)

Recommendations

- Short-Term: Consider benchmarking with existing players for maintaining uniformity
- Long-Term: Set up niche frameworks to bridge gaps in existing framework through extensive research and surveys

Key Learnings

- In abstract cases, it is important to create a framework that would make logical sense by asking relevant questions

FMCG – Interview Transcript

Your client is an FMCG company that produces staples like - dal, rice, oil etc. The client is facing issues with its salesforce effectiveness. Identify the reasons and give recommendations for the same.

I would like to know more about what the client does. So, I understand that the client produces staple food but where exactly does the client operate in the value chain, i.e. is the client just processing these staples and distributing or responsible for production as well?

So, the client is responsible for buying raw materials from farmers, then processing and finally distributing them to the wholesalers and retailers. They, in turn, sell the products to the end consumer. The client also owns a few retail stores but 99% of its business is derived from selling to retailers.

Okay, So now I have a pretty good idea of the client's business. I would like to understand how does the client measure this KPI?

The client measures the salesforce effectiveness as the number of units sold per person per month.

Thanks for the clarification. Moving forward, I would like to know what is the time frame that we are looking at here. Since when is the client facing this decline and by how much?

The client is seeing this decline from the past 6 months. It has seen a decline of 10-15% in its salesforce effectiveness.

So, it's a fairly recent occurrence. Has there been some recent industry-wide change in place that has caused this decline to be seen by our competitors too or is it limited to our client?

No this is limited to our client. The competitors are also facing some decline but is not significant compared to our performance.

Alright, what are the product offerings of the company? And has this decline been seen in the sales of a particular product offered by the client?

Company's most prized products are sunflower oil and wheat flour. But for the interest of the case, you can assume any product of your interest.

Okay, and is it limited to a particular geographical area the client operates in or it an issue across the geographies?

No, the issue is not localized, it is a pan-India problem.

So, I would like to break this down into either:
1. **Slump in demand** for our product - which could be due to an increase in demand for the competitors' product or, a decrease in complementary products or substitutes available.
2. **Issues with supply** - due to issues with production, distribution ,or marketing.
Although, there are very less chances of the demand decline for staples in a short period unless there is major change made in the product offering. So, unless that's the case, I'm assuming its majorly a supply side issue. Am I correct to assume that?

Good, that's correct. There is no decrease in the demand for our product as it is a commodity product. So you can go on and explore the supply side issues.

Okay. So, for supply side as I already did, we can segregate into **production, distribution and marketing**. For production, there is possibility we are not producing enough for the salesforce to sell, or for distribution, we are not able to push our products to the retailers?
Marketing does not seem to be an issue as the demand for product has been constant.

Fair point. So we are able to produce as much as we are able to sell by working at 60% capacity.

So, there is issue with retail push by the salesforce. Could I get a typical journey of a

Sure, good question. So, the salesperson leaves his house at 8 am to sell orders to the shops/retailers in the area assigned to him. He picks the shops he will be visiting and tries to sell as many orders as he can. The day ends at 5 pm, post which he goes to the district office assigned to his city and drops of the orders there before returning home.
But there has been no change in any of the processes in the last 6 months.

Alright, this makes the distribution process way clearer. So, I will divide the issue into two parts, internal to the salesperson and external to the salesperson. Internal will include 3 basic factors of Ability*Motivation*Opportunity and external included no of shops visited per day*no of units sold per shop. As mentioned above the overall day of the salesperson hasn't changed, therefore I would start with the qualitative factors.

Okay, fair enough.

So, I'll start with Motivation. Motivation can be both monetary and non-monetary. Monetary would include the fixed and variable compensation structure and non-monetary would include the fringe benefits provided by the company. What is the pay structure like in the company and has it changed in the last 6 months.

The compensation structure consisted of 30,000 per month of fixed pay and a variable pay of 500 for every additional 100 units sold. This was then changed to 30,000 fixed pay with variable pay of 800 for additional 120 unit sold. This was done in order to incentivize salespeople to sell more units

So, the Rs 5 variable pay per unit was changed to Rs 6.67 variable pay per unit. Ideally this is supposed to increase the sales incentive. Do we know the units that the salesperson is capable of selling given there is no incentive structure in place?

Good question. The salesrep is sells 90 units in absence of any variable pay in place.

Interesting, so earlier the sales rep only had to sell additional 10 units to get the extra 500, but as the slab has been increased to 120, the salesrep now has to push for an additional 30 units. As it is a commoditized product with demand constant, this will be difficult to achieve. Hence the motivation to sell additional 10 units dropped to leading an approx. 10% decline as seen.

Good job.

So, moving forward now I would like to access the ability of the salesperson. This would include his product knowledge and communication as well as persuasion skills to sell the product. To understand this, I would like to know the average duration of employees in the company, the training programs in place and the attrition rate of employees.

So, the average tenure of the salesperson is ~2 years. Due to high attrition rate in the industry, the employee turnover is very high, leading to low expertise of new employees to sell the product due to poor training programs in place. This has been an industry wide issue.
Good, now that you have identified the issues, can you come up with some recommendations

Short term: Changing the slab to a smaller value starting from 90 units and incrementing every 10 units sold.
Long term: This will include setting up an extensive, on-the-job training structure in place. We should look at decreasing dependency on sales force by entering into long term contracts with retailers. Also, there is an opportunity for route optimizations for the salespeople to decrease commute time.

Thank You

FMCG

Your client is an FMCG company that produces staples like - dal, rice, oil etc. The client is facing issues with its salesforce effectiveness. Identify the reasons and give recommendations for the same.

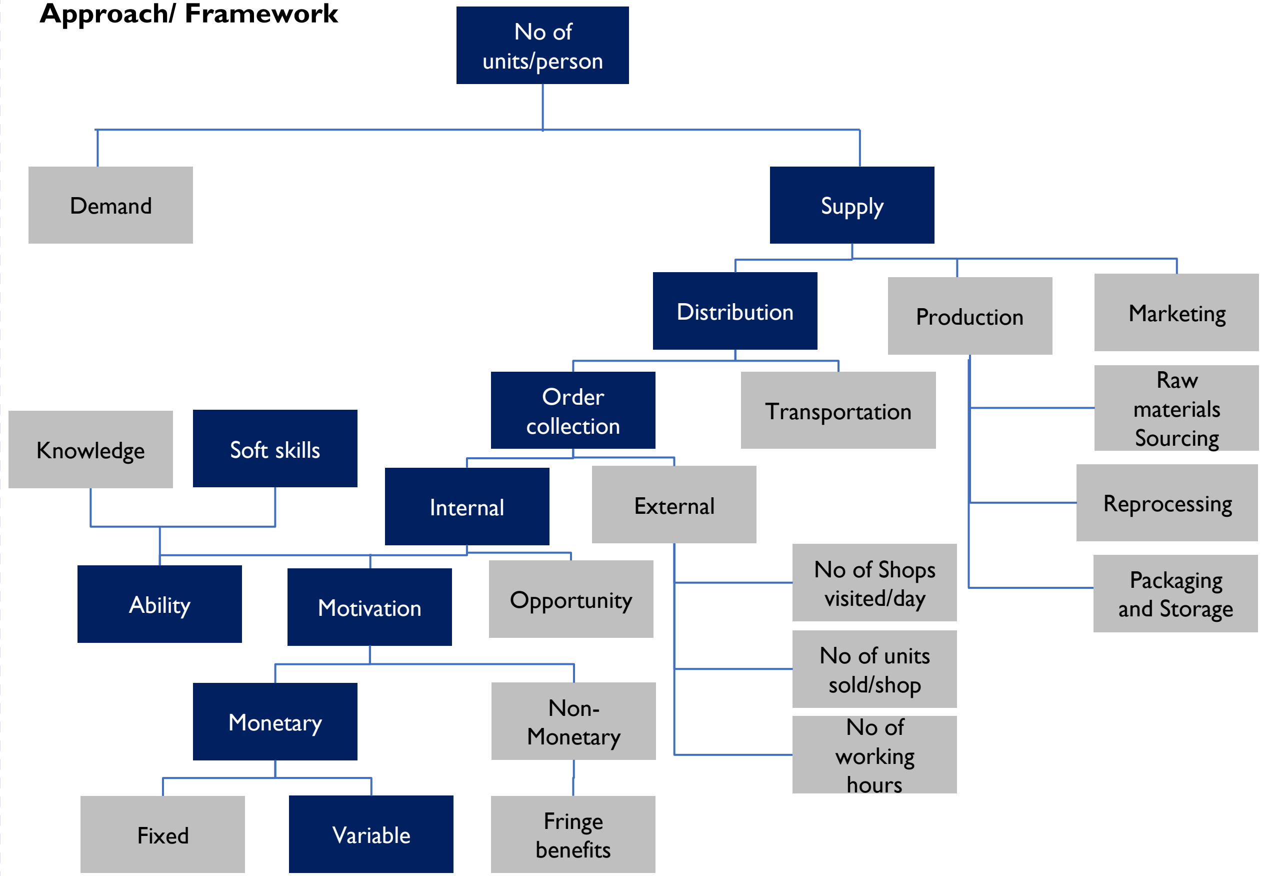
Interviewee Notes

- It is important to understand the KPI the client is focussing on. It is possible that it has different meaning to you and the client. It is always better to clarify.
- Enquire about product mix, geography, integration across supply chain, competitors.
- It is important to understand the saleperson's journey.
- It is important here to understand the motivation of the employees to sell more units than they normally can and connect that to the pay structure to figure out the gaps.

Case Facts

- Focus on a single product offering.
- The industry is facing similar decline but in lesser magnitude. compared to our client
- It is a geography-wide issue.
- Demand for the staples from our brand has not changed.
- No Production constraints and neither are there any distribution constraints.
- It's a order collection issue by the sales personnel: The monetary benefits scheme of the company was not aligned to sell maximum units.
- Also the high attrition rate in the industry made the training programs weak and hence low skill levels.

Approach/ Framework



Recommendations

- Short term: a) Restructure the variable pay structure and start slabs from the minimum units sold and keeping the size always in the achievable range and small.
- Long term: a) Provide on the job training to new employees on the field to make them understand the job better.
  b) Decreasing dependency on the salesforce by entering into long-term contracts with the retailers.
  c) Providing Route optimization and tracking to employees to make their day more efficient.

Key Learnings

- It is important to understand the KPIs used by the client.
- It is important to think about the decrease in efficiency from all perspectives and not just the salesforce selling less units. Geography and product offerings should also be considered.
- Quantitatively analysing the pay policy by understanding the usefulness of variable pay is important. This needs benchmarking to units sold without variable pay to understand the issues.

Post-Merger Workforce Integration

The client is a legacy newspaper player that has recently acquired a digital media firm. They seek your advice on the integration of both companies.

I would like to know more about the client's business. What exactly are the offerings of both firms and the objective behind the acquisition?

The client prints a national daily which has a pan-India presence. Due to stagnant growth in readership (1-2%), they wanted to move into the digital space. The acquired firm majorly focuses on entertainment-related news catering to a younger audience on the internet and also has a mobile application. Although bringing in 50% of the client's revenue, the digital media company is poised to grow 10% CAGR over the next 10 years.

Thanks. I would also like to know what specific problem the client expects me to work on in the post-merger integration.

Why don't you tell me what issues arise in this phase?

In such a phase, issues can arise in the following areas:

1. People-related: Pertains to the workforce and human resources. Some examples can be compensation normalization, role duplicity, culture mismatch, difference in leadership vision, etc.
2. Resource-related: Regarding the distribution of assets and claims-to-use between the two firms
3. System-related: Regarding different processes followed to perform similar tasks, differences in organizational policies and functions, etc.
4. Technology-related: Tackles differences in level of technological adoption between the two firms.

This seems comprehensive. I would now like you to focus on people-related and systems-related issues. The client wants you to estimate how to allocate the workforce in the combined entity.

Can you tell me about both firms' current organizational structure?

Assume that both the firms currently have marketing function, legal function, finance function, and HR function consolidated at their respective HQs. The legacy firm doesn't have a digital strategy function which the newer firm has, but it has a distributor relation and publishing function. The larger firm has a geographical divisional structure, with each region as a distinct profit center, and content generation happens at this regional level. The latter has a content generation function further divided into different types of content (entertainment, technology, business, etc.). With this information, tell me how you would aim to integrate the workforce.

Thank you for the information. First, I would like to list the activities I would undertake during the integration process. First would be deciding on the organizational structure of the new entity. The second would be redundancy elimination. Lastly, I would suggest a few policies and initiatives to help the workforce adjust to the combined entity.

Sounds good. Please go ahead.

I would suggest a structure with 2 divisions: Digital content and traditional. I'm suggesting this due to the estimated high projected digital content sales. At growth of 10% for 10 years, it will be around 2.5 times the current size. On the other hand, the legacy firm would only be 1.15 times. Given that currently the digital media firm is around 50% in sales value, it will bring more revenue than the client within 10 years.

That makes sense. Why do you recommend a separate division for it?

This division stems from the following considerations:

1. Autonomy: The digital media firm has fundamentally different capabilities and strategic advantages that need separate management purview and objectives.
2. Accountability: The entity needs to keep up with the solid growth trend and key executives should be held accountable by making it a different profit center
3. Authority: This division can empower CXOs to take faster decisions and respond to the industry more flexibly. It's crucial in a high-growth firm that is usually hurt by organizational bureaucracy.

Seems fair. What else do you suggest with the organizational structure?

I would not change the current structure of the traditional division as it is currently generated at a regional level. I would, however, integrate a content strategy team spanning both divisions to steer the nature of the content. I would consolidate HQ functions from two to one. It would mean that a few challenges would occur during the allocation process that I'll address in the next step. I would also suggest that the digital media division leverage the regional content created to penetrate the target geographies better. I would further look at the reduction in employee cost, as each content piece has a scope of being cross-utilized digitally and in print.

Great. Now let's move on to the second task. You mentioned redundancy elimination.

Yes. At this stage, I suggest the client reduce the employee cost in the intersecting functions. First, estimating how many people are required in intersecting functions would make sense.

Assume this study has been conducted already, and the client has concluded that 60% percent of roles in the intersecting functions are redundant post-integration. How would you proceed?

I would then perform a fitment test to determine which employees best suit their roles. I understand that different organizational skills are needed at different levels. Hence, I would classify the employees in duplicate functions basis role seniority: Junior, mid-managerial, and leadership level. At each stage, people require different skills. We can categorize them into technical, interpersonal, and conceptual skills. Junior employees require technical skills the most, and the mid-managerial workforce needs good interpersonal or people skills. Senior leadership should exhibit conceptual or leadership and strategic skills.

How do you assess who will be better suited for each role?

An assessment should be created that would evaluate people basis relevant skills for their role. It should include feedback from 2 sources: External sources of feedback such as peer/superior/ subordinate feedback, and interview feedback with a panel (for relatively senior employees). Internal sources can be recent performance ratings and growth trajectory. Another source can be situational tests (senior roles) or technical tests (junior roles). Should I deep-dive into this?

That suffices. What do you suggest happens to the 60% of people in the redundant functions who do not qualify past the fitment test?

Provisions should be made to find alternative roles at the similar level for them. They can be told about the result candidly and should be given the option of getting to a role one level below their current role. The client should also account for the feasibility of rehiring workers if it is required in the short term due to growth, hence temporary role allotments can be explored further. Laying people off should be the least preferred alternative.

All right. Please highlight briefly a few initiatives to improve the integration of employees in the merged entity.

New initiatives can be taken to integrate can be done on an employee or organizational basis. On the employee level, we can look at employee training & development and redressal. For the T&D aspect, it can be further viewed from 2 perspectives, monetary and non-monetary. From the monetary angle, policies can be implemented to ensure equal pay and incentives for employees in both divisions. On a non-monetary basis, a few policy suggestions can be cross-dimensional training can be done for personal growth, along with the facilitation or interaction opportunities for junior teams with management. Knowledge-sharing sessions and skill assessments can also be used to upskill the employees. On redressal, it can be looked at from a personal level or cross-organizational level. Former deals with channels to encourage employees to speak up any hostility arising from hiring/firing and latter with cross-organizational employee engagement sessions to reduce friction. On the organizational level, two lenses we can consider is resource symmetry (normalization in systems, technologies, processes, etc.) or culture symmetry (uniformity in ways of working, norms, expectations, socialization, etc.)

Great! We can close the case here.

Post-Merger Workforce Integration

CONSULT CLUB

Your client is a legacy newspaper company who has recently acquired a digital media firm. They want your help in identifying post-merger integration issues and providing recommendations for the same.

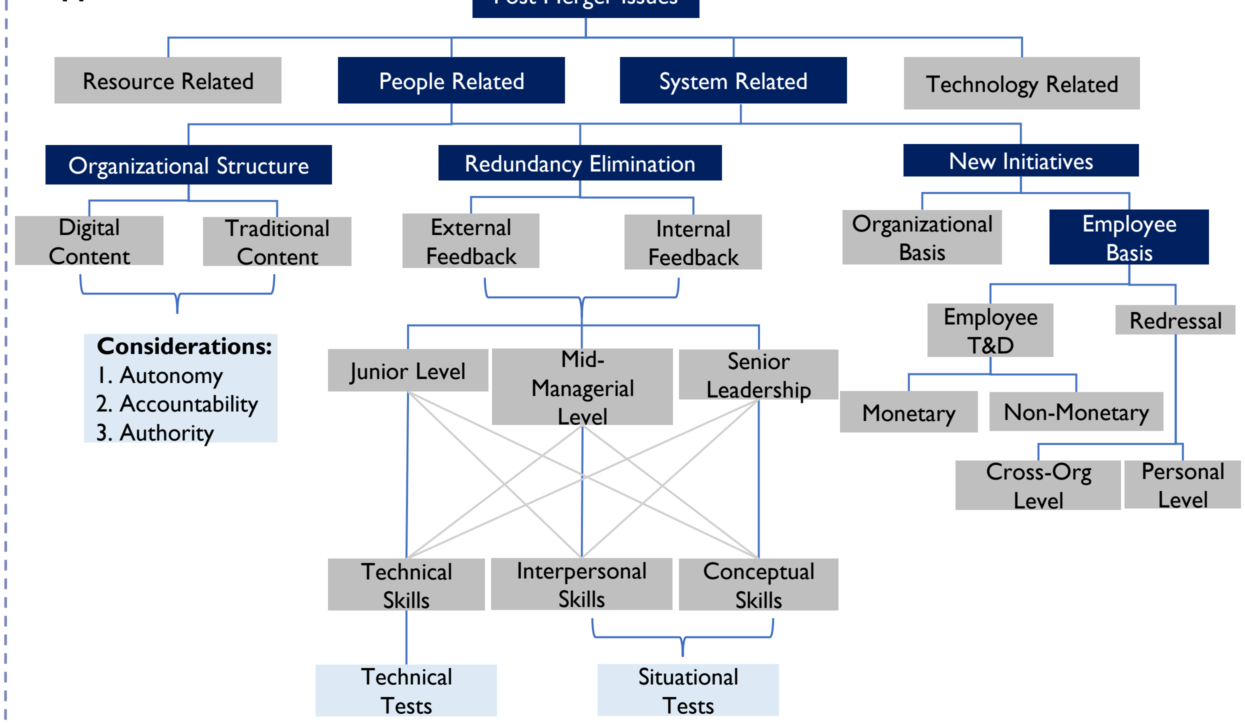
Interviewee Notes

- Objective: Advice on post acquisition steps
- Clarify the scope of the problem and what exactly the client wants
- Different organizational structures – workforce integration needs to be analyzed

Case Facts

- Client: Pan India presence, growth in readership stagnant at 1-2%
- Acquired Firm: Digital media firm with a focus on entertainment news, 10% CAGR over next 10 years
- Common functions to both firms: marketing, legal, finance, HR
- Client doesn't have digital strategy function, has distributor & publisher related functions
- Geographical division – every area has a separate profit center
- 50% roles in intersecting functions are redundant post integration

Approach/ Framework



Recommendations for the client

- Finding alternative roles for employees in intersecting redundant functions
- Initiatives can be introduced for post-acquisition smoother integration of the workforce
- New initiatives on an organizational and employee basis, further aiming at training, development and redressal

Observations/Suggestions

- Always define the scope of the problem at the very beginning, to avoid going in the incorrect direction during case analysis
- Define the structure and plan before deep-diving into any specific verticals
- Keep on confirming with the interviewer if any particular bucket needs to be explored further

Cab Aggregator – Interview Transcript

Your client is a cab aggregator in Mumbai. The operational efficiency and cost structure for the company has scope for improvement. It wants you to analyse and provide possible recommendations for the same.

To reconfirm the objective, does the problem reside only on the cost side or should I analyse the revenues too? Also, what is the reason behind client's strategy to cut down on costs? Has the client witnessed an increase in costs, or the industry has become price competitive?

The client only wants us to analyze costs and suggest measures to improve upon the same. There are no major competitors in the industry. Yes, the costs have increased in the last few months.

Alright, so we need to focus on the bottom line. Moving on, to gather more insights, what is value creation by our client?

Drivers hire cars from our client for a fixed duration at an agreed rental to move passengers locally within the city. The cost of the petrol is borne by the driver themselves. In addition to this, the client owns a garage on the city outskirts to cater the servicing and maintenance needs.

Now that I have understood the value offered by our client. I would like to breakdown costs into three major buckets i.e. car purchases, maintenance and administration to see where the issue lies. Should I go ahead with the same or is there any cost bucket I might be missing out on?

Sounds good, please proceed further to evaluate maintenance first.

Okay, I would investigate the employee costs, spare parts costs and the number of incoming vehicles. Focusing on the employee costs, what is the priority rule adopted in allocation of tasks to service technicians?

Presently, the vehicles are allocated on FCFS basis to the technicians for service after the driver fills out a preliminary questionnaire at the time of depositing the vehicle.

Are the service cost per vehicle serviced higher than the industry benchmarks?

The servicing garage is not the major operations of our client. They do not possess any such information. It is only to augment the rental business.

Oh Okay, to further understand the spare parts. I would like to know how the client procures spare parts for servicing? Is it directly from OEMs or through distributors?

The client purchases spare parts from a local distributor with long standing relationship.

Lastly has the client witnessed a greater inflow of vehicles for servicing over the last few months in coherence with the overall increase in costs?

Great observation, that is in fact true. Previously the preventive maintenance deadline was earlier of 3 months or kilometers limit reached. On an average every vehicle was serviced 2.5 months. This number has come down to 1.5 months for vehicles incoming from certain regions of the city.

This implies that vehicles operating of the city are more prone to damage and hence, require more frequent servicing. This could possibly be because of damaged roads due to heavy monsoons that Mumbai receives or the rash use of the vehicle by the driver. Having stayed in that city and this time of year, it is more likely to be the former case.

Yes, the drivers from these regions have also complained of extremely damaged roads. So, what do you suggest? How should the client go about the maintenance costs?

Perfect. I would recommend the following changes to reduce the overall maintenance costs :

1. The vehicle allocation to expert and non-expert service technicians should be done based on the task complexity instead of FCFS.
2. The task complexity can be assessed via the preliminary questionnaire filled by drivers at the time of deposit.
3. The spare parts should be procured from OEMs directly and not the local distributors.
4. The non-expert technicians should seek sign-off on the work done by them from the expert technicians before handing off the vehicle for delivery.

Can you provide rationale for the process changes suggested by you at the garage?

