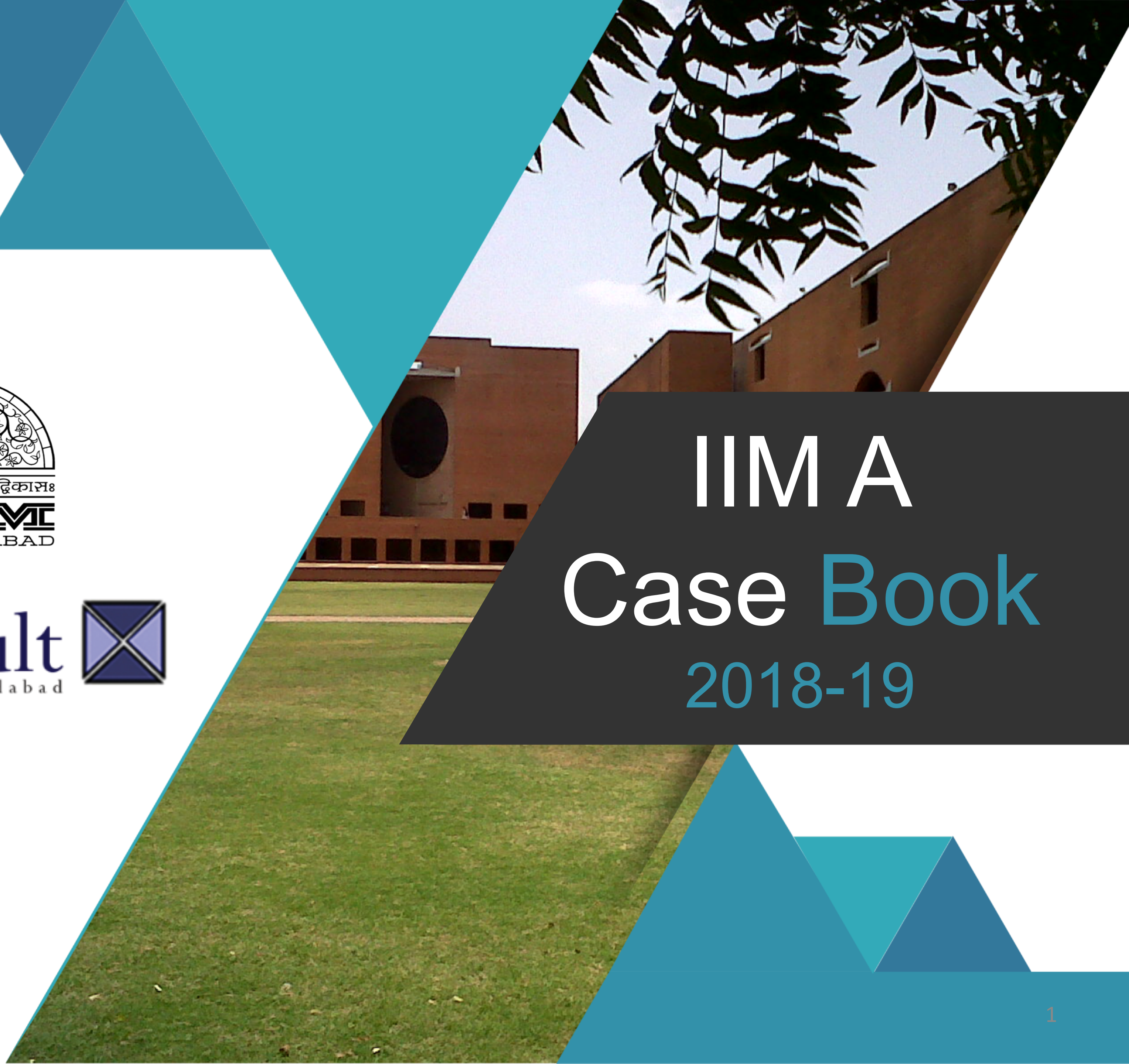
विद्याविनियोगाद्विकासः
IIM
AHMEDABAD

Consult
IIM Ahmedabad



IIM A Case Book 2018-19

Issue Details and Copyrights

Casebook, Consult Club, 5/e

First edition: July 2014
Second edition: August 2015
Third edition: September 2016
Fourth edition: September 2017
Fifth edition: September 2018

What is this year's IIMA Casebook all about?

Foreword

Building on the first 4 editions of IIMA Case Book, the Consult Club of IIM Ahmedabad is proud to present the 5th edition of the IIMA Case Book. Leveraging feedback from alumni and the student community the Case Book aims to give the reader a comprehensive view of the type of cases that form a major part of consulting interviews. This Case Book brings an extensive range of completely new cases and guestimates, along with a wide range of previous discussed and explored cases. Throughout the Case Book, we have tried to ensure enhanced readability while retaining the comprehensiveness of the cases.

How to make the most of it?

While reading this Case Book, we would 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, journey is as important as the destination. Case preparation is a group exercise with individual self-preparation as well.

Enjoy the process of preparation and let's crack the case!

Acknowledgements

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

We would like to thank Naitik Jain, Manager, Placement preparation, along with Arushi Jamaiyar, Praneet Agarwal, Shameek Datta, Sharanya Dulasiraman and Vrinda Lohia (PGP 2017-19) 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 Aaditya Agarwal, Anish Sahni, Ayush Rawat, Purav Shah, Swapnil Jain and Tishya Kapoor(PGP 2018-20) for volunteering to help 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.

We are also grateful to the alumni of the Consult Club, IIM Ahmedabad for their feedback on the cases which has helped us further enhance the overall quality of the book. We would also like to extend a special acknowledgement to the contributors of the previous editions of the IIMA Case Book.

Consult Club, IIM Ahmedabad
Vastrapur, Ahmedabad 380015

Table of Contents

Business Cases

Table of Contents (Continued)

Business Cases

Table of Contents (Continued)

Guesstimates

Business Cases

Interview Transcripts and Proposed Solutions

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

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

That is correct.

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

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

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

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

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

Only petrol is sold currently.

Among the non fuel 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/lt.

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.

Declining Revenues – 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.

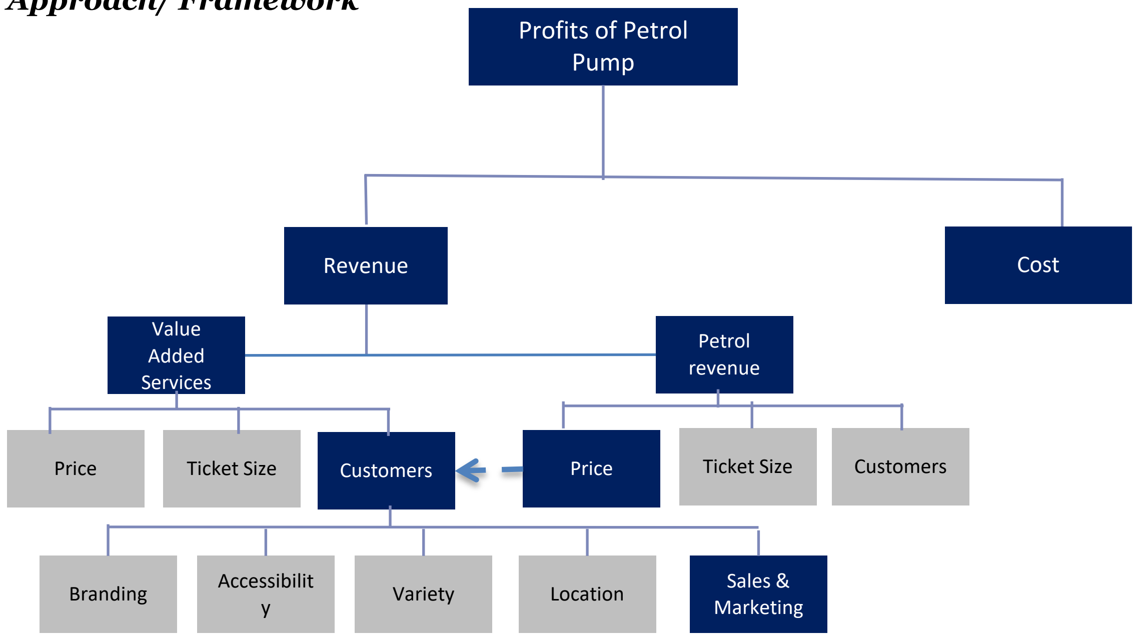
Interviewee Notes

- Profits have been constant over past few years due to problem in revenue generation
- Client owes 4 petrol pump and the problem is in only one of the pumps
- Identify the revenue sources for petrol pump and identify possible areas of improvement
- Understand the interdependence of revenue sources on each other

Case Facts

- Only petrol being sold at petrol pump
- No problem on the cost side
- No new competition
- Petrol pump facing issue situated in metro city, no issue with the location

Approach/ Framework



Recommendations

- Reduce price of petrol
- Increase the convenience store revenue

Observations/Tips/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

The Client is an experienced alcohol manufacturer in India. They have been facing a gradual decline in profits and have also experienced a sudden dip in profits recently. The client wants you to identify the reasons for the decline in profits and give recommendations for improvement

Could you please tell me the product portfolio? Is the decline related to all products?

The alcohol manufacturer makes several types of alcohol; however, the decline in profits is faced by their Whiskey Brand.

What Geographies does the company cater to? Should I limit myself to particular geography?

It caters Pan India and some foreign markets. You may want to focus only on India.

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 profits into Revenues minus Costs. Next, I will identify which of these are a problem and further look into Internal and External Factors that may have changed to alter the revenue or the cost structure. Would you like me to proceed in this way?

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

Since profits are a function of revenues and cost, I would like to know if the cost has increased or the revenues have decreased.

We have seen a decline in revenues whereas the costs have remained the same.

Okay. I would like to break revenues down into quantity sold times price per unit. Have we seen a decline in quantity sold or a decrease in price per unit or both?

The price of units has remained the same. However, the units sold has decreased.

Great. So far, I know that the decline in profits is due to a decrease in quantity sold. Now, I would like to analyse why the quantity sold has been declining over the years. I would like to look at Internal and External factors.

Sure. Go ahead.

I will start with problems that could have reduced quantities sold due to internal factors. I would like to divide the factors into production, distribution push and consumers pull. Would you like me to explore all options or look into any one of them specifically?

Why don't you walk me through your framework and I will be able to tell you more as we go along?

Okay. There may be a problem with production wherein we are not producing enough. This could be because of lack of investment in R&D, decrease in manufacturing – labour issues or machinery issues, packaging issues. Apart from this, there could be a change in distribution strategies wherein the push of products towards the market has reduced. This could be because of two reasons – either a change in distribution channels or a change in the number of distributors or change in the margins given to distributors. Lastly, there is a decrease in consumer demand due to – decrease in marketing or change in taste, demographics, age or location preference.

Focus on the consumer demand and change in demographics. Why do you think that is a reason?

I would like to ask you if the Whiskey we sell is Premium quality.

Yes, it is

Thank you for the information. I hypothesize that due to a younger generation entering the market, they do not identify themselves with a Premium brand of Whiskey, and they may be more willing to spend on inexpensive brands. Further, I suspect that a change in demographics has also led to an increase in small bars and pubs where Premium Whiskey may not be sold. Price sensitivity could be another added factor for the lack of demand.

Yes, you are correct. The problem lies in the changing ideology of consumer and their preference in Whiskey. The current market does not value a premium Whiskey in the same way, and the shift towards pubs is making it difficult for people to enjoy Whiskey for the taste. Why do you think there was a steeper drop in profits recently?

I would now like to analyse the external factors: the introduction of new whiskey by a competitor, negative publicity of our whiskey brand, and other government policy reforms.

That's a good list. I would like you to think about possible government policies that could have impacted our sales.

Sure. The government policy changes could be – reform in the drinking age in the country, the shutdown of several bars, wine shops and pubs due to legal or political reasons, renewal of licensing for all alcohol manufacturers.

Great! You are close to the answer. The government recently passed a law where all bars at a distance of 500 meters of a national highway were no longer allowed to sell alcohol causing further damage to our sales figures. What recommendations do you have for the company?

I have two recommendations. First, to address the changing preferences due to demographic change – I would recommend that the company invests in product innovation to launch a non-premium label of Whiskey and indulge extensively in marketing the product. Further, the premium whiskey should be placed in upscale locations such as sports bars, hotel lounges, and high-end restaurants. This way its perception as a premium remains and the value is not diluted. My second recommendation deals with the change in law – the company can look into lobbying with the government since all companies would be faced with the problem and there is no scope to find a way around the law.

Those are good recommendations. We can end the case here.

Declining Revenue–Alcohol Company

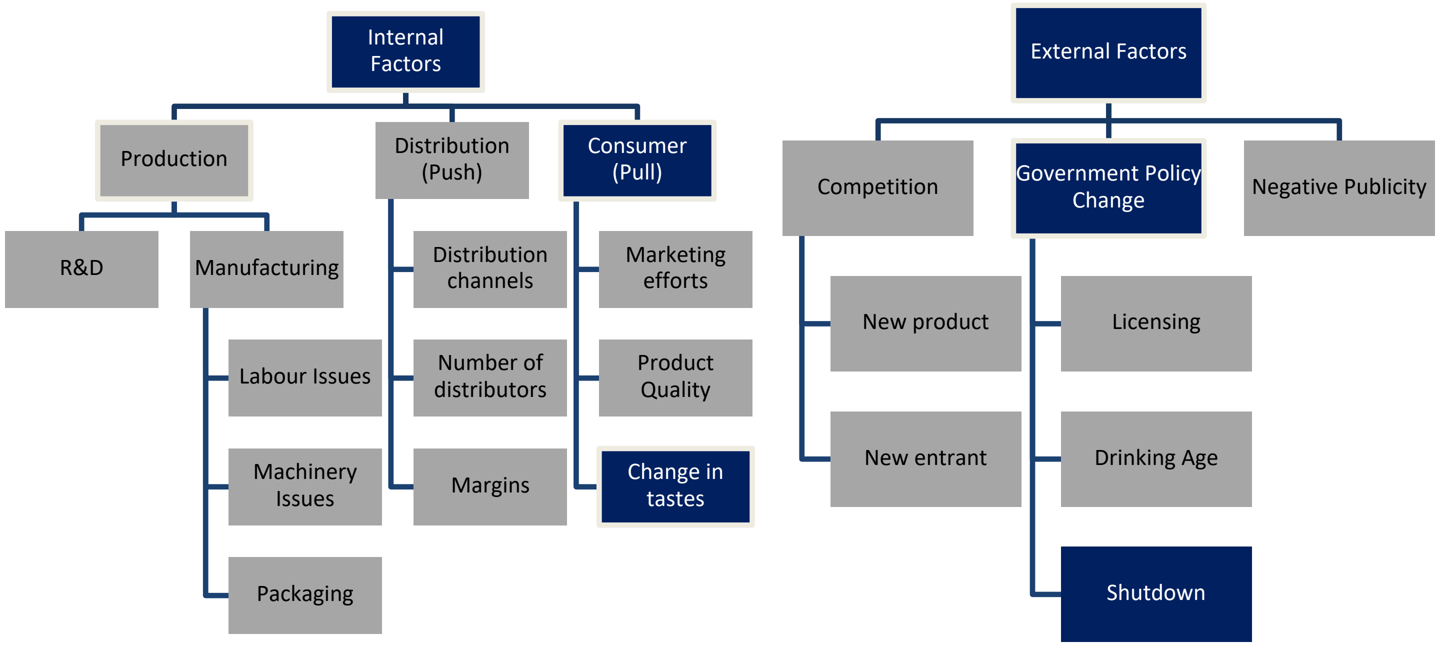
Consult IIM Ahmedabad

The client is an experienced alcohol manufacturer in India. They have been facing a gradual decline in profits and have also experienced a sudden dip in profits recently. The client wants you to identify the reasons for the decline in profits and give recommendations for improvement

Interviewee notes

- Enquire about product variety and geography. Whiskey sold is a premium product and appeals to a certain section of society
- Keywords – 'gradual' and then 'sudden' drop in profitability. The sudden drop may have factors that are independent of gradual drop
- Alcohol industry is governed by several external factors like laws, licensing etc.

Approach/ Framework



Recommendations

- For change in consumer invest in product innovation to launch a non-premium brand to cater to the changing demographics who prefer cheaper alcohol and are not keen on the brew and taste. This new product can be positioned where the current target population is most likely to visit.
- Firm can lobby with the government to negotiate with rules.

Summary and Tips

- The case was simple and straightforward
- Received help from interviewer due to good structure and appropriate questions leading to necessary answers
- Interviewer liked the framework, and it could be tweaked for other similar profitability cases
- List could have been more exhaustive in some cases for example, with factors affecting distribution

Declining Revenues –Washing Machine Firm– Interview Transcript

Your client is a washing machine manufacturer who is facing a decline in profits. He wants you to figure out the reason for the same

Since how long has he been facing this decline?

Last 2-3 months

Where does he operate?

All across India

Is this decline seen in a particular region?

The decline is mostly seen in Rajasthan

What are the different products he sells?

Assume a single product

Where do we lie in the value chain?

We manufacture the washing machine and sell them through retailers

Ok. The decline in profits could be due to a decline in revenues or an increase in costs. What have been the recent trends in the revenue and cost?

The revenue has gone down

Revenue can go down either due to a decrease in number of units or due to a decrease in the revenue/unit

The number of units sold have decreased

Great. So far, I know that the decline in profits is due to a decrease in quantity sold. Now, I would like to analyse why the quantity sold has been declining. I would like to look at Internal and External factors.

What are the factors you would consider?

In terms of internal factors there could be a problem due to production, distribution or the customer pull. Do we know where the problem lies?

There is not enough consumer demand

The decrease in consumer demand could be due to decrease in marketing efforts, change in consumer preference or due to the product itself.

Why don't you look into our product?

Have there been any recent changes in the product?

No

Then I would like to benchmark our product with respect to the competitor on various parameters to understand why the demand for our product might have gone down.

All right

Is our product different from our competitor in terms of quality, features or size?

Our washing machines are smaller than our competitors.

Is there a particular reason for this?

The machines are more compact and can be fit into any corner of the house which increases the convenience for the customers.

Since the sales have gone down only in Rajasthan I can assume that the issue of size is particular to that region

Yes

A smaller size would increase the number of times the clothes need to be loaded in the machine and would in turn lead to increased use of water and detergent. Detergent shouldn't be a problem but for a water scarce state like Rajasthan the additional use of water might be an issue.

That's correct. Rajasthan recently faced a drought which has led to a decrease in the availability of water. Due to additional water requirement in our machines the sales went down during this period. What do you recommend?

There are two possible recommendations. First, since drought is not something that would last forever he could look into the possibility of offering some discounts on the products for this period to increase volumes. Secondly he could look into starting a new line of washing machine that are bigger in size. The bigger size would help not only for Rajasthan but would also provide additional benefits to the consumer who are looking for bigger washing machines to reduce the amount of times they have to load clothes

Good

Profitability- 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?

It employs fishermen, who use the company's boats to go to sea and catch fish. They sell this fish directly to customers in the town.

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 drop in profits is limited to our company.

Does our company have any different product lines or types of fish that they sell?

Yes they sell two types of fish – big fish and small fish.

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

Small fish are premium and sell at a 25% higher price than big fish and it costs the same to catch those fish.

I'd like to break profits down into its component parts of revenues and costs. What has been the trend in each of these over the last year?

Our costs have gone down by 5% and revenues have gone down by 20%.

Ok the problem seems to be on the revenue side. I can think of three reasons why the revenues could have gone down. It could be because average selling price has gone down, volume has gone down or the product mix has changed. Do we have any indication about which of these it could be?

Yes, actually our product mix has changed. We have found out that we are selling more big fish and fewer small fish than we used to last year. Can you help the company understand why this could be the case?

It could either be a demand side issue or a supply side issue. By demand side I mean it could be that consumers have changed their preferences and are now demanding more big fish, which is why we are supplying more big fish. However, demand side issues should have affected the whole industry. Since this is a company specific problem, my hypothesis is that this could be a supply side problem i.e. we are not able to catch or sell small fish and are therefore supplying more big fish. Do we know which of the two these could be?

Customer preferences have not changed. The problem seems to be on the supply side.

Ok so consumer preferences are the same as earlier but for some reason we are not able to supply the same product mix. 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.

Ok then it seems to be that there is some problem with our process of catching fish or we have changed the location where we fish, which is why we are picking up more big fish now. Has there been any change in the process or method of catching fish over the last year, which is leading to us catching more big fish?

Actually yes there has been. Last year we went on a cost cutting drive. We wanted to reduce our expenditure on nets so we started using nets with larger holes in them. This is why we are able to catch fewer small fish. Thank you for your analysis.

