



# IIM A

# Consult Prep Book

## 2022-23

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# Introducing the IIMA Consult Prep Book

This year the Consult Club, IIM Ahmedabad is proud to present the Consult Prep Book, an all-in-one document that bundles all key resources required to ace consulting interviews as one ready-to-use document.

The **IIMA Case Book**, now in its 9th edition, aims to give the reader a comprehensive view of the type of cases that form a significant part of consulting interviews. The document is a careful curation of real interview experiences of candidates with leading consulting firms. These interview experiences are collected, analyzed, sanitized, and then bolstered using relevant frameworks. By relying on this book, thousands of students, across numerous institutes, have been able to achieve success in their case interviews over the past six years.

Like last year, this year too we have added **Panorama Reports**, a collection of analysis of 20 industries highly relevant for consulting interviews. We have added 4 industries in the Panorama reports. The reports aim to provide a holistic view of the industries and their key trends. This year we have tweaked the industry primers to give a more in-depth analysis of various industries so that the reader can supplement their case preparation with industry-specific learning.

This year we bring to you a compilation of **Key Frameworks** right at the beginning of the casebook to provide you a ready reference of various ways to structure your case solving.

As part of the appendices, we have included our **Consulting Primer** and a concise compendium of tips and tools useful for your preparation and to **Strengthen Your Toolkit**.

We're making this document available in the public domain with a goal to aid consulting aspirants, irrespective of campuses and levels of information access, step closer to their professional goals. We hope that we've been able to help you in doing so. Wishing you the best!

Sonam Tshering Sherpa  
Coordinator, Consult Club, 2022-23



# 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 Chitla Snehitha, Naren Ashok, Simran Sohal, and Vardhan Patankar (PGP 2021-23) 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 Samriddh Sharma, Shashank Kudlur and Vasundhara Gupta (PGP 2022-24) 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 Devashish Lodha, Mohak Ghelani, Rohit Kedia, (PGP 2021-23), and Shehzala (PhD 2018-23) for leading the Panorama Reports initiative and putting together this revamped edition. We would also like to acknowledge the efforts of Anantha Varshitha, Doiphode Aditya Sunil and Hemanth Raja (PGP 2022-24) 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 Tina Jain, Head, Publications, Consult Club (PGP 2021-23) for leading all these initiatives with thorough professionalism and delivering this integrated output.

We would also like to extend a special acknowledgement to 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 2020-22 and 2021-23 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.



# IIM A Case Book 2022-23

## 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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# 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)

- Expectations

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.

- Approach

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 it's 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 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 in 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

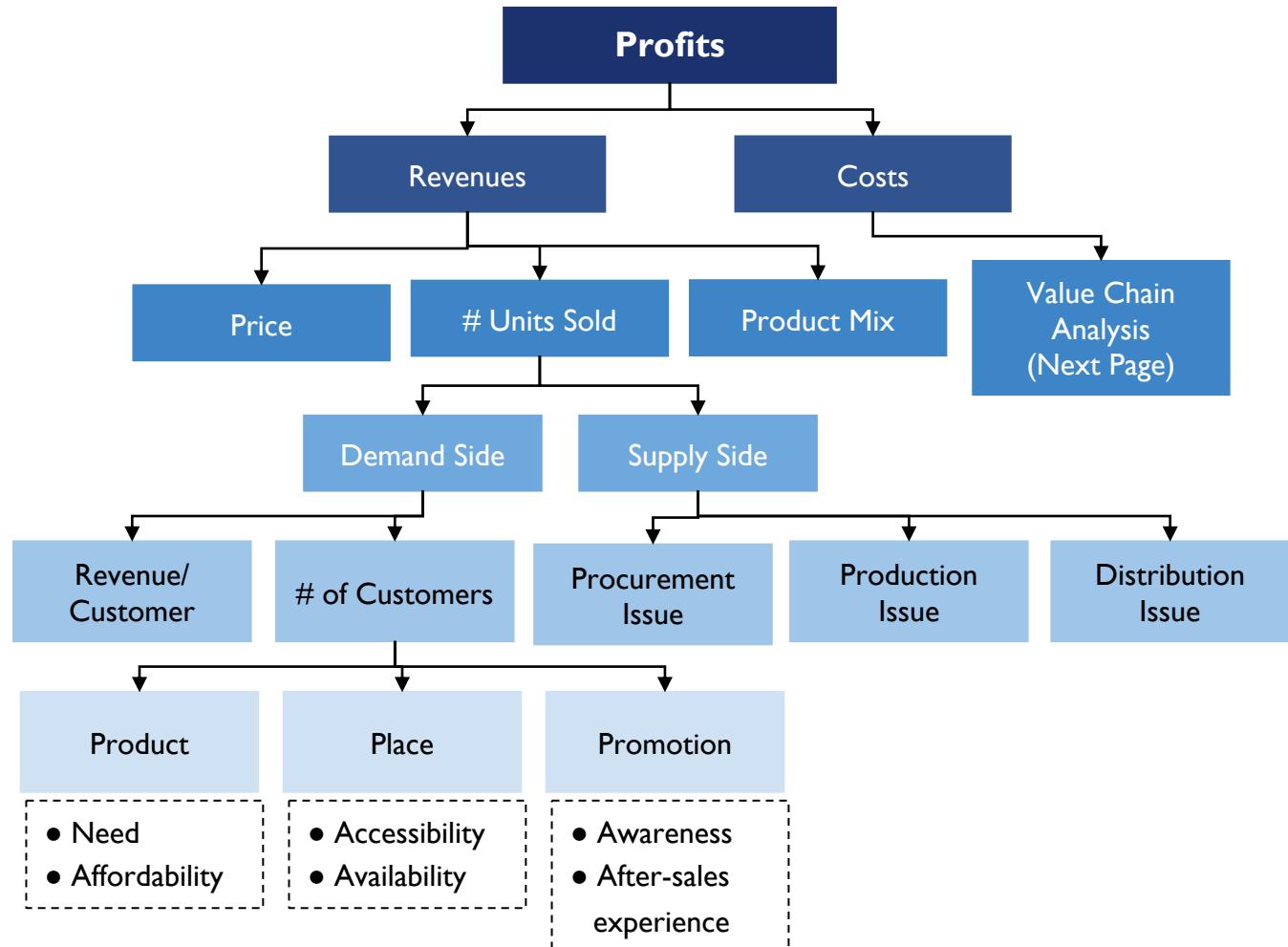
## Profit vs Profitability

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

## Units Sold

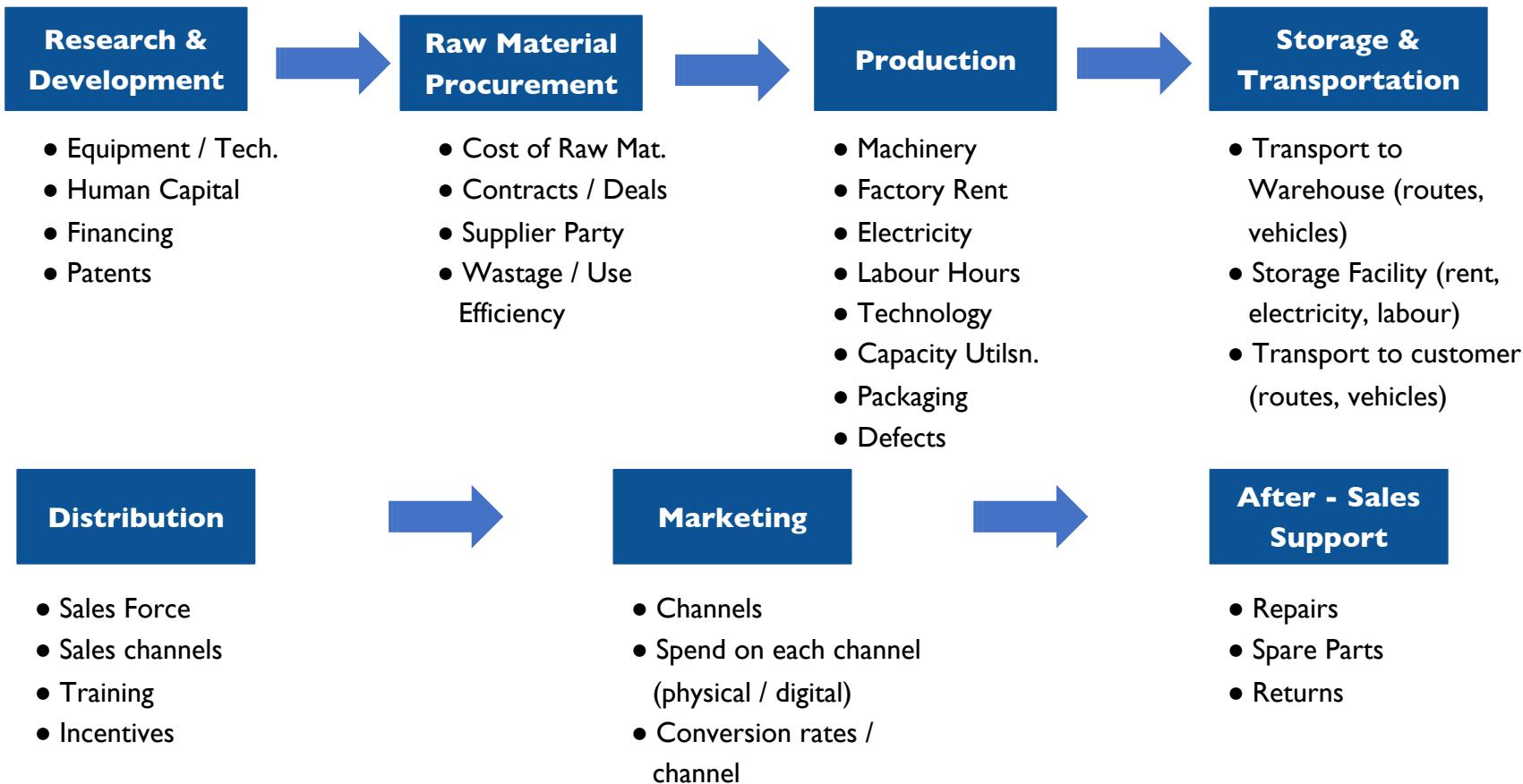
- It can also be broken down as 'Internal' and 'External' factors; Internal issues being similar to the Supply Side break-down and External issues to be examined via PESTEL analysis
- Demand can be seen as: Market Size \* Market Share

## Approach/Framework



# Profitability Framework

## Value Chain Analysis (COST Side Analysis)



- 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?

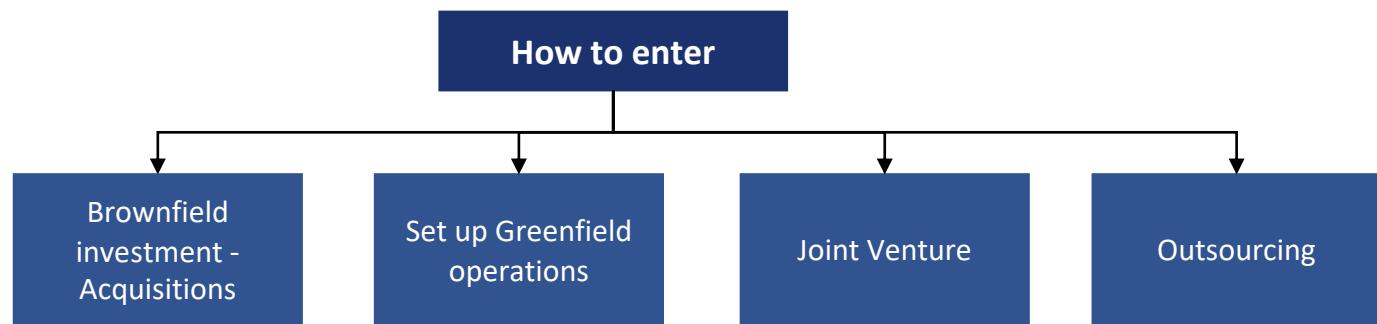
## Approach / Framework

Customer	Company	Competition	Product
<ul style="list-style-type: none"> <li>• Segments</li> <li>• Needs</li> <li>• Size &amp; growth</li> <li>• Target Group</li> <li>• Market Share</li> </ul>	<ul style="list-style-type: none"> <li>• Product Mix</li> <li>• Resources</li> <li>• Key Assets</li> <li>• Value Chain Analysis (feasibility of setting up: procurement - production - distribution)</li> <li>• Financial Analysis (break-even point)</li> </ul>	<ul style="list-style-type: none"> <li>• No. of competitors &amp; market share</li> <li>• SWOT Analysis</li> <li>• Barriers to entry/exit - regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Gap between customer expectations and available products</li> </ul>

## 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

## How to enter



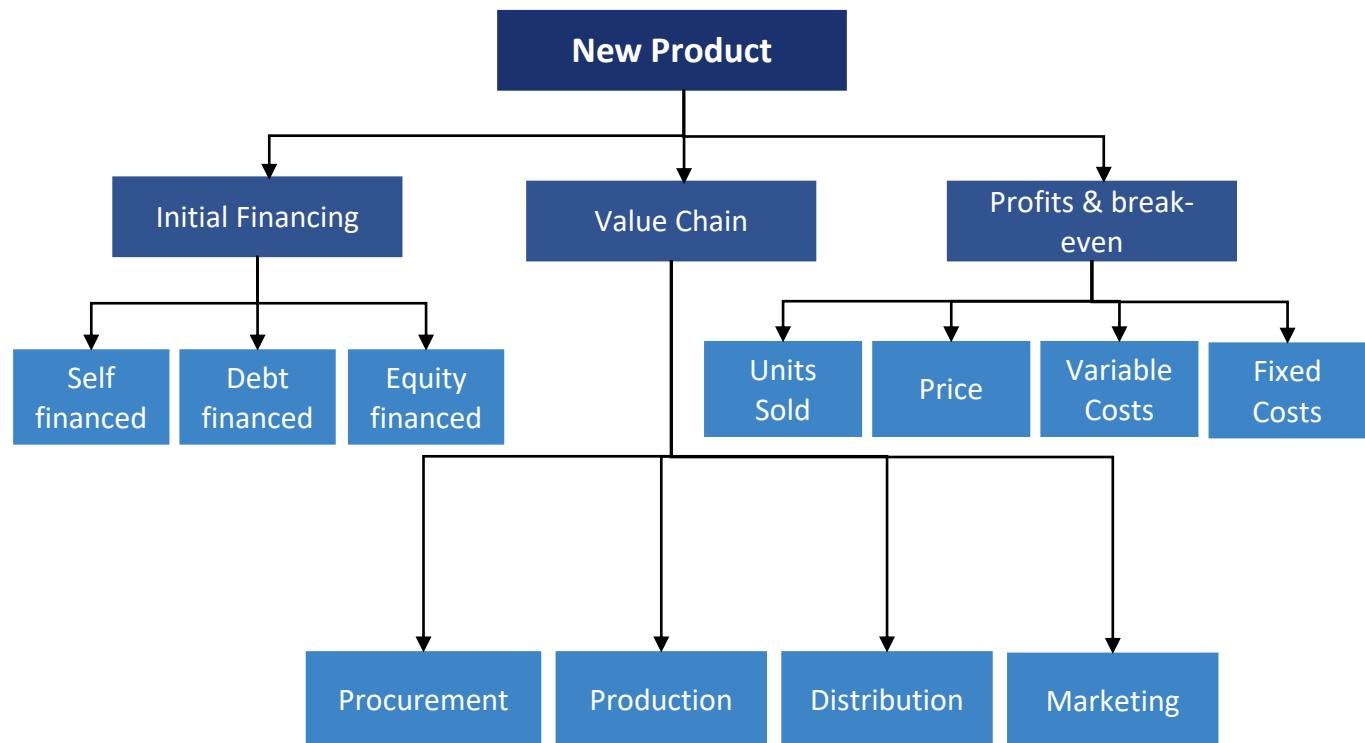
# New Product Introduction Framework

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?

## Approach/Framework



## 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

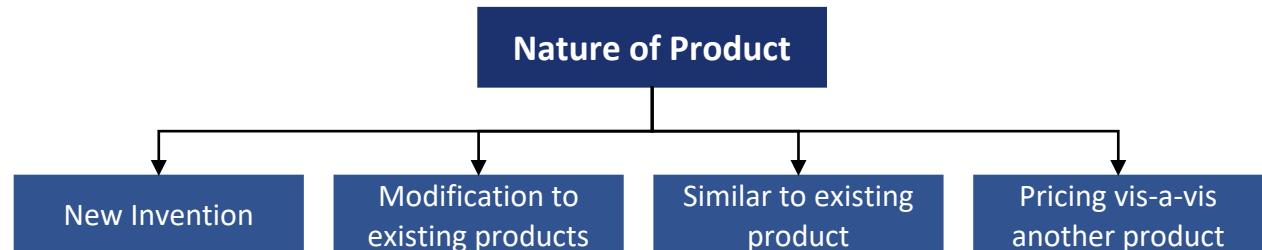
# Pricing Framework

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

## Approach/Framework



## 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

### 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.

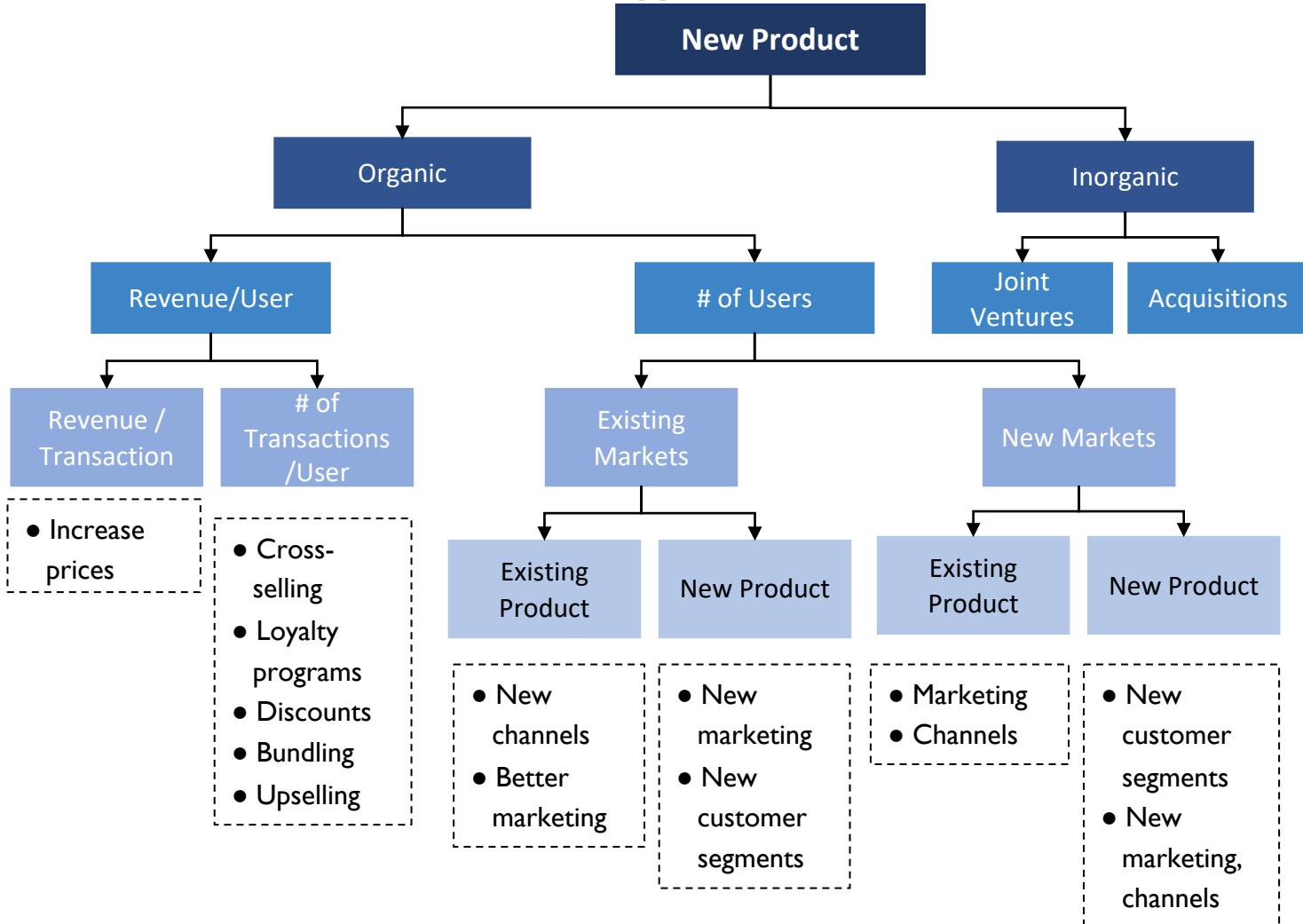
## Initial questions

- 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

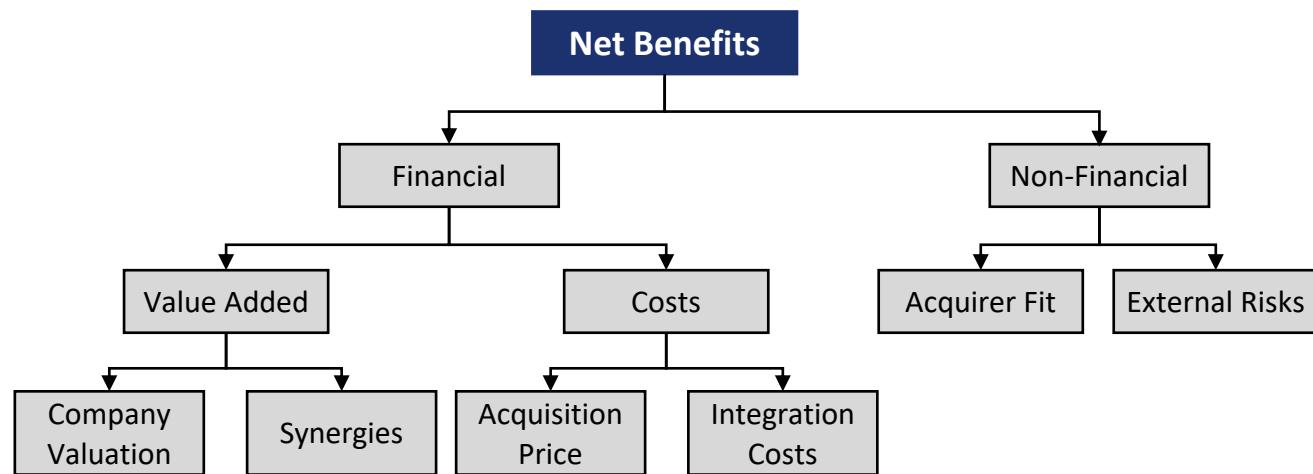
### 1. Understand client's company

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

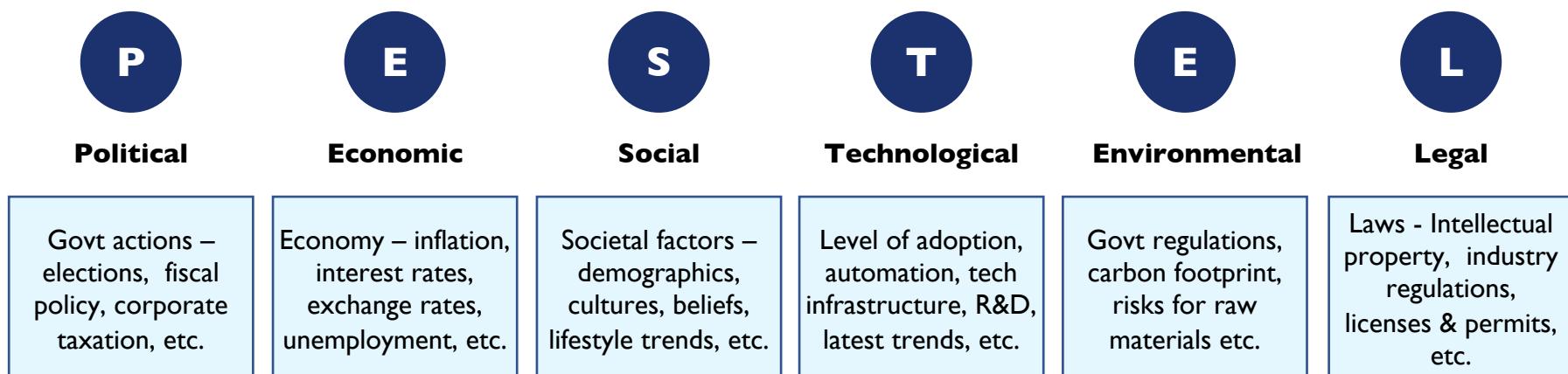
**External Risks:** To be analyzed using PESTEL framework

# Common Frameworks

## SWOT Matrix

	<b>Facilitative</b>	<b>Prohibitive</b>
Internal	<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>Factors providing a competitive advantage to the company against its competitors</li> <li>Ex. loyal customer base, strong brand, skilled employees, proprietary technology</li> </ul>	<p><b>Weakness</b></p> <ul style="list-style-type: none"> <li>Factors resisting a company against operating at its optimum level in the market</li> <li>Ex. lack of capital, high leverage, higher than market attrition, weaker brand image</li> </ul>
External	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>External factors favorable for the company to build a sustainable competitive advantage</li> <li>Ex. shift in corporate taxation, falling raw material prices, market trends, emerging technology</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>External factors which can potentially harm the company's profitability or operations in general</li> <li>Ex. increasing competition, natural calamities, limited labor supply, upcoming regulations</li> </ul>

## PESTEL Analysis



## 5C's of Marketing

<b>Company</b>	<ul style="list-style-type: none"> <li>Who are you? Understanding the company, products, channels, value chain, etc.</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Who are you selling to? Understanding the customers, segments, their needs, wants, etc.</li> </ul>
<b>Competitors</b>	<ul style="list-style-type: none"> <li>Who is in your way? Understanding other players in the market, their strategies, etc.</li> </ul>
<b>Collaborators</b>	<ul style="list-style-type: none"> <li>Who are you working with? Understanding your external vendors, suppliers, partners, etc.</li> </ul>
<b>Context</b>	<ul style="list-style-type: none"> <li>What are current conditions? Understanding the business climate using SWOT &amp; PESTEL</li> </ul>

## 4P's of Marketing

<b>Product</b>	<ul style="list-style-type: none"> <li>Product is the item catering to a need</li> <li>Involves product design, features, quality, range, branding, packaging, etc.</li> </ul>
<b>Place</b>	<ul style="list-style-type: none"> <li>Place is the channel of delivery of product</li> <li>Involves distribution, franchising, inventory, transportation, logistics, etc.</li> </ul>
<b>Price</b>	<ul style="list-style-type: none"> <li>Price is amount being paid for a product</li> <li>Involves pricing strategy, payment methods, discounts, allowances, etc.</li> </ul>
<b>Promotion</b>	<ul style="list-style-type: none"> <li>Promotion covers the marketing communications being used for product</li> <li>Involves channel mix, messaging, etc.</li> </ul>

## 4A's of Marketing

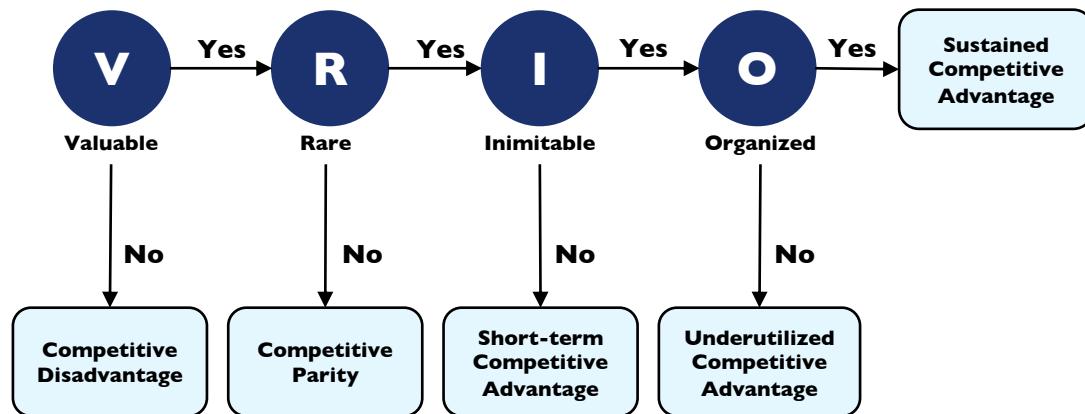
<b>Awareness</b>	<ul style="list-style-type: none"> <li>Product Knowledge: Customers should have sufficient knowledge to trigger a purchase</li> <li>Brand Awareness: Customers' ability to recognize, recall and remember the brand name</li> </ul>
<b>Affordability</b>	<ul style="list-style-type: none"> <li>Economic Affordability: Customers should have sufficient economic resources at disposal to purchase.</li> <li>Psychological Affordability: Customers' willingness to pay for a given product or service offered by the company</li> </ul>

<b>Accessibility</b>	<ul style="list-style-type: none"> <li>Customer Availability: Company should have sufficient stock to cater to market demand</li> <li>Customer Convenience: Ease of access for a potential customer to the product or service</li> </ul>
<b>Acceptability</b>	<ul style="list-style-type: none"> <li>Functional Acceptability: Objective in nature, based on product specification, performance, durability, etc.</li> <li>Psychological Acceptability: Subjective in nature, based on product aesthetics, brand appeal, etc.</li> </ul>

# 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

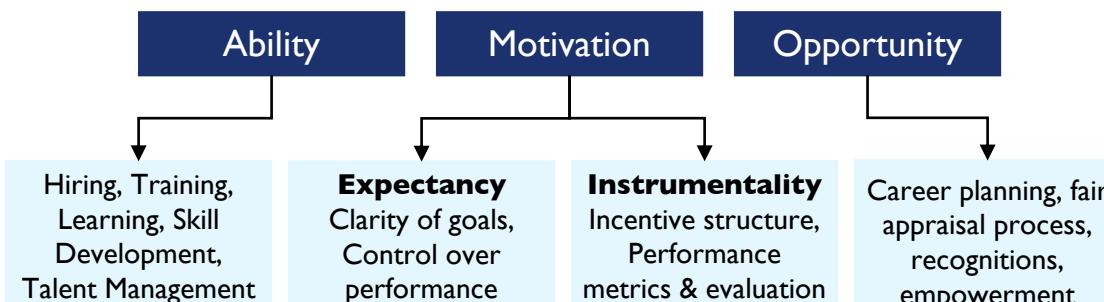
Selection of a customer group to focus marketing efforts based on segment attractiveness

### 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.



## 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



# Profitability



# Beer manufacturer – Interview Transcript

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.

Is the problem only on the cost side, or should I also analyse 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. There is no relevance to the problem being limited to our client or the industry.

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 machine efficiency.

Okay. Then there could be multiple reasons for the client not having been able to install better machinery: Cost of Machinery, 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 logistics problem.

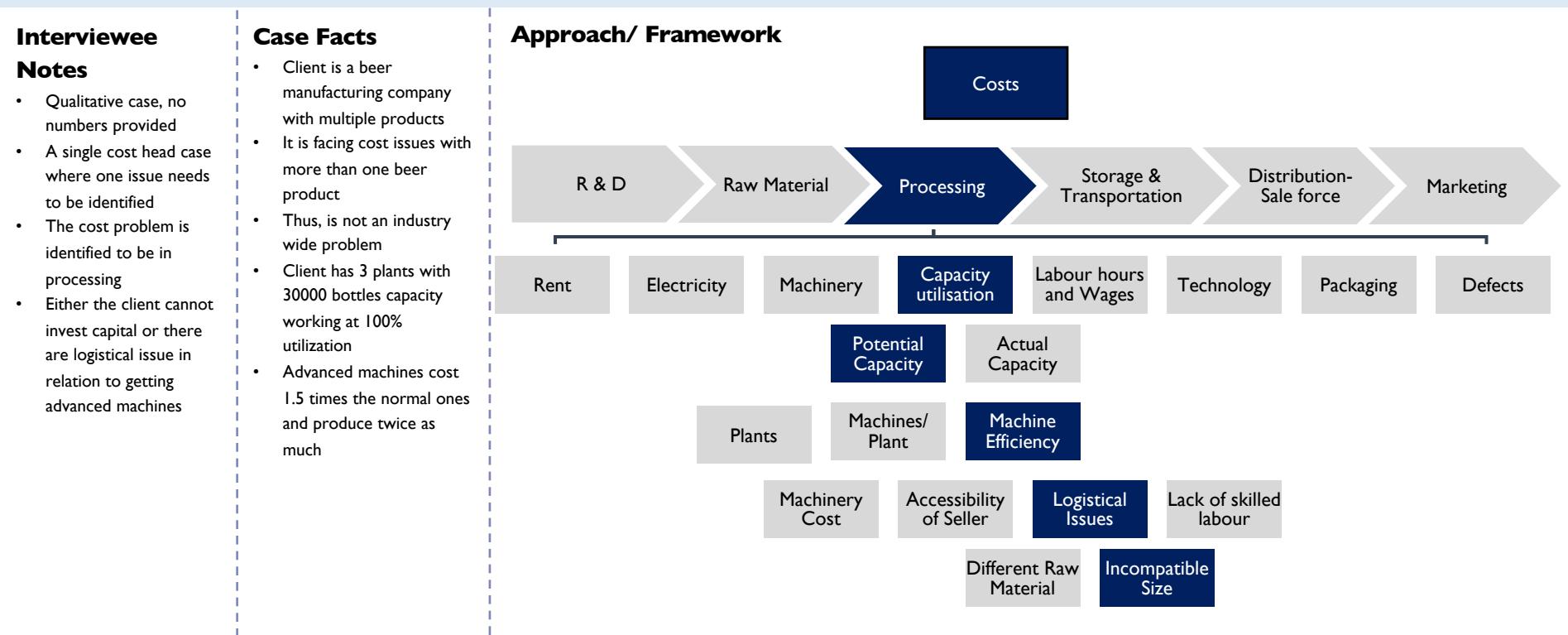
Okay. 2 reasons can be responsible for this: Size/build of the machinery is not compatible with the current factory plan. Or the machine requires the client to change the type of raw material being used.

So, the size of the machine seems to be the issue. What would be your recommendations?

I would recommend 2 things: The client can increase operating hours of the machines if currently it is not at 24 hours. Second, they can undertake capital investments to adjust the current plant size if feasible or invest in newer plants which are compatible with the better machines.

# 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.



## Recommendations

- Candidate should give a combination of short term and long-term recommendations
- In the short term, the shifts can be increased to increase the capacity of the plant.
- In the longer run, the client should aim to buy plants which are larger as compared to the existing plant to accommodate high-capacity machines or make size adjustments to existing plants.

## 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 coat 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?

1. The employees may be lacking competency or training, thereby being unable to resolve the issue of the customers in their first visit.
2. Due to improper segmentation, the customer may have to visit multiple counters for performing a single task.

So, how do you suggest we overcome this?

I can think of the following few steps:

1. 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.
2. Set up a self-operating kiosk inside or outside the bank for deposit of cash and updating of passbook.
3. Train the employees so as to enable them better understand the needs of the customer and thereby assist them efficiently.
4. Have single window clearance for as many services as possible.

Thank you. These are reasonable recommendations.

# 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.

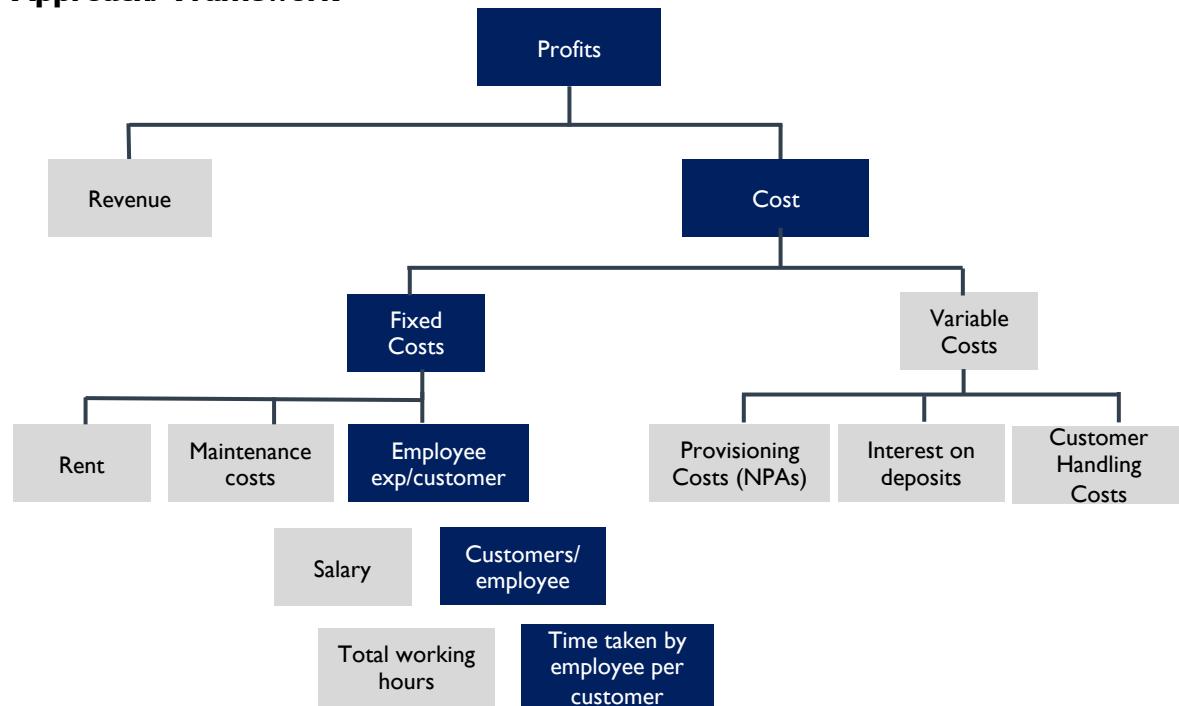
## Interviewee notes

- 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
- 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 wants 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 be 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 lessors 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 themselves 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 monetize 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.

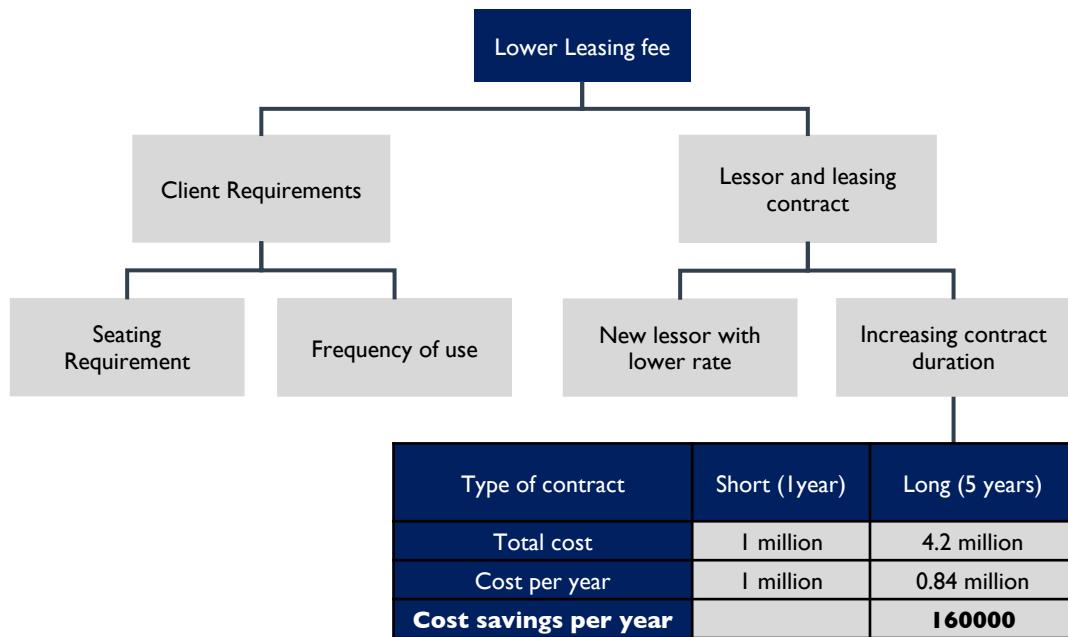
## Interviewee Notes

- 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



## 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 industry, and the position of IA? The kind of competition, the growth?

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 use a value chain analysis for the same and I would break it down into the following cost heads: 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.

# Auto Insurance

To increase profitability of an auto insurance provider

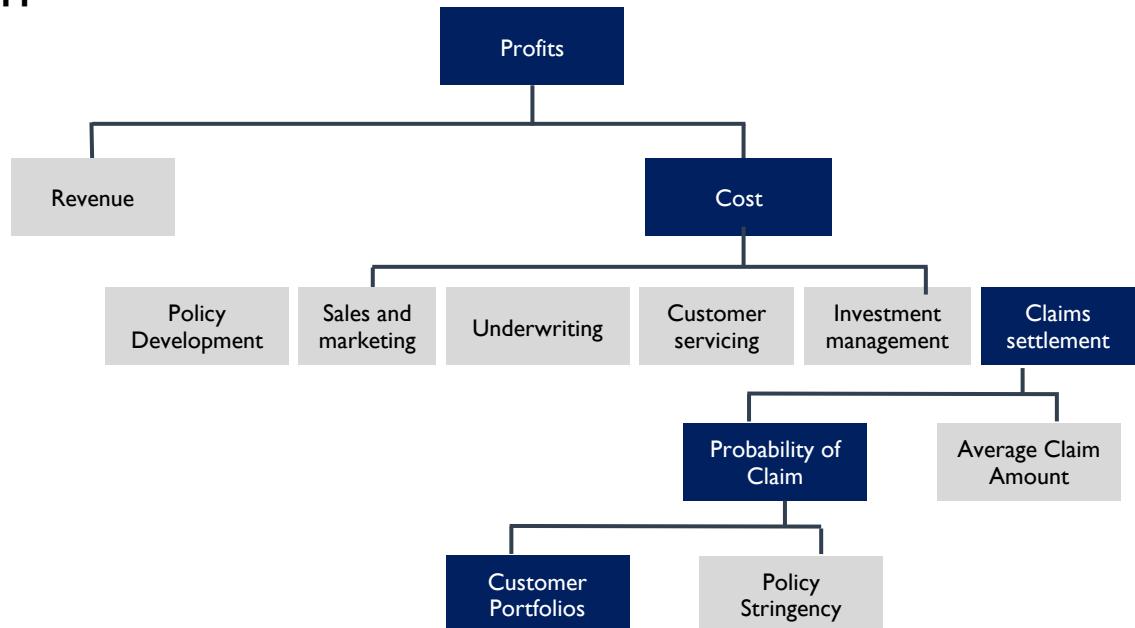
## Interviewee Notes

- 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 after the grade 12 level. They basically 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 has been 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 2<sup>nd</sup> in terms of market share but have now dropped to 3<sup>rd</sup> 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 very 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.

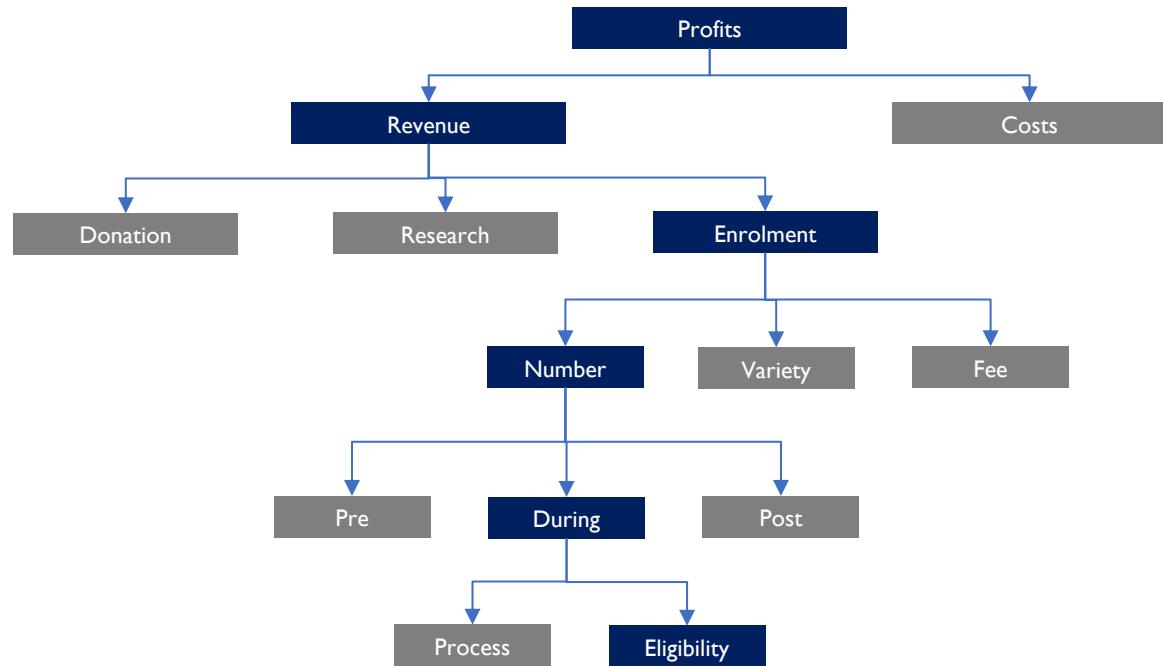
## Case Facts

- 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 3<sup>rd</sup> 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 a 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 we 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 and the price of petrol. 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/lit.

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 and ticket size is almost the same. The no 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 will be 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.

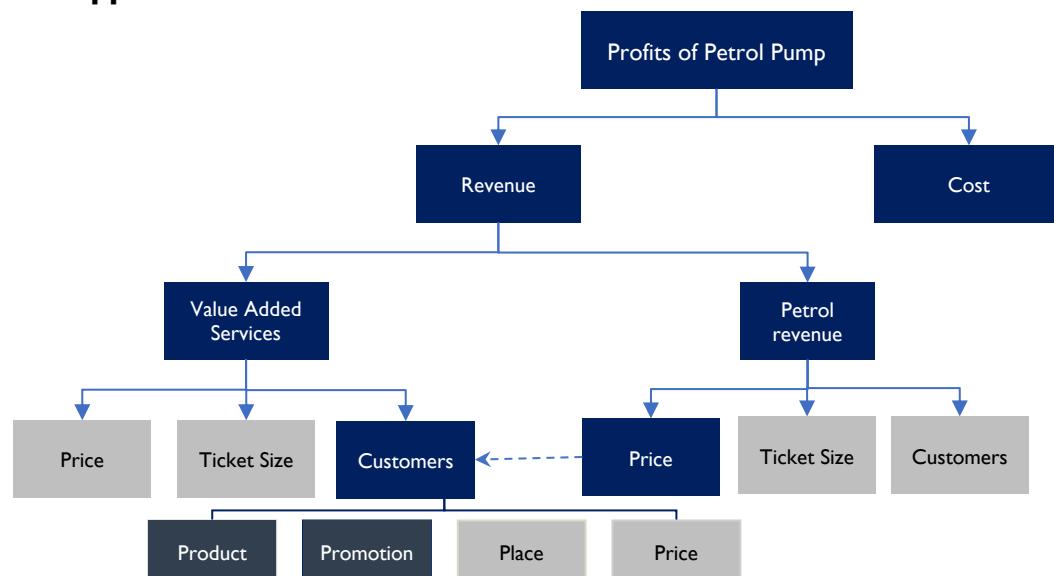
## Interviewee Notes

- 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 pump 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.

OK, so I would like to understand that when we say decline in sales, does it mean decline in overall revenues or # of units sold?

They are facing overall revenue decline

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.

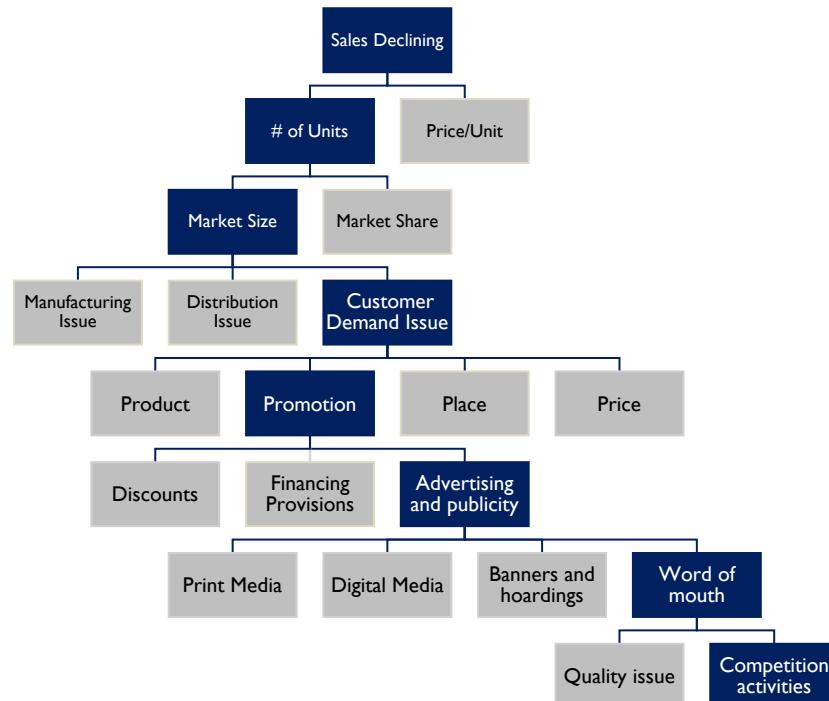
# Tractor Company

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 a 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.

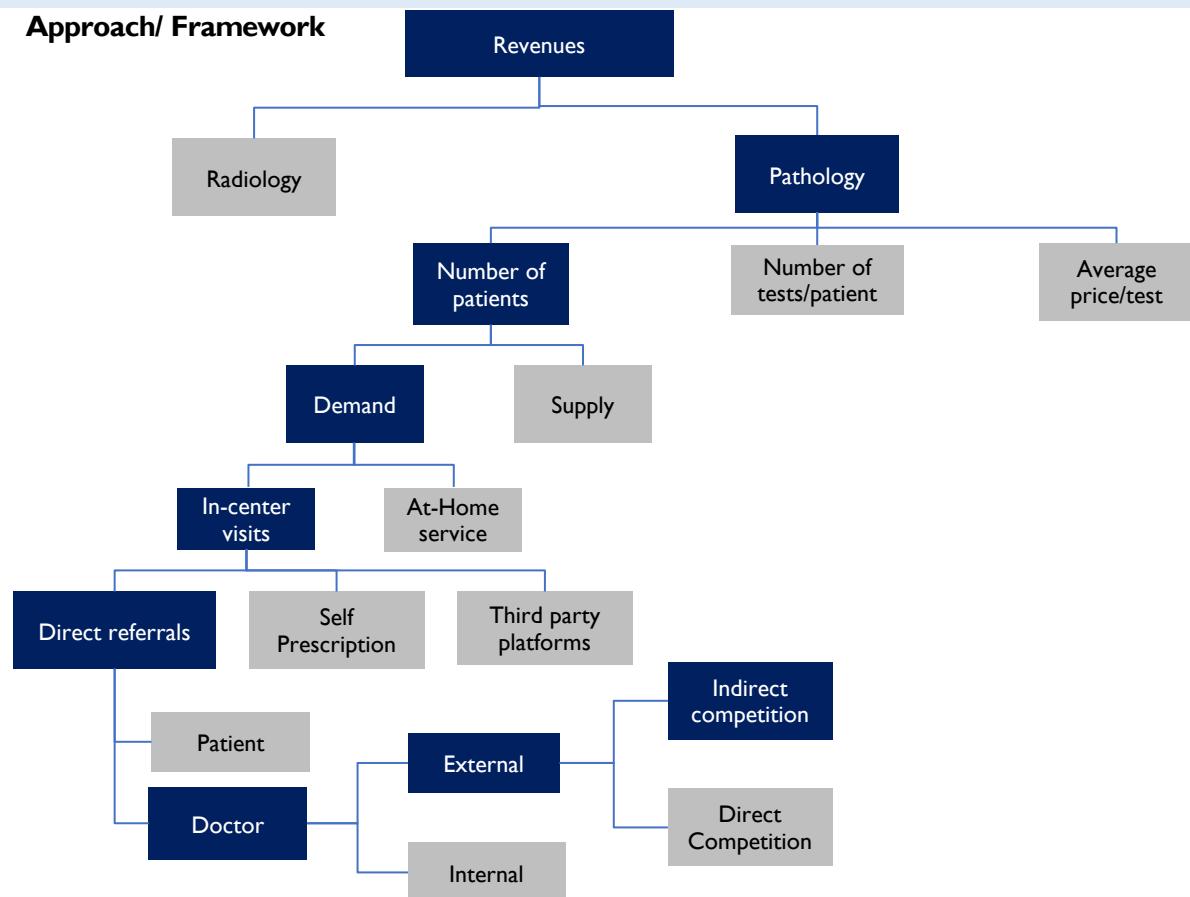
## Interviewee Notes

- 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:

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

## Key learnings:

- Continuously sharing your hypothesis along with questions can lead to much quicker analysis of the case.
- Using the 3C-IP 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 sea-food 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 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?

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

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.

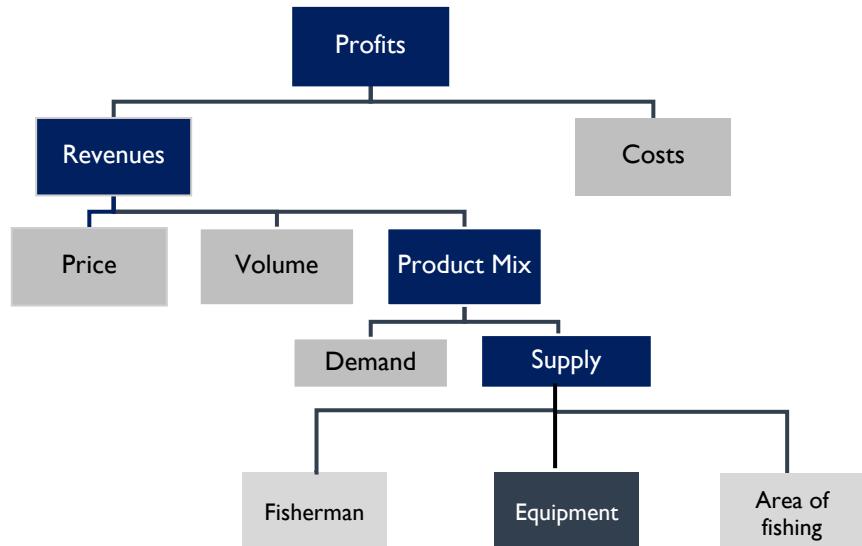
## Interviewee Notes

- 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.

# Banking – Interview Transcript

Your client is a Leading Public Sector Bank(PSB) in India. Recently it has been experiencing a decline in its profitability. It wants you to analyse why?

This seems like an interesting problem. To better understand the proposition, I would want to ask a few clarifying questions.