The FCFS approach of allocating vehicles to technicians might allocate a fairly complex task to a non-expert technician. The technician would be occupied for a larger duration as compared to an expert technician and might not completely resolve the issue. In an attempt to resolve the issue, the non-expert might employ greater resources than required. Therefore, the service downtime of vehicle is greater than it should be and reduces the first fixed visit number with a greater likelihood of vehicle coming back for repair earlier than it should causing loss of revenue. The allocation of tasks based on complexity and sign-off from expert technicians on the non-expert technician's work would go a great work in addressing the overall cost issue.

The procurement of spare parts from OEMs would ensure greater authenticity and lifetime due to lower failure rate. This would also be marginally cheaper cutting out the distributor from the supply chain.

These are great suggestions and sounds readily implementable. Any other recommendations?

Moving on to car purchases, the extremely damaged conditions of the roads should be reported Reach out to the municipal corporation on urgent notice for repair. If vehicles keep operating on such roads for prolonged duration, it will reduce the overall lifetime of the vehicle owing to frequent repairs. As a result, the depreciation cost of vehicles operating in these regions would be higher compared to others. Consequently, we would have to purchase cars more frequently to maintain the same fleet strength.

Alternatively, we can also do a cost benefit analysis of forgoing operations in these parts of the city. The loss of revenue against the extra costs incurred by the client.

Good. I would check with the client on the same if that is a possibility.

Moving to administration costs, has the client observed any fluctuations?

No, these are fairly optimized. Let us skip this part.

Great. So, I will now summarize our findings and recommendations for the same.

Sure. Go ahead.

The client is trying to solve for cost reduction. We analysed the operations of the client involving aftersales service, car purchases and administration. We found three problems:

1. FCFS approach of task allocation at service garage.
2. Procurement of spare parts from local distributors.
3. Frequent visits of vehicles due to operations in city regions with damaged roads.

It is recommended that the client adopts the following changes in its process to reduce costs:

1. Task allocation to expert and non-expert technicians based on complexity.
2. Assessment of complexity via preliminary questionnaire filled by drivers.
3. Sign-off from expert technicians on the work done by non-expert technicians.
4. Use of guided diagnostic tools as a service assistant to improve the FFV and reduce service downtime of the vehicle.
5. Report the damaged condition of the roads to the municipal corporation based on feedback from drivers.
6. Assess the possibility of stopping operations in certain regions of the city.

Alright. Let's stop here. Well done. Thank you.

Cab Aggregator

Your client is a cab aggregator in Mumbai. The operational efficiency and cost structure of the company has scope for improvement. It wants you to analyse and provide possible recommendations for the same.

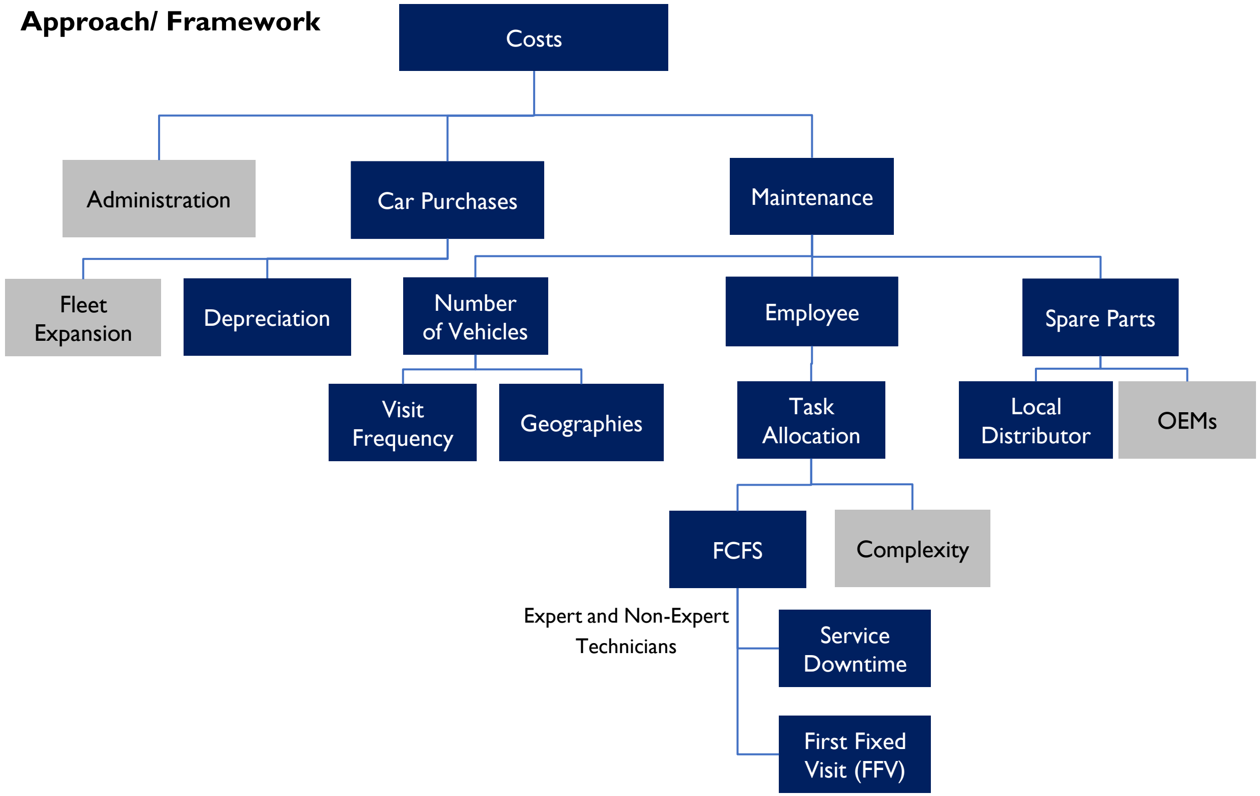
Interviewee Notes

- Cost reduction by focusing on operational efficiency.
- Enquire about value creation offered by the client.
- It is important to focus on both the operations at the service station as well as the frequency of vehicle visits to fix all core problems.
- It is critical to understand that the client is not proficient in aftersales. The service garage is only an augmentation to the primary operations.
- Outlining all possible solutions to the client along with the rationale for your recommendation.

Case Facts

- Increase in costs over the last few months.
- No major competitors in the industry.
- Client owns the cars and provides on rental to drivers.
- Provides maintenance through its own garage.
- Drivers complain of damaged roads in certain parts of the city.
- FCFS approach to allocate tasks at garage.
- Procurement of spare parts from local distributor.

Approach/ Framework



Recommendations

- Task allocation to expert and non-expert technicians based on complexity. Assessment of complexity via preliminary questionnaire filled by drivers.
- Sign-off from expert technicians on the work done by non-expert technicians. Use of guided diagnostic tools as an assistant to improve the FFV and reduce the service downtime of the vehicle.
- Report the damaged condition of the roads to the municipal corporation based on feedback from drivers. Assess the possibility of stopping operations in certain regions of the city.

Key Learnings

- It is important to uncover all the problems and the interlinkages between them – operational inefficiency at the service garage and the damaged condition of the roads to reduce the overall costs.
- It is critical to understand the proficiency of the client in their auxiliary operations of aftersales. This should not be directly evident to avoid infuriating the client.
- Moving along the journey of the vehicle in its lifetime and at the service garage would help better understand the problems that might exist at every step of the way.

Sources : Primary Data – Personal Interview

Children in school – Interview Transcript

Your client is the governor of a province in Bangladesh. He was recently elected with a strong majority based on his mandate for change. Education is an integral part of this province. He wants you to develop a plan to increase the number of children in school in the next three to four years. How will you proceed?

Sounds interesting. Could you tell me a little bit more about the province? What is the size of the school-going population and the current enrollment rate?

The population is 50 million, of which 10 million citizens are school-age children. Of these, 8 million are enrolled in school.

Ah, okay. I want to try and understand the underlying cause. You mentioned that 8 million of 10 million children are in school. What is the capacity of schools in the province – how many students can they accommodate?

All the schools across the country can accommodate up to 15 million students.

So, as I see it, there is no lack of schools in the region. Can I assume that the issue then is in demand for schooling? Of the 2 million students in school, is there a specific age-group or gender that has a lower enrollment rate?

Yes. The province has 7 million male students and 3 million female students. Nearly all male students are enrolled in school, while only 1 million female students are enrolled.

Alright. Is there any specific region where trend has been observed more significantly than others?

No, not particularly. This has been observed across the province.

Then I'd like to explore why this trend has been observed. I will break down potential factors into internal and external factors. Internal factors refer to causes within the family because of which they might not send their girls to school. External causes can be environmental, legal, political, social, or economic. My hypothesis is that since the trend is observed for many female students, the factors might be external.

Alright. Could you elaborate further on external factors?

Sure. By external factors, I meant reasons that might make families unwilling or unable to send their female children to school. I will further divide these factors based on the timeframe of occurrence – that is, pre, during, and post-sending a child to school.

Pre: One factor is affordability. This includes the opportunity cost and the actual cost of sending students to school. This also includes added incentives (or lack of). Other factors could be accessibility, availability, and awareness. Accessibility is the ease with which families can reach schools, and availability is the presence of schools when required (location and timing). Awareness is not just about knowledge among the population, but also the connotations from social factors such as stigma.

During: These factors have to do with the schooling process itself. The time spent in school, the infrastructure, the total length of schooling, the quality of education, and the peer group play a role in this.

Post: A potential factor here could be the kind of exit options students have after schooling.

Is there any specific area you'd want me to focus on?

Let's explore all of them one-by-one.

Sure. So, let's move on to the factors that families consider before sending their students to school. As I mentioned, many consider the cost of schooling. What is the economic status of citizens of this province?

Most of them are below the poverty line.

Are there any government schemes that make education free for children in a particular age group?

Free education has been subsidized largely but it isn't free. That is on the agenda of the governor.

Alright. One more thing. I'm assuming that a child's family bears the cost of education. Since a family is a unit in this case, could you tell me the average family size?

Sure, a typical family in this province has two earners and three children of school-going age, on average.

My hypothesis is that given the size of the family, families aren't able to send all the children to school due to economic factors. Maybe they'd like to engage some children in wage-earning labor instead of sending them to school. Is there any alternative form of employment available to the female students who aren't enrolled in school?

Not particularly. Most of them help their mothers with household chores.

Alright. So, there is only the cost of sending children to school. But, given the number of children per family, families often must do a cost-benefit analysis before deciding which children to send to school. To test this, I wanted to know a bit more about the opportunities available to students after they finish schooling. Are these opportunities the same for male and female students?

The opportunities are not the same. Most male students get employed by companies in entry-level positions, and they can support their families. On the other hand, companies don't offer jobs to female students, and their families often get them married off after they reach a certain age.

It seems then that the economic status and the larger social context are creating this issue. Since families are large, they cannot send all their children to school, despite government schemes. Moreover, female students don't find meaningful work post education and cannot compensate for the cost of schooling. Their families choose to send their male children to school to get jobs and support the family.

That is correct.

Is there any particular reason why education hasn't been made free for all students?

Lack of funds, mainly. This is something on the agenda of the governor if he can free up funds from other areas. Do you have any recommendations apart from making schooling free?

Yes. Before that, I'd like to understand why companies don't offer jobs to female students.

Like I mentioned, most female students are married off once they reach a certain age. They might start families of their own and have to take many leaves. Many companies want to hire for the long term and choose not to hire female candidates at all.

Alright. So, the problem is two-fold – apart from the cost of education, female students cannot find jobs after schooling. Since the governor wants to accomplish this over four years, a step-wise approach should be followed.

Firstly, the cost of education should be minimized as much as possible. If possible, education for a certain age group should be made free. The government can also launch scholarships for female children who want to continue their education. In the short-run, education for female students can be subsidized further or made free, if possible.

Secondly, the kind of education provided should also be modified to include vocational training. This can help students, both male, and female, to engage in meaningful part-time work after they reach a certain age. This will ease the burden on their families, and more families will choose to enroll their children in school.

Thirdly, job opportunities must be created for female students after they are done with schooling. These opportunities can be in the form of reservation in entry-level roles for female students or the creation of government programs. Though societal norms take time to change, the availability of options might improve the situation.

While these are being implemented, awareness drives and programs should be launched to help families understand the long-term benefits of educating their female children.

That sounds reasonable. Thank you.

Unconventional | Growth Strategy | Moderate | Education

Children in school

Your client is the governor of a province Bangladesh. He was recently elected with a strong majority based on his mandate for change. Education is an integral part of this province. He wants you to develop a plan to increase the number of children in school in the next three to four years

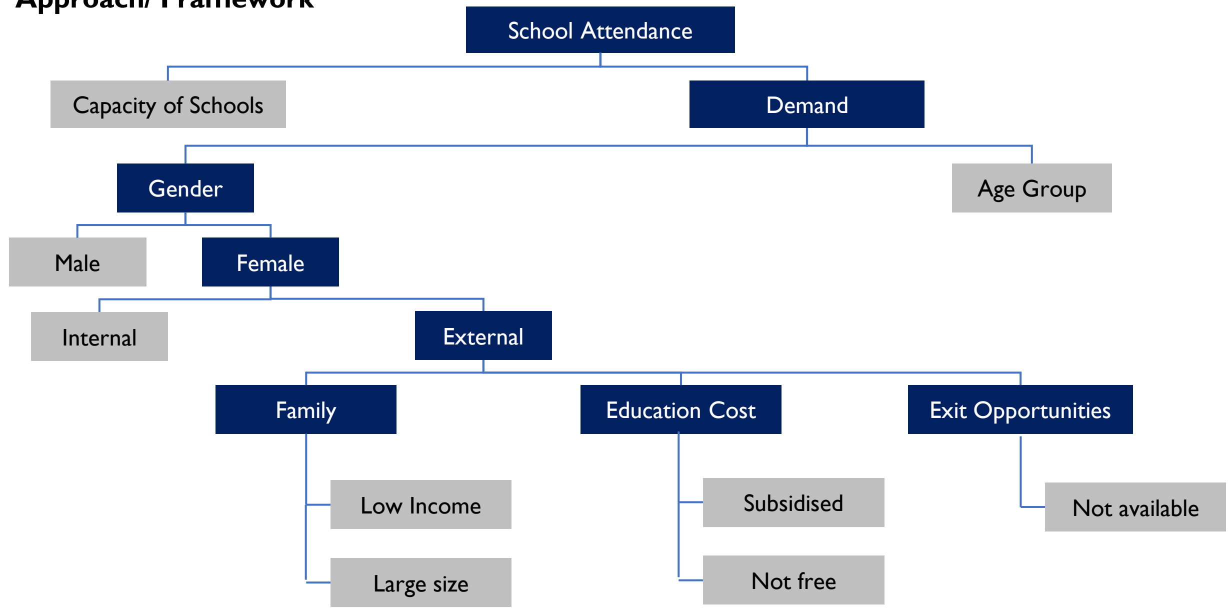
Interviewee Notes

- Check for both supply and demand. Problems could be on either side.
- Whenever there are trends in population, segment as much as possible based on context-appropriate segments.

Case Facts

- 8 million out of 10 million school-age children go to school
- Schools can accommodate 15 million students
- All school age boys go to school
- Education is subsidised not free
- Females are not offered jobs due to assumption that they won't be able to balance family and work.

Approach/ Framework



Recommendations

- Cost of education for female students should be minimized as much as possible up to certain age group.
- Launch of scholarships for female children who want to continue their education. In the short-run.
- Vocational training for both male, and female, to engage in meaningful part-time work after they reach a certain age.
- Job opportunities be in the form of reservation in entry-level roles for female students or the creation of government programs.
- Awareness drives and programs should be launched to help families understand the long-term benefits of educating their female children.

Observations/Suggestions

- Whenever factors are broken down into internal and external in unconventional cases, define what the factors are internal to. Here family unit wasn't defined.
- Start with a hypothesis and try to validate it by asking questions or creating frameworks. The hypothesis doesn't need to be correct all the time, but it will give the case some direction. In this case, it also might've helped to break the cost of education into number of children per family times the cost of education.
- Since the interviewer wanted an approach, steps are mentioned. Interviewees can also segment their recommendations based on effort and impact before presenting.

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Guesstimates

Guesstimates – An Introduction

A **guesstimate** is a combination of guess and estimate. Solving a guesstimate involves using a structured approach to reach the solution while making sound assumptions, performing back-of-the-envelope calculations and communicating the process effectively during an interview.

Types of Guesstimates

Market Sizing

This type of guesstimates involve estimation of size of a market or revenue of a company. This is solved by both estimation of quantity and selection of price for each type of product.

Unconventional

This type of guesstimates may not have a defined structure. Such guesstimates are typically asked in interviews to test the approach rather than the specific calculations.

Splits & Filters

When, guesstimates are solved by using top-down approach, following are various splits commonly used to drill down –

- **Rural-Urban Split:** Geography based approach
- **Gender Split**: Split between male and female
- **Age Split**: Split the population into various age ranges
- **Income Split**: Based on individual or household income

Methodology

Top-Down Approach

This approach starts with a large set such as total population and then works on adding different splits and filters making reasonable assumptions to reach to an estimate.

Bottom-Up Approach

This approach starts with forming an estimate for a specific representative unit and later extrapolating with reasonable assumptions to reach to an estimate.

Demand & Supply Approach

Demand Approach

This approach for market sizing is based on estimating the number of customers in the target market and units consumed per customer in a given time period.

Supply Approach

This approach for market sizing uses the supply value chain to estimate production quantity based on raw materials or number of factories and further extrapolating.

Estimate the annual demand for Gold Flake cigarettes in Mumbai

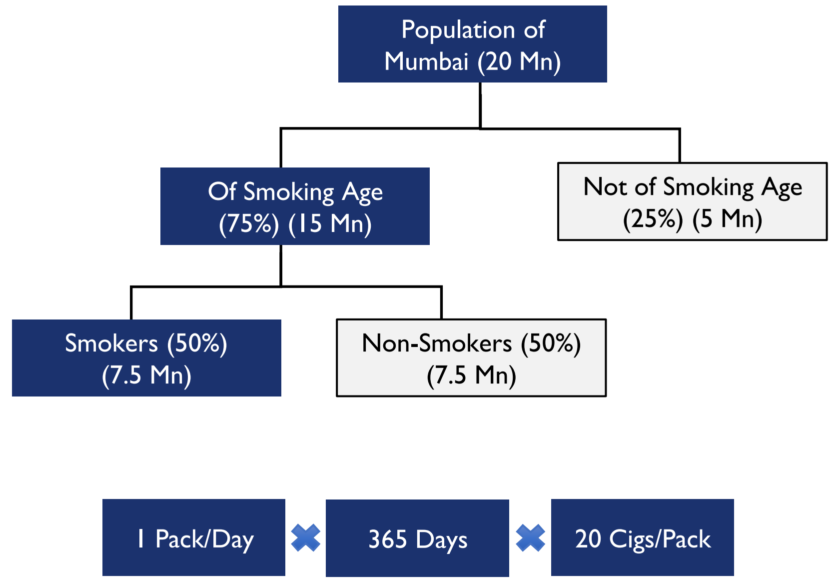
Interviewee Notes

- Begin by estimating the total market for cigarettes in Mumbai
- Market Share of Gold Flake in Mumbai would be like the Market Share in other metro cities such as Delhi and Bangalore
- Segment the population into those of Smoking Age (Adults) and those not of Smoking Age (Children)

Facts/Assumptions

- Market Share for Gold Flake is 20% in Delhi and 22% in Bangalore
- Assume that 50% of Adults smoke cigarettes
- Assume average cigarette consumption of 1 Pack/Day
- Each pack has 20 cigarettes

Approach/Framework



7.5 Mn * 365 * 20 = 54,750 Mn Cigs/Year
Approx. Market Share of Gold Flake = 20%
Demand for Gold Flake = 0.2 * 54,750 Mn = 10,950 Mn Cigs/Year

Observations/Inferences

- This has been solved using the Top-Down approach

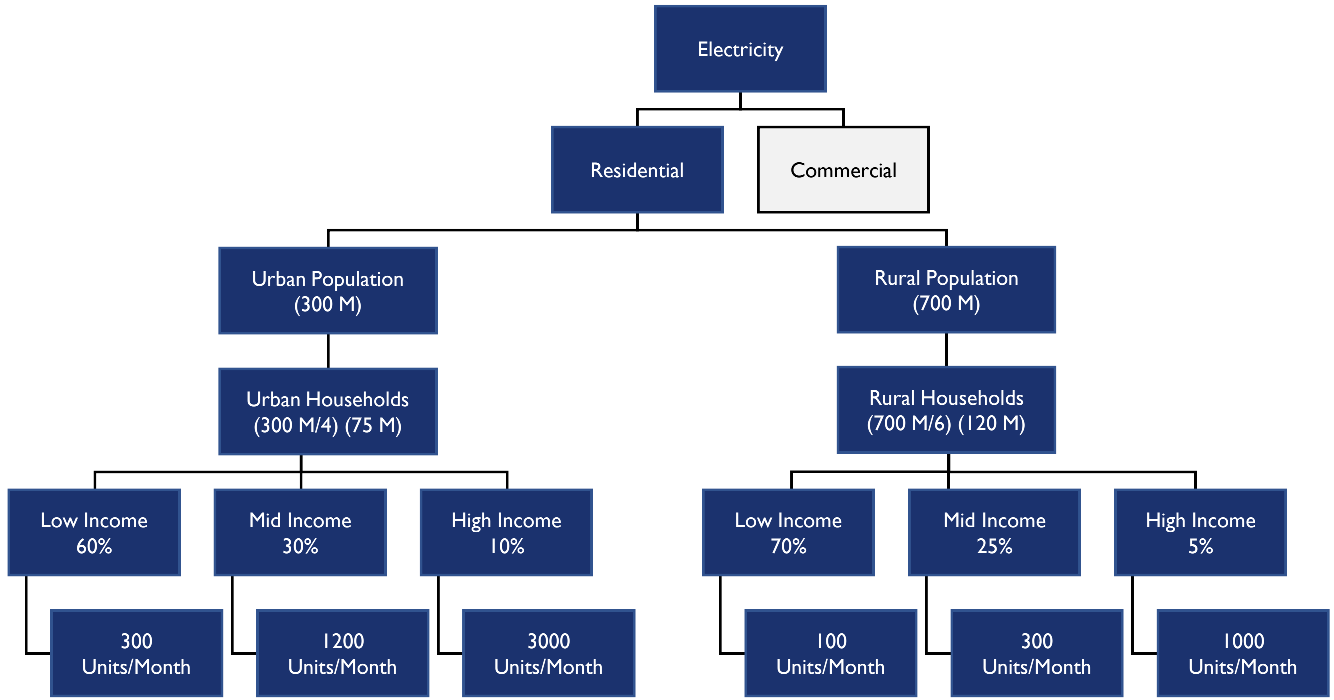
Guesstimate 2

Estimate the monthly residential electricity consumption in India

Interviewee Notes

- Clarify which segments are to be included (Residential or Commercial) as their consumption patterns are very different. In this case, focus only on residential.
- Within the Rural segment, interviewee may consider adjusting for homeless people and areas which are not electrified
- Weighing monthly consumption by % of households in the income type and multiplying this by # of households will give monthly units consumption
- Average Household Size is 4 in Urban areas and 6 in Rural areas

Approach/Framework



75M x (60% x 300 + 30% x 1200 + 10% x 3000) = **63,000M units**

120M x (70% x 100 + 25% x 300 + 5% x 1000) = **23,400M units**

Guesstimate 3

Estimate the duration of ads streamed on YouTube daily

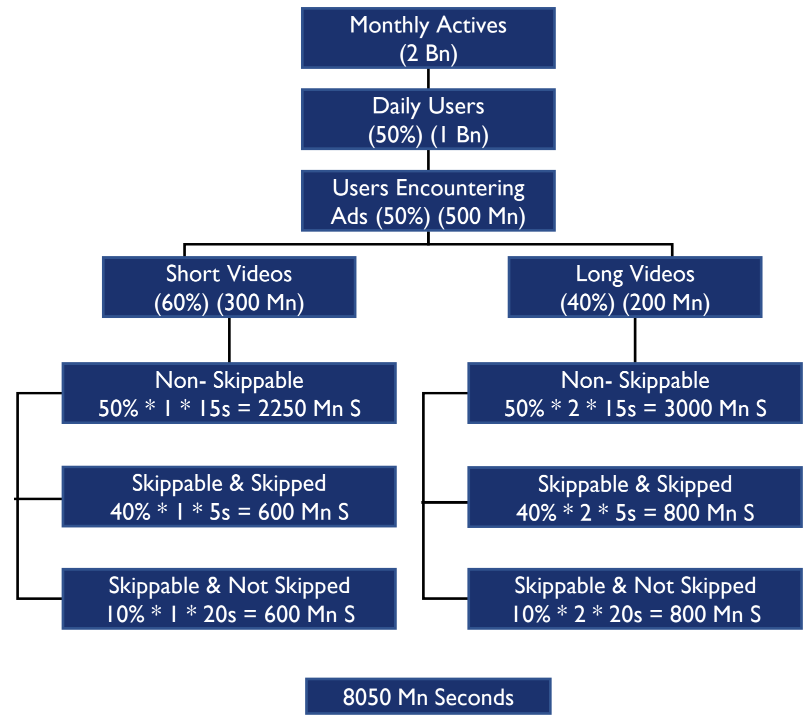
Interviewee Notes

- Users are divided based on whether they will encounter ads.
- They are further categorized them based on the length of videos streamed.
- The ads are bifurcated into 3 types: Non-Skippable (50%), Skippable and Skipped (40%), Skippable and Not Skipped (10%)
- Total Users will also include premium account users
- Day Agnostic - Weekend and Weekday treated similarly

Facts/Assumptions

- Assuming 2 Bn monthly active users on YouTube. 50% of these use YouTube daily
- Videos with length less than 8 mins (Short Videos) only has one ad while Long Videos have 2 ads
- Assume that 50% users streamed video with an ad
- Users prefer Shorter Videos (Less than 8 mins) (60%) over Longer Videos (More than 8 mins) (40%)
- Assume that each user watches only 1 video per day

Approach/Framework



Observations/Inferences

- First create the structure, and then put numbers to it
- If the users could be bifurcated into premium and non premium, then different
- Explore if the ad length could vary as per video length and whether a person is a premium account-holder

Guesstimate 4

Estimate the number of pairs of shoes sold in Mumbai daily

Interviewee Notes

- Estimate by finding the total number of shoes worn by people in Mumbai
- Segment the total population based on income, gender and age
- Consider appropriate number of pairs of shoes owned by people in each category and their expected life
- Assume an average day of shopping (not affected by weekends, holidays, sales, etc.)