Your client is a washing machine manufacturer who is facing a decline in profits. He wants you to figure out the reason for the same

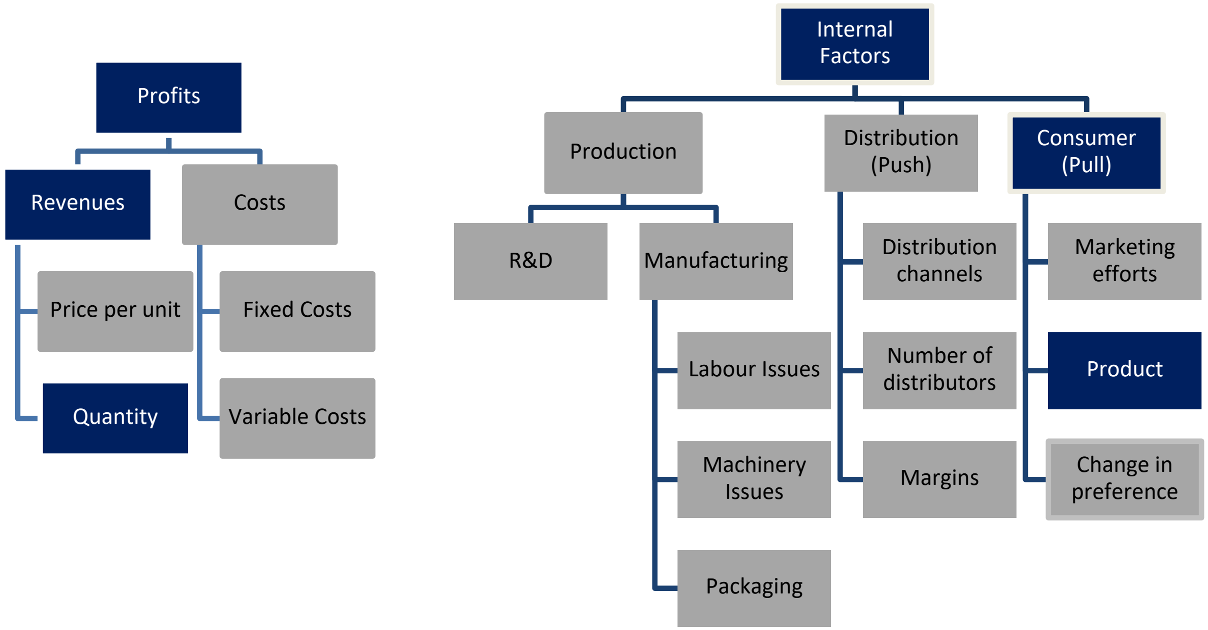
Interviewee Notes

- Preliminary questions were very important for this case as without knowing that the problem is in Rajasthan the link between water usage and size would have been difficult to analyze
- Product features need to be benchmarked with respect to time and with respect to competitor

Case Facts

- Decline is only across Rajasthan
- The profits have been declining for last 2-3 months
- Washing machines are sold through retailers
- The problem is in the features of the product

Approach/ Framework



Recommendations

- Introduce new lines of washing machines
- Offer discounts for a limited period

Observations/Tips/Suggestions

- It is important to think about complimentary goods that go with a product as they can lead to a change in demand for the product
- It is important to understand how long the problem has been going on . In this case the problem started around 2-3 months ago which means that something must have changed during this period which has led to a decline in profits

Declining Revenues – Tractor Company - Interview Transcript

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

OK, so 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 national 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.

Is there any supply side issue?

No, we can manufacture even for a 50% increase in demand. Capacity is idle.

OK, so the issue I at the demand side. Who are the key competitors of the company and what is their recent sales history?

There are 3 main competitors. Sales of one player have increased alarmingly while those for others have seen only a modest increase.

Okay, so clearly, we are losing sales to our competitors. I would like to approach this problem by dividing into 5 key areas where the problem could lie – uncompetitive pricing , technologically inferior product, lesser number of dealers or distribution margin change, promotional activity and not giving enough financing options / facing regulatory challenges. May I go ahead with this framework or should I add something?

No, the key issue is with the promotional activity. Why would that be?

Has the competitor increased the promotional activity more than us?

Yes, what all activities can you think of?

Promotional activities will majorly be of two types – discounts or channel based promotion. Is the competitor offering heavy discounts in the market?

No , it is the same.

Okay. Other channels for promotion can be the print media, bill boards, 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.

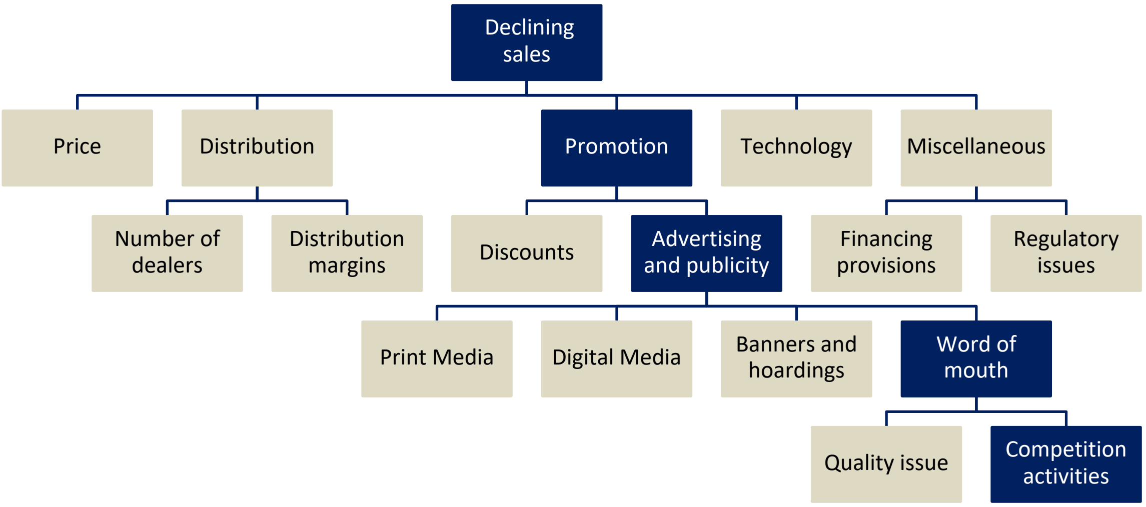
Declining Revenues – Tractor Company

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
- Declining sales
- Major tractor manufacturer, with only one major product
- Only an issue in the West
- No new competition
- No supply issue

Approach/ Framework



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

Tips / 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

Your client is an oncology firm. It has recently seen a decline in profits. Diagnose and recommend solutions.

I would like to begin with a few clarifying questions on our client. As per my understanding our client manufactures specialised cancer treatment drugs. Is that correct? Is there any other business that our client is engaged in?

That is correct. Manufacturing oncology drugs is the client's only business.

Does the client operate globally or in any specific geographies? Is the client a leading player in the industry?

The client operates globally and is one of the biggest firms in the industry.

Since the client specialises in oncology drugs, I would assume they are all prescription drugs (not over the counter). Is that fair?

Fair.

In that case, what is the product portfolio of the client i.e. what are the different kinds of drugs that the client manufactures?

The client manufactures two types of drugs (A & B)

What is the percentage share in manufacturing of each of the drugs and have both of them seen a decline in profits?

Type A is about 80% of total manufacturing and B the remaining 20%. Both are being hit in terms of profitability.

Does the client operate across the value chain or in a specific part?

Operates across the entire value chain.

Alright. So, profit can be broken down into revenue and cost. I would like to understand if the declining profits is due to declining revenues or increasing costs?

Let's focus on revenues for now.

There are two products with individual revenue streams. I will begin with Type A since it has 80% share and then move over to Type B. So, revenue from the product can be written as *Price X Ticket Size X Frequency of demand*. I will look at each of these components individually to understand the problem area. Has there been a decline in the volume of our product sold or have there been some pricing changes?

There has been a fall in volumes.

Ok. So if there has been a fall volumes it is a demand issue. It is important to understand if the demand has fallen across the industry or is it just our product. Have our competitors also seen a similar declining demand?

The fall in demand is specific to our firm, not an industry wide phenomenon.

Alright then. This fall in demand can then be attributed to a number of factors- branding of the product, emergence of substitutes, sales & marketing, after sales services and competitor performance. Is there any segment you would like me to focus on specifically?

Focus on sales & marketing

Since the client only manufactures prescription drugs, we can ignore the marketing effort in advertising through mass media channels. Most of the marketing effort in this firm can be divided into 2 channels. The first would be door-to-door selling to medical units and doctors and the second would be through publicity in professional magazines and medical journals.

That's correct. Let's focus on the first channel for now.

The door-to-door marketing channel would involve the following- efficiency of sales personnel, referral schemes, long-term contracts, targeting the right medical centres. Is there any specific channel that is causing the decline in revenues?

Yes, it has been found out that our competitors have started offering referral schemes to doctors. Our client has a strong anti-referral policy due to ethical reasons. What would you recommend?

Alright. The decline in revenues is largely coming from referrals and that is an option our client is reluctant to explore. So we can explore other marketing options. A few of them are-

1. Improving the efficiency of sales personnel –increase the time spent per doctor, training
2. Loyalty programs- The client could explore loyalty schemes with doctors. Such loyalty schemes would act as a substitute to the competitor's referrals and not compromise ethics either
3. Explore new geographies- The client could target more geographies (increase outreach)
4. Explore new market segments- The client could also explore newer segments where their product could be useful (secondary healthcare centres, specialised clinics of doctors)

You have been approached by an oncology firm that is facing declining profitability. Diagnose the problem and recommend appropriate solutions.

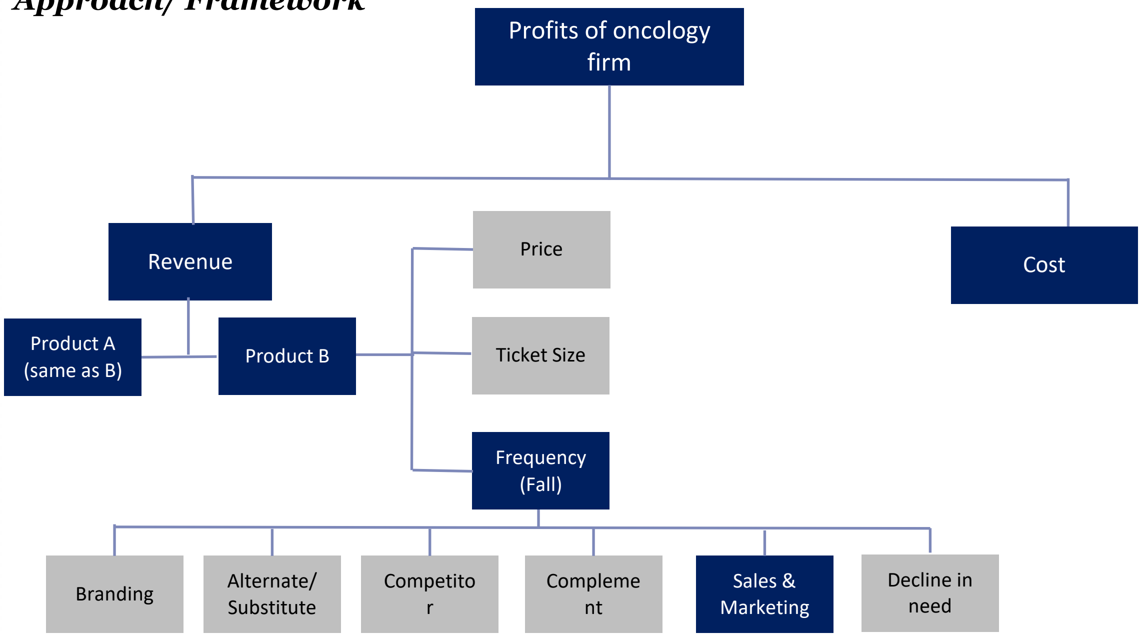
Interviewee Notes

- Declining profits due to revenue fall
- Client manufactures specialised cancer treatment drugs (only business)
- Ask if revenue fall is across the industry or firm specific
- Understand client product portfolio and check if decline is across both
- Identify components of revenue and the problem component subsequently
- Identify drivers of the problem component

Case Facts

- Leading global firm
- 2 products- A (80%), B (20%)
- Operates across the entire value chain

Approach/ Framework



Recommendations

- Loyalty programs
- Long-term contracts
- Explore new geographies and market segments

Interview Summary

The candidate did a good job in understanding the product portfolio (prescription drugs) and diagnosing appropriately. The candidate was able to create a MECE framework for revenue first and then fall in frequency. The key to the case was identifying referrals by competitors as the major reason behind frequency fall.

Observations/Tips/Suggestions

The interview was designed to judge how quickly could the candidate move through layers of revenue and identify referrals given by competitors as the major problem component. The candidate should have been able to apply knowledge of prescription drugs marketing to the case in order to identify referrals as the largest component.

Declining Revenues – Airport - Interview Transcript

Our client is a major city airport which has been facing declining revenues. Identify the major reasons for this and suggest how to improve the same.

So to clarify, our goal is to diagnose the root cause for the declining revenues at the airport, and recommend ways to overcome the same. Any other objectives I should keep in mind?

No, please proceed.

Okay, so I would like to look at the various sources of airport revenues. They can be broadly identified as – airline domestic and cargo fees, revenues from shops and outlets in the premises, advertisement hoardings and other miscellaneous streams like parking fees and entry tickets. Is there anything else you would like to add to this list?

No, that is about it.

Any particular segment where there is a major decline in revenue for the airport in question for me to focus on?

Yes, major problem of the declining revenues is because of shops and outlets at the airport.

Great, I would breakdown the revenue from the shops and outlets as the product of the number of shops at the airport multiplied by the total revenue per shop. Has there been any decline in the number of shops at the airport?

No, they are the same.

I will then focus on the total revenue per shop. It can be further broken down as the fixed rental plus the percentage of sales which is charged by the airport. Has there been any change in the fixed rental charged by the airport?

No

Was the percentage of sales as fees charged by the airport changed?

No, they were the same..

So, the issue is that the total sales of the airport shops is going down. Is that so?

Yes, it is. Why would that be?

Is it specific to any category such as food or apparel?

Consider it across all shops and stores at the airport.

Considering that it is affecting all shops, I would further break down the sales of an outlet as the product of the operating time, average waiting time per person at the airport, number of people at the airport and the average spending per person. Have the operating hours of the airport changed?

No, they are the same. Neither has the traffic at the airport or the average spending capacity changed.

So, the key issue here seems to be that the average time spent by the customers at the airport has reduced automatically leading to less time and money spent on airport shops.

Why would that happen though?

There can be three major reasons why this can happen. First, the customers are all coming in late. Second, there is an increase in the time to enter the airport due to ID check / luggage check in. Third, time spent at the security checks and boarding has gone up.

You are correct, the main issue was that there were continuous complaints that people were spending a lot of time at the security. Very good. Can you suggest on how it can be improved?

Well, I think we need to open up new security check in counters, or man the already existing ones in case they are understaffed. Temporary manpower can be used for the same till the final solution is reached .

Very well, that will be all. Thank you.

Declining Revenues – Airport

Our client, a major city airport has been facing declining revenues for sometime. You have been approached to find a solution to the problem.

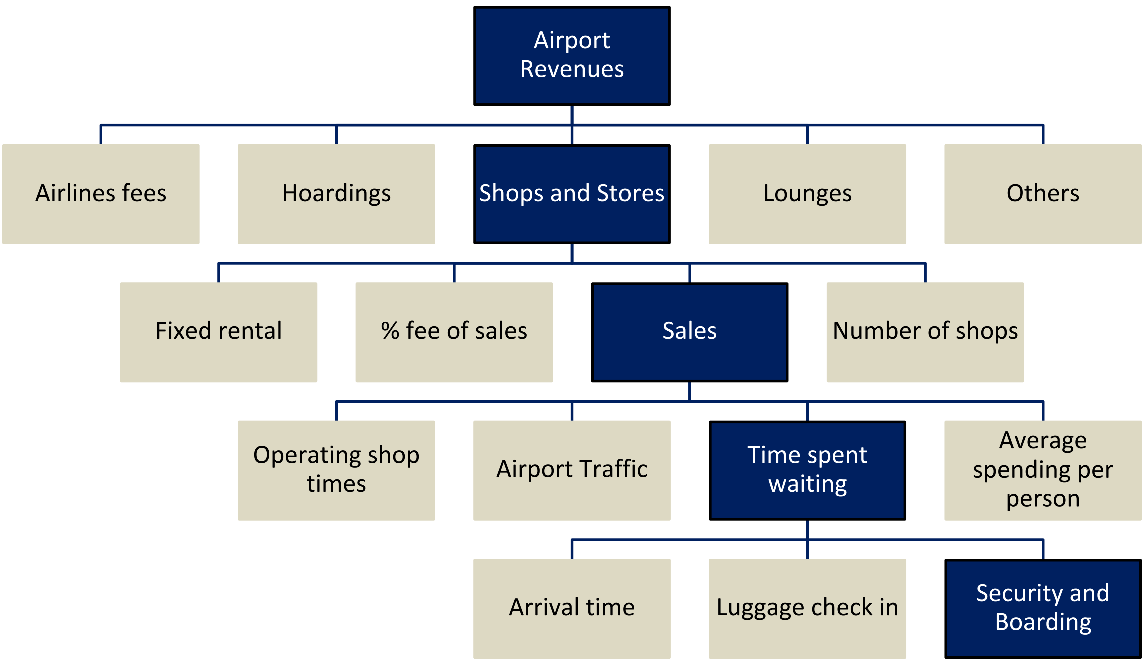
Interviewee Notes

- Find solution to declining airport revenues'
- Major decline is in revenue from the shops and outlets at the airport
- No change in fixed rental per shop, number of shops or the percentage fee charged for sales
- Sales declining across shop categories
- No change in airport traffic or shop operating times

Case Facts

- Major decline is in airport revenues for a metro airport
- No changes in fees accrued from airlines or marketing hoardings.
- No change in accessibility to the airport to reduce traffic

Approach/ Framework



Recommendations

- Man the existing security checkpoints with temporary labor.
- Increase the infrastructure to accommodate the future traffic

Tips / Suggestions

- It is essential for the candidate to figure out the key revenue streams for the airport.
- Once it narrows down to shops and stores, interviewee needs to break the revenue down into chunks for efficiently solving the problem

Your client is a manufacturer of urea. They have recently seen a decline in their revenues. Identify the potential reasons and recommend a solution.

I would like to begin with a few clarifying questions on our client. As per my understanding urea is used as a fertilizer in agriculture. Is there any other usage of urea that the client is manufacturing for?

That is correct. Manufacturing urea for use in fertilizers is the client's only business.

Does the client operate globally or is it located in some specific regions? Is the client a leading player in the market?

The client is located in India, manufactures primarily for 4 states in North India. It is a leading player in the market.

Is our client the only one seeing a decline in revenues or is it an industry wide trend?

Our client is the only one.

Alright. I would like to then begin the analysis. For starters we know revenue is comprised of price and quantity. Has there been any significant price change recently in the industry or by the client?

No. It is a competitive set-up with little scope for product differentiation. Prices across the industry including our client are roughly the same and have not changed recently.

Okay. That is very helpful. I would then assume it is a quantity issue. Quantity decline could be attributed to 3 reasons. The client could have seen a fall in the number of customers, or in the frequency of visit of a customer or in the number demanded by each customer. Is there any other reason that I am missing? Was the decline specific to one of the factors mentioned above?

No, there was a decline across all the segments.

Alright. A decline across all the buckets would mean an overall fall in demand. This could have happened due to multiple reasons. They would include the emergence of an alternate, competitor action, change in branding, change in production of a complement, mismatch in product targeting, decline in the quality of product, cannibalisation, distribution fallacies and decline in overall need for the product. Considering the decline is specific to the client (in a minimised product differentiation setting) we can safely rule the last cause out. Among the others, is there a particular cause that is more relevant?

Competitor action is the driving cause.

Alright. So, our client is seeing a decline in revenues due to competitive action. A decline in demand due to competitive action could be broken down into improvement in product quality, operational improvements (procurement, processing and distribution), change in marketing strategy or an improvement in after sales services . Which of the 4 would you say is more important?

So we know that our competitors have colluded and launched a new promotional campaign, called the Krishi mela which has gained popularity. The client has seen declining revenues ever since competitors launched this new campaign.

Okay, so it is a marketing campaign then. In terms of the mela, our competitors could be doing a number of things- they could be running creative advertisement schemes, offering discounts or subscriptions, giving away the product for free or rebranding existing product. Which of the above is the competitor doing?

Which of them do you think would make an actual difference to our revenues?

You said that there is little product differentiation in the industry which rules out the advantage of a creative advertisement, which would be more useful when we are working with a unique product. Our target population is the agriculture sector, where farmers would be reluctant to subscribe to anything in the fear of long term commitment and ease of availability of products of competitors. This leaves us with discount on the product or free distribution. Considering the competitor has launched this campaign with a probable to make its brand more familiar, the latter seems likely.

That is absolutely correct. The competitor has been giving out products for free at the mela to improve the recall value of their product. What would be your recommendations for our client now?

I would make the following recommendations to our client-

1. Given the standardised industry, mimicking the competitor by distributing freebies would help
2. Explore other promotional schemes such as discounts on product, innovative tie-ups with complementary product manufacturers, rebranding the product
3. Explore other advertisement campaigns such as painting on walls, digital media if currently absent
4. Since customers are largely indifferent between brands, it would help to tie-up with retailers and forge long term contracts with them
5. Explore new markets and geographies

Declining Revenues – Urea manufacturer

Your client is a urea manufacturer. They have recently seen a decline in their revenues. Identify the potential reasons and recommend a solution.