Is our objective to reverse the decline in profitability, or is the bank only looking towards assessing the reason for the decline?

The bank wants us to analyse the reasons and suggest avenues for growth.

Is it safe to assume that the bank is National – Pan India, and that domestic business is the major arm of the business.

That is a fair observation

I am trying to understand the bank's customer base. So, am I right in assuming that the bank draws a majority of its business from rural banking, but also has a competitive position in Urban areas?

Yes, a majority of the bank's business is from rural areas, and in urban areas it has a more muted presence. Something it aims to work on

Since when has the bank been facing a decline in profitability? Also, have the other banks also been facing similar issues?

The bank has been witnessing falling profitability for the past 5-6 quarters. Some banks have seen declining profits, but others have seen periods of steady growth.

Interesting. That's a decline for almost a year and a half, while the industry seems to be doing fine. This leads me to hypothesize that is some systemic issue with the bank, that probably stems from faulty loan policies, in turn escalating costs. A final clarification, what is the timeline that we are looking at to reverse the decline in profitability?

The bank wants to reverse the trends in the next 1-2 years.

Given the short timeline, I would like to take a two-pronged approach. To increase profitability, we have two possibilities - increase revenues - increasing the customer base and income from advances. Second, we could look at the cost aspect, maybe target recoveries to decrease the NPAs, reducing the written off assets. Is there something specific you want me to look at?

Has there been a substantial decrease in the revenues, or an increase in the costs?

Yes, the costs have increased, but revenues have remained more or less constant. Why don't you start by analysing the revenues?

As a Public sector bank, since in-organic growth is not a feasible option, we could explore increasing the number of customers or the value per customer. Since the agriculture and commercial loans have been high on NPAs, the bank could focus on retail assets to grow.

However, I do realise that the social dimensions, and priority sector lending targets are also to be considered.

That's a fairly good analysis. Could there be a way to utilise the latter, since we enjoy a large rural presence?

Using its pervasive network, if the bank could tap into the last mile customer and provide a basket of services to these customers, whom they have almost exclusive access to. This would help them substantially grow their revenue, and also build our brand image.

Alright, now let's concentrate on retail growth, as you rightly pointed out, it has the lowest NPA.

In growing the number of customers, the bank could look at our existing market presence or look to expand to newer areas. In the existing markets they could need to analyse whether our products have market visibility. In case that is there the bank needs to analyse if the channels are accessible, and finally, the bank need to look at desirability vis-à-vis other providers.

Briefly analyse all

Awareness could be increased with promotion. In Channels, there are two broad categories – Physical and Digital. In both, the approachability and the hygiene factors are important. The approachability looks at aspects such as location of physical branches, or accessibility of the site. The hygiene factors explore the ease of doing business. In the desirability, the bank needs to look at the products and services offered by our competition, the tie-ups and the preferences of customers.

In tie-ups, the bank could explore areas such as EMI loans for online shopping; tie up with real estate agents, educational institutes, car agencies, travel agencies, and businesses (for personal loan for employees).

Is there something I should analyse in greater detail, or should I move onto analysing new markets? No this is a good analysis. Let's move onto value per customer.

In value per customer, since, the interest rate is not a variable we can adjust to a large extent, we could look at increasing the loan amount per customer, or cross-selling associated products.

Ok

For increasing the loan amount, the bank could sell them other loans. For instance, for someone who has a home loan, the bank could sell them a car loan, etc. In selling associated products, the bank could market insurances and wealth management products of its partners.

Good. Thanks, that would be all.

# Banking

Your client is a public sector bank who is facing a decline in profits. It wants you to figure out the reason for the same

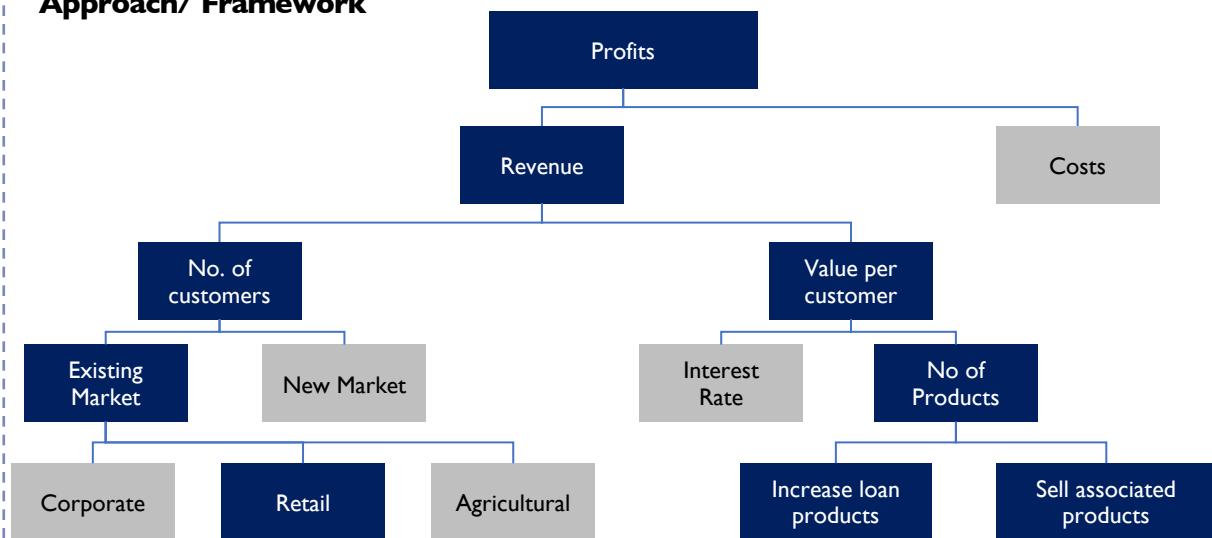
## Interviewee Notes

- Banking sector specific costs such as customer acquisition and transaction costs along with NPAs should be focused on.
- Decline is because of higher customer acquisition as bank still follows traditional banking model.
- Costs are also on account of high NPAs
- Interest rates generally cannot be changed to increase revenue

## Case Facts

- Leading public sector bank in India
- Pan India operations
- Majority business from rural banking
- Declining profitability over the last 5-6 quarters
- Not an industry wide problem

## Approach/ Framework



## Recommendations

- Target retail assets to grow revenues which have minimum NPAs, use existing network as leverage to grow
- Increase the number of products as well as value per customer to drive this growth

## Observations / Suggestions

- It is important to look at the timelines while making recommendations
- Sector specific knowledge such as increasing farm loan waivers in agricultural sector or rising NPAs in corporate sector can hint where the bank could look for its growth, i.e., retail

# 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 its business across some niche routes. Occupancy in those routes has been suffering.

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 very 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

# SpiceJet vs Indigo

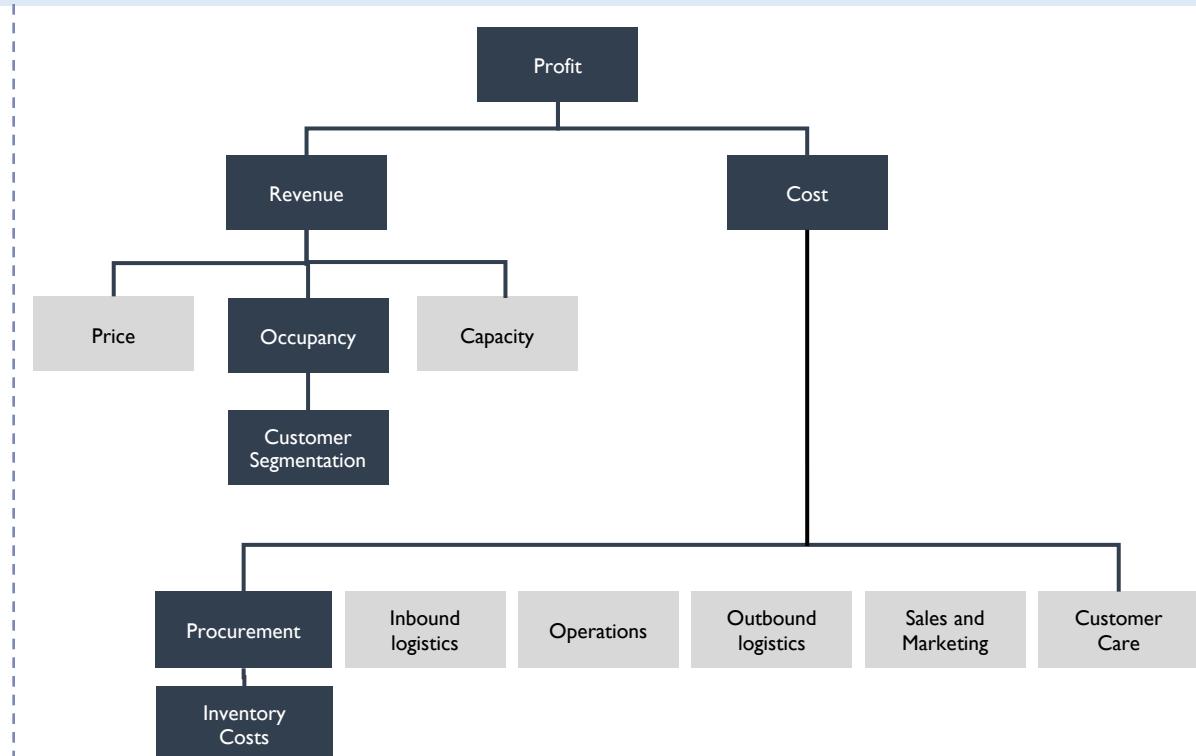
Your client is SpiceJet. It has observed a decline in profitability vis-à-vis Indigo. Analyze the problem and provide solutions.

## 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 grow 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 declined 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

# Port Operator – Interview Transcript

Your client is a port operator on the western coast of 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.

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 be 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 analyze 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 joint 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 – Interview Transcript

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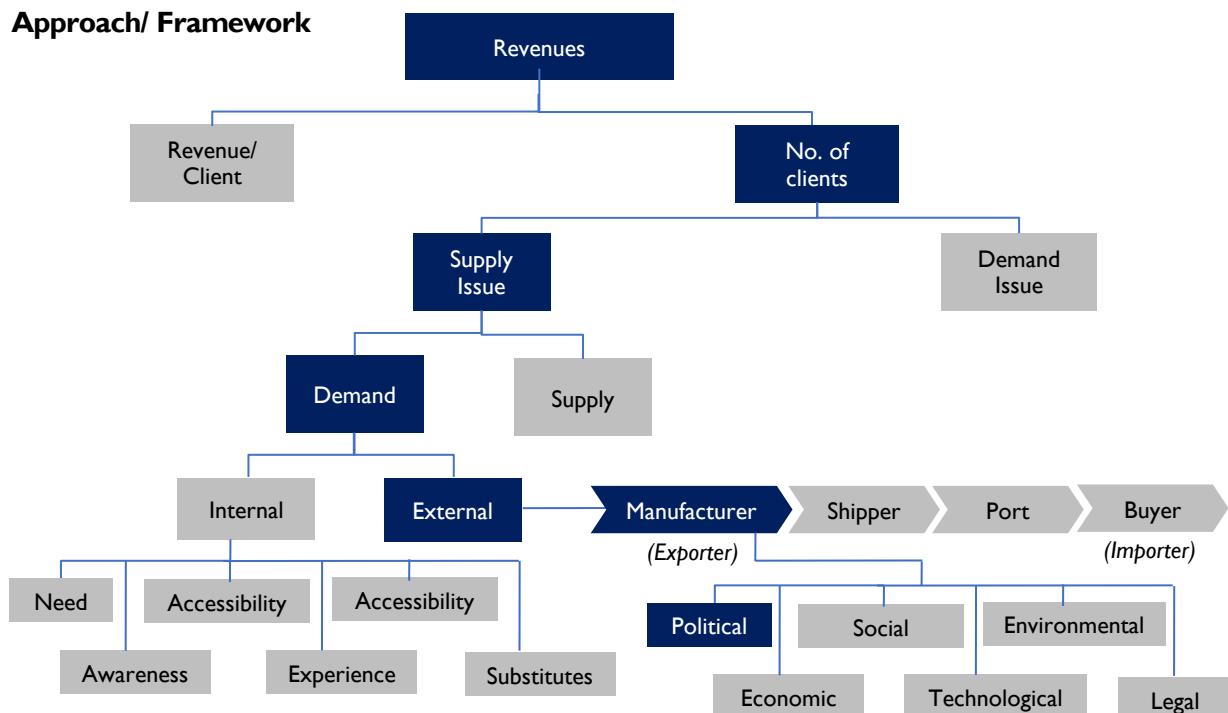
## Interviewee Notes

- 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
- Manufacturers (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 is able to 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 service 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 different recommendation-

1. 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

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.

2. 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 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.

# 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 agreed upon capex of INR 10.5 Lacs initially.

So, if we assume that a general vending machine costs around INR 35000, so we are able to 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 INR100 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.

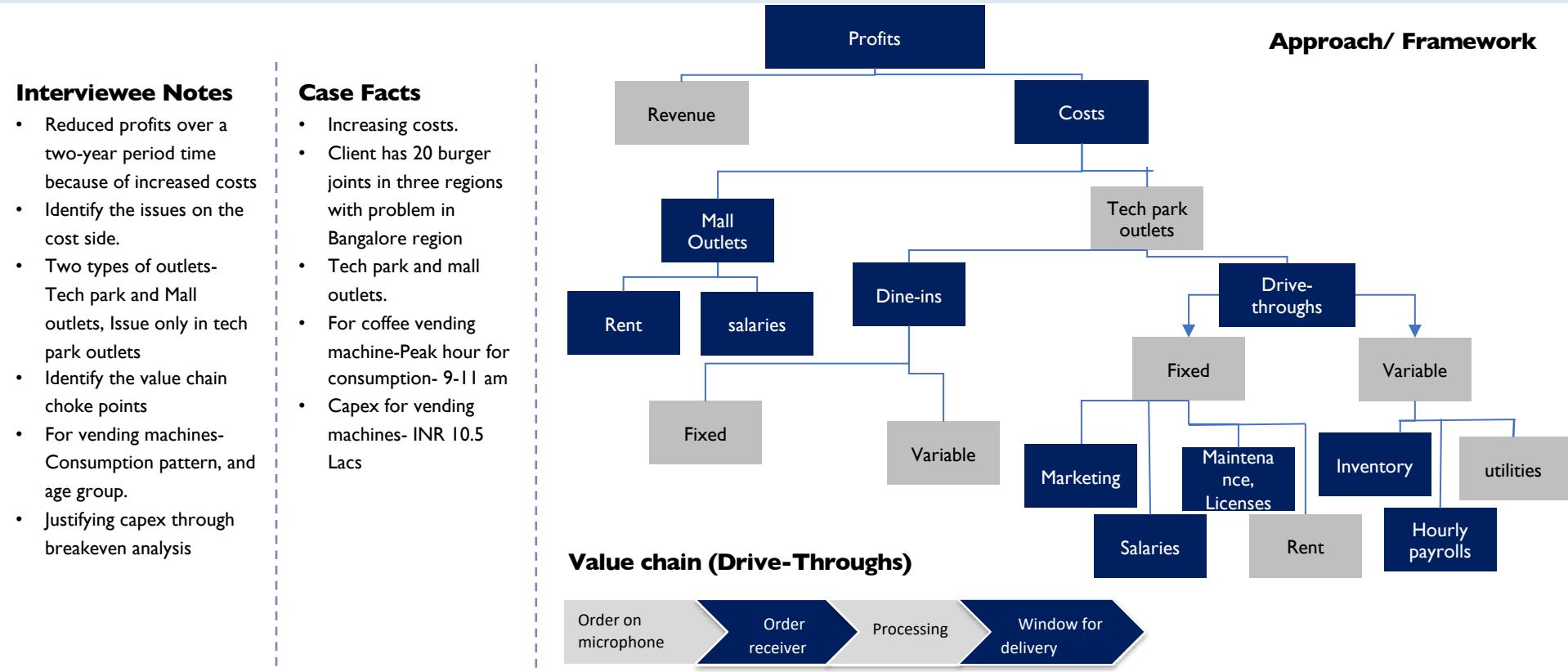
So, if we consider during the peak hours i.e., between 9-11 am the arrival is 20 per hour and for the rest of the day it could be averaged out to ~2 per hour. So, for the day it is- 42 per day. For Hyderabad let's assume 80% w.r.t. to Bangalore and for Pune, lets assume 60% w.r.t. Bangalore. The number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

# Cost Reduction - Fast Food Industry

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



## 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 a.m.
- 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?

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?

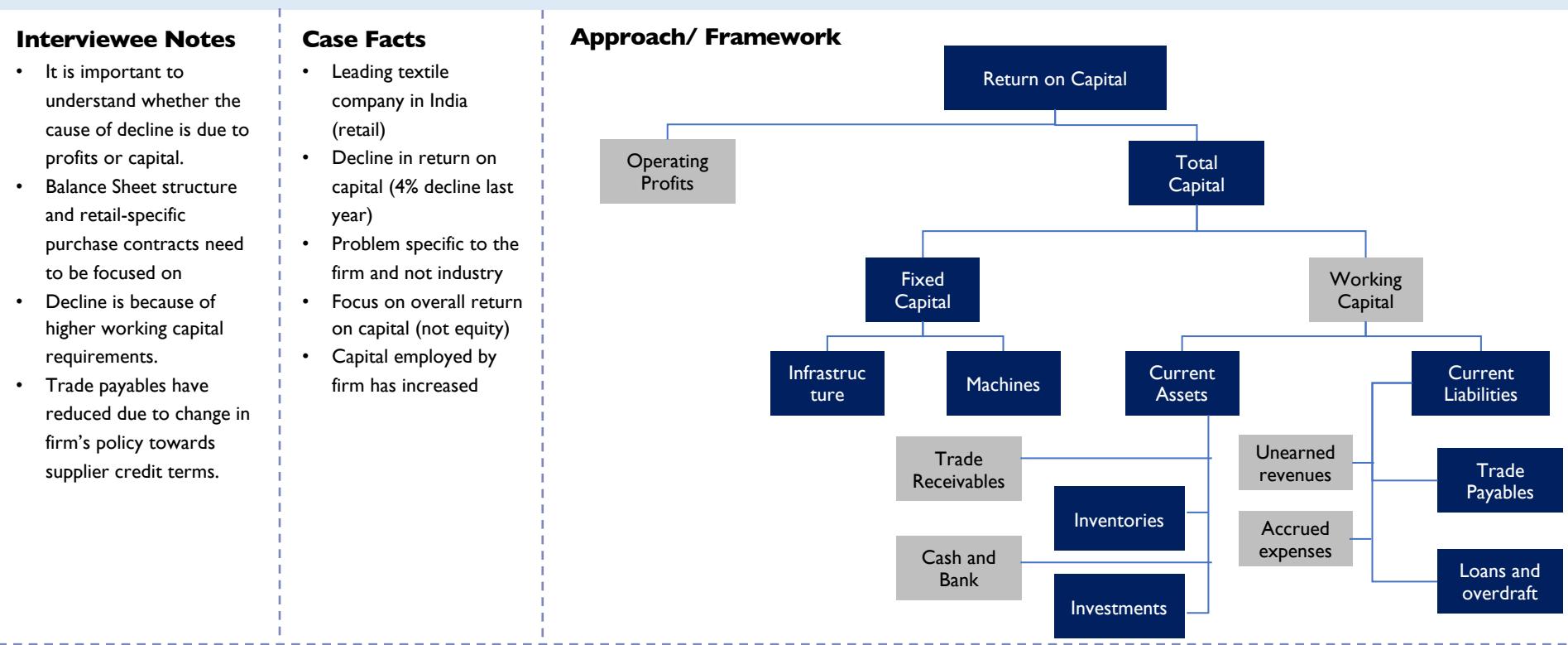
The client may have changed its policy of payment to the suppliers. Earlier, the client would have been paying them the dues beyond the stipulated payment period. However, to avail the cash discount this year, the client could have reduced the credit period. In all probability, the benefit from the cash 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.

Thank you. It would a pleasure interacting with 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?



## 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?

Haha intentional-unintentional! 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..

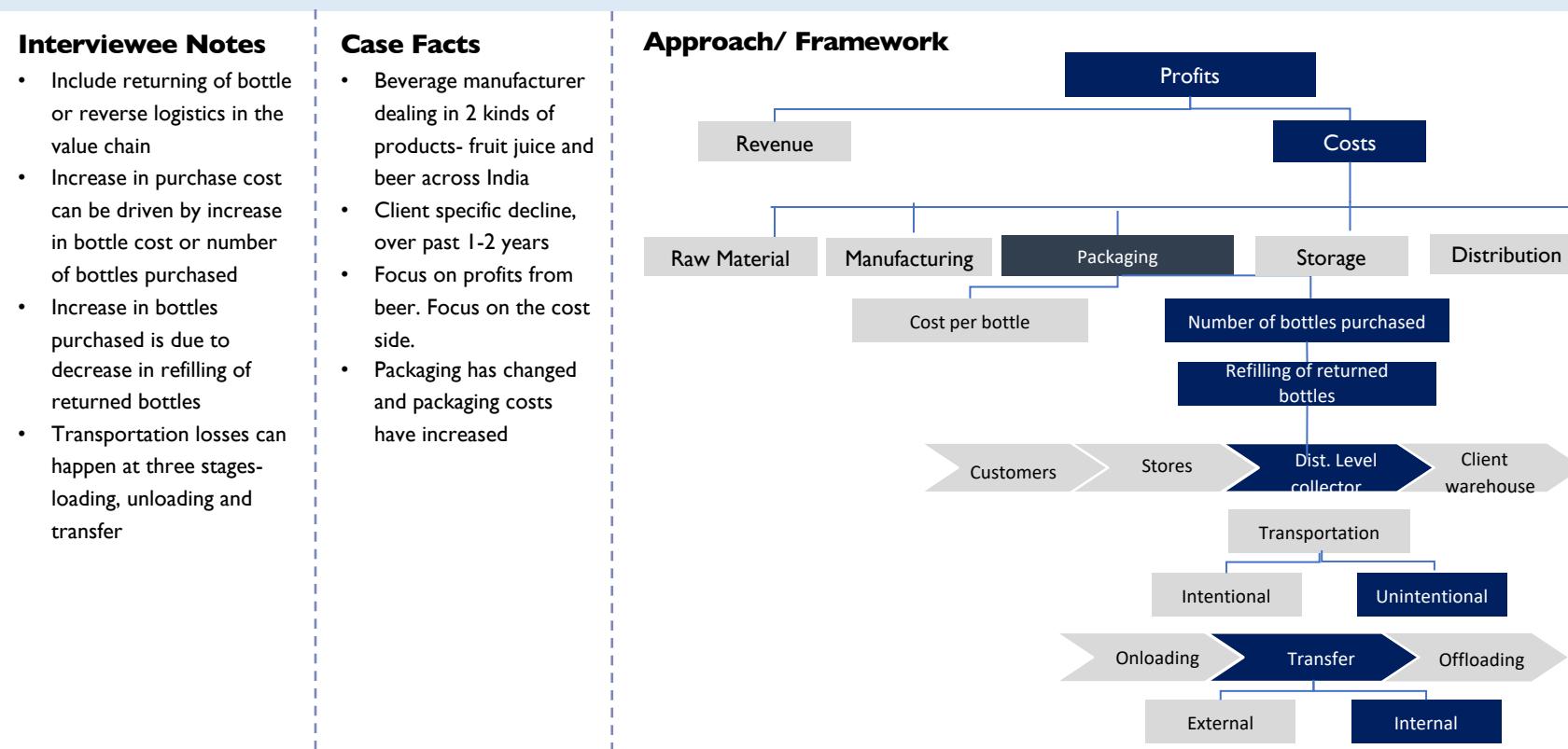
Ways to reduce costs:

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.

# 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



## 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 led 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 located 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.

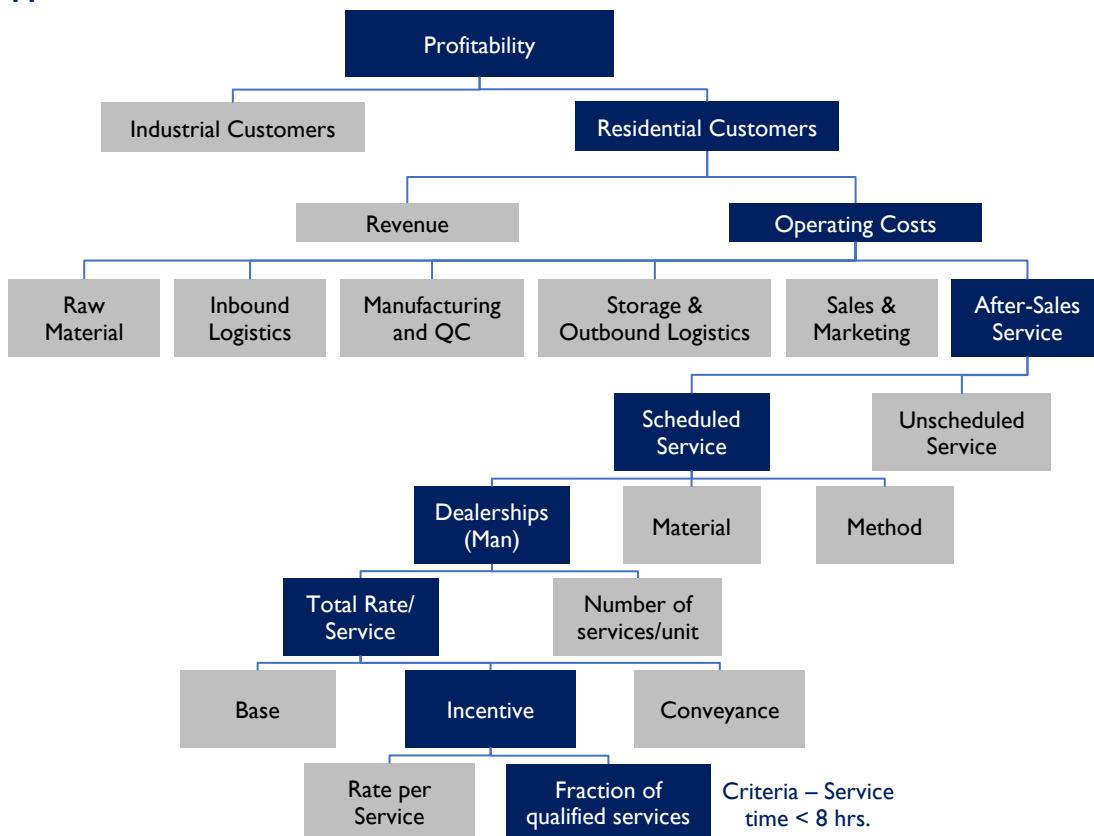
## Interviewee Notes

- 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 in order 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 tieups \* 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?

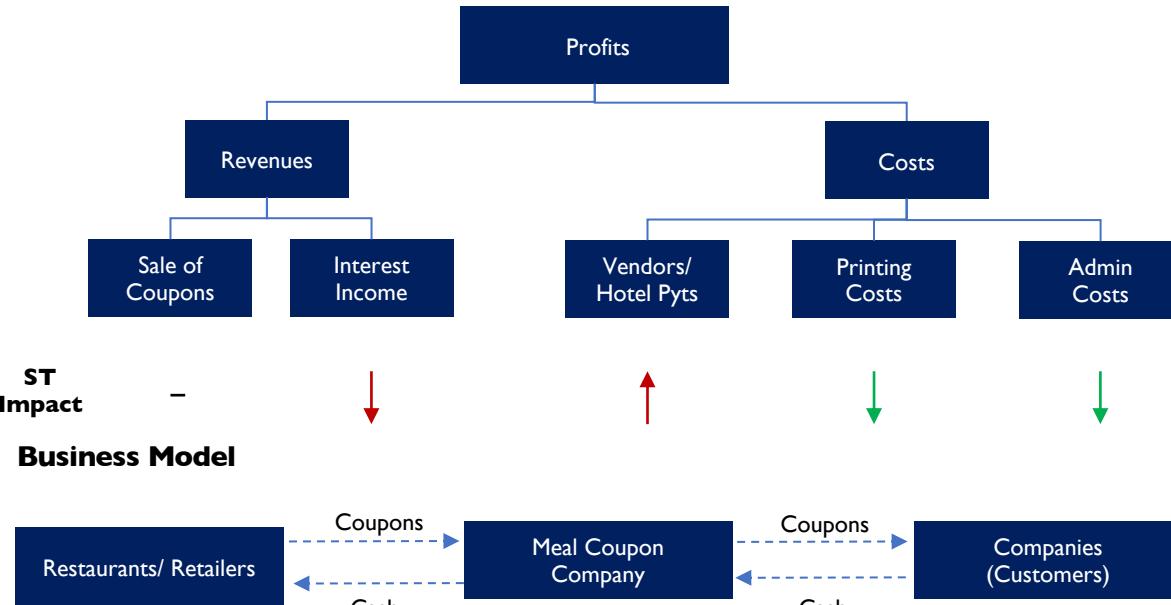
I would divide the measures into two – a) aimed at increasing revenues and b) aimed at reducing costs. On the revenue front, the company can evaluate whether it can analyze the data from the card system and use it in its operations. The data analytics could be valuable for food companies and there is 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	Case Facts	Approach/ Framework
<ul style="list-style-type: none"> <li>Interest income would decrease under the new setup leading to a decrease in revenue</li> <li>On the costs side, this shift can result in a decrease in printing and admin costs</li> <li>Check for cybersecurity issues which can arise</li> <li>Shift to this business model will reduce the number of unutilized coupons</li> </ul>	<ul style="list-style-type: none"> <li>Meal coupon Company envisaging shift from paper-based coupons to card-based system</li> <li>Decision to be examined from a profitability perspective</li> <li>Company would be the first to make this transition</li> </ul>	<p><b>Approach/ Framework</b></p>  <pre> graph TD     Profits[Profits] --&gt; Revenues[Revenues]     Profits --&gt; Costs[Costs]     Revenues --&gt; SaleOfCoupons[Sale of Coupons]     Revenues --&gt; InterestIncome[Interest Income]     Costs --&gt; Vendors[Vendors/ Hotel Pyts]     Costs --&gt; PrintingCosts[Printing Costs]     Costs --&gt; AdminCosts[Admin Costs]      subgraph BusinessModel [Business Model]         Restaurants[Restaurants/ Retailers] &lt;--&gt; MCC[Meal Coupon Company]         MCC &lt;--&gt; Companies[Companies (Customers)]         Restaurants -.-&gt; MCC         MCC -.-&gt; Companies         MCC -.-&gt; Restaurants         MCC -.-&gt; Companies     end   </pre> <p><b>ST Impact</b></p> <p style="text-align: center;">-      ↓      ↑      ↓      ↓</p> <p><b>Business Model</b></p> <p>Restaurants/ Retailers —&gt; Meal Coupon Company —&gt; Companies (Customers)</p>

## 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 pretty 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.

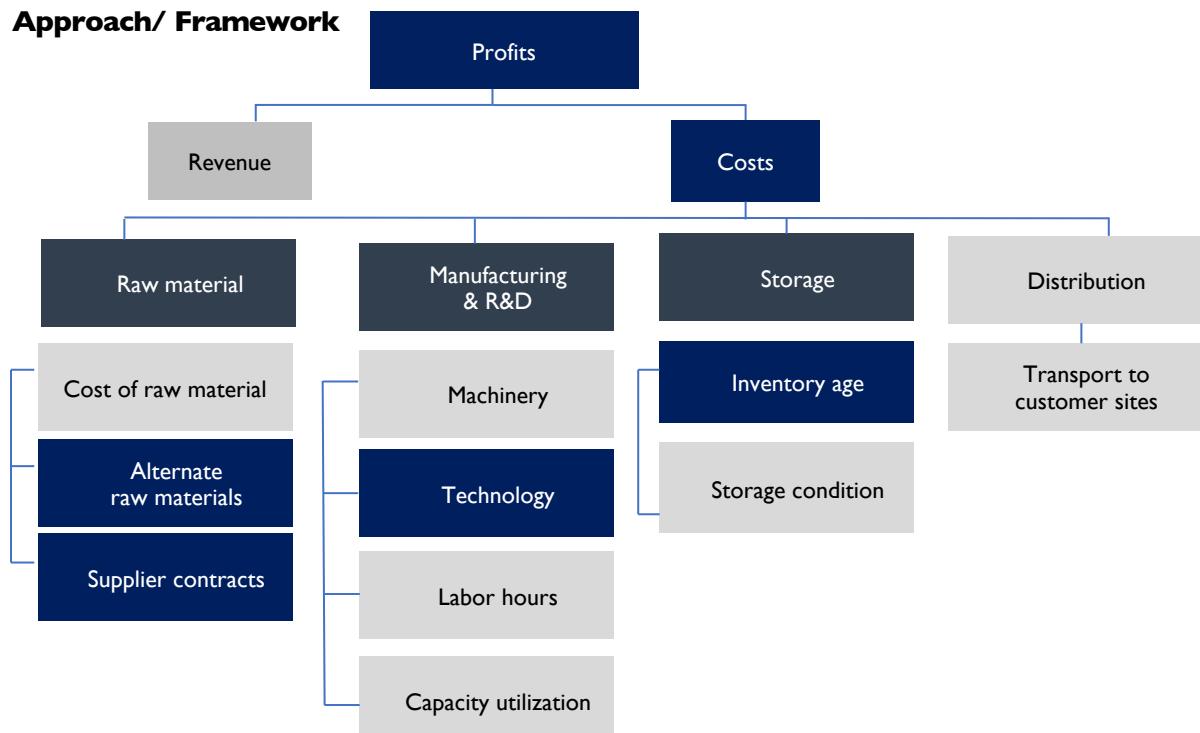
## Interviewee Notes

- Improve profitability by focusing on costs
- Value chain elements for manufacturing should be focused on
- Supplier consolidation 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



## 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 come up with 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 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 is 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 resubmit 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.

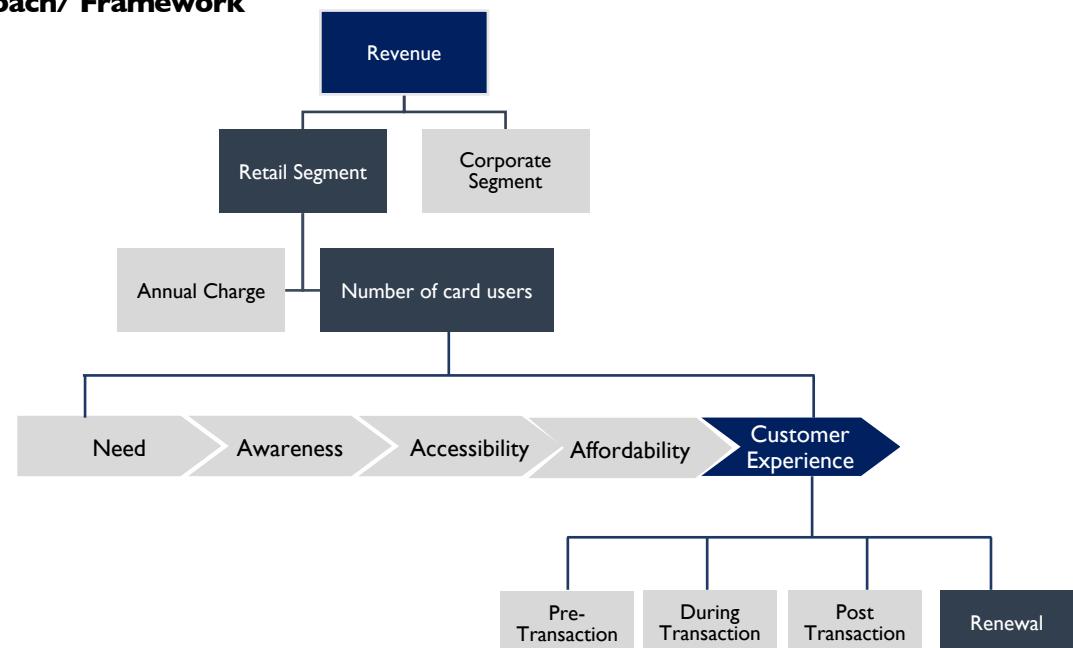
## Interviewee Notes

- 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 general 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, a majority 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 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:

- Change in the mix of deposits
- 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 complain 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

- 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.

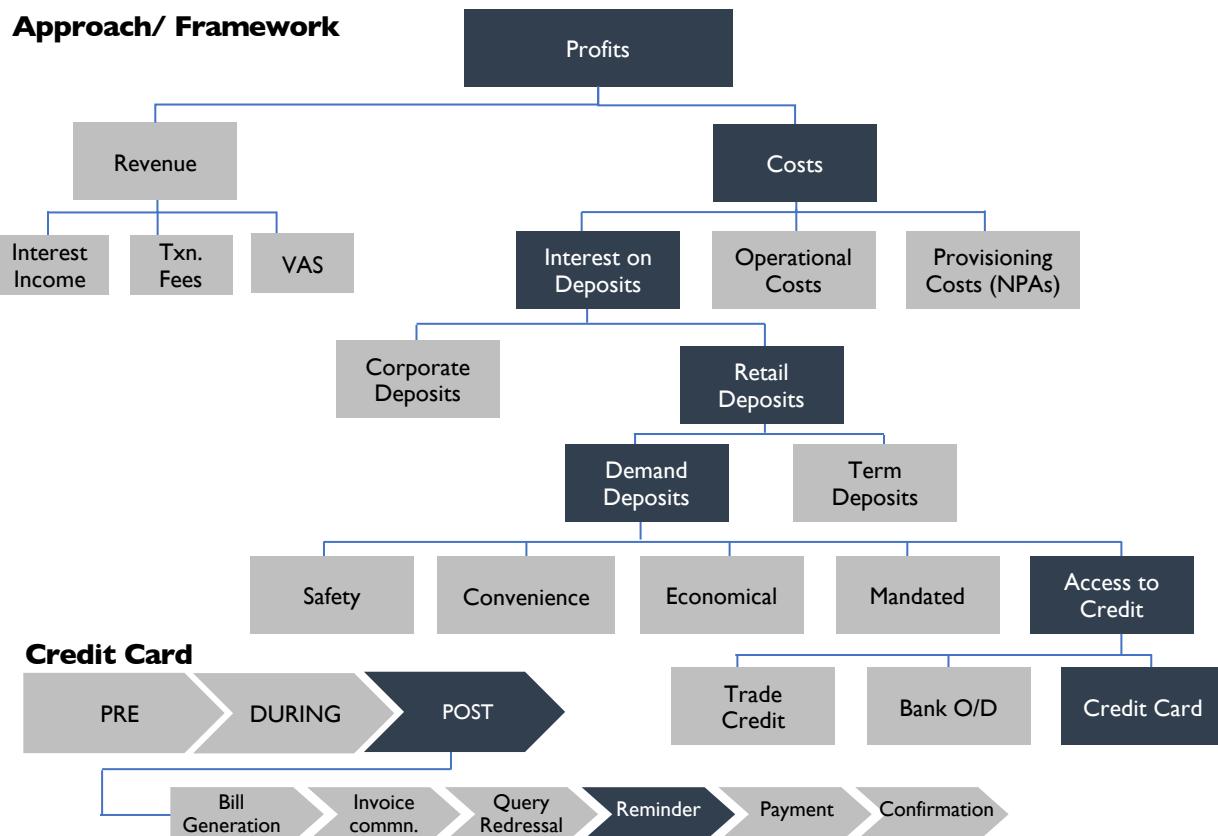
## Interviewee Notes

- 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
- Incentivise 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 favourable 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 in 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 decline?

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 and then explore the cost side. 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 services. Has any one of these services observed a greater decline than others?

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 or the average amount spent per customer decreased?

The average amount spent per customer has not changed but the number of customers visiting the restaurant has decreased.

Do we know if this decrease is because the client has not been able to cater to the customers willing to visit the restaurant or the demand for the restaurant has declined?

The client has been able to cater to all the customers who have visited its restaurant.

This implies that the customers visiting the restaurant have decreased. The average number of customers visiting in a unit time can be seen as: Total number of tourists visiting India X % tourists visiting Agra X % 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 journey of the consumer from the time when it decides on which restaurant to eat, to actually eating the meal at the restaurant. For this, I would like to divide the journey into three parts. The first part of the journey will start with the decision to eat 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. Many international tourists must be checking reviews on websites such Tripadvisor as well as those of niche food bloggers. The promotion done by restaurant through posters and hoardings can also make tourists aware. Many tourist also ask for recommendations from their friends, travel agents and from the tourist guides available at monumental places.

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, they may have to wait before their turn comes. Then they enter the restaurant and take a seat. The seating arrangement, presentation of cutlery and other amenities will affect the overall perception. The customer places an order using a menu, where the presentation in the menu is important. Having placed the order, the waiting time, waiter's hospitality and food quality and quantity will be important. Finally, the ambience also adds to the experience. 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 paanwala 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.

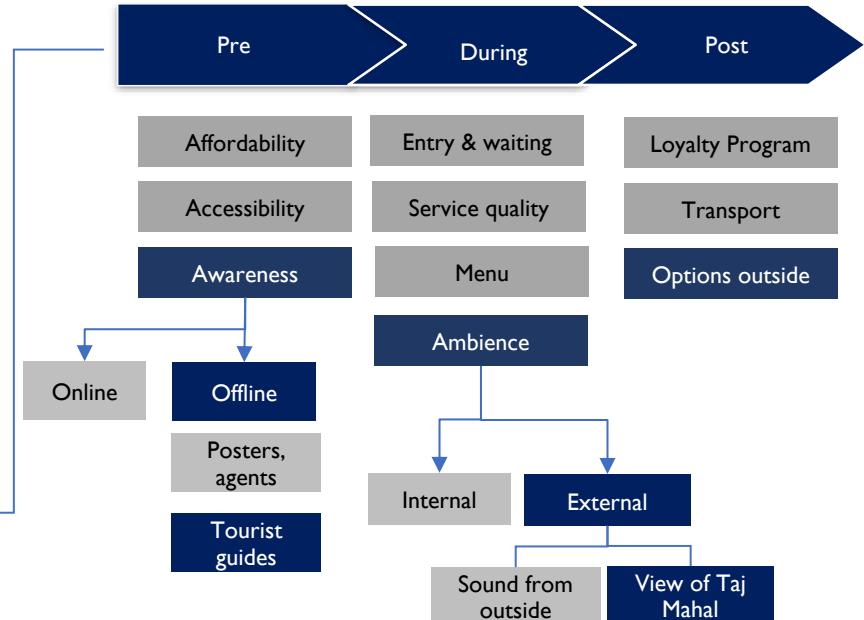
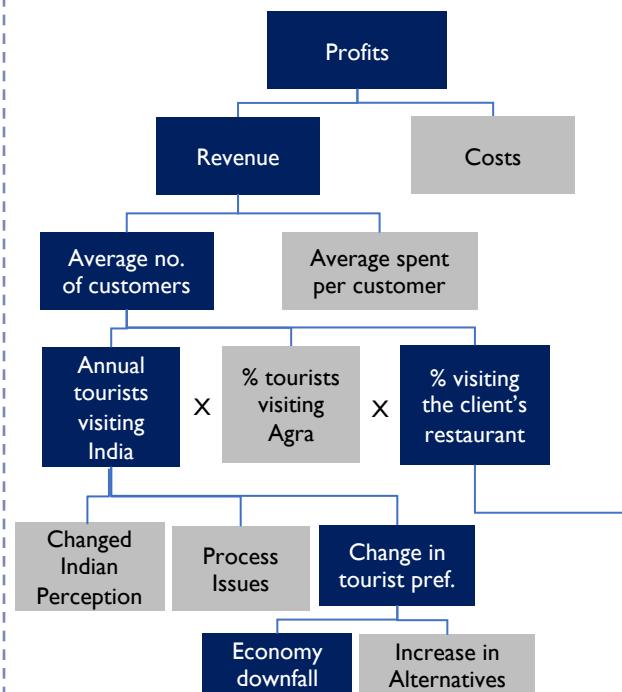
# Restaurant

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 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 targets?

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.

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.

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.

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.

Finally, 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?

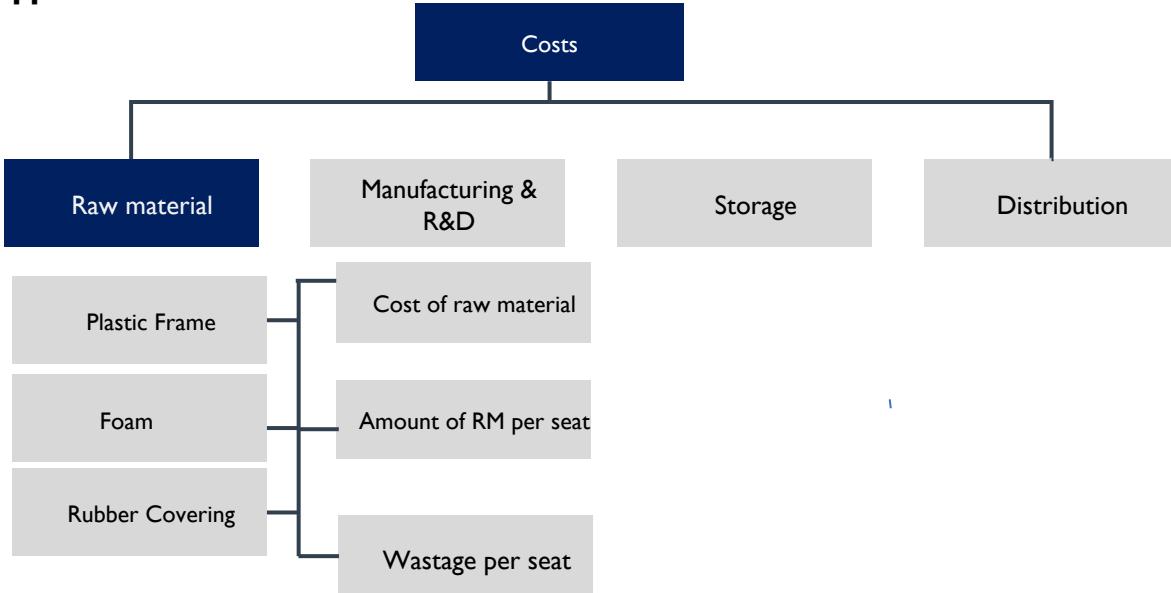
We have already identified that the firm's objective is to reduce costs. In designing the HR policies, I would look at each of the subsystems in place and figure out how to modify the policies such that it will result in an increase in productivity. The subsystems would include Recruitment, Training, 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.

# 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	Case Facts	Approach/ Framework
<ul style="list-style-type: none"> <li>Identify the biggest buckets and prioritize them</li> <li>Client is trying to reduce costs on their own. Need to come up with innovative solutions</li> <li>Client is the only local manufacturer and has a competitive advantage.</li> <li>Auto-manufacturers have significant negotiating power. The client's company may not</li> <li>Enquire about the production process from end to end</li> </ul>	<ul style="list-style-type: none"> <li>Seat manufacturer for automobile</li> <li>Located in South Indian SEZ</li> <li>Primarily a manufacturing entity</li> <li>Customers are 2-Wheeler auto manufacturers</li> <li>Reduced prices due to slow down in auto sector</li> <li>Objective: Reduce costs as much as possible</li> </ul>	 <pre> graph TD     Costs[Costs] --&gt; RawMaterial[Raw material]     Costs --&gt; Manufacturing[Manufacturing &amp; R&amp;D]     Costs --&gt; Storage[Storage]     Costs --&gt; Distribution[Distribution]     RawMaterial --&gt; PlasticFrame[Plastic Frame]     RawMaterial --&gt; Foam[Foam]     RawMaterial --&gt; RubberCovering[Rubber Covering]     PlasticFrame --&gt; CostRM[Cost of raw material]     Foam --&gt; AmountRM[Amount of RM per seat]     RubberCovering --&gt; Wastage[Wastage per seat]   </pre> <p>The diagram illustrates the cost structure of seat manufacturing. It starts with a main category 'Costs' at the top, which branches into four main components: 'Raw material', 'Manufacturing &amp; R&amp;D', 'Storage', and 'Distribution'. The 'Raw material' component further breaks down into three sub-components: 'Plastic Frame', 'Foam', and 'Rubber Covering'. Arrows point from each of these sub-components to their respective cost metrics: 'Cost of raw material', 'Amount of RM per seat', and 'Wastage per seat' respectively.</p>

## 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 from the case: 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 manufactures 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 neighbourhood.

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.

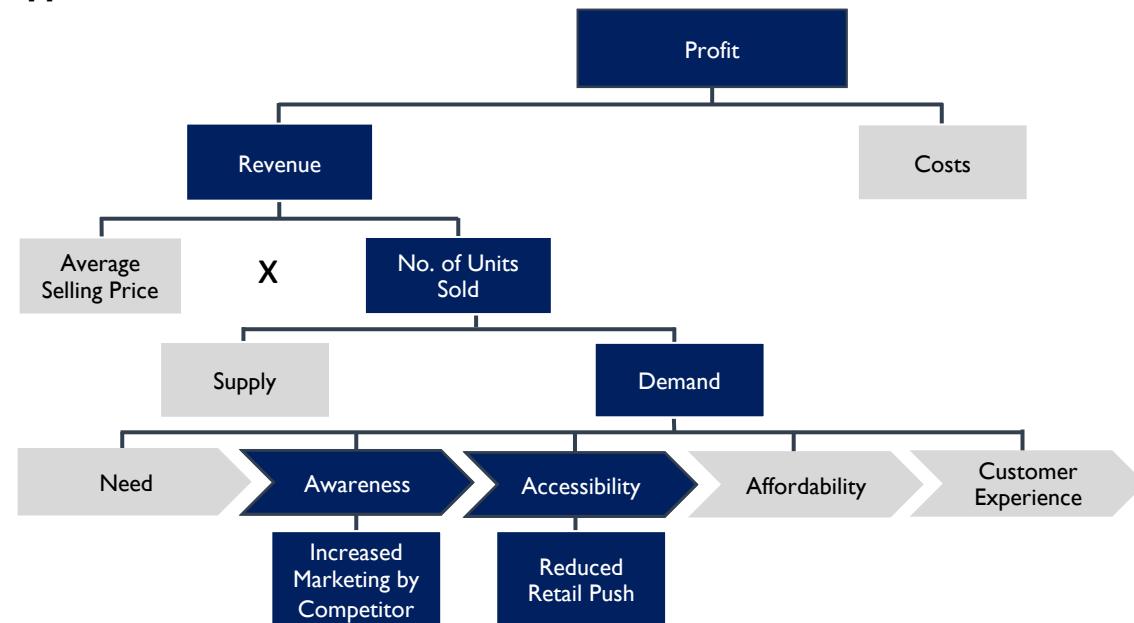
## Interviewee Notes

- 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

To build 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 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 where 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.

Your client is ZoomCar and they are facing declining revenues. They have hired you to help them.

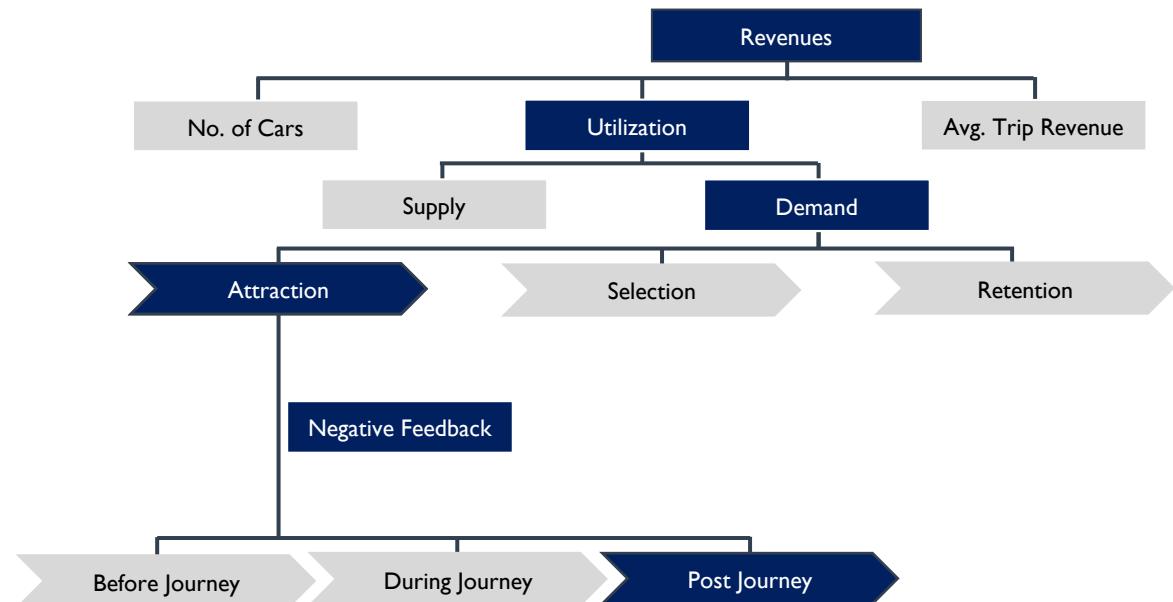
### Interviewee Notes

- 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? Who are their customers and how are they positioned within the value chain

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 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.

Okh. 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 manger 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 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. Whereas variable cost would include the cost incurred as per the flights – primarily fuel and Service Costs. Do we have any information on which of the two – fixed or variable – costs have increased over the given 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.