Facts/Assumptions

- Only covered shoes are considered; not including footwear like slippers, flip flops, crocs, etc.
- Shoes can be categorized based on usage: Office wear/formal, school shoes etc. Every population category will have a combination of these based on income and need
- BPL population has the lowest number of shoes per person and highest life of shoe
- Kids are the population <15 years

Approach/Framework

	Distribution by Income	Distribution by Gender & Age	Avg. Pairs of Shoes Owned	Life of Shoes (Years)	Pairs of Shoes bought per year
Total Population of Mumbai (20mn)	Upper Class (10%) 2mn	Men (35%) - 0.7mn	5	3	1.17mn
		Women (35%) - 0.7mn	5		1.17mn
		Kids (30%) - 0.6mn	4		0.80mn
	Middle Class (30%) 6mn	Men (35%) - 2.1mn	4	4	2.10mn
		Women (35%) - 2.1mn	4		2.10mn
		Kids (30%) - 1.8mn	3		1.35mn
	Lower Middle Class (40%) 8mn	Men (35%) - 2.8mn	3	5	1.68mn
		Women (35%) - 2.8mn	2		1.12mn
		Kids (30%) - 2.4mn	2		0.96mn
	Below Poverty Line (20%) 4mn	Men (30%) - 1.2mn	1	6	0.20mn
		Women (30%) - 1.2mn	0		0
		Kids (40%) - 1.6mn	0.5		0.13mn

Pairs of shoes bought in 1 year = Population * Avg. Pairs of shoes owned / Life of shoes
Total number of shoes bought in Mumbai in 1 year = 12.78mn
Total number of shoes bought in 1 day = 12.78mn/365 = ~ 35k

Observations/Inferences

- Life of shoe has been assumed to be constant in an income category. It is dependent on the desire and need (due to wear and tear) to change
- Sanity Check from supply side: Number of shoes sold by a shop in a day ~5-10 (avg. 8) and area of Mumbai ~600 sq km
- Number of footwear shops in Mumbai per sq km = 35000/8/600 = ~ 7 (reasonable)
- On an average, an upper-class person buys a shoe in ~8 months, middle class person in ~13 months, lower middle class in ~26 months
- Out of the 12.78mn shoes bought in Mumbai in a year, 3.13mn (25%) is bought by the upper class which shows the market size for high end branded shoes in a city like Mumbai

Guesstimate 5

Estimate the size of the Home Renovation Market in Hyderabad

Interviewee Notes

- Population of Hyderabad is 10M
- Only considering the residential market where the customer is directly getting the work done
- Average Household Size = 4
- Target Segments: Middle Class (MC), Upper Middle Class (UMC) and Upper Class (UC)
- Renovation Cycle: Years after which renovation takes place is 15 for MC, 12 for UMC and 10 for UC
- Average House Price: Rs. 25L for MC, Rs. 75L for UMC and Rs. 150L for UC
- Renovation Spend as a % of House Price: 6% (MC), 8% (UMC) and 10% (UC)

Approach/Framework

Population (10M)

Households (2.5M)

BPL (20%) 500K | LMC (35%) 875K | MC (30%) 750K | UMC (10%) 250K | UC (5%) 125K

	MC	UMC	UC
Number of Houses	750K	250K	125K
Renovation Cycle (Years)	15	12	10
Number of Houses for Renovation Per Year	750K/15 = 50K	250K/12 = 20.8K	125K/10 = 12.5K
Average House Price	Rs. 25L	Rs. 75L	Rs. 150L
Renovation Spend %	6%	8%	10%
Renovation Expenditure Per House	Rs. 1.5L	Rs. 6L	Rs. 15L
Renovation Market	Rs. 750 Cr	Rs. 1250 Cr	Rs. 1880 Cr

Market Size = Rs. 3880 Cr

Guesstimate 6

Estimate the size of the Maternity Wear Market in India

Interviewee Notes

- Single pregnancies only – no twins/ triplets
- Product used only for 1 birth cycle – no reuse from the previous births
- 28M children born per year
- 33% babies born in Urban and 67% born in Rural
- Very limited Rural demand. Assumed as 2% of Urban demand
- Urban Upper-Income Group = 10%, Urban Middle-Income Group = 50% and Urban Lower-Income Group = 40%
- Penetration of 50% for Urban UIG, 20% for Urban MIG
- Assume only 1 variety of garment in the market. Average price is Rs.1600 for UIG and Rs.1000 for MIG

Approach/Framework

Number of Children Born Per Year
28M

- Urban
  33% (9M)
  - Upper Income
    10% (0.9M)
    - 50% Penetration (0.45M)
    - 5 Units Per Delivery
    - Average Garment Price ₹1,600
    - Market Size ₹3,600M
  - Middle Income
    50% (4.5M)
    - 20% Penetration (0.9M)
    - 2 Units Per Delivery
    - Average Garment Price ₹1,000
    - Market Size ₹1,800M
  - Lower Income
    40% (3.6M)
    - 0% Penetration (0M)
- Rural
  67% (19M)
  - Market Size
    2% of Urban
    ₹108M

Total Market Size
(Urban + Rural)
₹5,508M

Guesstimate 7

Estimate the Annual Revenue of a Multiplex

Interviewee Notes

- Three Main Drivers of Revenue: Ticket Sales, Parking Charges and F&B orders
- Assume 4 Screens Per Multiplex
- Assume 300 Seats Per Screen
- Occupancy on Weekdays is 60% and Occupancy on Weekends is 90% (1.5x)
- Equal Ticket Price of Rs. 250 for all shows
- Parking Charge of Rs. 50 for all shows
- Average Order Value of Rs. 150 for F&B orders
- Assume 50% of customers use parking facility and 50% buy F&B

Approach/Framework

Revenue Per Screen (Weekday)

- Ticket Sales
  - Footfall * Ticket Price * #Shows
    (180 * 250 * 4)
    Rs. 1.8L
- Parking
  - Footfall * Parking % * #Shows * Parking Ticket
    (180 * 0.5 * 50 * 4)
    Rs. 0.18L
- Food & Beverages
  - Footfall * F&B Buyers % * #Shows * Avg F&B Price
    (180 * 0.5 * 150 * 4)
    Rs. 0.54L

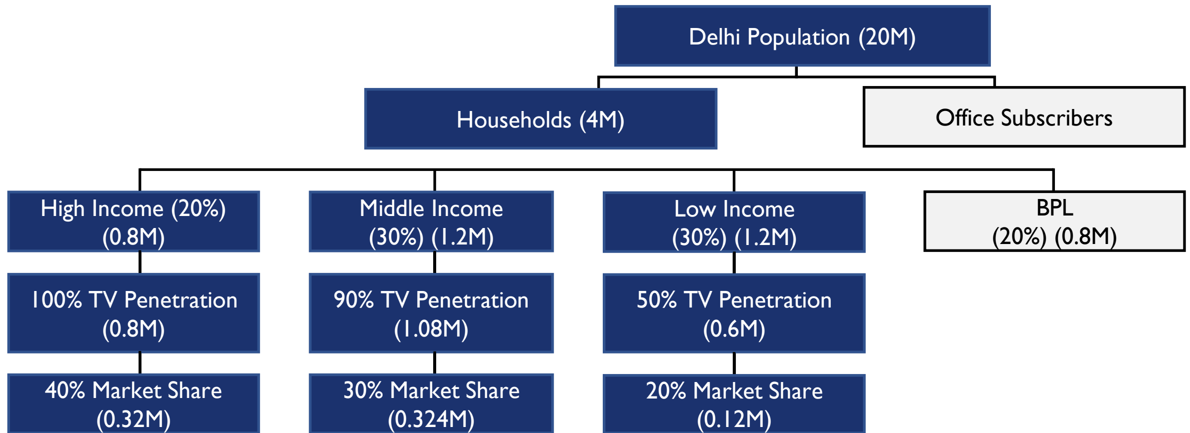
	Weekday	Weekend
Occupancy	60%	90%
Revenue Per Screen Per Day	Rs. 2.52L	Ra. 3.78L
Number of Screens	4	4
Total Revenue Per Day	Rs. 10.08L	Rs. 15.12L
Number of Days	260	105
Total Revenue Per Day Type	Rs. 26.2 Cr	Rs. 15.9 Cr
Total Revenue	Rs. 42.1 Cr	

Estimate the Monthly Revenue of Tata Play subscribers in Delhi

Interviewee Notes

- Begin by understanding total market for TV viewership in Delhi
- Understanding the demographics of Delhi (income/affordability)
- Making sure that we incorporate penetration of TV among income groups
- Market share of Tata Play assumed as 40%, 30% and 20% for High, Middle and Lower Income groups
- Understanding of Tata Play subscribers as households and possibility of multiple connections in a household
- Only residential subscribers to be considered
- Average household size is 5

Approach/Framework



	Low Income	Middle Income	High Income	Total Revenue
No of Subscribers	0.32M	0.324M	0.12M	Rs. 59.25 Cr
No of Connections Per Subscriber	1	1.25	1.5	
Monthly Revenue Per Connection	Rs. 250	Rs. 500	Rs. 750	
Total Revenue	Rs. 36 Cr	Rs. 20.25 Cr	Rs. 3 Cr	

Observations/Inferences

- Assume a top-down approach to solve such questions. Start with the basic equation and break into smaller equations.
- Exhaust all possible scenarios and make reasonable assumptions for the same. Clarify with the interviewer at each stage.
- Don't need to be too precise. Interviewer looks for the assumptions called out and adaptability with Math.

Guesstimate 9

Estimate the total amount of toll tax collected annually across India

Interviewee Notes

- Split of Small, Medium and Large Vehicles in the traffic is as given in Table A.
- Toll tax for different types of vehicles is as given in Table B.
- Processing time at a plaza against the time of the day is as given in Table C.

Note: The processing time used here is including the idle time for the plaza. At night when the load is lower idle time will be high so average processing time is higher.

Facts/Assumptions

- Daily toll collection from 1 lane of a toll plaza ~ ₹3.6L
- On an average there are 4 active lanes in a plaza.
- Daily toll collection from 1 plaza ~ ₹15L
- Daily toll collection from 560 plazas ~ ₹85 Crores
- Annual toll collection ~ ₹30,000 Crores

Approach/Framework

Number of Toll Plazas in India

Approximate distance between consecutive toll plazas ~80km

Land area served by a single toll plaza = 3.14*40*40 sq. km (Assuming 80km length is shared by 2 plazas)

Total land area of India ~ 4 million sq. km
Assuming 70% roadways coverage. Serviced area ~ 2.8 mn sq. km

Total toll plazas in India = 2.8 * 10^6 / 3.14 * 40 * 40= ~ 560

Table A: Load distribution of vehicles types Vs Time of the day

Vehicle Type\Time	10AM – 6PM	6PM – 2AM	2AM – 10AM
Small	50%	40%	10%
Medium	30%	50%	20%
Large	10%	30%	60%

Table B: Average toll Tax for each vehicle type

Vehicle Type	Toll Tax
Small	₹100
Medium	₹200
Large	₹400

Table C: Vehicle Processing time

Time of the Day	Processing Time
10AM – 6PM	30 seconds
6PM – 2AM	60 seconds
2AM – 10AM	90 seconds

Table 1: Toll collection in a single lane of a single toll plaza

Time of the Day	No of Vehicles Processed	Average Toll Price	Total Toll Collected
10AM – 6PM	8 hrs / 30 sec = 960	₹(0.5*100 + 0.4*200 + 0.1*400) = ₹170	₹170*960 ~ ₹1.6L
6PM – 2AM	8 hrs / 60 sec = 480	₹(0.3*100 + 0.5*200 + 0.2*400) = ₹210	₹210*480 ~ ₹1.0L
2AM – 10AM	8 hrs / 90 sec = 320	₹(0.1*100 + 0.3*200 + 0.6*400) = ₹310	₹310*320 ~ ₹1.0L
Total Toll Collection			**~ ₹3.6L**

Guesstimate 10

Estimate the revenue from consumption of Nestle Coffee on a Weekday in Mumbai

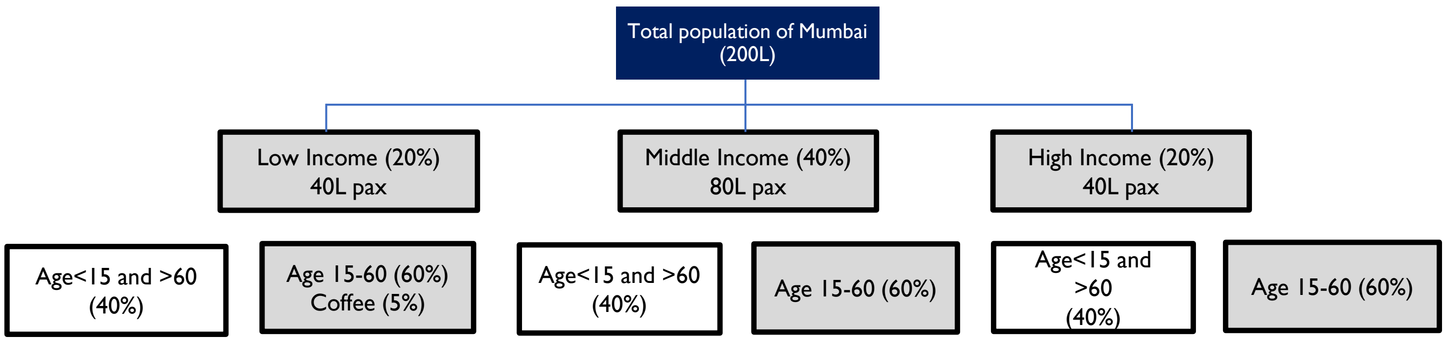
Interviewee Notes

- Four variants of coffee

1. Chicory + coffee = Rs. 2/cup
2. Only coffee = Rs. 4/cup
3. Freeze-dried coffee= Rs. 20/cup
4. Coffee pods= Rs. 50/cup

- At-home coffee drinkers – Buyers of coffee sachets/ jars & coffee pods
- Roadside stalls– Sales made to small owners who buy at retail price.
- Commercial includes sales for owners of commercial coffee machines & cafes (franchises and others)
- Prices for commercial factor quality & implicit service

Approach/Framework



	At home	Stalls
% drinkers	50%	50%
# cups/day	2	2
Price/cup	2	2
Market Share	1/2	1/2
Total Revenue	1.2L	1.2L

	At home	Shops
% drinkers	60%	40%
# cups/day	2	2
Price/cup	2	2
Market Share	50%	50%
Total Revenue	11.5L	9.6L

	At home	Shops
% drinkers	20%	80%
# cups/day	2	2
Price/cup	50	50
Market Share	50%	10%
Total Revenue	120L	96L

Total Revenue on Weekday= Rs. 240 L

Observations/Inferences

- This guesstimate estimates revenue from the final consumption of soluble coffee (sachets/ jars/ pods) by Nestle. This includes retail sales through traditional channels as well as e-commerce. This guesstimate excludes sales of coffee machines, milk, sugar, installation services, etc. Costs are not considered at this stage.
- For age range and coffee preference: the age range 15-30 and 31-60 has been clubbed and the weighted average based on population and preferences is taken
- For roadside stalls, revenue is Re.1/ cup as such stalls generally use ½ the amount of standard serving size. It is assumed that 1 pod = 1 cup.

CONSULT CLUB

Estimate the number of snapchat streaks shared in a day

Interviewee Notes

- Estimate the number of daily snapchat users.
- Consider the propensity to maintain streaks.
- Segment the urban population by age brackets and further by income class.
- Apply various filters to arrive at the guesstimate of snapchat streaks sharing in a day

Facts/Assumptions

- A person would send streaks to someone in India only.
- Only snapchat streaks and no other snaps is considered.
- 0-12 years age bracket is discounted as they are expected to not have phones and 60+ as they won't use phones much.
- Life Expectancy = 70 years, No. of people in each bracket is distributed proportionately as per life expectancy.
- Urban households include 4 people: parents and children, In middle and upper class households, ¾ members would use social media whereas in lower class households ½ would use it. (basis age and income).

Approach/Framework

Urban Population 520M

- 0-12 years ~90M
- 12-60 years ~355M
- 60+ years ~75M

355M

	Lower Class (20%) 71M	Middle Class (60%) 213M	Upper Class (20%) 71M
% using phones	60%	80%	95%
% using smart phones	30%	80%	100%
% using social media	50%	75%	75%
Calculation	=159M		
% using snapchat	30%		
% mantaining streaks	33%		
Calculation	15.9M		
# of streaks sent in a day	8		

Formula used: Population X % using smart phones X % using social media X % using snapchat X % maintaining streaks X # of streaks sent in a day

~140M

Observations / Suggestions

- Urban population = Population of India (1300M) * 40% = 520M
- Number of snapchat users in rural India and those who maintain streaks would be comparatively insignificant, therefore a multiple (1.1) is taken at the end for the sake of simplicity.
- A person who maintains streaks on Snapchat sends a snap everyday to fulfil the requirements of a streak. Ignoring breaking of streak anytime.

Guesstimate 12

Estimate the litres of paint used annually in India to paint private cars

Interviewee Notes

- Used cars included in calculation to account for repair work conducted to make car resalable
- Proportion of new car to used car sales assumed to be higher for higher income levels
- Liters of paint per car is higher for high income due to larger sized vehicles and better-quality finishing
- Totals may not match due to rounding

Approach/Framework

Total Households in India
1.4 Billion/4 per family = ~350 Million

	Low & Lower Mid Income 75% (~250M)	Upper-Mid Income 20% (~70M)	High Income 5% (~20M)
% households owning cars	2% (5M)	20% (14M)	50% (10M)
# of years car is used	7	6	5
Annual replacement	5/7 = 0.7 M	14/6 = 2.3 M	10/5 = 2 M
Demand split by new/used	New: 0 M Used: 0.7 M	New: 0.3 M Used: 2 M	New: 0.5 M Used: 1.5 M
Liters of paint per car	New: 5 Lit Used: 1 Lit	New: 5 Lit Used: 1 Lit	New: 5.5 Lit Used: 1.5 Lit

Total litres = (0*5 + 0.7*1) + (0.3*5 + 2*1) + (0.5*5.5 + 1.5*1.5) = 9.2 M Litres

Observations/Inferences

Additional refinements possible:

- Expanding scope to include commercial vehicles, taxis, buses etc. to gauge size of the larger market
- Segregating rural and urban demand for greater accuracy
- Estimating use for general maintenance and repainting of already running cars
- Accounting for high income families with more than 1 car

Guesstimate 13

Estimate the number of bullets fired in India annually

Interviewee Notes

- India's population is rounded off to 1.4 billion
- Only bullets used in rifle and pistols are included. No other ammunition
- Non-material avenues like firing at ceremonies, are ignored

Facts/Assumptions

- On an average, 60 shots are fired in one hour
- Hours in training are higher for new recruits and lower for existing employees for both police and armed forces
- Live fire is higher for existing employees as compared to new recruits for both police and armed forces
- A sportsperson's single match includes 60 shots for a match + practice shots
- Not calculated figures where numbers were too small to be material

Approach/Framework

Bullets fired by
- Non-civilian
  - Police Force 1.4M (1 in 1000)
  - Armed Forces 1.4M (1 in 1000)
- Civilians
  - Licensed Gun Holders
  - Unlicensed Gun Holders

	Police Force 1.4M (1 in 1000)	Armed Forces 1.4M (1 in 1000)	Licensed Gun Holders	Unlicensed Gun Holders
Training	**New:** 120 shots x 250 days **Current:** 60 shots x 50 days	**New:** 300 shots x 250 days **Current:** 120 shots x 100 days	**Sportspersons:** 28K (0.02%)*120 shots * 150 days **Security:** 2.8M (0.2%)* 50 shots * 50 days	**Criminals:** Negligible
Live Fire	**New:** 50 shots annually **Current:** 200 shots annually	**New:** 300 shots annually **Current:** 400 shots annually	**Sportspersons:** 28K (0.02%)* 4 matches * 100 shots **Security:** Negligible	**Criminals:** 700M * 10% gun holders* 1 shot on average
Total	8,239 Million	25,718 Million	7,515 Million	7 Million

Observations/Inferences

- Based on the 80-20 rule, only non-civilians need to be focused upon extensively
- Non-civilians would include police force and the armed forces
- We can further segment this as new-recruits and old employees

Guesstimate 14

Estimate the total number of chess moves played in a day in India

Interviewee Notes

- Differentiate among the professional, intermediate and amateur as per the strength of a chess player.
- Among all chess games approximate the proportion of Classical, Blitz, and Bullet games.
- Estimate the average number of games of each variant played by each type of chess player and also the total number of moves in each types.