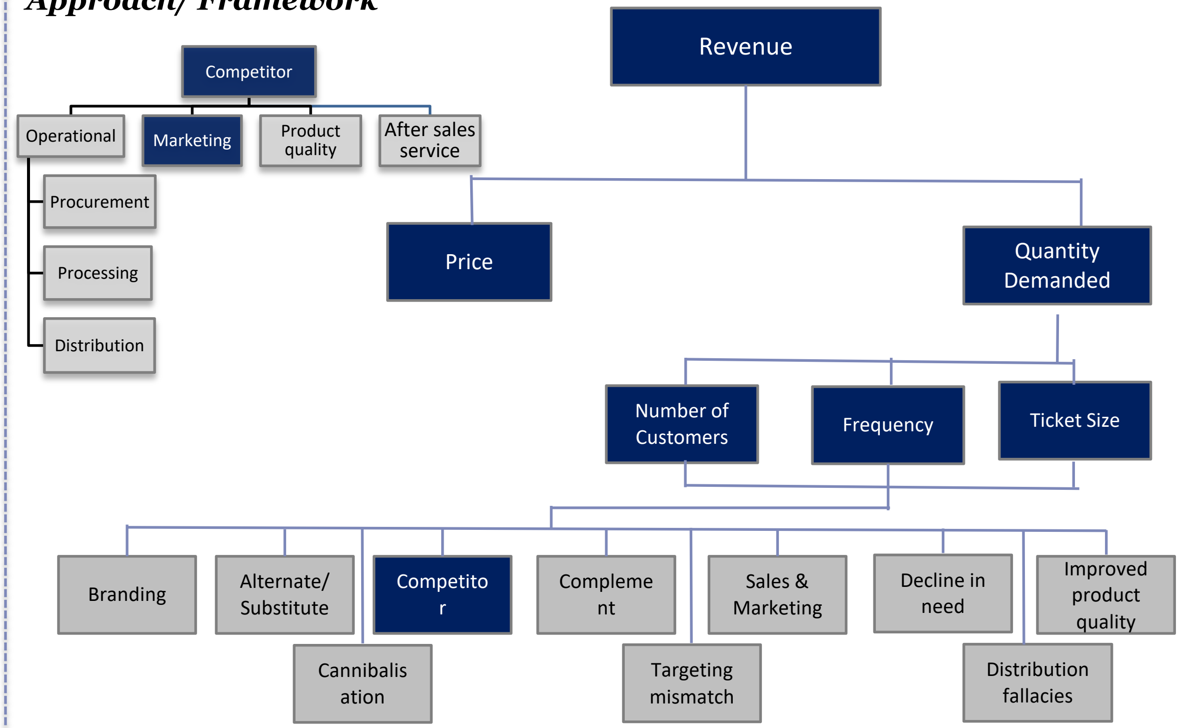
Interviewee Notes

- Declining revenue fall due to fall in quantity demanded
- Ask if revenue fall is across the industry or firm specific
- Identify if there have been price shifts or demand shifts
- Identify drivers of a fall in demand or change in price
- Study the drivers and make appropriate recommendations

Case Facts

- Leading Indian firm with presence in 4 North Indian states
- Minimal product differentiation in the industry, similar to a perfect competition set-up
- Client manufactures only one product used in fertilizers by farmers

Approach/ Framework



Recommendations

- Imitate competitor
- Innovative advertisement and promotional campaigns
- Long term contracts with retailers
- Explore new markets

Interview Summary

The candidate did a good job in understanding the problem (usage of urea) & diagnosing appropriately. The candidate was able to lay out detailed MECE structures

Observations/Tips/Suggestions

The interview was designed to judge how quickly could the candidate move through layers of revenue and identify recall value improvement by competitors as the major problem component. The candidate should have been able to apply knowledge of fertilizer industry to make appropriate recommendations.

Cost Reduction– 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.

OK, 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 specific to a particular branch or common to all the branches of the bank?

The problem is being faced by a specific branch located in a metro city

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.

Since the client is facing declining profits, I'll like to analyse the profit structure of the bank and break it down into revenue and costs. Do we have any information on how our revenue and costs have been in the recent past?

Our revenues have been fairly constant. However, we have been facing the issue with increasing costs.

OK, so the issue is on the costs side. I'll like to break the cost further into fixed costs and variable costs. The fixed costs will constitute cost of rent, employees salaries, maintenance costs(including water, electricity etc). The variable costs would include cost of bad debts, customer handling costs. Is there anything else I need to consider?

No go ahead

Okay, do we have any information of where the costs have been increasing specifically or any comparison with our competitors?

Our rent is fairly similar to other banks, maintenance costs have also been the same. We don't have significant bad debts. In fact our employee salaries are higher than our competitors and our customer handling costs is also increasing.

So looking first into the employee salaries, are we paying more to the employees or the number of people are more as compared to competitors?

The salary per employee is similar to the others, however the we are employing higher number of people.

Are we catering to higher number of customers?

No , it is the same.

Then this means that we are having higher number of employees per customer served. Can't this be reduced? Do we have employees who remain idle for most of their time?

No, the employees have been observed to be working continuously.

This means that the efficiency of our employees are less as compared to other banks. Is there any specific reason behind this?

Can you elaborate on how you'll define the employee efficiency?

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

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

1.) The employees may not be competent enough or they maybe lacking the required training to cater to the demands of the customer.
2.) The functioning may not be divided and the customer may have to visit multiple people for performing any task
3.) The employees may not be incentivised enough to work and they maybe taking longer breaks

Yes, the bank was actually facing the a similar issue. The customers had to come multiple times for opening a bank account or getting an ATM card due to lack of information by the employees.

Cost Reduction– 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.

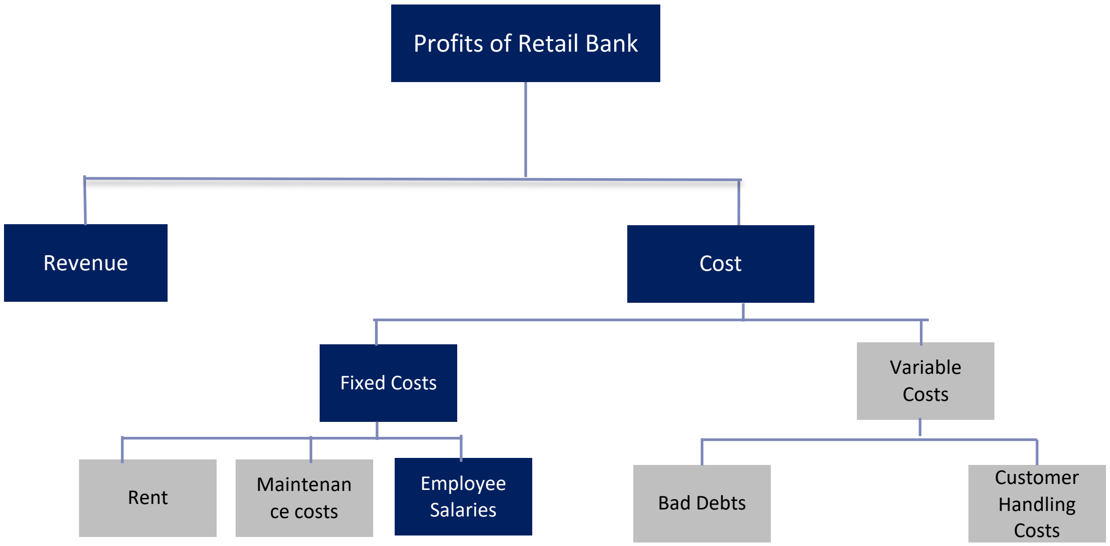
Interviewee notes

- Issue with costs
- Fixed cost of employee salary higher than competitors
- Low efficiency of employees
- Multiple visits by customer for any service

Case Facts

- Increasing costs
- Problem specific to a particular branch
- No new competition
- Employee salaries increasing

Approach/ Framework



Recommendations

- Improve the systems in place to ensure customer service is improved and time devoted by an employee decreased
- Give proper trainings to employees and find the redundant tasks being currently performed

Tips / 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.

Cost Reduction- Lease fee-Interview Transcript

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

That is an interesting case. To start of the case, I would like to know whether the jet should be exactly the same as the jet leased under the past lease contract?

Excellent question. The jet leased under the new contract does not necessarily have to be the same.

Ok, 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. What else would you consider?

To evaluate other options, 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, taking into account the low usage rate, the company could possibly share the plane with another firm. The sharing of cost would then result in substantial cost savings.

Fair suggestion, but this might result in complications in case both companies require the plane at the same time.

That is true, the companies would hence have to establish stringent contracts regarding the usage of the plane.

Good point.

To analyze one more alternative I would like to know the length of the lease contract and thus how often the contract is renewed?

The contract is renegotiated on a yearly basis.

Ok, and for how long has the client renewed the contract so far?

For the last 7 years.

Ok, so based on this I conclude that it is highly likely that the company will continue its relationship with the leasing party. 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.

Excellent suggestions. It was nice interacting with you.

Cost Reduction- 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 want to renew the contract. The client now contacted you and asked you to find ways to reduce the lease amount.

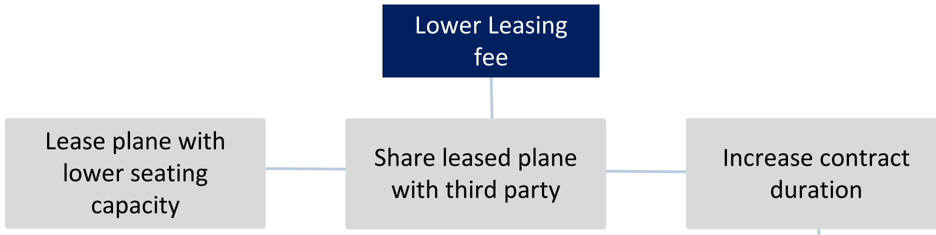
Interviewee Notes

- Assume occupancy follows a normal distribution and will rarely exceed 15 passengers

Case Facts

- The current lease fee is 1 million Dollar
- The contract duration is 1 year
- Seating capacity of the plane is 40
- The company uses the leased jet 3-4 per month
- Average occupancy rate for the plane are as follows:
    - *2014:* 8 People
    - *2015:* 8 people
    - *2016:* 10 people
- The contract has been renewed for the last 7 years
- The cost of leasing is:
    - Short leasing period (1 year): 1 Million
    - Long leasing period (5 years): 4.2 Million

Approach/ Framework



Type of contract	Short (1year)	Long (5 years)
Total cost	1 million	4.2 million
Cost per year	1 million	0.84 million
Cost savings per year		**160000**

Recommendation

- To reduce the leasing cost I propose 3 measures:
    1. Lease plane with lower seating capacity. Since the plane hardly ever is used at max capacity, a smaller plane can be leased.
    2. Share the lease contract with another party. Stringent contracts need to be established regarding usage
    3. Increase contract duration. A longer contract duration should result in discounts

Interview Summary

The interviewer wanted the candidate to identify options to lower the leasing fee. The candidate was expected to elaborate on the feasibility of the proposed recommendation

Observations/Tips/Suggestions

- Analyze the feasibility of each recommendation carefully

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 looking at the raw material costs. Are they larger than the industry average?

No, our raw material costs are in line with the industry.

Okay. Next, I would look at the processing costs. Have there been any issues out there?

Yes, as a matter of fact, our processing costs are higher than the benchmarks.

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. Is the client facing labour or rent issues, or is having underutilisation of capacity?

No, the client is not facing any issues under these heads.

Is there a problem with the packaging costs?

Yes. The client is indeed facing a problem in the packaging costs. The costs are significantly higher than the benchmarks.

Okay. Is our client facing cost issues with both beer bottles and cans?

No, the client is facing cost issues with only the bottles

Are the bottles that we source more expensive than the benchmarks?

No, the cost for the bottles is the same as the benchmark

Okay. Is there anything that other manufacturers are doing and we are not?

Yes. The other manufacturers usually reuse their bottles, so they incur much less costs for the bottles, while we are having to pay a lot more.

Are we facing a logistics problem with picking up the used bottles from the pubs and bars?

No, there is no issue with the logistics. We can pick up the bottles easily.

Okay. Is there a problem with the used bottles that we are picking up?

Yes, the bottles that are returned to us are too scrubbed to reuse.

Are the bottles getting scrubbed due to issues in the transportation, or are the competitors using better quality glass than ours?

There is no problem in the transportation. The competitors use the same quality of glass that we do.

Okay. Is there any specific way that the competitors are being able to reuse the bottles, but we are not?

Can you think of a way that they are doing it and we can use?

I think that the competitors are labelling the product in a manner that the scruffiness of the bottles is hidden from the consumer's view.

Okay. What would be your final recommendation to the client?

The primary problem that the client is facing is in the packaging of the beer in bottles. This is due to the fact that we are using new bottles, while our competitors are re-packaging the bottles, thus saving on costs.
My recommendation to the client would be to collect the bottles once used, and label them in a way that the bottles do not appear scruffy to the consumer. This shall lead to significant cost savings. Additionally, the client can also push for the sale of cans over bottles, as cans can be recycled even if they get scruffy.

Okay. Sounds good.

Cost Reduction – Beer manufacturing company

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

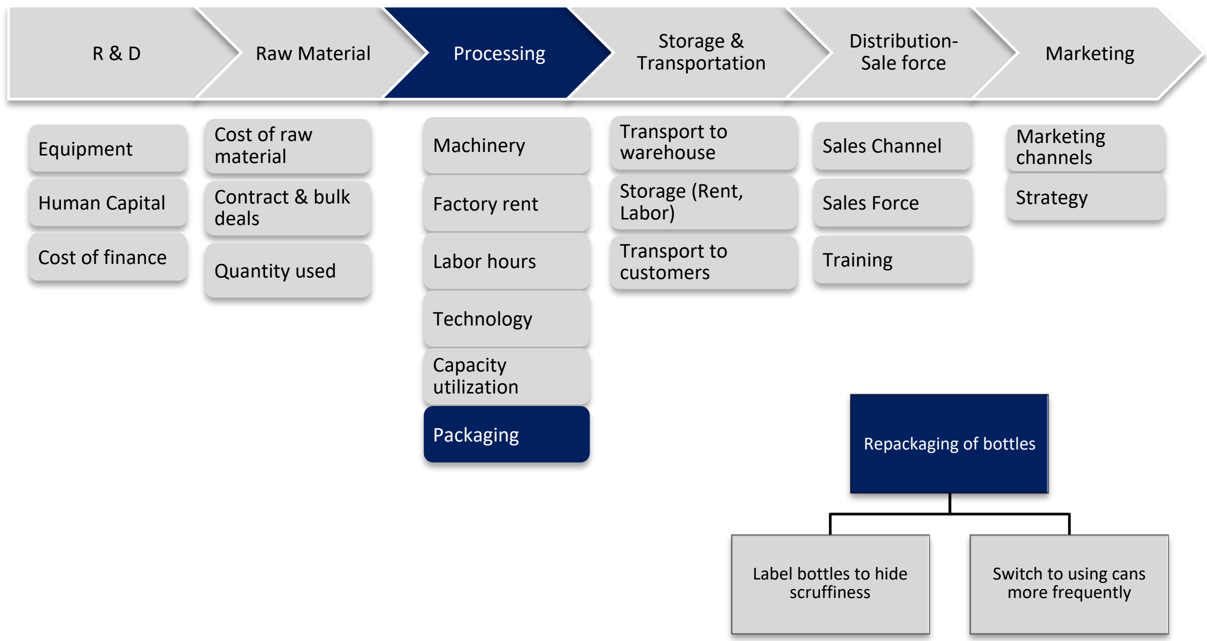
Interviewee Notes

- Qualitative case, no numbers provided
- A single cost head case where one issue needs to be identified
- The cost problem is identified to be in packaging

Case Facts

- Client is a beer manufacturing company with multiple products
- It is facing cost issues with more than one beer product

Approach/ Framework



Recommendations

- Reduce the excessive expenditure on new bottles by labelling the bottle to hide the scruffiness
- Increase the use of cans over bottles as cans can be recycled even if they get scruffy

Interview Summary

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.

Observations/Tips/Suggestions

- Each cost component should be broken down into multiple cost levers to ensure that nothing is being missed out
- Breaking down cost of the buckets ensures that the problem identification is more specific in nature

Profitability – Cost reduction for a cement player – Interview Transcript

You've been hired by the CEO of a cement company to reduce their logistics cost. What are the key areas you will assess?

I would like to clarify the objectives before we begin. Our objective is to reduce their logistics cost in order to improve their margins right?

Yes

I would first like to understand the cement value chain. My specific queries on logistics are :

1. What are the key raw materials I need? Where do I buy from? How is it transported to my plants? How many plants do I have?
2. What do I transport from the plant? Who are my customers? How do I sell to them?

So our key raw material are limestone, petcoke, flyash and gypsum. Limestone is extracted from mines, which are located within the plant complex. The others are bought from refineries, thermal power plants and gypsum mines respectively. A mix of road and rail is used to transport raw materials to the plant. The client has 40 plants in the country

Cement plants manufacture & transport cement and clinker. Clinker is an intermediate good and is used to manufacture cement at grinding units (which are closer to market) while cement is sold to dealers and transported via road or rail to customers directly or to company owned warehouses

Thank you. I have a clear idea about the cement value chain now. I would like to start with raw materials (inbound logistics). Which mode is cheaper? Rail or road? How many vendors do I have? Can I leverage higher volumes for lower rates?

Road is cheaper than rail. But trucks carry upto 30 tons while a rake can carry upto 4200 tons. This allows me to keep adequate inventory at the plant and minimizes risk.

I have high vendor concentration across key routes. I can look at reducing the number of vendors and offering them more volumes, but that would lead to monopolization of routes. I would need to maintain a balance

Duly noted. I would now like to focus on the operational aspects. What is the turnaround time at the plant for a truck? Can I reduce that and allow trucks to do more trips every month? I can ask them to pass on part of the cost benefit to the company

Our average in-plant turnaround time is 12 hours, which is high and can be reduced. But plant TAT is 20% of the overall trip turnaround time. Travelling time is hard to reduce as distances are long

Moving to outbound logistics, what is the mode mix? What is the proportion of orders that go directly to the dealer?

We ship 70% of our orders through road. Rail is cheaper in most cases, but rake availability is an issue. We ship all orders above 30 MT directly to the dealer and smaller orders go to warehouses. The split between direct-depot is 50-50

Can we look at increasing direct % as it will be cheaper and we will avoid handling costs? We could club a few orders and use a single truck

Increasing direct % is a priority area for the firm, but we have strict customer service level guidelines and order delivery times can't be overshot. Hence clubbing orders is tough

Noted. Moreover, for our network, how do we assess if the right plant is serving the right market? Is there any network optimization opportunity given the client has 40 plants and they may not have updated their systems for newer plants

Correct. The client has a network optimization tool, but it has not been updated to reflect newer plants, updated freight rates and new warehouses. It also has constraints built into it that are not relevant anymore

What is our vendor mix on our current routes? Similar to inbound, can we reduce rates by offering individual vendors more business? Can we reduce TAT for plants and warehouses?

All that is feasible. However, reducing TAT at plants and warehouses entails additional investment in capacity. We will have to assess the returns to take the decision

Finally, I wanted to ask if we have any inventory norms at our warehouses? Are we losing sales because of empty warehouses while other warehouses are flooded with material? Can we balance inventory better across all geographies

Stock-outs have been 3-4% of our sales while they are 1.5% for our competitors. The firm has been trying to adhere to their inventory norm of maintain 4-5 days of inventory at our system by beefing up capacity at warehouses

Can you quickly sum up the key areas you will address for the CEO?