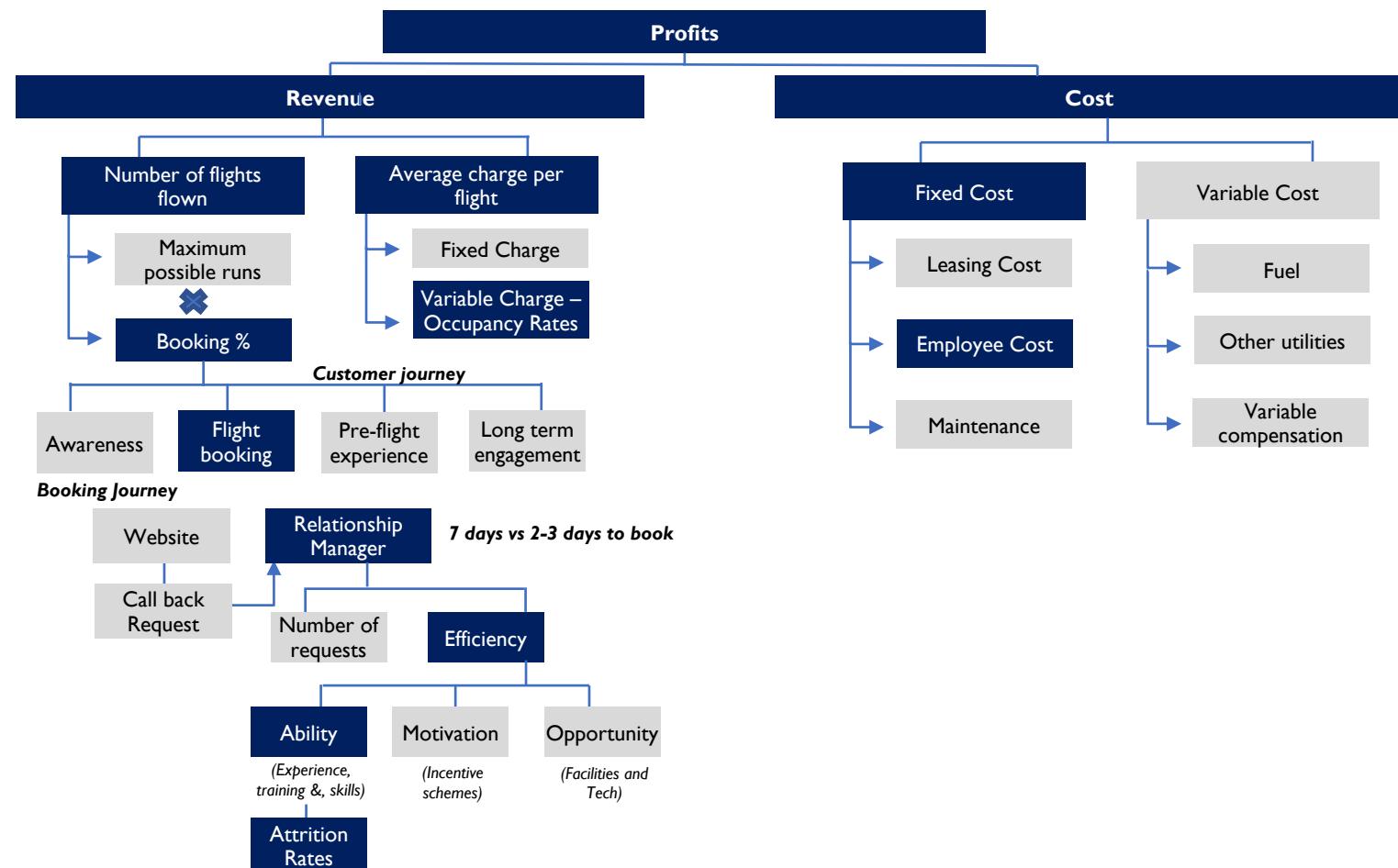
## Interviewee Notes

- 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 – booking through website and relationship managers

## Approach/ Framework



## Recommendations

- Short-Term: focus on recruiting more experienced RMs, train the current staff better, identify reasons for attrition and create incentive schemes to reduce attrition

## Recommendations

- Long-Term: 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.

I would now like to look at the number of customers entering the store.

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.

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 would 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.

## Grocery Retail Store – Interview Transcript

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.

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).

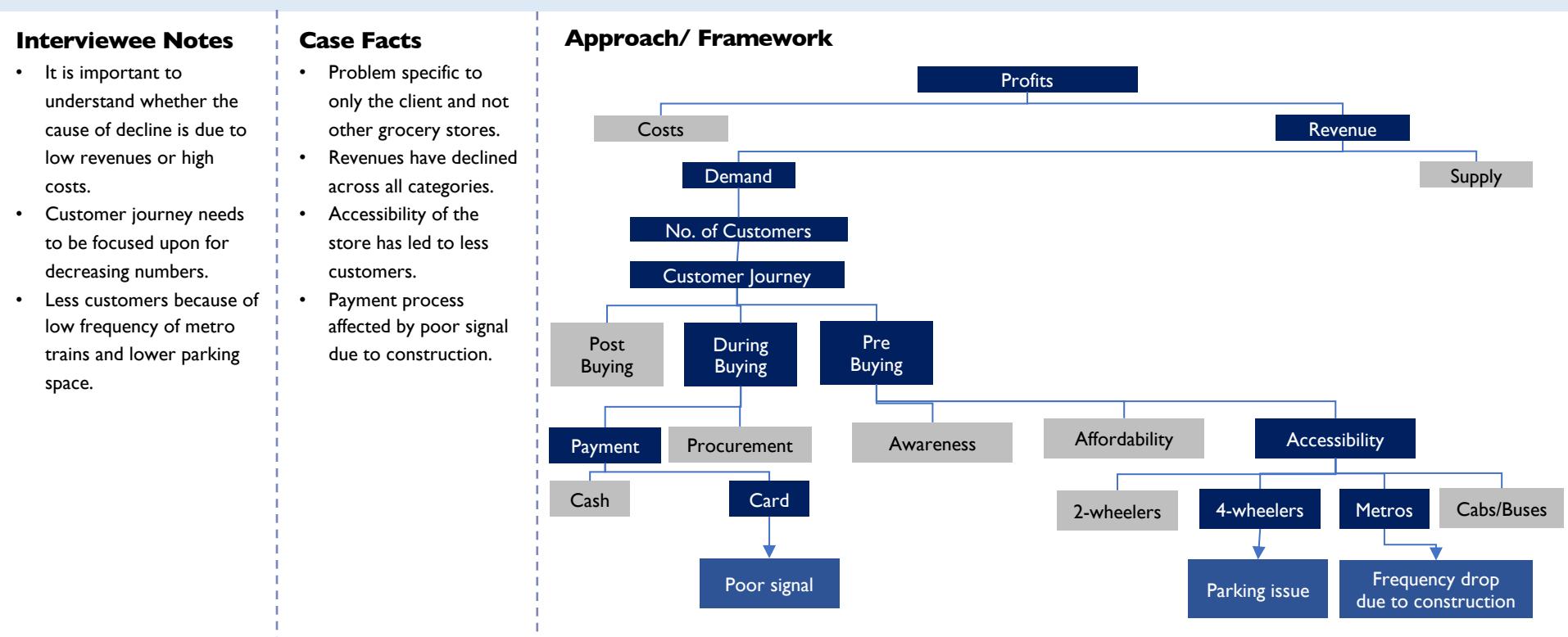
In the long term, the store can install a repeater (to enhance signal strength). A proper cable connection can also be established as, metro construction would take a lot of time.

Thank you. We are done with the case.

Thank You.

# 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.



## 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.



# Market Entry

# 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 to 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 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<sup>nd</sup> 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.

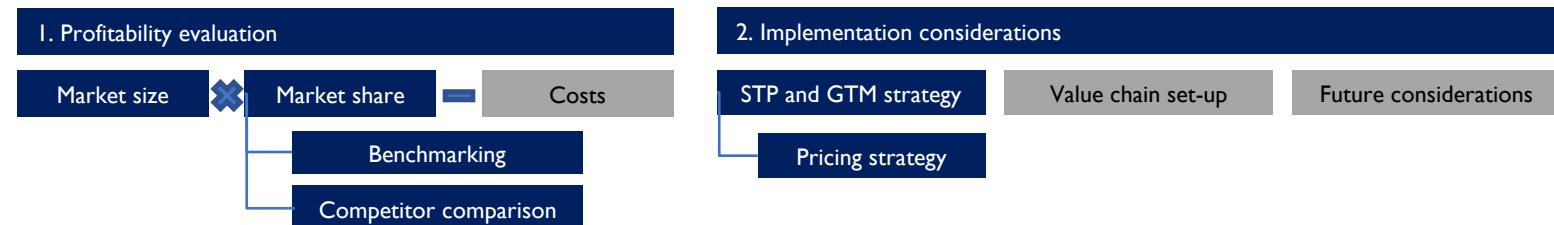
## Interviewee Notes

- 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

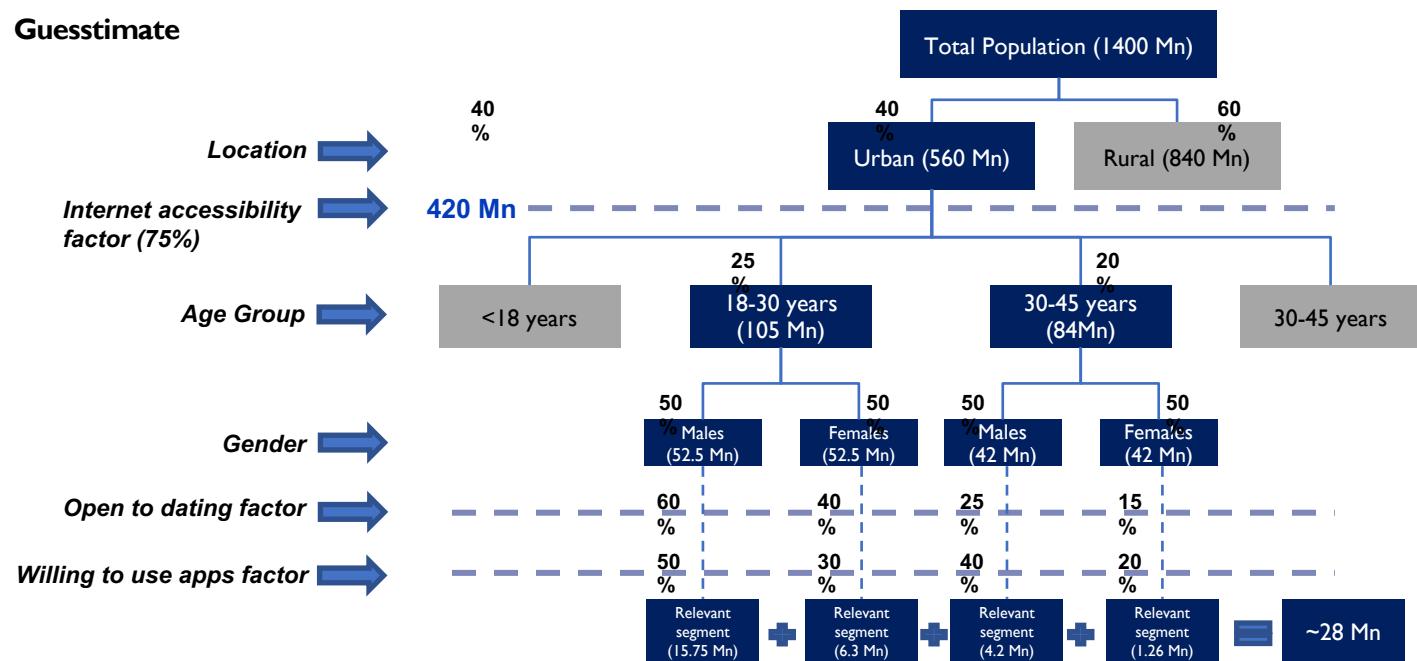
## Case Facts

- 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 plans

## 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

# HBS Satellite campus – Interview Transcript

HBS wants to set up a new satellite campus in India. They want your advice about the proposal.

What is the primary objective of the school in setting up the new campus?

The mission of HBS is to educate leaders who make a difference in the world. They want to increase their impact.

So, is it safe to assume that the target audience would be young Indians?

Actually, that is a bad assumption. It so happens that HBS wants this campus to be International like the one in Boston. Having said that, the college does expect the proportion of Indians in the batch to increase.

The motivation would be to expand their current capacity of the program in that case? And also, what is the timeline they are aiming to set up the campus?

That is correct and they want to set it up in 5 years.

To evaluate the market entry, I would want to look at aspects under the three major heads: opportunity analysis, feasibility and viability. In Opportunity analysis, I would look at the market size and the market share that we can capture. In the feasibility, I would analyse the barriers to entry and the feasibility of setting up the value chain. In viability, I would analyse if it would make economic sense in the long run, and what could be the risks.

To do this, I would use the current demand for the HBS course to estimate the demand for the new campus. As per my awareness, top US schools like HBS receive around 10k applications every year for their MBA program. Those would automatically be our target market. However, I believe a proportion of them would not be interested in studying at the Indian campus due to preference for the US market. Do we have some data about their preferences?

That is a good approach. Let us assume that 50% of the applicants are interested in studying at the Indian campus as well. Can you estimate the rough size? Ignore affordability as a concern for now.

I just want to add that I would also want to look at the additional Indian students that we can capture because of the lower cost of this program vis-à-vis the Boston one.

I will use the CAT enrollments as a proxy for estimating the demand. So around 2 lakh students apply for CAT to do their MBA. Let us assume 1% would meet the HBS criteria, i.e. 2000 students.

This means that the market is significant. However, the competition is another factor that I would want to look at. Can you give me some information about the competitive scenario?

The satellite campus would face competition from primarily two sources: one would be the global schools setting up campus in India. Currently, that is not a potent threat. The other is from IIMs and ISB.

I believe HBS would have an edge over Indian schools as the global exposure and the brand value that it would offer would give it a clear competitive advantage.

However, I would like to look at feasibility. The factors that I would look at are the regulatory barriers and the feasibility of establishing the value chain. For that, I would want to know if there are any regulatory restrictions in India?

The regulations in India prevent any institution that is not AICTE approved from giving a degree. Compliance with AICTE guidelines would dilute the HBS curriculum.

In that case HBS would not go for the AICTE approval. It wouldn't be able to offer a degree. But I don't think that will be a constraint. ISB has a similar model and is successful. The other factor would be the ability to set up the value chain. The key facets would be the teachers & land for the campus. Initially, teachers might need to travel from parent campus. The rent for the campus would be a challenge and would increase costs.

Good. What else do you want to look at?

I would next look at viability. In terms of financial viability, I am assuming pricing will remain same as the parent campus to maintain parity. However, the additional cost due to the land and teacher travel would drive up the costs. Additionally, there would be risks due to the lack of acceptance of India as a study destination among International students. Hence, I will suggest against the proposal.

Thanks. That would be all.

Thank you. It was a pleasure interacting with you.

# HBS Satellite campus

HBS wants to set up a new satellite campus in India. They want to your advice about the proposal.

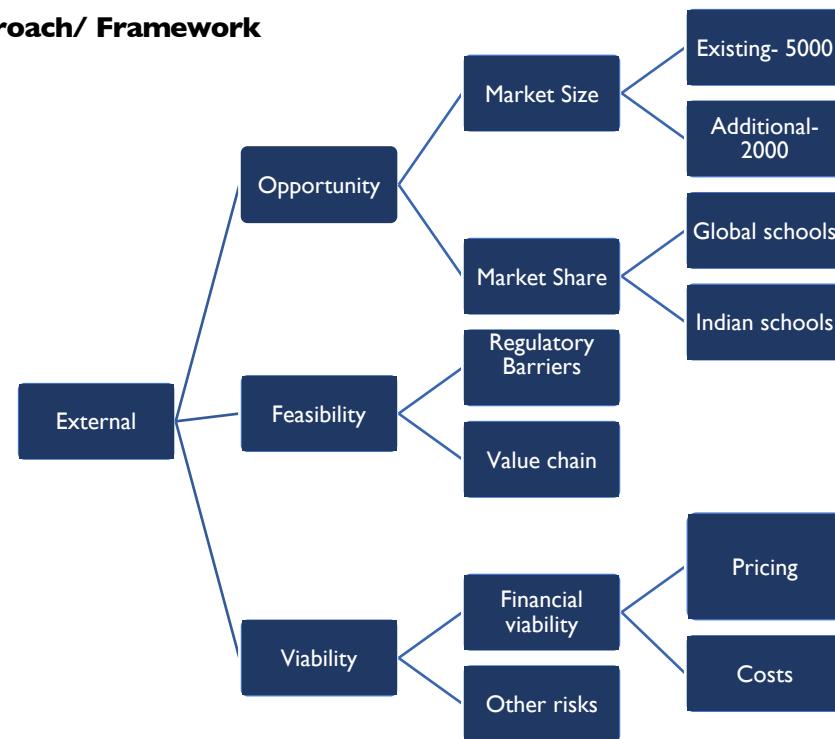
## Interviewee Notes

- Objective: Expand capacity of MBA program (400)
- Timeline: 5 years
- 10k applications
- CAT benchmark

## Case Facts

- 50% interested in studying in India
- AICTE approval

## Approach/ Framework



## Recommendations

- Should not go ahead with the satellite campus.
- Serious concerns about the viability of the operations considering the high costs and also uncertainty of regulations.

## Key learnings

- It is best to not lose sight of the structure in quest for creativity and that is what the candidate achieved in this case.
- Note that interviewer will try to gauge your perspective on all the aspects hence always broadly try to walk interviewer through the structure.

# 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.

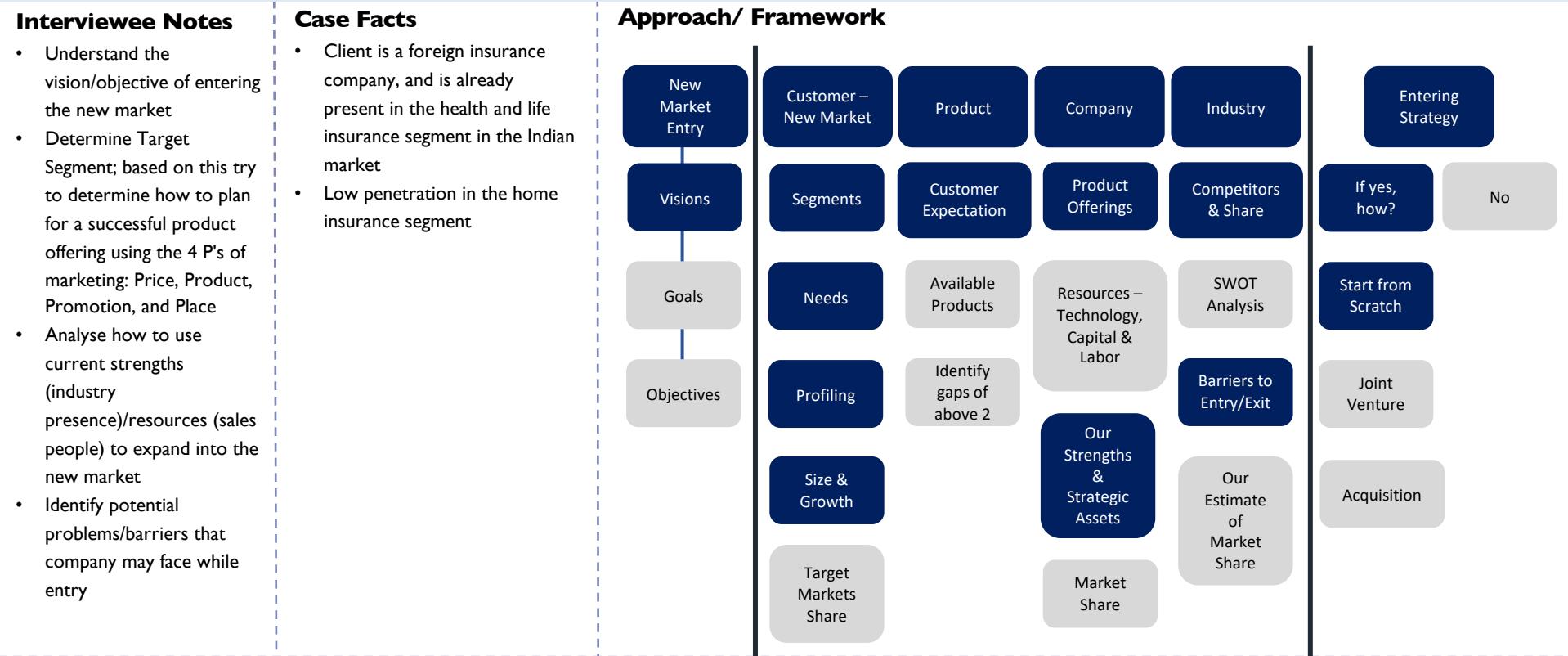
We can do the "customer lifetime value analysis" by considering their acquisition cost and the revenue earned per customer over their lifetime. This will give an indication to CEO if this segment is worth entering.

We could have also explored the option of acquiring any existing player.

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.



## 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

### I. Shortlisting countries for expansion



Market Size,  
Growth potential

Competitors,  
Market structure/  
Composition

Regulations,  
macros, culture,  
political conditions

### 2. Go to Market Strategy

#### Pre Market

Government  
Approval  
Setting up offices

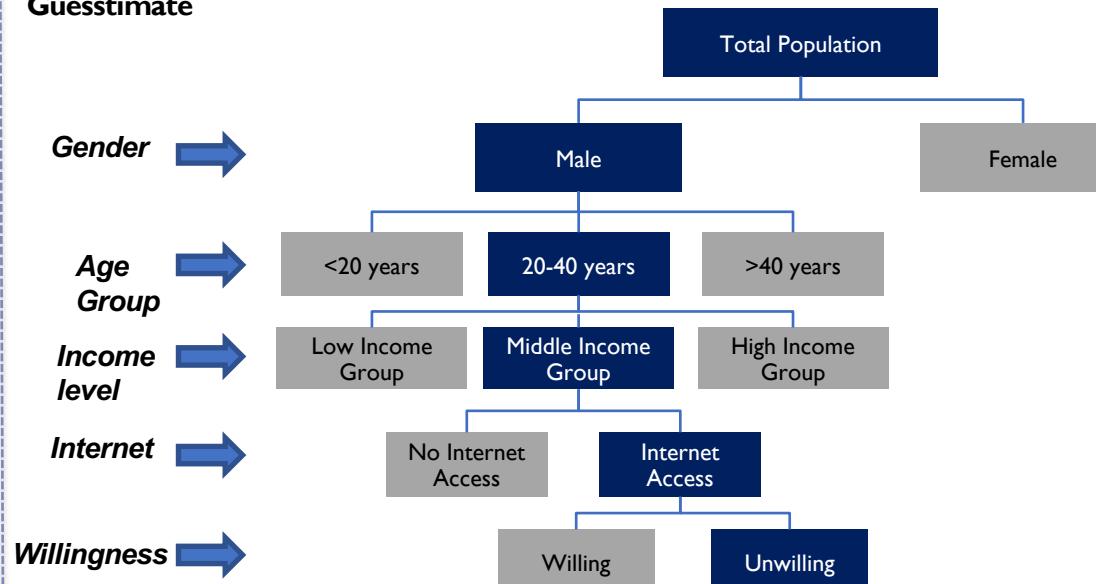
#### During

Marketing

#### Post Market

After sales  
Customer  
Grievances

## Guesstimate



## 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 compliant 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 because 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.

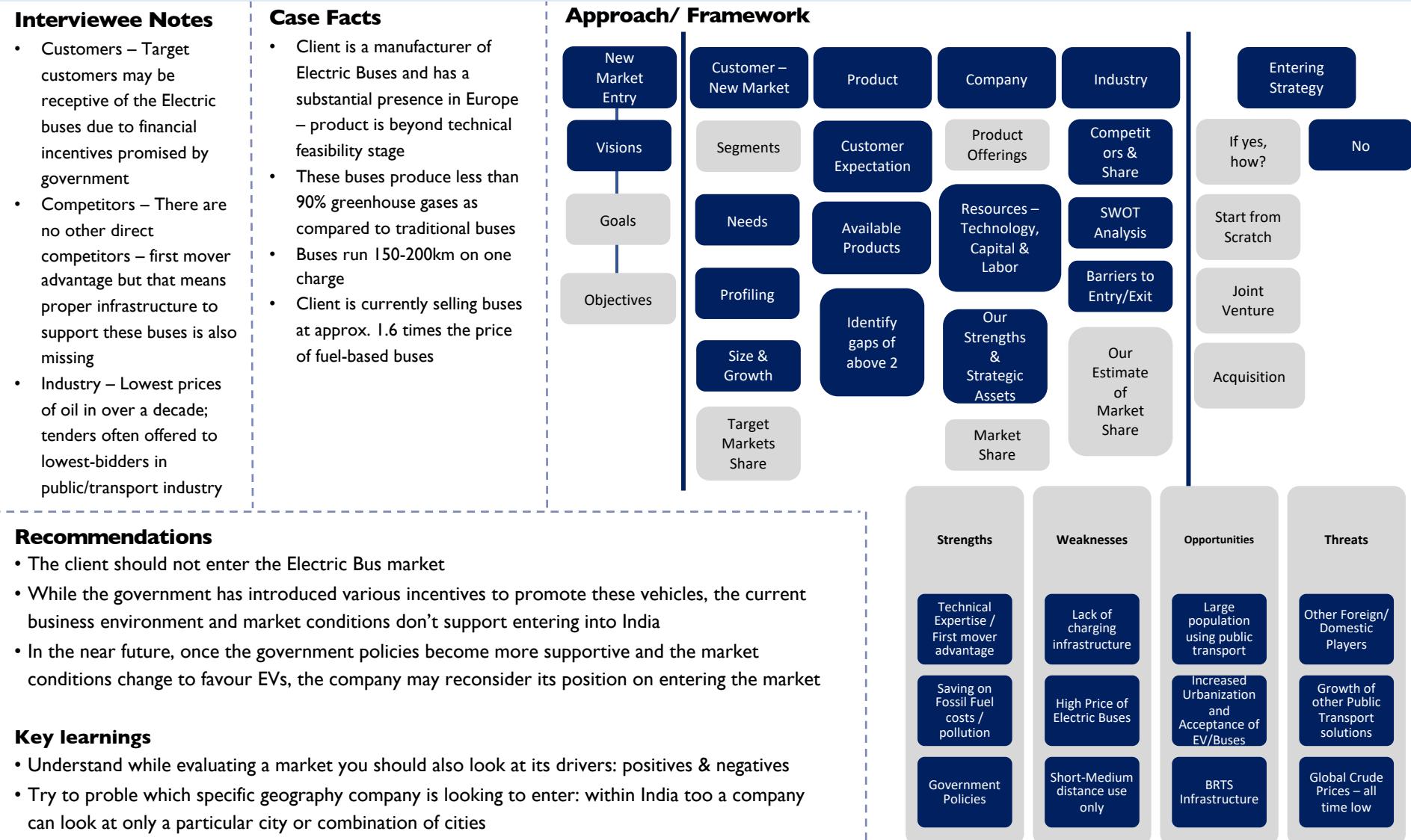
Ok, that sounds like a detailed analysis. Based on this, what is your recommendation?

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

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# 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

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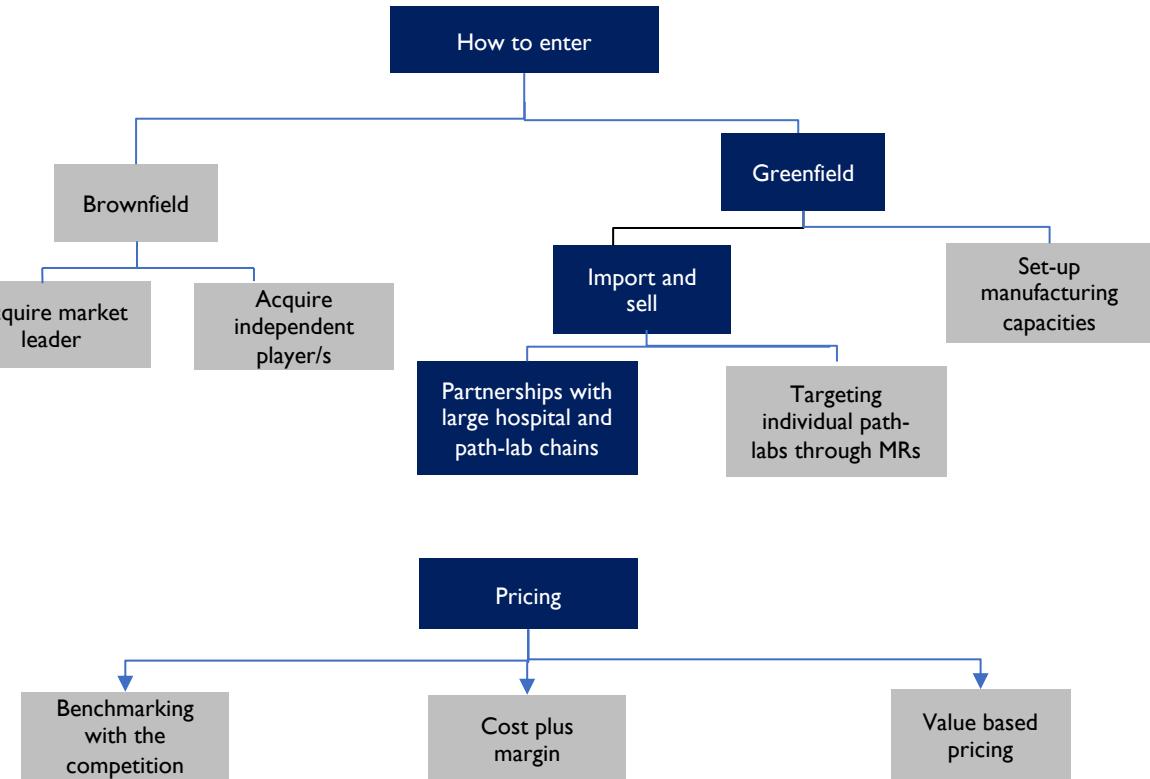
## Interviewee Notes

- 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 3<sup>rd</sup> party distributors. 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 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 party 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.

# 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.

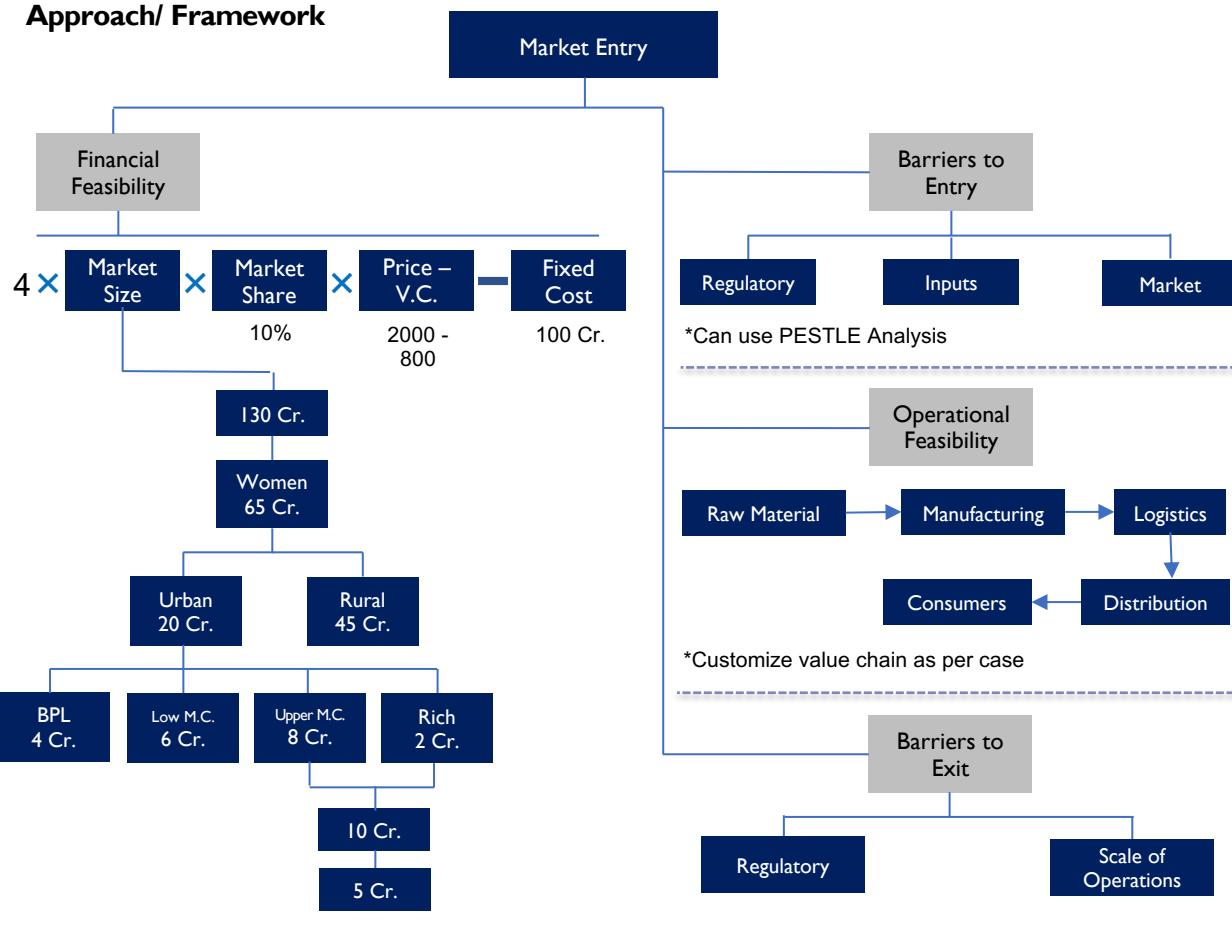
## Interviewee Notes

- 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 1<sup>st</sup> 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

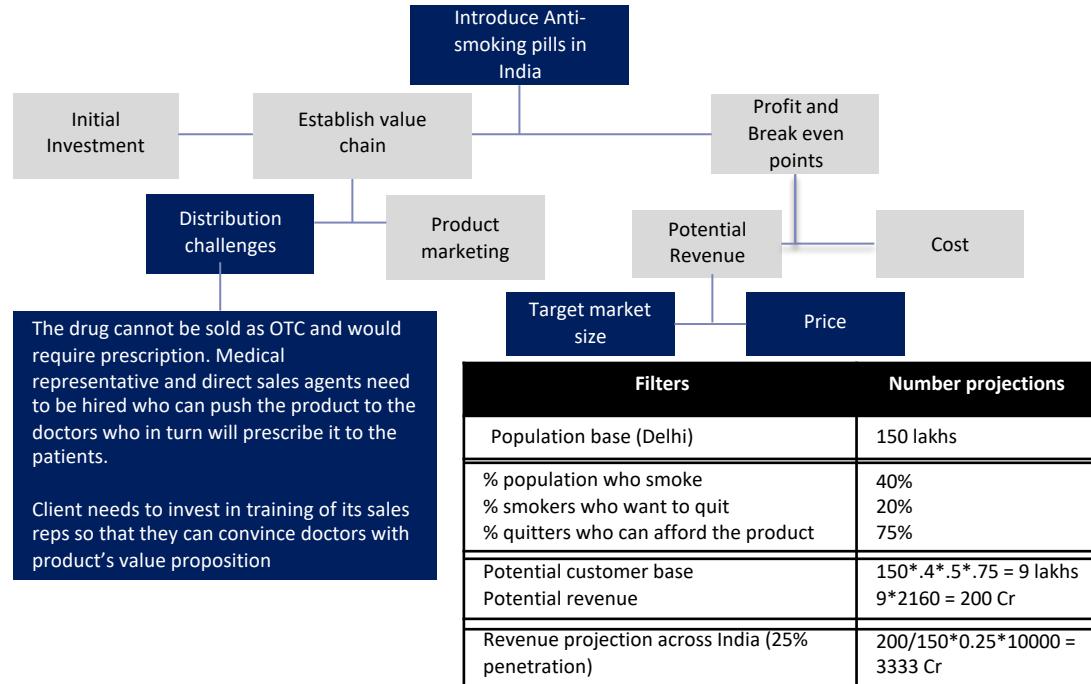
### Notes

- 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



## 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 share.

**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?

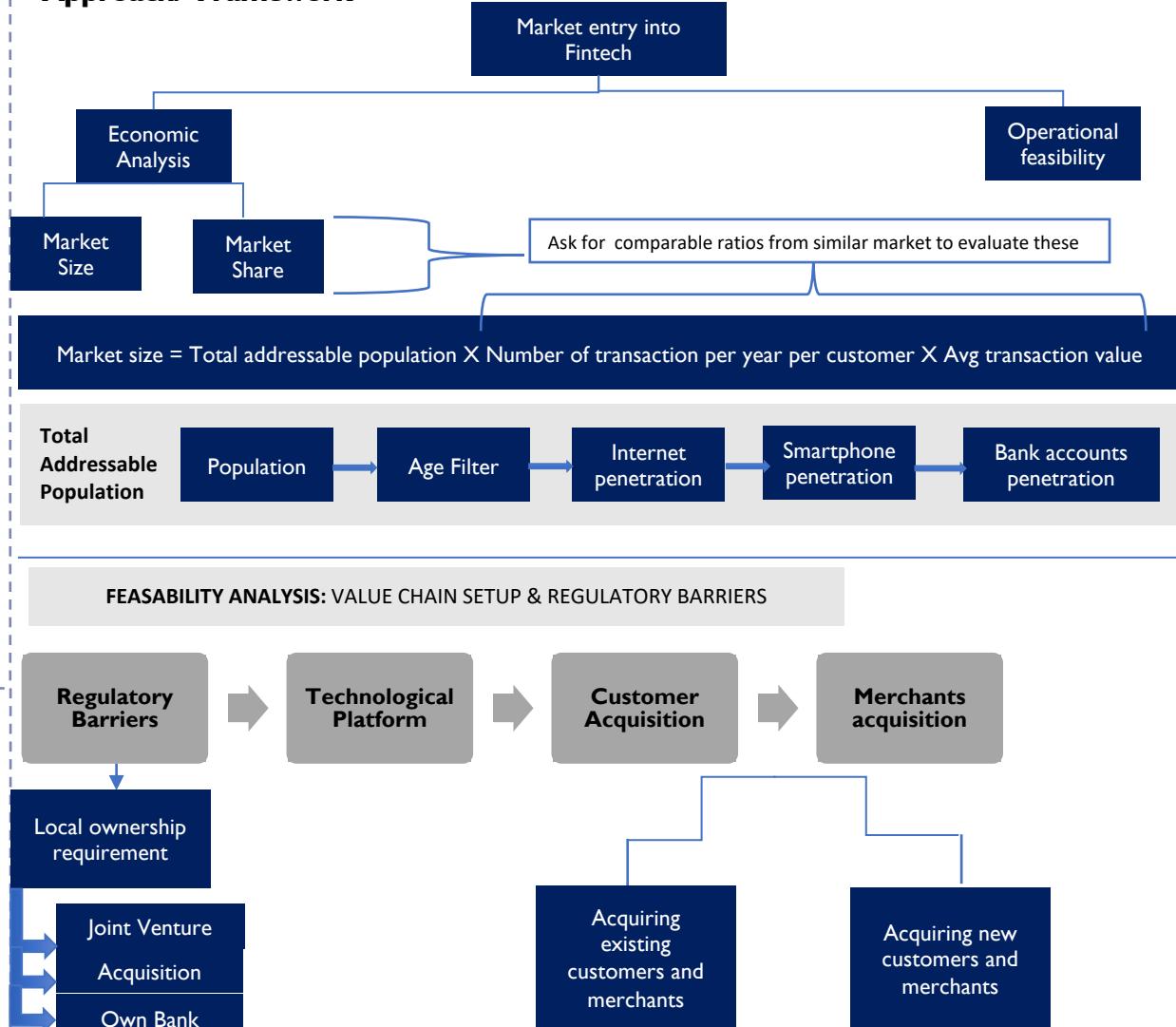
## Interviewee Notes

- 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 1<sup>st</sup> year
- The product works on a commission model

## Approach/ Framework



## 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  $5 \times 70 \times 100$  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 can 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 years

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 1<sup>st</sup> 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 – Interview Transcript (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

### 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 for 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. Eg. 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 (Eg. Jet Airways Brand)
- Don't worry is the case is long. Always keep your patience and look at each bucket individually

# 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<sup>2</sup> and 400 /km<sup>2</sup>. 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  $1.5*300,000*400*0.25*1/16 = 3 \text{ Mn approx}$ . 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 - 17<sup>th</sup> 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.

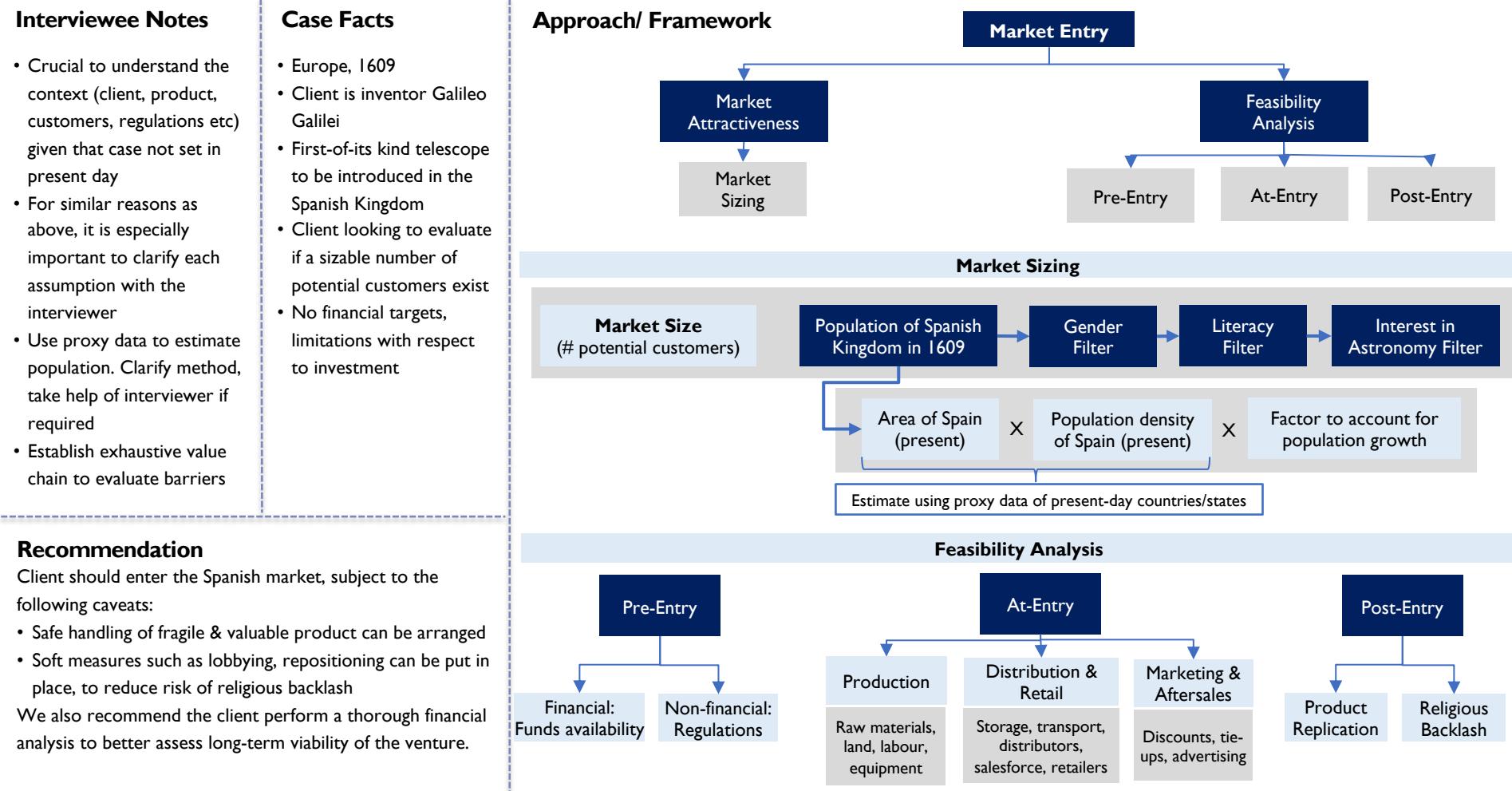
All good points. Religious backlash is a major concern and threatens crippling our business, if not also risk the lives of value chain participants. Can you think of any solutions to tackle this risk?

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.



## 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 takes place in a B2B set-up. Therefore, their customers would mostly be heavy metal industries and other companies. Can you help me with what will their customer portfolio look like if they enter the Indian Market?

That is right. Its customers will be automobile, textile, construction, and electronic companies.

Sir, 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 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 to government regulations. Sir, 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?

Sir, 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.

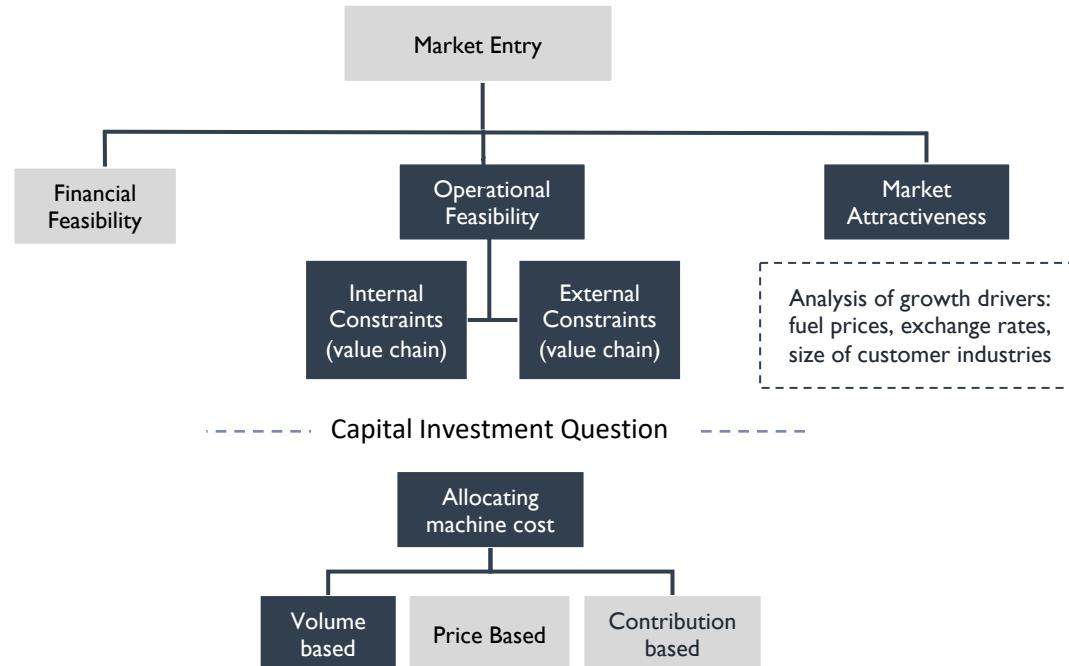
## Interviewee Notes

- 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; 12 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 Litres per hour. The cost of the fuel is Rs 75/litre.

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

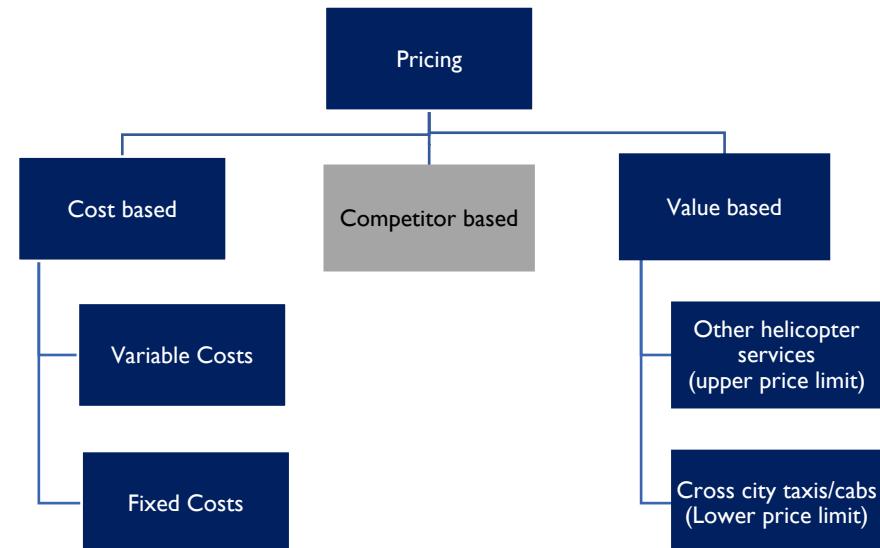
### Notes

- 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 Litres per hour. The cost of the fuel is Rs 75/litre

## 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.

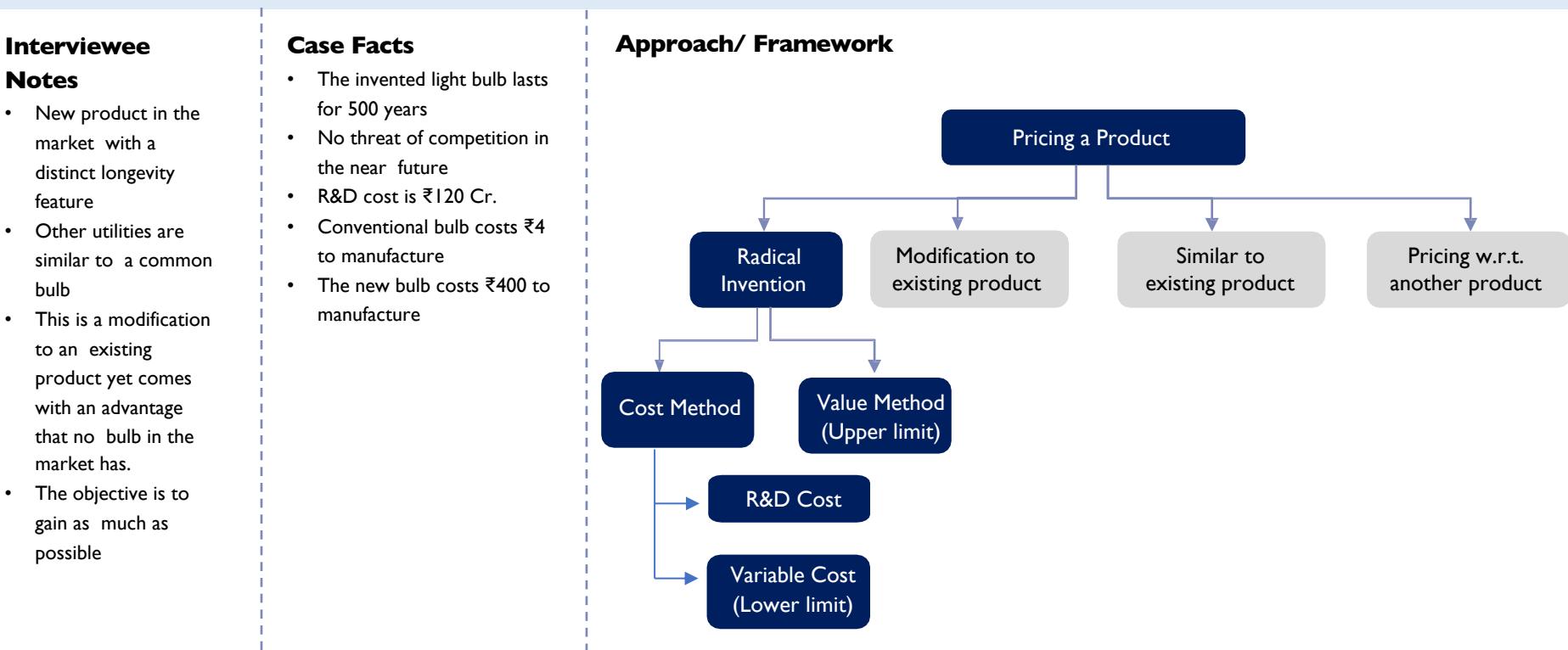
Ok, what are you proposing?

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?



## 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 methos using the value methos (will customers pay that price for the product)
- Look for alternative markets/customers when cost-based pricing too high for traditional customer

# Transportation Machine – 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 be 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 travellers 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!

# Transportation Machine

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?

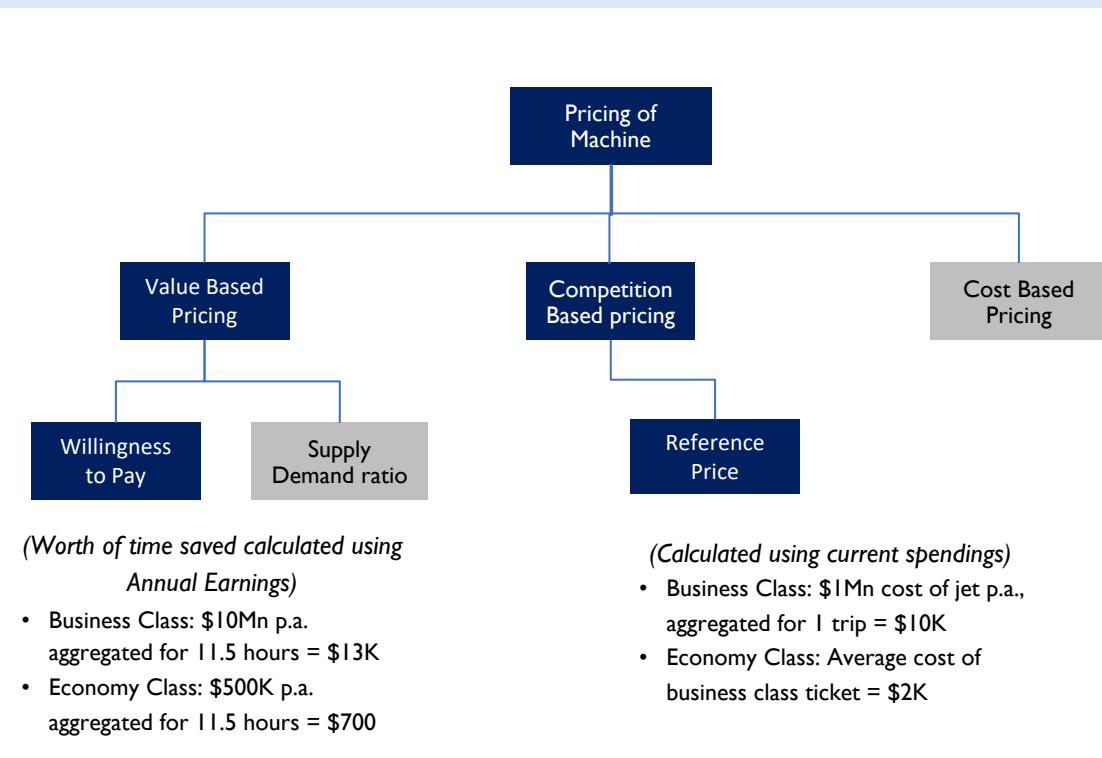
## Interviewee

### 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 travellers 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



## 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 replaced 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

## 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

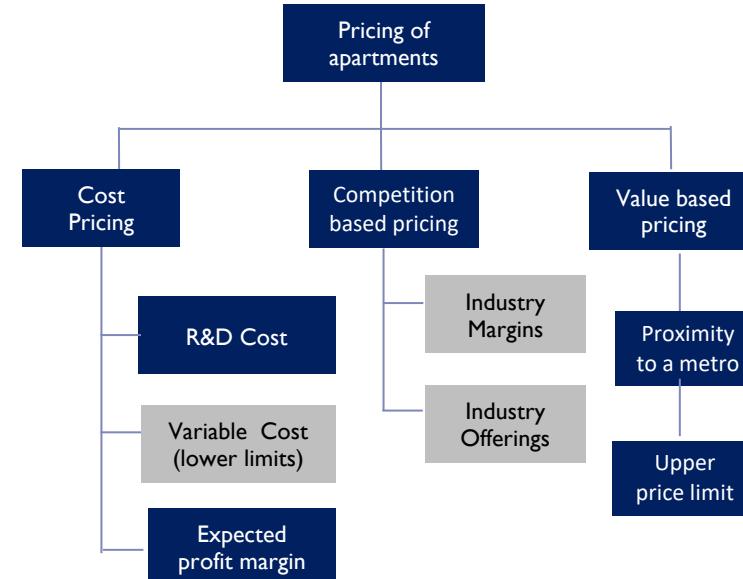
## Interviewee

### 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, and this will be their first product in the Indian, specifically UP market

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 ?