Facts/Assumptions

- Total chess players in India is taken as 1M
- In Bullet game time control is <=1 min; Blitz >1 & <= 5 min and in classical game >5min.
- Games of higher rating category players are assumed to be more complicated and have more number of moves in general.
- As the strength of player decreases, they tend to play with higher time control.
- Case counts moves of games only played in 3 variants i.e. Bullet, Blitz and classical. Other variants, puzzles and game with computer is neglected while doing these calculations

Approach/Framework

Total chess games played

Professional (0.5%) = 5,000
Active players @ 50% = 2500

- Bullet games @ 10 games per day per active player = 25000 | Total moves @ 40 moves/match = 1M
- Blitz games @ 2 games per day per active player = 5000 | Total moves @ 50moves/match = 250,000
- Classical Games @ 0.1 games per day per active player = 250 | Total moves @ 60 moves/match = 15,000

Intermediate (15%) = 150,000
Active players @ 25% = 37,500

- Bullet games @ 10 games per day per active player = 25000 | Total moves @ 40 moves/match = 1M
- Blitz games @ 2 games per day per active player = 5000 | Total moves @ 50moves/match = 250,000
- Classical Games @ 0.1 games per day per active player = 250 | Total moves @ 60 moves/match = 15,000

Amateur (84.5%) = 845000
Active players @ 10% = 84,500

- Total moves @ 40 moves/match = 1M
- Total moves @ 50moves/match = 250,000
- Total moves @ 60 moves/match = 15,000

Total Moves Played = 8,206,500

Guesstimate 15

Estimate the number of injections administered in Ahmedabad

Interviewee Notes

- Senior citizens are expected to visit the doctor more often
- Children and seniors are most likely to get medicines administered through injections
- Senior citizens would require blood tests most frequently
- Calculations for total injections : [weighted avg. of income dist. and injections/ individual * age population]

Facts/Assumptions

- Population of Ahmedabad is ~80 lac
- Average visits to doctors is 2.5 per year by children (1-14 yrs) in US (non-vaccine). Estimating 40% for lower income and 70% for upper income India.
- Average visits to doctor by adults (15+) is 2 per year. Average visit is 4 by senior citizens.
- Diabetic population is 5%.

Approach / Framework

Types of Administration

Professionally administered (by doctor/ pathology)

Self Administered (by frequent users)

Total Population of AMD (80 lac)

Children (1- 14 yrs) 25% = 20 lac

Adults (15-60 yrs) 65% = 50 lac

Senior Citizen (60+) 10% = 10 lac

Instance	Lower income (30%)	Middle & upper income (70%)
Visits to doctor	1	2
% for blood tests required	10%	10%
% for injections administered	30%	40%
Injection per individual	0.4	1.0
Additional injections for Vaccines	0.5	1

Instance	Lower income (30%)	Middle income (60%)	Upper income (10%)
Visits to doctor	1	2	4
% for blood tests required	10%	10%	10%
% for injections administered	5%	10%	15%
Injection per individual	0.15	0.4	1.0

Instance	Lower income (30%)	Middle income (60%)	Upper income (10%)
Visits to doctor	1	4	6
% for blood tests required	20%	20%	20%
% for injections administered	20%	30%	40%
Injection per individual	0.4	2.0	3.6

Number of injections	% needing insulin	% diabetic	population	Insulin patients
100	10%	5%	80 lac	

Total Injections: Children (Normal + Vaccine) + Adults (15-60 yrs.) + Senior Citizens + Insulin Patients

= 1.67 * 20 + 0.385 * 50 + 1.68 * 10 + 0.4 * 80

= 101 lac (101,00,000)

Observations / Suggestions

- A normal scenario is assumed, where vaccinations are only applicable to children from 0-14.
- In case of children, injection per individual and vaccine injection are added together.
- % for blood test required and % for injections administered are mutually exclusive and can be added since we are considering the total number of injections.

Guesstimate 16

Estimate the number of Electronic Voting Machines required for the 2024 Lok Sabha Elections

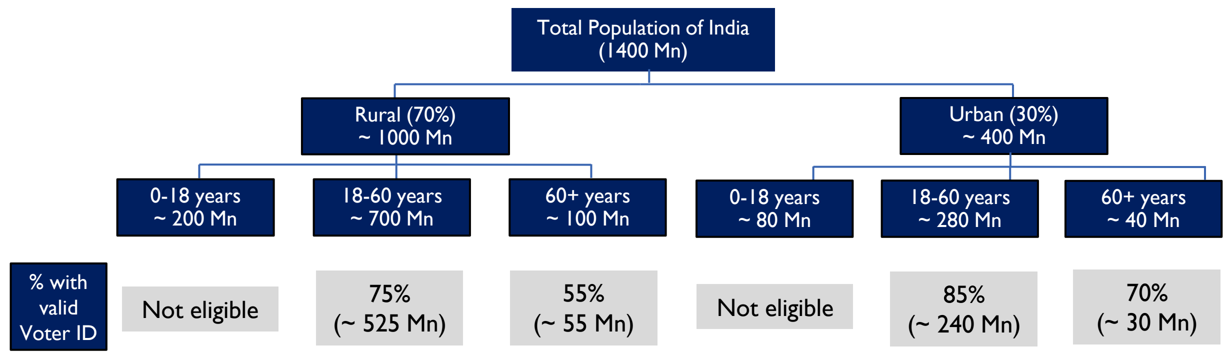
Interviewee Notes

- Estimate the number of Eligible Voters in India
- Segment Population basis Rural/Urban divide & age
- Factor in the propensity of individuals to cast vote
- Find utilization of EVMs basis voting time required

Assumptions Made

- Votes cast through ballot paper have not been considered for the sake of simplicity
- Avg. Life Expectancy of an Indian ~ 70 Years
- Age Brackets (Based on Demographic Dividend)
  - ➢ 0- 18 Years (20% of the Population)
  - ➢ 18 – 60 Years (70% of the Population)
  - ➢ 60+ Years (10% of the Population)
- An average Poll Booth operates for 10 hours daily (8AM to 6 PM) => 600 minutes
- # of Election Phases (Days) – Assumed to be 5
  - ➢ Depends on population density of a state & political volatility – Bihar needed 7 phases in 2019 Elections v/s Goa which needed 2 phases only

Approach/Framework



Parameter	Calculation	Methodology
Time taken to cast vote per indv.	Around **4 minutes** on an average	Assumption **(2-6 mins**. to cast a single vote)
# votes casted per EVM per phase	**150 votes** (600 mins / 4 mins/vote)	Polling Booth Op. Hours / Time taken per indiv.
# votes per EVM – based on phases	**750 votes per EVM** (5 Election phases * 150 votes)	# Election Phases * # Votes Casted per EVM in a single Phase
# EVMs required	**~ 1.13Mn** (~ 850 Mn / 750 votes)	Population Eligible to Vote / # Votes per EVM
# EVMs (with buffer stock of 10%)	**~ 1.25 Mn** (1.13 Mn + 10%)	# EVMs required + 10%

Observations/Inferences

- The above figure has been computed assuming a voter turnout of 100%. In reality, Lok Sabha Election voter turnout is generally around 70%. This implies a voting population of around 600 Mn, which translates into an actual EVM requirement of 800,000 EVMs
- Therefore, the capacity utilization of EVMs in India is (0.8/1.25) => 64%
- The time taken by an individual to cast a vote depends on several hygiene factors such as availability of election officers at polling booth, time taken by them to complete verification checks and sensitivity of the EVM.

Guesstimate 17

Estimate the weight of fries sold by McDonald's in Delhi-NCR in a week

Facts/Assumptions

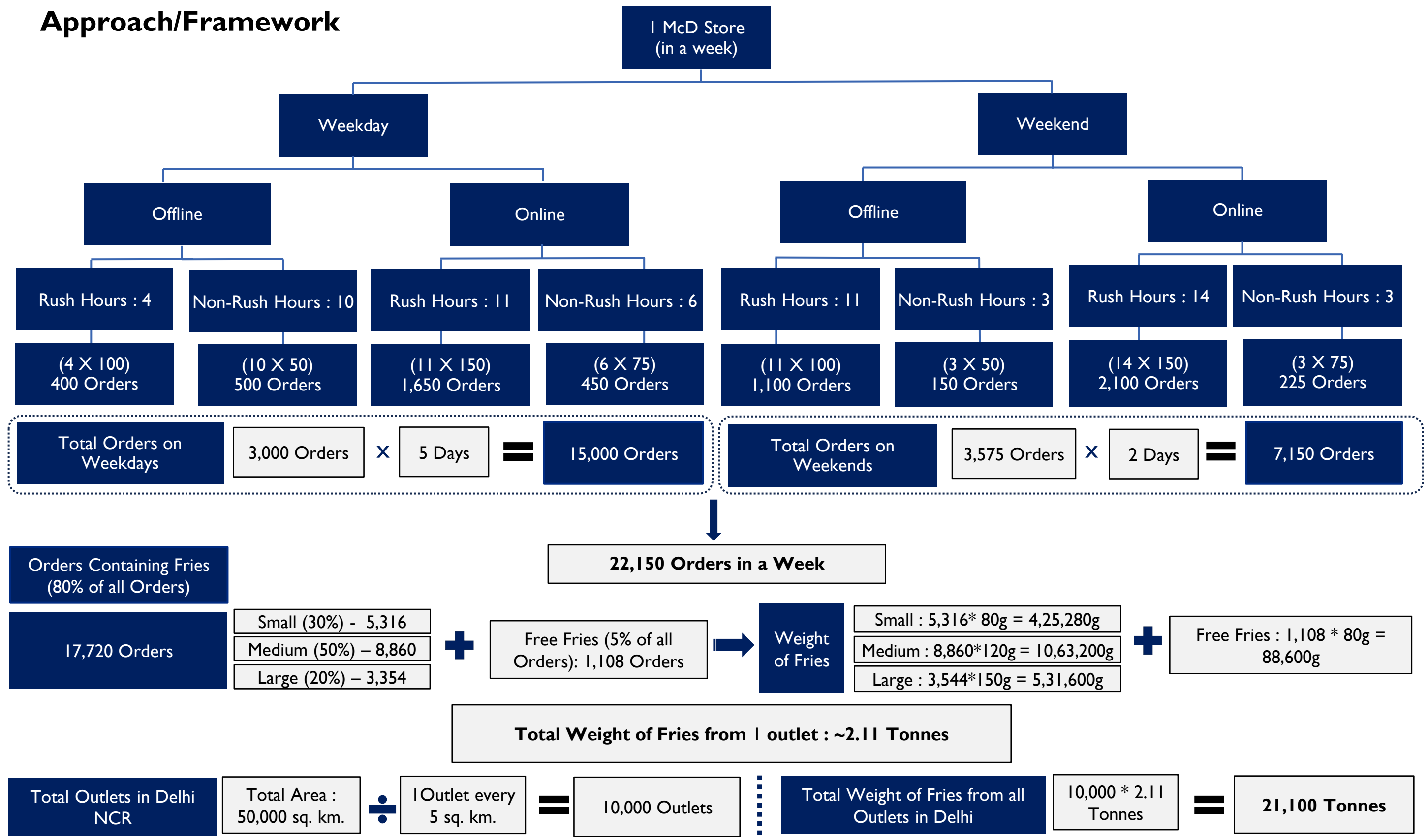
Geography

- Delhi-NCR Surface Area: 50,000 sq. km.
- Equal distribution of outlets (1 store in 5 sq. km. of area); one outlet represents all others

Store & Orders

- 100 offline orders in rush hours, 50 in non-rush hours
- 150 online orders in rush hours, 75 in non-rush hours
- Duration of rush hours and non-rush hours are different on weekdays and weekends, but the orders serviced during these windows are the same
- 80% of all orders contain fries, within which: 30% small fries, 50% medium fries, 20% large fries

Approach/Framework



Observations

- Operating hours for online and offline orders vary, thus for offline orders the outlet is active from 9AM - 11PM (14 hrs) whereas for online orders the outlet is active 9AM – 2AM (17 hrs) *Online consist of orders from Swiggy, Zomato and McDonald's app.*
- A lot of orders above a certain order value are eligible for free fries. We have thus assumed free fries for 5% of our total orders (all free fries are small)
- Weight of small fries = 80g, medium fries = 120g & large fries = 150g
- The estimate of the number of McDonald's outlets in Delhi and the number of orders serviced in an hour could have been separate guesstimates in themselves, however for the scope of this exercise we've taken the aforementioned numbers based on certain assumptions

Guesstimate 18

Estimate the number of soldiers living in trenches at any point in WW2

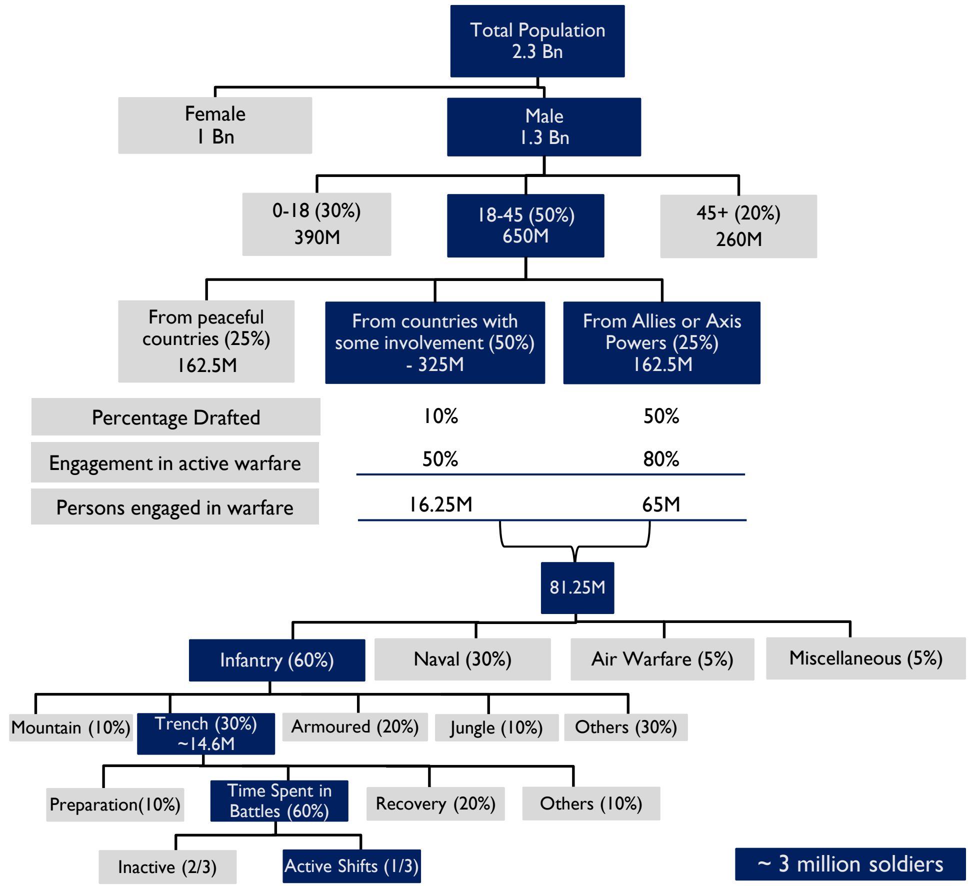
Interviewee Notes

- Estimate the number of people who fought in the war at any point of time
- Apply various filters to arrive at people active engaged in trench warfare
- Use more filters to arrive at the final answer
- Sanity check can be done through area of battlefield, distance between trenches, taking 10 soldiers per trench as an average number of people, and ~90% occupancy at any given point of time

Facts/Assumptions

- Only men are involved in this case as women did not fight in trenches.
- Only 18–45 year olds are enlisted in the army. Beyond this, people are usually not drafted.
- There is a time lag between battles, but considering it is WW2, this lag is not much. This time is spent in planning, preparation, sourcing weapons, recovery etc.
- WW2 was fought through trench warfare initially and later, countries realized that mobile warfare and utilization of technology would make the war strategy much more efficient.
- Not all battles (within infantry as well) are trench warfare. There are other forms of warfare too.
- Not all soldiers live in the trenches, they have rotating shifts (Total = 3).

Approach/Framework



Observations/Inferences

- The fighting age is based only on the majority of nations. During the later periods of war, any male teenager capable of handling a rife was enlisted in the army
- The deaths are not accounted for, it is assumed that those who die would have been replaced by the Homefront

IIMA

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Panorama Reports

Airlines

Overview of the industry

Inbound Logistics	Operations	Outbound	Marketing	Service
• Aircraft lease • Fuel • Route selection • Facilities planning • Flight, support crew	• Ticket, gate counter • Aircraft operations • In-flight services • Baggage and cargo handling	• Baggage and cargo connection • Flight connection • Cab and hotel reservations	• Travel agents • Coupons, discounts • Electronic tickets • Frequent flyer • Advertisements	• E-ticketing • Support center • Lost baggage

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Ticket Revenue	Aviation fuel (37%)
Baggage fees	Aircraft & facility lease (15%)
On-board food & services	Equipment maintenance & Overhaul (9%)

Growth Drivers and Challenges

GROWTH DRIVERS -

- Aviation **penetration** in India is one of the **lowest** in the world, giving airline operators space to expand their business
- The government has set a target of increasing from 140 to 220 airports in the country by 2025

CHALLENGES –

- Indian **airfares** are 15% below the breakeven point owing to the competitive pricing
- **Dollar** rupee **volatility** adds to high operating costs as leases are in US dollars (80% of India's commercial fleet is leased)

Industry Metrics

Industry Structure	• Top 3 players have 75% of the domestic market share (Indigo – 57%, Vistara – 9%, Air India 9%)
Recent Updates	• Akasa Air launched as the latest carrier • Air India returns to Tata post privatization
Key Performance Indicators (KPIs)	• **Available seat miles (ASM)** – Number of seats multiplied by the distance flown, a measure of airline capacity • **Revenue passenger miles (RPM)** – Number of passenger multiplied by miles flown, a measure of volume • **Passenger Load Factor** – RPM expressed as a percentage of ASM, a measure of utilization • **Cost per available seat mile** – Operating expenses divided by ASM, a measure of efficiency
Industry terminologies	• **MRO activities** – Maintenance, Repair and Overhaul activities ensure aircrafts are ready to fly at all times (one of the major expenditure heads for airlines) • **DGCA** – Director General of Civil Aviation is the regulatory body of Civil Aviation

Airlines In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

Porter Five Forces

- **Bargaining power of suppliers –** Oligopolies in the aircraft and engine production markets
- **Bargaining power of buyers –** Low switching costs and undifferentiated product
- **Threat of new entrants** – High entry barriers owing to high investments and regulations
- **Threat of substitutes –** Fast trains like Vande Bharat offer a cheaper alternative to airlines
- **Competitive rivalry –** Highly competitive market with nearly 15 operators in India offering an undifferentiated service

PESTLE

- **Environmental** – India plans to mandate the use of 1% sustainable aviation fuel for domestic airlines by 2025
- **Legal** – Airline Operator Permit (AOP) to be obtained from Directorate General of Civil Aviation (DGCA) to operate airline in India. FDI investment cap 100% for civil aviation.

Industry Specifics

- **Variability in costs** – Fuel costs (~40% of total cost) are highly variable, resulting in variability of total costs
- **Financial Difficulties** – Very few airline operators managed to survive in the Indian market due to liquidity crunch and low fares
- **Economies of scale**– Some Indian states charge up to 30% taxes on jet fuel, which makes shorter flight routes unprofitable for smaller airlines. Large airlines like Indigo offer low fares on these routes and use their scale to recoup costs
- **MRO Industry** – The initiatives of the government to support the MRO sector is expected to decrease the costs of airlines
- **Hangar Costs** – Building and maintaining aircraft hangars requires

Market Segments

- **Scheduled Air Transport –** Domestic (Ex: Indigo) & International Airlines (Ex: British Airways)
- **Non- Scheduled Air Transport –** Charter and Air Taxi Operators (Ex: JET-Solution)
- **Air Cargo Services –** Transportation of Cargo & Mail (Ex: DHL)

Business Models

- **Full-service carriers** – Offers a range of pre-flight and on-board services at ticket price
- **Low-cost carriers** –Reduce costs by using large fleets (higher miles per day per flight), a single type of aircraft, and limited services
- **Charter airlines** – Focus on providing passenger services to tourists, usually entering into agreements with tour operators
- **Cargo airlines** – Primarily focus on air transportation of freight

Further Reading: IBEF Report

Automobiles

Overview of the industry

Inbound logistics	Manufacturing	Outbound logistics	Marketing & Sales	After Sales
• Raw Material procurement • Warehouse handling	• Primary production (casting, forming) • Secondary production (machining, welding) • Quality testing	• Warehousing • Distribution • Dealership Management	• Advertising • Pricing • Promotion	• Repair • Maintenance • Warranty

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Automobile sales	Raw Materials
After-sales service	Labour
Financing services	Advertising

Growth Drivers and Challenges

GROWTH DRIVERS –

- Luxury segment has seen upsurge in demand as consumers are re-directing discretionary spend towards automotives
- OEMs tying up with financiers to expand credit
- **PLI Scheme** set to spur **~$10.5B** govt. and private investment

CHALLENGES –

- Rise in **input cost** due to disruption in supply chain, global geopolitical issues and increasing commodity prices
- Constantly evolving **regulations** around emission norms (Fit for 55, BSVI Phase 2), air bag, axle-load, etc.