I will look at vendor concentration across routes and rationalize rates by giving more business to key vendors. I will look at improving turnaround time at plants and depots. Additionally, I will review the firm's service network (plant-to-market) and define inventory norms

That will be all. Thank you

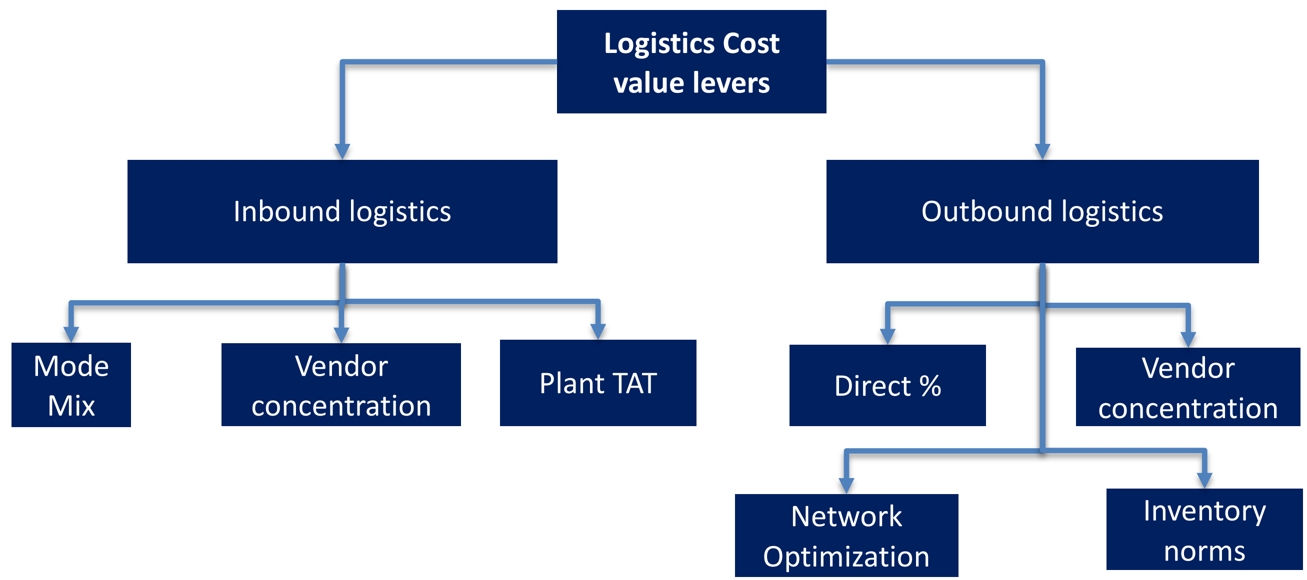
Profitability – Cost reduction for a cement player – Interview notes

Consult IIM Ahmedabad

Logistics cost reduction for a leading Indian cement manufacturer

Interviewee Notes

- Understand and use value chain to identify different cost heads
- Break down logistics cost into rate* distance. Think of simple levers to reduce rates (negotiation with vendor, TAT, direct %) and distance (network) without losing volume (by setting inventory norms)



Recommendation

- To touch on all the possible cost heads and identify potential sources of value

Interview Summary

- The interviewer wanted the candidate to identify the major drivers of logistics cost. The interviewee was then expected to come up with simple solutions based on his understanding of the explained cost heads. Given the technical nature of the problem, listening to the interviewer's upfront summary was of the essence

Observations/Tips/Suggestions

- The interview is technical in nature. As a result, the candidate may feel intimidated. However the candidate should just listen to the interviewer's explanation very carefully and take notes diligently to keep pace with the problem. The candidate is not expected to have background knowledge of the sector

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. There will be fixed costs, and variable costs. Fixed costs in such a company would generally include salaries, administrative expenses, etc., and the main variable costs would be the claim costs. Am I missing anything here?

No, go on.

Do we have any data about these costs? Any increase in a particular cost head?

Umm, fixed costs have been growing as per normal trends.

And what about claim costs?

IA has been seeing a rise in the claim costs over the past few years, faster than revenue growth.

Right, so would it be fair to say that it may be a major reason for the decline in profitability.

Probably yes.

Okay, then I would like to understand the possible causes of the rising costs, and why competitors are not incurring this cost. But before I go into a deeper analysis, I would just like to ask, is it possible that competitors have implemented stringent policies for claim approvals, or somehow provide lesser cover using fine print in the policies due to which the costs are lower for 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.

Alright, then I would like to look at the claim costs in greater detail. Before I do that, is there anything other significant cost item I am missing?

No, you can focus on claim costs

Okay. So with claim costs, it is possible that the difference may be arising out of the difference in the customer portfolios of the company as compared to competition?

Okay, that may be a possible reason. But how will you analyse the portfolio?

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 more number of customers who are young. They can be considered more risky, as they tend to be more rash 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.

Cost Reduction – Auto Insurance Company

To increase profitability of an auto insurance provider

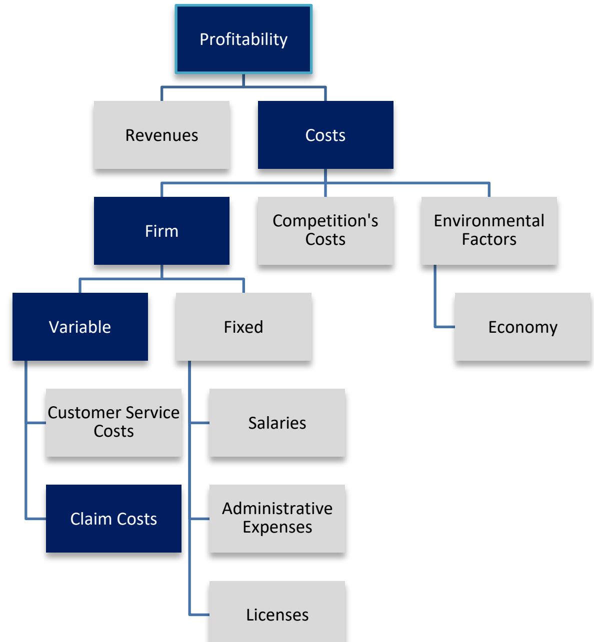
Interviewee Notes

- 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 variable and fixed costs of the client

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

Approach/ Framework



Recommendations

The problem arises due to high claim costs. High claim costs arise due to an unfavorable 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.

Interview Summary

The candidate began by asking relevant, probing questions on competition and market to get an initial feel. Very early on in the case, he indicated that he was going to take the revenue-cost approach to drill down the problem. Despite some occasional hiccups and incorrect hypotheses, he eventually arrived at high Claim Costs as the root cause of declining profitability. His true potential came across in his suggestion that customer risk profiles must be different. He neatly segmented customers into relevant buckets and provided a strong and logical recommendation.

Observations/Tips/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 → Fixed/Variable → 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.

A new retirements benefits policy has been introduced whereby every employee makes a contribution ranging from ₹5000 to ₹20000. The savings grow tax free till the employee retires. We have been approached by a client that runs a large mutual fund to help answer the following questions: Is this a big opportunity? What are the various possibilities and challenges they would face?

I'd like to explore three broad areas to answer the first question – the dynamics of the mutual fund industry, the additional earnings that we will make in leveraging this opportunity and any regulatory or exogenous factors affecting the mutual fund industry due to the change to existing policy.
First, can you tell me more about the size and dynamics of the mutual fund industry?

Sure. As you may be familiar, mutual fund companies solicit investments from individuals, retirement accounts of various firms, etc. They then invest these monies to create and manage a well-diversified portfolio for a management fee. From the investors' perspective, the creation of such a portfolio minimizes the risk.

Got it. How big is this industry?

There are a large number of players in the industry, and the total assets under management would be running into trillions.

Do we know approximately how much new money enters the industry each year? This might help me gauge whether or not the new policy will be a big opportunity for the industry.

Based on our internal studied and analysis, last year approximately ₹5 trillion was new money or addition to assets under management in the mutual fund industry.

Okay. Is it safe to assume that only the people working in the organised sector shall be benefitting from this policy?

Yes, the policy shall be valid only for employees in the organised sector.

Okay, let me now move to gauging the incremental savings that is likely to enter the investment pool. I shall make some assumptions, please stop me if any of them are unrealistic. My goal is to size the number of people working in the organised sector in India, as they shall be paying the premium amount for this policy.
I shall assume that individuals between the ages 18 and 60 are eligible to be employed. I shall assume the life expectancy in India to be 70 years, with the population distributed uniformly by age.

Okay, that sounds fine for now.

I shall break the population of 1.2 billion people into rural and urban with a 70/30 split. That gives me 360 million people working in the urban areas. I shall assume that the rural employment sector is not the organised sector. Additionally, people in the ages 18-60 comprise 60% of the urban population, and approximately 70% of these people are employable in the organised sector. This helps me exclude individuals like homemakers, students etc. who would be in the 18 to 60 age bracket. So that brings the labour force to 150 million. Figuring a 10% unemployment rate, the population in 135 million.

Why don't we ignore the unemployment rate for now and assume a round number of 150 million?

That would be easier for the calculations. You indicated a range of ₹5000 to ₹20000 for retirement account contributions. Would these be recurring contributions?

No. Also, you may assume that the contribution will be ₹10,000 on average.

Great. So the increase to the investable assets would be 150 million times ₹10000, or ₹1.5 trillion. That sounds like a substantial increase, given that last year the new addition to assets under management was ₹5 trillion. Are there any other regulatory issues or exogenous factors that would govern or restrict how these assets can be invested?

There are some stipulations, but let's not worry too much about them for now.

Excellent. In that case, our response to the first question would surely be that this is a substantial opportunity for our client in aggregate.

I'd probably agree that this is a substantial opportunity in aggregate. But how would you go about determining if is this a profitable opportunity?

I think I see where you are going. You mentioned our client charges some sort of management fee for services rendered. How much is this fee and what types of expenses does the client incur?

Good question. The client charges a 1% management fee on assets under management. Simplistically, let's assume that administrative expenses on these assets like mailing statements, etc. is about ₹100 annually, while other operating expenses add up to about 10 basis points.

Interesting. So then on every ₹10000 invested, we make ₹100 in revenues per customer but have ₹100 plus ₹10 or ₹110 in expenses per customer. That doesn't seem like it is profitable.

No, it does not, does it? Would you still think that this still a substantial opportunity?

We can look at future earnings as well. If I assume a 20% growth rate based on the return earned from the additional AUM, then the ₹ 10000 grows to ₹12000, our revenue grows to ₹120, but our expenses grow only to ₹112. We begin to make a profit. If we know the average length of the customer's investment, we can use the present value of cash flows to estimate a lifetime customer value to the client. So it does appear to be profitable, though I'm not sure how it compares to profits currently.

You are correct. It is a profitable business. Right now, the size of each customer's account is pretty substantial. The profit margin is much more attractive. We seem to be running out of time. Can you quickly summarise for me the opportunities and challenges the client faces, given our analysis so far?

Sure. There are a number of opportunities and along with it. Among the opportunities, the first is cross selling the mutual fund opportunity to customers of the brokerage and other services. This would result in enhancing customer loyalty and also increase switching costs, leading to higher customer retention. Second, emphasizing convenience, sort of the one-stop shop for financial-services idea, can enhance the client's value proposition to their customers. On the challenges front, the most critical is probably competition. If indeed ₹1.5 trillion additional funds are likely to be invested, every financial services firm is going to want a slice of the pie, which only underscores the need to cross sell and increase customer loyalty. This is something the client is going to have deal with.

Great. Thank you.

Cost Reduction – Retirement benefits policy

Estimate the additional earnings and profitability scope of a new retirement benefits policy on the mutual fund industry.

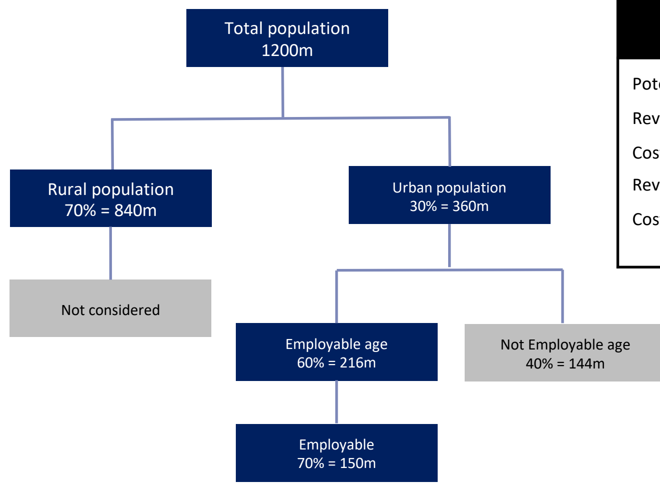
Interviewee Notes

- Have a decent knowledge of the Indian population breakdown, in terms of rural/urban, age demographics, income levels etc.
- Don't stop the profitability analysis at the first year. Look for future years to see if the opportunity becomes profitable.

Case Facts

- Last year approximately Rs. 10 trillion was addition to AUM
- Average investment per person is Rs. 10000 annually
- Total number of people covered under scheme is approximately 600 million
- Revenue per consumer is 1% of AUM
- Cost per consumer is fixed (Rs. 100 per consumer) and variable (0.1% of AUM)

Approach/ Framework



Financial Projections	
Filters	Number projections
Potential AUM	10000*350 = 3.5 trillion
Revenue projection for client (Y1)	10000*0.01 = 100/cus
Cost projection for client (Y1)	100+10000*0.001 = 110/cus
Revenue projection for client (Y2)	12000*0.01 = 120/cus
Cost projection for client (Y2)	100+12000*0.001 = 112/cus

Recommendations

- Cross sell the mutual fund opportunity to customers of the brokerage and other services
- Emphasizing convenience, sort of the one-stop shop for financial- services idea, can enhance the client's value proposition to their customers

Interview Summary

This is a market analysis case where the interviewee is expected to size a particular opportunity and gauge its expected profitability.

Observations/Tips/Suggestions

- Run through the population split step by step, calculating the number of people at each step and not just in the end
- In case you reach a scenario where the company is initially making losses, make sure you analyse future prospects to see if there is a turnaround in the additional year

Profitability– Photography Firm– Interview Transcript

Your client is a Photography firm called Foto Flash based in Mumbai, they have experienced declining profits over the last 5 years. Figure out the problem.

I would like to understand the company's business. What products does the firm currently produce? Have their costs increased over the last 5 years?

The firm makes money by selling film and photo paper. Their costs have not increased over the last 5 years

If their costs have not increased, I would assume that the revenue has decreased - quantity of products sold has declined over the last 5 years - owing to the decline in profitability. What is the general trend in the market? are similar firms facing the same issue?

Yes, the volume sold has reduced. All firms in the film and photo paper industry have seen similar declining profits, however, firms that have moved to digital photography have seen an increase in profit and sales.

It is therefore evident that Foto Flash is experiencing reduced profitability due to digital substitution. For the same, the company needs to consider new business ideas to enter the digital Photography space.

Foto Flash has been approached by Food world supermarket to place 'Kiosks' in all their stores. Kiosks are self service stations that allow users to print their pictures digitally, on Foto Flash's papers. How do we evaluate the attractiveness of this opportunity?

I would like to estimate the potential demand for digital prints in a single Food world store in Mumbai. Assuming there are 20 million people in Mumbai, and 10% are Food world customers. 2 Million are customers, Out of the 2 million, assuming 10% go to Food world to do the Photo printing - 200k customers. 5% of these customers use a digital camera = 10K. Assuming the average customer prints 50 digital prints per year. Total Prints for the Food world for one year = 50K.

The potential demand for a digital prints at a single Food world store is 50,000.

Can I know the approximate cost/ price per digital print and how much each Kiosk would cost Foto Flash per year?

The Price of a single digital print is 50 rupee's. The cost of the same is 10 rupee's. Cost per Kiosk for a year is Rs. 100,000.

With this information, I will calculate the break even demand.

Breakeven : Revenue = Cost

50 * Q = 10* Q + 100000

40Q = 100000

Q= 2500

The break even Quantity they will have to sell is 2500 digital prints. The market demand according to our calculations is 50,000. Therefore, Fotoflash should place Kiosks in Food World Stores.

Profitability– Photography Firm

Your client is a Photography firm called Foto Flash based in Mumbai, they have experienced declining profits over the last 5 years. Figure out the problem.

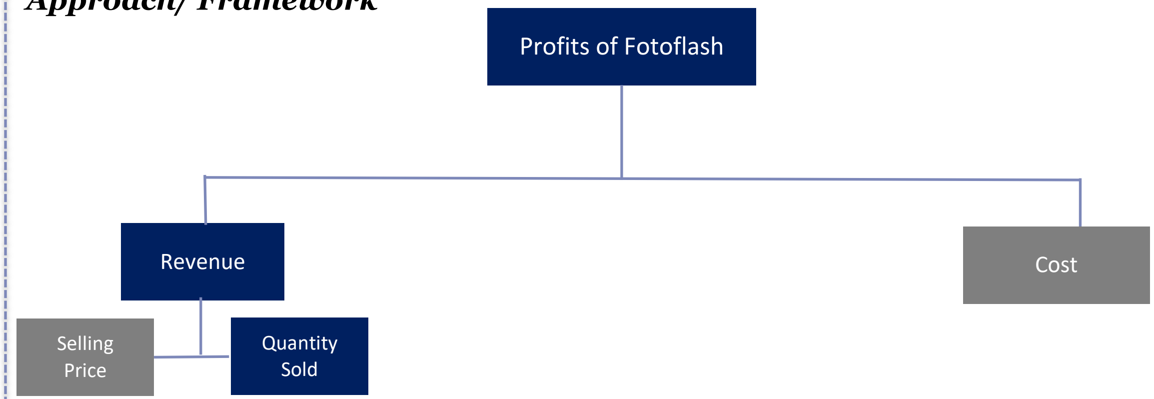
Interviewee Notes

- Reduced profitability because of digital substitution/ decrease in quantity sold
- calculate market demand and break even demand to recommend growth strategy

Case Facts

- Reduction in profitability due to reduced quantity demanded of product - due to digital substitution
- explore opportunity of kiosks at food world supermarkets
- cost of kiosk per year = Rs. 100,000. Cost of one photo paper = Rs. 10, Price of one photo paper = Rs. 50

Approach/ Framework



New strategy Approach

Size the market demand

Calculate breakeven demand

If Market demand is significantly larger than breakeven demand, recommend new strategy.

Recommendations

- The firm should go into setting up kiosks at Food world stores as breakeven demand is much less than market demand.

Observations/Tips/Suggestions

The interview was designed to see how the candidate could identify the problem of digital substitution, and how well they could use assumptions to quantitatively assess and recommend a new strategy to the firm

Profitability- Fishing company

Consult IIM Ahmedabad

Drop in profits of a fishing company

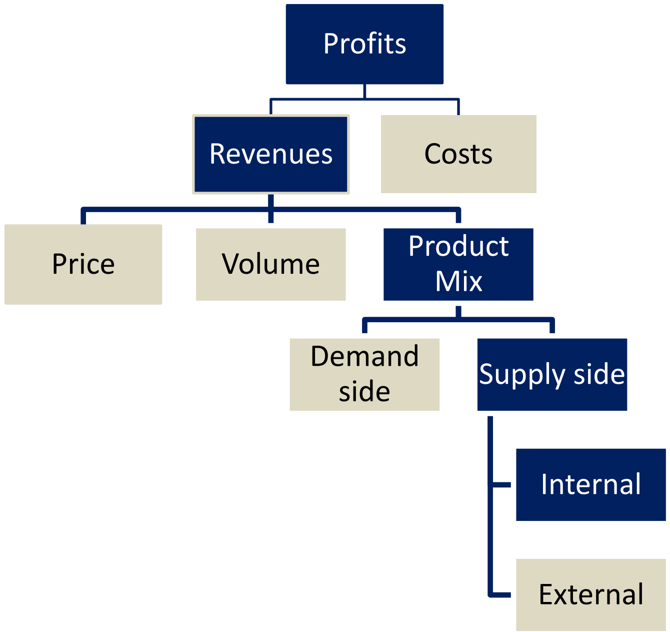
Interviewee Notes

- Company owned boats – employ fishermen
- Directly sell to customers – no distributors
- Not an industry wide problem
- Big fish: low revenue, low margin
- Small fish: high revenue, high margin
- No change in consumer preferences
- No change in sea composition

Case Facts

- Profits down by 15% over 1 year
- Costs down by 5%
- Revenues down by 20%
- 2 product lines: big and small fish

Approach/ Framework



Interview Summary

- The candidate did a good job in getting to to root cause of the problem quickly.
- Breakdown of the problem was always MECE – Profits (into revenue and cost), fall in revenues (price, volume and product mix), change in product mix (demand side or supply side) and supply side (internal problem or external problem)

Observations/Tips/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 is.

Our client is a US based healthcare company. They have been facing reduced profitability over the last six months. Can you help us figure out why?

I would like to first know more about the company and the industry it is in. Are all similar players facing such issues? What products does our client sell? Also, what is the size of our client in comparison to the market? And what is the size of the market?

Other players have not been facing these issues. Our client is one of the top 5 players in the market, the market size is about $2 Billion. Our client is into Antibiotics, Allergens and Analgesics.

I would now like to analyse this case by splitting profitability into revenue and costs.
To begin with, can I know if the reduction in profitability is due to an increase in cost or a reduction in revenue.

Our costs have more or less been the same, however, there has been a reduction in revenues

Alright, so I can break the revenue down into Price, quantity sold & product mix.
Can we associate this decline with a specific line of products? Or is this decline throughout our product range?

The revenue decline is stemming from the Analgesics division.

What products does the analgesic division consist of, has there been any change in this over the last 6 months?

The analgesics division has two types of creams, we replaced one of these creams with a new variant about six months ago.

Is it okay to assume that the decline in profitability is due to this new cream? If so, has a change in price led to the reduction or has the quantity sold reduced. Additionally, could this new cream have led to a cannibalization in the demand for other products?

There could have been some cannibalization but I want you to focus on quantity.

Okay, so the fall in quantity demanded could have come from supply side or demand side factors. Supply side would include the capacity*utilization and demand side include a change in the marketing mix through 3 P's (i.e. Product, Place or Promotion).

There has been no change in the supply of the product.

Since supply has remained constant, I can move to the demand side factors. Is there a problem with the product, place or promotion?

I want you to evaluate product and place.

So in terms of the product; the new variation or the cream could have led to burns, have some side effects or be steroidal.

Yes, we have had some complaints regarding side effects.

Additionally, the product could have changed from an OTC drug to a prescription drug which would result in a fall in the number of channels we could sell it through. For example, we may only be able to sell the product at selected pharmacies. Moreover, we may also only be able to sell the drugs at much fewer Watsons and Boots since not all of them have a pharmacy section. Alternatively, we could have reduced distributor margins resulting in a lack of acceptance for our drug or a change in the placement of our drug in the pharmacies making them less visible to the consumer.