Sure! 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

Surely! Since this project would have involved significant RnD, do we have any costs that we need to recover, if so do we have a 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 turns out to be 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

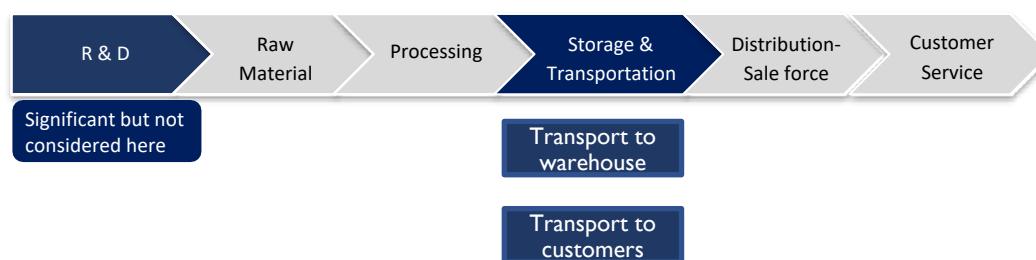
So, From my calculations, we are able to provide a customer with Rs 600 of extra value compared to the competitor's bag, so we can price our bag between Rs 950 – Rs 1550, we can charge a price lower than Rs 1550 and still make a profit!

That is great ! So, we can close the case here, all the best !

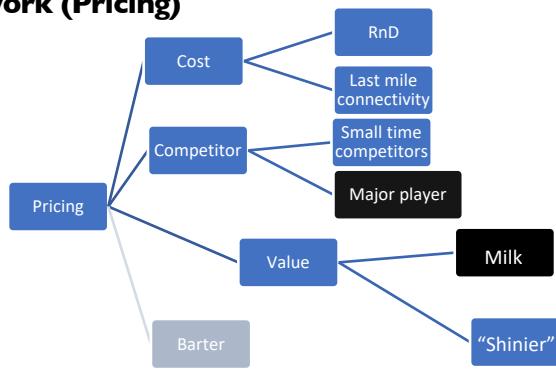
It was a pleasure interacting with you!

# Cow Feed

Your client wants you to price a new variation of cow feed for the Uttar Pradesh market

Interviewee Notes	Case Facts	Approach/ Framework (Value Chain for cost)
<ul style="list-style-type: none"> <li>Standard pricing approach would work here, however the UP market is different and involves an informal barter system.</li> <li>Fixed costs for RnD are not considered for the case, only variable costs considered.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Production of the cow feed bag is similar to any standard packaged product.</li> <li>Major competitor prices the bag at Rs 950.</li> <li>The Price of Milk Rs 50 per litre.</li> <li>Cow feed causes the cow to produce more milk and the skin of the cow to become "shinier".</li> <li>Extra milk produced by the cow is 6 litres in 10 days (experiment) and 4 litres in 10 days (actual)</li> </ul>	

Approach/ Framework (Pricing)


## 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 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 7<sup>th</sup> position 2 years ago. They currently rank 5<sup>th</sup> out of 10 teams. The team 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 5<sup>th</sup>. 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 5<sup>th</sup> is 30%, moving to 4<sup>th</sup> is 30%, ending up in 3<sup>rd</sup> 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 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, merchandise 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 merchandise 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 merchandise 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 ticket)\*(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 stadium 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

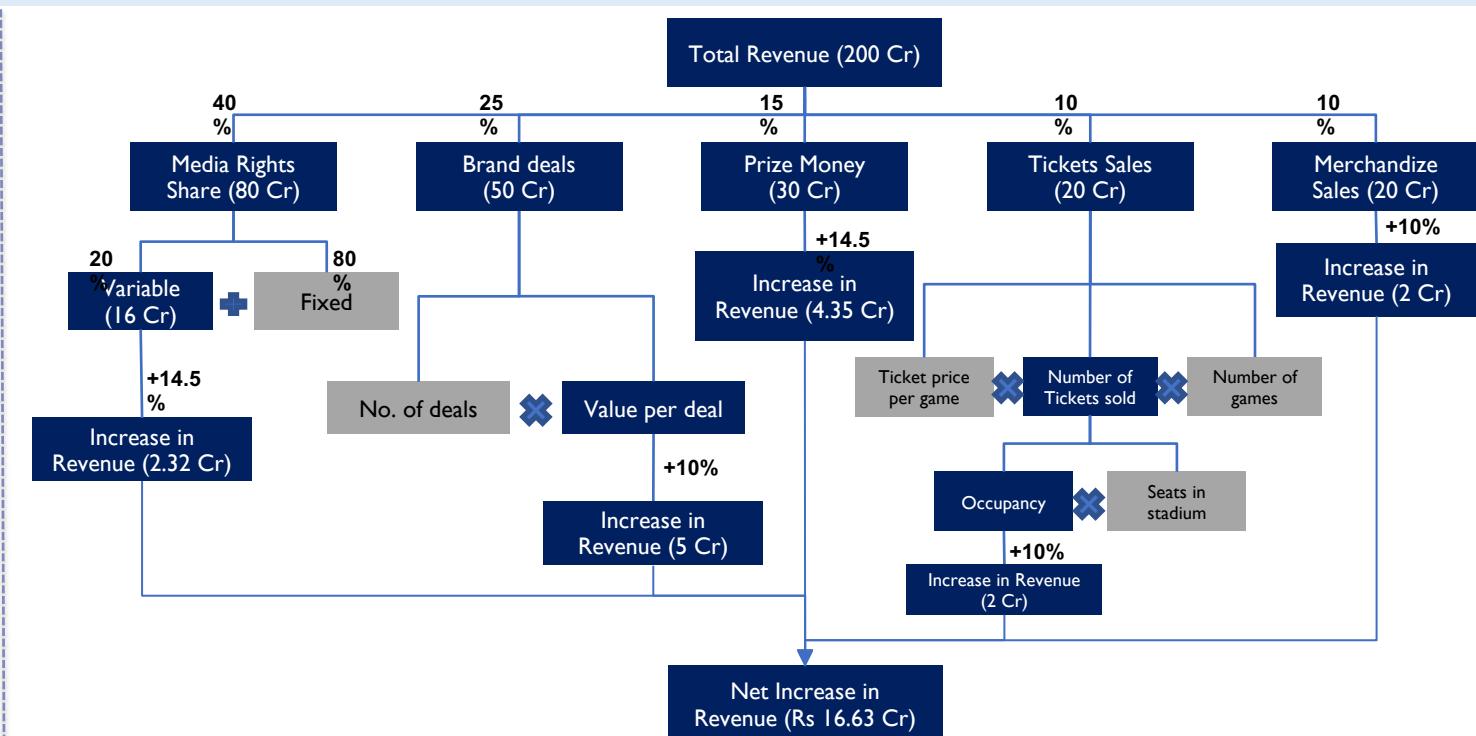
Your client is an Indian Premier League team that wishes to bid for Virat Kohli in this year's IPL auction. Advise them on how much they should bid.

## Case Facts

- No sentimental reason to buy Kohli, find his intrinsic value
- Team finished 5<sup>th</sup> 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%

$$(Return \text{ if Rank } 1^{\text{st}}) * (\text{Probability of Being } 1^{\text{st}}) + (Return \text{ if Rank } 2^{\text{nd}}) * (\text{Probability of Being } 2^{\text{nd}}) + \dots \\ Return \text{ if Rank } 10^{\text{th}}) * (\text{Probability of Being } 10^{\text{th}})$$



$$5\% * 25\% + 10\% * 20\% + \dots + 0\% * 2.5\%$$

$$14.5\%$$



## 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



# 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. How do you think we can do that?

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, both product wise and through advertisements?

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 point.

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.

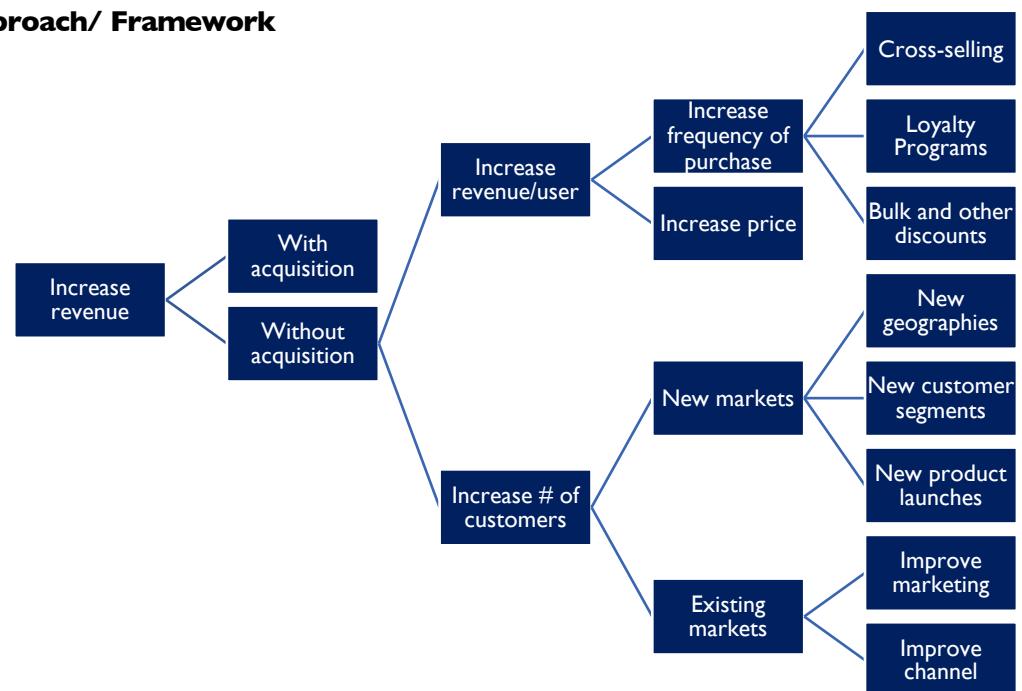
# Apparel Manufacturer

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.

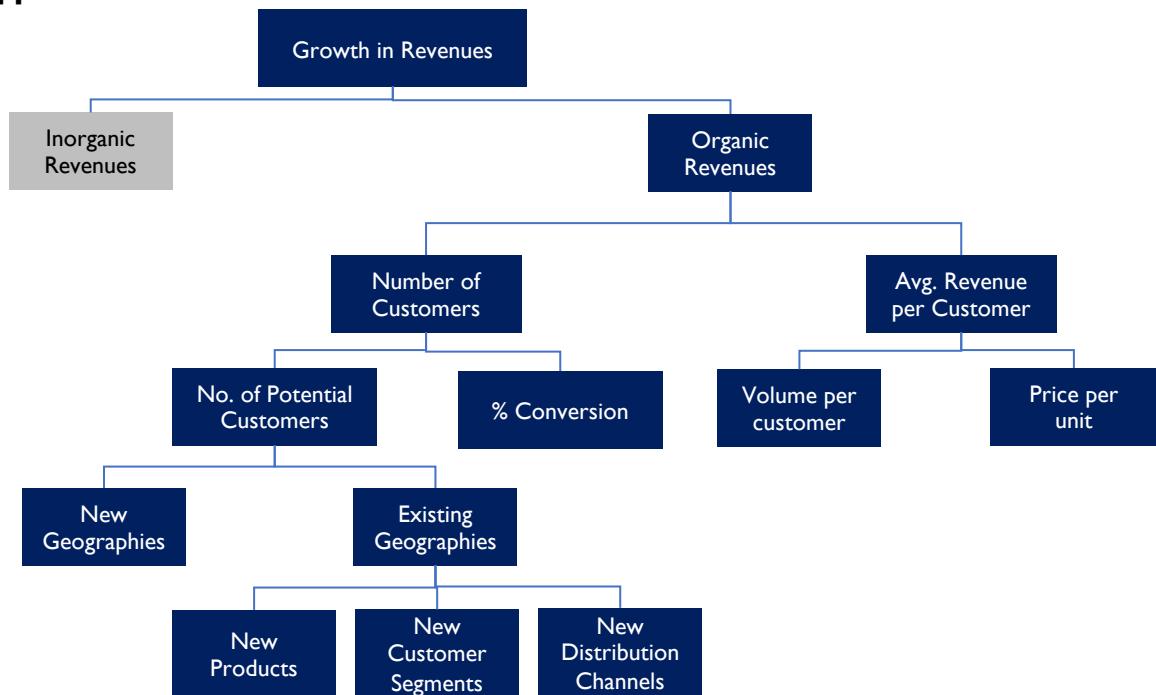
## Interviewee Notes

- 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 there 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

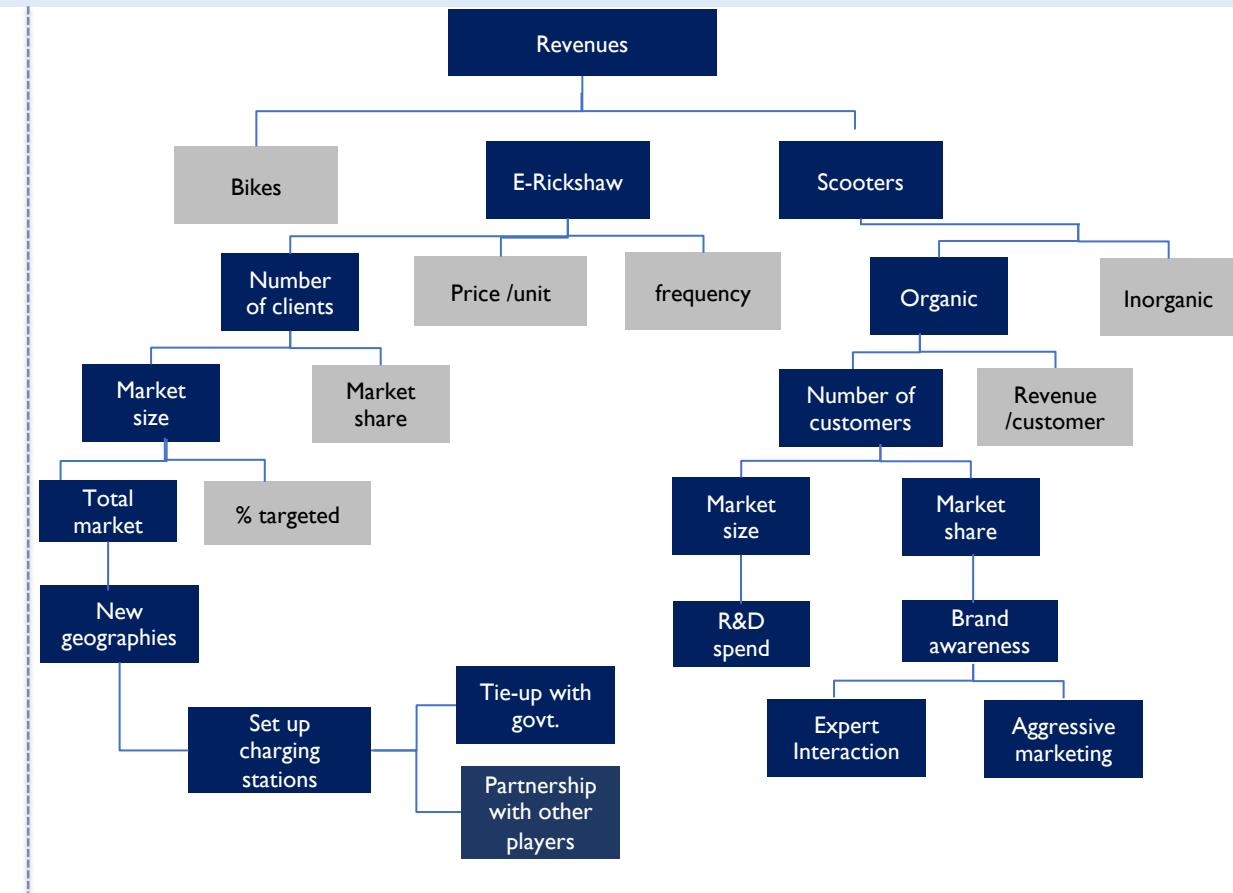
Your client is a 2 & 3-wheeler manufacturer selling the product PAN India. They are witnessing a growth of 4-5% while the industry is growing at 9-10%. How can they increase the growth more than the industry?

## 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

Your client is Flipkart. They have requested your advice on medium-term growth strategy, for the next 3-5 years.

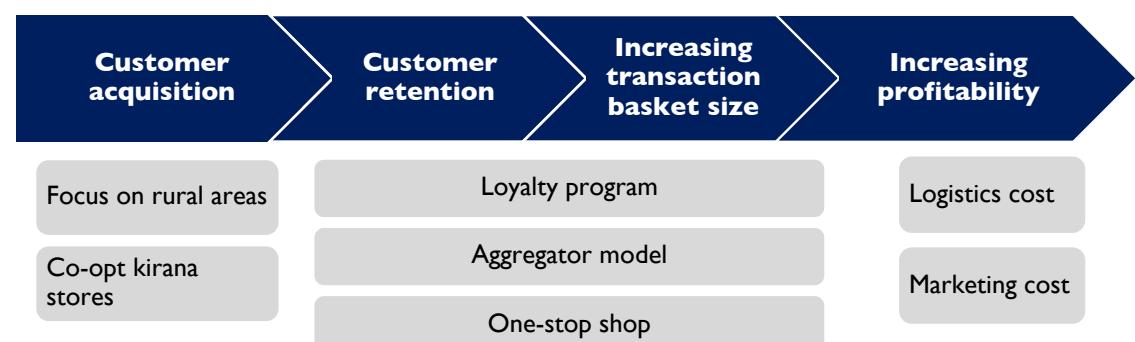
### Interviewee Notes

- 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



### 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

# Software product company – Interview Transcript

Your client is an online software provider. And this company had grown fairly well on the past, but this particular year they've really flattened out, unable to grow beyond the particular barrier. And the company's CEO has asked you for help to grow this business beyond the \$110,000 in revenue per month.

Ok, so this is an online software as a service company with about \$110,000 a month in sales. However, their sales have become flat. It is now looking for ways to increase sales, is that right?

Yes, that is correct.

Ok. I'd like to know where do the sales come from today – whether that's different products, different customers – what are the components that comprise \$110,000 in sales?

Sure. Let's start with the product – the company provides software as a service, and their software does website analysis for companies that are doing business online. And their tools help them figure out what their customers are doing online, ultimately with the purpose of figuring out how to improve the websites. So, these companies doing business online can either make more money or accomplish whatever goals they're trying to accomplish.

Got it. Who are the company's customers?

The company currently gets sales from two different types of customers: small business customers, as well as Fortune 500 customers.

Do we know the amount of sales coming from each customer category?

Yes, it turns out that small companies, small businesses contribute or generate \$100,000 a month in sales from the company and Fortune 500 companies drive \$10,000 a month in sales

It sounds like sales have been flat overall versus prior years. I'm curious, have sales for the competitors changed? I want to understand if this is an industry problem or if this is a company-specific problem.

Well, it turns out this company is the only company in the market.

So, this is not a competitive issue but an issue more with either the company itself or with customers. Do we have any data for each customer segment – the small businesses or the Fortune 500 – how have the sales changed for each of those customers over time?

Sales for Fortune 500 have increased while for the small business segment it has decreased.

Ok. Now the sales are driven by the average price per customer times the number of customers. So, do we have any breakdown as to how many customers there are and what's the pricing of that?

The hypothesis I'm trying to test is, has the pricing change driven down revenues or there is a decrease in number of customers.

Sure, the data is provided in the table . The prices have remained constant for both the customer segments. The prices are like subscription fees paid per month.

So, your revenue is the price times new customers you bring in this month subtracting out how many leave. What I'd like to do is actually break that down and look at the number of customers that are added each month versus subtracted each month. Do we have any data on that for – let's start with the small business segment.

Sure. The data is provided in the table (refer to the tree in the next slide).

So, it means that we're losing 1,800 clients a month and then adding 1,800 clients, so our net change is always zero. Is my understanding correct? Did I get that right?

Yes.

I'd like to repeat the same analysis for the Fortune 500 segment, to see if a similar pattern is happening on that side. Do we have – of the ten clients we have this month – do we have any data that indicates how many clients we had in the prior month, how many of them were new and how many did we lose?

Sure, similar data is provided in the table (refer to the tree in the previous slide).

So, we have a huge attrition problem in the small business segment and at the same time, we don't seem to lose any customers on the Fortune 500 side. I would like to investigate more on why this might be happening. I would like to find out if we are selling the right product to the right segment. For this I would like to know what customers in the two segments are looking for and how our product is helping them.

Sure, so the first segment is small mom and pop businesses that are trying to dabble in e-commerce, and they're looking to make more money online. However, they want to maximize the number of visitors to their website.

Ok, and how is our product helping them do that?

So, it shows which users are visiting which parts of this website and are they shifting from the free content portions of the website to the e-commerce portions of the site where you can actually transact and generate a sale. This product is very good at just tracking those behaviours and figuring out where people go, and has a number of tools to really help the company – the small business in this case – optimize the layout of the website, change how information is presented to the end user to really improve the ratio of visitors to buyers on the website

Okay, it sounds like this is a kind of a process improvement type tool to get more people who visit the website to buy more often or to make them more likely to buy. It also seems like what we offer as a company, as a current product, is not really designed to solve what the customer really wants, and they certainly want to make more money. But first I guess it sounds like they need more visitors to the website in order for this particular product to be of value to them. Does that seem reasonable?

Yes, actually it does.

Ok, now we can do a similar analysis for Fortune 500 customers. Do we know what they are looking for ?

These customers want to measure their ROI so that they can show their CEOs that the e-commerce division is achieving its objectives. These directors are worried that if they can't prove or rely on return on investment that their division might actually get shut down, and it seems that this product seems to be useful in measuring return on investment.

Great. So I can draw two conclusions here – one, small business segments – what they want and what we offer – this shows a complete mismatch, and two - I think that the Fortune 500 is a better fit is because the problems they have are exactly the problems we solve.

Ok. So, what is your recommendation?

To answer the question of how to grow sales for this particular client, I would recommend that the company exit the small business market and focus all its resources on serving Fortune 500 clients.

Very good. Thank you.

# Software product company

The client is a provider of an online software product and is witnessing flattening sales. You are asked to help grow the sales beyond its current \$110,000 per month (pm) figure.

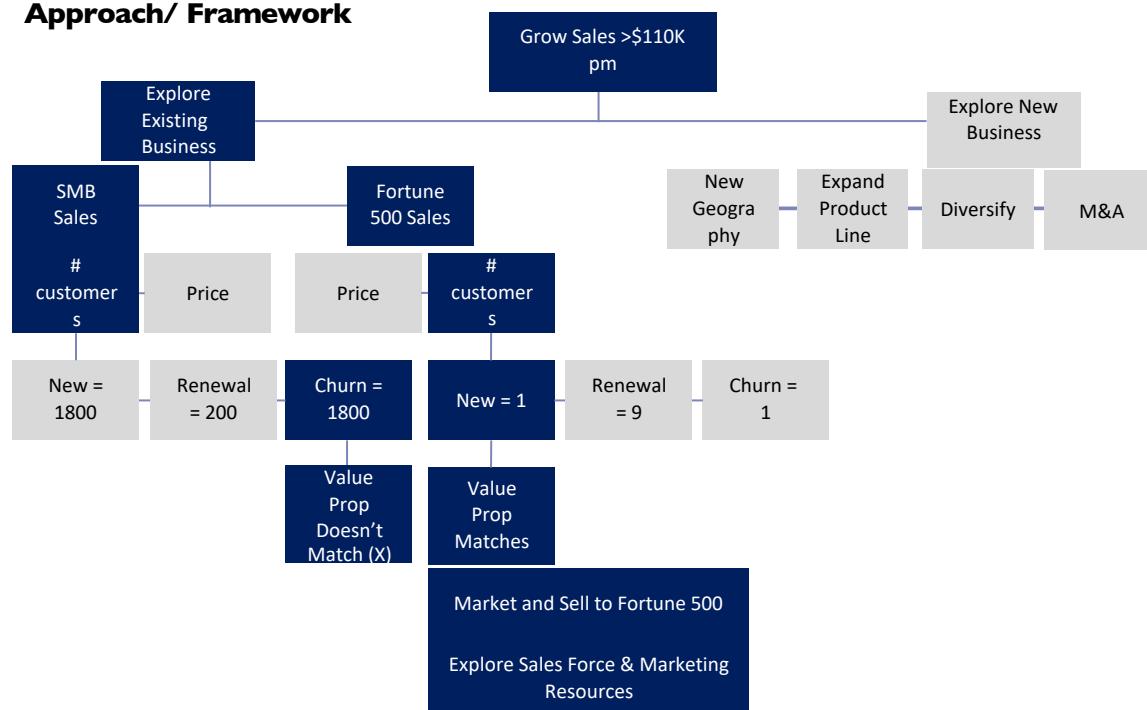
## Interviewee Notes

- Online software provider
- Flattening sales
- Customer segments
- # and \$ of each segment
- Understanding product features
- Segment profile and product proposition

## Case Facts

- Product – online software that does website analysis for the client's customers i.e. which users
- visiting which website, are they shifting from free content portion to e-commerce portions
- Sales grew earlier but plateaued recently; not an industry trend
- Revenue model – recurring monthly sales
- Assume no competitors

## Approach/ Framework



## Recommendations

- The client should exit the small business segment
- It should focus all its resources on the Fortune 500 customers

## Key learnings

- In a single product case, understanding customer segments, their needs and the products' value proposition is critical.
- **Never forget benchmarking:** Comparison of any sales data wrt. either time or industry/competitors is essential to understand where the problem lies

	Small Business	Fortune 500
Price pm	\$50	\$1,000
# cust. pm	2,000	10
Sales pm	\$100,000	\$10,000
# cust. trend	Decreasing	Increasing
Profile	mom-pop stores; want to maximize # visitors	e-commerce of large company; want to show ROI
Product Suitability	Helps improve user experience	Helps track and improve sales; gives ROI

# 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 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. Lets focus on new businesses

We can analyze the new businesses using a 2x2 matrix of products vs business. With existing product, customer can look to penetrate more in the existing business or expand into new business. With New product, customer can remain in the existing business by modifying the product or enter new business. The new business can be related (integration) or unrelated with 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 corps.

Interesting. So, if I understand correctly, 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 the different locations and choose the ones where there is no distribution network currently, has scarcity of water but has a large population. I would also look at the purchasing power of these people, regulations, possible synergies with my current distribution network.

Hmm, what else? Since you would be selling water to municipal corp., does it make sense to setup plant in a place with no municipal corp. supply? Also, in the places where municipal corp. exists, they already have the 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 Municipal corp. buys water from the client at Rs. 10 / kL.

(Interviewee calculates similar to the table on the next page). I would segment the entire households of Bangalore based on a rough estimation of income. My assumption would be that higher income people would live in bigger houses and would have a 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 nearby Bangalore, harvesting ground water from the nearby forests and supplying to Bangalore or we can look at sourcing sea water 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 Municipal corp. 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, salaries. The variable costs will be the cost of buying sea water, 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, 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.

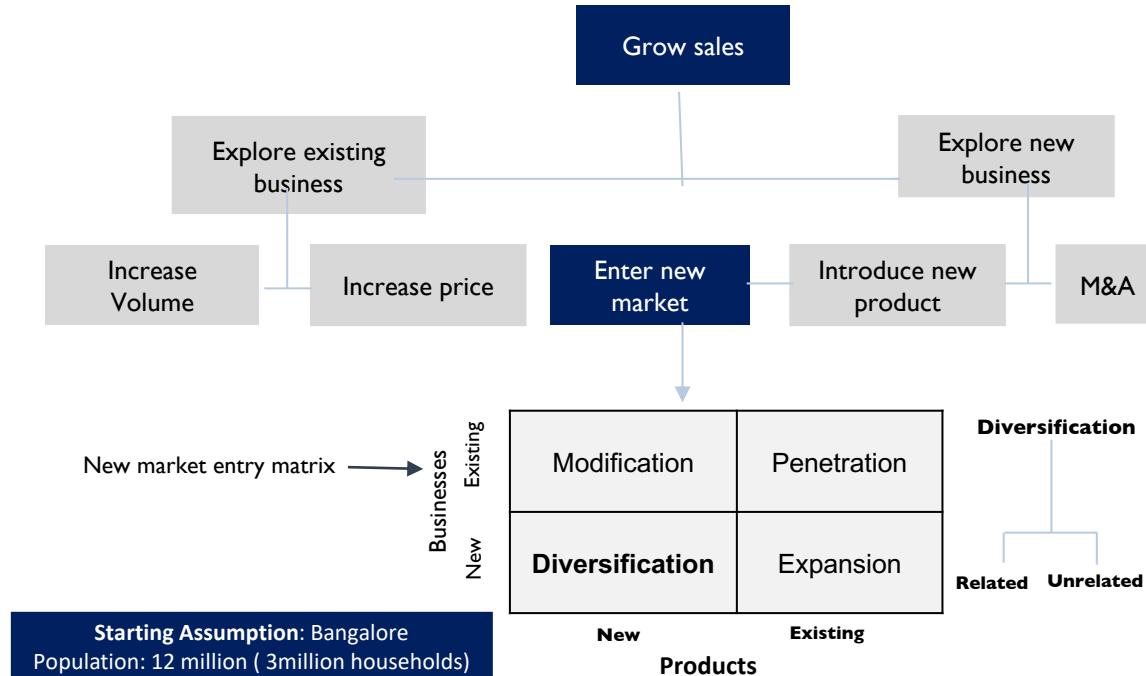
## Interviewee Notes

- 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



## 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 strategy

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		

$$\text{Revenue} = 2,500,000 \times \text{Rs. } 10 = \text{Rs. } 25,000,000/\text{day}$$

# 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 onto 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 are Japan and Indonesia 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/ 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:

- 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.

- 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.

# 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.

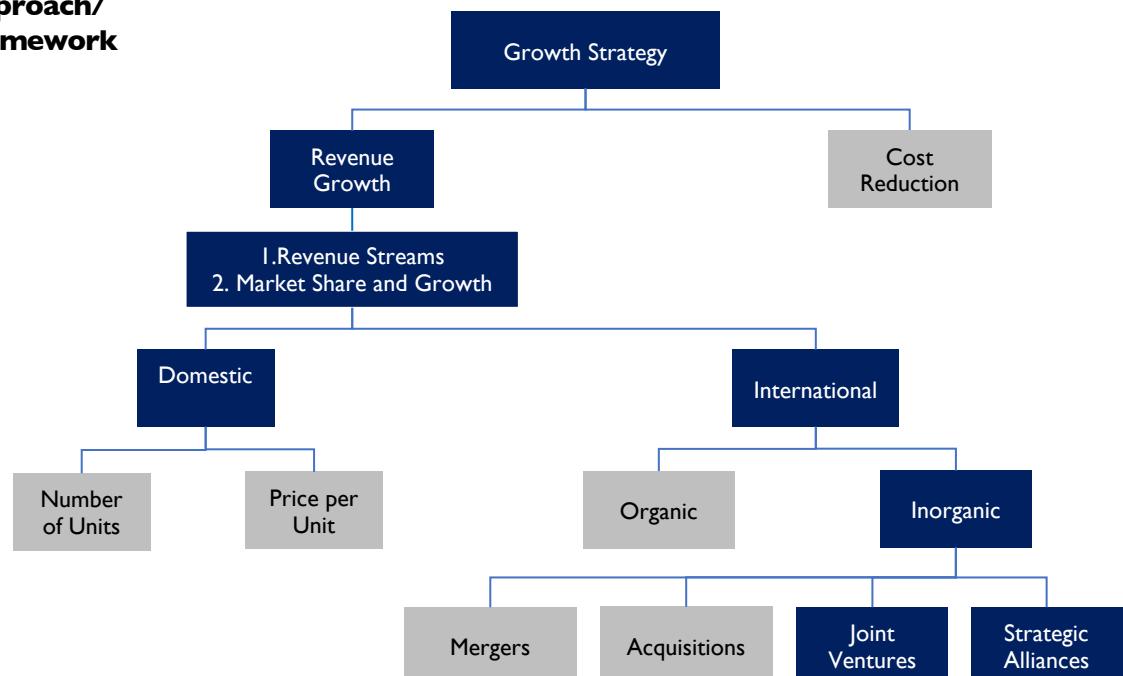
## Interviewee Notes

- 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 in current 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 metro train projects coming up in South-East Asian countries, especially Nepal, Bangladesh, Myanmar, Sri Lanka etc. Here the company may be able to cater to customers without incurring a large transportation cost and may not even face competition from any local player.

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 and would also help in reducing the cost.

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.

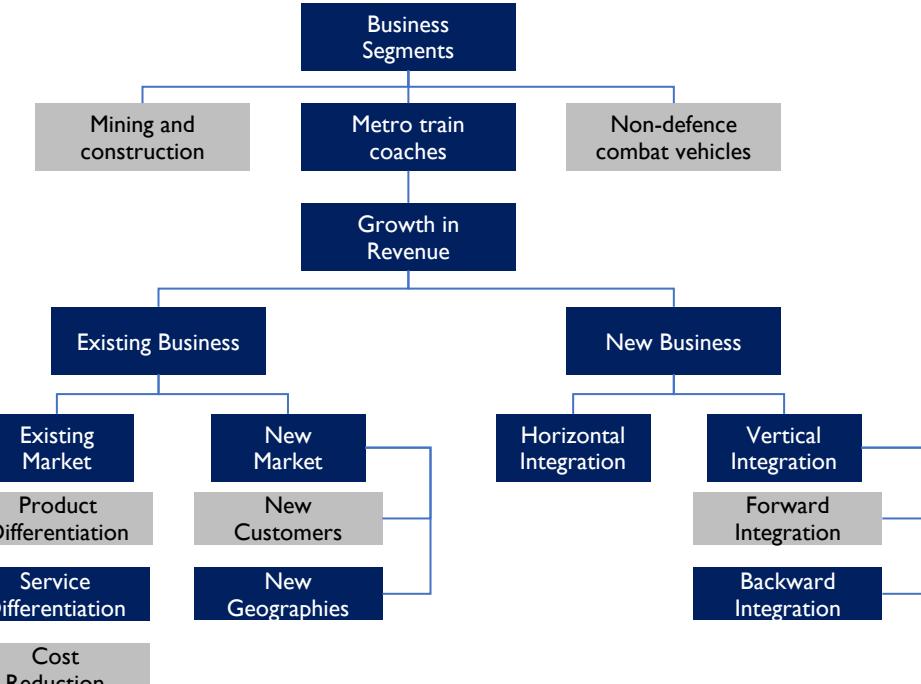
Makes Sense. Do you have any more suggestions?

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	Case Facts	Approach/ Framework
<ul style="list-style-type: none"> <li>The target metric for growth could be revenue, profits, market share, GMV etc.</li> <li>Understand the business. Questions could also be asked in a structured manner</li> <li>Set the overall structure, divide it into multiple parts</li> </ul>	<ul style="list-style-type: none"> <li>Metro train coaches' segment is growing at 3%-4% annually, the other two segments are declining at 1%-2% annually</li> <li>Coaches are made as per the customers' specifications</li> <li>There are two more players - a local private manufacturer and other is a Japan based manufacturer</li> <li>The client has the latest technology</li> <li>The private player is known for better service.</li> </ul>	 <pre> graph TD     BS[Business Segments] --&gt; MC[Mining and construction]     BS --&gt; MT[Metro train coaches]     BS --&gt; NDCV[Non-defence combat vehicles]     MT --&gt; GR[Growth in Revenue]     GR --&gt; EB[Existing Business]     GR --&gt; NB[New Business]     EB --&gt; EM[Existing Market]     EB --&gt; NM[New Market]     EM --&gt; PD[Product Differentiation]     EM --&gt; SD[Service Differentiation]     EM --&gt; CR[Cost Reduction]     NM --&gt; NC[New Customers]     NM --&gt; NG[New Geographies]     NB --&gt; HI[Horizontal Integration]     NB --&gt; VI[Vertical Integration]     VI --&gt; FI[Forward Integration]     VI --&gt; BI[Backward Integration]   </pre>

## 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.

# EPC Company – Interview Transcript

Your client is an EPC company and has approached you to craft a 5 year expansion strategy.

Interesting, can you tell me more about the industry and how does our client fit in the value chain?

The Engineering, Procurement, and Construction sector is growing at 16% and our client is a company like L&T Realties which makes buildings, plants and factories for the mining industry.

Great, it looks like an attractive sector. I wanted to understand if our client has any specific objectives to be fulfilled in the next 5 years?

The client wants to increase its revenues as it has analyzed that the mining sector has stagnated.

That's interesting. Now I wanted to understand where does our client majorly operate and who are the main customers and competitors in this space?

The client currently operates only in India and is one of the best EPC players in the market. You can think of the client to be a market leader and caters to companies in the mining area.

Oh, that's great. Just wanted to understand how our client lies in the value chain? Does it work on a Build Operate Transfer model?

Good question, yes. The client operates on BOT model and works majorly with steel, Aluminum and Phosphorous refining plants.

Now that I have understood the client's products, I would like to understand the current financial position and if there are any constraints that I should keep in mind while I think of the strategy.

No, there are no constraints on the expansion strategy, and you can assume that there are enough financial resources to back the expansion.

Oh Okay, this gives me a clear picture of our client's current position. Can I take some time to work on the growth strategy?

Sure!

So, I would be looking at the expansion plan from two broad categories. First would be the organic development and the second would be inorganic. In the organic one, I would first look at expanding in the existing market through bundling, upselling, pricing, and volume. Second, I would look at geographic expansion in the domestic and global space. Third, I would explore increasing the portfolio size through different metal industries and diversification outside the mining industry. Fourth, I would look at business integration for backward and forward integration or outsourcing. In the inorganic expansion, I would look at joint ventures and acquisitions.

So, does this approach look good? Or do you want me to look at a specific part first?

Good. Let's look how the client can grow inorganically.

Sure, for the inorganic growth, first I would look at the acquisitions in the same industry to reduce costs and competition. Second, I would look at a conglomerate merger to reduce risks due to different business cycles. Third, I would look at acquisition in upstream or downstream of the value chain. Last, I would explore options of entering other metal industries through joint ventures.

Yeah, this approach looks good. We can start with exploring the acquisition options and then explore the metrics you should consider for the merger and the implementation.

Sure, in the horizontal acquisition approach, we can look to acquire competitors in the other metal industries to increase our market share and have operational synergies. We can look at the market power, valuation, new projects, available capital, current profits, projected growth of company, growth of segment, and size to decide which companies to acquire. We can further deep dive and look at horizontal acquisition in new and current geographies. In acquisition of companies in a different industry we look at the growth of industry and risk diversification in addition to the above parameters. For vertical acquisition, we can further do a value chain analysis to identify the most profitable segment.

For horizontal geographical expansion, what metrics would you use to decide on a geography?

For deciding which geography to target, we can first explore sites with heavy reserves of ores, typically states like Jharkhand, Orissa, and Bihar. Then, we can look at the financial viability of acquiring a new company and the projected NPV. Later, we can look at operational viability.

Okay, that's a fair point. Let's look at the operational viability of the geographic expansion?

After looking at the overall attractiveness and availability of mines in the area, we would analyse the entry of new companies which would require infrastructure to carry out mining. Third, we would look at the availability of labour, electricity, water, and other resources to carry out daily mining processes. Finally, we look at the new large projects that can be taken up to grow.

Good, we can now look at the potential risks in the acquisition and the due diligence.

Sure. We can divide the risks into two broad categories – internal and external. There could be problems in integration due to supply chain differences, cultural differences between the firms, and lack of overall business synergy. In the external risks, there could be legal and regulatory risks which disallow merger of two big companies to avoid cartel formation, which is prevalent in the construction industry. There could be other regulatory requirements if we venture into different industry. The mining industry is often challenged with protests from social and environmental activists due to rehabilitation of locals and increase in pollution. Earthquakes and adverse climate conditions are seen frequently in these areas. There is a threat of a new technological breakthrough which can devalue this acquisition.

Should I deep dive into any particular risk and how to avoid that? Or should I look at the due diligence of the merger?

This looks good. We can move onto the due diligence. For this, consider the second largest company to be evaluated for the acquisition growing at 12% in the same geography.

Since the company is in the same geography as our client, we can achieve cost advantages and reduce logistical costs through establishing common supply chain, offices, workforce. We can have faster delivery of projects through a larger workforce and available machinery. In the commercial sense, we can have a higher bargaining power as a larger market leader and can get new projects easily. Financially, though the industry is growing at 16% and the company is growing at 12%, we can achieve higher returns through scale advantages and higher pricing power. Hence, we should go ahead with the acquisition as there are no other financial constraints.

Alright. We can close the case. Well done. Thank you.

# EPC Company

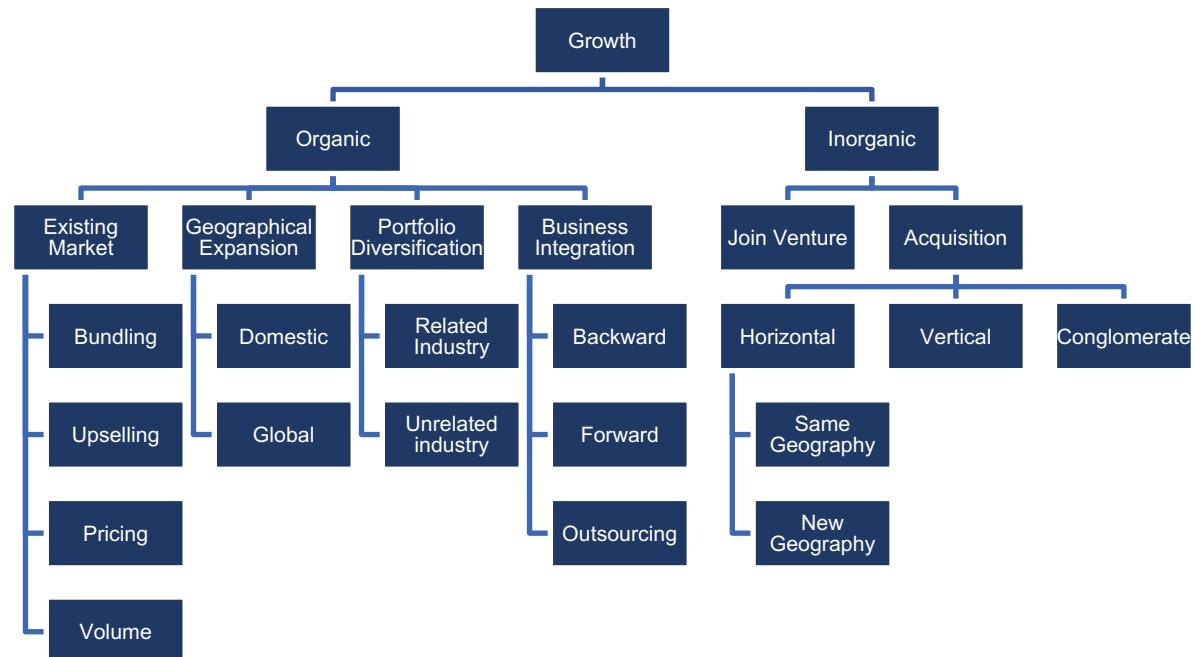
Your client is an EPC company and has approached you to craft a 5 year expansion strategy.

## Interviewee Notes

- It is important to understand the objective of the client i.e. what does he mean by growth.
- It is important to clarify what does the EPC company do exactly and understand the Build, Operate, Transfer model.
- Enquire about product mix, geography, integration across supply chain, competitors, different streams of revenue.
- For understanding the business model better, enquire about close competitors or proxies.
- It is important to understand the industry split up amongst small scale and large-scale businesses as well as the client's customers.
- Here the interviewer asks the interviewee to focus on revenues for large scale clients.

## Case Facts

- Focus on both organic and inorganic growth.
- Use the financial data given in the prelims to answer the due diligence of M&A strategy.
- Remember, there are no financial constraints and the current financial position is strong to acquire big players.



## Recommendations

- Short term: a) Look at companies in the same industry in the same geographies for achieving cost advantages due to common supply chain.
- Long term: a) Expand into different industries with operational synergies to reduce business risks and grow faster.  
b) Venture into new geographies outside India, like Bangladesh and other developing countries where EPC market is expected to grow at 23% in the next few years.

## Key Learnings

- It is important to understand the inorganic growth and M&A strategy for core engineering companies and the Build, operate, transfer model.
- Various financial metrics which give exhaustive information about the company's performance.

# 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 3<sup>rd</sup> 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 at other platforms which reduces their demand. Also, we follow extensive marketing for our in-house content that 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 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 market share of the existing business?

For increasing 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 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 that 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/ which is also around the industry average.

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 of all their past and future content.

Perfect. Why don't you briefly outline the post acquisition risks and considerations?

## OTT Platform Growth – Interview Transcript (2/2)

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 ABCs 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 ABCs 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.

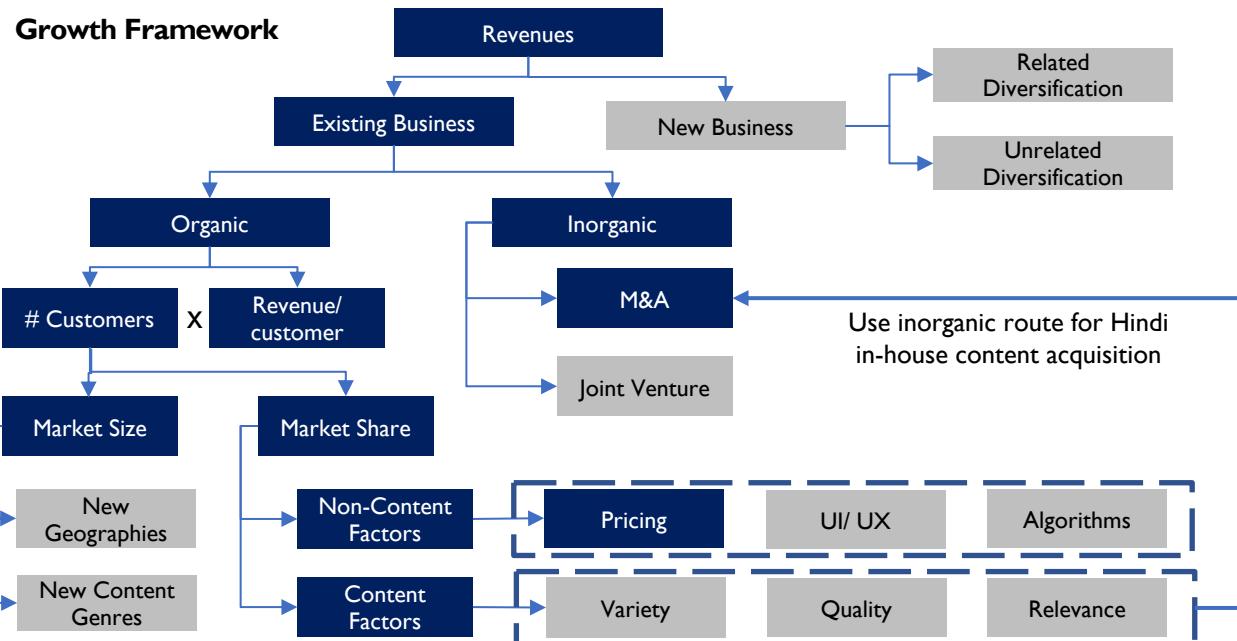
## Interviewee Notes

- 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.

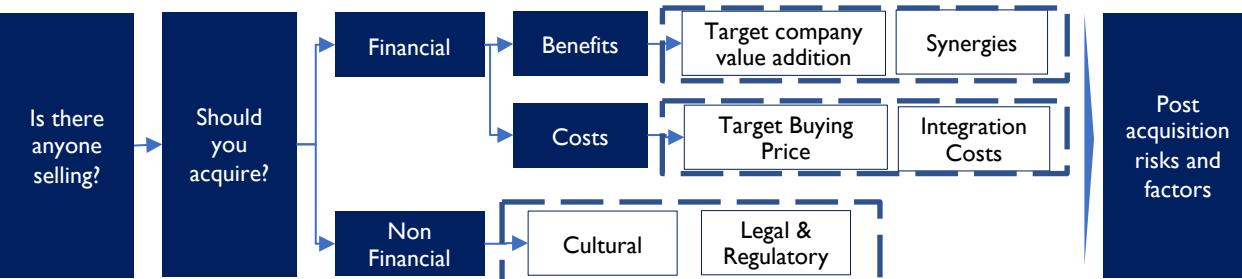
## Case Facts

- 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.



# M&A and Due Diligence



# 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 risks. Does this sound good?

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

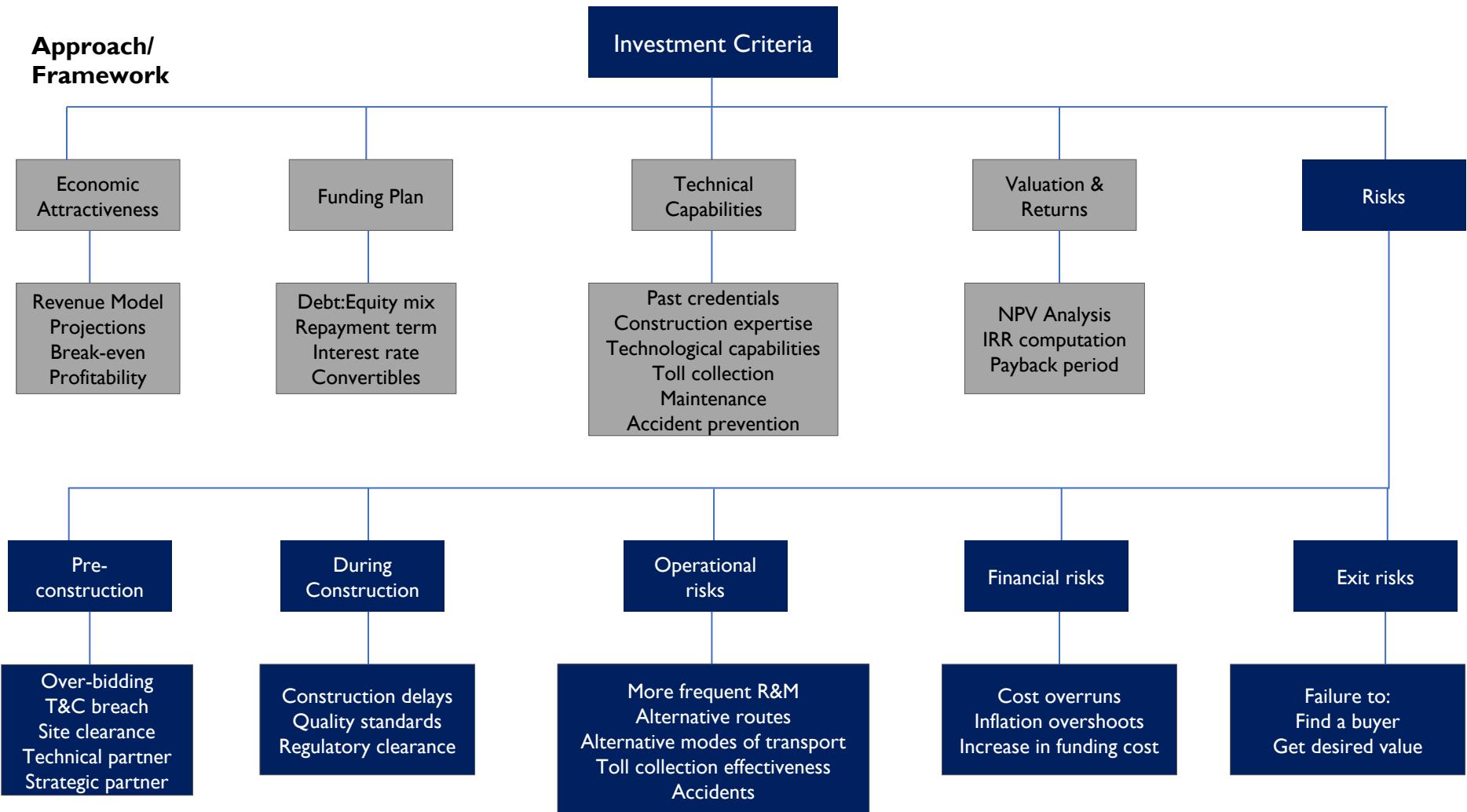
**Exit risks** – risks of not finding a buyer, not getting the desired valuation

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



# 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's 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. Advertisement in the stadiums and the Training centers
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 brings 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 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 lets take a look at the costs side.

Okay. Before going ahead, I would like to ask 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 covered all of 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, lets 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
<b>Total Value</b>	<b>\$14,400,000</b>

Ticket Sales	
Stadium Capacity	60,000
Average attendance/ Game	80%
Ticket Price	\$50
Revenue/ game	\$2,400,000
Number of Home Games	30
<b>Total Ticket Sales</b>	<b>72,000,000</b>

Merchandise	
Items sold	2,000,000
Order Value	\$100
Royalty	10%
<b>Total</b>	<b>20,000,000</b>

# Sovereign Fund

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.