Industry Metrics

Industry Structure	• **Fragmented**; Maruti Suzuki (40.92%), • Tata Motors(13.97%), Hyundai (13.63%), Mahindra (9.60%)
Market Segments	• **2W** ~75% | **Passenger Vehicles** ~18% • **Commercial Vehicles** ~5% | **3W** ~2%
Key Performance Indicators (KPIs)	• **Utilization Rate** – Actual vehicle output divided by potential vehicle output • **Cycle Time** – Total amount of time it takes for a vehicle to move through a production line from start to finish • **Effective labour rate** – Revenue produced per billed hour of labor
Industry terminologies	• **Fuel economy** – The amount of fuel a vehicle consumes per mile driven • **Emissions** – The amount of pollutants emitted by a vehicle • **Safety rating** – A measure of how safe a vehicle is in a crash • **Technology features** – The number and types of tech. features available in a vehicle • **Warranty claims** – The number of warranty claims filed for a vehicle

Automobiles In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

CONSULT CLUB

Porter five forces

- **Bargaining power of suppliers – Low;** Large number of ancillary suppliers in the market
- **Bargaining power of buyers – High**; Foreign entrants offering domestic-oriented offerings
- **Threat of new entrants** – **Low**; Huge capital investment requirement and long-gestation period
- **Threat of substitutes** – **Low**; Increasing with time due to development of public/shared mobility options
- **Competitive rivalry** – **High**; Established players and upcoming new EV players in 2W segment

PESTLE

- **Technological** – Target of 20% blending of ethanol in petrol and 5% blending of biodiesel in diesel by 2025-26
- **Legal** – Soon to be made mandatory for car manufacturers to produce flex-fuel engines (capable of operating on blended fuels – petrol + ethanol)

Industry Specifics

- **Electrified Autonomous Vehicles –** Automotive industry will soon be dominated by EASCY vehicles (Electrified, autonomous, shared, connected and yearly updated) due to rapidly re-distributed R&D investments by incumbents
- **Shared mobility -** One out of ten cars sold in 2030 will potentially be a shared vehicle. In dense urban environments, governments have already started encouraging shared mobility
- **Digitization of dealership models -** As customer base shifts, online dealerships are also digitizing their processes to give a more personalized and in-depth experience, with digital contributing to more than 50%+ in sales-mix for OEM

Competitive Advantages

- **Demand Forecasting –** To optimize on operation costs
- **Quality –** Inferred from warranty claims and customer satisfaction
- **Time to market –** From R&D to the car rolling off the assembly
- **Inventory –** Maintain right level of inventory to meet fluctuations

Business Models

- **D2C or OEM-Dealer** – Units sold either directly or through a network of dealerships, along with insurance and financing products
- **Mobility as a service (MaaS)** – Joint digital channel enabling users to plan, book, and pay for multiple types of mobility options
- **Subscription/Leasing based models** – Monthly fee charged to operate the vehicle, along with security deposit
- **Shared Mobility** – Transportation options which ferry multiple users simultaneously or at discrete intervals

Further Reading: IBEF Report

Banking

Overview of the industry

CONSULT CLUB

Marketing	Sales	Products & Services			Transactions
		Funding	**Investing**	**Services**	
• Advertisement • Branding and Promotion	• Offerings • Acquisition • Retention	• Deposits • Securities	• Credit • Securities • Financial Products	• Account Mgmt • Asset Mgmt • IPO/Issuance	• Payment Clearing • Settlement • Trading

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Interest on Lending	Interest expend
Investment activities	Labour
Deposits with RBI	Advertising

Growth Drivers and Challenges

GROWTH DRIVERS -

- Increase in working population and overall income in the economy
- Rise in digital banking due to innovation and digital transformation
- Emerging technologies like e-rupee, blockchain, etc.
- **CHALLENGES** –
- Increasing NPAs
- Rising bond yields and hikes in repo rate by RBI
- Customer retention is difficult due to higher demands
- Emergence of FinTech companies

Industry Metrics

Industry Structure	• 59% of the Scheduled Commercial Banks' market share is from public sector, 36% from private, 4% foreign and 1% small finance banks
Recent Updates	• RBI working on a lightweight, portable payment system, independent of conventional technologies • Silicon Valley and Signature Bank collapse
Key Performance Indicators (KPIs)	• Net Interest Margin (NIM): The difference between the interest earned and the interest paid, calculated as a percentage of average loan asset amount • Return on Assets (RoA): It is used to assess the profitability of firm's assets • Efficiency Ratio: Assesses how well a bank manages its non-interest/overhead expenses • LDR: Loan Deposit Ratio assesses liquidity
Industry terminologies	• CASA Ratio: Current Account Savings Account Ratio is used to determine the ratio of deposit amount in current & savings accounts to total deposits • NPA: Non-performing assets are those advances on which interest payment has been overdue for more than 90 days

Banking In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

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Porter five forces

- **Bargaining power of suppliers** – Low as the money supply and liquidity is controlled by RBI
- **Bargaining power of buyers** – Low individually, but can increase with rising incomes and better creditworthiness
- **Threat of new entrants** – Low risk especially on account of huge licensing requirements, investment requirements and trust; only a few PSBs dominate the market
- **Threat of substitutes** – Medium level of risk posed by NBFCs, mutual funds, internet banking and other financial services providers
- **Competitive rivalry** – High competition from established players; customers usually have accounts in multiple banks

PESTLE

- **Technological** – Introduction of blockchain, IoT, open banking as well as robotic automation
- **Economic** – Slow recovery post COVID, leading to a further increase in the reported online banking frauds

Industry Specifics

- **Customer relationships:** Customer-centric approach necessary in the competitive space, banks increasing use of APIs and AI
- **Buy Now Pay Later as a form of consumer lending:** With the rise of fintech companies, this has emerged as a new form of interest-free lending
- **Neo-banking:** Banks without any branches are a cost-effective alternative to traditional banks, providing very convenient and user-friendly financial services. However, neo banks in India are mostly unlicensed and completely virtual

Market Segments

- **Public Sector Banks (PSBs):** SBI is the leading PSB with assets of ~5 lakh crore, followed by Bank of Baroda and Canara Bank
- **Private Sector Banks:** The leading private bank is HDFC, with total assets of > 20 lakh crore, followed by ICICI and Axis Bank
- **Foreign Banks:** Banks like Citi bank, HSBC etc. had total assets of ~US $160 billion
- **Regional Rural Banks:** RRBs comprise >40% of banks, yet ~9% market share in Indian banking industry

BUSINESS MODELS

- **Retail Funded Banks:** Provides banking services to individual customers, offering services like personal loans, checking accounts, etc. Basically, the banks are aimed at the general public or smaller corporations.
- **Wholesale Funded Banks:** Banking services being sold to large, institutional clients, including MNCs, governments, and real estate developers. Such banks facilitate access to a substantial amount of capital, offering services like risk management, IB, etc.

Further Reading: IBEF Report

Cable TV & OTT

Overview of the industry

Inbound Logistics	Operations	Distribution	Sales & Marketing	Service
• Content Acquisition • Content Creation • Licensing & Rights • Tech. infrastructure • Platform Infrastructure	• Content Encoding, Storage & Mgmt. • Streaming technology • UI/UX Design • Signal Transmission	• Content Delivery • App Deployment across phones, TVs • Cable(DTH /Set-Top) • Internet distribution	• Platform Promotions • Subscription Models • Advertisements • Original Content Marketing	• Subscription Mgmt. • Personalization basis user analytics • Customer Support

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Advertising	Content acquisition & rights
Subscription	Platform Maintenance
Content Licensing	Marketing Expenditure

Growth Drivers and Challenges

GROWTH DRIVERS -

- Growth in the **number of smartphone users** & deeper **internet penetration** in India with **lower data costs**; Faster Speeds (**5G**)
- **Rising Demand** - Consumer preference shift towards digital video consumption during Covid & surge in OTT subscriptions
- Access to **high quality, multi-lingual content** attracts users

CHALLENGES –

- **Piracy** – Illegal online distribution of content impacts revenue
- **Diversity & Localization-** OTT platforms must create content meeting diverse needs & work on localization (subtitles & dubs)
- **Monetization** – Dynamic pricing models to meet all user needs
- **Privacy** – Concerns related to protection of sensitive user data

Industry Metrics

Industry Structure	**1500+ Cable TV Operators** in India (Many regional players & few national players such as TataSky, DishTV, DEN Networks) **40+ OTT Players in India** (Hotstar – 36%, Zee5 – 29%, Prime Video – 14%, NetFlix – 3%)
Recent Updates	• Steady **decline in paid TV** subscriptions v/s **growth in FreeDish** (Door Darshan) • Explosive growth in SmartTVs segment • Netflix's password sharing crackdown
Key Performance Indicators (KPIs)	• **Monthly Active Users & Retention Rates** • **TRPs** – TV rating pts to gauge show/channel popularity for advertising/schedule decisions • **Watch Time** – Total time spent on the app • **Customer Acquisition Cost** (CAC) • **Avg. Revenue per User & Lifetime Value** • **Conversion Rates** - % of Free users converted
Industry terminologies	• **DTH** – Satellite-based TV broadcasting to user's homes through antenna & set-top • **SVOD/TVOD/AVOD** – Video-on Demand models in OTT driven by subscriptions, transactions or advertising respectively • **MPVD** – Multichannel Video Programming Distributors (eg: Star, Zee, Sony, SET)

Cable TV & OTT In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

Porter five forces

- **Bargaining power of suppliers – Moderate**, Production houses & studios do have influencing power, but high OTT demand & subscriptions brings a balance to the market
- **Bargaining power of buyers – High**, Several options available & low switching costs amongst OTT platforms
- **Threat of new entrants – Weak**; Established players have strong brand recognition & user base; Large investments
- **Threat of substitutes – Moderate,** due to alternative options such streaming platforms, gaming & social media
- **Competitive rivalry – Strong**; Aggressive marketing, content acquisition & competitive pricing to capture users

PESTLE

- **Social** – OTT platforms must cater to the diverse Indian demographic; +ve shift in consumer behavior towards OTT
- **Technological** – Importance of internet/phone penetration **Legal:** TRAI sets guidelines on channel pricing; Regulatory oversight & censorship on OTT content

Industry Specifics

- **Video Consumption Patterns** – Gradual shift from TV Channels to internet-based streaming causing decline of DTH & growth of OTT
- **High Customer Acquisition Costs** – Companies spend up to ₹2000 per customer in marketing. for revenue worth ₹500
- **Converting Free Users into Paid ones** – Despite high MAU levels for free-users, OTT players have paid user conversion below 10%
- **Bundling of OTT services** – Telecom providers such as Jio or Airtel bundle multiple OTT subscriptions as part of data plans
- **Convergence of TV & Digital media** – TV networks are proactively establishing presence in OTT segment to remain relevant

Market Segments

- **Television** – Traditional broadcast & cable/satellite-based content
- **Over-the-Top (OTT)** – On-demand internet-based streaming platforms allowing online/offline viewing of content
- **IPTV** – Internet Protocol Television where broadcast happens over internet and can combine TV channels with OTT platforms (eg: Jio Fiber, Tata Sky Binge+ and ACT Stream TV)

BUSINESS MODELS

- **Advertising-driven** (AVOD) – Revenue generated via ads the user must watch on the platform before accessing free content (eg: YouTube, Facebook Watch)
- **Subscription-driven** (SVOD) – Revenue generated via fees paid by subscribers to view content on the OTT platforms (eg: Netflix, Prime, Hotstar)
- **Transaction-driven** (TVOD) – Revenue generated via subscribers purchasing content on a pay-per-view model (eg: ZeePlex, FanCode)
- **Affiliate Fees-based** – Carriage fees paid by MPVDs (Star, Sony) to broadcast their channels on cable/satellite TV (eg: TATA Sky, DISH, DEN Networks)

Cement

Overview of the industry

Raw Material
- Long-term leasing of limestone quarries
- Long-term contracts with suppliers (Coal, flyash, gypsum)

Inbound Logistics
- Small component as plant is set close to limestone quarry
- Rail/roadways used for other materials

Manufacturing
- Limestone → Clinker → (grinding and additives) → Cement
- High automation
- Economies of Scale

Distribution
- Major freight cost
- Rail-road mix used
- Warehouse network
- Large orders directly to dealers/customer

Sales & Marketing
- Strong relationships with contractors
- Distribution-dealer network for sales
- Bulk order prices are lower

Key Segments

Revenue Segments	Cost Segments
Sales of cement (>90%)	Power & fuel costs (30%)
Interest income	Selling & distribution cost including freight (25%)
-	Material costs (20%)

Industry Dynamics

- **Dynamic pricing** – Demand is determined by demand and supply
- **Bulky material** – Due to high handling and freight costs, manufacturers keep their production unit as close as possible to the end consumer
- **Capex heavy business** – ROAs of a cement plant is close to 1, so a plant with 5000 Crs of capex can do a turnover of 5000 Crs
- **Size and spread** – Allows a company to negotiate better with the suppliers. More a company is spread, more can it minimise the freight costs and serve a higher market, thus creating a even bigger brand

Industry Metrics

Industry Structure	• Top 20 companies account for around 70% of the total production in India; Regional Oligopoly
Prominent players	• Ultratech cement (31%), Ambuja cement (21%), ACC Ltd. (12%), Shree cement Ltd. (10%)
Key Performance Indicators	• **EBIDTA/Ton** – Metric of profitability used by management to judge performance • **Availability factor**: Potential operating time during a given period • **Reliability factor**: Ability to operate without interruption/breakdown • **Performance factor**: Measure of actual output performance in relation to expected output
Growth Drivers	• India has high **quantity** and **quality** of limestone deposits throughout the country • High **allocation** of ~$US 46 BN in Union **budget** 2022-23 for construction of roads and railways is expected to boost demand
Challenges	• **Over-capacity** – Excess capacity and low demand are dragging down prices • **Domestic coal shortage** – There is limited supply of coal and price fluctuations

Cement In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

CONSULT CLUB

Porter Five Forces

- **Bargaining power of suppliers – Medium;** Government controls licensing of coal & limestone reserves and supply of power from grid. Companies opt for backward integration for other supplies.
- **Bargaining power of buyers – Low;** The large cement players covering majority of market retain power on the pricing
- **Threat of new entrants – Low**; High entry barriers owing to high capital costs and long gestation periods. Access to limestone reserves also acts as a barrier
- **Threat of substitutes – Low;** Few practical and/or economic alternatives leading to low elasticity of demand
- **Competitive rivalry – Medium;** Oligopolistic market selling a homogenous product with low control over pricing

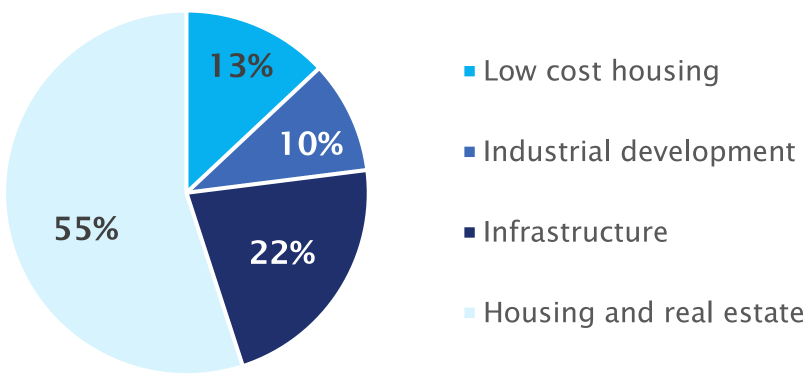
PESTLE

- **Political** – The current government's focus on infrastructure development is expected to increase demand of cement
- **Economic** – Demand is highly linked to the economic cycles
- **Environmental** – Green cement has been on the rise. It offers excellent thermal insulation and fire resistance. Indian companies are amongst world's greenest manufacturers

Industry Specific Points

- **Global market share** – India, with 7% of global installed capacity is the second largest producer of cement in the world
- **Regional markets** – High transportation costs relative to product value led to regional markets protected from international competition. Delivering the product to customers close to plants result in regional oligopolies
- **Customer segments -** Retail customer (trade segment, has higher margins), Infra customer (Non-trade segment, has lower margins)
- **Retail customer** – Push market industry, whoever is able to push its product to the customer first succeeds. Layman doesn't differentiate between brands
- **Sales influencers -** mason and shopkeeper are lead sales influencers in case of retail customers

Market Segments



Further Reading: https://www.alphainvesco.com/blog/understanding-indian-cement-industry/

E-Commerce

Overview of the industry

Inbound logistics	Operations	Outbound	Marketing	Service
• Supplier selection • Procurement of raw materials • Transportation	• Product Manufacturing • Warehousing • Supervision • Order-management	• Order fulfilment • Shipping, multi-modal delivery • Delivery partnerships	• Multi -channel marketing • Advertisements • Financing Options	• Return and exchanges • Customer support • Feedback

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Commission/revenue-sharing	Technology
Subscription fee	Shipping and returns
Ad. Revenue, affiliate marketing	Warehousing
Delivery Charges	Customer Acquisition

Growth Drivers and Challenges

GROWTH DRIVERS -

- **Grocery and fashion/apparel** to be key drivers, with increased purchase in **Tier-2, 3 cities** (contributing to 60% orders placed). By 2030, tier 2 shoppers to contribute to 88% of new shoppers
- **Govt. Initiatives:** ONDC; Government e-Marketplace Portal (GeM) for facilitating public procurement; Bharat Net to set up broadband in rural India
- **Augmented Reality, AI-led** personalized shopping **(Retail 4.0);** practiced by Lenskart, Caratlane

CHALLENGES –

- Customers in India prefer Cash on Delivery options which are associated with higher returns (~20% of CoD orders returned).

Industry Metrics

Industry Structure	**Oligopolistic structure:** Top 3 players- Amazon, Flipkart, Reliance- have ~70% of the domestic market share
Recent Updates	• **E-Commerce Policy** to be released soon; expected to promote govt.'s **ONDC** further • Luxury online retail boom among major Indian players- Reliance, Aditya Birla
Key Performance Indicators (KPIs)	• **Average Order Value (AOV) -** Total Revenue divided by no. of orders; yields the typical amount spent by a customer in an order • **Customer Acquisition Cost (CAC) -** Amount that is spent to acquire a new customer • **Gross Merchandise Value (GMV) -** No. of transactions multiplied by AOV; represents total sales volume in a period • **Shopping Cart Abandonment Rate (SCAR) -** 1 minus cart conversion rate (i.e. sales divided by no. of carts); shows ease of the check-out system
Industry terminologies	• **Omni-Channel Retailers -** Integrating sales channels for a unified customer experience • **BNPL -** Buy Now Pay Later feature as a short-term typically interest-free form of credit

E-Commerce In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

CONSULT CLUB

Porter five forces

- **Bargaining power of suppliers – Moderate**; but sellers of differentiated products, known brands have higher power
- **Bargaining power of buyers – High** due to high price sensitivity, high tendency of consumers to ROPO (Research Online, Purchase Offline)
- **Threat of new entrants – Moderate**; lower entry barriers than brick-and-mortar stores; restrictions on B2C FDI
- **Threat of substitutes – High**; low-cost switching, high ROPO, increased "showrooming" by brick & mortar stores
- **Competitive rivalry – Very High**; concentrated market with key players like Flipkart, Amazon in price wars

PESTLE

- **Technology** – AR/VR technologies and the emergence of Meta-verse and virtual storefronts to drive e-commerce
- **Legal** – 100% FDI allowed in marketplace business model but FDI not allowed in inventory-driven model
- **Social-**Tier 2, 3 now contributing to 60% online retail order

Industry Specifics

- **Private-Public Partnerships-** HUL, ITC, PayTM, Meesho join Govt.'s Open Network for Digital Commerce (ONDC); Walmart and Flipkart partner with Telangana govt. to support MSME digitization
- **Increasing PE/VC–** Despite 'funding winter,' e-commerce emerged as the highest PE/VC destination, key events- Zomato-Blinkit acquisition (2022), Xpressbees becomes a unicorn (2022)
- **Rise of Omni-Channels-** Emergence of Buy-Online-PickUp-in-Store (BOPIS) and Ship-from-store options
- **Rise of Quick Commerce-** Amazon Fresh expanding to 60 cities
- **Rise of D2C-** Gen Z preferring D2C brands, Ex- boAt, Mamaearth
- **Internal Restructuring**– Massive layoffs in e-commerce firms like Amazon, Meesho, Ola, BlinkIt to restructure and cut costs

Market Segments

- **Retail–** Includes fashion, electronics, books, ex- Flipkart, Nykaa
- **Travel-** Facilitates mobility and lodging, ex- Uber, Airbnb
- **Food and groceries-** Include instant delivery platforms
- **Matrimony and classified**– Job portals, real estate included
- **Online services-** Include digital payments, hyperlocal services

BUSINESS MODELS

- **Marketplace Model:** Zero inventory model where merchants are connected to logistics companies, financial services. For ex: Amazon; Also includes reselling/ social commerce platforms like eBay, Meesho
- **Inventory led model:** Websites storing inventory in advance and then sell to customers. For ex: Jabong, BigBasket

Further Reading: IBEF Report, Deloitte Retail report, EY PE/VC Report, McKinsey Retail Grocery report

EdTech Sector

Overview of the industry

CONSULT CLUB

Inbound Logistics	Operations	Outbound	Marketing	Service
• Educators Network • Software Developers • Production & Direction • Platform Infrastructure	• Content Curation • UI & UX Development • App & Site Mgmt. • Test/Exam Interfaces	• Content Delivery • Pre-Installed Devices • Materials & Resources • Order Processing	• Pricing Structures • Ads & Social Media • Sales Agent Network • Tie-ups with schools, colleges & universities	• Customer Onboarding • Technical Support • Learning Management Systems • Assessment & Feedback

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Subscriptions/One-Time Purchases	Software & Infrastructure
Ad Revenues & B2B Partnerships	Content Development
Platform Fees (Commissions)	Marketing & User Acquisition Costs

Growth Drivers and Challenges

GROWTH DRIVERS -

- **Rising User Base** : High penetration of internet/smart devices & growing online content consumption (Especially post COVID-19)
- **Gamification**: Immersive experience through simulations, level advancement badges, incentive-based learning
- **Demand for Skilled Professionals**: Young employable population fuels demand for constant upskilling & reskilling

CHALLENGES –

- **Funding Winter:** Led to mass layoffs & shutting of businesses; Emphasis on sustainable & capital efficient business models
- **Resurgence of classroom-based learning post Covid-19**

Industry Metrics

Industry Structure	**$5.9 bn Industry;** To grow to **$29bn** by FY30 (K-12: 43%, Test Preparation: 30%, Online Certification: 18%, Skill Development: 9%)
Recent Updates	• Favorable **Budget 2023** focused on building digital ecosystems and promoting AI usage • Massive **Layoffs** across Ed-Tech as cost-cutting measures in wake of funding freezes • **Cooldown** of the **M&A consolidation** phase within the industry
Key Performance Indicators (KPIs)	• **Monthly Active Users (MAU)** - # of unique users engaging with the platform monthly • **Life Time Value (LTV)** – Based on purchase frequency, order value & relationship length • **Customer Acquisition Cost (CAC)** – Money spent on marketing & sales efforts • **Churn Rate -** % of customers who cancel or discontinue the service • **Conversion Rate -** % of free users who upgrade to paid subscriptions/services
Industry terminologies	• **MOOCs** – Online courses open to a large learner base (Free with paid certification) • **LMS** – Applications for developing, tracking, delivering & assessing learning programs

EdTech In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

CONSULT CLUB

Porter five forces

- **Bargaining power of suppliers – High**, due to shortage and competition for popular & renown educators
- **Bargaining power of buyers – High**, due to availability of several EdTech providers and low switching costs
- **Threat of new entrants** – **High during pandemic** due to low CAPEX requirements & high demand; **Presently Low** due to unsustainable business models leading to low profits
- **Threat of substitutes – Moderately High**, due to the resurgence of physical models post pandemic recovery
- **Competitive rivalry – High**; Intense competition amongst players vying to onboard new learners

PESTLE

- **Political**- Government push to upgrade digital infrastructure
- **Technological** – Adoption of AI/AR/VR tools into EdTech can revolutionize the overall learning experience
- **Legal**-Scrutiny over data privacy & consumer protection laws
- **Social**- Rising dissatisfaction among parents about services

Industry Specifics

- **Low Profitability:** Exorbitant expenses in marketing & customer acquisition **around 70-80% of the total revenue** leads to immense cash burn eating into the bottom line
- **Funding Winter**: EdTech funding fell from **$6bn+** during COVID-19 to just **$2bn** post-COVID due to macroeconomic factors. This led to failure of cash-burn based startups and a slew of cost-cutting measures such as layoffs
- **Government Initiatives**: Programs such as SWAYAM, National Digital Library & Skill India are creating a favorable ecosystem for digital learning which EdTech companies can capitalize on