There have been no changes in the margins we offer to our supply chain partners. However, due to certain changes in the ingredients od the product it could no longer be sold as an OTC drug. I want you to summarize the case and state you recommendations.

All medical products come with a disclaimer that there could some side effects. Since this is cream, the chances of it not suiting a persons skin is also high which could result in side effects such a burns or rashes. Once we know the exact circumstances under for the customers who complained about the side effects we can find out the reason behind the same and alter the product accordingly. A change from OTC to prescription drug means that our promotion strategies need to change as the product demand cannot stem from the customers anymore but will through the doctors prescribing them to their patients. Therefore, while ensuring that our product is available at all medical outlets it is equally important to focus on collaborating with doctors in order to increase our final demand through the consumers. Collaborating with doctors will also help us study the exact effects of this cream on the patients as the patients are likely to return to the doctor for a follow up treatment.

Profitability – Healthcare firm

You have been approached by a US based healthcare firm that is facing declining profitability. Diagnose the problem and recommend appropriate solutions.

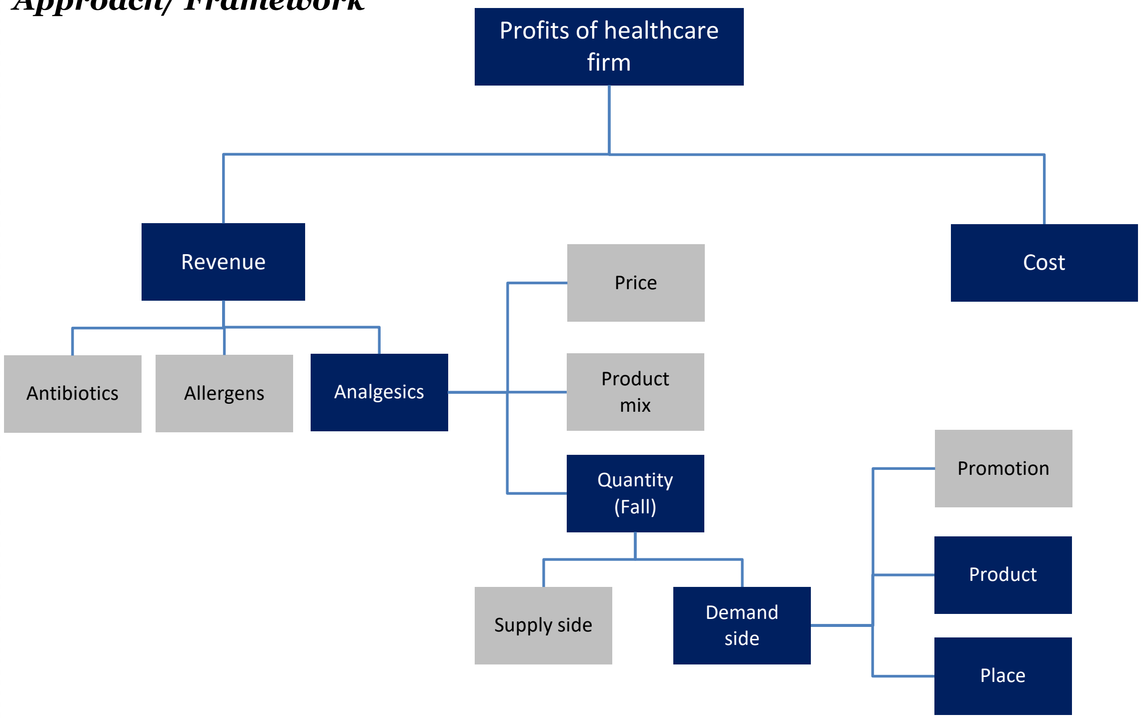
Interviewee Notes

- Investment fund looking to invest in PVR
- Client manufactures antibiotics, allergens, analgesics
- Ask if revenue fall is across the industry or firm specific
- Understand client product portfolio and check if decline is across all three
- Identify whether the decline in profitability is coming through costs of revenues
- Identify drivers of the problem component

Case Facts

- One of top 5 firms
- No problems faced by other players and industry performing well
- Decline stemming from the analgesics division
- Costs same, revenue decline

Approach/ Framework



Recommendations

- Collaborate with doctors to push sales to the final consumer
- Feedback from doctors to find out the effects of the cream on the consumers skin

Interview Summary

The candidate did a good job in understanding the product portfolio and diagnosing appropriately. The candidate was able to create a MECE framework for revenue first and then evaluate the reasons for a decline in quantity. The key to the case was identifying that the cream had changed from an OTC drug to a prescription drug.

Observations/Tips/Suggestions

The interview was designed to judge how quickly could the candidate move through layers of revenue and identify the issues pertaining to the issues with the product characteristics and placement.

Profitability- Airline operator burning cash - Interview Transcript

Your client is a low cost airline operator in Europe. Over the past 2 to 3 years, it has been burning cash. Diagnose and recommend solutions.

I would like to ask a few clarifying questions before I begin to analyse the case. I would want to understand the client's business. What kind of flights does the company run?

The company operates short flights across Europe. We have direct as well as connecting flights.

How many competitors do we have and are they facing similar problems?

We do have 2 major competitors but unfortunately none of them are facing this kind of a problem. You can go ahead and work out the revenue streams for our client.

Ok. So I believe that the major revenue streams would be hospitality, revenue generated from tickets and cargo. I wanted to confirm once that have the revenues gone down and has there been any significant changes in cost?

Yes the revenues have gone down and the costs have increased. Let us focus now on the revenue generated from sale of tickets.

That's very helpful. I would want to analyse this problem by looking at various components of the revenue. I would break them down into price per ticket, occupancy rate, number of seats/flight and number of flights? Do we have any information on any of these parameters?

Yes. So, the number of direct flights have gone up and the occupancy rate in both direct and indirect flights have gone down.

Okay. So I understand that the drop in revenue is mainly due to the drop in occupancy rate. Do we have any data regarding the same? Also to further understand why we are burning cashes, I would like to look into the costs side.

Sure. Go ahead and tell me what are the major cost components?

Ok. I would break down my costs into fixed Costs and variable Costs. The fixed costs would comprise of lease, hangar costs, salaries and marketing. The variable costs would be fuel, maintenance and operations etc. Do we know how these cost heads have changed over the last 3 years?

Yes, the hangar costs have gone up.

I am trying to understand why the costs have gone up and whether this has gone up for the entire industry or only specifically for us.

It has been such that the hangar costs have gone up only for us. This is because we have started owning airports. The speciality is that people need to reach our airport only half an hour prior to flight.

Okay. That helps a lot. So what I understand is that we have started owning airports and this has led to large investment cost hence leading to burning of cashes. Further I would like to understand why the occupancy rate has gone down.

Please go ahead.

So, I would break the entire value chain into the components. Those are procedure for flight booking, Reaching airport, Procedure at the airport, taking the flight, taking the luggage at destination airport. I would now further like to understand each of the mentioned processes.

Okay. Lets focus on reaching the airport segment. I would further like to tell you that though the airport is in the outskirts, the time cost of reaching the airport is same.

I would break down the cost into time cost and effort cost. Now, since the time cost is same, I assume that the effort cost has gone up. Is that a fair assumption?

Quite right. I have few numbers. Can you work with them and let me know your suggestions. At earlier airports mode of transport was: Public 30%, Own 20% and Taxis 50%. Now in this airport it is Public 50%, Own 40% and taxis 10%.

That's interesting. So, the availability of taxis in this airport location has gone down. This is primarily because the airport is situated in the outskirts. So the taxis do not get any passengers while returning. Hence the number of taxis in this area have gone down. Now the taxis being less in number, it has become difficult for passengers to reach the airport. Hence that explains the reason why the occupancy rate has gone down.

Yes. You are correct. Can you summarise the case and suggest a few recommendations?

As per my understanding, the company has burned cash because of huge investments in building airports. Now the airport, being located in the outskirts has very less availability of taxis which are the most preferred mode of transport to an airport. Hence the passengers preferring this airlines have gone down leading to decrease in occupancy rate. I would now state my recommendations.

Yes. Please go on.

So I would suggest that the client should start its own shuttle service or collaborate with taxis providing them added incentives. Further, the client can also include transportation cost from airport to desired location as part of the ticket price.

Profitability- Airline operator burning cash

Consult IIM Ahmedabad

To analyze the revenue for an airline operator

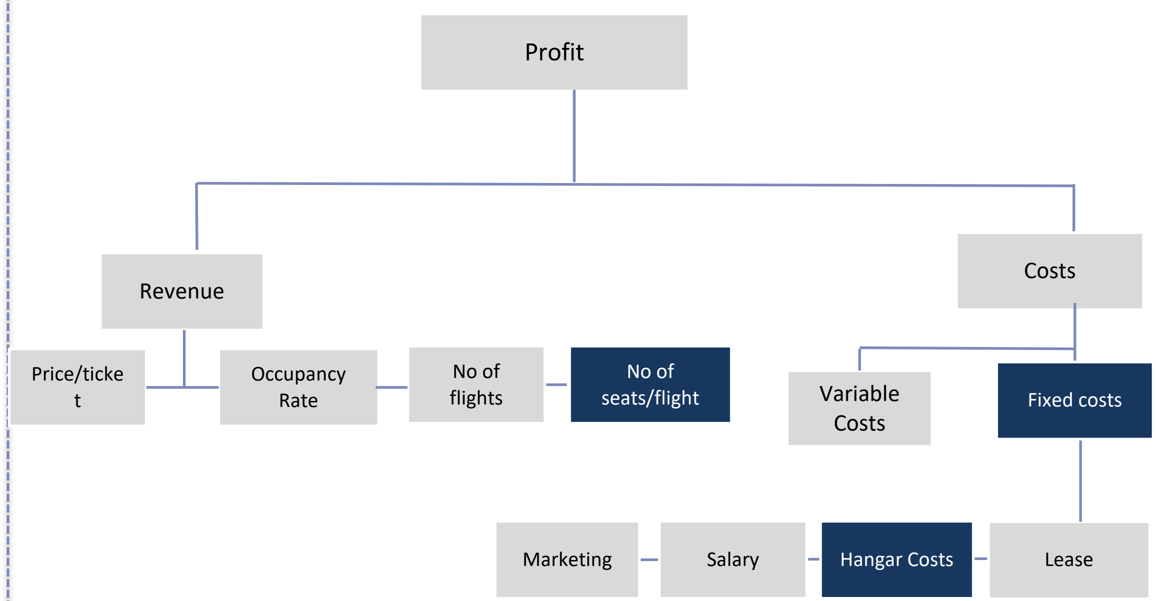
Interviewee Notes

- Revenue –cost analysis
- Client currently in airlines industry
- Ask about the current status of the industry and competitive scenario
- Which are the revenue streams?

Case Facts

- Client operating both direct and connecting flights across Europe
- Problem exists only for client
- Revenues have gone down and the costs have increased
- Hangar costs have gone up
- The client have started owning own airports – arrival only 30 mins prior to departure
- Airports located in outskirts, but time cost of reaching airport remains same

Approach/ Framework



Recommendations

- Should start its own shuttle service
- Should collaborate with cab aggregators by providing added incentives and ensure taxis stay outside the airport
- Can bundle two services together – Air ticket price and transportation price and ensure passengers are picked up /dropped from respective locations

Interview Summary

The candidate did a good job in figuring out the fundamentals in why the revenue has gone down. Also after the cost analysis, the candidate was able to further elaborate on the reasons why the revenue has gone down. Overall a good performance.

Observations/Tips/Suggestions

The interviewer must have been impressed by the overall logical consistency that the candidate applied during the course of the problem.

Profitability – Jet Airways v/s Indigo - Interview Transcript

Your client is Jet Airways 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 focussing only on Jet'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 Jet or is it an industry wide phenomenon?

Jet 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 Jet 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 Jet'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?

Jet 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 Jet I would like to understand what kind of investments have been made? Has Jet 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 Jet), 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 Jet? Is this demand likely to grow in the future?

Currently these routes have low airline travel demand but it is likely to grow in the future, and therefore the investment. The demand for premium Jet 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. We can do the following-

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
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
4. We could also try to bundle a few parallel businesses e.g. cargo and travel

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 Jet 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?

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

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

Only Jet.

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. Jet operates with different kinds of fleet whereas Indigo has one standardised fleet. Due to this, Jet 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 Jet 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 Jet 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 Jet is smaller and requires an inventory of different parts. What would your recommendations be?

Okay. So there are a few things that Jet could do vis-à-vis the inventory costs-

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

Profitability – Jet Airways v/s Indigo

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

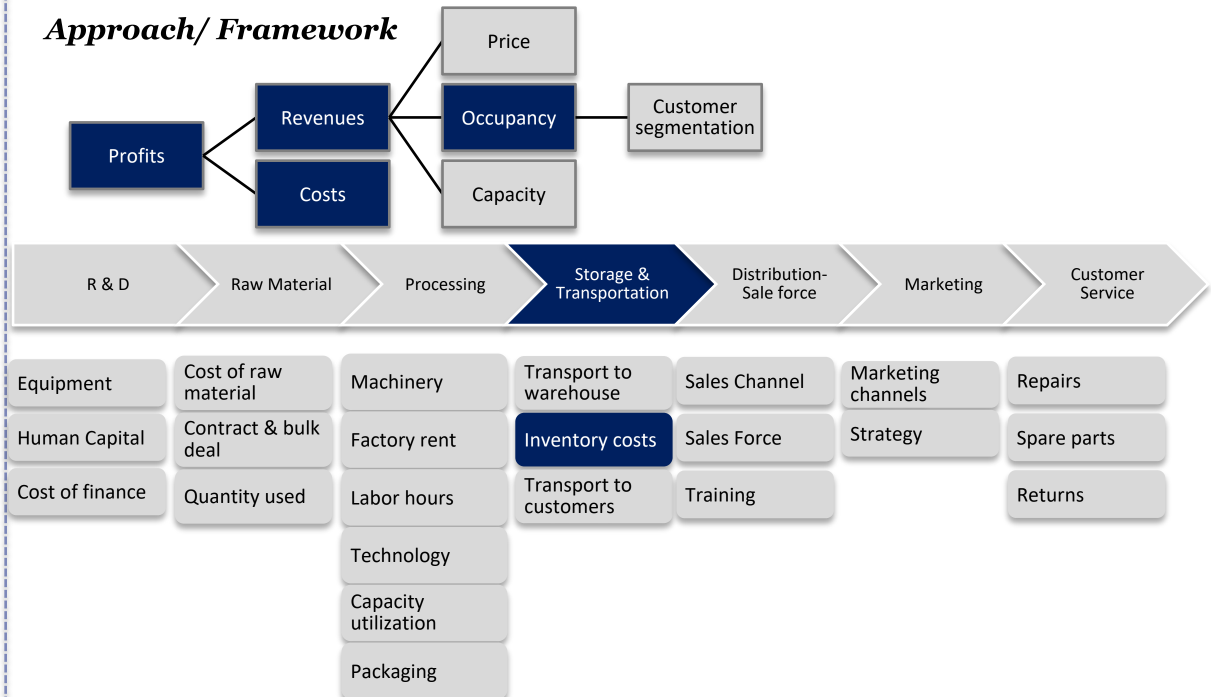
Interviewee Notes

- Revenues have fallen and costs have risen
- Identify revenue components, problem area and subsequent recommendation
- Draw the cost value chain, identify the problematic segment
- Segment the specific cost further to identify cause and make recommendations

Case Facts

- Jet airways facing declining profitability. Not an industry wide trend
- Focus on airline business, domestic travel
- Problem across India and not restricted to a particular route
- New fleet purchased for niche routes

Approach/ Framework



Recommendations

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

Interview Summary

This is a profitability case where cost reduction and revenue increase are intertwined due to client's expansion activities. The candidate should split profits into revenues and costs, identify key drivers and value chain, segment and develop recommendations. The purpose of the case was to identify maintenance of different types of inventories as the major cost driver.

Observations/Tips/Suggestions

- Each cost component should be broken down into multiple cost levers to ensure that nothing is being missed out
- Revenue should also be appropriately split into its components given the airline travel industry

Your client is a retail bank looking into entering high net individual's portfolio management. You have been approached by the client to understand how to go about it.

Could you give me some additional information regarding the case. What are the primary objectives for entering in this segment?

The client believes that retail banking is not providing sufficient profits and there is a potential market which is expected to grow substantially in HNI portfolio management.

Okay, first I'll like to know more about HNI portfolio management and how is it different from retail banking?

Retail banking is what is offered by banks like ICICI, HDFC Bank where it performs daily transactions and provides loans and other services. A typical HNI portfolio management is a wider category that involves dealing with optimization of a client's portfolio.

So as I can understand, there maybe a lot of changes which the bank needs to undertake to get into this business. My overall strategy would be to first analyze the industry, the major competitors, the bank (in terms of current capacity and additional requirements) and the potential customers.

Good. You can assume that since the client has already decided to enter this area, the industry and competitor analysis has already been done by the client and it has been found favorable.

Okay, so first coming to the customers, I'll like to understand who all are our major customers currently and do we have any potential customer with whom we can engage in HNI portfolio management?

The bank has a few high net worth customers which may be engaged. However this is not a concern as of now.

So then, I'll start analyzing the bank and its current operation. I would like to know how is the bank placed in the retail banking industry and how its financials have been over the past few years?

The bank is fairly stable in its operations. It has a firm position in the market and is one of the most preferred banks among the customers.

Okay, now I'll to see what are the major differences in a retail banking and HNI portfolio management. A retail banking is mostly involved in dealing with loans, MF investment, managing finances of the individuals. The returns are mostly fixed. In contrast, in HNI portfolio management, a lot of real-time trading is needed and it takes into account the customers' need.

Good. Can you list what are the major factors which you'll be considering for comparison.

I'll consider the following as the major factors on which the comparison should be done
1.) Expertise in handling such customers
2.) Regulatory requirements
3.) Cash flows and liquidity
4.) Investment changes required (Trading)
Is there anything else which needs to be considered?
(The interview explained each one of the factors briefly)

No, this will be fine. Can you elaborate more on why the expertise required will be different?

Typical HNI portfolio management requires investment advisors which help the customers in financial planning, managing their portfolios taking into account their risk taking abilities. It involves performing a variety of other financial services in relation to a client's private financing choices.

I think we can stop here. Thanks a lot for your time. I liked the way you approached the case

New Market Entry – Retail Bank Portfolio Management

Your client is a retail bank looking into entering high net individual's portfolio management. You have been approached by the client to understand how to go about it.

Interviewee Notes

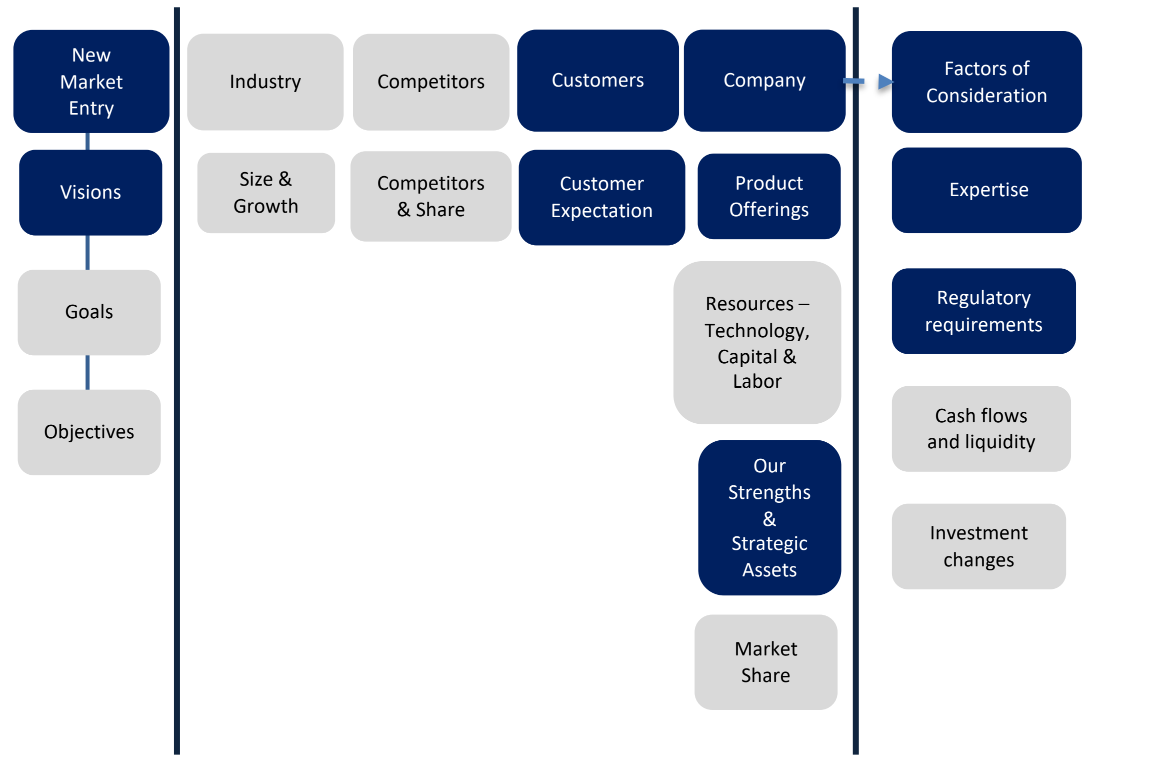
- Understand the vision/objective of entering the new market
- Determine the possible differences in processes and systems required in the two functions.
- Analyse how to use current strengths (industry presence)/resources (sales people) to expand into the new market
- Identify potential problems/barriers that company may face while entry

Case Facts

•Client is a major retail bank having a firm position in the banking sector

•The industry has been found attractive

Approach/ Framework



Recommendations

- The client should bring in an expert in the field of trading or who has managed HNI portfolio management before.
- The client should leverage the current position of bank and try to take benefit of the possible synergies between the two functions. It should take the help of existing customers and target potential customers.
- The client should make sure that all the regulatory requirements are considered before hand.