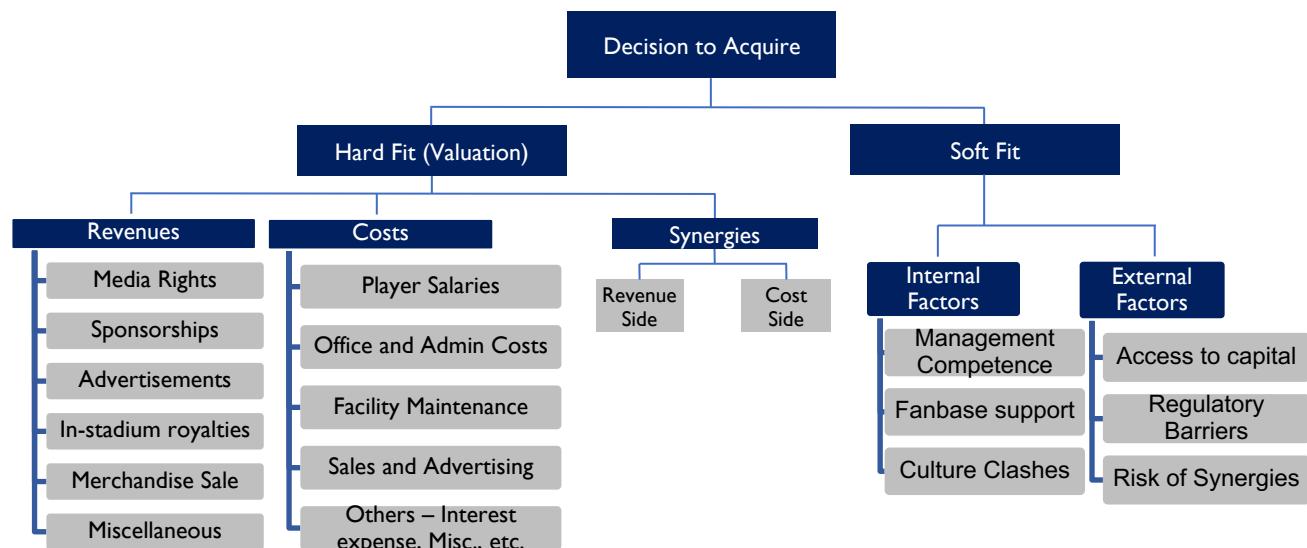
## Interviewee Notes

- 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		Costs		Valuation	
Broadcasting Rights	\$200,000,000	Player Salaries	\$150,000,000	Revenue	\$381,400,000
Merchandise	\$20,000,000	Admin Costs		Cost	\$280,000,000
Sponsorship and Ad revenue	\$75,000,000	Sales & Advertising	\$90,000,000	EBIT	\$101,400,000
Ticket Sales	\$72,000,000	Facility Maintenance	\$40,000,000	Synergies	\$50,000,000
Royalties from Stadium stores	\$14,400,000	Total Costs	\$280,000,000	Hurdle Rate	15%
<b>Total Revenue</b>	<b>\$381,400,000</b>			Growth Rate	5%
				<b>Final Valuation</b>	<b>\$1,514,000,000</b>

## 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.

# Pharma Giant's Acquisition– Interview Transcript

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 of 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 evasive and non-evasive techniques that are available in the market. Evasive techniques technique including injections, surgeries and Non-evasive ones including various traditional medicines like ayurveda, specific oils, etc. 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 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 ad 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:

$(\# \text{ of bald people}) * (\text{fraction opting for a treatment}) * (\text{Fraction opting for the non-evasive technique}) * (\text{fraction of that opting for the non-traditional techniques}) * (\text{fraction opting for the drugs}) * (\text{market share of our drug}) * (\text{price of our drug})$ . 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 1<sup>st</sup> 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 of the different phases of the trials? As it would be required for calculating the expected value of the clinical trials. Also, if the 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.

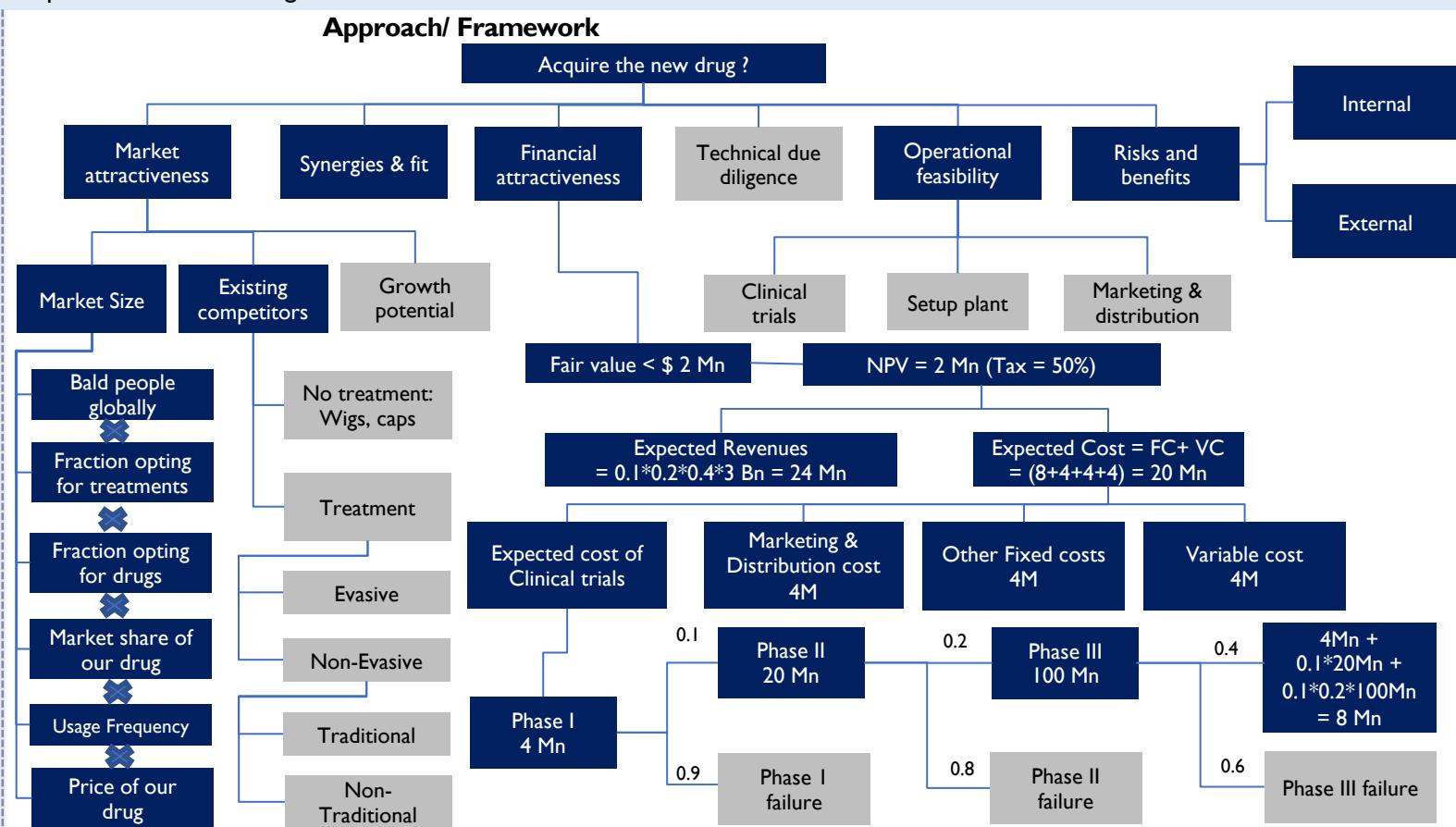
Thank You. We are done with the case.

# 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.



## Recommendations

- Short term: a) Do a thorough 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.

# 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 I cities at premium locations. The average mall size is comparable to 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, 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-I 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 macro economic 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 % 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?

# Chain of Phoenix Shopping Malls – Interview Transcript

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?

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 Risk, 2) Financial Risk, 3) Competitive Risk, 4) Regulatory Risk, 5) Infrastructure Risk,

Technological Risks : E-Commerce is huge threat to the offline retail space. Players like Amazon and Flipkart are catching up quickly.

Financial Risk: 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 risk. 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 shutdown 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?

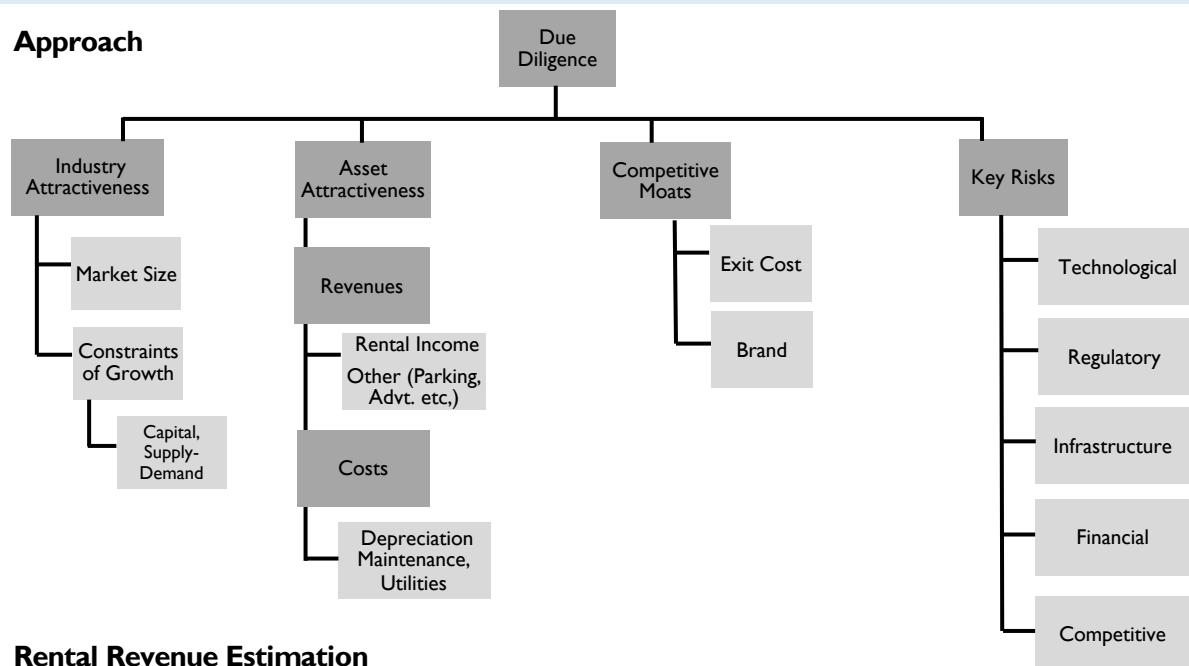
## Interviewee notes

- 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

# Flipkart - Due Diligence – Interview Transcript

Your client is a private equity firm and they want to invest USD 1 Billion in flipkart. They want you to perform a comprehensive due diligence on whether they should invest or not

I would like to understand more about what our client's objectives are in terms of deciding whether to invest or not

The client wants us to analyze the market potential, market attractiveness and the valuation of the company.

Okay, from what I understand, we need to look at the valuation so that the client can ensure their investments and the stakes they are getting would be proportional. And we will look at the market potential to understand the qualitative aspects of the market to ensure there are adequate growth opportunities and there is potential for money making

Exactly, these are the two broad things the client wants to look at

Great, Before I dive into the in-depth analysis of the parameters we have mentioned above, I would like to ask some clarifying questions about our company here

Okay, Sure, Please go ahead

Is Flipkart the same company we know of, the Indian e-commerce company, which is a parent company to various smaller companies like Phonepe, Myntra and e-Kart?

Yes, we are talking about the same company

Do we want to do the due diligence for the main company – flipkart or do we want to consider the subsidiaries as well while taking a decision

For the purpose of simplicity of the case, let us assume there is only one entity called flipkart and continue with the case. We can maybe consider some parameters for the subsidiaries in the later part, in case there is time

Okay, that clarifies my questions. Give me a few moments to structure my approach for the case.

Sure, take your time

I would like to broadly look at Market attractiveness, valuation of flipkart and finally look at some sanity checks on subsidiaries. For Market attractiveness I would consider various verticals like market size, growth opportunities, competitive landscape, Profitability, customer and merchant analysis. For valuation I would look at estimating the Revenue per year and multiply it with an industry multiple to calculate the overall valuation. Which one would you like me to start with?

Great, that sounds like a comprehensive structure. Please go ahead with the market attractiveness and then move towards valuation. We can go the subsidiaries in the end

Moving forward, I would like to start off the analysis with deep dive into Market and opportunity overview. I would first like to look at the market size, and growth outlook, then move on to the market mix in terms of the categories and then look at the current regulatory scenario. The market size for the e-commerce sector has been booming, with the internet penetration and also due to COVID and the work from home setup. The existing categories has seen growth in the past years, like mobiles, fashion, furniture and so on. Apart from this, we also have new categories budding like pharma and grocery on online platforms. The market is spreading across for both the tier 1 and tier 2 industries, especially after the Jio era where people are more connected. The e-commerce market is a regulated industry and hence we would have to analyze if that would have a positive or a negative impact for us during the longer term

That is very interesting and covers most of the points we should consider for the market. Can you discuss the competitive landscape for flipkart and the associated threats with it?

Sure, I will analyze the competitive landscape under three buckets. 1. Current market share of flipkart, 2. Competitive threats 3. Strength of Flipkart to defend the market share. Firstly, I will start off with looking at the historical market share of flipkart amongst its competitors in various categories and cities. Traditionally, in the major e-commerce segment, flipkart has a high market share in India. Can I know the exact numbers?

You can assume flipkart has a market share of 30 percent in the Indian e-commerce segment.

Great, that looks like a promising number, and it seems to be an attractive market share. Now moving on to the second point, we can discuss the competitive dynamics and threats. We would understand the dynamics of Flipkart and Amazon and try to understand if they are eagles or doves in terms of sharing the market share across the categories and cities. We could also have threats of new entrants like traditional e-commerce and from alternate platforms like meesho. For me it looks like the existing space can be taken care of, but we need to be keen on the entry of new players.

Fair enough. Please continue

So with the possible competitor dynamics, flipkart must ensure that they defend their market share and I believe they would be able to do so by their superiority in technology, and their supply chain infrastructure

Makes sense, now let's quickly look at the Profitability along with Customer and vendor Analysis

We need to look at the unit economics, margins and ensure that the profitability is intact or at least achieved soon in the future before we make our investment. Lastly, we also need to concentrate on three sets of feedbacks, namely, Customer, Merchants and Brand feedbacks. Analyzing the customer feedback and ensuring customer satisfaction would be of key significance. Loyalty programs, promotions and offers should be provided to ensure customer satisfaction. Like any two-sided network, the number of active vendors, retention, quality and availability metrics should also be keenly considered.

Yes, absolutely! We can now move on to the Valuation of flipkart, as an independent entity?

Okay, as I understand we would need this valuation so that we the client can estimate how much stake is optimal for the amount they are investing in? And do you want me to go through it with numbers?

Exactly, we need the valuation to be able to estimate the stake. We don't want you to estimate the numbers though, you can give me the approach that you'd take to arrive at the valuation

Sure, broadly I would incorporate a more straightforward way to calculate the valuation. First, I would estimate the revenue per year and then I would estimate the multiple that needs to be multiplied for the industry with your help. I would multiply these two numbers to get to my valuation numbers.. I would broadly use all the revenue streams like margins on products, advertisement income, software incomes and so on to estimate the yearly revenue

Good. We can quickly move to quick brief on the subsidiaries and we can close the case

Definitely. Flipkart has mainly 4 subsidiaries and many smaller firms. The top ones in these are Myntra, Jabong, Phonepe, and e-Kart. For all the subsidiaries they have, we need to perform basic sanity checks so that we don't face any issues in the future. A few initial checks would be to check their financials, overall market potential, look for any existing legal issues or any other bad PR or troubles in general. Then, we need to look at the senior management to understand the inter divisional dynamics between the subsidiaries so that the function of the firm, flipkart is smooth

Alright. So, what would be your recommendation

My recommendation for the private equity client would be to invest in flipkart, as the market is huge and attractive. If we had some more time and data, we could have dwelled a bit deeper into the valuation and subsidiaries to come to a more informed conclusion

Great. Thank you, we can stop the case here.

# Flipkart - Due Diligence

Your client is a private equity firm and they want to invest USD 1 Billion in flipkart. They want you to perform a comprehensive due diligence on whether they should invest or not

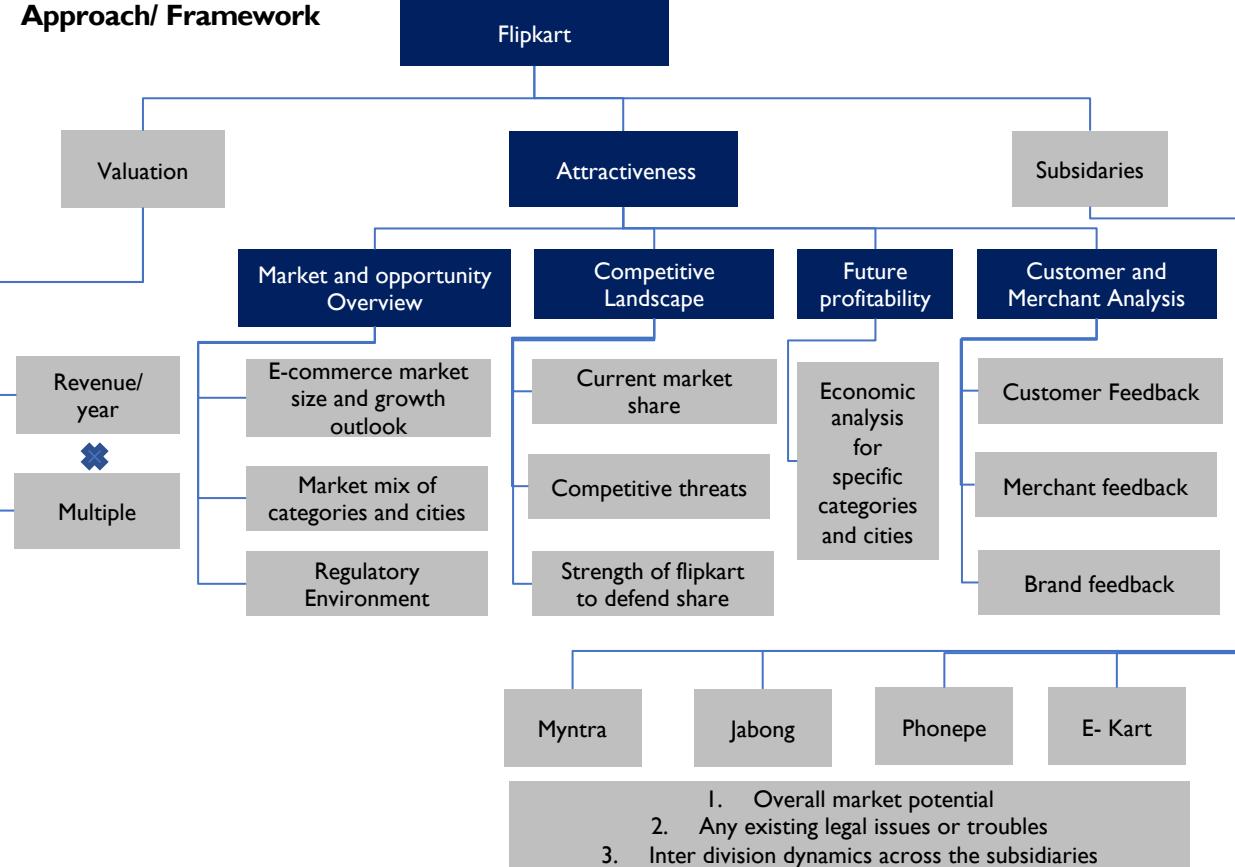
## Interviewee Notes

- It is important to understand the objective of the client i.e. what are the parameters we need to perform the due diligence on
- Ensure that you ask basic questions about the company at discussion
- It is important to layout and tell the plan of approach to the interviewer in the start and get suggestions, if any
- For valuation, the interviewer was not keen on numbers, so a qualitative approach was good enough
- Tried to break down the problem by taking only flipkart into consideration and not its subsidiaries to make the solution robust

## Case Facts

- Client wanted a due diligence for an Indian e-commerce company.
- The company does have subsidiaries, but we haven't considered that in the initial analysis
- Valuation is important to estimate what is the optimal stake the company can negotiate for with flipkart
- It is a huge market and we have to understand the market size, competitors and money making as the key factors of evaluation

## Approach/ Framework



## Recommendations

- With the analysis we have performed, it appears that we need to invest in Flipkart for two reasons:
  - The market is very attractive and there is huge scope for growth, both product wise and geographically due to COVID as well as internet penetration
  - Flipkart has its unique value propositions like technology and supply chain superiority to ensure that it keeps up with the growing market and would be a successful company
- We looked at the qualitative aspects of valuation, we could have come up with more definitive recommendations if we had more data and time to work out the numbers for valuation

## Key Learnings

- It is important to understand the objective and the requirements of the client as well as the interviewer.
- Asking question in the places you are not comfortable would make the interviewer break down the problem for you, and would help you with certain assumptions to make it easier.
- Try to summarize the case in quick 40 seconds before closing the interview

# 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, financial 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 2<sup>nd</sup> 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 them provide 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 their specific skills or sectors in which the students are trained.

The students are unemployed youth who are provided training as beauticians, cutting and stitching jobs and as baristas for coffee shops. They are continuously expanding the range of their skill program.

That's interesting. And how is the competitive landscape in the sector where the client operates?

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 operated at 15% net margin while the industry operated 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 helps to identify prospects and incentives 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 hasn'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 obsolescence 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

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
Growth Rate	Competition	Cost Synergies	Operations	Partial Exit	E
Profitability	Equity Structure	Efficiency Synergies	Financials	IPO	S
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 entrants especially 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 and validate from the interviewer if something else is missing

Covered in this case

Not covered in this case



# 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 question
- 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 I):

- 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 I):

- 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 I):

- 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 such as 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.

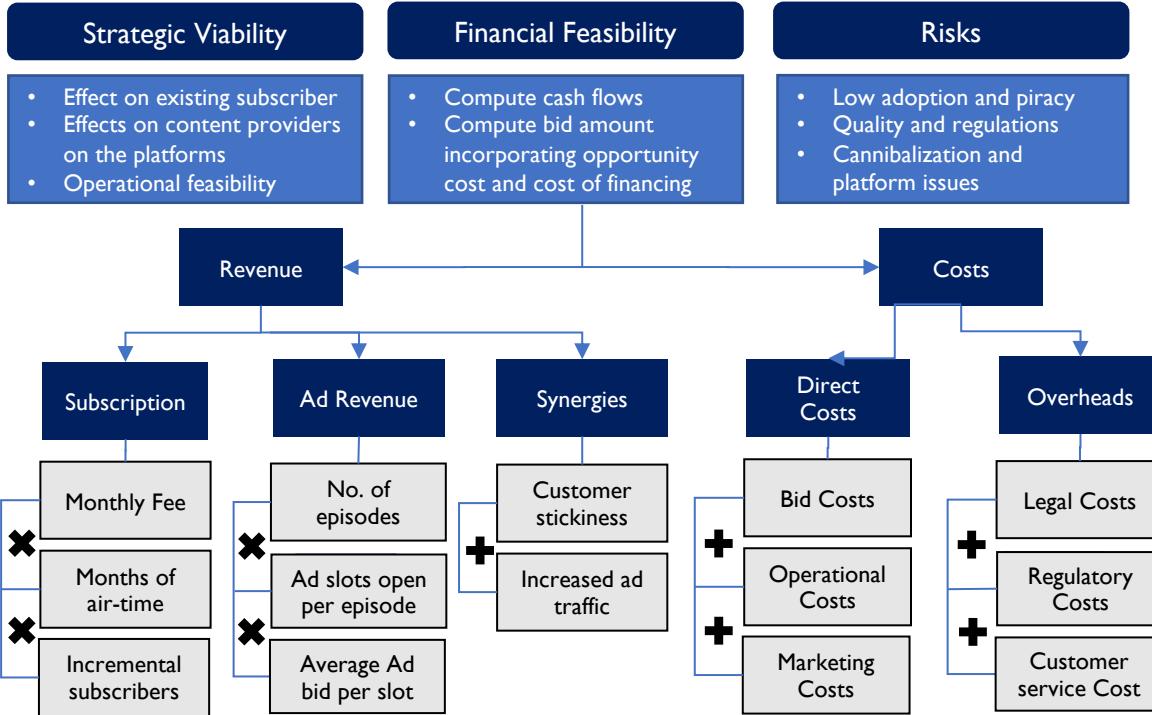
## Interviewee Notes

- 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 minutes
Average ad duration	30 seconds
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
Monthly fee	\$2	Ad Slots per ep	20
Subscription months	3	Average ad bid value	\$15 K
<b>Revenue generated</b>	<b>\$3 Mn</b>	<b>Revenue generated</b>	<b>\$3 Mn</b>

## 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'll 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, any 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 manager 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'll 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 process 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 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.

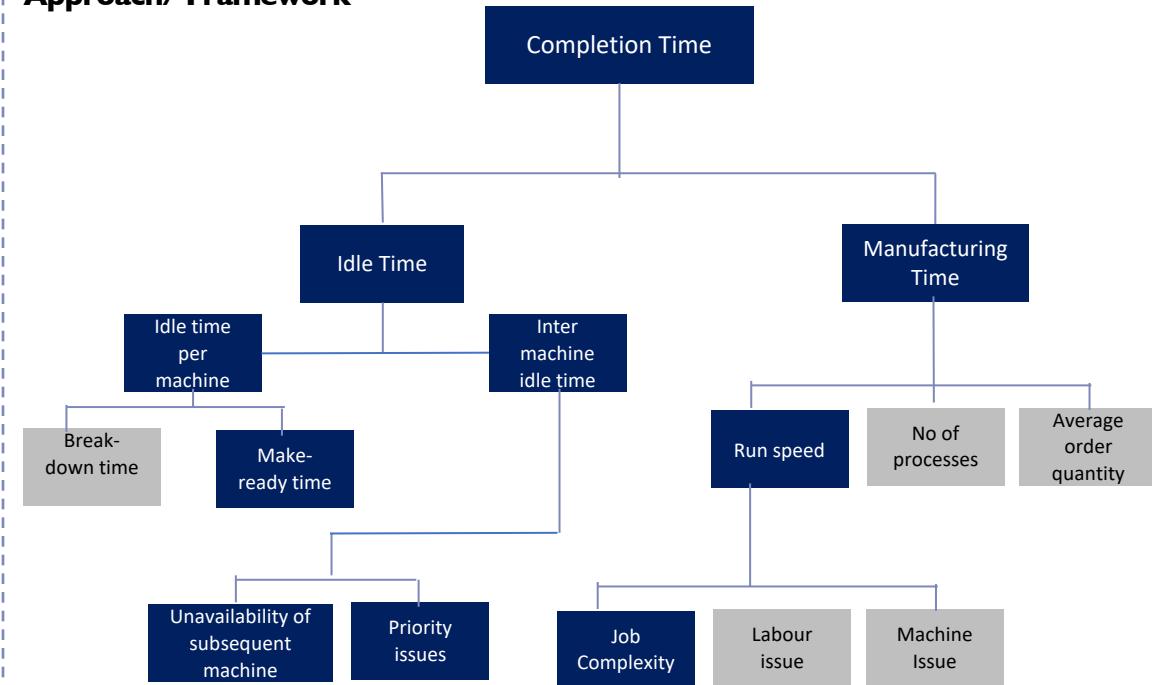
## Interviewee Notes

- 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

## 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

Type of job	Target Time (hrs)	Actual Time (hrs)
Large (more than 5000 cartons)	48	54
Small (less than 5000 cartons)	36	72

## '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.

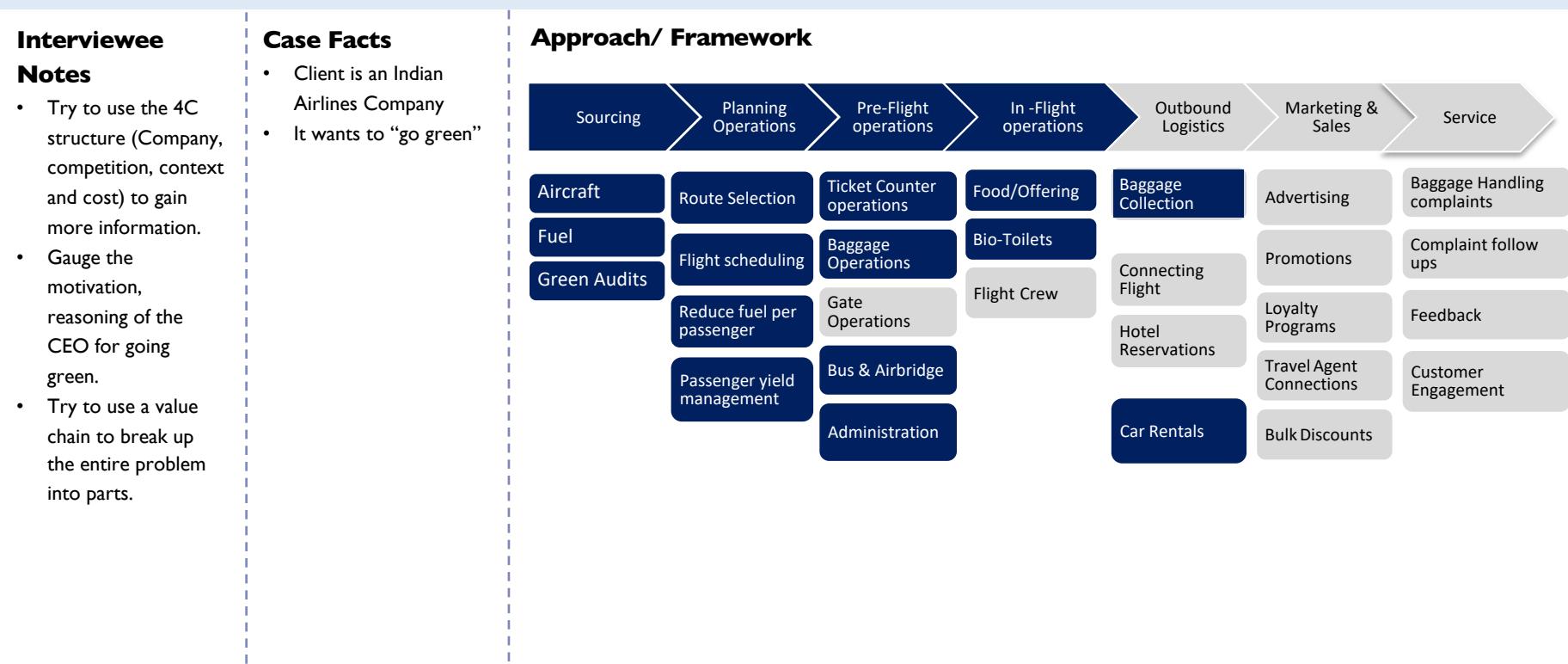
Okay, Sounds good. Could you summarize the case for us?

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.

# '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?



## 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.

# Declining website traffic – Interview transcript

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

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 "off 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	Case Facts	Approach/ Framework
<ul style="list-style-type: none"> <li>• Steady growth rates previously</li> <li>• Problem is with retention of users</li> <li>• Identify drivers of repeat users</li> <li>• Understand the factors that could lead to attrition</li> </ul>	<ul style="list-style-type: none"> <li>• Industry wide issue</li> <li>• No problem with new users</li> <li>• No new competition</li> <li>• No changes in pricing by any of the companies</li> <li>• No change in content quality</li> </ul>	<pre> graph TD     A[Decline in traffic] --&gt; B[From repeat users]     A --&gt; C[From new users]     B --&gt; D[Quality of content]     B --&gt; E[Cost of content]     B --&gt; F[Delivery of content]     F --&gt; G[Operational]     F --&gt; H[Aesthetic]   </pre>

## Recommendations:

The issue is with the new, obtrusive, legally-mandated GDPR cookies banner, which is ruining user experience. Thus,

- Make the banner less flashy and intrusive, but visible.
- Focus on developing quality content.
- Move away from a user tracking model and consolidate content delivery

## Key Learnings:

- 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.
- 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)
- It might be worthwhile knowing some common digital marketing terms such as bounce rate, click through rate etc.

# Risks of oil transportation company – Interview transcript

Your client is a transport company, which has been offered a contract to transport oil for an oil rig company. We need to decide if it should take the contract or not.

Okay. Is our client specifically into oil transport, or are the transportation areas diverse?

No, our client is not into oil transport right now. It is diversified in terms of what it transports.

Okay. How long is the contract for?

The contract is a long term one, and will last for approximately 15-20 years

Okay. Where is the oil rig company located, and where is the customer located?

The oil rig company is located in the Middle East, and the customer is located in the USA.

Alright. Does the client own any ships that might be suitable for this purpose?

No, the client doesn't currently own any suitable ships. They will have to purchase new ships to do the job.

Okay, so that is a large initial capital expense. Can these ships be used elsewhere?

No, these ships can be used only for this purpose

In that case, the large capital expense would be justified only if the long-term returns are good enough to cover the costs. Are we expecting any other contracts of this nature?

Yes, we expect that we shall get more contracts in the future, as the demand for energy in these areas is increasing.

Okay. Now I would want to look at the long-term profits for the company. Do we have any data for expected profitability?

No, we don't have the numbers for the profitability. We would like you to assess the risks associated with the contract.

I'd like to segment the risks down bucket wise. According to me, the company faces geopolitical risks, economic risks, labour related risks and general risks. Does that cover the risk areas of the client? Additionally, is there any specific bucket that you'd like me to focus on?

Yes, you may proceed further with these risk buckets. We don't want you to focus on a particular risk bucket, just give a general analysis of the risks faced by the company.

Okay. In the geopolitical risks, the company may face trade embargoes in case there is an unrest in the region, as the Middle East is a very sensitive region. Additionally, the change in the tax laws in either of the countries might lead to extra costs.

How do you plan to solve this problem?

In case of trade embargoes, we might look to source the oil moving to the USA from another country and use land routes to cover the deficit in that region. For tax laws, we can include provisions in the contract to ensure that the additional cost is passed on to the customer.

Okay, please proceed further with the economic risks.

There might be an increase in the transportation costs for our client, or the oil prices might decrease. If our contract has a variable component that is impacted by the prices, then we might be facing reduced revenues because of this. Also, in case we are purchasing the ships, we might face cost problems if the client backs out.

What's your solution to this problem?

We can try to sign futures contracts, and fix the charges within a certain range, in order to ensure that we are not adversely impacted by a price fall, that is, our downside is minimised. Similarly, we can pass on prices to the customer to an extent in case of transportation cost increase. To handle the purchasing of ships, we can choose to lease the ships till we get confirmed contracts from other clients as well. Short term leases would be the best option. Additionally, we should include provisions for compensation in case of cancellation of the contract.

Okay. What are the labour related risks that we might face? Additionally, please provide solutions with the problems.

Okay. We have to employ highly skilled labours, as any issues with handling might lead to oil spills, that will lead to economic losses as well as a hampering of our client's reputation, besides causing environmental destruction. This might be a high-cost factor, and hence the client could have training programs in case they land more oil contracts.

Alright. Are there any other risks that you'd like to look at?

Yes. There are a few general risks that the client might face. First, we should look at the ship's occupancy, and see if they're being optimally utilised in transportation. Additionally, in the contract structure, we should ensure that there is no exclusivity clause, and that the requirement of deliverables is within our reach. Finally, we might also want to look at the entry/exit barriers in the market, since if it is a lucrative market with a low entry barrier, we might face competition in future contracts.

Okay, that seems comprehensive enough. Thank you.

# Risks of oil transportation company

Your client is a transport company, which has been offered a contract to transport oil for an oil rig company. We need to decide if it should take the contract or not.

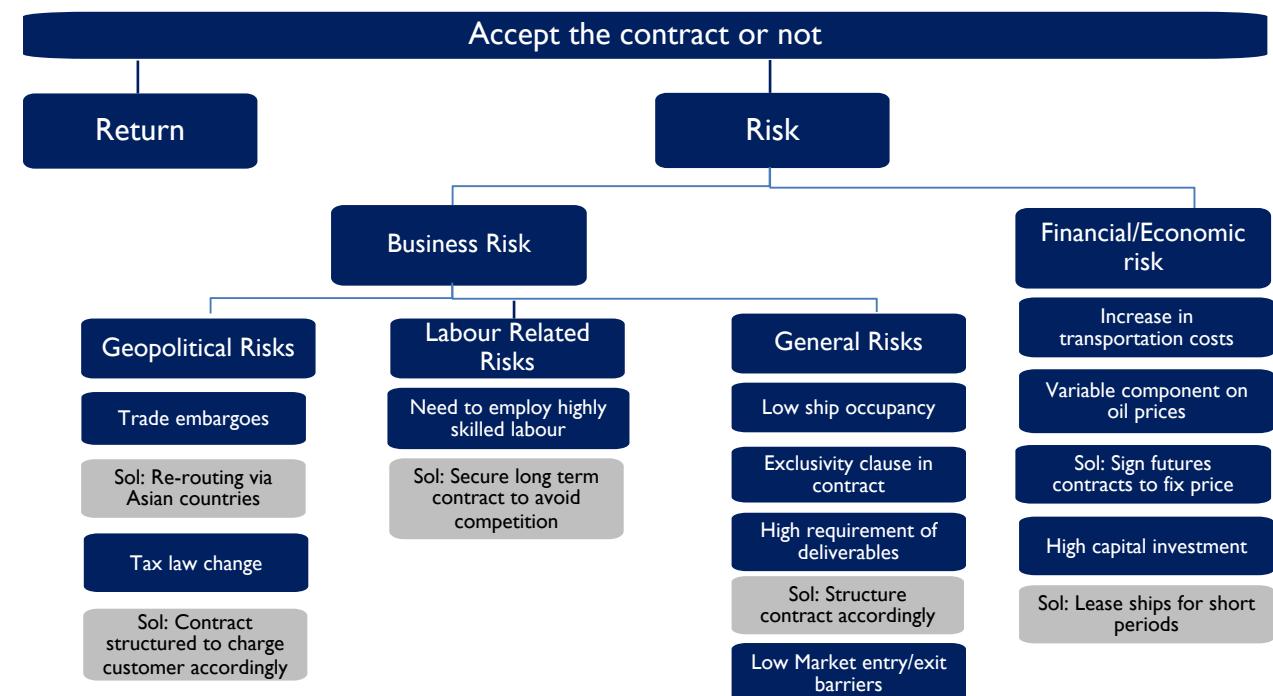
## Interviewee Notes

- Qualitative case, no numbers provided
- Instead of focussing on one specific issue in depth, candidate was required to cover a breadth of issues

## Case Facts

- Client is a transportation company with no prior oil experience
- It is facing cost issues with more than one beer product

## Approach/ Framework



## Recommendations:

- Ensure that most of the risks are mitigated in the contract signed with the client's customer
- Minimise capital risks by using short term leases on ships instead of purchasing them

## Key Learnings:

- It is important in cases like this to be comprehensive, and hence bucketing the problems into different sections helps in structured thinking
- Most of the risks faced by the client should be problems which have solutions available and can be thought of within the interview
- If there are genuine risks without possible solutions, you could advise against the contract

# 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 understand if we are operating in post covid and Brexit scenario?

Yes, we are in a post covid and Brexit scenario.

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 transferred, the truck used to transfer, the driver operating the truck and the route chosen for transferring the fuel.

Good, that's a good breakup. The issue seems to be with the drivers.

Since the other factors are not the problem, is it safe to assume that the decline is due to decreased productive driver hours?

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 dependency 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.

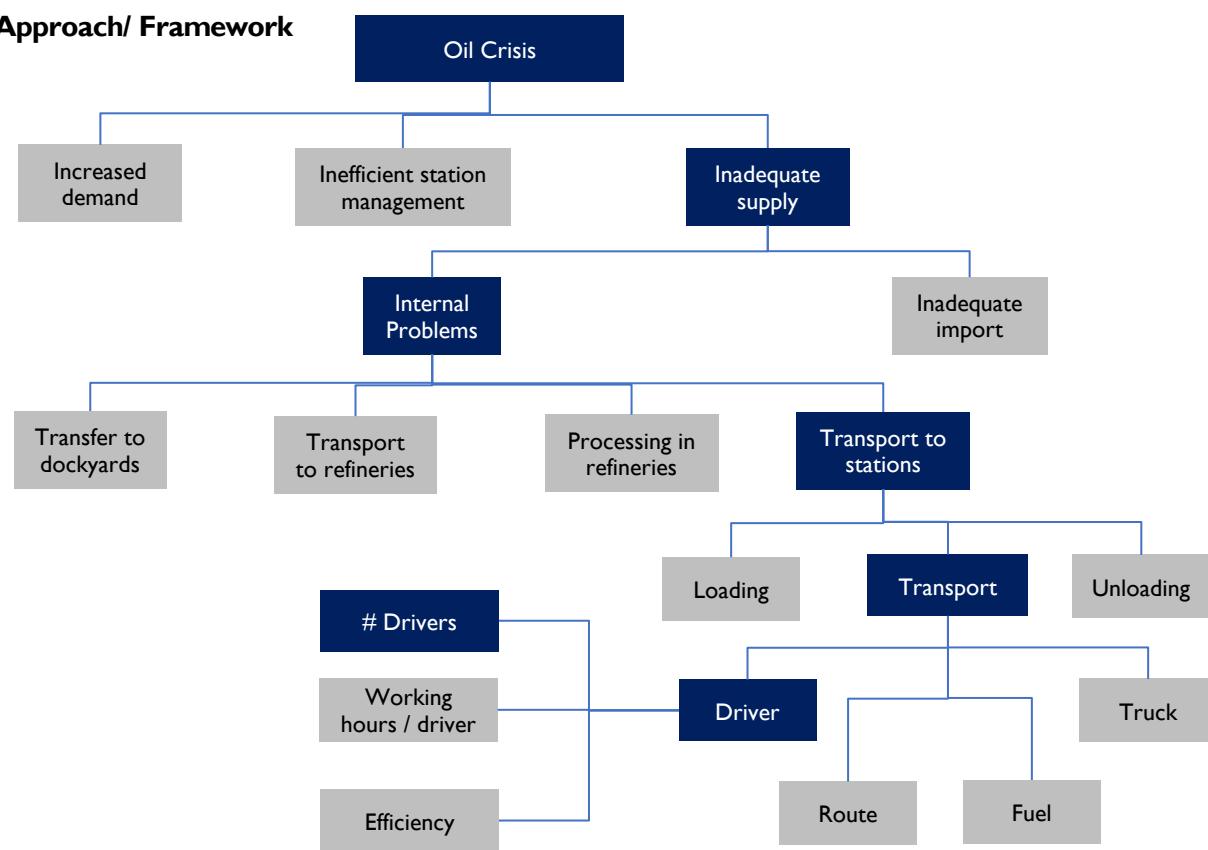
## Interviewee Notes

- 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

- 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
- Long term: a) Build train tracks connecting refineries to major towns enabling transfer of fuel through trains, thus, limiting the dependency 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.

# 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 heterogeneous. 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 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 competitions would increase manifolds for them. However, in the long run, due to network effect 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 saving 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 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 - Indianware

Jabong:

Target age - 14-35 years

Fashion - Westernware

Flipkart:

Target age – 14-60 years

Fashion – All

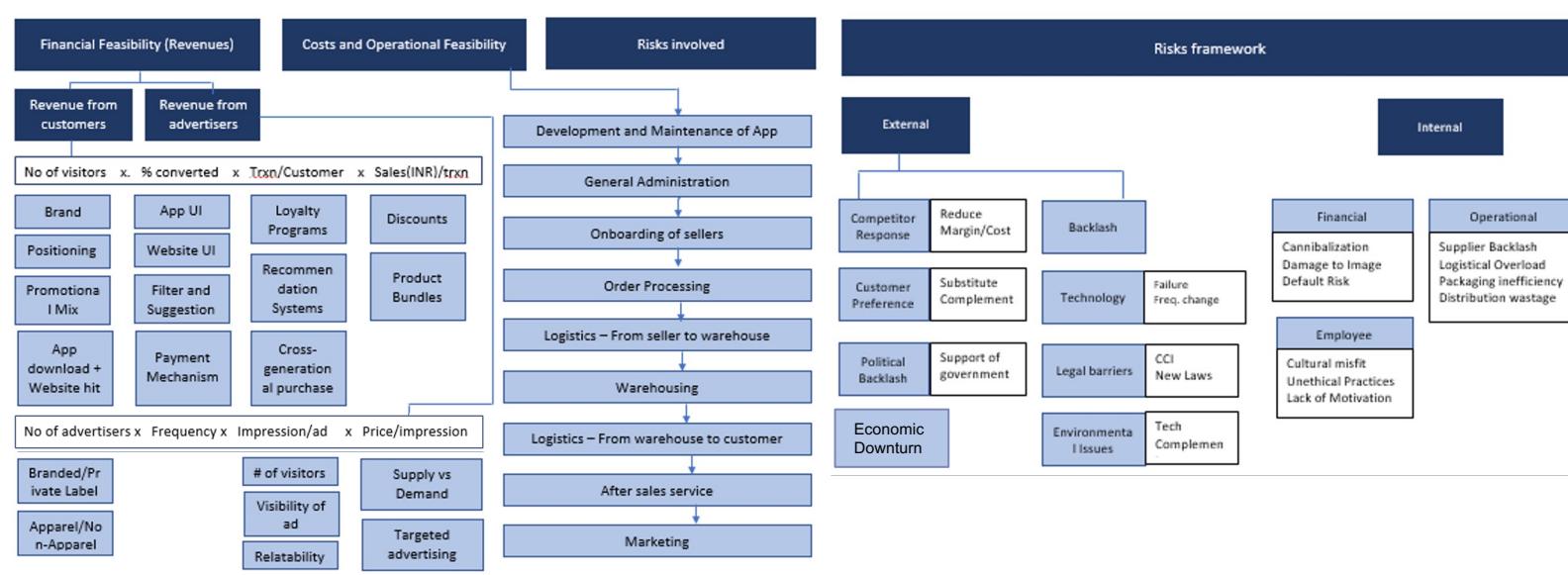
### Objective of integration

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

# 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

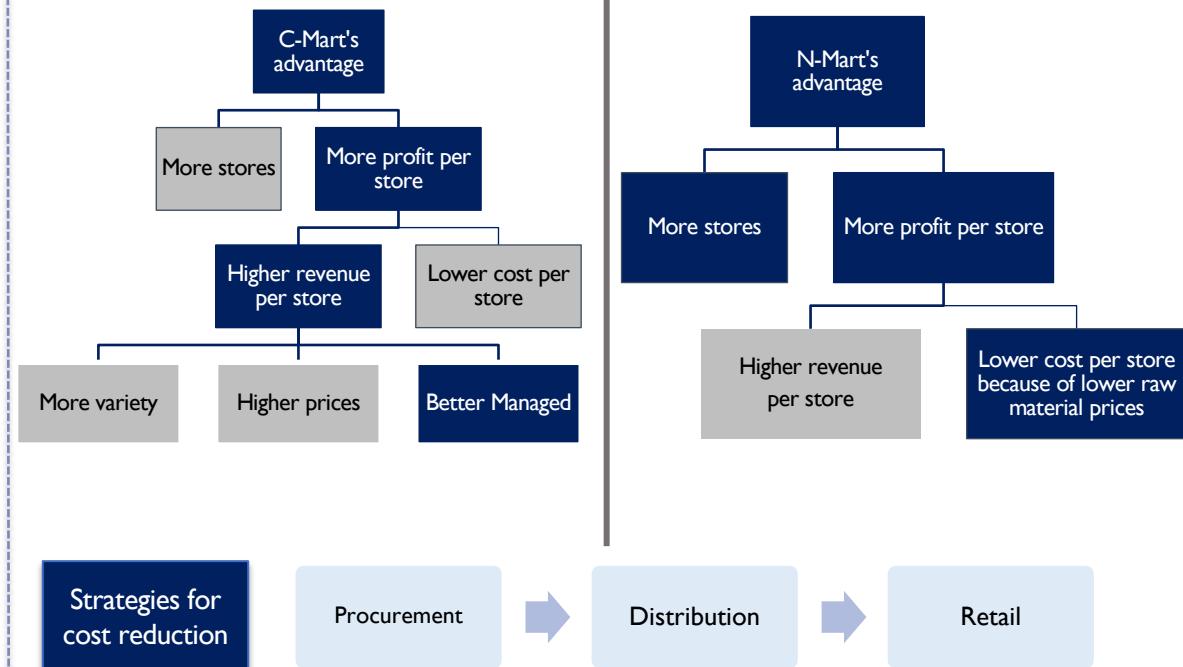
## Interviewee Notes

- 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

## 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

## 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)

## 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) What is the magnitude of amplitude of cyclicity? (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's 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.

# Drug pricing

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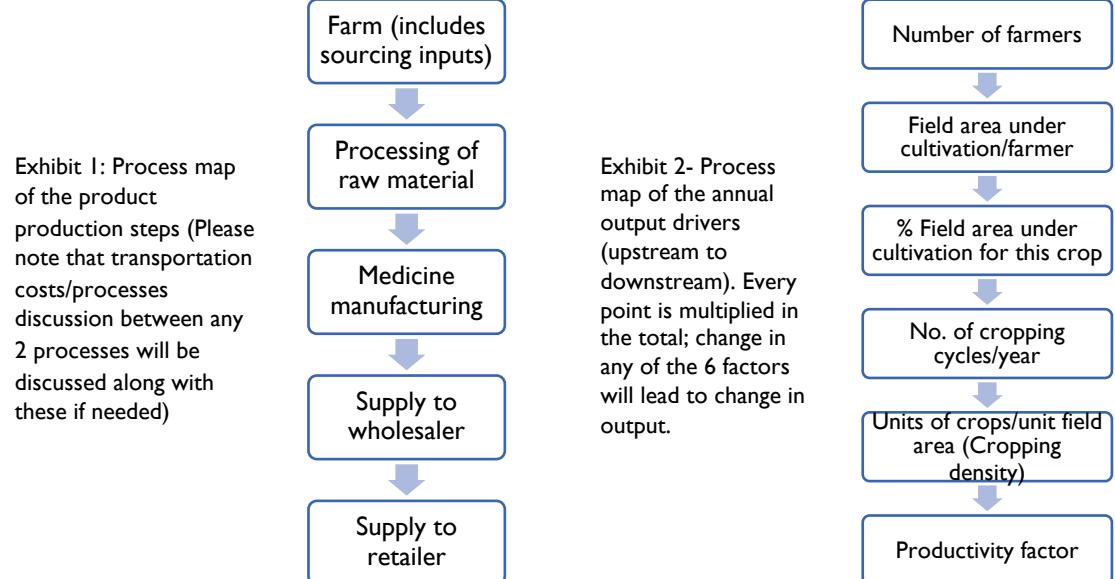
## Interviewee notes

- 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



## 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

# Inter-planetary payments – Interview Transcript

Your client is the CEO of an Indian Space firm. She has approached you to help her understand if the firm's payments to Mars and Venus agencies are efficient or not.

So, if I understood you correctly, the client wants us to analyze the efficiency of her firm's payments to Mars and Venus agencies. By efficiency, do we mean optimal payments, or is there any other interpretation?

Yes, that's correct. The client was recently looking at her firm's financials and feels they have incurred more monetary cost for payments to Mars and Venus agencies than they should have.

Interesting! What makes her feel so? Is it based on some benchmark, or is it just a gut feel?

She has no benchmarks to justify this as of now.

Okay. Since, it is a gut feel, I am assuming there is no quantification of the inefficiency. Is that fair? Also, since when does she feel that this discrepancy has been taking place?

Yes, there is no quantification. We don't have any data regarding the timeline.

Fair enough, At this stage I would like to understand the industry landscape a little more. I have two questions. Firstly- Can I get a little more details on the agencies Mars and Venus (where they are based etc.). Secondly – I wanted to understand the nature of payments a little better

These agencies are based out of Mars and Venus and are run by extra-terrestrial species. The client pays them using ozone protection jackets. The aliens supply the client with uranium. There are no other monetary dealings.

Oh that is interesting. What does the client do with this uranium. Also, is the payment measured as Jackets/ Kg of Uranium, and has there been any increase in Jackets demanded per Kg of uranium?

The client processes this uranium to get final compounds at its Ahmedabad factories. This process generally, includes some loss in the weight of uranium. The payment is made in the way you have mentioned and there has been no change in the quantity demanded per Kg of uranium.

I also wanted to understand the competitive landscape a little better. How does the industry competition look like? Also, what other industries in the universe source uranium from the aliens?

Our client is the only player in the industry. You can assume that this is the only industry that sources uranium from the aliens.

I had one last query regarding the transaction costs. factor. Do we have any information surrounding who bears the transportation costs and how it is charged?

Nice point. You can ignore it for the sake of your analysis. There has been no change with regards to transportation.

Okay great. I think I can move to the structure now.

I believe the costs of Uranium are dependent on two factors. **Yield of Uranium** (number of Uranium compounds needed) x **Exchange rate of Uranium** (number of jackets needed per compound of Uranium)

Do we have information that suggests one of them could be a problem? Also, is there any other source of financial inefficiency I have missed?

This seems good. Let's start with yield first.

Sure. The yield could have decreased due to the agency's internal factors or factors related to the supply. In **internal factors**, I would look at the internal value chain used to convert uranium to final compounds. In **supply**, I would look at quality. Do we know if there's an issue with any of these factors?

The quality of uranium has gone down. The Uranium is procured through mining, and there is no processing. Uranium is mined and then filled in special containers to be shipped to Earth. Stakeholders are similar to the mining industry on earth, except that they are all aliens. Can you identify a few factors that could affect quality?

Understood. Since there is no processing, there could be three reasons for the quality drop: Reduction in ore quality, Issue in container/ transport, Adultery. Do we know if any of these have an issue?

Sure. Before moving on, I want to summarize what we have done so far to bring clarity. We analyzed the Yield header based on internal and supply factors. On further investigation, we found that the issue lied in the quality of uranium ores leading to a drop in supply quality. Coming to jackets, I want to understand how we source these jackets. Do we make them on our own, or do we obtain them from an external vendor? And how are the jackets sent to the aliens?

I believe there could be three reasons for the cost of payments going up – Vendor increasing the price of jackets, Higher proportion of defective jackets being sent to Mars/Venus, Higher personnel costs for Quality checks.

Do we have information regarding a concern in any of these aspects?

Yes, the proportion of defective jackets have gone up at Venus, causing the client to replace more jackets.

Interesting, the defects have gone up only at Venus. Are there separate teams checking Venus and Mars jackets? If the answer is a yes, is there any specific reason for having different teams? Or, should I look at some other factor?

Why don't you move on to recommendations?

Sure. I would want to make suggestions under two headers:

**Addressing uranium quality issue and jacket quality issue. For tackling uranium quality concerns, the client could:**

- Invest in R&D to improve the existing conversion process to increase the yield
- Negotiate lower prices for uranium by stressing the lower quality. This might be very much doable since our client is the only buyer
- Have quality checks at Mars/ Venus to find out the best quality ores and source only from there
- Scout for alternative sources of uranium either on earth or some other planet

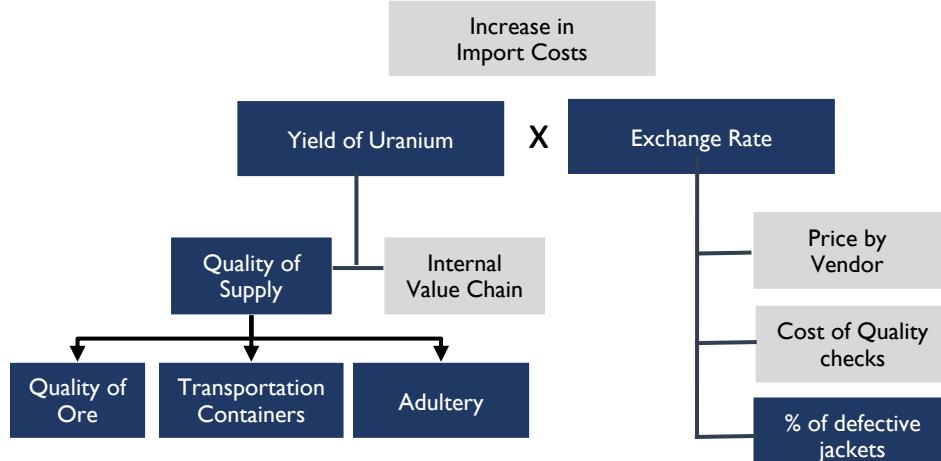
**For Jackets:**

- Incentivize vendor to further improve quality. This would rest on cost-benefit analysis, but I am assuming it would be much cheaper than a rocket trip.
- Scout for alternative vendors that could supply jackets at a lower price.
- Bring experience into Venus team. Mix the Mars and Venus teams and hire more experienced Candidates.