Market Segments

- **K12:** Supplementary app/site-based learning targeted at students between Nursery & Class XII (eg – Byjus, Vedantu, PhysicsWallah)
- **Test Preparation** : For exams such as JEE, NEET, CAT, UPSC & GMAT (Unacademy, Toppr, LeapScholar)
- **Skill Development** : For upskilling & reskilling needs (eg: Scaler)
- **Online Certification** : Specialization in specific subjects without spending as much time as involved in a degree (eg: UpGrad)

BUSINESS MODELS

- **Freemium-** Offering a basic version (limited access to content) of the educational platform for free & additional charges for premium features & upgrades
- **B2B Partnerships & Training –** Collaborating with educational institutions and corporate entities to provide tailored services
- **Subscription-Based-** Users pay a recurring fee (monthly or annually) to gain access to educational content & services
- **Marketplace-** Companies (Coursera, Udemy) create a common platform where educators sell their content to learners (Commissions & Platform Charges)

Energy and Power

Overview of the industry

Energy Sources
- Fossil-fuel: coal, oil, natural gas
- Nuclear: Uranium
- Renewable: wind, solar, geo, hydro

Generation
- Hydropower
- Thermal plants
- Solar farms
- Wind farms
- Nuclear reactors

Transmission
- Transportation of electricity through high-voltage lines
- Substation management

Distribution
- Electricity delivery to end-user through low-voltage lines by distributors like CESC, BESCOM

Retail
- Residential, commercial, and industrial locations
- Metering, billing, and customer service

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Tariff structures	Infrastructure setup & maintenance
Energy trading	Transmission & distributions losses
Energy storage	Regulatory compliance

Growth Drivers and Challenges

GROWTH DRIVERS -

- **Economic expansion** and urbanization, growing population with increasing electrification and per-capita usage
- Rural electrification through **government schemes** (Deen Dayal Upadhyay Gram Jyoti Yojana, Village Energy Security, etc.)
- **Green energy corridor** and solar-wind hybrid projects expected to augment electrification across the country

CHALLENGES –

- Low operational and financial sustainability of DISCOMs due to delayed payments; prevalence of high NPAs
- Low reliability and stability of renewable sources of energy
- Move towards reducing dependence on coal, which a key input in thermal plants

Industry Metrics

Industry Structure	• Market share by total installed capacity **–** Private (51%) and Government (49%) • Adani Transmission, NTPC, Power Grid, are the top players overall • Tata Power Solar, Suzlon Energy, ReNew Power are the top renewable energy players
Industry Behaviour	• Loss absorbed by generators & distributors, rise in input costs not passed on to consumers • Geopolitical dynamics impact crude oil and natural gas imports
Key Performance Indicators	• **Installed capacity** – Maximum amount of energy a plant can produce • **Availability factor** – % operating time of plant • **Collection efficiency** – Revenue/Billed total
Industry Terminologies	• **DISCOM** – Regional distribution companies • **Independent Power Producers (IPPs)** – Pvt. companies that generate & sell electricity • **Captive Power Plants** – Industries that generate their own electricity • **Smart Grid** – Integrates energy storage and tech to improve efficiency of power systems

Energy and Power Industry In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

Porter Five Forces

- **Bargaining power of suppliers – Moderate**; Multiple suppliers of key resources exist in the market
- **Bargaining power of buyers – Low**; Govt regulated energy price
- **Threat of new entrants – Low**; There exist high capital requirement and regulatory barriers
- **Threat of substitutes – Moderate**; There are increasing number of renewable energy sources
- **Competitive rivalry – High**; Competitive market with government and private players vying for market share

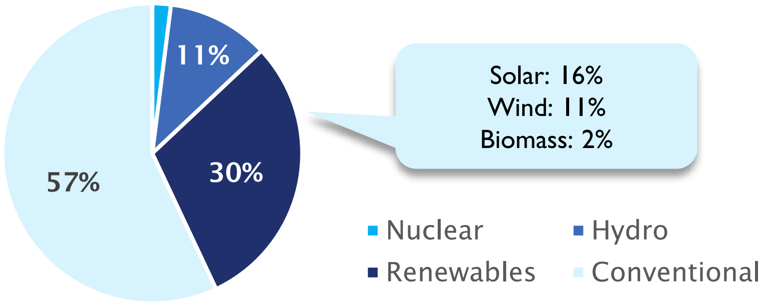
PESTLE

- **Political** – Rolling out of electrification schemes and priority funding through DDUGY, IPDS, and PSDF
- **Technological** – Integrating renewables through smart grid initiatives as part of GoI Smart Cities Mission
- **Environmental** – India's pledge to reduce emission intensity of its GDP by 45% by 2030

Industry Specifics

- **High production and consumption** – India is the third-largest producer and consumer of electricity, with total installed power capacity of 417GW
- **Renewable energy** – India ranks fourth in wind power and fifth in solar power capacity, with an overall power capacity of 166GW. The target is to increase this to 450GW by 2030.
- **Freebies promised** – Free electricity is a common poll promise made by political parties
- **FDI** – 100% FDI allowed by government in energy and power sector

Installed Capacity of Different Sources



Business Models

- **Power generation** – Power generators operate plants to produce electricity and sell it to distribution companies
- **Power distribution** – DISCOMs enter into Power Purchase Agreements with generators, with predetermined tariffs for specific regions
- **Trading** – Online platforms facilitating trading of electricity among generators, consumers, and traders
- **Energy infrastructure** – Maintaining and leasing infrastructure for power generation and distribution
- **Energy as a service** – Digital tech and distributed energy resources used to supply energy and manage energy systems

Electric Vehicles

Overview of the industry

Inbound Logistics	Operations	Outbound Logistics	Sales & Marketing	After-Sales
• Raw materials sourcing (Li, Ni, Co) • Motors and semiconductors	• R&D in EV design • Battery tech • Vehicle assembly • Quality control and safety tests	• Warehousing and distribution • Dealership network • Buyer side charging infrastructure setup	• Booking systems and online sales • Financing options • Deals and incentives	• Maintenance and development of charging infra • Car and battery service

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Vehicle and Battery Sales	Design and R&D
Charging Station Fees	Building Charging Infra
Government Incentives	Powertrain (battery, motor, semiconductors)

Growth Drivers and Challenges

GROWTH DRIVERS -

- Increased environmental awareness, focus on **net-zero** emission
- **Reduced dependence** on imported fossil fuels
- Governmental **policies** (FAME scheme) aimed at EV adoption
- **Lower operating costs** & quiet operation in comparison to ICE

CHALLENGES –

- Requires sustained **supply** of **rare** Earth **metals** and chips
- **High purchase cost**, ~1.5x price of ICE vehicles on an average
- Limited **charging infrastructure**
- Nascent stage of **battery tech**, limiting range

Industry Metrics

Industry Structure	• Indian EV market is an **oligopoly**, expected to grow to $113.9 Bn by 2029 at 49% CAGR • 720k two-wheelers and 48k four-wheelers sold, accounting for **~31%** of total vehicle sales of 2022-23
Types of EVs	• **BEV/PHEV/HEV vehicles** – EVs categorised as Battery EVs, Plug-in Hybrid EVs and Hybrid EVs based on powertrain
Key Performance Indicators (KPIs)	• **Driving range** – Distance the EV can cover in a single charge • **Lifetime cost savings** – Difference in the ownership costs between EV and ICE vehicle • **Uptime** – Duration when EV is in operation from charge to charge • **Charging station density** – No. of charging stations per sq.km to calculate penetration of charging infrastructure • **Usage frequency of charger** – Indicates utilization of charging station
Industry terminologies	• **Range Anxiety** – Fear that EV may run out of battery power before reaching destination • **Fast Charging** – High-powered charging typically in less than an hour

EV Industry In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

Porter Five Forces

- **Bargaining power of suppliers – High;** Specialized nature of batteries and raw materials
- **Bargaining power of buyers – Low;** Small number of cost effective and safe options
- **Threat of new entrants – Moderate;** Government incentives, yet high R&D cost and capital investment
- **Threat of substitutes – Moderate;** Established ICE vehicles with low purchase prices & consumers moving towards sustainable tech
- **Competitive rivalry – High;** Low differentiation in two-wheeler segment and hybrid electric vehicles in market

PESTLE

- **Political** – INR1.72 Bn budget allocation towards subsidies for EV adoption (FAME, PLI)
- **Environmental** – Moving towards net-zero carbon emissions
- **Technological** – Research on improving battery tech and exploring alternatives including fuel cell and solar EVs

Industry Specifics

- **Charging infrastructure** – 6.5k charging stations in India, with 0.4k of them on National Highways
- **EV adoption**– Two- and three-wheelers to account for 50% and 70%, and four-wheelers up to 15% of new vehicle sales
- **Oil demand slowdown** – According to Petroleum ministry, demand for crude is expected to fall due to increasing EV adoption
- **Total EVs on the road** – 0.4% of total vehicles in India are EVs

Market Segments of Vehicles

- **2-wheelers –** Scooters accounting for 60%+ EV market share, with Ola Electric, Hero Electric and Okinawa Autotech as top players, with ~180km as the average range
- **3-wheelers –** Autos accounting for 29% EV market share, with Mahindra, YC and Seara as top 3 players
- **Cars/4-wheelers –** Accounts for 6% of EV market share, with Tata Motos (75%) and MG Motor (10%) as the top players, with ~350km as the average range
- **Electric Buses** – PMI Electro Mobility, Olectra, and Switch Mobility are the top 3 eBus players, with an average range of 200km

Business Models

- **Vehicle manufacturing** – Sale of electric two-, three-, and four-wheelers for personal and commercial use
- **Fleet leasing and subscription** – EVs leased out to corporates and commercial aggregators (BluSmart, Evera, Ola, etc.)
- **Charging providers** – Focus on setting up charging network and generating revenue through units charged and allied facilities
- **Battery swapping** – Focus on swapping depleted EV batteries for charged ones at designated swapping stations

Further Reading: Deloitte Electric Vehicles Report | ADL India's Electric Mobility Potential

Food Delivery

Overview of the industry

CONSULT CLUB

Platform Development
- Coding an online marketplace
- Interface between restaurants and customers

Restaurant Onboarding
- Menu Listing
- Commission setting
- Quality control (GST registration, Licenses)

Customer Discovery
- Customer onboarding
- Customer acquisition through marketing
- UI/UX optimization

Operations
- Fleet management
- Co-ordination between restaurants & customers

Customer Service
- Complaint redressal
- Live order tracking
- Reflection of customer feedback in restaurant listings

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Commissions from restaurants	Delivery cost
In-App advertisement	Marketing (Ads, discounts)
Delivery charge	Employee cost
Ancillary services (Zomato Gold)	Software development costs

Growth Drivers and Challenges

GROWTH DRIVERS –

- **Highly underpenetrated market** with consumers ordering food online in India ~8X lower than China (expected to rise with higher digital penetration and spending power)
- Launch of businesses with **high synergies** such as Hyperpure by Zomato which is a B2B ordering platform for restaurants

CHALLENGES –

- **Difficulty in expansion** to tier 2 & 3 cities due to lower population density making deliveries more expensive
- **Low AOVs** leading to lesser commission revenue from restaurants against fixed per delivery charge
- **Price sensitive consumer** causing difficulty on passing off higher delivery and other opex charges

Industry Metrics

Industry structure	• **Duopoly** with only 2 major players – Zomato and Swiggy commanding ~95% market
Industry Size	• **~$5B** GMV with ~**30% CAGR**
Key Performance Indicators (KPIs)	• **Average Order Value (AOV) –** Determines profitability at a unit level – higher AOV helps covering delivery cost which is a fixed expense per order (~**INR 400** for Zomato) • **Customer acquisition cost (CAC) –** Indicates cost-benefit of deeper market penetration • **Monthly active users (MAUs)** – Separates active users from dormant accounts to give a truer picture of business performance • **Customer Lifetime Value (CLTV)** – Estimated revenue from a customer throughout their engagement with the platform
Industry terminologies	• **Cloud Kitchen –** A kitchen designed for fulfilling online food orders without dine-in or a physical storefront • **Delivery Radius/Zone –** The geographic area within which a restaurant or food delivery platform can deliver orders

Food Delivery In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

IIM AHMEDABAD CONSULT CLUB

Porter Five Forces

- **Bargaining power of suppliers – Low;** Restaurants heavily dependent on platforms for customer acquisition; many suppliers with only 2 apps leads to low supplier power
- **Bargaining power of buyers – High;** Low switching cost for buyers – can easily get their demand fulfilled via switching to a different platform
- **Threat of new entrants – Low**; High entry barriers owing to high investments and regulations – profitability expected only with a large scale
- **Threat of substitutes – High;** Buyers opt for in-restaurant dining, in-house cooking, delivery from restaurant
- **Competitive rivalry – High;** Competitive rivalry between existing players is very fierce due to limited differentiation

PESTLE

- **Social** – A more fast-moving lifestyle has led to lesser time for food preparation leading to more frequent food delivery
- **Economic** – Rise in disposable income of consumers has led to higher spend on food delivery

Industry Specifics

- **Horizontal expansion to quick commerce -** Players have expanded to quick commerce delivery due to high synergies emanating from large rider fleet, software development, etc.
- **Emphasis on profitability -** Since Zomato's IPO, stronger emphasis is placed on profitability leading to rising commissions, reduction in discounts & push for higher AOV
- **Competition from direct ordering channels -** Many restaurants such as Dominos & McDonald's have developed direct ordering channels to sidestep hefty commissions charged by aggregators
- **Key metrics*:** Monthly active Registered restaurants – 210K; Monthly active delivery partners – 326K, MAUs – 17M
- **Rider availability:** Rider compensated on a per order basis, paid premiums for festivities and late-night orders to ensure availability

Revenue Segments

- **Restaurant commission –** Charged from restaurants (20-30%)
- **In-App ads –** Ads for priority listing on customer feed along with customized messaging such as videos
- **Delivery & service charge –** Service & packaging charge to customers on a per order basis

Business Models

- **Aggregator with delivery services** – Provision of marketplace service along with fleet management for delivery to consumer
- **Aggregator without delivery services -** Marketplace service without delivery services (mostly for established chains like Dominos)
- **In-House food production -** Vertical integration to develop own restaurants using customer data (similar to Amazon basics)

Further Reading: Aswath Damodaran on Zomato; **Sources:** Zomato annual report; **Note:** *Data for Zomato for 2023

Food Processing

Overview of the industry

Raw Material	Inbound Logistics	Processing	Transportation	Distribution
• Farm produce • Dairy products • Pisciculture and meat products	• Cold and temperature-controlled storage • Warehousing	• Cleaning, sorting, grading, pulping, juicing, pasteurization, solidifying	• Packaging and sorting • Insurance • Reefer transport	• Wholesalers • Retailers and e-commerce • Export • Ration Shops (PDS)

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Retail Sales	Raw Materials
Export Sales	Warehousing
B2B Sales	Spoilage

Growth Drivers and Challenges

GROWTH DRIVERS -

- Increased urbanization, higher disposable incomes and more nuclear families driving up processed food demand
- 8% CAGR in industry since 2014; contributes 32% to India's food and grocery market
- Export of processed foods grew at 10.4% CAGR (2011-2021)
- 41 food parks sanctioned by govt. to cut post-harvest losses

CHALLENGES –

- **Infrastructural gaps-** ~30% farm produce in India lost due to inadequate cold chain infrastructure; lack of all-weather roads
- High import duties and difficulty in credit financing
- High seasonality of operations and Inadequate quality control

Industry Metrics

Industry Structure	Fragmented with ~75% of the industry unorganized across food segments. Some major players- Nestle, Parle Agro, Britannia Industries, Cadbury
Recent Updates	• Lulu group to invest INR 10k crore in India over the next three years to set-up food processing units • Nestle India to set up food processing unit of INR 890 crores in Odisha
Key Performance Indicators (KPIs)	• **Yield–** Percentage of products correctly manufactured without rework or scrap • **Extent of Food Processing %:** Input used by processors divided by net production • **Food Loss and Waste-** Quantum and value of food wasted in handling, processing, etc • **Food Safety Audit Scores-** Scores reflecting a plant's adherence to food safety regulations and standards in an audit
Industry terminologies	• **RTE/RTC**– "Ready to Eat" requires no preparation to be utilized, "Ready to Cook" needs to be cooked to a certain temperature • **MoFPI**- Ministry of Food Processing Industries: oversees policy support for agricultural processing and associated R&D

Food Processing In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

CONSULT CLUB

Porter five forces

- **Bargaining power of suppliers – Low,** large number of sellers with comparatively limited resources and undifferentiable products
- **Bargaining power of buyers – Moderate**, price sensitive but fragmented buyers with small order sizes
- **Threat of new entrants – Low,** large investment outlay needed, adherence to FSSAI regulations and govt. policies
- **Threat of substitutes – High,** organic produce and homemade food pose as substitutes
- **Competitive rivalry – High,** competitive and fragmented market with largely replicable and undifferentiated products

PESTLE

- **Political** – PMKSY scheme to build infrastructure; PMFME to support micro-enterprises in the industry; 'One District- One Product' initiative and Public Linked Initiative scheme
- **Legal** – Compliance to FSSAI standards is mandatory
- **Technological-** Rise of Farming as a Service (FaaS) solutions

Industry Specifics

- **Mega Food Parks-** Govt. initiative of clustering food processing technology in defined industrial plots with robust supply chain infrastructure. Currently, 24 such parks are operational.
- **Dairy packaging innovations-** Novel technologies such as Ultra-High Temperature (UHT) Processing and aseptic packaging enabling longer shelf life of dairy products
- **Centralized credit facilities and marketplaces-** Agriculture Investment Fund (AIF) for credit support and e-NAM (National Agriculture Market) for aiding farmers access competitive prices
- **Higher consumption of horticulture crop-** Higher demand for sustainably grown produce; horticulture is the most productive agricultural

Market Segments

Agri-commodities as inputs to food processing:

- **Cereals, Pulses & Oilseeds-** includes rice, wheat, corn, etc.
- **Fruits and vegetables-** makes 28% of nation's agricultural output
- **Meat and poultry-** includes beef, mutton, and poultry
- **Dairy products-** India is the world's largest milk producer

BUSINESS MODELS

- **Manufacturer or Producer Model-** Manufacturing the final product typically from start-to-end (Parle Products, Britannia Industries)
- **Cooperative Model-** Producers collectively produce and process the commodities (Amul, Mother Dairy)
- **Value Added Processing-** Value addition to pre-processed materials through ingredients or processes (MTR foods, Priya Foods)
- **Farm to Table/ Customer Model (F2C)-** Processed food or farm produce directly reaches the consumer. (Licious, Country Delight)

Further Reading: IBEF Report, Invest India

Healthcare

Overview of the industry

Inbound Logistics
- Training healthcare practitioners
- Infrastructure setup
- Pharmaceutical supplies and stock

Diagnosis & Treatment
- Inpatient and outpatient episodes
- Lab tests
- Prescriptions
- Procedures

Post Treatment
- Rx fulfillment
- Copay/out-of-pocket
- Insurance claims processing
- Scheduling follow-ups

Sales & Marketing
- Discounts for screenings and tests
- Insurance tie-ups
- Vaccination and awareness drives

Services
- Ambulance
- Teleconsultation
- Home care
- Remote monitoring

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Hospitals and clinics	Infrastructure setup
Diagnostics	Employee costs
Pharmaceuticals	Maintenance and upgrades

Growth Drivers and Challenges

GROWTH DRIVERS -

- Key government initiatives including Ayushman Bharat, which is the world's **largest health assurance program**
- Rising manpower and medical colleges have created **availability of well-trained medical professionals**, with 1.3Mn+ registered allopathic doctors
- Rising income, better health awareness, lifestyle diseases, and increasing access to insurance

CHALLENGES –

- **Skewed** doctor-population ratio in rural and urban, with ~4 urban doctors for every 1 rural doctor
- Largely (63.5%) **out-of-pocket** spends, creating financial strain on the patient

Industry Metrics

Industry Structure	• Valued at ~$370Bn and has been expanding at a CAGR of 22% • Telemedicine with $1Bn+ mkt. is one of the fastest growing sub-industries ~21.2% CAGR
Recent Updates	• Public expenditure on healthcare touched 2.1% of GDP in FY23 • Government is planning to introduce credit incentive program worth $6.8Bn to boost healthcare infrastructure
Key Performance Indicators (KPIs)	• **Avg. revenue per occupied bed** – Total inpatient revenue/number of occupied beds • **Mean length of hospital stay** – Average number of days a patient stays in a facility • **Bed occupancy rate** – % number of beds occupied in a healthcare facility • **Patient Wait Time** – Avg amount of time a patient needs to wait before admission
Industry terminologies	• **Adverse event** – Harmful medical occurrence during/after receiving treatment • **Patient burden** – Strain caused as a result of interaction with the healthcare system • **Copay** – Fixed out-of-pocket amount paid by the insured for covered services

Healthcare Industry In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

Porter Five Forces

- **Bargaining power of suppliers – High;** Healthcare facilities are dependent on quality inputs
- **Bargaining power of buyers – Moderate;** Dependence on insurance, however, has low switching costs
- **Threat of new entrants – Moderate;** Increasing investments in space, yet regulations are rate limiting
- **Threat of substitutes – Moderate;** Increasing prevalence of ayurveda, lifestyle changes, and self-diagnosis
- **Competitive rivalry – High;** Competitive market with numerous public and private healthcare providers

PESTLE

- **Political** – Govt. initiatives such as Ayushman Bharat, National Health Mission, and Mohalla clinics are improving access and affordability for healthcare
- **Social** – Growing elderly population, India is the diabetic capital of the world and has high prevalence of hypertension
- **Technological** – Innovations including mobile health apps and Internet of Medical Things are improving access to care

Industry Specifics

- **Self pay** – Accounts for 40.6% of total revenue ~$135Bn
- **Medical tourism** – India continues to be a preferred medical destination, with medical tourism industry growing at 18% yearly
- **Frequent M&As** – Flipkart acquires Sastasundar, Manipal Hospitals acquires Columbia Asia, Reliance acquires Netmeds, and Tata acquires 1mg among others
- **Cost competitive** – The average surgery cost in India is about one-tenth of that in US or Western Europe
- **Data privacy** – Strong laws like USA's HIPPA are not yet in force, though draft legislations of DISHA and PDP have been created
- **Precision medicine** – Data-driven healthcare delivery models with personalized outcomes, kicked-off by Genome India Project

Market Segments

- **Hospitals –** Accounts for 70% of the market, with Apollo, Fortis, and Max being the top players
- **Pharmaceuticals –** Accounts for 20% of the market | Biotechnology is a sub-segment with focus on biopharma
- **Medical tech** – Accounts for 10% of market share | Diagnostics is sub-segment, ~25% in organized sector (15% labs, 10% radiology)

Business Models

- **Healthcare delivery** – IPD and OPD facilities, clinics, facilities specializing in specific domains of medicine (for ex., ortho, neuro, etc.)
- **Rx fulfilment** – Brick and mortar shops, hospital embedded pharmacies, and online platforms (for ex., 1mg, Pharmeasy, etc.)
- **Telemedicine** – Low-cost teleconsultation and diagnosis facilities through mobile app/internet, with cross-selling of allied services
- **Drug discovery** – Biopharma R&D units focusing on developing novel therapies