Interview Summary

- The interviewer was happy with the overall analysis.
- The candidate could've dwelled a bit more into the implementation which would have added more value to his arguments.
- (Fact: The bank actually went on to hire a specialist in the field of trading)

HBS wants to set up a new satellite campus in India. They want to 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 analyse the feasibility of setting up the value chain. In viability, I would analyse if it would make economic sense in the long run and also see for any risks.

To do this, I would look at the current demand for the HBS course and would use that to estimate the demand for the new campus. As far as I know, I believe 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 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.

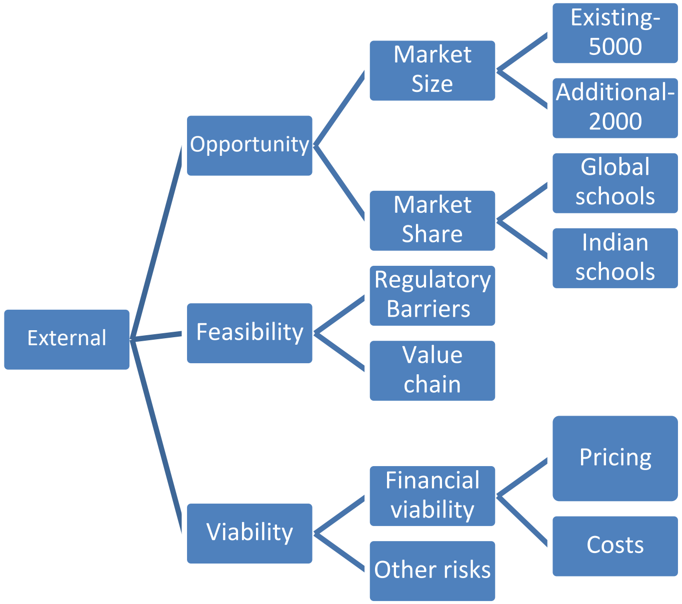
Market Entry- HBS Satellite Campus

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.

Observations/Tips/Suggestions
The interview was designed to judge how quickly could the candidate move through layers of this case and structure the problem. The case required taking some assumptions and quick thinking. It is best to not lose sight of the structure in quest for creativity and that is what the candidate achieved in this case.

New Market Entry - Insurance company - Interview Transcript

Written problem statement handed to interviewee

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 would own a house, whereas for a middle-class person, buying a house is a dream. So there would 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 first couple of months. Initially, we can go ahead with the existing agents then over the period we would 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 either the people don't know or trust these products. So, we need to educate them about the importance of getting their home insured. We will 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 taking into account their acquisition cost and the revenue earned per customer over their lifetime. This will give an indication to CEO if this is segment is worth entering.

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

I think we can stop here. Thanks a lot for your time. I liked the way you approached the case.

New Market Entry - Insurance company

Consult IIM Ahmedabad

A foreign insurance company has observed very low penetration of home insurance in the Indian market. It already has its presence in the health insurance and life insurance segment in the Indian market. It is planning to enter the home insurance category. You have to build a go to market strategy for the client.

Interviewee Notes

- Understand the vision/objective of entering the new market
- Determine Target Segment; based on this try to determine how to plan for a successful product offering using the 4 P's of marketing: Price, Product, Promotion, and Place
- Analyse how to use current strengths (industry presence)/resources (sales people) to expand into the new market
- Identify potential problems/barriers that company may face while entry

Case Facts

•Client is a foreign insurance company, and is already present in the health and life insurance segment in the Indian market
•Low penetration in the home insurance segment

Approach/ Framework

New Market Entry	Customer – New Market	Product	Company	Industry	Entering Strategy	
Visions	Segments	Customer Expectation	Product Offerings	Competitors & Share	If yes, how?	No
Goals	Needs	Available Products	Resources – Technology, Capital & Labor	SWOT Analysis	Start from Scratch	
Objectives	Profiling	Identify gaps of above 2	Our Strengths & Strategic Assets	Barriers to Entry/Exit	Joint Venture	
	Size & Growth		Market Share	Our Estimate of Market Share	Acquisition	
	Target Markets Share					

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
- The real-estate industry is projected to grow; also the home products cover both new and existing houses, thus making the Urban Middle and High-income group as the preferred target segment
- Training their sales people & customers, developing a specialized sales team & collaborating with builders & banks is essential to the successful rollout of home-insurance

Interview Summary

- The interviewer was happy with the overall analysis.
- The candidate could've dwelled a bit more into the implementation which would have added more value to his arguments.

Your client is a major magazine publisher based in the US. It is considering the idea of launching a new lifestyle magazine targeted to wealthy males. Diagnose and recommend if he should go ahead with this idea.

I would like to ask a few clarifying questions before I begin. I want to understand a few things about the publisher. What is his current product portfolio and how successful are they in the market?

The publisher has two other magazines- one on personal finance and the other on women empowerment. Both the products are the leaders in their categories.

In that case, what is the objective of launching a new product from scratch? Why doesn't the publisher simple want to work on growing the existing portfolio itself?

The market for those two products has saturated by now. There isn't much scope for further expansion.

Okay. And what are the target figures for this magazine in terms of volume and profit?

The publisher hopes to increase his bottom line by $10 Million through this new launch over a reasonable period.

I would like to know a little about the competition as well to gauge how difficult it would be to capture the market.

Through a survey we found out that we would be able to capture 5% of the target population, if we launch the magazine at this time.

Okay. I think I have enough information. Can I go on and do a market sizing for this launch?

Sure.

For the market sizing, can I know the price at which this magazine is going to be sold? And if there are different channels or models that the company employs?

The company offers a subscription model for $3 per copy for a year and sells copies for $5 through retail shops. You can assume a 50-50 split between these two.

Okay. I would first divide the total male population of the US into different age groups and look at the likely percentage of people who would be willing and able to buy our magazine, within each age group. I would further multiply this by 5%, since through our survey we know this is what we'll be able to capture. Lastly, I would multiply this figure with the frequency of purchase to get the total number of copies sold. 50% of these would be sold at $3 and the rest at $4. Multiplying these prices in 50-50 weights will give me the final revenue figure.

That sounds good to me. Do you have any other things you would want the publisher to keep in mind?

There are three major issues that need to be kept in mind:

1) Given this revenues and our costs, we should check if our profits are touching the $10 Million target.
2) There's a chance that this magazine might cannibalise the sales of our personal finance magazine. If that is the case, this launch may not be a very good idea since we wouldn't want to dilute an existing high performer.
3) It would be important to identify if any synergies can be utilised while producing this magazine with the existing portfolio. These economies of scope can go on to reduce costs significantly

Thank you, that would be all.

New Market Entry – US Magazine publisher

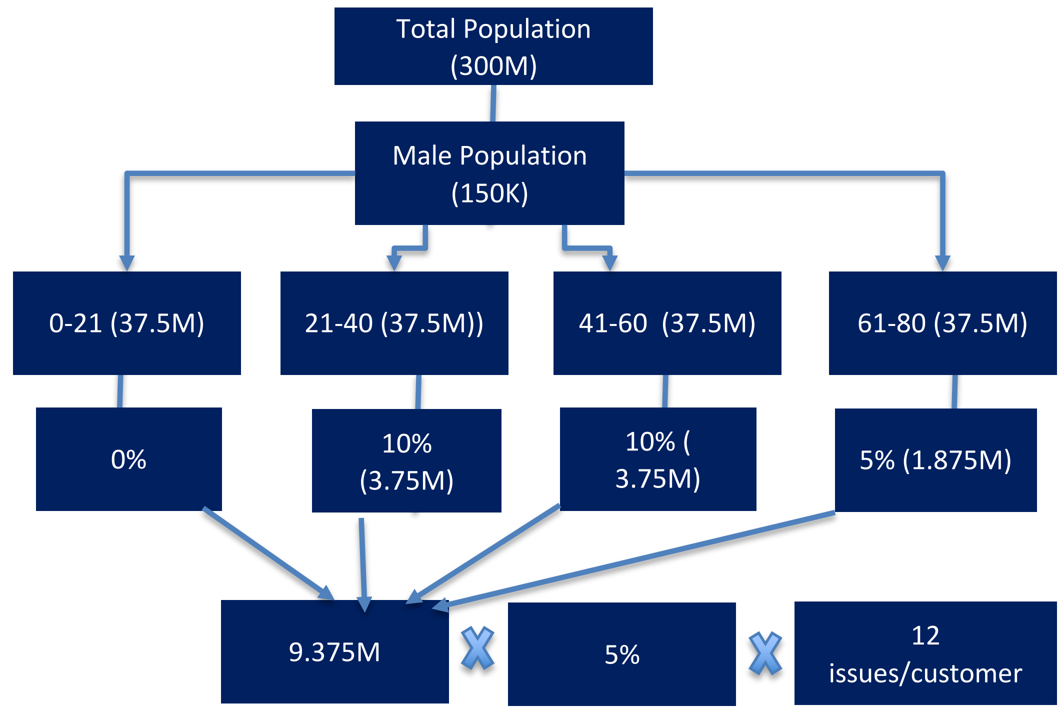
A magazine publisher wants to know if he should launch a new lifestyle magazine targeted to wealthy males in the U.S.

Interviewee Notes

- Assume a population of 300 Million
- Assume 50% males in the population
- Assume equal spread across different age categories

Case Facts

- Will capture 5% of the market
- Wants $10 Million profit
- 50% sold at $3 per copy, 50% at $5 per copy



Recommendations

- *It is very important to understand the goals and motivations of a client in doing something or in this case, launching a new product.*
- *The strength of your solution lies to a large part to the insights you can show through your recommendations.*

Interview Summary

This case is for pricing of a magazine publisher considering the launch of a new magazine in order to expand its present product portfolio. The case was solved through a guesstimate-styled market sizing after a thorough understanding of the client's business.

New Market Entry – Electric Bus Market - Interview Transcript

Consult IIM Ahmedabad

The client is an international manufacturer of Electric Buses and has a substantial presence in the European market. The client is impressed by the initiatives taken by the Government of India (GoI) to promote the usage of Electric Vehicles (EVs). You have been hired to find out if the client should introduce these buses in India.

I would like to confirm if I have understood all the critical aspects of the client's situation. Our client is an electric bus manufacturer who has a substantial presence in other markets, so I am assuming that their buses are beyond the technical feasibility stage and are complaint with the stringent European environment laws. We need to see if this product can be feasibly launched in India and evaluate the market characteristics to analyze if this would be a good move.

That's correct. The client does not face any regulatory barriers to entry in India. You've understood the situation well, how do you propose going about the solution?

Since this is a new product in a new market, I would like to structure my discussion around the product characteristics (development and customization) for the Indian market. If the introduction of the product is feasible, I'll move on to the launch (competition, challenges, distribution and promotion) part of the case.

This sounds fine to me.

To start with, can you tell me something more about these electric buses? How are they different from traditional fuel-based buses?

There are quite a lot of differences between these buses, but to help you out, I'll point out a few major ones – the major difference is that these buses produce less than 90% greenhouse gases as compared to traditional buses. These buses also run on electric batteries, which means that these buses can run 150-200kms on one charge.

That is good. It gives us the advantage to position our product as an environmentally-friendly alternative that can be used for an extended period of time. 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, and private/public bus-operators won't accept a more costly option until they don't have a similar incentive.

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. Its 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, in the near future, once the government policies become more supportive and the market conditions change to favour EVs, the company may reconsider its position on entering the market

Very good. Thank you.

New Market Entry – Electric Bus Market

The client is an international manufacturer of Electric Buses and has a substantial presence in the European market. The client is impressed by the initiatives taken by the Government of India (GoI) to promote the usage of Electric Vehicles (EVs). You have been hired to find out if the client should introduce these buses in India.

Interviewee Notes

- **Customers** – Target customers may be receptive of the Electric buses due to financial incentives promised by government
- **Competitors** – There are no other direct competitors – first mover advantage but that means proper infrastructure to support these buses is also missing
- **Industry** – Lowest prices of oil in over a decade; tenders often offered to lowest-bidders in public/transport industry

Case Facts

•Client is a manufacturer of Electric Buses and has a substantial presence in Europe – product is beyond technical feasibility stage
•These buses produce less than 90% greenhouse gases as compared to traditional buses
•Buses run 150-200km on one charge
•Client is currently selling buses at approx. 1.6 times the price of fuel-based buses

Approach/ Framework

New Market Entry
- Visions
- Goals
- Objectives

Customer – New Market
- Segments
- Needs
- Profiling
- Size & Growth
- Target Markets Share

Product
- Customer Expectation
- Available Products
- Identify gaps of above 2

Company
- Product Offerings
- Resources – Technology, Capital & Labor
- Our Strengths & Strategic Assets
- Market Share

Industry
- Competitors & Share
- SWOT Analysis
- Barriers to Entry/Exit
- Our Estimate of Market Share

Entering Strategy
- If yes, how?
  - Start from Scratch
  - Joint Venture
  - Acquisition
- No

Strengths	Weaknesses	Opportunities	Threats
Technical Expertise / First mover advantage	Lack of charging infrastructure	Large population using public transport	Other Foreign/ Domestic Players
Saving on Fossil Fuel costs / pollution	High Price of Electric Buses	Increased Urbanization and Acceptance of EV/Buses	Growth of other Public Transport solutions
Government Policies	Short-Medium distance use only	BRTS Infrastructure	Global Crude Prices – all time low

Recommendations

- The client should not enter the Electric Bus market
- While the government has introduced various incentives to promote these vehicles, the current business environment and market conditions don't support entering into India
- In the near future, once the government policies become more supportive and the market conditions change to favour EVs, the company may reconsider its position on entering the market

Interview Summary

- This is a strategy case where some knowledge of the public transport system in cities would've helped

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 the North is transferable to the 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 competitor's 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 key way 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 – Discount retailer

The Leading discount grocery retailer in West India is facing the threat of a new entrant

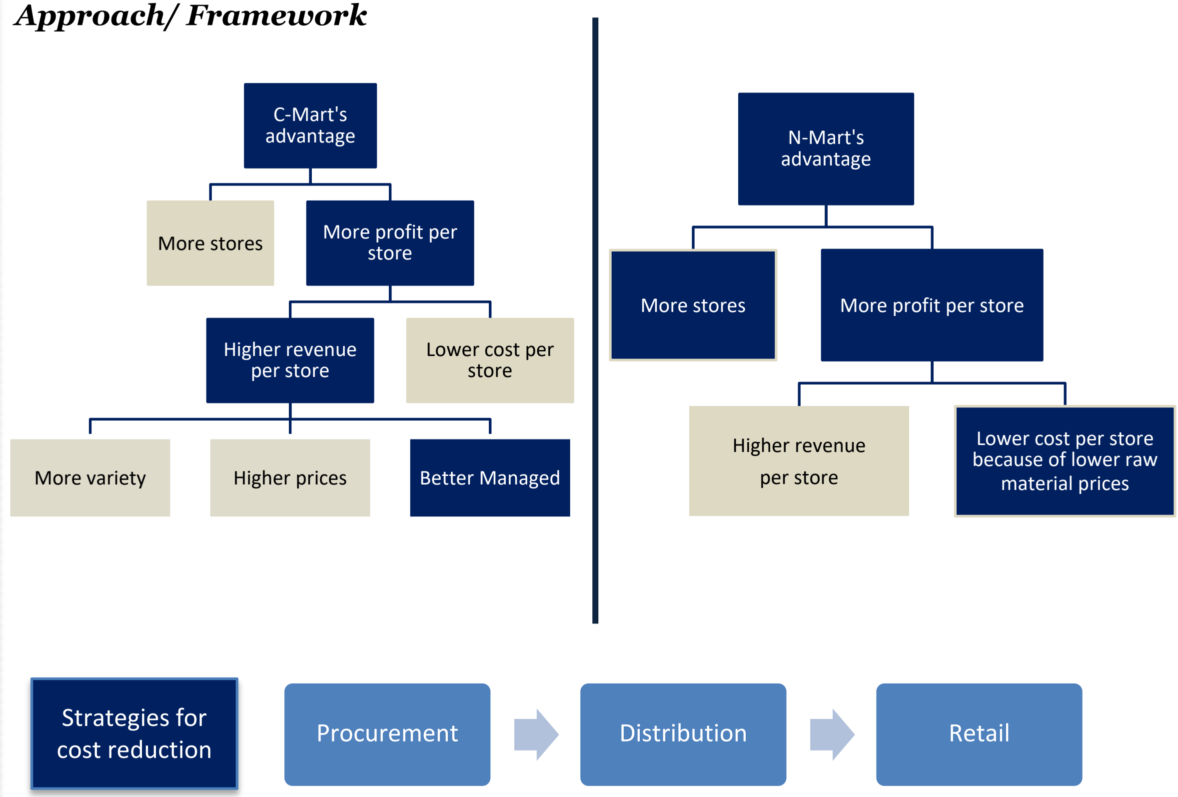
Interviewee Notes

- 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

Interview Summary

- The interviewer was happy with the overall analysis.

The Director, Sales of a FMCG firm wants to improve their channel management strategy. He wants you to provide suggestions.

Before analyzing the problem statement, I would like to understand our client better and familiarize myself with the context a little more. Where are we based and how big is our client vis-à-vis the market?

The company has global operations but for this case, we are dealing with India only. Our presence is across India and we are one of the top 3 FMCG firms in the country in terms of market share.

Understood. I want to better understand the motivation of the Director. Is the improvement sought due to some recent issues in the channel management internal to the firm or is it a response to the external environment? Also, when we say improvement, how are we measuring it?

So measurement is by channel partner satisfaction. Can you clarify what you mean by the external environment?

Sure. So what I meant was that there might have been either a recently introduced change by a competitor that we also want to imitate or there could be non-competitor environments which affects every player like channel characteristics changes in terms of their size, preferences and demands

Got it. So basically, nothing much has changed internally or externally. The Director wants to just check the possibility of improvement.

Thanks for the information. I would now like to look at the channels and ask you more questions along the need if need be.
I want to divide the channels into General Trade (your small kirana shops), Modern Trade (the marts) and e-commerce. Is there a particular channel that you want me to look at first?

Yes. Look at General Trade. Before that though, can you tell me factors you will consider to pick a channel for improvement?

Sure. So I will do a potential-possibility analysis here. The first go-to channel will be one high on potential for savings and improvements and one where it is the easiest to effect such improvement. These are in turn a function of the channel characteristics, our engagement strategy, our revenues from them, etc.`

Sounds good. How will proceed?

Sure. I would like to take a minute here to gather my thoughts.
(After a pause)
So focusing on General Trade, I would like to analyze this through the lens of benefits-engagement possibilities. We should typically strive to be in a high engagement and high benefit category for the distributor.
Benefits can be broken down into monetary benefits like margins offered and non-monetary benefits could be further broken down into operational benefits or non-operational benefits. The former is the level of help that we can offer our distributor in their own operations like sharing of best practices in terms of MIS, Inventory management, fire safety etc. The latter are things like loyalty points or other incentive schemes.
Engagement would look at quality and quantity of engagement. Quantity depends on number of visits an Area Sales Manager might make and the amount of time spent on per engagement. The quality aspect would refer to the channel of engagement and behavior of the sales manager. We can look at more factors if need be.

This looks good. How will you prioritize between these possibilities?

There could be a couple of things. The best would you to simply ask the distributors what their pain points are and try to match that gulf. Second could be looking at best practices globally and see what we can deliver given our resources.

Sounds practical. If you had to quickly recommend one thing, what will it be?

Focus on the non-monetary operation benefits as they create a clear win-win situation.

That is what the Director is also keen on. It was great interacting with you. Best of luck.

Thank you. It was great interacting with you as well.

The Director, Sales of a FMCG firm wants to improve their channel management strategy. He wants you to provide suggestions.