Thank you

# Inter-planetary payments – Interview Transcript

Your client is the CEO of an Indian Space firm. She has approached you to help her understand if the firm's payments to Mars and Venus agencies are efficient or not.

Interviewee	Case Facts	Approach/ Framework
<b>Notes</b> <ul style="list-style-type: none"> <li>Client is a factory based in Ahmedabad that imports Uranium from agencies in planets Mars and Venus</li> <li>Payment for Uranium is made in space jackets</li> <li>Payments are measured at jackets/compound of Uranium</li> <li>There are no transportation costs</li> </ul>	<b>Case Facts</b> <ul style="list-style-type: none"> <li>Client is the only company sourcing Uranium from the aliens</li> <li>Client purchases space jackets from a Vendor</li> </ul>	 <pre> graph TD     A[Yield of Uranium] --&gt; B[Quality of Supply]     A --&gt; C[Internal Value Chain]     C --&gt; D[Quality of Ore]     C --&gt; E[Transportation Containers]     C --&gt; F[Adultery]     G[Increase in Import Costs] --&gt; A     G --&gt; H[Exchange Rate]     H --&gt; I[Price by Vendor]     H --&gt; J[Cost of Quality checks]     H --&gt; K[% of defective jackets]   </pre>

## Recommendations

- Negotiate lower prices for Uranium, given lower quality
- Look for alternative sources for Uranium, and alternative vendors for jackets
- Mix the Mars and Venus experience teams

## Observations / Suggestions

- This is a cost reduction case disguised as an Unconventional case. The Candidate stuck to a structure, and was MECE across the case
- A simple but comprehensive structure was used- works for Unconventional cases

# 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.

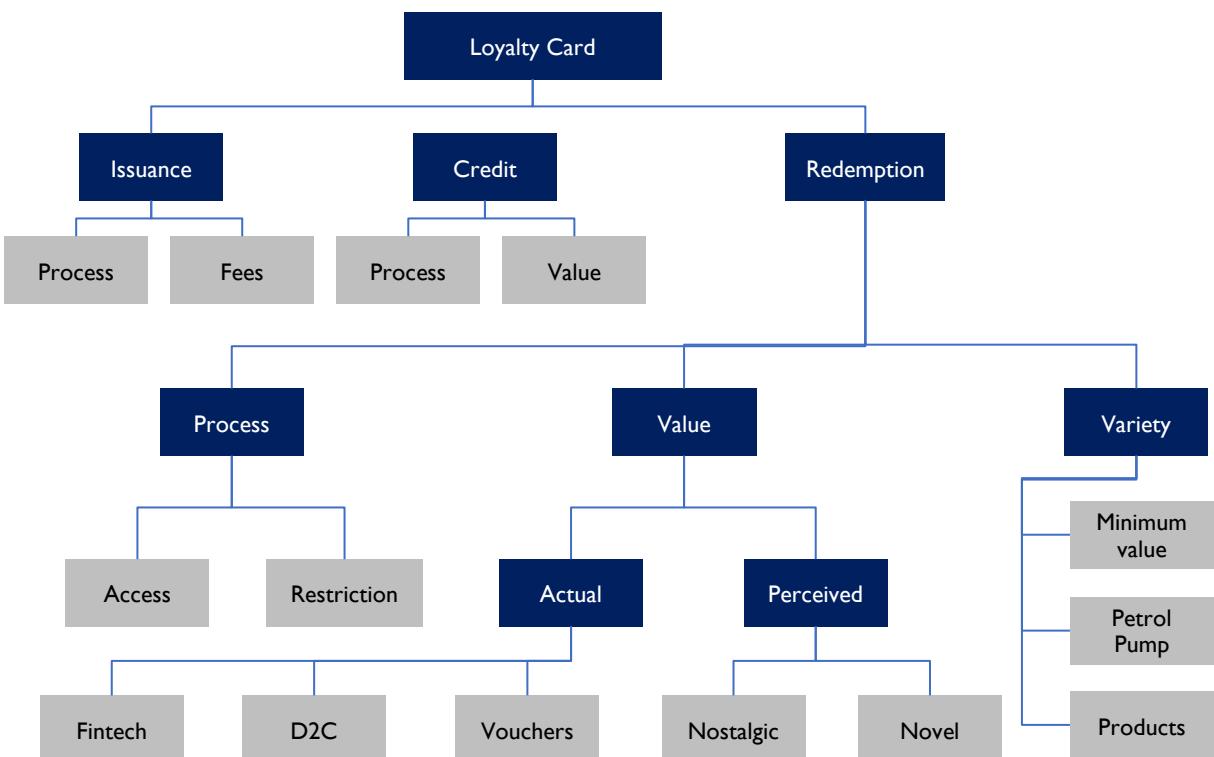
## Interviewee Notes

- 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 out-of-the-box thinking while solving unconventional cases

# 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?

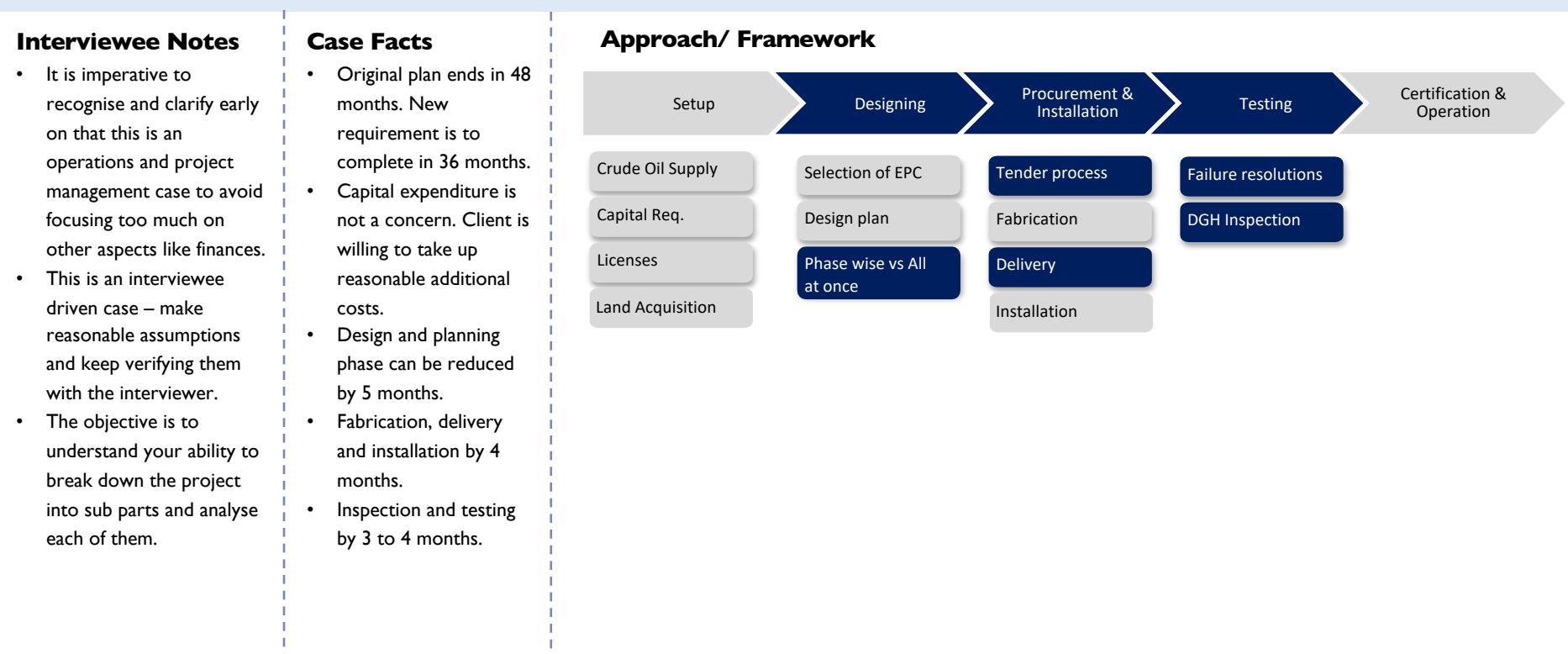
Sure. Inspection and testing is done in cycles of 15 days. Usually there are a lot of failures due to specification mismatches and compatibility issues with the current plant. So various iterations are needed. Certification is done by DGH officials who very often take months to give an appointment for 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 – Interview Transcript

Your client is a downstream O&G PSU who want your help in expanding their refinery faster.



## 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. Go ahead.

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.

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.

The efficiency of machinery deteriorates with time. Using an old machine can pose two issues for the client:

- i) The machine is slow and takes more time in the production process
- ii) It requires more raw material to produce the same quantity of dough.
- iii) 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.

As per my understanding, changeover is the time required to set-up a machine between two production cycles. 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.

Products like 'Frozen Dough' perish when the batch sizes are larger than the demand for the product, leading to loss of time for the extra product being produced in every batch. This can lead to spoilage. 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 amounts for 3% of the spoilage. The remaining takes place at the warehouse.

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) Inaccurate demand forecast/estimation leading to over-production
- ii) High fluctuating demand from the consumers rendering 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?

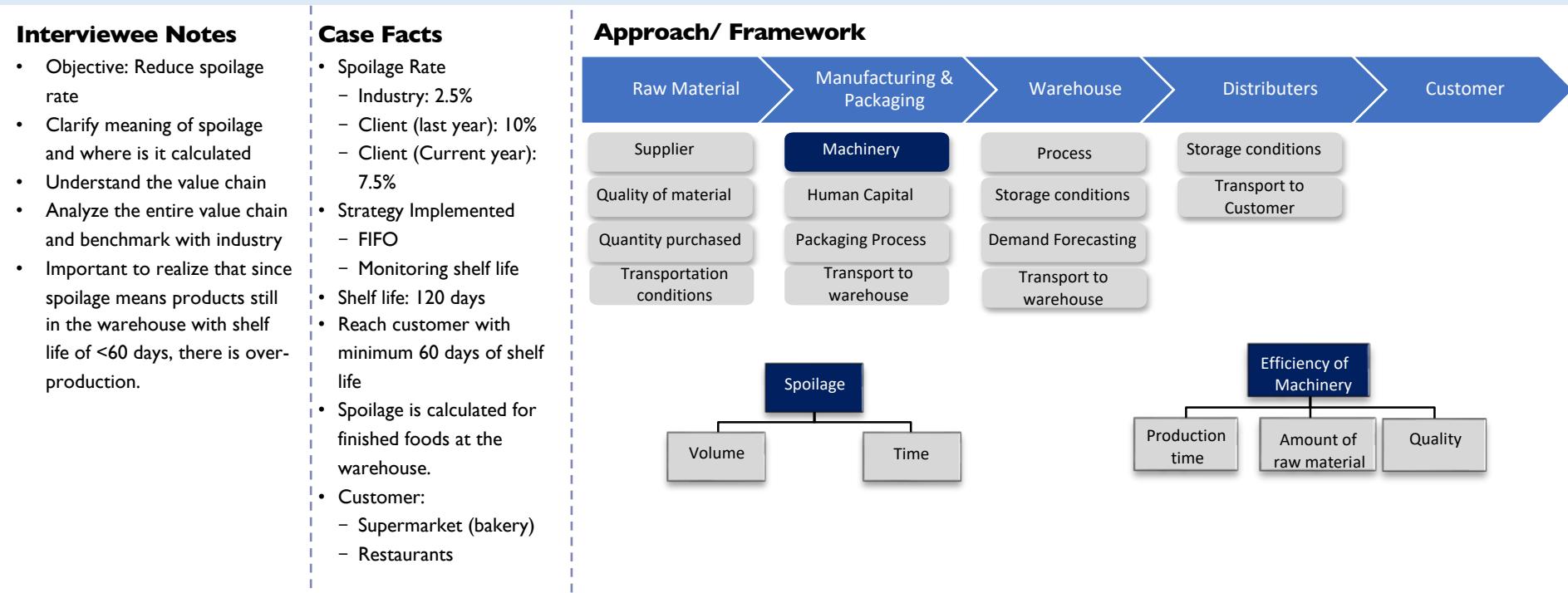
The inaccuracy could either come from the data fed into the software or the software itself. Because the spoilage rate has been consistent, we can rule out the possibility of human errors in capturing data.

- i) Errors 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.



- 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 there 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 first look at the road infrastructure. The parameters would be width, quality of roads and connections amongst roads. For width, I would have to look at effective road width which is often lower due to encroachment or double parking. In terms of obstacles, there can be unintended obstacles like potholes, accident debris or broken roads as well as administrative obstacles like tolls and check points. Apart from road infrastructure, I would also look at the facilitation infrastructure in terms of traffic lights, traffic personnel, diversions, etc.

Alright. That's good. But are you missing something?

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. I would look at bus 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 to the demand side analysis in your structure then.

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. I would look at trends of vehicle ownership. Thereafter I would look at multiple categorizations of vehicles: two-wheeler and four wheelers, commercial and private, cargo and consumer.

I would 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. In the supply side again, there will be short term and long-term steps. For improving road infrastructure, the short-term steps would be improving road quality and removing obstacles, planning for diversions and one-way traffic. The long-term steps would be widening of roads, building new networks, construction of over-head roads.

There should also be encouragement for non-motor transport through construction of cycling and walking tracks. There can also be capacity building (new routes and higher capacity) and quality improvement of road and non-road public infrastructure. In order to improve last-mile connectivity with public transport, initiatives like public bicycle or e-cycle stands can be planned.

That apart, 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.

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 the second, that is, 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 disincentivization 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. This can be achieved by encouraging and enabling car-pooling. This can be through government mandates, public campaigns or through promotion of start-up firms working in the space. Government schemes like odd-even can also be a nudge towards 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 for this.

Implementation will have three major parts: Real time analysis of traffic conditions, mass communication of traffic conditions and route charges and the actual transaction.

The first part can be done through a Google maps like technology, along with cameras and drones. For the second part, there can be a mobile application + website to inform citizens.

However, to ensure access for everyone, there must also be large digital boards on routes to inform everyone. The third part can 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.

Thank you. This was really engaging.

# Road Congestion Issue – City Corporation (Analysis)

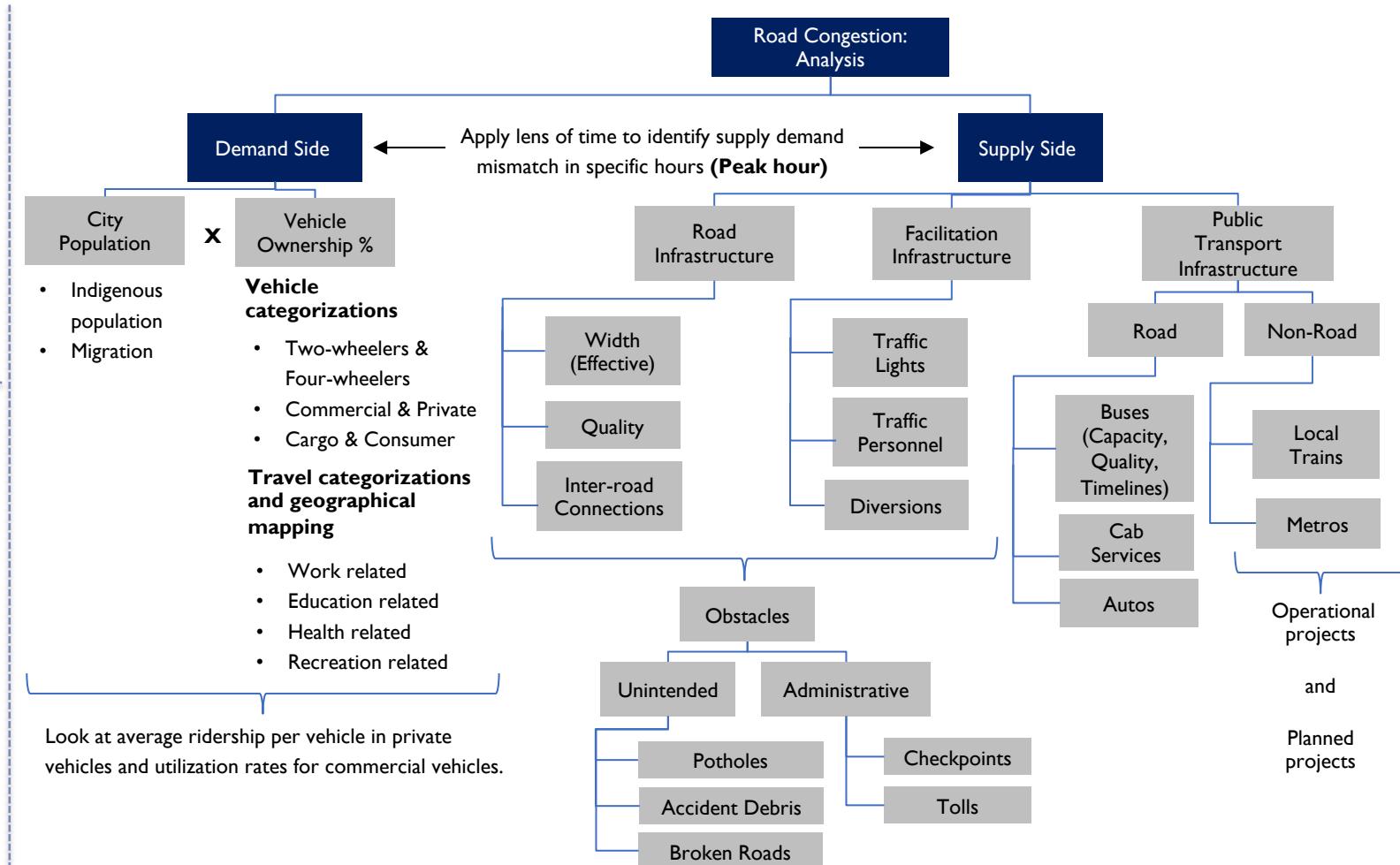
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## Interviewee Notes

- 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



## 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)

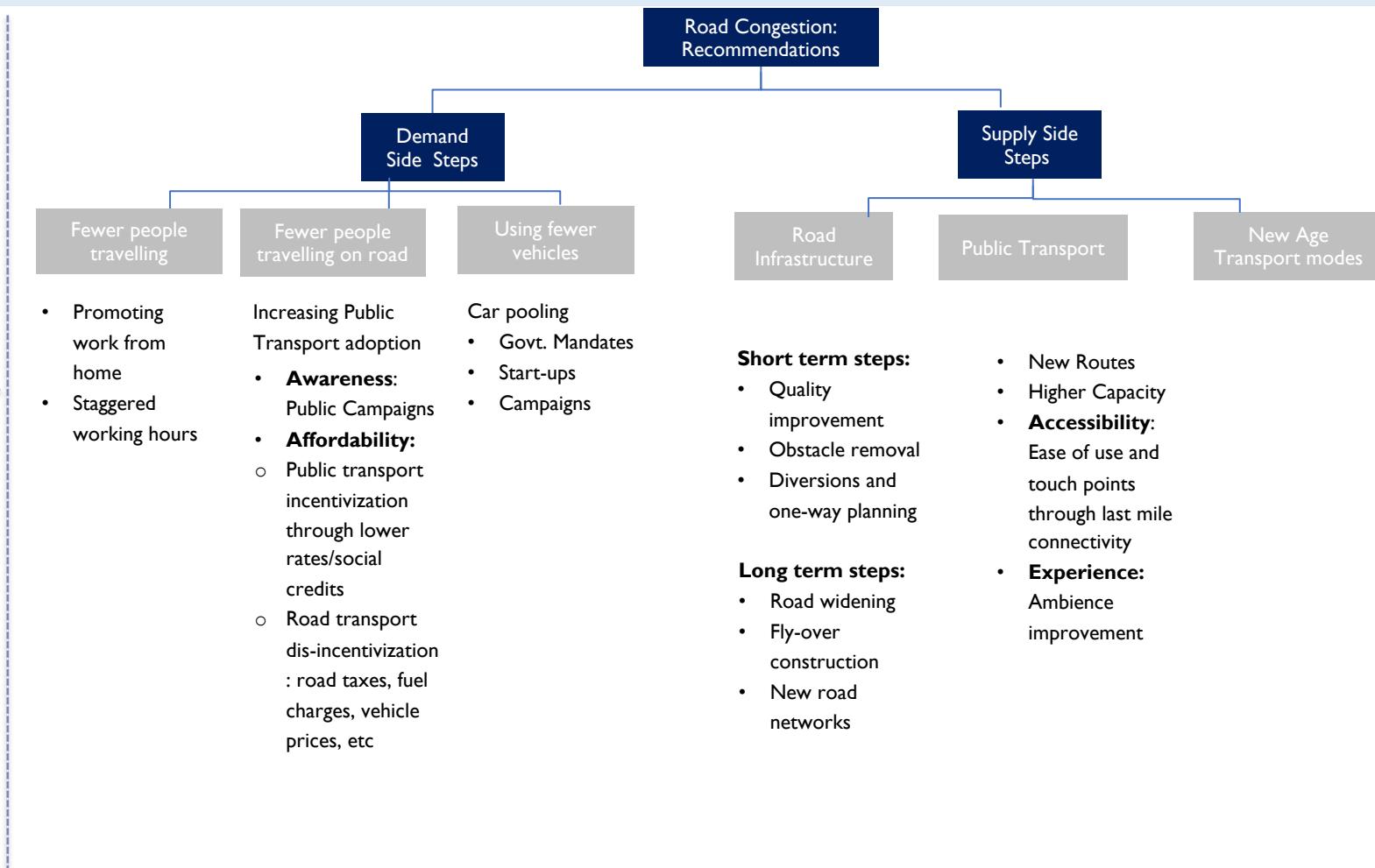
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# Rural Credit Rating for Microfinance Institution – Interview Transcript

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 and also farmers in particular.

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.

Okay. I understand that for credit rating, estimating risks would be the key factor. I would like to structure the credit rating framework in 3 parts now.

Please go ahead.

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.

Lets first deep dive into each of the categories that are in consideration

Okay, I would start with income and bifurcate it into agricultural and non-agricultural income. The agricultural income could be in terms of wages or profits from farming. I would like to deep dive into the profits from farming.

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. 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.

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.

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 and these can be considered directly. 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.

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. First of all, 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 also weightages to every bucket therein. For this, do we have any competitor benchmarking publicly available that discusses the weights generally assigned?

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

## Credit Rating framework

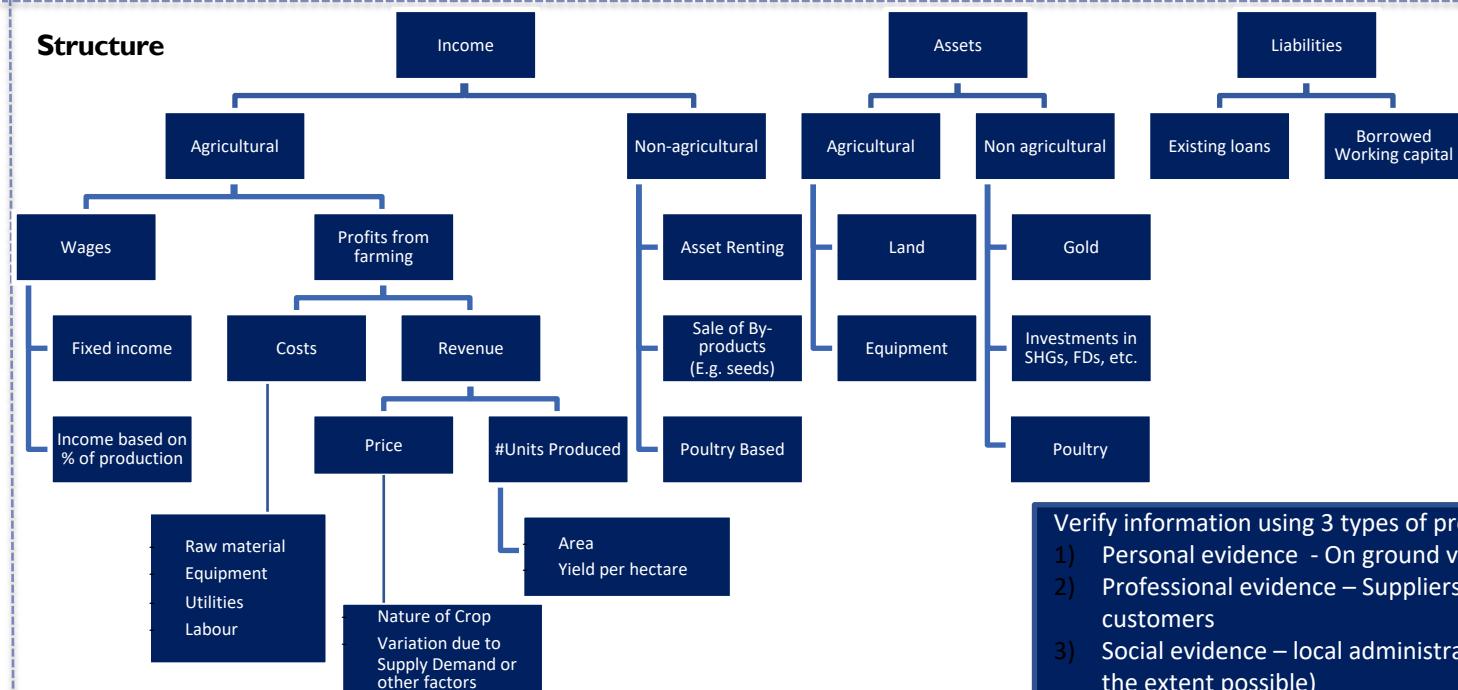
1. Risk evaluation – Identify and validate factors for risk
2. Create rating based on risk parameters
3. Create credit scoring mechanism



## Case Facts

- Client is a financial institution that wants to foray into rural microfinance in North India
- Objective is long term profitability
- Loan value of about INR 3-5 Lakhs per loan

## Structure



## 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 client produces staple foods but where exactly does the client operate in the value chain, i.e. is the client just processing these staples and distributing or is responsible for production as well?

So, the client is responsible for buying raw materials from farmers, then they process and finally distribute 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 measures 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 occurring. Has there been some recent industry wide change in place which 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 increase in demand for competitor product, 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 salesperson

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 off 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 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 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.

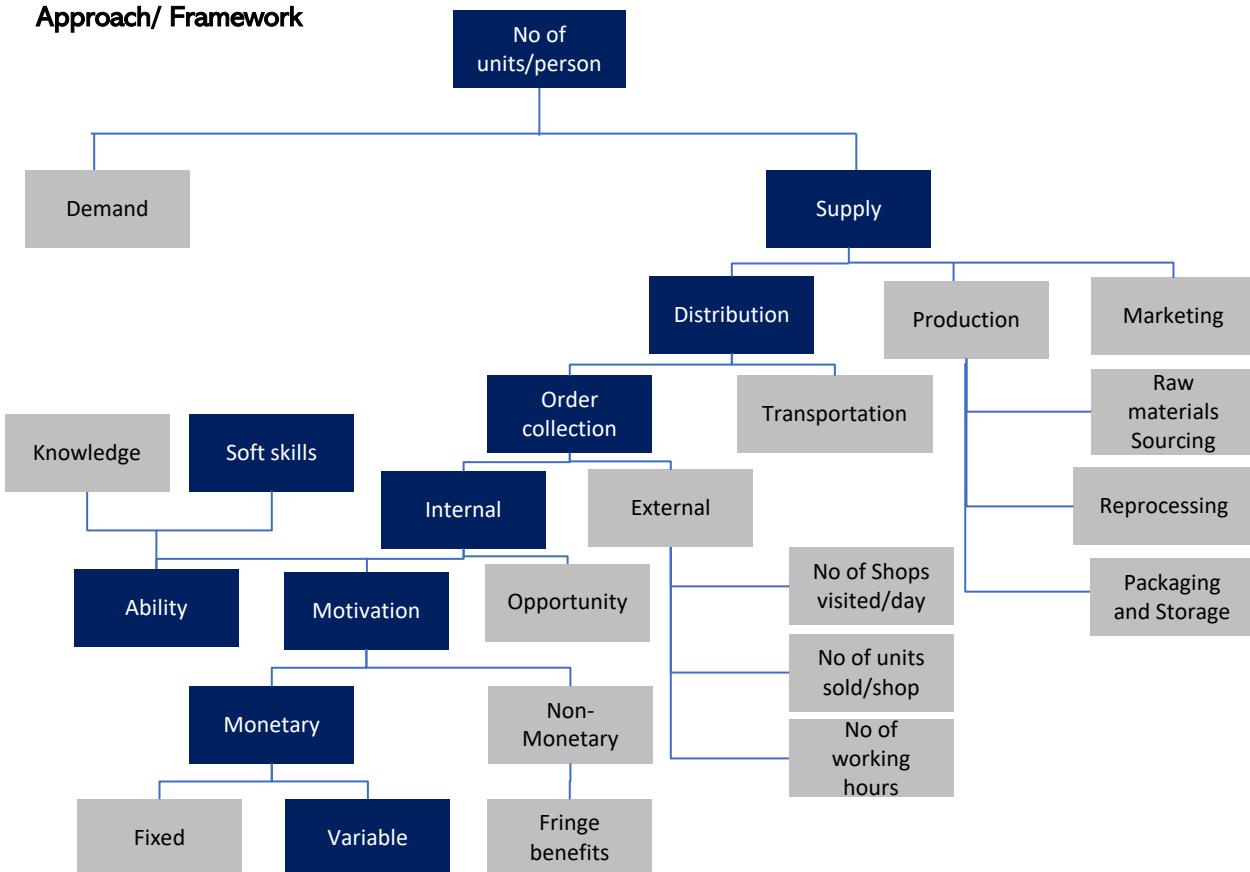
## Interviewee Notes

- 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 sale personnel'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 an 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 to 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.

# 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 in 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?

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.

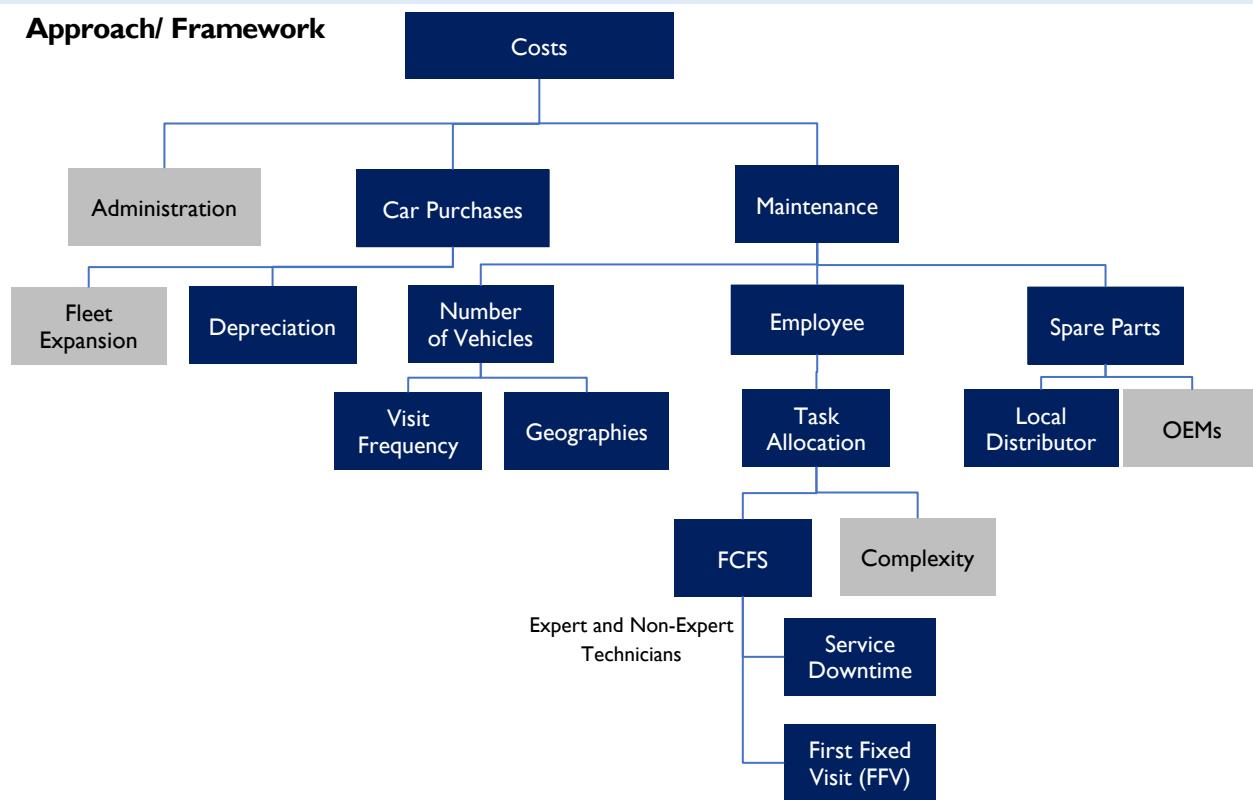
## Interviewee Notes

- 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

# 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 very less 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 is there any specific category which I should focus on, or are we 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 you a min to structure my thoughts.

Sure.

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 of 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 next bucket now.

Right, so now to the training part. Here I am assuming that the team has been selected, and now we need to focus on the training aspect so that the team becomes capable of winning the gold medal. 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 moving forward to the performance bucket?

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

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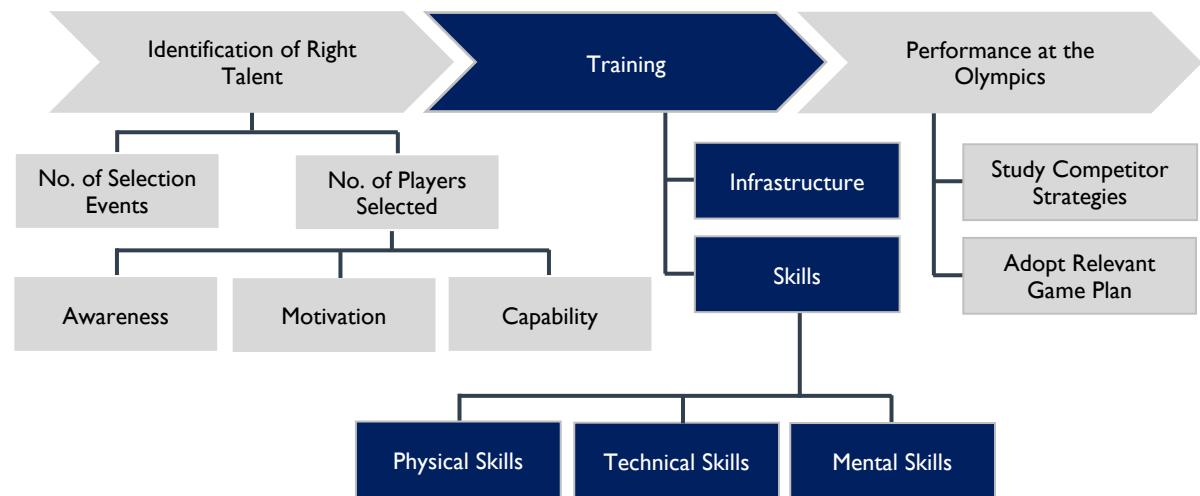
## Interviewee Notes

- 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

# Children in school – Interview Transcript

Your client is the governor of a province in a South Asian country. 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.

# Children in school

Your client is the governor of a province in a South Asian country. 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

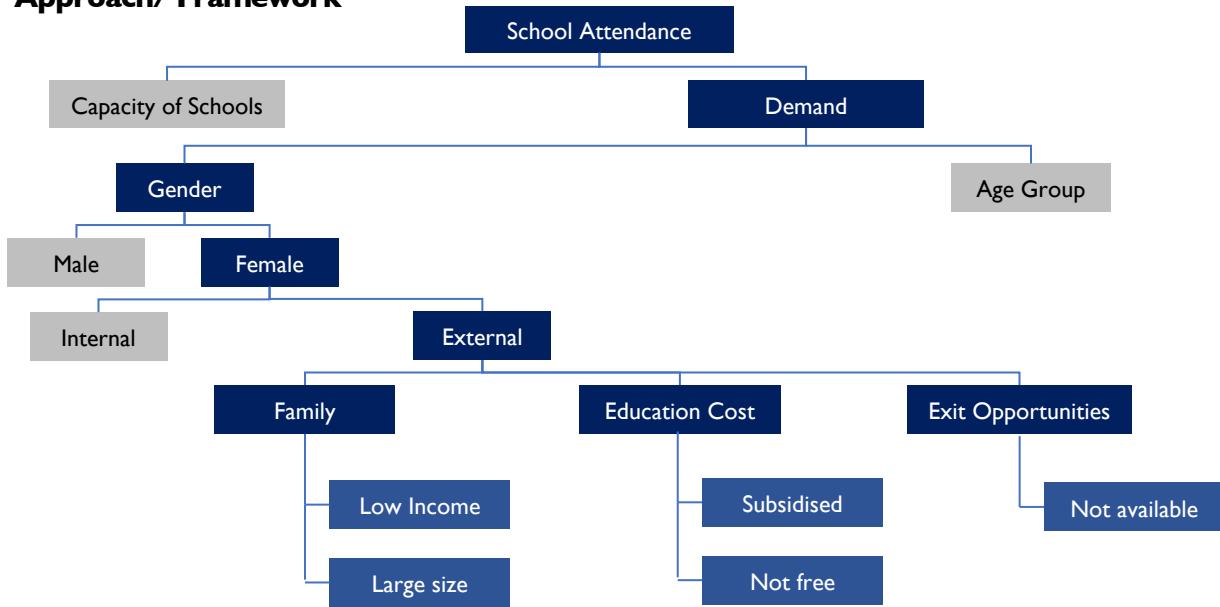
## Interviewee Notes

- 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.



# 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

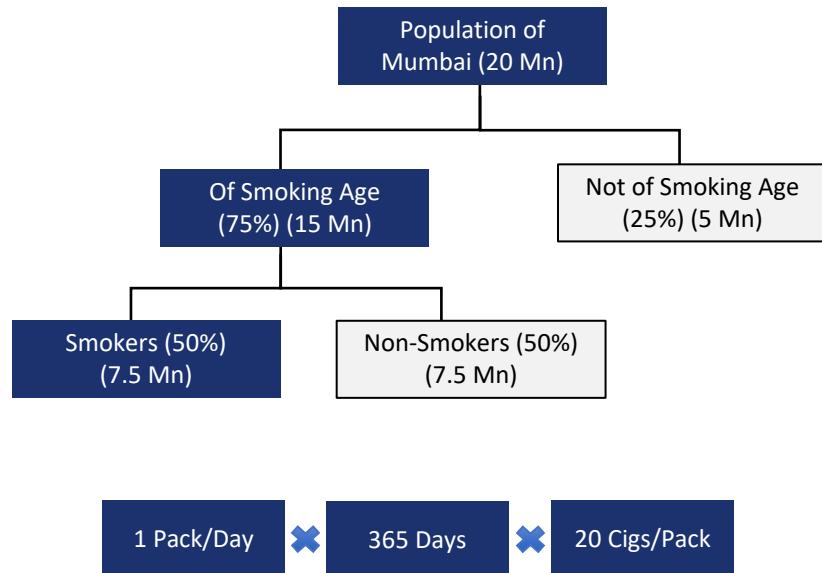
### Interviewee Notes

- 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



$$\begin{aligned}
 & 7.5 \text{ Mn} * 365 * 20 = 54,750 \text{ Mn Cigs/Year} \\
 & \text{Approx. Market Share of Gold Flake} = 20\% \\
 & \text{Demand for Gold Flake} = 0.2 * 54,750 \text{ Mn} = 10,950 \text{ Mn Cigs/Year}
 \end{aligned}$$

### Observations/Inferences

- This has been solved using the Top-Down approach

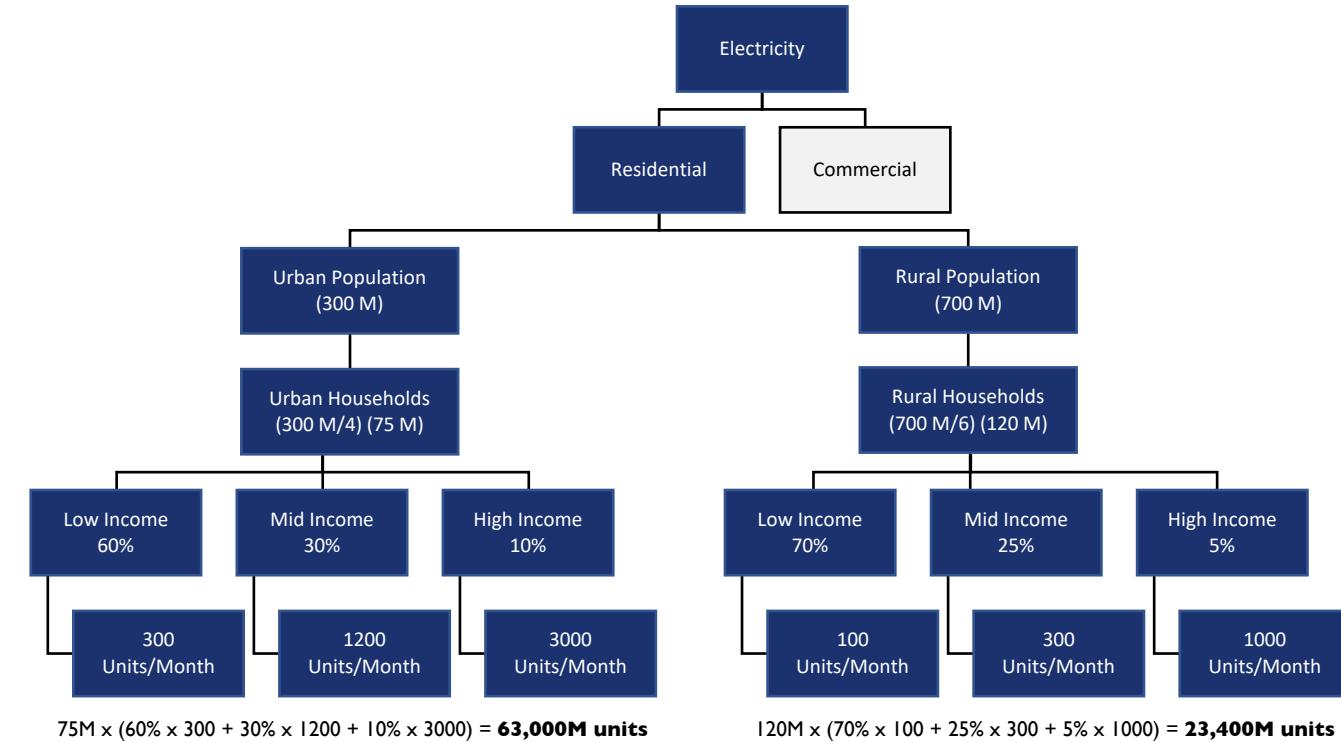
# Guesstimate 2

Estimate the monthly residential electricity consumption in India

## Interviewee Notes

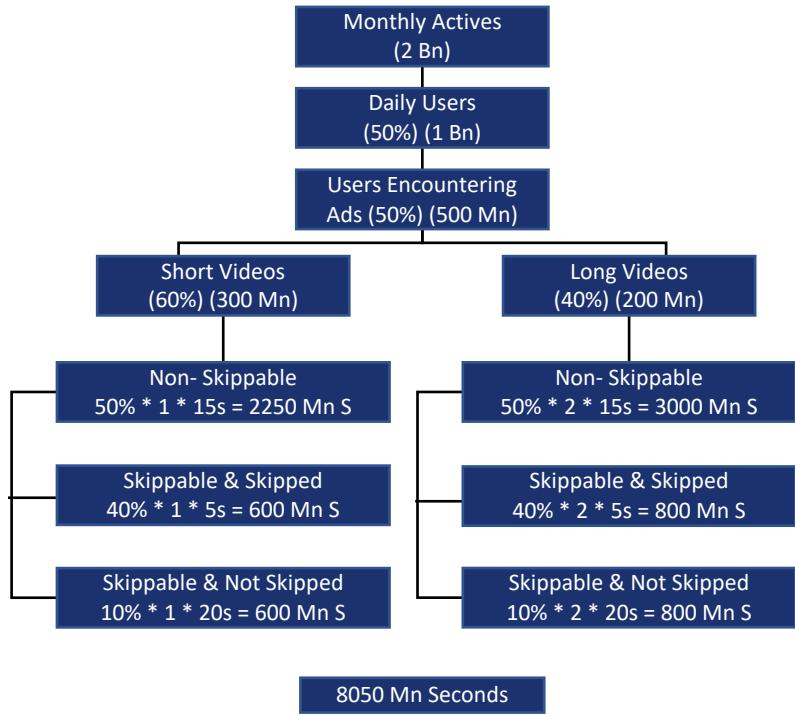
- Clarify which segments are to be included (Residential or Commercial) as their consumption patterns are very different. In this case, focus only on residential.
- Within the Rural segment, interviewee may consider adjusting for homeless people and areas which are not electrified
- Weighing monthly 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



# Guesstimate 3

Estimate the duration of ads streamed on YouTube daily

Interviewee Notes	Facts/Assumptions	Approach/Framework
<ul style="list-style-type: none"> <li>Users are divided based on whether they will encounter ads.</li> <li>They are further categorized them based on the length of videos streamed.</li> <li>The ads are bifurcated into 3 types: Non-Skippable (50%), Skippable and Skipped (40%), Skippable and Not Skipped (10%)</li> <li>Total Users will also include premium account users</li> <li>Day Agnostic - Weekend and Weekday treated similarly</li> </ul>	<ul style="list-style-type: none"> <li>Assuming 2 Bn monthly active users on YouTube. 50% of these use YouTube daily</li> <li>Videos with length less than 8 mins (Short Videos) only has one ad while Long Videos have 2 ads</li> <li>Assume that 50% users streamed video with an ad</li> <li>Users prefer Shorter Videos (Less than 8 mins) (60%) over Longer Videos (More than 8 mins) (40%)</li> <li>Assume that each user watches only 1 video per day</li> </ul>	 <pre> graph TD     MA[Monthly Actives 2 Bn] --&gt; DU[Daily Users 50% (1 Bn)]     DU --&gt; UEA[Users Encountering Ads 50% (500 Mn)]     UEA --&gt; SV[Short Videos 60% (300 Mn)]     UEA --&gt; LV[Long Videos 40% (200 Mn)]     SV --&gt; NS1[Non-Skippable 50% * 1 * 15s = 2250 Mn S]     SV --&gt; SK1[Skippable &amp; Skipped 40% * 1 * 5s = 600 Mn S]     SV --&gt; SKN1[Skippable &amp; Not Skipped 10% * 1 * 20s = 600 Mn S]     LV --&gt; NS2[Non-Skippable 50% * 2 * 15s = 3000 Mn S]     LV --&gt; SK2[Skippable &amp; Skipped 40% * 2 * 5s = 800 Mn S]     LV --&gt; SKN2[Skippable &amp; Not Skipped 10% * 2 * 20s = 800 Mn S]     NS1 + NS2 + SK1 + SK2 + SKN1 + SKN2 = TotalDuration[8050 Mn Seconds]   </pre> <p>The flowchart illustrates the calculation of total daily ad duration. It starts with 2 Bn monthly actives, leading to 1 Bn daily users, and then to 500 Mn users encountering ads daily. This is split into Short Videos (300 Mn) and Long Videos (200 Mn). For Short Videos, 50% are non-skippable (2250 Mn S), 40% are skippable and skipped (600 Mn S), and 10% are skippable and not skipped (600 Mn S). For Long Videos, 50% are non-skippable (3000 Mn S), 40% are skippable and skipped (800 Mn S), and 10% are skippable and not skipped (800 Mn S). The total daily ad duration is 8050 Mn seconds.</p>

## 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 =  $35000/8/600 = \sim 7$  (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

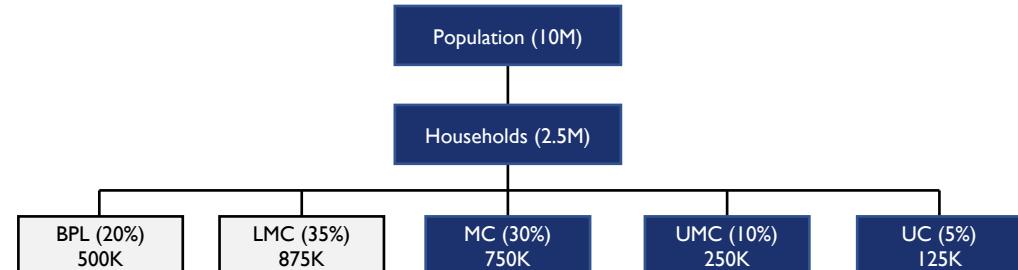
# Guesstimate 5

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



	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

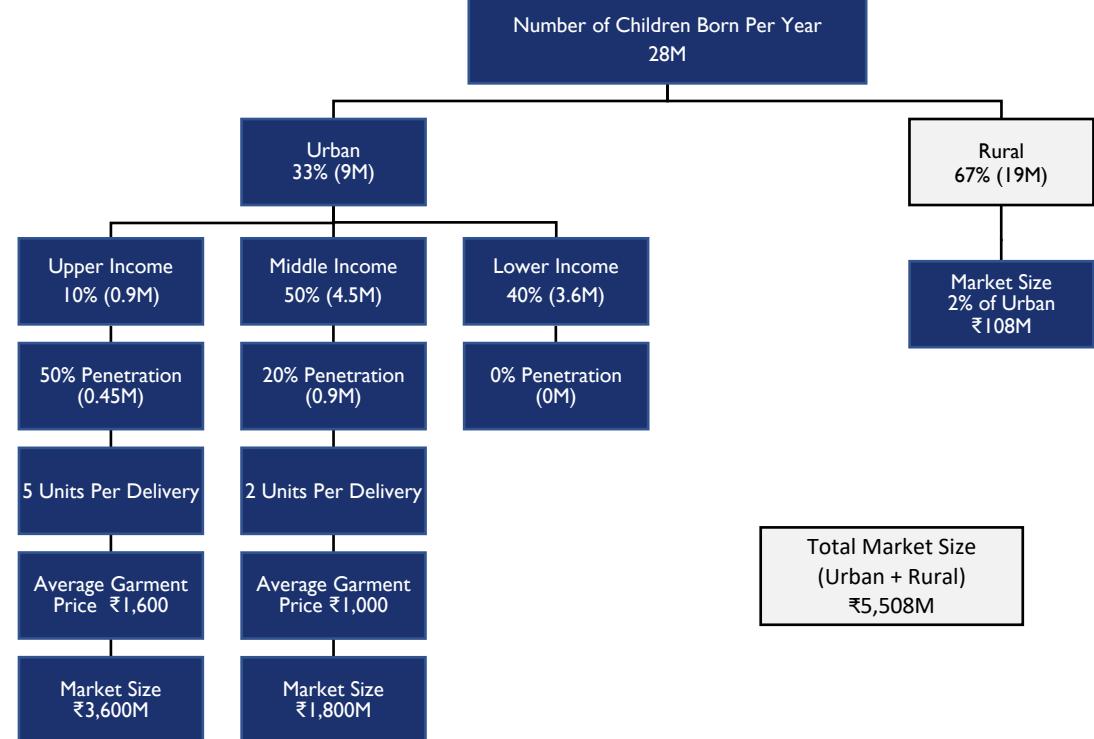
# Guesstimate 6

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



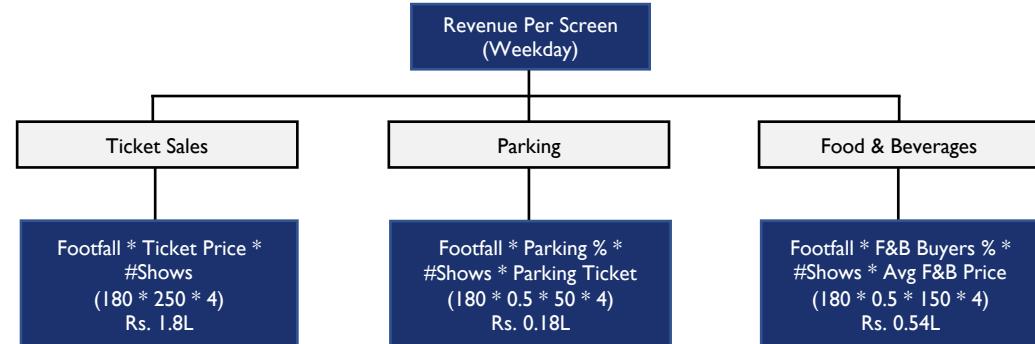
# Guesstimate 7

## 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



	Weekday	Weekend
Occupancy	60%	90%
Revenue Per Screen Per Day	Rs. 2.52L	Rs. 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	

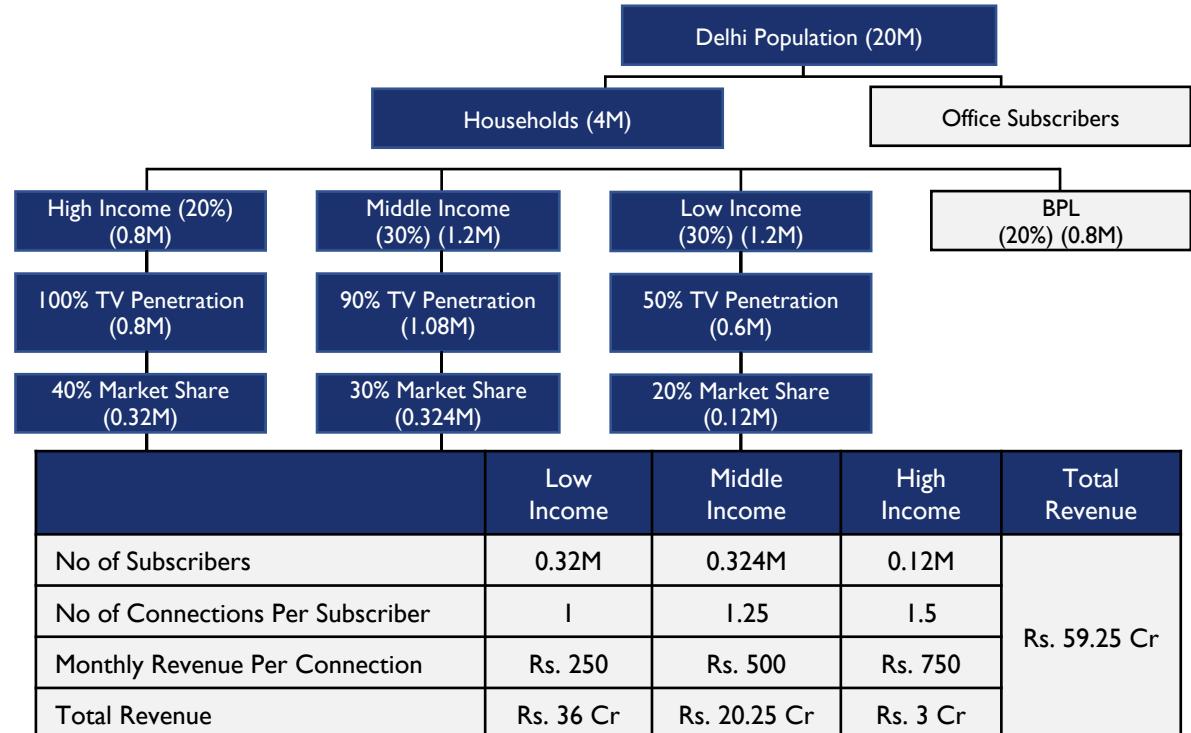
# Guesstimate 8

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



## 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 =  $3.14 \times 40 \times 40$  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 =  $2.8 \times 10^6 / 3.14 \times 40 \times 40 \approx 560$

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 I: 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
<b>Total Toll Collection</b>			<b>~ ₹3.6L</b>

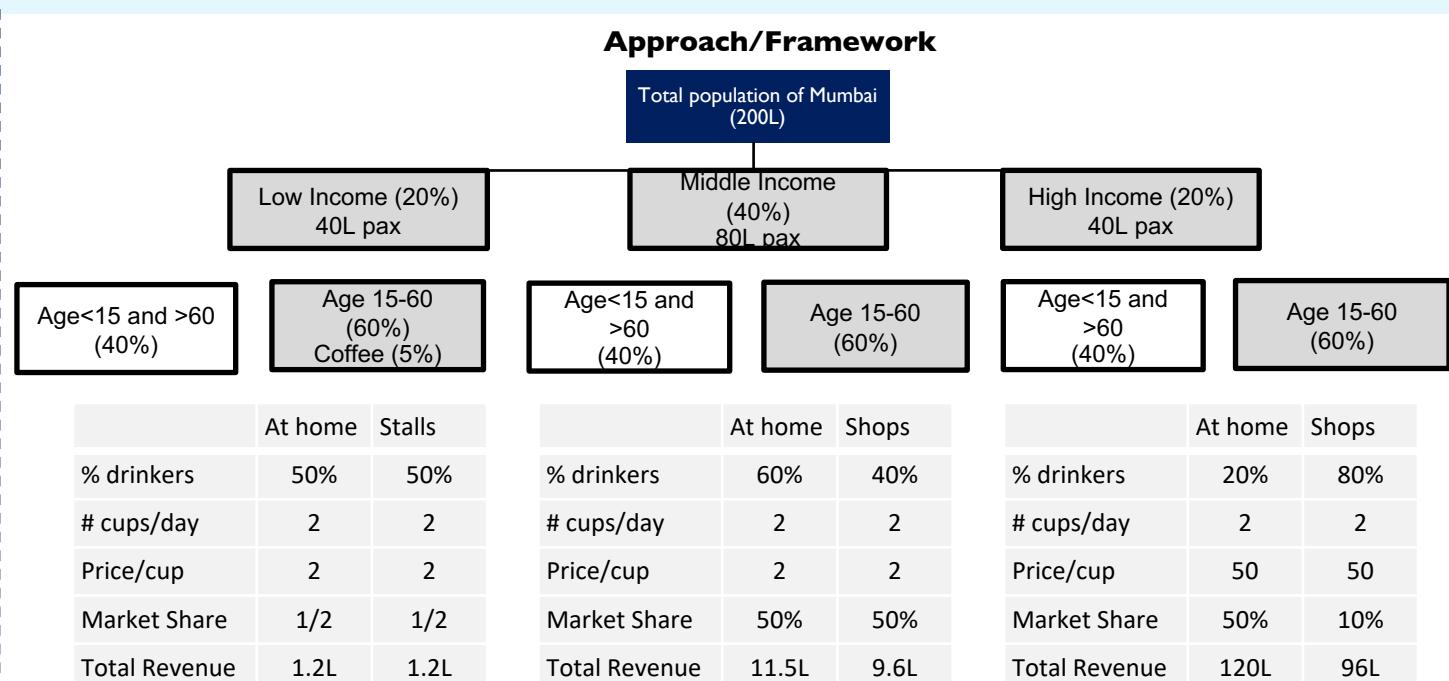
# Guesstimate 10

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



**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  $\frac{1}{2}$  the amount of standard serving size. It is assumed that 1 pod = 1 cup.