Hospitality

Overview of the industry

Suppliers	Workforce	Operations	Marketing	Distribution
• Restaurant, bar supplies • Furniture and Fittings • Essentials	• Service trainings for employees, administration and management	• Reservations • Housekeeping • Concierge • Catering • Maintenance	• Advertisements • Membership deals • Promotional offers	• Website • Travel Agents • Online third-party apps

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Room Tariffs	Consumable Materials
Food and Beverage	Employee Salaries
Events (Conferences, Exhibitions etc)	Renovation and regular maintenance

Growth Drivers and Challenges

GROWTH DRIVERS -

- **Govt. Initiatives:** Swadesh Darshan Scheme 2.0 to promote 15 tourism states; 'Dekho Apna Desh' initiative; states encouraged to open Unity Mall and sell ODOPs (One district, one product)
- Rise of novel tourism types like medical tourism (Indian Medical Visa in 165 countries, 'Heal in India' initiative), Adventure tourism (including Lighthouse tourism), Rural and Eco-Tourism
- Rise of "revenge travel" post Covid-19

CHALLENGES –

- Industry yet to recover fully from closures and debt accumulation incurred during the pandemic

Industry Metrics

Industry Structure	• Fragmented; Top Premium/Luxury Hotels in India – Marriot, IHCL (Taj), ITC, Hyatt, Oberoi
Recent Updates	• Marriot announced expected openings of 35 new luxury hotels worldwide in 2023 • IHCL installed 224 EV charging stations in 92 Indian properties to meet its ESG goals
Key Performance Indicators (KPIs)	• **Occupancy Rate -** Percentage of total rooms that are occupied • **Average Room Rate (ARR) -** Total room revenue divided by number of rooms sold; can indicate insights on pricing strategy • **Revenue per Available Room (RevPAR) -** Total room revenue divided by total number of available rooms; reveals insights on pricing and occupancy simultaneously
Industry terminologies	• **Online Travel Agency (OTA) -** A platform where hotel and travel services are booked • **MICE -** An acronym for Meetings, Incentives, Conferences, and Exhibitions relating to the business events industry • **B&B-** Small lodging accommodation which offers Bed and Breakfast

Hospitality In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

CONSULT CLUB

Porter five forces

- **Bargaining power of suppliers –Moderate;** property owners, staff play a key role but typically smaller in size
- **Bargaining power of buyers – Moderate;** high price sensitivity in customers (barring premium loyalty programs)
- **Threat of new entrants –Low**; high entry barriers owing to high investments, fixed costs, and regulations
- **Threat of substitutes – High;** growing popularity of online services like Airbnb and Couchsurfing, low switching costs
- **Competitive rivalry – High;** concentration of large players in premium segment, high inventory costs of unoccupied rooms; intensifying demand

PESTLE

- **Technology** –Trends include near field communication (NFC) (for easy payments), delivery robots, cloud kitchens
- **Environment:** Higher ESG awareness promoting 'Green Key' certifications, govt. opening 50 eco-tourist spots for G20
- **Social-** Popularity of "Bleisure"- joining business with leisure

Industry Specifics

- **New age accommodation**– Increase in peer accommodation like homestays, BnBs, and cabins, especially in non-urban spaces
- **Tussle with OTAs**–OTAs such as Booking.com and Agoda charging up to 25% in commissions to influence hotel visibility
- **Asset Management Strategy-** Asset light business models like Franchising to fuel expansion and reduce risk after Covid-19
- **Rise of Leisure and Wellness Tourism-** Domestic demand driving workcations and staycations; New wellness brand- SIRO launched
- **Rising International Travel-** Relaxation of travel restrictions along with G20 and Cricket World Cup to increase international travel
- **Increasing investment-** Premium Waldorf Astoria hotels to enter India; INR 1.1k cr investment into Lalit Hotel's 'Bharat Hotels'

Market Segments

- **Accommodation-** Hotels, rentals, motels and lodges
- **Food & Beverages-** Restaurants, cafes, and bars
- **Recreation & Entertainment-** Ancillary services like spa, pool etc.
- **Travel & Tourism-** Tour operators, guides, transportation, travel planning

BUSINESS MODELS

- **Independent/Owner operated-** Operated by an independent owner with full control, unaffiliated with any brand
- **Franchise model-** Hotel owners retain some control and pay a franchise fee to the hotel management brand to use brand, IP, etc.
- **Managed-** Hotel management brand directs day-to-day decision making in a third-party hotel; hotel owners have lesser control
- **Leased and Strata titled model-** Hotel business owner leases from one or many freehold owners who have little say in operations
- **Brand Operated model-** Completely owned and operated by a hotel brand

Further Reading: IBEF Report

Insurance

Overview of the industry

Sales & Distribution	Underwriting	Product & Pricing	Claims	Services
• Lead generation • Channel management • SFA planning & implementation	• Underwriting assessment • Risk management • Asset management	• Product development • Actuarial Analysis • Premium pricing models	• Evaluation of claims • Fraud management • Claims payout • Self-adjudication	• Customer relationship management • Call centre improvement • Data-driven marketing

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Underwriting activities	Claims
Investment income	Investment & other op-ex
Cash value cancellations	Acquisition, general expenses

Growth Drivers and Challenges

GROWTH DRIVERS –

- Growing digital economy, rising insurtech
- Young working demographic, rise in nuclear family structure
- Increasing financial awareness & literacy in urban population
- COVID-19 fueled demand for life, health and other related insurance products

CHALLENGES –

- Low financial literacy & penetration of insurance products, particularly in rural areas along with lack of capital
- Fraud; false claims, misrepresentation
- Claims management; complicated, slow & opaque in most cases

Industry Metrics

Industry Structure	• Total written life insurance premium income of **~USD 91 Bn** & non-life insurance premium income of **~USD 29 Bn** in FY 2022
Recent Updates	• LIC IPO was the largest IPO ever in India & 6th largest globally as of 2022 • Bots becoming mainstream to automate policy serving & claims management
Key Performance Indicators (KPIs)	• **Policy Renewal Rate** - % of policyholders who renew their policies at the end of the term • **Claims Settlement Ratio** – Proportion of claims settled out of total claims • **Gross Written Premium** – Total value of premiums written by the insurer before deducting reinsurance costs and commission • **Expense Ratio** – Proportion of premium used to cover operating expenses • **Loss Ratio** - % of premiums paid out as claims; ratio of incurred losses to premiums
Industry terminologies	• **Sum Assured** – Amount payable to policyholder on the occurrence of insured event • **Policy Term** – Period for which the insurance policy is active or valid

Insurance In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

CONSULT CLUB

Porter five forces

- **Bargaining power of suppliers – Moderate**; few large IT firms to support tech, limited number of re-insurers
- **Bargaining power of buyers – Moderate**; individuals & SMBs have low power; however, large businesses have some
- **Threat of new entrants** – **Moderate**; threat of financial companies & big tech; however, industry is regulated
- **Threat of substitutes – Low**; no real substitutes, limited scope for differentiability
- **Competitive rivalry** –**High**; Large number of players in the market, rising competition with insurtech

PESTLE

- **Political** – GOI in Union Budget 2023-2024 has proposed to limit income tax exemption on proceeds of high value life insurance. Income from life insurance policies up to INR 5 L will be tax exempt
- **Economic** – Rising financial awareness; however, use as an investment vehicle declining due to other avenues
- **Technological** – Increasing number of insurtech companies, use of AI & automation in underwriting & claims

Industry Specifics

- **Insurtech & AI –** More than 140 insurtech start-ups operating in India; B2C models and online-first insurers valued more highly by investors. Insurtech companies are also quicker at adapting to technological changes such as use of AI
- **Foreign Investment** – In 2021, Insurance Amendment Bill was passed to increase the FDI limit in the insurance sector from 49% to **74%**. This will help bring down the cost of insurance products in India and will also benefit small insurance players
- **Public vs Private** – Public insurers more affordable & perceived to be reliable; however, rising preference for private due to convenience & quick resolution

Market Segments

- **Life Insurance** – Dominant, contributed ~USD 91 Bn of total written premium income in FY 2022; 10.2% growth over FY 2021. Private sector insurers recorded 17.4% growth in premium, LIC recorded 6.1% growth.
- **Non-Life Insurance** – Major contributors are health insurance, motor insurance. Non-life insurance underwrote a total direct premium of ~USD Bn in FY 2022, registering a growth of 11% from FY 2021

BUSINESS MODELS

- **B2B & B2C** – These models are the more traditional ones; B2B customized for businesses, whereas B2C focuses on individuals
- **P2P** – P2P is a relatively new concept in insurance where insurers from similar backgrounds are pooled to resolve claims conflicts

IT & ITES

Overview of the industry

Inbound logistics	Operations	Outbound	Marketing & Sales	Service
• Product vision and research • Selecting development platforms & software	• Product development • Data gathered and used as input for product service	• Decide type of subscription • Customer Onboarding & RM • Platform integration	• Online/usage-based billing • Customer retention • Analytics to measure engagement	• Billing & subscription management • Support / Upgradation • Maintenance • Warranty

Revenue & Cost Drivers

Revenue Segments	Cost Segments
On Premise Delivery	Employee Salaries
Software-as-a-Service (SaaS)	Software Costs
Support and Maintenance Charges	Hardware Costs

Growth Drivers and Challenges

GROWTH DRIVERS -

- Artificial Intelligence is expected to boost India's annual growth rate by 1.3% by 2035
- Being the low-cost exporter of IT services, India has the potential to venture into more global markets
- Future-ready digital workforce

CHALLENGES –

- Cyber security threats, aggravated by increasing digitalization of Indian economy
- Cost of upskilling the workforce
- Requirement for more stringent privacy and data protection rules and laws

Industry Metrics

Industry Structure	• Top 3 players: TCS, Wipro and Infosys hold majority of the market share with a combined market capitalization of over US $50 billion
Recent Updates	• In Q1 FY23, IT companies recorded sharpest contraction in headcount • Infosys announced $1.6 billion deal with telecom firm Liberty Global
Key Performance Indicators (KPIs)	• **First Call Resolution Rate (FCR):** % of issues or incidents resolved on first customer interaction. • **Customer Satisfaction (CSAT):** Measures the satisfaction of IT customers • **Mean Time to Recovery (MTTR):** The average time it takes to repair a failed component
Industry terminologies	• **Software as a Service (SaaS):** a model where software is licensed on a subscription basis and centrally hosted • **IP (Intellectual Property):** Intangible creations formed through human intellect • **Freemium:** A model where basic features are offered free of cost and then the company charges a premium for advanced features

IT & ITES In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

Porter five forces

- **Bargaining power of suppliers –** High power by cloud service providers and specific license providers
- **Bargaining power of buyers –** High power because buyers can assemble services from different players and low switching costs
- **Threat of new entrants** – Low as the projects require huge investments for delivering quality at a competitive cost
- **Threat of substitutes –** High as few other countries are emerging as potential low-cost labor sources for outsourcing
- **Competitive rivalry –** Highly competitive market with few large firms and minimal differentiation in offerings

PESTLE

- **Technological:** Increasing focus on digitalization, especially post-COVID
- **Legal:** Implementation of Digital Personal Data Protection Bill 2023 regulates numerous threats to the industry
- **Economic:** Union Budget allocation to IT increased by 40%

Industry Specifics

- **Contribution to GDP:** The IT and ITES industry contributes to almost 7.5% of India's overall GDP, and has played a critical role in India's socio-economic growth
- **Low-Cost Export:** With the largest technologically skilled, English-speaking population, India becomes a hub for companies looking to find low-cost labor services in IT sector
- **BFSI:** It is a key vertical for the IT and ITES industry and accounts for more than 60% of IT software and service exports

Market Segments

- **IT Services:** Accounting for more than 51% of the total IT exports, IT services itself accounts for 54% of the market share in the IT and ITES industry
- **BPM:** IT & Business Process Management industries are well diversified across verticals such as BFSI, telecom and retail, accounting for a total of 23% market share in this industry
- **E R&D and Software Products:** Accounting for 23% of the market share, the Engineering R&D and software products division has grown at the rate of 11.1% in the past year

BUSINESS MODELS

- **Knowledge Processing:** Dealing directly with data analysis, market intelligence, as well as consulting on business strategy
- **Business Process Outsourcing:** Outsourcing functions like customer relationship management, enterprise resource planning and even human resource management
- **IT Services:** Involved in the provision of services like IT consulting, R&D, management of infrastructure, and developmental services

Further Reading: IBEF Report

Online Gaming

Overview of the industry

Development	Publishing	Distribution	Monetisation	Consumption
• Game studio (developer) • IP/ Brand Owner	• Producing the game • Providing technical support to developers • Packaging for the target consumer	• Mobile App store • Online Game store • Retail game store • Multi-gaming platform	• Advertisers • Subscription • E-Sports purchase and streaming	• Mobile, tablet • PC and Laptops • Gaming consoles

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Rake Fee/Subscription	Game development and maintenance
Advertising Revenue	Licensing costs
In-App Purchases	Publishing and Distribution
Esports sale, streaming, merch	Marketing

Growth Drivers and Challenges

GROWTH DRIVERS -

- **Mobile gaming** driving the growth of the gaming sector in India (15 bn downloads, highest in the world)
- **Tier 2 and 3 cities** constitute top 10 gaming cities in India due to increase in mobile gaming users post pandemic
- **5G connectivity** opening avenues like cloud computing

CHALLENGES –

- Lack of clarity regarding legislative jurisdiction of online gaming- whether it falls under the center or state
- Inadequate existing legal framework, unfavorable GST norms
- High prevalence of pirated games

Industry Metrics

Industry Structure	• Top 3 players worldwide have 29% market share (Sony- 13%, Microsoft-8%, Nintendo-7%), Top gaming start-ups in India- Dream11, Game24X7, Mobile Premier League
Recent Updates	• 28% GST to be levied by govt. on online gaming • Sony retains rights of Call of Duty despite Microsoft's acquisition of Activision Blizzard
Key Performance Indicators (KPIs)	• **Daily Active User (DAU)-** Total number of people who engage with the app on a given day (similar to MAU- Monthly Active Users) • **Average Revenue per User (ARPU)-** Total revenue/number of paying customers • **Cost per Mille (CPM)-** Cost incurred to achieve 1000 impressions • **Churn Rate-** % of players who stopped playing over a given period
Industry terminologies	• **AAA titles**- Games developed by large studios, such as Sony, Tencent • **MeiTY**- Ministry of Electronics and IT responsible for IT and Online gaming policies in India • **NPU**- New Paying Users

Online Gaming In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

CONSULT CLUB

Porter five forces

- **Bargaining power of suppliers- Moderate,** no substitute for development studios but typically dwarfed by publishers
- **Bargaining power of buyers– High,** low brand loyalty, product dispensability, high price sensitivity especially in mobile gaming
- **Threat of new entrants– Moderate**, high availability of game developers, higher threat for mobile gaming, lower for e-sports which tend to require high investment outlay
- **Threat of substitutes– High**, online gaming competing with other leisure activities
- **Competitive rivalry- Moderate;** product differentiability

PESTLE

- **Technology-** AR/VR, AI technologies; 'internet of senses'
- **Political-** AVGC (National Animation, Visual Effects, Gaming and Comic) Centre of Excellence by govt. to raise India's soft power in the industry
- **Social-** rising female participation in gaming post pandemic

Industry Specifics

- **Increasing Investments and M&A-** Homegrown Games 24x7 (2022) and MPL (2021) become unicorns, Playsimple acquired by Modern Times Group (2021), FanClash raised INR $40 mn (2022)
- **Rise of Commercial 5G facilitating Cloud Gaming-** In cloud gaming, the processing of the games played is on remote servers and not the device itself which elevates the gameplay experience
- **Increase in esports tournaments-** Esports tournament conducted in 2022 Asian games; tournaments by SonyLiv, Disney+Hotstar
- **Emergence of Blockchain gaming-** Blockchain used to record in-game transactions, ease the monetization of gameplay
- **Popularity of Fantasy Sports in India-** World's largest Fantasy Sports market; Cricket accounts for 85% of segmental revenues

Market Segments

- **Casual Games-** Mass marketed game, eg- Ludo, Candy Crush
- **Real Money Games-** Players play the games for money and stand a chance to win more money by further play/gamble, eg-Cashyy
- **Esports-** Competitive video games with high-skill requirement
- **Fantasy Sports-** Online prediction games on real sports, eg- FPL

BUSINESS MODELS

- **Free-to-Play (FTP)-** Makes it possible for gamers to have a complete user experience with revenue through advertisements
- **Freemium**– Basic product is free but special features need to be purchased, tends to include IAPs (In-App Purchases)
- **Pay to Play-** Include subscription-based and paid games where the game has to be purchased before playing
- **Traditional gaming**– Physical gaming with consoles or PC games purchased as physical copies, now moving to digital distribution

Further Reading: KPMG Report

Payments

Overview of the industry

Consumer
- Initiates payments to merchants through electronic means for goods & services in online/offline settings

Issuer
- Provides credit/debit accounts to users & complete payments
- Approve or Decline transactions

Network
- Provides means to enable transactions
- Passes information & settles funds between acquirer & issuer

Acquirer
- Provides merchants with means to accept electronic payments
- Collects payments from issuer banks

Merchant
- Creates merchant account with acquirer for transactions
- Pays % of transaction as fees to acquirer

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Transaction Volume	Infrastructure Costs
Merchant Discount Rate (MDR)	Compliance & Regulatory Costs
Subscription Fees	Customer Acquisition & Marketing Expenses

Growth Drivers and Challenges

GROWTH DRIVERS -

- **Government Initiatives:** Initiatives like Digital India and UPI have facilitated digital payments and driven industry growth.
- **Consumer Mindset Change:** Increasing acceptance of digital payments driven by tech-savvy Gen Z & Millennial population
- **Fintech Innovation:** Introducing accessible, affordable & convenient solutions changing how Indians transact
- **CHALLENGES** –
- **Rural Adoption:** Low digital literacy rates & lack of adequate infrastructure pose threats to widespread adoption of digital
- **Cybersecurity Risks:** Digital transactions are prone to fraud and breach possibilities requiring robust security measures.

Industry Metrics

Industry Structure	**(2022 -> ~88 bn** transactions worth **$1.8 tn)** **Moderate Consolidation**: Visa, MasterCard, PhonePe, Google Pay, RuPay **(CAGR: 11.4%)**
Recent Updates	• Global UPI Expansion simplifying payments • UPI-Lite launched, enabling offline payments • Central Bank Digital Currency launch in 2022
Key Performance Indicators (KPIs)	• **Payment Conversion Rate**: % of successful transactions; Useful to measure by bank, payment mode & card type • **Transaction Volume and Value**: Total # and value of transactions over a specific period. • **Cart Abandonment Rate:** Due to complex checkout, security concerns, popups, etc • **Chargeback Ratio:** % of chargebacks (disputes/fraud) out of total transactions • **Platform Uptime:** System failures result in downtime resulting in lost business
Industry terminologies	• **Point of Sale (POS):** The location or device where a customer makes a payment, such as a cash register, card terminal or an app • **Payment Service Provider (PSP):** Entity that offers services to merchants, enabling them to accept & process payments from users

Payments In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

Porter five forces

- **Threat of New Entrants: High,** as low entry barriers attract new players, increasing competition for established firms
- **Bargaining Power of Buyers: High,** as customer loyalty is low due to numerous options offering rewards & cashbacks
- **Bargaining Power of Suppliers: Moderate,** network and infrastructure providers enjoy considerable power
- **Threat of Substitutes: High,** Constantly evolving payment methods & technologies pose a threat to traditional systems
- **Industry Rivalry: High,** Intense competition among payment service providers affects pricing and market share.

PESTLE

- **Political:** Numerous policies & regulations by the govt. & RBI boosting growth of digital payments adoption in India
- **Social:** Highly encouraging consumer behaviour & mindset
- **Technological:** Rapid technological advancement in FinTech space influence payment methods, security, & speed.
- **Legal:** Data protection laws and consumer rights regulations

Industry Specifics

- **Launch of ONDC:** Open Network for Digital Commerce will enable small merchants & local retailers to build businesses online, which will facilitate widespread adoption of digital payment methods
- **FASTag Implementation:** Mandatory installation of tags on vehicles for toll collection enabled digital volumes of ₹100Cr+/day
- **High-growth potential:** High scope for increasing market share of digital payments as 70–80%+ of payments are still cash-based
- **Cross-Border Payments:** New age FinTech innovations & Bharat Bill Payment System (BBPS) upgrades have made remittances easier
- **Interchange Fees:** Paid between issuer & acquirer for transactions

Market Segments

- **Point of Sale Payments:** Can be QR Code based (UPI), Mobile Wallet based, Card based (Credit/Debit/Prepaid), or Net Banking
- **Online Payments:** Purchase of goods & services via e-commerce platforms & websites facilitated via Cards(Debit/Credit), UPI, Net Banking, Buy Now Pay Later Schemes, Wallets and EMI Plans
- **B2B Payments:** Corporate Payments & Government Transactions

BUSINESS MODELS

- **PSP:** Intermediary between merchants, customers, and financial institutions, ensuring secure fund transfer (RazorPay, PayU)
- **UPI & Wallet Providers:** Enable money transfer between bank accounts or through app-based e-wallets (GooglePay, PhonePe, PayTM)
- **Payment Networks:** Operating networks connecting banks, merchants, and consumers for transaction processing (AmEx, Visa, RuPay)
- **FinTech Start-ups:** Introducing innovative payment solutions and value-added services such as lending & security (BharatPe, CRED)

Pharmaceuticals

Overview of the industry

R & D	Approvals	Sourcing & Production	Distribution	Marketing
• Drug research (high gestation period and low success rate) • Formulation/licensing of pre-made formulas	• Clinical Trials (Human) • Approvals for marketing & selling (granted by MoH) • Securing patents	• Production line set up • Raw material procurement • Quality control • Packaging	• Storage & transportation • Distribution to wholesalers and distributors	• Endorsement by medical practitioners • DTC advertising (OTC products only) • Medical conferences

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Drug sales	Research and development
Licensing	Manufacturing
Contract manufacturing services	Distribution & storage
Contract R&D services	Marketing

Growth Drivers and Challenges

GROWTH DRIVERS –

- **Rising consumer spend on healthcare** driven by higher insurance penetration and healthcare awareness
- **High demand for generic Indian drug exports** due to lower cost of production in India
- **Rise in chronic diseases** and COVID like events

CHALLENGES –

- **Increasing scrutiny** on Indian drugmakers by FDA leading to temporary bans from US Market – negatively affecting topline
- **Restrictions** on marketing of certain drugs to consumers
- **High capital requirements for R&D** – Drug discovery usually has a long gestation period coupled with low success rate

Industry Metrics

Industry structure	• **Highly competitive** industry with large organized players & smaller players as well • **Key players:** Sun Pharmaceuticals ($5.6B), Dr Reddy's Laboratory ($3.2B), Cipla ($2.8B), Lupin ($2.1B), Aurobindo Pharma Ltd. ($1.5B)
Industry Size	• Currently valued at ~$50B - Exports account for ~ 50% of total value (14th highest globally)
Key Performance Indicators (KPIs)	• **Time to Market:** Measures the time it takes to bring a drug from discovery to market • **Return on research capital (RORC):** Calculated by dividing current gross profits by the prior year's R&D expenditures • **Health Outcome Improvement:** Measures the impact of pharmaceutical products on patient health outcomes
Industry terminologies	• **Generics** – Drugs that are not under patent protection, and can thus be copied • **OTC** – Drugs that can be sold directly to customers without a prescription • **API** – Active Pharmaceutical Ingredient, the key raw material of a drug that causes the drug to have its desired effect

Pharmaceuticals In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

Porter Five Forces

- **Bargaining power of suppliers – Low**; Most of the raw material and equipment required for production is available with multiple suppliers
- **Bargaining power of buyers – Medium**; Varies upon the type of consumer– low for retail consumers but high for hospital chains
- **Threat of substitutes** – **Low**; substitutes unavailable barring some alternate treatments such as Ayurveda
- **Threat of new entrants – Low**; Highly regulated industry with Government norms and high capital requirements
- **Competitive rivalry – High**; Presence of large-scale & established players as well as numerous small players

Industry Specifics

- **Emergence of DTC Pharmacies -** Numerous D2C pharmacies such as TATA 1MG, Flipkart Health, Pharmeasy have emerged to improve accessibility to both generic and specialty drugs
- **Lack of R&D** – The Indian Pharma industry hasn't invested heavily in R&D capabilities – it largely focuses on manufacturing generics
- **High Reliance on Exports** – A large number of scaled Indian pharma companies derive more than half of their revenues from exports; key markets are the US and Europe
- **API Imports** – High dependance on China for key raw materials
- **Endorsement by Doctors** – Relies heavily on endorsement by Doctors; collaborating with them (using sales reps) is an important sales strategy

PESTLE

- **Social** – Increasing proportion of aged population & more sedentary lifestyles - leading to higher spend on healthcare
- **Legal** – Legalizing of sale of therapeutic drugs without a prescription by the National Medical Council is expected to boost sales of generic drugs

Market Segments

- **Prescription** – Drugs for complex ailments such as cancer & heart diseases – restriction on production, generally patented
- **Generic –** Can be produced by anyone as the patent has expired
- **OTC Medications –** Generic drugs available without prescription
- **Wellness products –** Non-medicinal wellness products such as protein powders, cold pressed oils, etc.