Interviewee Notes

- Channel partner satisfaction
- Types of channels
- General Trade focus
- Making matrix

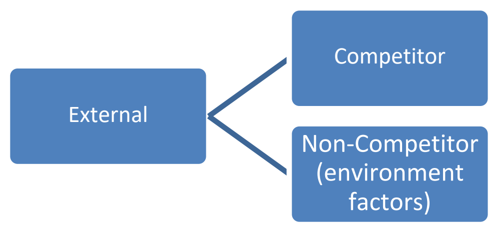
Case Facts

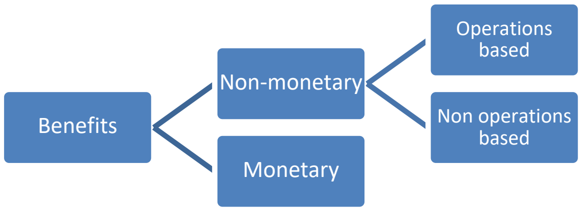
- India based FMCG
- Leading player (1/3)

Approach/ Framework

Channel selection	Potential	
Possibility	(H,H)- Desired state	(H,L)
	(L,H)	(L,L)

Channel Improvement	Engagement	
Benefit delivered	(H,H)- Desired state	(H,L)
	(L,H)	(L,L)





Recommendations

- Understand and deliver the unmet needs of the distributors.
- Understand and implement global best practices.
- In absence of data, focus on non-monetary operations benefits.

Interview Summary

- The case was well structured and the preliminary questions clarified the key issues in the case. It is usually important (and useful) to ask about the context of the problem and the company..
- The interviewee requested for time to structure the problem and then delivered an exhaustive structure. That was well done.
- Towards the end, the interviewee tied his answer (of asking the distributor directly) to the initial given data that metric was distributor satisfaction.

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 products 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 a due diligence to acquire a company or in the latter case, we will more strategies. We can look at increasing 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 of 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.

Sounds reasonable. How do you suggest the client expand his business 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 on the basis of this, we have decided to pick China as our new market. What possible bottlenecks do you foresee?

I will build on the same analysis I just did-

1) No problem
2) Under question because mid priced jeans might be expensive in China
3) Getting licenses might be difficult
4) Presence of low cost competitors

On the basis of this, I am not very confident about China’s potential.

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

Thank you. It would a pleasure interacting with you.

Best of luck

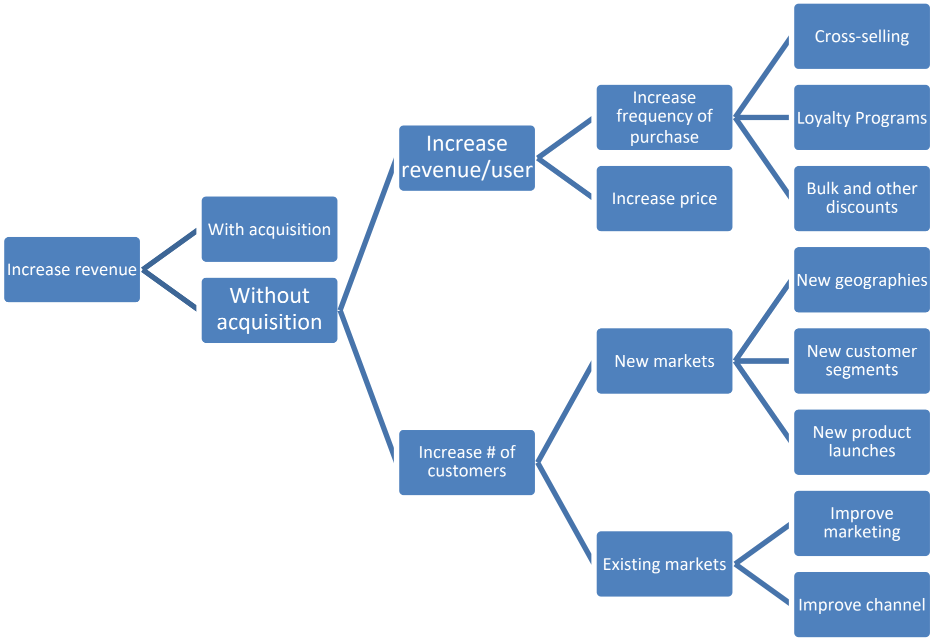
Growth Strategy– Apparel Manufacturer

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



Recommendations
- The client should not expand In China and look at alternative location based on parameters developed.

Interview Summary and Tips
- The case was quite simple, straightforward and open-ended.
- The interviewer was happy with the overall detailed analysis.
- The interviewee displayed consistency in analysis and the structure was fairly exhaustive.
- Proactively could have done market sizing and market share calculations for China to back up the recommendation.

The client is an ice-cream pushcart vendor in Ahmedabad. He believes that, due to due to the scorching summers, there is tremendous potential in the ice-cream market. He now wants to expand his business. Suggest a growth strategy for him.

I would like to confirm if I have understood all the critical aspects of the client's situation. I am assuming that our client, the pushcart vendor, can only cover a small area at present but would like to cover a larger area and attract more customers.

Your assumption is correct.

Okay, I would like to understand how does his expansion affect his inventory. Could you confirm if he manufactures his own ice-cream or is it sourced from a distributor.

The client sells Vadilal ice-cream, and sources it from a distributor.

That helps. The availability of ice-cream wont be an important factor for the expansion. Next, I would like to understand the competitive landscape in this industry.

There aren't many ice-cream vendors in Ahmedabad. However, there are quite a few corner shops and supermarkets that sell ice-cream.

That helps. One of the major strengths of our client, against its competitors, is his ability to move around and distribute the product. However, I believe that due to the nature of the inventory (ice-creams), combined with hot weather may lead to more pilferage.

You can assume that the pilferage due to pushcarts is not significant as compared to total sales.

In that case, the client can increase his sales in two ways – either by increasing the revenue per user or increasing the number of customers. I think the first option can be achieved by adding additional costs/charges to the original price, however for an inelastic commodity like ice-cream, this may not be feasible as people would just go to corner stores if they believe that they can get a better price. Also, ice-creams are an undifferentiated product and the price is set by the manufacturer (Vadilal in this case) and thus high-margins may not be possible. Therefore, the first option of increasing the revenue per user has quite limited scope.

Moving to the second option of increasing the number of customers – this can be done either by entering different regions of Ahmedabad, or by increasing sales in the current area. May I ask how much growth is the client aiming for? Does he have the capital to expand into other areas?

You may assume that client has limited capital which allows him to expand to other areas.

In that case, expanding to other regions is a better idea since it provides access to more customers.

Sounds reasonable. How do you suggest the client expand his business to other regions?

There are two ways in which the client can expand to other regions – either by introducing more pushcarts or by opening a chain of ice-cream parlors across different areas.

Ok, what option do you think is more feasible?

Since the client is a small vendor who has experience with pushcarts, I think he should go with the former option of introducing more pushcarts in other areas – this option would instantly give him access to a huge new customer base. This option is also less-capital intensive as compared to the other option of opening ice-cream parlors, and requires considerable less investment into fixed-assets.

Introducing new pushcarts into different regions sounds like a reasonable option. Can you quickly help me understand how would you determine how many new pushcarts would need to be introduced? (becomes a mini-guesstimate now)

(Interviewee calculates table similar to one on next page) I would segment the entire area of Ahmedabad based on a rough estimation of income. Depending on this, I would introduce pushcarts in different areas/sectors/colonies. More pushcarts would be introduced in effluent areas, or areas with a targeted customer base – such as near schools. (After discussing the numbers) The client can introduce 850 pushcarts in total across Ahmedabad.

After deciding on the possible number of pushcarts that can be introduced, I would additionally analyze the expenses involved in running one pushcart and match this against the total capital that the client is willing to invest after discounting for working capital requirements.

I think the analysis is sufficiently thorough. We can stop here. Thank you.

Growth Strategy– Ice Cream Vendor

The client is an ice-cream pushcart vendor in Ahmedabad. He believes that, due to due to the scorching summers, there is tremendous potential in the ice-cream market. He now wants to expand his business. Suggest a growth strategy for him.

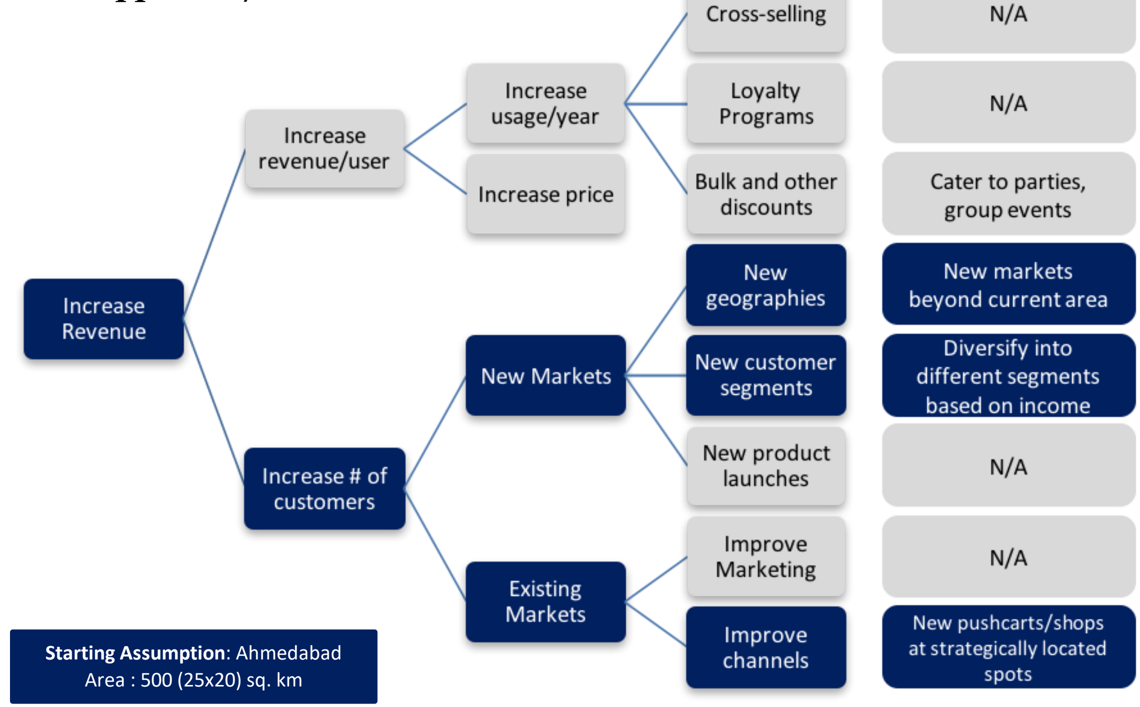
Interviewee Notes

- Expand in Ahmedabad
- Differentiating factor: client can move around and sell ice-cream as opposed to competitors
- Pilferage due to ice-cream spoilage can be ignored
- Client can expand either by increasing the revenue per user or increasing the number of customers – choose latter
- Client can expand to other regions – either by introducing more pushcarts or by opening a chain of ice-cream parlours across different areas.

Case Facts

- Client is an ice-cream pushcart vendor in Ahmedabad, and want to expand his business
- Client doesn't manufacture his own ice-cream; sources Vadilal ice-cream from a distributor
- There are quite a few corner shops and supermarkets that sell ice-cream

Approach/ Framework



Recommendations

- The client should expand by introducing more pushcarts in different areas of Ahmedabad
- The client can budget for the expansion by analyzing number of pushcarts required in different areas
- Different areas can be segregated according to their average income/household and pushcart allocation may be decided accordingly.

Interview Summary and Tips

- The case was quite simple, straightforward and open-ended.
- The interviewer was happy with the overall detailed analysis.
- The candidate could've guesstimated numbers differently; some assumptions can be challenged logically – high income earners may not buy from pushcarts – no point of introducing more pushcarts The candidate could've dwelled a bit more into the implementation which would have added more value to his arguments.

Income	Low Income	Medium Income	High Income
Percentage Area	60%	30%	10%
Pushcarts / required (1 x 1 sq. km)	1	2	5
Number of Pushcarts (region-wise)	300	300	250
Total Pushcarts	850		

Your client is a pharmaceutical company in India. How would you increase their sales?

Could you please tell me what the business model and product portfolio of our client are?

What can be the type of products?

They can be producing either generic medicines, medicinal products under their brand name or medicinal concentrate for other companies

Let's say the client manufactures both generic and branded cardiovascular and diabetes medicines.How would you proceed with the case?.

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.

Ok, that sounds like a good structure. Let's start with the options related to the existing business.

To evaluate whether a price increase is possible I would need information about the price sensitivity of the firm's customers. Do you have information regarding this?

Yes, since the firm operates in India, a developing country, the customer are price sensitivity.

Based on this I conclude that a price increase is not feasible. Let me discuss the options to increase volume. To analyse the options thoroughly I would require information about the customers or products.

Sure, the pharma company serves two types of customers which are large and small customers. The large customers are hospitals and pharmacy chains while the small customers are small pharmacies

Thank you for the information. Do we also have info about the profitability, growth and competitive landscape for the 2 type of products?

I don't have information about the competitive landscape, but I can tell you that the large customers have a higher profitability and higher growth than the smaller customers

Ok, the focus of our growth strategy should thus be on the large customers, as they represent a more attractive segment. To increase sales I propose to create a dedicated sales force for large players. The customer oriented sales structure should result in an improved customer relations and tailored offerings for customer needs. Moreover, the firm should invest in training of the sales force

Now let's move on to the options related to exploring new business

So within new business we can either acquire another pharma company, we could enter a new market or we could introduce a new product. To analyse the first option, I would like to know whether the company has the financial resources to acquire another firm?

Those are fair suggestion. Coming to your question, the company does not have the capital to acquire another firm and M&A is hence not an option

Ok, let me explore the other options. One thing the company can do is introducing new medicines for other diseases. To determine whether this is an attractive option, I need to know whether the firm is currently considering to introduce a certain new medicine, and if they are how the competitive landscape looks like, whether the industry is growing and whether it concerns a profitable segment?

The only information I have is that competition is fierce for other pharmaceutical products in India.

This leaves us with the option to enter a new geographical market. Is the company currently considering certain markets and how is the size of the market, the growth, the level op the competition and the enforcement of IP laws in the respective countries?

The company is analyzing 3 options, Brazil, Russia and Poland. Brazil is the largest markets with 28bln and also is a fast growing market. Additionally the level of competition is low and there is medium protection of IP laws. Russia, is the second largest market with 15 bn, but experiences slow growth. Moreover, the Russian market is relatively fragment and there is good enforcement of IP laws. The last option is Poland, which is a market of 7bln but with high growth. The competition is fierce in this market and there is good IP protection

That information is very helpful. Taking this into account I would suggest the Pharma company to expand to Brazil, due to the large market, the high growth and the low level of competition.

Great suggestion. Overall what would you suggest the company to do?

The case highlights that there are 2 viable options to boost sales. On the one hand the company could expand globally by entering the Brazilian market with existing product. On the other hand the company can increase volume sold to large clients. To increase sales I propose to create a dedicated sales force for large players. The customer oriented sales structure should result in an improved customer relations and tailored offerings for customer needs. Moreover, the firm should invest in training of the sales force

Thank you for your time. It was nice interacting with you

Growth Strategy - Pharma company

Consult IIM Ahmedabad

You have been approached by the CEO of a pharmaceutical company in India. He is looking to grow the sales of the company. How would you go about increasing the firm's topline?

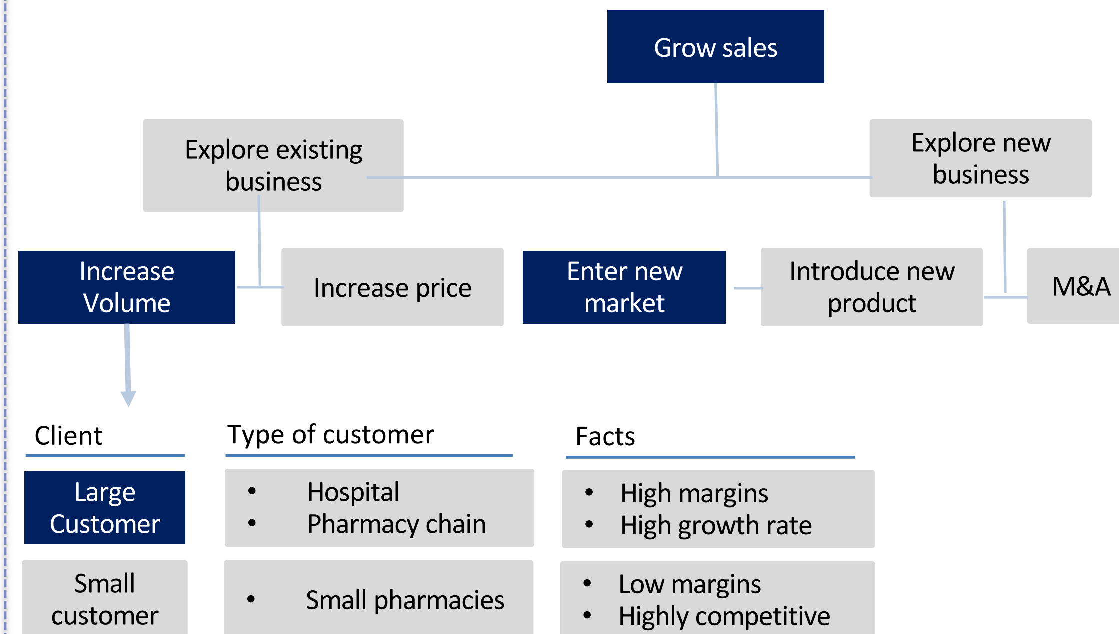
Interviewee Notes

- Pharmaceutical player operating in India
- The client serves different customer segments
- Client manufacturers both generic and branded cardiovascular and diabetes medicines
- The firms global presence is limited to India

Case Facts

- Customers are price sensitive
- The company has insufficient capital for M&A transactions
- Competition is fierce for other pharmaceutical products in India
- There are 3 possible foreign markets the company considers
  - *Brazil*: size 28 bn, high growth, low competition and medium protection of IP laws
  - *Russia*: Size 15 bn, slow growth, good enforcement of IP laws, relatively fragmented
  - *Poland*: Size 7 bn, fierce competition, good IP protection, high growth
- There are 2 type of customers
  - a) Large customers
  - b) Small customers

Approach/ Framework



Recommendations

- The case highlights that there are 2 viable options to boost sales
  1. Expanding global footprint by entering the Brazil market with existing products
  2. Improve sales by expanding volume sold to large clients. To increase sales I propose to create a dedicated sales force for large players. The customer oriented sales structure should result in an improved customer relations and tailored offerings for customer needs. Moreover, the firm should invest in training of the sales force

Interview Summary

is a strategy case where interviewee should quickly eliminate options with limited growth opportunities and use creativity to come up with at least one suggestion to increase volume from existing business

Observations/Tips/Suggestions

- Use the 4C framework to obtain information that will support the analysis of the different revenue options
- Segment current volume into type of customers to derive different options to enhance sales

Growth Strategy - Video on demand Service - Interview Transcript

Your client is a video on demand service provider. How would you increase revenue for the client?

I would like to ask a few clarifying questions before I begin to analyse the case. I would want to understand the client's business. What kind of channels does the company run?

The company broadcasts TV series in both English and Hindi channels. As of now, it only focusses on TV series.

Alright! Also, I would like to know how many competitors do we have and are they facing similar problems?

We do have 2 major competitors but unfortunately none of them are facing this kind of a problem. First, you can go ahead and work out the revenues for our client and we may come to competitor analysis later.

Ok. So I believe that the revenues of our client would depend on the number of customers, number of zones the channel is operated, the time spent per customer and the price of the subscription.

Now let us focus on the time spent per customer. It has gone down significantly.

I would list down a few reasons why the time spent per customer would go down. But before going there, I would break my customers into subscribed customers and non subscribed customers and try to understand time spent of which customer segment has gone down.

The time spent for both the segments have taken a hit.

Okay. So I understand that the time spent would be a function of (a) Internet availability (b) Content (as compared to competitors) (c) User Interface and accessibility (d) Age and demographics pattern.

Sure. So recently our competitor have moved into the sports sector as well. And market study tells that our user interface is not favoured by the clients

Ok. That sounds interesting. So, I believe, since our competitor has moved into the sports segment, our client has faced decrease in customers. Also, since the user interface is not favoured, most of the customers are going out from our channel thus decreasing the time spent per customer.

Okay. What are the factors that you should consider in the UI?

I believe the user interface would comprise of mostly the basic design and the payment gateway. Is there any issue with any one of them in particular.

Yes, the payment gateway has caused problems for the last few months.

Okay. That is the main reason why the number of un subscribed customers are not able to subscribe to our service.

Can you now go ahead with a few recommendations?