# Guesstimate II

Estimate the number of snapchat streaks shared in a day

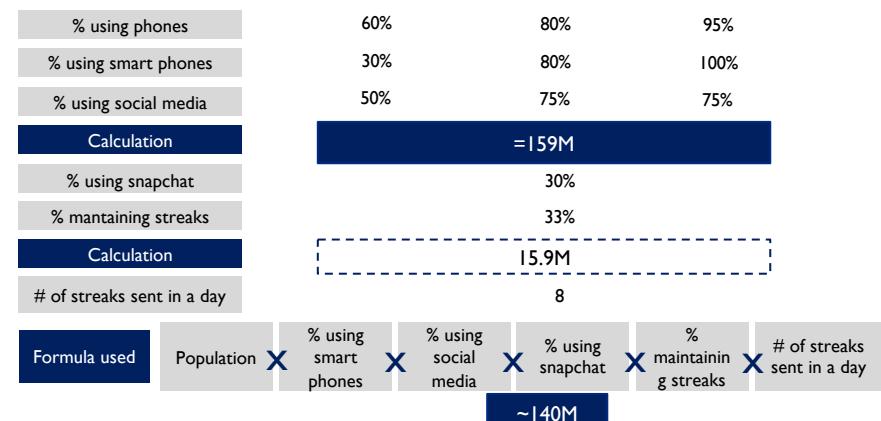
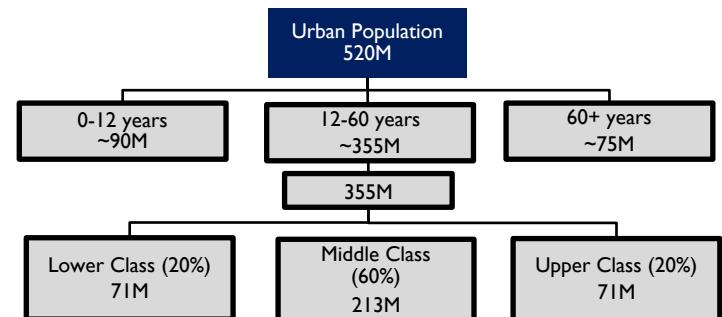
## Interviewee Notes

- 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,  $\frac{3}{4}$  members would use social media whereas in lower class households  $\frac{1}{2}$  would use it. (basis age and income).

## Approach/Framework



## 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.

## 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	$5/7 = 0.7 \text{ M}$	$14/6 = 2.3 \text{ M}$	$10/5 = 2 \text{ M}$
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

$$\text{Total litres} = (0*5 + 0.7*1) + (0.3*5 + 2*1) + (0.5*5.5 + 1.5*1.5) = 9.2 \text{ M Litres}$$

### 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

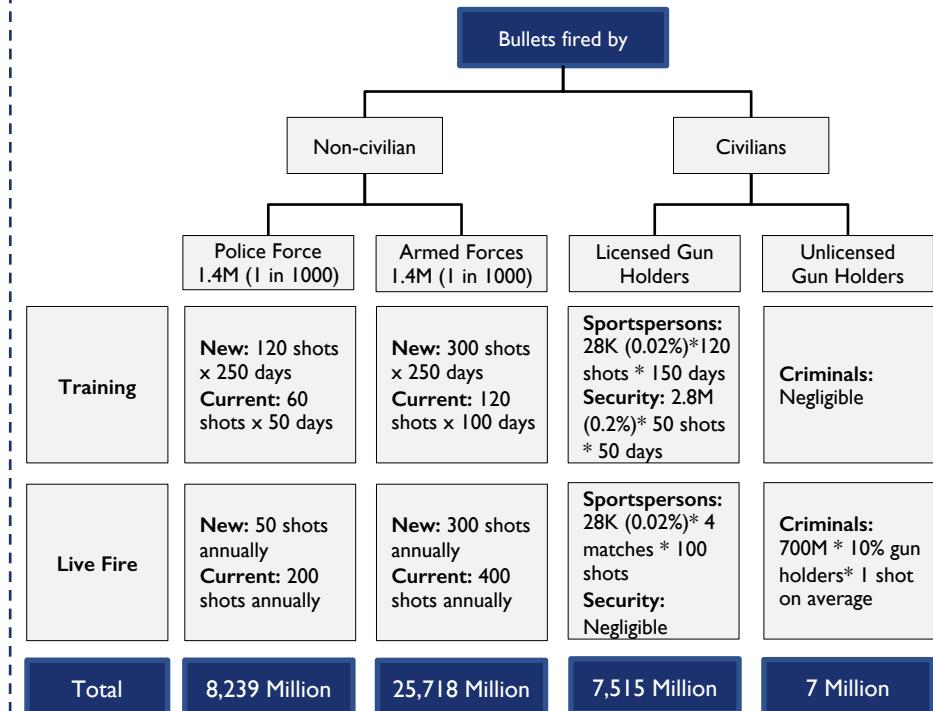
## Interviewee Notes

- 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



## 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

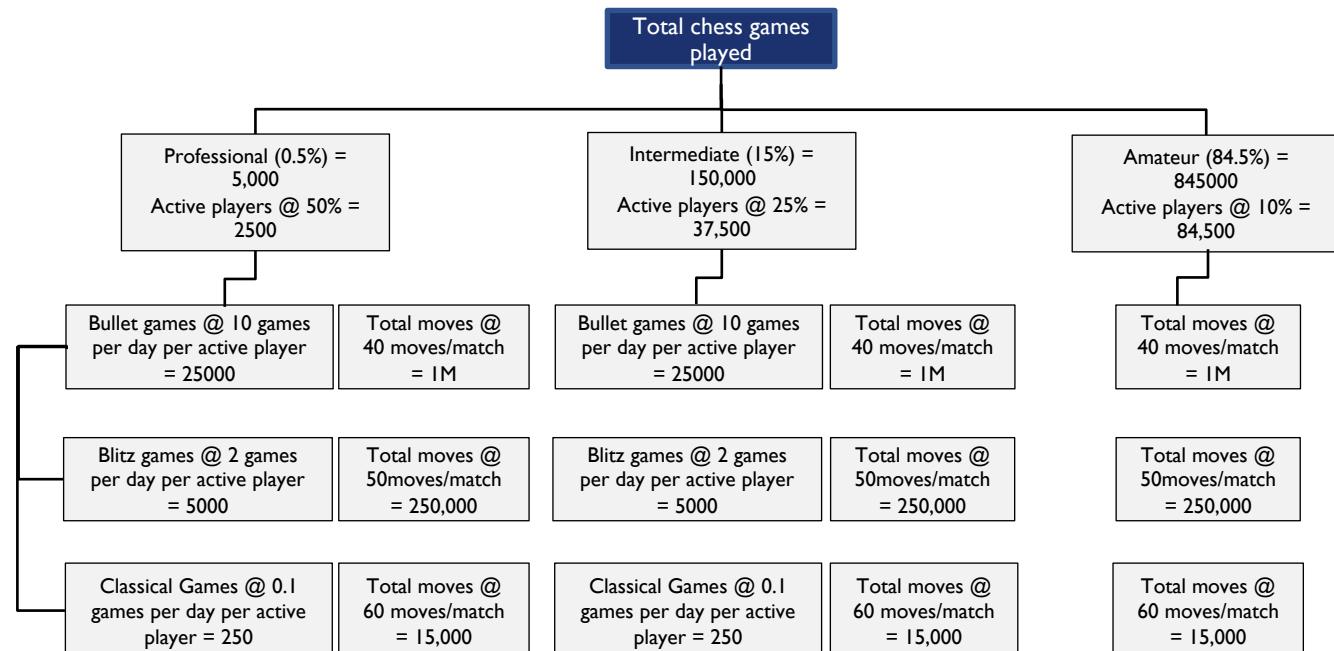
## Interviewee Notes

- 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  $\leq 1$  min; Blitz  $> 1$  &  $\leq 5$  min and in classical game  $> 5$  min.
- 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 Moves Played = 8,206,500

# Guesstimate 15

Estimate the number of injections administered in Ahmedabad

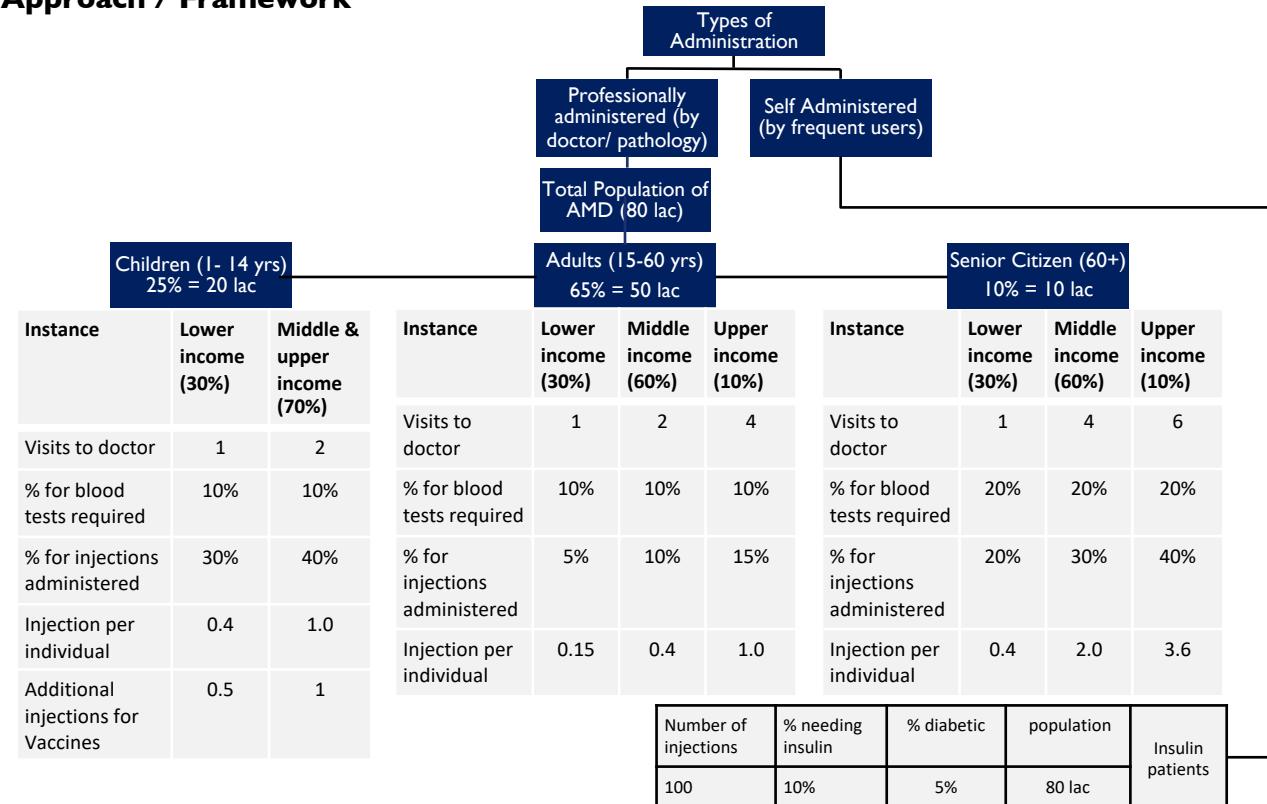
## Interviewee Notes

- 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



$$\begin{aligned}
 \text{Total Injections: Children (Normal + Vaccine) + Adults (15-60 yrs.) + Senior Citizens + Insulin Patients} \\
 &= 1.67 * 20 + 0.385 * 50 + 1.68 * 10 + 0.4 * 80 \\
 &= 101 \text{ lac (101,00,000)}
 \end{aligned}$$

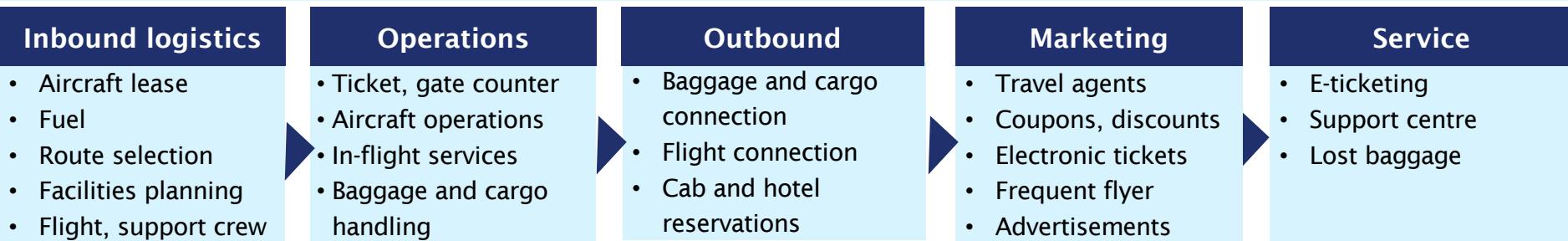
## Observations / Suggestions

- 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.



# Panorama Reports

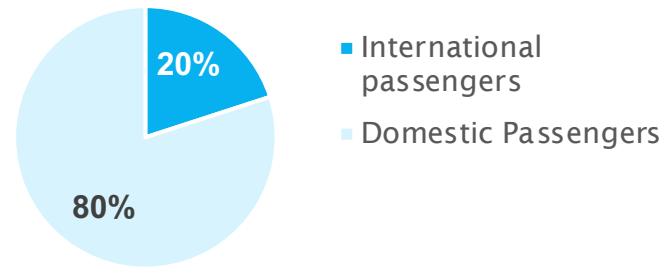




## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Ticket revenue	Aviation Fuel	Rising middle and upper class	Fuel costs and availability
Baggage fees	Aircraft, facility lease	Trade and Tourism	High competition
On-board food & services	Employee cost	Government policies	Climate change

## Air Passenger Traffic\*



## Industry Metrics

Industry Size	\$16B, to grow at ~10% CAGR
Operating profits	~2-3%
Prominent players	Interglobe Aviation, Vistara, AirAsia, GoAir, Air India, SpiceJet
Industry Characteristic	Oligopoly
Industry Terminologies	CASM – Cost per available seat mile Passenger load factor CASM-Ex fuel

## Market Trends

- Emerging Trends:**
  - Frictionless travel with biometrics
  - Artificial intelligence adoption to humanize the experience
  - Passenger experience and Internet of things
  - Operational sustainability
- Govt policy change:**
  - Lowered custom duty from 2.5% to 0% on components
  - Government to invest US\$ 1.83B for airport infra by 2026
- Focus:** Post pandemic demand not expected to reach 2019 levels before 2024

## Porter Five Forces

- **Bargaining power of suppliers (+)** – High owing to fewer aircraft and engine suppliers, aviation fuel price fluctuations and power of labor unions
- **Bargaining power of buyers (-)** – High bargaining power, Low switching costs owing to customers viewing air travel as standardized service
- **Threat of new entrants (+)** – Low risk due to high capital investment, tough regulations and low switching costs
- **Threat of substitutes (+)** – Work from home and web conferencing substituting travel. High speed trains giving high competitions
- **Competitive rivalry (-)** High rivalry owing to limited product differentiation and significant exit barriers. Saturated market with few key players

## COVID Impact

- **During pandemic** – Lockdowns and travel restrictions crippled the industry
- **Post pandemic** –
  - Low crude oil prices, re-opening of travel, potential gains from grounding of Jet Airways
  - Global uncertainties on COVID, rise in inflation & crude oil prices and global tensions to decide the future

## Emerging Trends

- **Frictionless travel with biometrics** – Adoption of fingerprint and facial recognition technology; Intervention in areas such as check-in, security, lounge access and boarding. Privacy concerns remains a pain point in adoption
- **Artificial intelligence adoption to humanize the experience-** Adoption of AI across value chain especially in customer service through use of chatbots. Revenue Management, an area for future intervention for AI
- **Passenger experience and Internet of things** – Leveraging IoT for operation areas ranging from baggage management to in-flight entertainment. IoT combined with advanced analytics to help in upsell/cross-sell opportunities and personalization of offerings.
- **Operational sustainability** – Achieving net-zero carbon emissions using sustainable fuel and offsetting carbon emission

## Key Performance Indicators

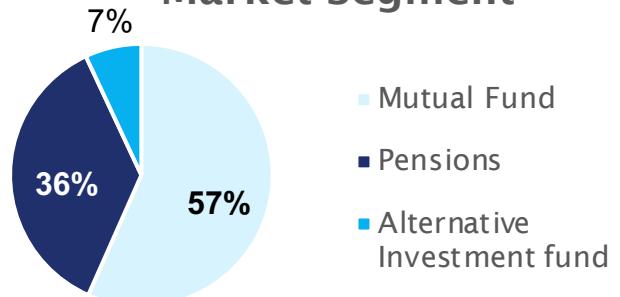
- **Aircrafts fleet** – Total no. of planes including ones leased out
- **Available tonnes kms** – (No. of tonnes of capacity available for the carriage of revenue load) \* (distance flown)
- **Available seat kms** – (No. of seats available for sale to passenger) \* (distance flown)
- **Seat load factor** – percentage of checked-in passengers in relation to an aircraft's available seats



## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Management charges	Employee expenses	Growing fintech platforms	Regulatory compliance
Profit sharing	Communication & IT infra	Increasing digitalisation	Cybersecurity threats
Entry load & others	Branch Operation	Financial literacy	Margin pressures

## Market Segment\*



\*: Based on 2018 data

## Industry Metrics

Industry Size	~INR 37 Trillion AUM (MFs) (to grow at 14% CAGR)
Net Profit Margins	~50%, Revenue ~2% of AUM (For MFs)
Prominent players	SBI Mutual Fund, ICICI Prudential AMC, HDFC AMC, Kotak Mahindra AMC
Industry Characteristic	Fragmented (~43 AMCs)
Industry Terminologies	AUM- Asset under Management NAV- Net Asset Value

## Market Trends

### Emerging Trends:

- Increasing high net worth individuals and emergence of sovereign wealth funds
- Higher demand for alternative asset classes versus traditional ones
- ESG share of assets continues to grow

**Focus:** Individual investors have grown significantly and now command nearly 58% of AUM

**New products:** REITs and InvITs emerging as new alternative investment products (Listed REITs include Embassy, Mindspace, etc.)



## Porter five forces

- **Bargaining power of suppliers** (+)- Human resources and securities, major supplies in industry; low to medium power
- **Bargaining power of buyers** (-) – Substitutes available (traditional banks), low differential advantage in specialized products
- **Threat of new entrants** (+) – Low customer loyalty, high brand equity along with regulatory requirements required for entry
- **Threat of substitutes** (+) – Low perceived product differentiation, low threat from substitutes
- **Competitive rivalry** (-) Highly competitive within market segment (MFs, Pensions) due to low differentiability



## Outlook

- **Strong AUM growth** with lower fee expected, a fee margin is expected to decline in the near future
- Asset managers would further need to differentiate themselves by world class **customer experiences**
- **Alternative & passive assets** are growing faster, it has become the largest revenue pool across the products and is expected to capture 51% of global revenues by 2026
- **ESG investing** is set to grow fast driven by increasing financial relevance of ESG factors

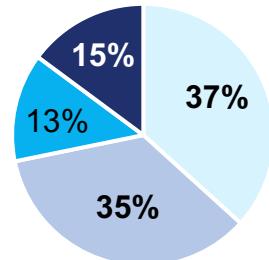


## KPIs

- **Alpha**- Risk-adjusted measure of the performance. It takes a security or fund portfolio's volatility (price risk) and compares its risk-adjusted performance to a benchmark index
- **Beta**- Measure of a security or portfolio's volatility, or systematic risk, compared to the entire market. Beta is calculated using regression analysis and represents the return tendency of an investment to respond to market movements
- **Standard Deviation**- Measures data dispersion from its average. In essence, the more data is distributed, the higher the difference from the norm. Standard deviation in finance is applied to an investment's annual return rate to assess its volatility (risk)
- **Sharpe Ratio**- Measures performance that is risk-adjusted. It is calculated by subtracting the risk-free rate of return for an investment from the rate of return and dividing the outcome by the standard deviation of the return of the investment



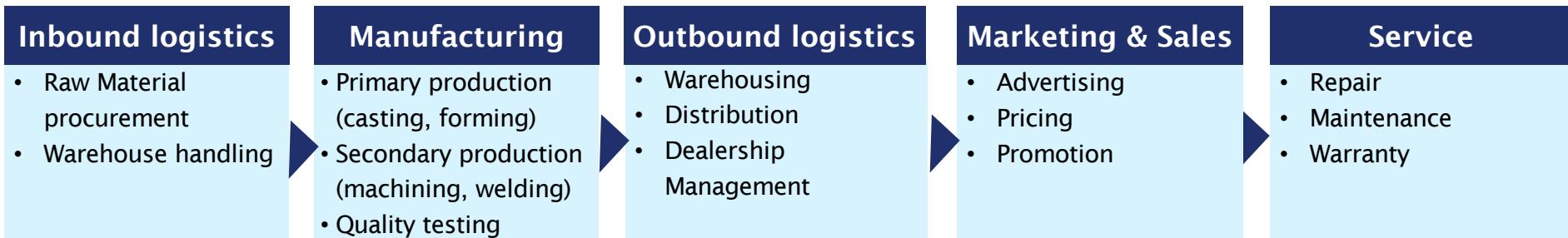
## Mutual Fund Segment\*



- Equity
- Debt
- Hybrid
- Other

\*:Comprised of open-end and closed-end schemes

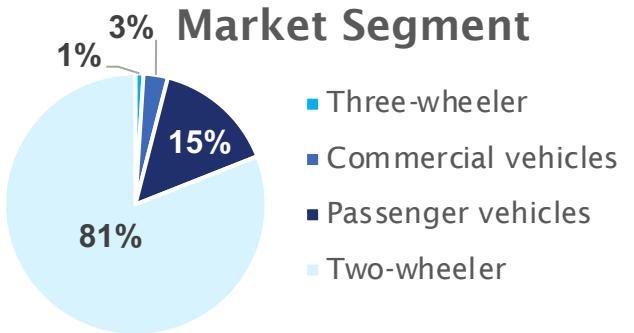
# Automobile



## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Automobile sales	Raw Materials	Govt. support policy	Rising Input cost
After-sale service	Labour	Increasing exports	Regulations
Financing services	Advertising	Expanding middle class population	Chip Shortage

## Market Segment



## Industry Metrics

Industry Size	\$118B (2020); Contributes ~7% to the GDP
Net Profit Margins	Varies from 5% (Maruti) to 20% (Bajaj)
Prominent players	Hero Motor, Bajaj Auto (Two-wheeler) Maruti Suzuki, Tata Motors (Passenger) Tata Motors, M&M (Commercial)
Industry Characteristic	Fragmented
Industry Terminologies	OEMs- Original Equipment Manufacturer  Auto Ancillary manufacturer

## Market Trends

- Emerging Trends:**
  - Electrified and autonomous vehicles are becoming viable
  - Changing consumer behavior to shared mobility
  - Digitization of dealership models
- Govt policy change:**
  - Scrapage Policy
  - FAME II amendment (faster adoption of electric vehicles)
  - PLI Scheme
- Focus:** City type will replace country as the most relevant segmentation which determines mobility behavior



## Porter five forces

- **Bargaining power of suppliers** (+) – Large number of ancillary suppliers leading to low bargaining power
- **Bargaining power of buyers** (-) – High bargaining power due to large number of available options
- **Threat of new entrants** (+) – Low risk, as huge capital investment required in production and distribution
- **Threat of substitutes** (+) – Low risk, but increasing with time due to development of public mobility options
- **Competitive rivalry** (-) High competition from established players and upcoming new EV players in 2W segment



## Global scenario

- **Market Size**- ~85.32M units (2020)
- **Growth rate**- ~3.71% CAGR (2018-2025)
- **Prominent Players**- Volkswagen, Toyota, Daimler, Ford, Honda Motor, General Motors, BMW
- **Key Geographies**- China, USA, Japan, Brazil, Germany, India, France, Russia
- **Consumer Segments**: Premium, Value, Entry
- **Electric Vehicles**:
  - **Market** – Valued at ~160B (2020), to grow at ~18% CAGR
  - **Segments**: Battery EV, Hybrid EV, Plug-in Hybrid EV



## Emerging trends/disruptions

- **Electrified Autonomous Vehicles**- Automotive industry will soon be dominated by EASCY vehicles (Electrified, autonomous, shared, connected and yearly updated). Companies are rapidly redistributing their R&D investments from launch new lines to inventing new technologies.
- **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 (Example: Delhi Odd-Even Rule).
- **Digitization of dealership models**- As customer base shifts online dealerships are also digitizing their processes to give a more personalized and in-depth experience. As on 2020, digital contributed to more than 50%+ in sales-mix for OEM.



## Risks

- **Input Cost**- Rise in input cost due to disruption in supply chain, global geopolitical issues and increasing commodity prices
- **Regulations**- Constantly evolving regulations around emission norms (BSVI Phase 2), air bag, axle-load, etc.
- **Chip Shortage**- Led by increase in demand of other electronic product; To cost Global Auto industry loss of ~\$200B in revenue

# Banking

Marketing	Sales	Products & Services			Transactions
<ul style="list-style-type: none"> <li>Advertisement</li> <li>Branding and Promotion</li> </ul>	<ul style="list-style-type: none"> <li>Offerings</li> <li>Acquisition</li> <li>Retention</li> </ul>	<b>Funding</b> <ul style="list-style-type: none"> <li>Deposits</li> <li>Securities</li> </ul>	<b>Investing</b> <ul style="list-style-type: none"> <li>Credit</li> <li>Securities</li> <li>Financial Products</li> </ul>	<b>Services</b> <ul style="list-style-type: none"> <li>Account Mgmt</li> <li>Asset Mgmt</li> <li>IPO/Issuance</li> </ul>	<ul style="list-style-type: none"> <li>Payment Clearing</li> <li>Settlement</li> <li>Trading</li> </ul>

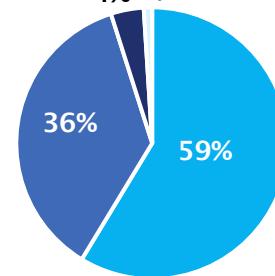


## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Interest on Lending	Interest expend	Increasing working population & income	NPA & Haircuts
Investment activities	Labour	Economic recovery	Rising bond yields
Deposits with RBI	Advertising	Innovation & Tech	Customer Retention

## Share of SCBs in Credit

4% 1%



- Public Sector Banks
- Private Sector Banks
- Foreign Banks
- Small Finance Banks



## Industry Metrics

Gross Bank Credit	118.9 lakh crore (Mar'22)
Net Profit Margins	Varies from -3.43% (Central Bank) to 21.6% (Kotak Mahindra) (FY2021, considering banks with credit>25,000 cr)
Prominent players	SBI, HDFC, ICICI (Too big to fail banks- Govt intervention in case of failure) PNB, BOB, BOI, IDBI, Axis, Kotak, Union
Industry Characteristic	Dominated by select few banks
Industry Terminologies	NPA- Non-Performing Assets SCB- Scheduled Commercial Banks



## Market Trends

### Emerging Trends:

- Focused Customer relationships with API and AI solutions
- Buy Now Pay Later as a form of consumer lending
- Digitization and a fast-emerging new ecosystem
- Neobanking (banks without any branches) system rising

### Policy change:

- Implementation of Basel 3 capital framework
- Account aggregation framework
- Aggregation of Public Sector Banks



## Porter five forces

- **Bargaining power of suppliers** (•) – Market dependent given capital is the primary resource, bank need to maintain borrowing, and withdrawal needs of its customers
- **Bargaining power of buyers** (•) – Low threat by Individuals/ firms, however low switching cost can be a threat with switching easier with internet banking
- **Threat of new entrants** (+) – Low risk specially on account of trust, market is largely dominated by large public sector banks and few private sector banks- HDFC, ICICI, Axis (~82% of advances)
- **Threat of substitutes** (+) – Low risk, however Insurances, Mutual Funds, NBFCs are other players providing financial services
- **Competitive rivalry** (-) High competition from established players, customers usually have account in multiple banks



## Key Facts- Banking scenario

- **Gross Bank Credit:** 118.9 lakh crore (Mar'22)
- **Credit Growth rate (SCBs)-** ~9.9% CAGR (2015-2022)
- **Sector wise credit (SCBs):** Personal (28%), Industry (27%), Services (26%), Agriculture (12%), Others (7%), (Mar'22)
- **NPA ratio:** 5.9% for all SCBs (Mar'22)



## Emerging trends/disruptions

- **Customer relationships:** Customer-centric approach necessary in the competitive space, banks increasing use of APIs and AI to provide a seamless and value-add service to customer
- **Buy Now Pay Later as a form of consumer lending:** With rise of fintech companies, it has emerged as a new form of lending, banks extend credit in interest free or spaced-out installments
- **Digitization and a fast-emerging new ecosystem:** Changing consumer behavior, rise of UPI, concerns rising regarding data sharing and privacy, account aggregation framework introduced
- **Account aggregation framework:** Being developed, financial data sharing system that would empower individuals with control over financial data across institutions, which currently remain in silos
- **Neo-banking:** Banks without any branches are a cost-effective alternative to traditional banks, providing very convenient and user-friendly financial services. However, these are currently not licensed in India, and they count on bank partners (Jupiter, Fi, etc.)



## Risks

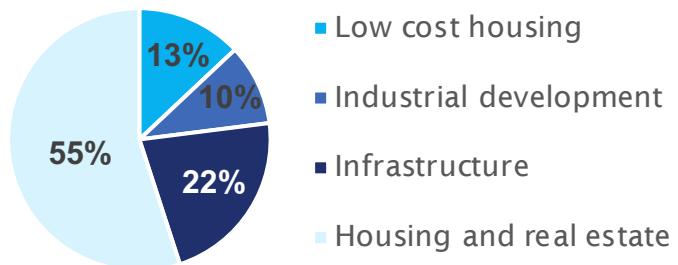
- With the rise in interest rates, bond yields have been on the rise; this will dent banks' treasury profits
- Many retail borrowers may find it difficult to service their loans as the loan rates rise
- Evergreening— giving fresh loans to their borrowers to pay off the old loans has been growing which could result in rise in bad loans

Raw material	Inbound Logistics	Manufacturing	Distribution	Sales & Marketing
<ul style="list-style-type: none"> <li>Long-term leasing of limestone quarries</li> <li>Long-term contracts with suppliers (Coal, flyash, gypsum)</li> </ul>	<ul style="list-style-type: none"> <li>Small component as plant is set close to limestone quarry</li> <li>Rail/roadways used for other materials</li> </ul>	<ul style="list-style-type: none"> <li>Limestone → Clinker → (grinding and additives) → Cement</li> <li>High automation</li> <li>Economies of Scale</li> </ul>	<ul style="list-style-type: none"> <li>Major freight cost</li> <li>Rail-road mix used</li> <li>Warehouse network</li> <li>Large orders directly to dealers/customer</li> </ul>	<ul style="list-style-type: none"> <li>Strong relationships with contractors</li> <li>Distribution-dealer network for sales</li> <li>Bulk prices are lower</li> </ul>

## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Sale of cement	Transportation costs	Government spending on infra	Over-capacity
Interest income	Power & fuel costs	Increasing urbanization	Shortage of domestic coal
-	Material cost	Rising per capita income	Carbon emissions

## Market Segment



## Industry Metrics

Industry Size	\$26B (2022); ~300M Tons (To grow at 9% CAGR)
EBIDTA margins	~25%
Prominent players	UltraTech cement, Shree cement, Ambuja Cements, ACC Ltd, Dalmia Bharat
Industry Characteristic	Regional Oligopoly
Industry Terminologies	New binders – alternative to traditional Portland clinker cements Co-processing of waste

## Market Trends

- Emerging Trends:**
  - Sustainable and green cement to minimize CO<sub>2</sub> emissions
  - Embracing digital technology to improve operational flexibility, real time monitoring & improved process control
- Govt policy change:**
  - INR 48,000 Cr to be spent under PM Awas Yojana (housing for all)
  - Higher allocation for infrastructure in roads (US\$ 26B) and in railways (US\$ 19B) in Union budget 2022-23
- Focus:** In next 10 years, India is expected to become the main exporter of clinker and gray cement to middle east, Africa and other developing countries

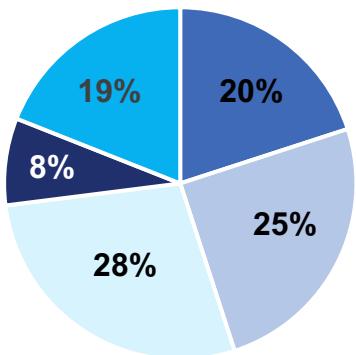


## Porter five forces

- **Bargaining power of suppliers (+)** – Most companies have captive limestone reservoirs; companies also opt for backward integration weakening supplier power
- **Bargaining power of buyers (+)** – Low substitutability, high consumption by housing sector and lack of substitutes leads to low bargaining power
- **Threat of new entrants (+)** – Low risk due to high capex, tough government regulations and high gestation period
- **Threat of substitutes (+)** – No substitute for cement. Steel and timber have low adoption
- **Competitive rivalry (-)** Concentrated market with regional competition, low product differentiation



## Cost Structure



- Raw Materials
- Power & fuel
- Logistics
- Employee
- Other expenses



## The Indian Advantage

- **Robust Demand**– Demand expected to grow 7% - 8% in FY2023 driven by rural housing demand and government focus on infrastructure development
- **Opportunities**– Construction of 100 smart cities expected to increase demand. Immense growth opportunity in areas such as housing, freight corridors, ports and other infrastructure projects
- **Increasing investments**– Major players investing in new manufacturing units across India. FDI inflows related to manufacturing of cement and gypsum products reached \$5.48 B between April 2000 – March 2022
- **Long-term potential** – Low threat from substitutes. Indian cement companies are amongst the world greenest cement manufacturers



## Risks

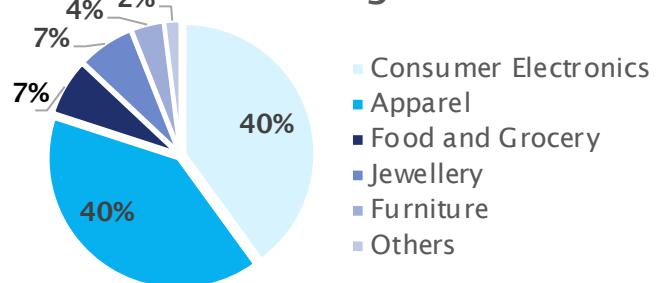
- **Over-capacity**– Excess capacity and demand shortage drag down prices, Low utilization pushing up the fixed cost
- **Domestic coal shortage**– Limited suppliers of coal and price fluctuation major problem for the industry;
- **Carbon emissions**: Industry constitutes ~8% of national emissions caused due to combustion of fossil fuel and the conversion process



## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Commission models	Promotions	Young population	Supply chain disruptions
Delivery charges	Logistics	Internet access and digital literacy	Lack of trust
Subscription fee	Technology	Government policies	Dependency on cash payments

## Market Segment



## Industry Metrics

Industry Size	\$55 billion (2021); \$350 billion by 2030, growing at a CAGR of 23% <sup>2</sup>
Net Profit Margins	7-8% <sup>3</sup>
Prominent players	Amazon, Flipkart, Myntra, Nykaa
Industry Characteristic	Fragmented
Industry Terminologies	Gross Merchandise Value Omni-channel Average Order Value

## Market Trends

- Emerging Trends:**
  - Focus on D2C and omni-channel
  - Growth in consumers from Tier 2 and 3 cities
  - Emerging technologies such as AR
- Government Policy Changes:**
  - 100% FDI allowed in B2B and marketplace modes
  - Rs. 1500 cr. in budget FY22 to incentivize online payments
  - Initiatives to boost broadband penetration in rural India
- Focus:**
  - New segments being added (education and hyperlocal)
  - Continued focus on tier 2 and 3+ cities



## Porter five forces

- **Bargaining power of suppliers (-)** – Multiple suppliers in the market – companies can choose the ones with the most favorable terms
- **Bargaining power of buyers (+)** – High bargaining power- options available, transparency of information and low switching costs
- **Threat of new entrants (+)** – Easy and cheap to set up a website to start operations
- **Threat of substitutes (+)** – Consumers have multiple options; easy to identify cheaper alternatives
- **Competitive rivalry (+)** – Multiple large and small players



## Emerging Segments

- **Ed-Tech:** The pandemic driven lockdowns have led to an expansion of ed-tech companies in India. Expected to bring in ~\$10 billion in revenue by 2025, it has 6 unicorns in India already.
- **Hyperlocal:** The increasing demand for ‘convenience’ and quick deliveries is prompting e-commerce companies to enter the hyperlocal segment. The online grocery market observed a 70% growth in 2021 and was worth \$367 billion.



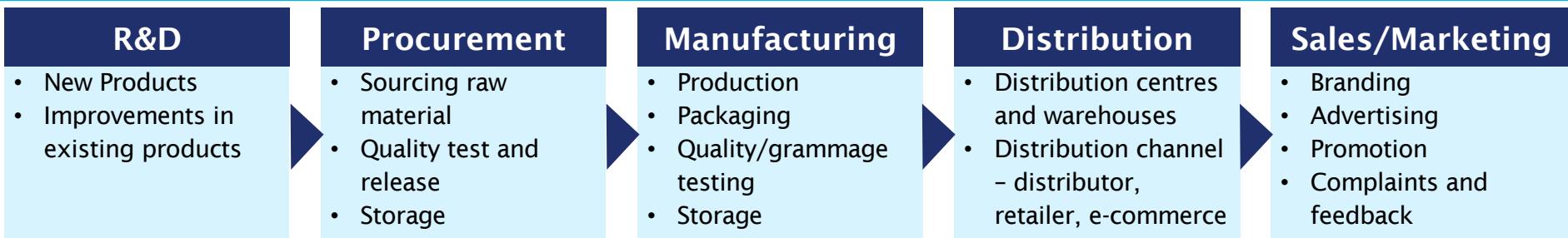
## Emerging trends/disruptions

- **Focus on D2C and Omni-channel-** In light of the fall in store visits brought on by COVID, consumer brands are realizing the importance of not limiting themselves to one mode of selling. Small businesses are also setting up independent sites to reach consumers directly.
- **Consumers from Tier 2 and 3 Cities-** With improved internet connectivity and digital literacy, consumers from tier 2 and 3 cities constitute ~50% of shoppers and contribute to 3 out of 5 orders placed on leading e-retail platforms. By 2030, tier 2 shoppers will contribute 88% of new shoppers.
- **Emerging Technologies:** To satisfy tech savvy consumers in metro cities, leading online stores such as Caratlane and Nykaa are offering Augmented Reality services to let consumers interact with products as if they were in a store.



## Risks

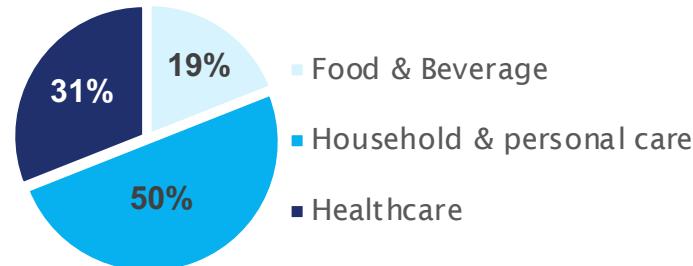
- **Supply Chain Disruptions-** In order to increase connectivity to tier 2+ cities, procurement, delivery and warehousing challenges in these cities will have to be countered.
- **Lack of Trust-** Out of all users with internet access, only ~23% are online shoppers
- **Cash Payments** – Consumers feel more comfortable buying in cash on delivery mode, as compared to online payments.



## Key Drivers

Revenue Channel	Cost Segments	Growth Drivers	Challenges
Retailer (Organized, Kiranas)	Raw material and processing cost	New products	Inflation
E-Commerce	Distribution	E-Commerce	Multi-channel
D2C Platform	Promotion	Rising per-capita incomes	Understanding customer demand

## Market Segment



## Industry Metrics

Industry Size	\$110B (2020); To grow at 13-18% CAGR to \$220B (2025)
Net Profit Margins	15-18%
Prominent players	HUL, P&G, ITC, Dabur, Marico
Industry Characteristic	Fragmented
Industry Terminologies	Stock Keeping unit (SKU)- Specific product from a range of products
	On-shelf availability
	Loss Leader- Selling product at loss to gain market share

## Market Trends

- Emerging Trends:**
  - Supply Chain digitisation
  - Boom in E-commerce, extending to rural India
  - Emergence of D2C Brands (MamaEarth, Bombay Shaving Co)
  - Greater technology intervention for customer interaction
- Govt policy change:**
  - PLI Scheme
  - 100% FDI in cash & carry segment and single-brand retail; 51% in multi-brand retail
- Focus:** Rural demand (Currently 45%) to grow at faster than Urban
- Products:** Preference towards branded products on rise



## Porter five forces

- **Bargaining power of suppliers** (+) – Small and fragmented suppliers, low bargaining power
- **Bargaining power of buyers** (-) – High bargaining power due to large availability of options and low switching costs
- **Threat of new entrants** (+) – Huge investments in establishing national brand and distribution network
- **Threat of substitutes** (-) – Low product differentiation leading to high substitutability
- **Competitive rivalry** (-) High competition from established MNCs and upcoming D2C brands



## Global scenario

- **Market Size**- ~\$15300 B (2025)
- **Growth rate**- ~5.0% CAGR (2018-2025)
- **Prominent Players**- P&G, Unilever, L'Oréal, Colgate - Palmolive
- **Key Geographies**- USA, European Union, China, Japan, UK, India
- **Distribution Channels** – Supermarkets & Hypermarkets, Grocery store, Specialty stores, e-commerce
- **Segments**- Food & Beverage emerge as top segment followed by personal care and healthcare



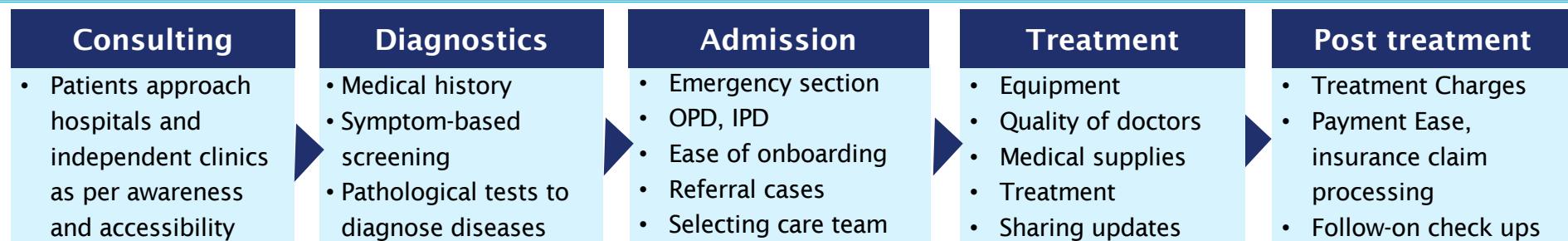
## Emerging trends/disruptions

- **Supply chain digitisation** – Companies bringing together inventory management, distributor management, suppliers and logistics within one ecosystem through digital capabilities
- **Emergence of D2C**- New brands and established FMCG brands capitalizing on the opportunity to sell directly to the end consumer. Brands with separate website witness 88% YoY increase in customer demand
- **Increase in e-commerce:** Deeper penetration of e-commerce to rural India and surge in digital marketplace across social media platforms. Online shopping 10.7% of retail sales (2021) v/s 4.7% in 2019
- **Greater technological intervention:** Includes use of Big data solutions to provide a more personalized experience, use of AI & ML for consumer interaction (Chatbots) and IoT in distribution and retailing (digitization of Kiranas)



## Risks

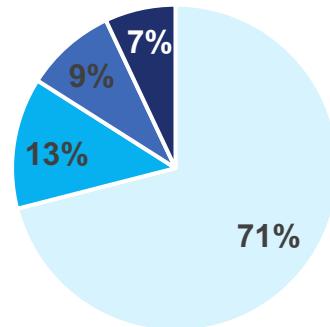
- **Inflation**- Companies facing inflation headwinds leading to price hikes and shrinkflation (reducing in pack size) due to rise in input costs
- **Multi-channel**- Industry has multiple layers of stakeholders b/w manufacturer and customer; conflict b/w offline and online channel
- **Understanding customer demand**- Diverse consumer base requires ability to predict upcoming pattern and transform the product



## Key Drivers

Revenue Segments	Cost Segments	Capex Drivers	Growth Drivers
Healthcare Services	Employee Salaries	Equipment Cost	Rising Tourism
Diagnostic Services	Professional Fees	Construction	Rising FDI
Sale of drugs	Prescription drugs	Others	Medical Tourism

## Share of Medical Expenditure



- Hospitals
- Pharmaceuticals
- Medical Devices
- Insurance and Diagnostics

## Industry Metrics

Industry Size	\$372 billion
Growth Rate	22%
Prominent players	Apollo Hospitals, Fortis Healthcare, Aster DM
Industry Characteristic	Fragmented
Industry Terminologies	ARPOB- Avg. Revenue/Occupied Bed ALOS- Average Length of Stay BOR- Bed Occupancy Rate

## Market Trends

- **Emerging Trends:**
  - Post pandemic the demand for home healthcare treatment is expected to boom
  - India remains a preferred destination for Medical Value Treatment
  - Pandemic propelled rapid advancement in technologies
- **Govt policy change:**
  - In the recent budget, close to \$11.28 billion was allocated to the Ministry of Health and Family Welfare
  - Indian government is planning to introduce a credit incentive program worth Rs 500 billion to boost health care infrastructure

## Porter Five Forces

- **Bargaining power of suppliers (-)** – High bargaining power because quality and timely delivery of supplies is a necessity
- **Bargaining power of buyers (+)** – Bargaining power of customers is low because of nature of service provided lack of availability of quality options
- **Threat of new entrants (-)** – High risk of new entrants given the push given by government
- **Threat of substitutes (+)** – Lack of quality inexpensive substitutes in the industry
- **Competitive rivalry (-)** Increasing number of private players has led to increasing competition

## Key Trends

- **Shift from communicable to lifestyle diseases:** 50% spending on in-patient beds for lifestyle diseases has increased demand for specialized care.
- **Increasing penetration of health insurance:** Gross healthcare insurance premium has been growing at a CAGR of 25%.
- **Technological Initiatives:** Digital Health Knowledge Resources, Electronic Medical Record, Mobile Healthcare
- **Rising Adoption of AI:** Enabling people to talk directly to doctors, physicians, and expertise for the best treatment

## Infrastructure

- **562 medical colleges** as of Feb 2021, 157 colleges under various stages of implementation
- **There is 1 doctor per 854 patients, 1 bed per 1734 patient and 1 nurse per 589 patient** in India
- **Maximum percentage share** of ailments are treated by **Private Doctor/Private Clinic in Urban (72%)** as well as **Rural (62%)**
- **Healthcare expenditure** stood at **2.1% of GDP** of 2021-22

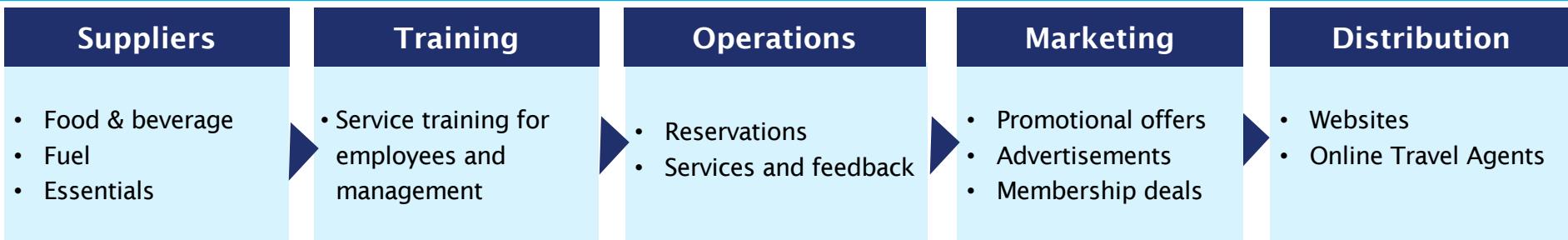
## Opportunities

- **Additional 3 Mn beds** needed to achieve the target of 3 beds per 1000 people by 2025
- **Additional 1.54 Mn doctors and 2.4 Mn nurses** are needed to meet growing demand.
- **Health Insurance:** Gross written premium growth at 13.25 YoY to Rs 58,584.36 crores in FY21
- **Medical Devices:** Expected to reach \$11b by 2022, backed by rising geriatric population, medical tourism and declining costs

## Challenges

- **Lack of infrastructure:** Deficient infra in the form of lack of well-equipped medical institutes, lack of private colleges in rural areas.
- **High out-of-pocket expenditure:** 65% of expenses at private hospitals are paid by patients due to being underinsured

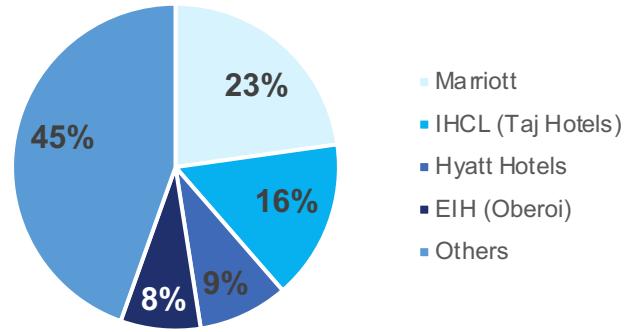
# Hospitality



## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Room Tariffs	Employee Salaries	E-Visa Facility (Foreign Tourism)	Recovery of occupancy
Food & Beverages	Consumable Materials	UDAN Scheme (Domestic)	Renewed Lockdowns
Events & Others	Power and Fuel	Reduction in GST	Pricing Elasticity

## Market Share of Major Hotels



## Industry Metrics

Industry Size	\$50billion
Growth Rate	11%
Prominent players	Marriott Hotels, IHCL (Taj), Hyatt, EIH (Oberoi)
Industry Characteristic	Fragmented
Industry Terminologies	RevPAR- Revenue per Available Room ARR- Average Room Rates OR – Occupancy Rates

## Market Trends

- Emerging Trends:**
  - Adoption of WFH mode over long term might hamper the RevPAR
  - Increasing demand for alternative new age accommodations like homestays, BnBs, cabins etc.
  - India becoming a popular destination for hosting mega events like ICC Cricket World Cup expected to aid the sector
- Govt policy change:**
  - Promotion of e-visa to boost FTA
  - SAATHI (System for Assessment, Awareness and Training) developed by Ministry to establish guidelines for hotels, resorts etc.

