



**LET'S SOLVE A
CONSULTING CASE**

PROBLEM STATEMENT

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.

INTERVIEW THREAD

Interviewee: 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?

Interviewer: 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.

Interviewee: 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.

Interviewer: The decline in profits is unique to our client.

Interviewee: Does our client have multiple product lines within the sea food or do they sell just fish?

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

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

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

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

Interviewer: Our costs have actually gone down by 5%.

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

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

Interviewee: Alright, so the Revenue component is driving profitability down.

Interviewer: I guess so. So what do you suggest?

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

Interviewer: Yes, we do. Our lease income has indeed fallen from the previous year on account of the loss of a few customers.

Interviewer: But leasing only contributes to about 15% of our total revenue. So there must be something else too.

Interviewee: So a fall in revenue from fish sales must be driven by one of these three factors:

- 1) A fall in average selling price,
- 2) A dip in volume,
- 3) Or a change in product mix.

Do we have any indication about which of these it could be?

Interviewer: 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?

Interviewee: The problem of product mix could either be a demand-side issue or a supply-side issue. Demand side issues affect the whole industry and since that is not the case, it is my hypothesis 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?

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

Interviewee: So the problem could be either external or internal. Has there been any change in the composition of the water body where our fishermen fish? Is it possible that there are fewer small fish available?

Interviewer: No there's been no change in the composition of the sea. The proportion of small fish available is still the same.

Interviewee: 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: 1) Any change in logistical arrangements, 2) Change in fishermen, trawlers, or fishing nets, 3) Or even change in our area of fishing, e.g. - distance from the shore.

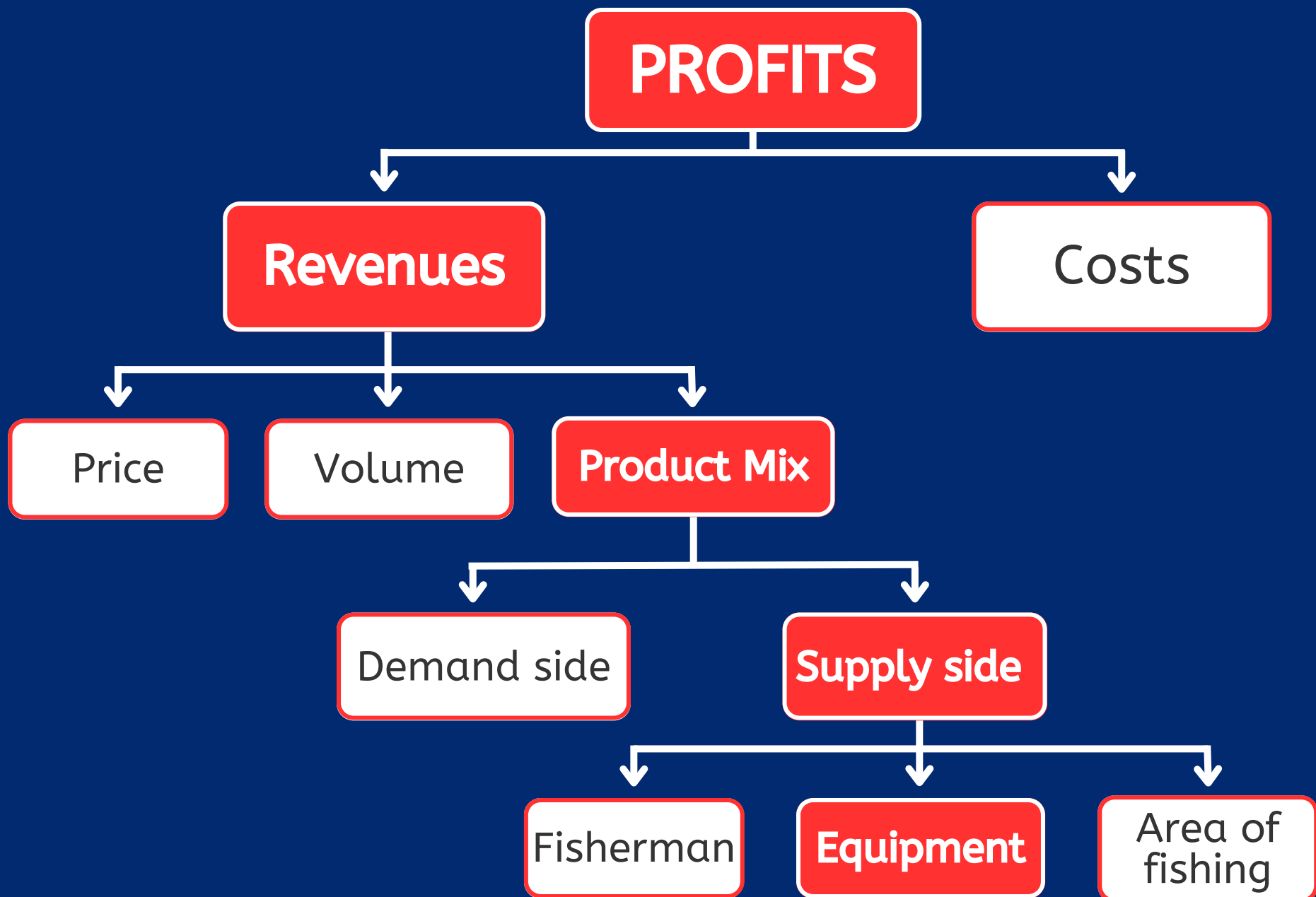
Interviewer: Actually yes there has been an issue. Last year we went on a cost-cutting drive. We wanted to reduce our expenditure on fishing nets so we tied up with a company providing cheap recycled nets. However, these nets came with a square mesh instead of the diamond mesh that fishermen traditionally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

Interviewee: That is some really interesting information! So I believe because of the change in fishing nets, we are unable to catch small fish, which is leading to a fall in profits because small fish have a higher selling price and margin with respect to to the large fish.

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

THAT'S A WRAP!

FRAMEWORK



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- 2 **Rigorous interview practise through real-time guesstimates solving & buddy teams for mock cases.**
- 3 **Placement Assistance through employee referrals by our MBB & Dalberg mentors. Regular job updates from consulting firms. Industry Breakdown for cases.**
- 4 **Live case project (& certificate) with a real life client & business problem. CV templates & interview preparation resources along with 1:1 Mentorship.**

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