Business Models

- **Manufacturing** – Manufacture and market both generic and specialty drugs – selling them through direct and indirect channels
- **Licensing** – Patent production process of a drug and license the formula to other drug makers (Patents usually hold up to 20 years)
- **Contract Research and Manufacturing** – Carry out specific research or manufacturing activities on contract for other companies

Further Reading: IBEF Report; **Sources:** IQVIA

Retail

Overview of the industry

Sourcing
- Vendor selection & management
- Demand forecasting
- Price forecasting
- Quality testing

Inbound Logistics
- Network Optimization
- Transportation
- Cold chain management
- Receiving & unloading

Inventory
- Storage & ware housing
- Allotment & scheduling
- Merchandising

Sales & Marketing
- Promotions & Discounts
- Cross-selling
- Digital S&M
- Payment Options

Outbound logistics
- On-Time, In-Full delivery
- Route analysis
- Order Tracking
- Warranty & Services

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Own brand (private label) sales	Retail Lease
Loyalty & rewards programmes	COGS & supply chain
Affiliate marketing	Credit card fees
Cross-selling	Utilities/labour & other op-ex

Growth Drivers and Challenges

GROWTH DRIVERS –
- Availability of labour, low costs & special investment wages such as tax breaks encourage FDIs
- Easy payment options such as UPI, BNPL
- Expansion of E-commerce, M-commerce. Data-driven insights. (e-retail penetration: 4.3% in India vs ~25% in UK, China, Korea)

CHALLENGES –
- Fragmented logistics
- Rise of digitization and low adoption by small retailers
- Rise of e-commerce giants may hamper growth

Industry Metrics

Industry Structure	• Food & Grocery contributes **61.67%** to total market of INR **69.2 Tn** (FY 2022), expected to reach INR 120.59 Tn by 2027 at 14.22% CAGR
Recent Updates	• India's CPI based retail inflation stood at 6.44% YoY in Feb'23 • ONDC Initiative could disrupt industry ops.
Key Performance Indicators (KPIs)	• **Sales per Square Foot** – Total net Sales/Total square feet • **Avg Transaction Value** – Total Sales/Number of Transactions • **Customer retention rate** – (((Total distinct customers at end of period) - (Total new distinct customers acquired during period)) / (Total distinct customers at start of period) • **Foot traffic vs digital traffic** • **Inventory Turnover** – Net Sales/Avg. Inventory
Industry terminologies	• **PoS**– Point of Sale system • **CRM** – Customer Relationship Management • **Omnichannel Marketing** • **SKU** – Stock-keeping unit

Retail In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

Porter five forces

- **Bargaining power of suppliers – High**; organized retail is dominated by few large players who control margins
- **Bargaining power of buyers – High**; supply is elastic and buyers have access to large number of retailers
- **Threat of new entrants** – **High**; low barriers to entry, government support
- **Threat of substitutes – High**; since there is limited product differentiation, substitutability is high
- **Competitive rivalry** – **High**, since the traditional channel is operating at high costs and low margin expectations

Industry Specifics

- **Rise of e-commerce –** Online retail is projected to contribute 10.7% to the total retail market by 2024, a substantial increase from 4.7% in 2019
- **Payment modes** – Flourishing digital payment ecosystem in India. Cashless transactions and credit options have increased leading to simpler payment mechanisms
- **Seasonal Demand**– Managing Inventory, marketing while accounting for seasonality trends
- **Premium segment** – Demand for "premium" products rising
- **Omni-channel Retailing** – Seamless experience for customers

PESTLE

- **Political & Legal** – GOI has allowed **100% FDI** in online retail. Retail & wholesale traders now considered MSMEs to get priority sector lending
- **Environmental** – Sustainability, environmental & ecological factors driving consumer demand

Market Segments

- **Food & Grocery** – ~61.67% contribution to retail in FY 2022 (Ex: Big Bazaar, DMart, Reliance Fresh)
- **Jewellery** – ~8.25% market share in FY 2022 (Ex: Kalyan Jewellers, PC Jewellers)
- **Apparel** – Apparel contributed to ~7.24% market share in FY 2022
- **Others** – Others are Furniture, Consumer Durables, Mobile, etc.

BUSINESS MODELS

- **Independent retailer** – Run and managed by owners; generally operates one outlet and provides personalized service
- **Retail chain** – Common ownership of multiple units, decision-making is centralized; low entry-level risks, high goodwill & branding
- **Retail franchising** – Using another firm's successful business model with the franchisor's support (Ex: food chains such as McDonalds's & Subway). Higher equity share but revenue/profit sharing.
- **Retail cooperatives** – Group of individual retailers who combine their financial resources & expertise to control wholesaling needs

Telecom Sector

Overview of the industry

Tower Infra	Equip. Providers	Integrators	Network Operator	Service Providers
• Deploy & own towers under infra-sharing agreements with network operators	• Network Components & Hardware (*cable, router, etc)* Sellers • End-user distribution	• Provide Software Tech. for 4G/5G • Integrate software & hardware for telecom companies	• Own and control access to radio wave spectrum via auction • Involved in Spectrum Trading	• Purchase capacity from network operators to service general public • Offerings – Voice Call, messaging & internet

Revenue & Cost Drivers

Revenue Segments	Cost Segments
Call + SMS + Internet Plans (Postpaid/Prepaid/Roaming Packs)	Spectrum + Infrastructure Costs
Broadband & DTH Services	Network Operating Costs
Data Monetization, Partnerships (Spectrum Lease) & Affiliations (OTT)	Customer Acquisition Costs

Growth Drivers and Challenges

GROWTH DRIVERS -

- **IoT** – Rising IoT adoption across Smart Cities, Industries shall need high-speed transmission which 5G can facilitate [1]
- Increasing investments & diversification into Satellite Broadband

CHALLENGES –

- **High Interest Rates** – Since Telecom is CAPEX-intensive, high rates make it harder & more expensive for 4G/5G deployment
- **Declining ARPU** – As firms in developing countries (India) compete over price, ARPU figures are declining
- Forces of **Commoditization** at play – Markets are moving towards saturation, leading to price wars, fight for market share and struggle for innovation & new use-cases

Industry Metrics

Industry Structure	• Generally **Oligopolistic** across the globe • Eg: Top 4 players cover 99% Indian Market • (Jio – 35%, Airtel – 31%, VI - 22%, BSNL – 10%)
Recent Updates	• Diversification into **satellite-based** broadband (Starlink, OneWeb) • **5G** Spectrum **Auction** in 2022-23 globally (~51K+ MHz sold ; ₹1.5 Lakh Crores – **India**) • Steady **5G rollout** (1/3rd of Globe by 2025 • National Security Concerns (Huawei v/s US)
Key Performance Indicators (KPIs)	• **Churn Rate** – Lost Customers / Total # • **Avg. Return per User** (ARPU) – Tracks revenues earned for each service user • **Subscriber Acquisition Cost** – Tracks costs spent in marketing, sales, etc for acquisition • **Network Promoter Score** – Likelihood of consumer recommending services (1-10) • **Network Performance** – Tracks availability, accessibility, integrity & retainability
Industry terminologies	• **Spectrum** – Band of radio frequencies over which communication signals can traverse • **Tele Density** – Number of telephone connections per 100 people in an area; indicator of level of market penetration

Telecom In-Depth Analysis

An Attempt to give future consultants a better idea of the industry

IIM AHMEDABAD CONSULT CLUB

Porter five forces

- **Bargaining power of suppliers – Moderate**, as switching costs are high but a large supplier—base for inputs exists
- **Bargaining power of buyers – High**, Buyers are price-sensitive and companies compete in quality, pricing, functionalities to attract consumers; Buyers are advantaged due to low switching costs
- **Threat of new entrants – Weak**; Large CAPEX required and high economies of scale; Complex regulatory environment to navigate
- **Threat of substitutes – Moderate**, due to rise of cheap internet-based communications (VoIP) & satellite communications
- **Competitive rivalry – Strong**; Mature Industry having intense competition among players to capture price-sensitive consumers

PESTLE

- **Legal** – Complex country-wise regulations; Competition Law
- **Economic** – High interest rates make telecom costly due to CAPEX, while inflation reduces consumer purchasing power
- **Political** – Ban & phase-out of Huawei over privacy issues
- **Technological** – 5G integration with IoT, Cloud; Sat. Comm.

Industry Specifics

- **Spectrum Auction** – Govt. sells rights to network operators to transmit signals over specific airwave bands(India – DoT; US – FCC)
- **Telecom Infrastructure** – Telecom Towers (structures relaying mobile signals), Switches, Transmission Lines, routers, modems
- **Infrastructure Sharing** – Sharing electric/non-electric infra. At base site; leasing out portion of spectrum to rival; Competitors collaborate to lower individual investment costs.
- **Bundling of Services** – Various services such as broadband, voice, OTT, cable TV, etc. provided as one whole packaged offering
- **M&A Consolidation** – Merger of smaller entities into larger firms leading to oligopolistic structure in most markets

Market Segments

- **Wireless** (55%)– Cellular Phones (Calls, Data) v/s **Fixed Line** (45%)– Voice Telephony & Internet fixed lines
- **B2B v/s B2C Sales** – Monthly subscription plans for consumers compared to enterprise sales comprising of unified communication offerings.

BUSINESS MODELS

- **Prepaid** v/s **Postpaid Services –** Whether payment for the service is done in advance (recharge/top-up) or after consumption (monthly cycles)
- **Bunding of Services** – Multiple offerings under one service – Eg: High-speed internet, entertainment (OTT, music), data packs & offers
- **Broadband** – Superfast internet for home/commercial usage along with multitude of complementary offerings
- **B2B** – Cloud, IoT, Voice & Collaboration, Landline, Data Connectivity and Security solutions for enterprises (Jio/Airtel/Verizon, etc)

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Appendices

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IIMA Consult Primer 2023-2024

Consulting Overview

What is Consulting?

- Giving external advice to organizations that may require special or technical expertise or an outside perspective on their business problems, performance improvement etc.
- Consultants are "**problem solvers for hire**"
- They use a multi-pronged approach, involving primary and secondary research combined with business intuition from their extensive experience in the industry to understand business problems and provide recommendations
- In summary, it is helping CEOs and other leaders solve pertinent business problems and implement solutions

Key service areas

Strategy Consulting: Corporate strategy, economic policy, mergers & acquisitions, organizational & functional strategy are part of this

Operations Consulting: Includes process and project management, supply chain, procurement, outsourcing etc.

Human Resources: Includes organizational change, learning and development, HR technology, benefits and rewards, talent management

Financial Advisory: includes consultation on corporate finance, actuarial valuation, corporate restructuring, risk management, forensic audits etc.

Tech Consulting: Implementation of ERP, advisory related to IT, data analytics, cyber security, system integration etc., fall under this area

Types of projects- Insights from IIM A students

Help a conglomerate set up an Advanced Analytics department,
and implement analytics use cases across businesses

Project Design for a global NGO to reduce stubble burning in Punjab/Haryana
by promoting crop residue management tech

A Robotic and Cognitive Automated solution for Insurance firms

Digital transformation of an Indian Oil and Gas Major

Advising pricing strategy for a presentation software company

Creating an advocacy plan to increase the penetration of natural gas in Gujarat

Develop an ESG strategy for an Indian IT services player

Advise a global PE on the Indian fintech landscape
and do a business/commercial due diligence of potential investee companies

Help a government in designing educational policy

Steps to Problem Solving (an example)

Project – Increase sales through market expansion for a yarn manufacturing company

1

Define
- Drive expansion in sales by 20% by identifying new markets and formulating a sales strategy to capture market share

Hypothesize
- Expanding to xyz markets will generate high profits due to high size and low competition
- Introducing decentralized sales team will improve sales by 10%

2

3

Data Analysis
- Analyse sales and market data for five different geographies and identify potential opportunities for the client
- Understand the competitive landscape through secondary research

Recommend
- Setting up sales team in 2 identified geographies for expanding presence in these geographies
- Detailed marketing plan (products sold, price, promotion strategies in these geographies)

4

Emerging Trends in Consulting

Implementation projects: There is an increase in the number of implementation projects for firms. Clients are focusing more on outputs rather than inputs

Technological advancements: Technology is changing the consulting landscape. Consultants are expected to understand and implement the state-of-art-technology in various fields

Increasing specialization: There is an increase in the specialization, hyper specialization in services as well as market segment owing to sophisticated client demands

Risk-based consulting: Increase in projects where there is a shared risk of the firm with the client. Hitherto, client carried the majority of the risk of any project which is shifting to consulting firms

Internal consulting: Many companies are creating in-house strategy and consulting teams. This has increased the competition in the industry and a downward pressure on billing rates. Clients are looking for more value addition and focusing on output generation

A Consultant's Calendar (typically)

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Logistics

- Monday – early morning flight to client location
- Thursday/Friday – return flight

Weekdays

- Meet EM, propose plan for the week
- Problem solving sessions, discussion on structure and hypothesis, checking progress of team
- Major client meetings every 3-4 weeks
- Meet with partner every 2-3 weeks

Friday

- Meet office colleagues, build network
- Finish expense bookings and make travel arrangements

Typical work dynamics

Project team Structure
Partner (not full-time) + EM + 2/3 Associates

Time
9 AM – 9 PM+

Other activities
Team events, dinners, offsites, trainings etc.

Career Progression (typically)

Business Analyst	Associate/ Consultant	Engagement Manager	Principal	Partner
• Pre-MBA position • Responsibilities: data gathering and analysis, documentation, modelling, admin and coordination, problem solving	• Post-MBA • Responsibilities: increasing focus on leading analysts, overseeing their work, more client interface, problem solving	• Team Leads • Responsibilities: work stream planning, team leadership, key client interface for projects, relationship management	• Pre-partner role • Responsibilities: professional support and oversight on projects, client relationship management, business development	• Leadership role • Responsibilities: client relationship management, business development, thought leadership, internal initiatives, firm policy
2 years	3-4 years	2-3 years	3-4 years	NA

Why join consulting?

Intellectually rewarding

- Solving large scale business problems in a structured way
- Steep learning curve
- High ownership of work
- Soft skills development

Diversity in work

- Work in various sectors/industry in initial years
- Type of project – performance improvement, market entry, growth etc.

Collegial work environment

- People of similar age group from different academic/professional backgrounds

Good pay and perks

- The pay is good, and the lifestyle is glamourous

Lucrative exit options

- Corporates (general management/leadership)
- Private Equity/Venture Capital
- Entrepreneurship
- Public Policy

But, be prepared for...

Travel: Travelling every week may not suit everyone, especially for those who live with their families, spouses etc., being away from home for 5 days a week may be difficult.

Also, travel may sometimes be to client locations in remote areas, which may be cumbersome.

Rigorous work and long hours: Consultants spend a lot of hours working, sometimes averaging more than 12 hours a day, depending on client deadlines

Work can sometimes be stressful; consultants are often thrown into the deep end with minimal training, and they learn on the job.

Hiring Process

Fit
CV Shortlists, cover letters, HRQs, dinners, events

Simulation
2-3 case interviews

Hiring decision

CV Variant freeze

Company presentations

Cluster X

Company shortlists

Dinners/buddy calls

Cluster I

What are they looking for

Problem Solving Skills
Analytical abilities, business acumen
Tested in case interviews
(can be highlighted through academics/projects)

Soft Skills
Communication skills, teamwork

Usually tested in interviews
(can be highlighted through active contribution in sports/events)

Leadership and Drive
Initiatives, track record

Usually tested in interviews
(can be highlighted through active contribution in sports/events)

CV that will help you to bag a Consulting Internship

Spikes: Your CV is your story and spikes are the highlights, use these well. Helps to have a couple in all buckets or more in less buckets.

Outcome/ Impact vs Process: Focus more on the results of your work more than how you did it. The profession demands it, so why not start from your CV?

Quantify Impact: It always helps to put a number to your work instead of using generic words like several, immense, etc.

Highlight PORs well: These show your leadership qualities and ability to get work done. It can show your ability to work in a team if framed well.

Highlight Initiatives: A significant part of the job involves thinking out of the box for solving problems & taking the lead. Show that in your CV.

Drafting: Be specific while framing your points, use action verbs to signal strong impact and write in active voice rather than passive.

Highlight judiciously: Save the time of the recruiter by putting the most relevant part of your point in the front. Bold the important parts.

Simplify: The recruiters have a large number of CVs to go through. Hence, the easier you make it for them to understand your story, the better. Do not use jargon and abbreviations.

Skills that will help you to ace a Consulting Internship

Technical skills

- **Excel skills:** Basic analytical functions and clean formatting
- **PPT making:** Ability to present information in a succinct manner with a simple design

Communication skills

- **Oral:** Active participation in meetings by asking questions and adding your own insights
- **Written:** Writing crisp emails that clearly highlight the key message

Analytical skills

- **Problem structuring:** Breaking down the problem into smaller parts based on business context
- **Insight generation:** Ability to identify the key insights obtained from the data analysis

Tactical skills

- **Note-taking:** Taking detailed notes during meetings and sharing insights with the team
- **Organization skills:** Organizing your inbox and structured documentation of sources

Negotiation skills

- **Among peers:** Leverage internship to interact with a diverse set of people
- **Among people at the firm:** Proactively reach out, understand culture, get tips on navigating career

Time Mgmt. skills

- **During the week:** Prioritise tasks, apply Pareto principle, leverage knowledge teams
- **Reflect during the weekends:** Set targets and review, organise thoughts, remove clutter

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Strengthening your tool-kit

Datasheets (1/2)

A compilation of data that will be useful for solving guesstimates. Most of these numbers are approximations, but they should be good enough for a guesstimate scenario.

Table 1: Population Distribution in India (Gender and Urban-Rural)

Total Population	1420
Males	733
Females	686
Sex Ratio	93.8%*
Urban Population	500 (35%)
Rural Population	920 (65%)

Figures are in millions
* 938 females for 1000 males

Table 2: Life Expectancy and Population Growth Statistics

Overall Expectancy	70.2
Male Expectancy	69.4
Female Expectancy	72.7
Birth Rate	17.4
Death Rate	7.4
Population Growth Rate	1%

Figures are for every 1000 individuals

Table 3: Age-wise Population distribution

Age Group	Population(%)
0-14 Years	360 (26%)
15-24 Years	250 (18%)
25-34 Years	230 (17%)
35-44 Years	200 (14%)
45-54 Years	140 (10%)
55+ Years	208 (15%)

Figures are for every 1000 individuals

Table 4: Income and Expenditure

Data Head	India	Urban	Rural
Size of Household	5	5	5
Household Income (in Rs)	2,00,000	2,70,000	1,70,000
% Savings	25%	30%	22%
Expenses (Food)	50%	45%	55%
Expenses (Travel)	10%	8%	13%
Expenses (Others)	40%	47%	32%

Poverty: ~10% Population lives below the poverty line (~$2 or Rs. 150)

Table 5: Class Distribution by Annual Household Income

Annual Household Income (INR p.a.)	Percentage
Low Income Households (Less than 1,00,000)	10%
Lower middle Income (1,00,000 to 2,00,000)	40%
Middle Income (2,00,000 to 5,00,000)	40%
Upper Middle Income (5,00,000 to 10,00,000)	9%
High Income Households (More than 10,00,000)	1%

Table 6: Demographic by Religion

Religion	Hindu	Muslim	Christian	Others
Population	80%	14%	2.5%	3.5%

*** 2022 figures have been taken for the datasheet estimates**

Datasheets (2/2)

A compilation of data that will be useful for solving guesstimates. Most of these numbers are approximations, but they should be good enough for a guesstimate scenario.

Table 7: Population spread of Metros

City	Population	City	Population
1. Mumbai	21	6. Hyderabad	10.5
2. Delhi	20	7. Ahmedabad	8.5
3. Kolkata	15	8. Surat	8
4. Bengaluru	13	9. Pune	7
5. Chennai	11.5	10. Jaipur	4

Figures are in millions

- Population residing in Top 10 cities = 120M
- Population residing in Top 50 cities = 205M
- Population residing in Top 100 cities = 240M

Table 8: Sector-wise Employment Distribution

Sector	India	Urban	Rural
Agriculture	42%	6%	58%
Industry	25%	30%	22%
Services	33%	64%	20%

*** 2022 figures have been taken for the datasheet estimates**

Illustrative evaluation metrics

A breakup of what firms generally look for when they evaluate a case interview. This **indicative** list should also help you provide meaningful feedback to your peers as you prepare in groups

- Preliminary questions & recap
- MECE structuring
- Problem solving approach
- Synthesis / Recommendations
- Business insights
- Creativity
- Communication skills

Illustrative 5-point scale for 'Preliminary questions & recap' (to give a broad understanding of evaluation parameters)

1. Candidate does not clarify problem statement (no recap of initial information)
2. Candidate clarifies with problem statement with too much detail (no prioritizing of important information
3. Candidate recaps the problem statement but without sufficient structure; candidate asks for detailed information too early
4. Candidate recaps the problem statement and covers key points but does not display comprehensive understanding of client
5. Candidate provides a concise and structured recap of the problem statement, and asks a couple of relevant clarifying questions

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For queries, feedback,
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