## Porter Five Forces

- **Bargaining power of suppliers (+)** – Bulk purchases and high volume allows the industry to have supplier control
- **Bargaining power of buyers (-)** – With the increasing penetration of the internet, bargaining power has shifted to customers. It has given access to a variety of options and have eliminated the need of a “middle-man”
- **Threat of new entrants (+)** – Low risk due to requirements of high initial capex investment.
- **Threat of substitutes (-)** – A variety of options such as Homestays, and BnBs has made the industry competitive.,.
- **Competitive rivalry (-)** Competition is fierce with customers always on look out for cheap options with best amenities.



## Key Figures

- Total hotel rooms in India: ~3 million
- Average Occupancy Rate (Pre-Covid): ~70%
- Average daily rate per room: Rs 5,320
- Revenue per available room: Rs 3,720
- Number of foreign tourist arrivals (FTA): ~11 million
- Room revenue : Non-Room Revenue: 2:1

## Emerging Trends

- **Workcations and hotel work spaces:** Due to the pandemic a large number of companies have provided the flexibility of WFH. Hospitality venues are increasingly being used as make-shift offices for workcations.
- **Digitized guest experiences:** Apps are increasingly becoming important in the way hoteliers manage the services provided. Customer-facing services (such as receptionists) are being substituted by e-check ins
- **Asset management strategy:** Asset light model is becoming increasingly prevalent. Hoteliers are now increasingly separating the management and operation of real estate assets.



## Risks

- **Sharing Economy:** Recent years have seen a spike in sites like AirBnB, Homestay etc. With increasing value of experiential travel, options the hospitality industry needs to continuously innovate to keep pace.
- **Shortage of experienced personnel:** Budget hotels find it extremely costly to train and retain staff.
- **Uncertainty in international travel and increase in WFH model:** The occupancy rates of hotels have not reached the pre-pandemic levels as customers are increasingly preferring WFH options.

# Insurance



## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Underwriting	Claims	↑ Per capita GDP	Financial Awareness
Investment Income	Investment & Ops. expenses	Digital Disintermediation	Lack of sufficient capital
Cash Value Cancellations	Acquisition & general expense	Low Penetration (Underserved Market)	Rural Urban Divide

## Industry Segmentation

<ul style="list-style-type: none"> <li>• Life: 75%</li> <li>• Non-Life: 25%</li> </ul>	Premiums Collected (FY 2021)  <u>Life:</u> LIC (~66%) Private Sector (~34%)  <u>Non-Life:</u> Public Sector (~36%) Private Sector (~50%)
<b>Non-Life (Of 25%)</b> <ul style="list-style-type: none"> <li>• Motor – 34%</li> <li>• Health – 32%</li> <li>• Fire – 10%</li> </ul>	



## Industry Metrics

Industry Size	Total Premiums underwritten: ~\$112B (FY 2020-21); YoY: + 8.3%
Prominent players	<u>Life Insurance:</u> LIC, SBI Life, ICICI Prudential, HDFC Life & Max Life <u>Non-Life Insurance:</u> ICICI Lombard, Bajaj Allianz, New India
Industry Characteristic	Life (Few Big)   Non-Life (Fragmented)
Industry Terminologies	Insurance Density & Insurance Penetration; Embedded Value (EV); Renewal & New Business Premium



## Market Trends

### Industry Growth:

- Expected CAGR between 2019-23 is 5.3%
- Insurance Penetration: Overall (4.2%); Life (3.2%); Non-Life (1%)

### Emerging Trends:

- New Distribution Channels
- Rise of InsurTech Startups (110+ in India)
- Ease in Regulatory Environment

### Key Events:

- IPOs: LIC (May 2022); PB FinTech & Star Health (Nov 2021);
- Potential privatization of state-run general insurance companies



## Porter five forces

- **Bargaining power of suppliers** (+) – *Moderate*; Large IT firms supporting tech; Limited number of re-insurers;
- **Bargaining power of buyers** (+) – *Moderate*; Individuals & SMBs have low power. Large businesses & orgs have some
- **Threat of new entrants** (+) – *Moderate*; Other financial companies can enter; ↑ed FDI limits; But regulated industry
- **Threat of substitutes** (+) – *Low*; No real substitutes; Investment-oriented customers have other avenues;
- **Competitive rivalry** (-) – *High*; with over ~70 players in the industry; Higher exit barriers compared to entry barriers;



## Global scenario

- **Market Size**- ~\$ 6287 bn by Premium volume (2022)
- **Insurance Penetration**: India (4.2%) & Global (7.4%) | US & CAN lead with 11.8%



## Government Insurance Schemes

- Crop : Pradhan Mantri Fasal Bhima Yojana (PMFBY)
- Accident : Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Life : Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)



## Emerging trends/disruptions

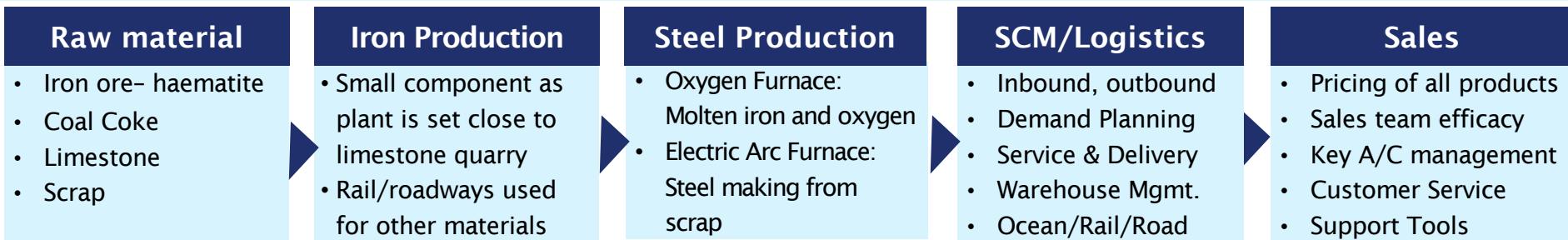
- **New Distribution Channels**- Bancassurance (Bank & Insurance Providers partner), NBFCs, and Online Insurance have widened their reach. App based insurance – PhonePe & Paytm;
- **InsurTech Startups**: 110+ startups in India. Global funding 7x in last 5 yrs. Emergence of New Customer Segments (Tier 2+, women, SMEs etc.), enhanced customer experience, Data & Analytics. Indian unicorns - Acko, Digit Insurance, PolicyBazaar
- **Ease in Regulatory Environment**: In Budget 2021, Government has increased FDI limits in insurance sector from 49% to 74%. IRDAI now allows launching health & most general insurance products without prior approval. Govt & IRDAI in-discussions to lower capital entry requirement from current ₹100cr



## Challenges

- **Financial Awareness**- Low consumer financial awareness in rural areas. However, COVID led to increase in awareness on risk protection
- **Lack of Sufficient Capital**- Financial health of public sector insurers is in poor shape (National Insurance). Govt Infusing capital
- **Urban Rural Divide**: Insurance penetration in Rural India is very low; Private insurers mainly service the urban population;

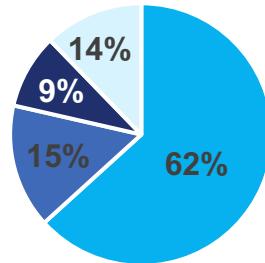
# Iron & Steel



## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Steel for Construction	Raw Material Cost	Economic Growth	High capital cost
Steel for capital good	Salary & Wages	Policy support	Bulky Logistics
Sale of By-Products	Finance costs	Increasing Investment	Environment laws

## Market Segment



## Industry Metrics

Industry Size	\$75B (2022); Contributes ~2% to the GDP
Net Profit Margins	Varies from 3% (SAIL) to 11% (TATA)
Prominent players	SAIL, TATA Steel, JSW
Industry Characteristic	Consolidated
Industry Terminologies	<ul style="list-style-type: none"> <li>CTD- Cold-worked Twisted Bars</li> <li>TMT- Thermo mechanically Treated</li> <li>BF (Blast Furnace) Productivity</li> </ul>

## Market Trends

- Emerging Trends:**
  - Increasing consolidation & global player entry
  - Expansion and upgradation of facilities by private players to reduce import reliance
- Govt policy change:**
  - PM Awas Yojana to boost sector growth
  - Steel Scrap Policy to reduce import. 30% export duty to ensure internal supply
- Focus:**
  - A capacity of 300 MTPA is targeted by 2030, requiring an investment of \$156 billion by 2030-31



## Porter five forces

- **Bargaining power of suppliers** (+) – Low since integrated steel plants have own supply mines
- **Bargaining power of buyers** (-) – High bargaining power due to highly consolidated steel consumption sectors
- **Threat of new entrants** (+) – Low due to high capital requirements, economies of scale and regulatory clearances
- **Threat of substitutes** (+) – Low risk; Plastic and Aluminum are closest which still are not easily substitutable
- **Competitive rivalry** (-) High due to low product differentiation, high exit barriers and international players



## Global scenario

- **Market Size**- ~1951M tonnes (2021)
- **Growth rate**- ~3.9% CAGR (2021-2031)
- **Prominent Players**- China Baowu Group, ArcelorMittal, Ansteel group, Nippon, Shagang, POSCO, HBIS Group
- **Key Geographies**- China, India, Japan, USA, Russia, South Korea, Turkey
- **Segments**: Construction, Capital Goods, Automobile
- **Environment Impact**: On average, 1.83 tons of CO<sub>2</sub> is emitted for every ton of steel produced; over 3.3 million tons annually to global emissions.



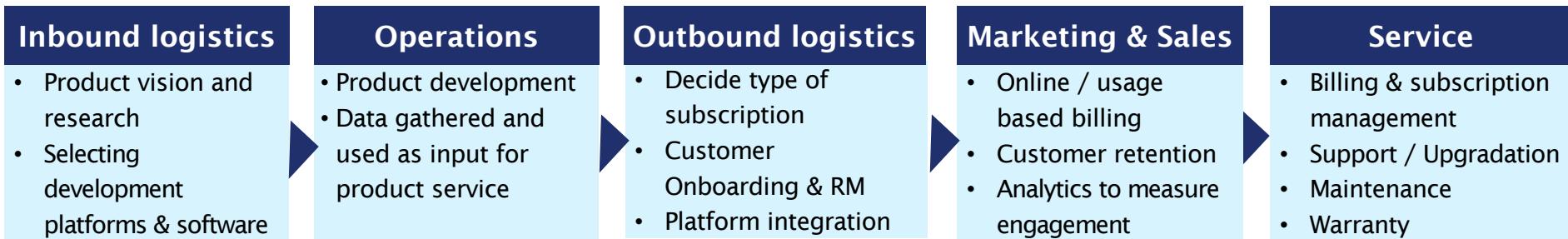
## Emerging trends/disruptions

- **Consolidation of players**: Strategic objectives related to M&A's are to grow at a rate faster than an organic growth rate, capture forward and backward linkages in the value chain. Example: TATA Steel taking over BSL, JSW over MIE, etc.
- **Growth Opportunities**: Efforts by Govt to make sector efficient & competitive, especially with initiatives like PM Awas Yojana to boost sector growth of construction (62% demand share)
- **Investment increase**: Expansion and upgradation of facilities by private players to reduce import reliance
- **Import & Export**: Steel Scrap Policy to reduce import. 30% export duty to ensure internal supply, though temporary in nature



## Risks

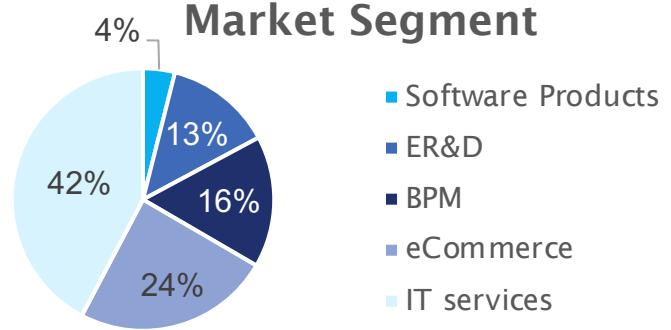
- **Financing**- Industry is capital intensive. Rs 7000 Cr required for 1 tonne capacity (Greenfield)
- **Logistics**- For 1 tonne steel produced, 3 tonnes of raw material transported- expensive, arduous
- **Environmental concerns**- Second biggest consumer of electricity. High Carbon Footprint



## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
On premise delivery	Employee salaries	Increasing adoption of technology	Cyber security threats
Software-as-a-service	Software costs	Future ready digital workforce	Cost of upskilling
Support and maintenance charges	Hardware costs	Competitive position	Privacy and Data Protection rules

## Market Segment



## Industry Metrics

Industry Size	\$235B (2021); Contributes ~8% to GDP, 10.36% expected CAGR b/w 2022-27
Net Profit Margins	Varies from 8% (smaller Co.) to 20% (TCS)
Prominent players	TCS, Wipro, Infosys, HCL Tech, IBM, Accenture, Cognizant, Capgemini
Industry Characteristic	Fragmented with minimal differentiation
Industry Terminologies	SaaS- Software-as-a-service (customer buying access to software service) SMAC – social, mobility, analytics, cloud

## Market Trends

- Emerging Trends:**
  - Use of IT in emerging verticals (retail, healthcare, utilities)
  - Spurt in SMAC (social, mobility, analytics, cloud) market
  - Development of SEZs in tier - 2 cities across India
- Govt policy change:**
  - Tax holidays for STPIs and SEZs
  - Identified as one of the 12 champion service sectors
  - Software technology parks of India - 100% export oriented
- Focus:** Indian IT industry's share in global market stands at 7% and growth has been largely due to exports (of IT, eCommerce and BPM)

## Emerging trends / Disruptions

- **Large players gaining advantage** – Of total revenue, 80% is contributed by 200 large and medium players
- **Most lucrative sector for investments** – Attracted FDI worth US \$40B between June 2019 and April 2020
- **Changing business dynamics** – Shift from large size deals to multiple small size ones
- **Start ups** – Number of startups in technology is expected to reach 50,000 adding to around 2% of GDP
- **New Technologies** – Disruptive technologies such as cloud computing, social media & data analytics offering new avenues of growth

## Drivers

### Revenue Drivers –

- Global Demand – Digital Exports Revenue
- E R&D and software products
- BPO
- 2<sup>nd</sup> highest number of internet subscribers in India

### Cost Drivers –

- Employee related costs
- Research and Development costs
- Huge Marketing expenditure
- IT Infrastructure landscape: cost of telecom and network infrastructure

## SWOT Analysis

### Strengths -

- Competitive advantage – 5 to 6 times less expensive than US
- Large pool of Knowledge IT professionals
- Growing Demand

### Weaknesses -

- Rise in attrition rate among workers
- Political opposition from developed countries
- Cost of telecom and network infrastructure is higher in India

### Opportunities -

- Increased and diverse employment opportunities
- Indian domestic market growth
- India can be branded as quality ITES destination rather than low cost destination

### Threats -

- Other ITES destinations such as China, Philippines
- Increased local and global competition
- Rising labour costs

## Key Points

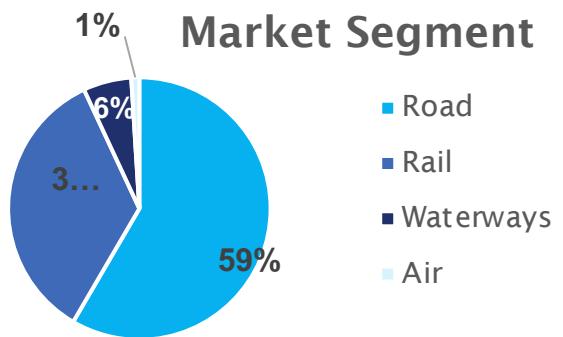
- Industry expected to grow to US \$350 B by 2025
- Expanding economy to propel growth in local demand
- Expected strong growth in demand for exports from new verticals
- Higher margins observed amongst larger players as a result of learning effects



## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Domestic transportation	Route Optimization	Simplified freight policy	High fuel prices
Import & Export	Warehousing	Increasing connectivity	Driver shortage
Value Added Services	Labour	Increasing data availability	Sustainability

## Market Segment



## Industry Metrics

Industry Size	Rs 11.75 lakh crores; forecasted to grow at CAGR 10.5% (2019-25)
Net Profit Margins	2.1% (up from 0.9% in Q1 2022)
Prominent players	Concor, BlueDart, Transport Corp of India, VRL Logistics
Industry Characteristic	Highly Fragmented
Industry Terminologies	Order Accuracy, Lead time, Capacity Utilization, Inventory Accuracy and Turnover, Warehousing Costs

## Market Trends

- Industry size:** Indian logistics sector is valued at **Rs 11.75 lakh crores**; forecasted to grow at CAGR **10.5%** (2019-25)
- Rank:** India's rank has gone up from 54 in 2014 to **44 in 2018** in the World Bank's LP Index (overall logistics performance)
- Improved connectivity:** Sagarmala, Bharatmala, & UDAN projects aimed at improving connectivity and reach, greater opportunities
- Warehouse Automation:** Market valued at **Rs 20,200 crores**; evolution of technologies like AI, IoT and Blockchain



## Porter five forces

- **Bargaining power of suppliers** (+) Low, as suppliers are abundant and are hence chosen on differentiated prices
- **Bargaining power of buyers** (-) High, as minimum differentiation and low switching costs due to abundance give high bargaining power to buyers
- **Threat of new entrants** (+) Low, Asset light start-ups are utilizing latest tech to offer attractive rates and meet customer needs
- **Threat of substitutes** (+) Low, the only substitutes are offered for transportation but it has extra costs attached to them
- **Competitive rivalry** (-) High, due to low differentiation & presence of global players there is intense rivalry on price and quality parameters.



## Global scenario

- **Market Size**- ~8.6 trillion USD (2022)
- **Growth rate**- ~4% CAGR (2020-2024)
- **Prominent Players**- United Parcel Service, FedEx, Deutsche Post, Xiamen Xiangyu, HNA Technology, A.P. Moller-Maersk Group, COSCO Shipping
- **Key Geographies**- Asia Pacific, followed by North America, Europe, Africa and South America



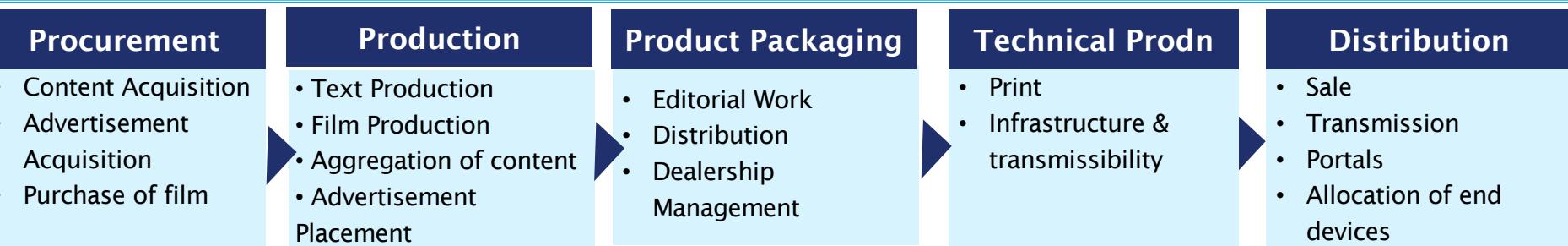
## Emerging trends/disruptions

- **Need for reduced transit times** – to align with business requirements for improving service levels.
- **Slowdown in world trade** to hit the air cargo market's volume growth yield performance, as freight capacity growth is expected to outstrip demand due to weakened consumer confidence.
- **Highly fragmented industry** consisting of over 1000 active players which include large scale domestic players, leading entities of global players, the express arm of the government postal service and emerging start-ups specialising in e-commerce
- **The need for digitization in logistics** - several firms are shifting to technologies such as artificial intelligence, blockchain that promote the free flow of data and at the same time, allow for tighter control over the supply chain
- **Success factors to include:** Route optimization, proper forecasting, adopting automation, supplier relations, warehouse management systems and ERPS and Lead time minimization.



## Risks

- Need for faster time-to-market and reduced defect rates
- Low acceptance of dynamic pricing
- Expectation of free shipping
- Fuel costs fluctuations, notably due to geopolitics



## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Advertising	Content Acquisition	OTTs & Digital Media	Privacy impacting advertis. revenues
Subscriptions	Operating Costs	Online Gaming & AR-VR	Online Piracy of film & TV content
Content Licensing (Films, Music, Shows)		Govt. Initiatives	Google & Facebook

## Industry Segmentation

### Classification 1

Television : 49%  
 Digital Media: 17%  
 Print : 14%  
 Online Gaming: 5%

### Classification 2

Advertising : 49%  
 Broadcasting & Cable TV : 28%  
 Publishing : 22%  
 Movies & Ent. : 1%

## Industry Metrics

Industry Size	\$22B (2022); CAGR: 7.1% (2021-25)
Net Profit Margins	6-9% (Advertising); 11-15% (Broadcasting/Integrated firms)
Prominent players	<u>Television:</u> Star India, Zee Ent, Sony <u>Print:</u> Bennett Coleman, Jagran Prakashan <u>Films:</u> Yash Raj, Eros Ent, Publicis, WPP
Industry Characteristic	Advertising (Consolidated), Broadcasting (900+ private channels)
Industry Terminologies	Monthly Recurring Revenue (MRR) Monthly Active Users (MAU) Customer Acquisition Cost (CAC)

## Market Trends

### Emerging Trends:

- Roll out of 5G, Metaverse influencing digital space
- Rise in # of OTT platforms
- Digital advertising platforms are attracting revenues from traditional advertising markets

### Govt initiatives:

- FDI Limit: 74% to 100% | National Film Policy
- Centre of Excellence - Animation, Gaming, Visual Eff & Comics

### Key Events:

- ZEE-Sony (2<sup>nd</sup> largest behind Disney) | PVR & INOX[Mergers]
- WPP acquired 50% stake in Madhouse (2018)
- IPL Bid, ICC T20 Bids



## Porter five forces

- **Bargaining power of suppliers** (-) – High for Sports Rights; Depends on backward integration;
- **Bargaining power of buyers** (-) – Moderate in Advertising (SMBs, Big Companies); High in Subscription services (OTT)
- **Threat of new entrants** (+) – Low risk, high supply costs & strength of big Players (especially in advertising segment)
- **Threat of substitutes** (-) – High risk; Online Privacy, Illegal Streaming; Inhouse Marketing; Social Media for Agencies;
- **Competitive rivalry** (-) Moderate risk; Large number of players, low fixed costs, Similarity of players, Hard to Exit;



## Global scenario

- **Market Size**- ~USD \$ 2.3tn (Media & Entertainment Industry)
- **Growth rate**- ~4.6% CAGR (2021-2026) (M&E Industry)
- **Prominent Players**- Apple, Walt Disney, Comcast, AT&T, Paramount Global (purely media), Sony (M&E)
- **Key Geographies**- North America & Western Europe (are highly mature w.r.t spending per-capita on M&E)
- **Mergers & Acquisitions**: \$142bn deals in 2021 against \$17bn (2020); PE/VC & SPAC; Microsoft & Activision; PVR & INOX. AT&T's WarnerMedia & Discovery;



## Emerging trends/disruptions

- **Metaverse** – Considered the next big thing, Interactions of businesses and consumers with products, services and among each other may change considerably. A large part of the revenues associated with advertising and e-commerce could shift to metaverse.
- **Rise in Digital & OTT Players:** While Disney+Hotstar, Amazon Prime, Netflix & Zee account for most OTT revenues, more than 40 other players are active (amongst regional platforms). On the other side, Netflix in April 2022 announced, it lost 200k subscribers. It's planning to launch ad-supported offerings. Rise in Regional players
- **Online Gaming:** Indian Gaming Industry is expected to reach \$7bn in 2025. Cloud Gaming possibilities with 5G. In 2020, transaction-based game revenue increased by 21%.



## Risks

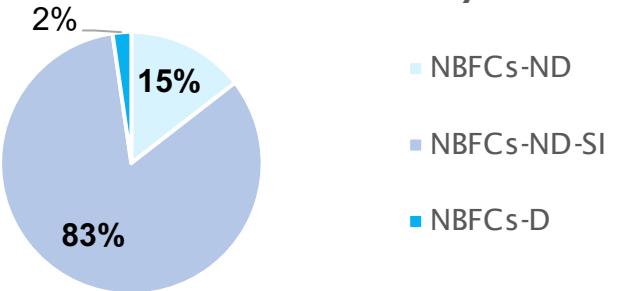
- **Privacy:** Apple's App Tracking Transparency (ATT) majorly impacted revenues of iOS advertisers. Emphasis on 1<sup>st</sup> party data.
- **Consumer Behavior**- Consumers behavior & attention is rapidly changing over the last decade with the rise in digital media
- **Risk 3:**

Marketing	Sales	Disbursement	Collection	Regulatory compliance
Multi-channel marketing based on the type of loan	Loan sales done majorly through offline branches, mobile app and through partner stores	Cash/non-cash disbursement based on the type. Ex: Cash for personal loan, non-cash for 0% EMI loan	Collection of interest payments, principal repayment; majorly done in an automated manner	Regularly report financial performance with a special emphasis on NPAs to RBI and other regulatory bodies

## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Interest - Secured Loans	Cost of funds	Increasing digitization	Regulatory compliance
Interest - Unsecured Loans	Branch Operation	Embedded Financing	No refinancing option
Other Fees	Digital Infrastructure	Smartphone Penetration	Increasing cost of funds

## NBFC distribution by AUM



## Industry Metrics

Industry Size	~INR 54 Trillion AUM (All NBFCs) (average CAGR of ~18% over last 5 yrs)
Net Profit Margins	Net Interest Margin ~5.7%
Prominent players	Bajaj Finance, Shriram Transport Finance, Muthoot Finance, Chola Finance
Industry Characteristic	Fragmented (NBFC-D+NBFC-ND-SI ~356)
Industry Terminologies	AUM - Asset under Management SI - NBFCs-ND with AUM > 500 Cr

## Market Trends

### Emerging Trends:

- AI driven predictive financing – efficiently use internal and external customer data to provide useful solutions
- Voice and vernacular digital solutions – will allow firms to truly reach the unbanked sections of the society
- Alternative credit scoring – required to cater to the unbanked

### Govt policy change:

- Scale Based Regulation – Regulatory structure with 4 layers based on size, activity and perceived risk of NBFC (2021)

### Focus:

- NBFCs now deal with ~25% credit volume of banks, which they did by targeting areas where banks were inefficient



## Porter five forces

- **Bargaining power of suppliers (-)** – High as provider of funds have multiple options to invest their funds elsewhere
- **Bargaining power of buyers (-)** – High as switching from one supplier to other is comparatively easy as products aren't very differentiated
- **Threat of new entrants (-)** – Moderate as getting a NBFC license is easier than getting a banking license, already 10k+ total NBFCs
- **Threat of substitutes (-)** – Moderate as banks and private money lenders act as possible substitutes
- **Competitive rivalry (-)** – High due to the sheer number of players in the market



## KPIs

- **Net Interest Margin** – NIM is a measure of spread between interest received from customers and interest paid to suppliers
- **Earning Asset Yield** – A solvency ratio that indicates how well are the assets performing based on the interest income they earn
- **NPA** – NPA stands for Non Performing Assets. It indicates the loans for which interest/principle payments have been overdue for more than 90 days
- **Net NPA** – is the ratio of NPAs less the bad debt provisions to the total loans issued. Gives an idea about quality of the loan book of the firm
- **Efficiency Ratio** – Ratio of non-interest expenses to the revenue. Indicates how well the managers control their overhead expenses



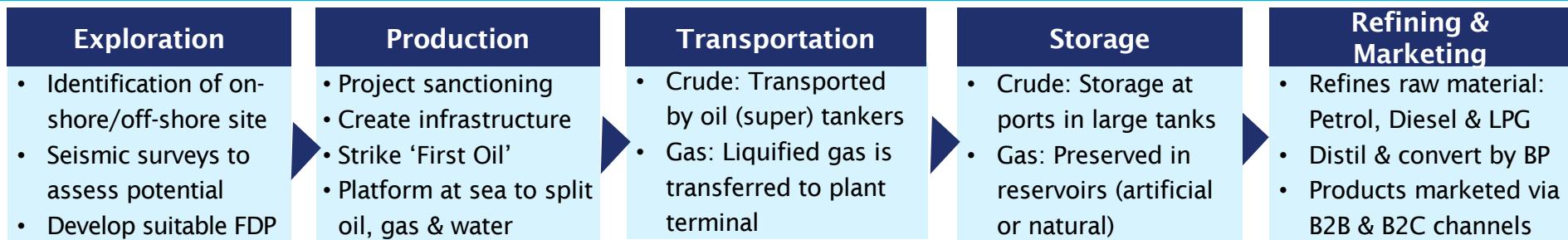
## Outlook

- **Focus shift to growth** would be observed as the FY22 growth closes at 7%-8% and next FY growth projected to be around 14%
- **Secured Asset Business** including housing and vehicle loans could see revival with the economy stabilizing
- **Rising interest rates** would call for recalibration across funding avenues
- Increased focus on **digital** and **embedded financing** required to sustain in the increasingly competitive space



## Risks

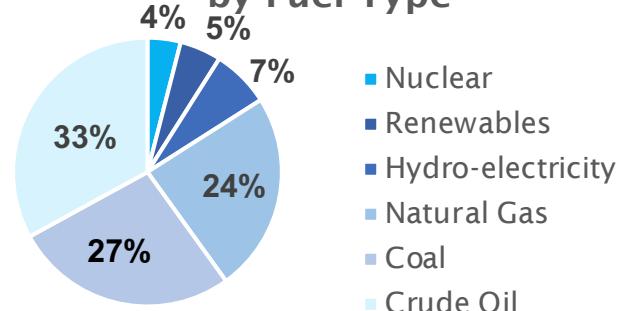
- **Regulations:** Evolving regulatory landscape combined with intricate compliances
- **Debt Recovery:** Absence of a defaulter database and lack of a statutory recovery tool
- **Inflation:** Inflation and rising interest rates might lead to pressure from both supply and demand side
- **Negative public image:** Cases of improper debt recovery and harassment of customers by some of the new players



## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Crude Oil	Raw material consumed	Economic growth	Cost pressure
Natural Gas	Transportation costs	Technological advancements	Alternative sources of energy
Others (LPG, Naptha, etc)	Employee expense	Petrochemical products	Concern about carbon footprint

## Global Energy Consumption by Fuel Type



## Industry Metrics

Industry Size	Oil- ~5 Million barrel/day
Net Profit Margins	~\$10-20/barrel Gross refining margin
Prominent players	Indian Oil Corporation, ONGC, Bharat Petroleum, Gas Authority of India, Reliance Petroleum Ltd
Industry Characteristic	Consolidated
Industry Terminologies	Integrated oil company – included in all aspects of oil & gas industry
	Catalytic Cracking

## Market Trends

- **Emerging Trends:**
  - Demand for diesel expected to double by 2029-30
  - IoT to improve production & worker safety and optimize equipment
  - Robotics & automation to increase workplace safety
- **Govt policy change:**
  - Firms allowed to sell locally produced crude oil to any Indian refinery, deregulating one of the last few avenues
  - Projects worth INR 1,00,000 Cr approved in northeast India
- **Focus:** Each company is evolving their strategy for a low carbon energy system; carbon footprint affecting M&A deals in industry



## Porter five forces

- **Bargaining power of suppliers (+)** – Government has an influence on the price. Further, delays in government payments has a considerable impact
- **Bargaining power of buyers (+)** – As majority are retail customers, they are price takers, Low buyer power
- **Threat of new entrants (+)** – Capital intensive and presence of economies of scale leads to low threat level
- **Threat of substitutes (-)** – Alternatives fuel gaining traction, in terms of nuclear energy, coal, hydrogen and renewable sources of energy
- **Competitive rivalry (-)** Very few players in each segment, profit margins are difficult to maintain



## KPIs

- **Lease Operating Expenses** – Cost incurred to keep the well producing after the initial cost of drilling & completing a well
- **Reserve Replacement Ratio (RRR)** – Net proved reserves added through discoveries, revisions and net acquisitions divided by total production volume
- **Barrels of Oil Equivalent (BOE)** – Energy released from burning a barrel of oil
- **Natural Gas Equivalent (Cfe)** – Energy release from burning natural gas



## Industry sub-sectors

- **Upstream**- Also known as exploration & production sector. Involves searching under-ground/water, drilling exploratory wells, determining economic viability, operation of wells to bring oil & gas to surface. Includes Integrated oil companies, private players & government-controlled companies
- **Midstream**- Involves storing, marketing & transporting petroleum crude oil & natural gas. Transportation is done by pipelines, rail barge, oil tankers and trucks
- **Downstream**- Includes refining of petroleum crude oil and processing & purifying of raw natural gas to derive thousands of products (petrol, kerosene, diesel, waxes). Also includes marketing & distribution of products derived



## Risks

- **Cost-Pressure**- Optimizing production systems and environmental utilities, priority for the sector. To maximize efficiency, reduce cost of extraction and refining
- **Alternative energy source**- Renewable energy challenging the industry as a cheaper and cleaner source of energy
- **Carbon emission**- Accounts for ~10% of GFG, Fuel contributes 33% of global emissions; pressure to focus on climate policies and emission reduction plans

# Pharmaceuticals

## R&D

- Collaborative research (Industry- Govt., Industry, Academia)
- Drug discovery
- Drug formulation
- Formula adjustment

## Testing

- Animal Testing & Investigational Drug Application
- Pre-clinical & Clinical trials
- Focus group tests

## Approval

- New Drug Application for S&M
- Application review, facility inspection
- Approval (patent for 15+ years usually)

## Distribution

- Wholesalers and distributors
- Drug stores
- Hospitals
- Online pharmacies

## Marketing

- Detailing (through sales reps)
- Samples (to physicians)
- Doctor referrals
- Promotional mails/ meetings



## Key Drivers

Revenue Drivers	Cost Drivers	Growth Drivers
Drug sales	R&D	Increasing fatal diseases
Licensing of patents	Distribution	Health insurance permeation
Insurance premiums	Promotion/ Marketing	Growing stress-related diseases



## Key Segments

Segment	Size	Growth
Generic drugs	\$14B	24%
OTC Drugs	\$4.2B	12.9%
Patented Drugs	\$1.8B	12.9%



## Industry Metrics

Industry Size	Market Size: \$42bn (2021)
Net Profit Margins	12-15% (for Large Players)
Prominent players	Sun Pharma, Lupin, Dr. Reddy's, Aurobindo Pharma
Industry Characteristic	Few Big Players; Many smaller ones
Industry Terminologies	Active Pharmaceutical Ingredients- APIs Formulations; Generics; Contract Manufacturing; SalesRep;



## Market Trends

- Industry Size:** Estimated at \$42B in 2021 and likely to reach \$65B by 2024 and \$120-130B by 2030, Growth of 22.4% CAGR expected in future
- Production:** Ranked 3<sup>rd</sup> for pharma production by volume and 14<sup>th</sup> by value. In June 2021, under PLI Scheme, an additional outlay of ~INR 2 lakh cr to be utilized over 5yrs across APIs, Drug Intermediaries & key starting materials.
- Exports:** INR 1437 Bn (2021); INR1834 Bn (2022) | 34% (to US)
- Healthcare is expected to reach \$372B by 2022, medical device market expected to grow to \$25B by 2025



## Porter five forces

- **Bargaining power of suppliers (-)** – Moderate; Heavy reliance on APIs manufacturers, mainly imported;
- **Bargaining power of buyers (-)** – Strong; Oligopsony status & price control policies of govt. & private institutions;
- **Threat of new entrants (+)** – Low risk; Regulatory & Legal frameworks; Huge investments; Well established players;
- **Threat of substitutes (+)** – Low-Moderate risk; Biosimilars catching up; Homeopathy, Ayurvedic can act as substitutes;
- **Competitive rivalry (-)** Strong; Dominance of several large firms & sheer number of firms; BUT high growth market;



## Global scenario

- **Market Size**- ~USD \$1.25tn (2021)
- **Growth rate**- Expected ~8% CAGR (2021-2025)
- **Prominent Players**- Johnson & Johnson (7.4%); Bayer (5.4%); Novartis (5.2%); Pfizer (5.2%)
- **Key Geographies**- US (34.8%); Asia Pacific (32%); EUR (25%)
- **Regulation & Threats**: US Market faces the pressure of product pricing initiatives of US federal and state governments. Medicaid Reimbursement. Patent expirations in the next few years.



## Emerging trends/disruptions

- **Digital Records**: On Sept 2021, Govt launched Under Ayushman Bharat Digital Health Mission (ABDM). Its goal is to create a health account with a digital ID with easy access to medical records; So far close to 23cr health accounts (ABHA) have been created.
- **PLI Scheme**: Increase in production of primary products to lower reliance on imports (China), enhancing manufacturing capabilities & exports; So far 55 manufacturers have been identified.
- **Growth in Biotech startups**: Indian Biotech industry valued at \$70bn in 2020 & expected to grow to \$150bn by 2025; ~600+ core biotechnology companies, ~2700+ biotech start-ups & 100+ biotech incubators; Biosimilar market expected to reach \$35bn by 2030.
- **Digital Players**: New entrants such as Practo, NetMeds & 1mg are building partnerships with pharma companies & accelerating digital healthcare delivery.

## THERAPY WISE DEMAND

Top 5 Segments	Demand	Growth (YoY)
Anti- Infectives	14%	9.9%
Cardiac	12%	11%
Gastro	11%	8.1%
Anti-Diabetics	10%	11%
Vitamins/ Nutrients	9%	9.1%

# Real Estate

Land Acquisition	Design Construction	Sale & Marketing	Asset Management	Property Lease/Resale
<ul style="list-style-type: none"> <li>Involves movement from land supply to acquisition &amp; sale – from land owner to master developer</li> </ul>	<ul style="list-style-type: none"> <li>Involves the conceptualisation of a master plan, designing and building urban infrastructure</li> </ul>	<p>Involves business planning, designing, building and selling assets from sub-developers to customers</p>	<ul style="list-style-type: none"> <li>Transfer of assets from sub-developer to primary market customers like service providers.</li> </ul>	<ul style="list-style-type: none"> <li>Involves movement from service provider to individual and business consumers (secondary market)</li> </ul>



## Key Drivers

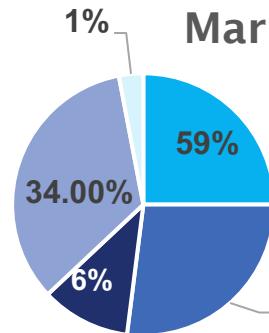
Revenue Segments	Cost Segments	Growth Drivers	Challenges
AMC	Maintenance	Rising demand for housing and office space	High input costs due to Europe crisis
Rental income	Acquisition cost	Rapid Urbanization	Lack of targeted policies & programs
Profits from sale	Legal charges	Easy availability of finance	

1%

34.00%

6%

## Market Segment



- Residential Housing
- Commercial
- Retail
- Warehousing
- Hotels



## Industry Metrics

Industry Size	USD 200 bn (2021) with a CAGR of 19.5% (2017-28)
Net Profit Margins	10.82% (Q2-22)
Prominent players	DLF, Prestige, NBCC, Indiabulls, Omaxe, Godrej,
Industry Characteristic	Fragmented and localised, with very few pan India players like DLF
Industry Segments	Residential, commercial, retail, hospitality and SEZs



## Market Trends

- **Industry size:** Real estate in India is forecasted to reach US\$ 650 billion, representing 13% of India's GDP by 2025.
- **Growth in demand:** Demand for real estate expected to grow sharply due to rising disposable incomes, rapid urbanization and population growth, growth in tourism and business travelling and policy support.
- **Government policies:** RBI policy (low home loan interest rates regime), Affordable Rental Housing Complexes (AHRCs), 100% FDI for townships and settlements development projects.



## Porter five forces

- **Bargaining power of suppliers (-)**, High, as large firms have consolidated power and presence, including influence on customers as well as land banks.
- **Bargaining power of buyers (-)** High, due to large number of localized options available
- **Threat of new entrants (+)** Low, due to high costs of land and land use, uncertain timelines of investment and high brand value of existing players.
- **Threat of substitutes (+)** Low, the only substitutes are government housing or housing for economically backward classes.
- **Competitive rivalry (-)** High, due to large number of players with unequal policy concessions, resulting in absence of competitive neutrality.



## Global scenario

- **Market Size**- ~ 9.5 billion U.S.D. (2021)
- **Growth rate**- ~ CAGR 4.8% (2021-2030)
- **Prominent Players**- Prologis, American Tower Corporation, Crown Castle International, Brookfield Asset Mgmt, Sun Hung kai, Poly Developments and Holdings, China Resources Land Limited, Longfor Group, CBRE Group.
- **Key Geographies**- China, US, Japan, UK, India, Germany, France, Brazil, Italy, Russia.
- **Key segment**: Residential segment accounts for 84 per cent of the total residential and commercial property globally.



## Emerging trends/disruptions

- **Sharp growth expected in demand for residential space-** presenting opportunities for consolidation given a fragmented and localized market with only few national players.
- **Metros driving demand for commercial space** - driven by rapid expansion in the service sector, rising demand for office spaces in Tier II cities, and increasing demand from MNCs.
- **Retail space likely to see strong growth** – while retail space constitutes a small portion of the real estate market, it is expected to rise driven by booming consumerism, entry of MnCs and global retail, and an annual growth rate of 25-30 % for organized retail.
- **Hospitality market to witness large incremental capacity-** driven by a growth in domestic tourism industry and demand for business accommodation like convention centres.
- **Niche sectors to provide opportunities** – such as flex spaces, healthcare, senior citizen housing, smaller office spaces, service apartments.



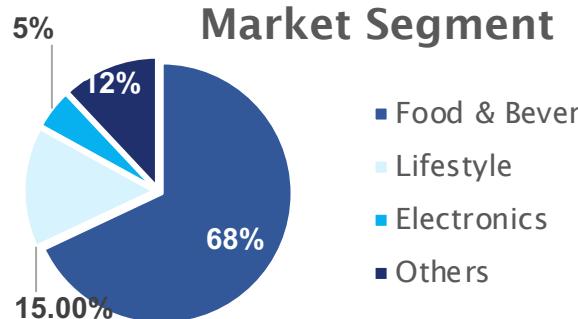
## Risks

- **Inflation levels projected to increase**, closely followed by possible **monetary policy tightening** in 2022 to address unmet demand caused by **supply chain disruptions** and spikes in fuel prices due to the ongoing crisis in Europe, impacting production costs.
- **Dynamic policy environment**, although it is expected that the government will continue its reformative stance into 2022.



## Key Drivers

Revenue Channel	Cost Segments	Growth Drivers	Challenges
Own brand (private label) sales	Retail lease	Brand consciousness	Farm to fork integration
Loyalty and reward programs	Stock in trade	Foreign Direct Investment (FDI)	Fragmented logistics
Cross-selling	Credit card fees	Rising income levels	Low penetration of digital tools



## Industry Metrics

Industry Size (India)	Valued at \$1200 billion in FY21; expected to reach \$1750 billion at 7.8% CAGR (2021-26).
Net Profit Margins	15-18%
Prominent players	Avenue Super-marts, Future Retail, Aditya Birla Fashion, Trent
Industry Characteristic	Organized retail market (10% market share in FY20 vs traditional retail (88%)) growing at 20-25% CAGR (2021-26)

## Market Trends

- Industry size:** Indian retail sector valued at \$1200 billion in FY21; expected to reach \$1750 billion at 7.8% CAGR (2021-26). It accounts for 8% of India's employment and 10% of its GDP
- Rank:** India is the world's 5th largest retail destination
- Foreign inflows:** 100% FDI is now allowed in single-brand retail trading and 51% in multi-brand retailing
- Channel split:** Online retail sales account for 23% of organized retail market (which itself accounts for ~10% of overall market)



## Porter five forces

- **Bargaining power of suppliers** (-) High, Organised retail dominated by strong suppliers who control retail margins
- **Bargaining power of buyers** (-) High, Buyers have access to large number of retailers.
- **Threat of new entrants** (-) – High, multiple new entrants as well as mega ecosystems on the rise.
- **Threat of substitutes** (-) – High, Low product differentiation leading to high substitutability
- **Competitive rivalry** (-) High, from the traditional channel operating at low costs and low margin expectations.



## Global scenario

- **Market Size**- 26 trillion U.S. dollars (2021)
- **Growth rate**- ~5.0% CAGR (2018-2025)
- **Prominent Players**- Walmart, Amazon, CostCo, Schwarz, Home Depot, The Kroger Co.
- **Key Geographies**- USA, European Union, China, Japan, India, Latin America,
- **Distribution Channels** – Supermarkets & neighborhood stores, hyperstores, discount, e-commerce, convenience, **Segments**- Grocery top segment followed by global health, beauty, and personal care



## Emerging trends/disruptions

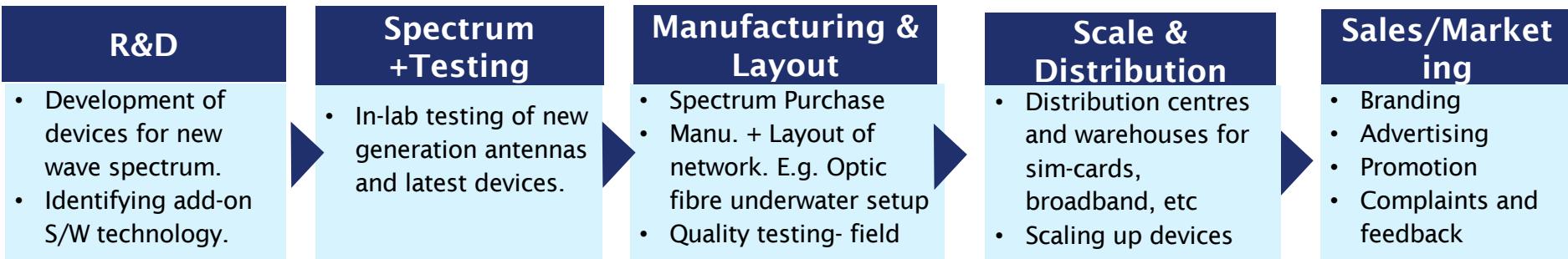
- **Increase in e-commerce**: Deeper penetration of e-commerce to rural India and surge in digital marketplace across social media
- **Greater technological interventions**: Includes use of Big data, AI & ML for consumer interaction, responsiveness and customization
- **Shift to smaller formats** driven by convenience, space productivity and rental pressure.
- **Conventional to cross-docking warehousing model**: Warehouse as a distribution centre vs storage location:, shift seen in warehousing models
- **Retail-Tech**: A hybrid (organic/inorganic in-house & outsourced) supply chain and store operations analytics model taking shape
- **Organized retail to recover** with 20-25% growth in FY22, absolute revenue lower than FY20, improvement in sentiment towards exp.
- **Formalization of the gig economy**, will increase supply of 3PL and can aid “convenient retail”- quick delivery of goods



## Risks

- **Infrastructural challenges**: there is a limited availability of quality retail space
- **Lack of clarity on FDI in multi brand retail**: resulting in delays in implementation processes for accessing capital for limited non-conglomerate Indian retailers .
- **Talent acquisition, retention and development** –increase in demand coupled with low availability of talent and high competency gaps

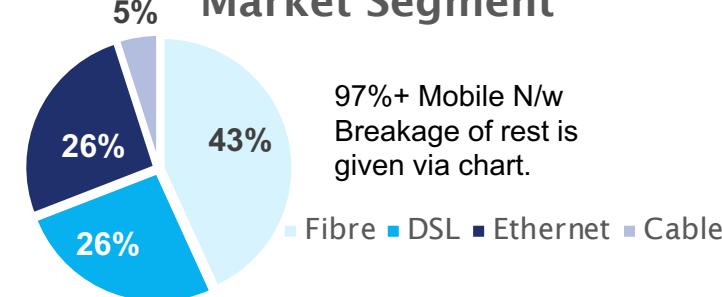
# Telecom



## Key Drivers

Revenue Segments	Cost Segments	Growth Drivers	Challenges
Subscription model	Spectrum cost	5G	Network security
Fixed data services (IP, Satellite, ISDN)	Laying fibre optics/Support network	Cloud computing	Complex operational process
Retail fixed Voice service	Advertising	Satellite communication	Price sensitive

## Market Segment



## Service Industry Metrics

Industry Size	1.17Bn subscribers- Rs. 160,814cr
Net Profit Margins	20%
Prominent players	Jio, Airtel, Vi, BSNL
Industry Characteristic	Concentrated
Industry Terminologies	Spectrum- Range of EM waves available for communication use
	Satcom.- Nextgen Satellite Communication
	Disruption- Jio providing internet at cheap rates

## Market Trends

- Emerging Trends:**
  - IoT advancements- Smart sensors & network needs.
  - Bundling OTT with subscription plans to attract customers
  - Human free communication models- Machine to machine
  - Software Defined Network- Minimal network failure
- Govt policy change:**
  - PLI Scheme under Atmnirbhar Bharat Abhiyan- Rs. 12195cr
  - Bharat net Project- Optical fibers laid in 178417 Gram Panchayats
  - 100% FDI allowed in telecom sector
- Focus:** Capturing rural market; Untapped mkt. of around 45cr users in rural India



## Porter five forces

- **Bargaining power of suppliers** – Low bargaining power due to low number of suppliers relative to products
- **Bargaining power of buyers (-)** – High bargaining power due to the size and concentration of buyers relative to products is high
- **Threat of new entrants (+)** – Low risk, as huge capital investment required in production + R&D
- **Threat of substitutes (+)** – Moderate, due to buyer propensity to substitute, price sensitive
- **Competitive rivalry (-)** High competition from established players.



## Emerging trends/disruptions

- **Software Defined Network**– Continuous data monitoring and analysis to provide zero-downtime networking capabilities. SDN centralizes control of your network, improving the network's flexibility and efficiency.
- **Human free communication model**- IOT requires smart devices to continuously send data to cloud at high transfer rate. Machine to machine communication is the new trend.
- **Satellite Communication**- Jio & Airtel have partnered with international players to move to telecom using thousands of low level space satellites.
- **Cybersecurity**- Enterprise customers are looking for network integrated cybersecurity plans which can adapt and learn from new threats.



## Global scenario

- **Market Size**- ~7.66 bn. users(2022); \$ 2600 bn
- **Growth rate**- ~4.41% CAGR (2010-2021)
- **Prominent Players**- China mobile Ltd, AT&T Verizon, Communications ,Vodafone group, Reliance, Airtel America
- **Key Geographies**- USA, Canada ,UK, Germany, France, Japan , China, India, South Africa, Brazil, Mexico
- **Consumer Segments**: Premium(optic fiber + high-end postpaid), value (postpaid + prepaid) and Entry (Prepaid base)



## Risks

- **Tech. Disruption**- Advanced AI capabilities integrated with the network can be the next disruptor. Will be visible with 6G.
- **Spectrum Sale Norms**- Preferential allotment of certain beneficial bands instead of auction can lead to market loss.
- **B2B**- GOI allowing businesses to acquire private spectrum for business parks. Substantial market loss for telecom players.
- **Chip Shortage**- Led by increase in demand of other electronic product.



# Appendices



# IIMA Consult Primer 2022-23

# 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



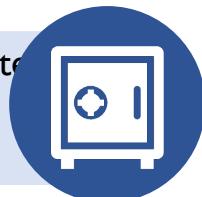
**Strategy Consulting:** corporate strategy, economic policy, mergers and acquisitions, organizational and functional strategy form a part of this area



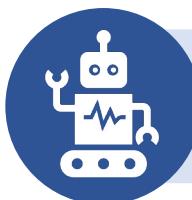
**Operations Consulting:** includes process and project management, supply chain, procurement, outsourcing etc.



**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

# Steps to problem solving (an example)

## **Project – Increase sales through market expansion for a yarn manufacturing company**



### **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%



### **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)



# Emerging trends in consulting



**Implementation projects**: There is an increase in the number of implementation projects for firms. Clients are focussing 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, hyperspecialization in services as well as market segment owing to sophisticated client demandsn



**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 focussing on output generation

# A consultant's calendar (typically)



## **Logistics**

- Monday – early morning flight to client location
- Thursday/Friday – return flight



## **Weekday s**

- 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

- Pre-MBA position
- Responsibilities: data gathering and analysis, documentation, modelling, admin and coordination, problem solving

## Associate/ Consultant

- Post-MBA
- Responsibilities: increasing focus on leading analysts, overseeing their work, more client interface, problem solving

## Engagement Manager

- Team Leads
- Responsibilities: work stream planning, team leadership, key client interface for projects, relationship management

## Principal

- Pre-partner role
- Responsibilities: professional support and oversight on projects, client relationship management, business development

## Partner

- 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, specially 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

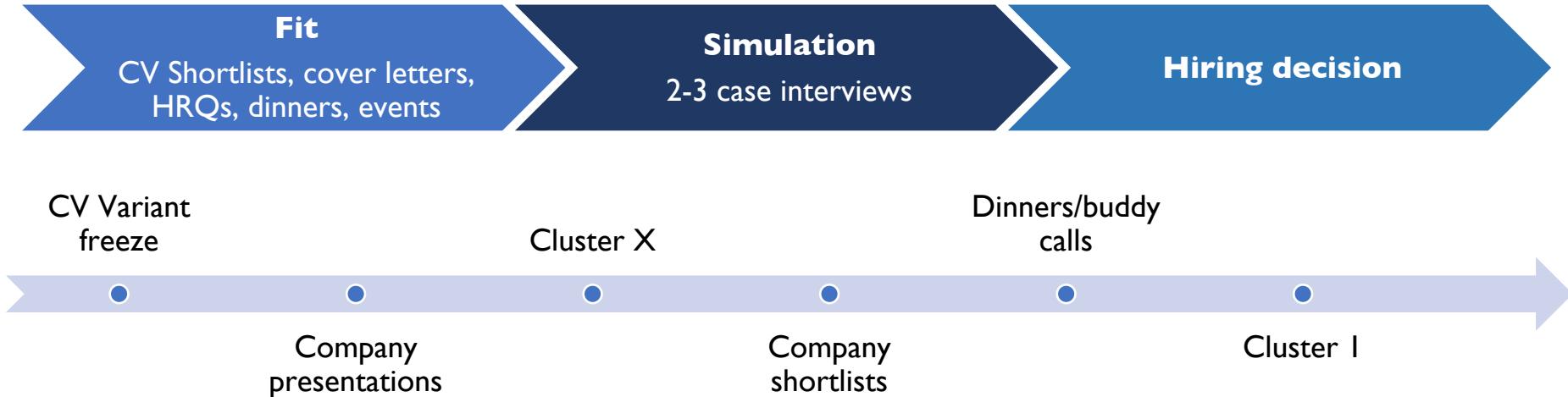
## Rigorous work and long hours:

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



## 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 the problems & taking 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

## Networking 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



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	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 (1,00,000 to 2,00,000)	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%

## 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%

# 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

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

MECE structuring

Problem solving approach

Synthesis / Recommendations

Business insights

Creativity

Communication skills

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All the best!

For queries, feedback,  
and all things consulting