So, I would recommend the client to do the following things

1. Diversify into other genres
2. Diversify into other regional languages apart from English & Hindi
3. Set up an effective payment gateway system and enhance the user interface
4. Improvise the content of the shows
5. Set up a recommendation system as well

Growth Strategy - Video on demand Service

Increasing the revenues for a video on demand service provider

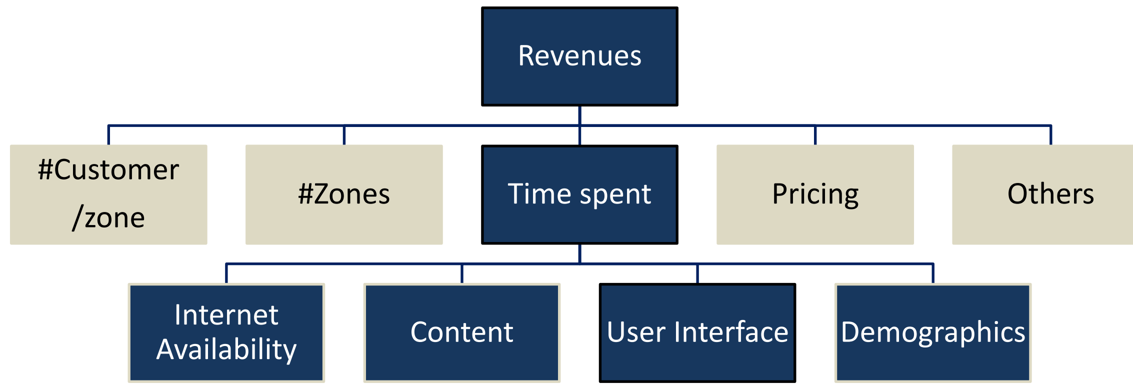
Interviewee Notes

- Client is a video on demand service provider which broadcasts TV series in both Hindi and English

Case Facts

- Both Hindi & English
- Focusses on TV series
- Client specific problem
- 2 major competitors

Approach/ Framework



Framework Summary

Broke down revenue into the various segments to try and understand the revenue drivers. Figured out that the problem lay in the time spent per customer. Broke it down further and identified the major issues why a customer would not spent much time in the app.

Questions

1. Competitive market analysis of the sector
2. What type of channels does the company have? How many mediums?

Key Recommendations

- Diversify into other genres
- Diversify into other regional languages apart from English & Hindi
- Set up an effective payment gateway system and enhance the user interface
- Improvise the content of the shows

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, in order 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 would 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 in order 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 is in contrast to taking a cab would cost around Rs 800 thus they are paying 10 times the amount. In order 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 actually 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

Pricing –Heliair service

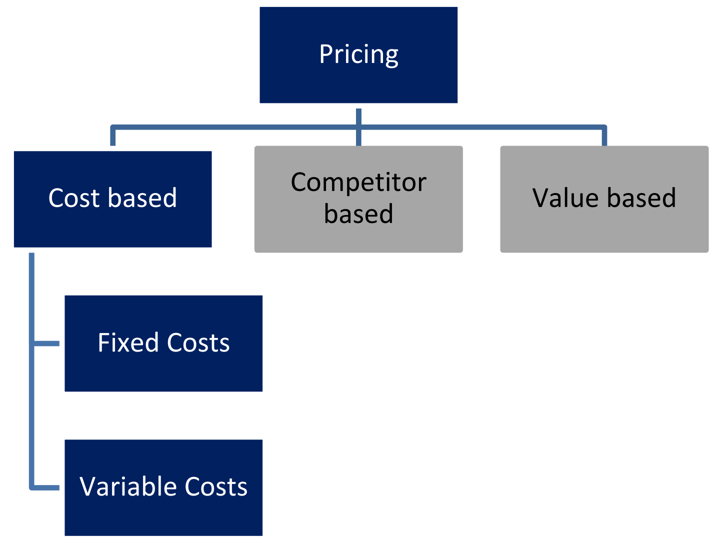
Your client is a Heli air service provider. How would you price this service? Is it a viable business?

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



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

Interview Summary

This case is for pricing of a heliair service.. The student should detail three ways of pricing. Cost based pricing became a very important factor in this problem since the amount of price needed to be charged in order to break even is very high and makes the business unviable

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. There are just a few offices coming up near by, but largely we are the only major housing option in that region.

What are the number of apartments and buildings in the complex?

There are 10 buildings with 100 apartments each.

So 1000 apartments. Okay, and 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 will 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

Our price would be such that the profits generated give a 0 NPV when discounted with our desired growth rate. Since the number of flats occupied will increase gradually, for each year, we will essentially take: number of flats occupied * price/sq. feet * 2000 sq. feet.

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.

One to go now. What about value based costing? What questions would you want to ask their?

Was their a particular reason why these outskirts were chosen for the project? Was the builder expecting any infrastructural facilities or any kind of positive externalities from this area?

Well yes, a metro project has been announced by the State Government, which would make it very convenient for residents to travel to the main city.

Well then that can 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. 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. But can you compute how much premium we can add because of the proximity to the metro stations?

I guess I can compute the monetary and non-monetary costs saved by a resident due to the availability of the metro lines, multiply it by the % of people that will actually avail this benefit and then divide this total figure over all the occupied apartments to get the premium per apartment.

Pricing – Residential Complex in Kolkata

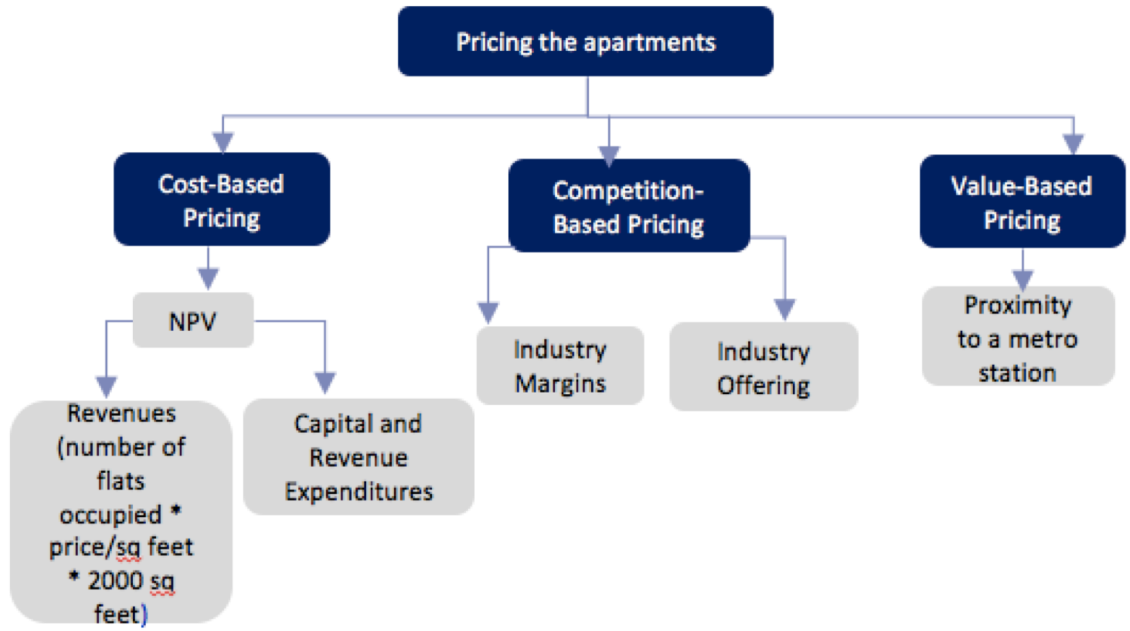
A builder has approached you to know the price at which he should sell the apartments in his newly developed housing complex in Kolkata

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*

Interview Summary

This case is for pricing of an apartment in the outskirts of Kolkata.. The student should detail three ways of costing and use formulae and rationale to identify the different factors that will break down those three heads and integrate them to come up with a single conceptual figure

Your client is a commodity chemicals manufacturer. It is facing declining market share. Figure out why,

I would like to ask a few clarifying questions before I begin to analyse the case. I would want to understand the client's business. Where does it lie in the value chain? Is the industry facing similar problems?

The client manufactures and sells commodity chemicals. The industry as a whole is not facing similar issues.

So, it is a company specific problem where our client is losing market share. I will now list down the reasons for decline in market share.

Sure. List down the reasons why you think there would be decline in market share.

The decline in market share is due to two reasons – (i) Drop in actual sales (ii) Less growth rate of company as compared to industry. Has the actual sales dropped?

No, the actual sales have not dropped. However the company is not growing at the same rate as that of industry.

So, I understand that the company is growing less as compared to the industry which had led to decline in market share. So let us focus on the reasons why there can be less growth of company as compared to industry.

Yes, sure. Go ahead.

Okay. So, I will now further segment low growth rate of company into two major heads: (i) Supply and (ii) Demand.
On the supply side, I would look into parameters like production capacity, accessibility and Product Mix. On the demand side, I would look into price, competitors and product quality. I would first analyse the supply side and then go to the demand side.

What do you think can be issues on the accessibility scenario?

In terms of availability, the products may not be reaching the customers or may not be accessible due to certain constraints. Is the client facing any issues like that?

Yes, so the factories are located quite far off from the client's major customer locations. What problems can this lead to?

Since the factories are located far off, then there would be a large transportation cost associated with the transfer of goods. Apart from that, the products while shipping may get damaged, which would lead to bad reputation of the client among the customers.

It is exactly so. The products are being damaged while shipping.

Okay. Now, I will move on to the production capacity aspect. At how much capacity is the client working as of now? What about the product mix?

The client is working at 100% capacity. The product mix is not an issue.

So, I would now move on to the demand side and figure out the issues there.

Okay. Based on the analysis as of now, why don't you comprehend the case and recommend solutions?

So the client has faced declining market share because the firm has grown less as compared to the industry. The growth has not been that great because of certain key factors. Those are:

1. Production capacity being fully utilised
2. Factories and warehouses being located far away from customer base

Now go ahead with the recommendations

The client could shift the warehouses to locations which are close to the customer base. This would lead to less damages of products as it would not be required to ship them over large distances.
Additionally, the client could go into long term contracts with the customers which would lock in the sales volume. Also, the client should look into increasing production capacity.

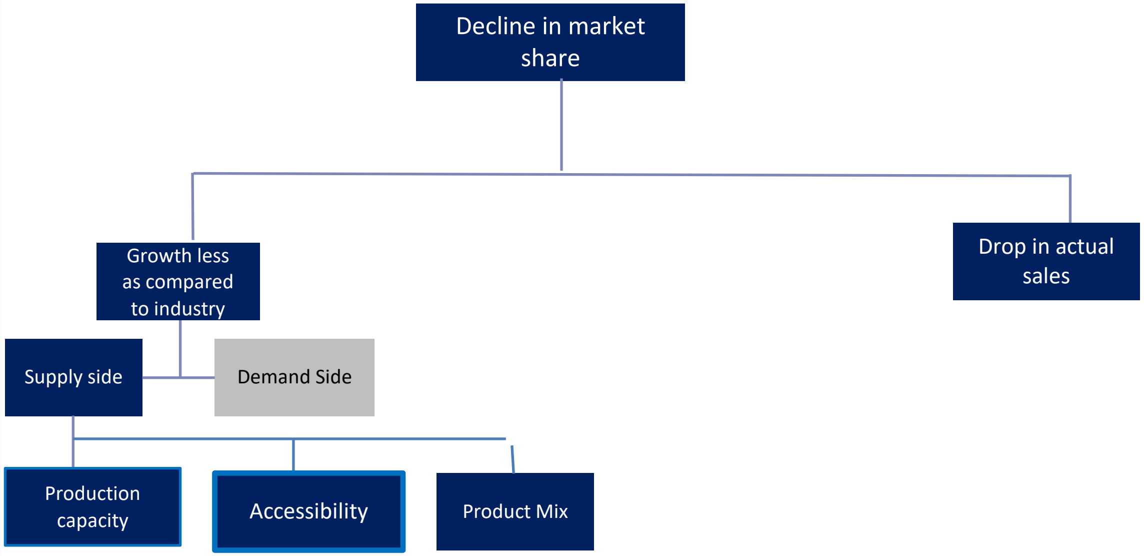
Declining market share- Commodity Chemicals

To analyze the declining market share for a financial services provider

Interviewee Notes
- Client currently dealing in commodity chemicals
- Focus on production capacity
- Focus on accessibility

Case Facts
- Market share declining;
- Company specific problem
- Company growing at a rate which is less than the market
- Production facilities are running at 100% capacity

Approach/ Framework



Recommendations
- Shift warehouses to locations which are close to the customer base
- Go into long term contracts with clients to lock in the sales volume
- Increase production capacity in the factories or look for alternatives to produce more

Interview Summary
The candidate did a good job in figuring out the fundamentals in terms of the factors on which the market share will depend. Identifying that the company was growing at a rate less than the industry. Overall a good performance.

Observations/Tips/Suggestions
The interviewer must have been impressed by the overall logical consistency of the client.

Your client is a PE Firm. It wants to take up a stake in a chain of schools. Diagnose and recommend whether it should go ahead with the acquisition.

I would like to ask a few clarifying questions before I begin. I want to understand the client's business. What is the average portfolio, the expected growth rate and exit time?

The company has a mixed portfolio of different sized investments and is looking for a 30% growth rate on this investment. It wants to make a quick exit in about 4-5 years.

Why is the firm considering a chain of schools for investment?

The firm does not have any investments in the education sector and this investment may help us complement a future investment.

Ok. So finally can I know some details about the schools? Are they private or public? Exactly how many schools are being run as of now and where?

The schools are privately owned. There are 4 schools as of now but we would like you to focus on only on the one in Mumbai.

Okay. Which education board do these schools fall into?

The school follows the IB Board.

Interesting. So that would mean it competes with only about 4-5 other IB Board schools that there are in India and its annual fees would typically be around 10 Lakhs? Can I go ahead with these figures?

Yes, that's fine. How would you value the investment?

I can find the NPV of the profits by guesstimating the revenue and cost figures. Further I can try to come up with an annual growth rate and compare it to our expected growth rate to check feasibility.

That sounds reasonable, though slow down a little bit. Assume the cost to be X. How will you compute the revenue?

Can I know if the school has any other revenue streams apart from the education fees it must be charging the students? Hostel charges maybe?

Assume that the education fees is the only source of revenue.

Revenues will be equal to the total seats x occupancy rate x the fees/ student. The total fees was 7-8L as discussed earlier and the maximum occupancy depends on the size of the school..

Assume the total number of seats is 200. Go on..

I can find the occupancy rate by estimating the demand. The demand would primarily be from urban areas. Proximity is one of the most important factors in computing demand though as one of the very few IB Board schools in the country, I think I should add, say 5% to whatever figure I come up with to account for the students coming in from different states. Taking the square of a radius of 15km x household density of say 100 per square km x pi (pi*r^2*density), we get the number of houses in proximity. On average there will be 2 school going kids in each household so multiply that figure by 2. Out of this figure we can multiply the % of students who would be interested and able to join an IB Board school and the % of students out of those, who would like to join our school in particular.

Okay, that's good. Now, we know that the school gets demand equal to its supply, but it is still not able to cater to this total demand. What do you think could be the reasons for this anomaly?

There may be some regulatory requirements to apportion some seats to the Economically Weaker Sections (EWS) or the school might be reserving seats under a management quota, maybe?

That's fair. We have come up with a way to compute the NPV. Do we need to consider anything else that might be a factor in our total earnings?

Yes! This NPV has to multiplied with the percentage of equity that we are going to buy in.

Assume it would be a 100% acquisition

Well in that case yes, this NPV would be our total earnings.

Can you think of another reason why that may not be true? Think of the education industry broadly

Does the school maintain a trust or a similar fund maybe as a contingency reserve or for philanthropy?

Yes, well done. Conclude the case for me now.

The one last thing that is left is comparing the estimated growth rate of the NPV with our estimated growth rate. The former would basically be our estimates of the school's organic growth and how much we can add to it through inorganic growth. If the sum of these two is not less than 30%, and the NPV of the recurring profits seem adequate, the firm should go ahead with the purchase.

Due Diligence - Chain of Schools

To estimate the number of wizard hats in London

Interviewee Notes

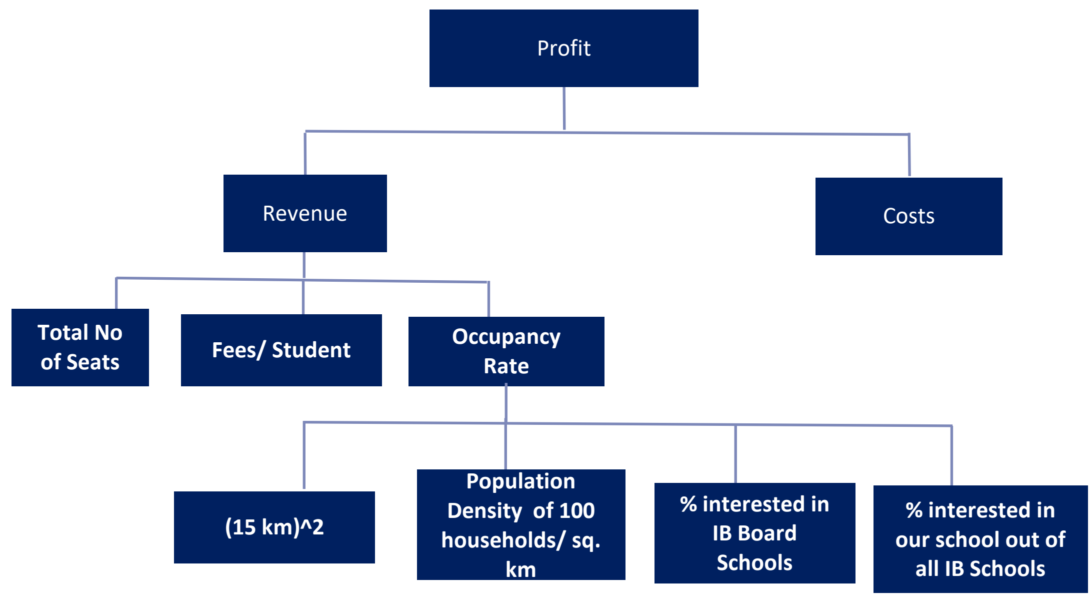
- Check the valuation and feasibility
- Demand would exclusively be from urban areas
- Assume 200 seats, 7-8L fees

Case Facts

- Wants >=30% growth rate
- Will exit in 4-5 years 100% acquisition
- IB Board School in Mumbai

Board School in Mumbai

Approach/ Framework



Recommendations

- *If the computed growth rate is more than or equal to 30% take up the investment.*
- *The purchase price should be less or equal to the computed NPV*

Interview Summary

This is a due diligence case which envelops a guesstimate to find the market share and market-size of an IB Board School in Mumbai. The candidate should estimate revenues from the demand side and determine the various factors that might affect these figures.

Observations/Tips/Suggestions

- *Make sure formulae are elaborately and explicitly laid out in front of the interviewer*
- *Look for cues as to where the interviewer wishes to take the case.*

Your client is an investment fund, they want to invest in PVR. Is this a good investment? What factors would you consider?

I would like to ask a few clarifying questions before I begin. First, I would like to understand the client's investment portfolio and their investment horizon. What sector do they generally invest in and how long are they looking to invest for?

The client has decided that they want to invest in PVR, you can move on to analyse the factors to consider for this investment.

In that case, I would begin by analysing the following:

1. Company analysis: How is PVR currently performing and what is the future growth expected?
2. What are the risks in investment through the increase in competition in this industry?
3. What could be the exit strategy for our client?

Okay, you can go ahead by estimating the current revenues for PVR from the demand and the supply side.

Okay, the demand for PVR tickets with depend on the accessibility of PVR theatres, Affordability of tickets. In terms of the accessibility, PVR is currently present in Tier I and II cities hence our consumer base is limited to this. For affordability, there are different ranges of tickets offered by PVR; the consumers who could afford it would depend on the price of the tickets available.

You can assume that they have a flat price structure.

Assuming that the average ticket at PVR would cost INR 200, I can estimate demand in a month through the price per ticket*potential market*frequency of visits. The potential market would be about 40% of the population of Delhi (18.6 million) i.e. the high income & middle income. In order to estimate the frequency of visits I could split the customers into three groups; 1) Two visits per month, 2) 1 visit per month, 3) 0.5 visits per month.

That sounds good, please move on to estimating the revenues through the supply side.

In terms of the supply side, the revenue in any month can be estimated through number of theatres in a city*number of screens per theatre*number of seats per screen*price per ticket*shows in a month*occupancy rate. A city like Delhi has about 20 PVR theatres with 5 screens each and a capacity of 200 seats per screen. The occupancy rate would be about 60% and there would be about 5 shows per screen on any given day.

Can you explain how you derived the occupancy rate?

I would assume that during the peak times a screen would be on average 90% occupied. This would be on weekends and in the evenings. At any other time of the day/week, the screen would be about 30—40% occupied on average.

Okay, can you evaluate the risks associated with the investment?

In my opinion, the biggest risk comes from online movie streaming services such as Hotstar, Netflix and Amazon Prime. Since this gives the customers the easy of watching movies anywhere. Therefore, there is a strong competition between the movies in the theatre and the one available online. Additionally a Netflix subscription for 4 screens costs about 1000 rupees a month i.e. 200 per screen with the choice of watching unlimited movies or TV shows as compared to a movie in the theatre that costs 200 rupees per ticket. An added risk for theatres is that the demand they faced is derived demand since it a factor of the movies that are currently in the theatre which could be very cyclical. Moreover, with the increasing penetration of streaming services the bargaining power for theatre is also reducing as a distributor could soon go to one of these services and sell the rights of the movie to them instead of going to a theatre.

How do you think these risks can be mitigated?

I think one of the things PVR is already doing is uplifting the whole experience associated with watching a movie. They have been differentiating on the basis of the food available the services offered inside the theatre such as on seat delivery. They are gradually moving towards giving the whole movie experience a fine dining feel where a customer could place the order from his/her seat and the choices are not limited to basics such as popcorn or a sandwich.

That should be all.

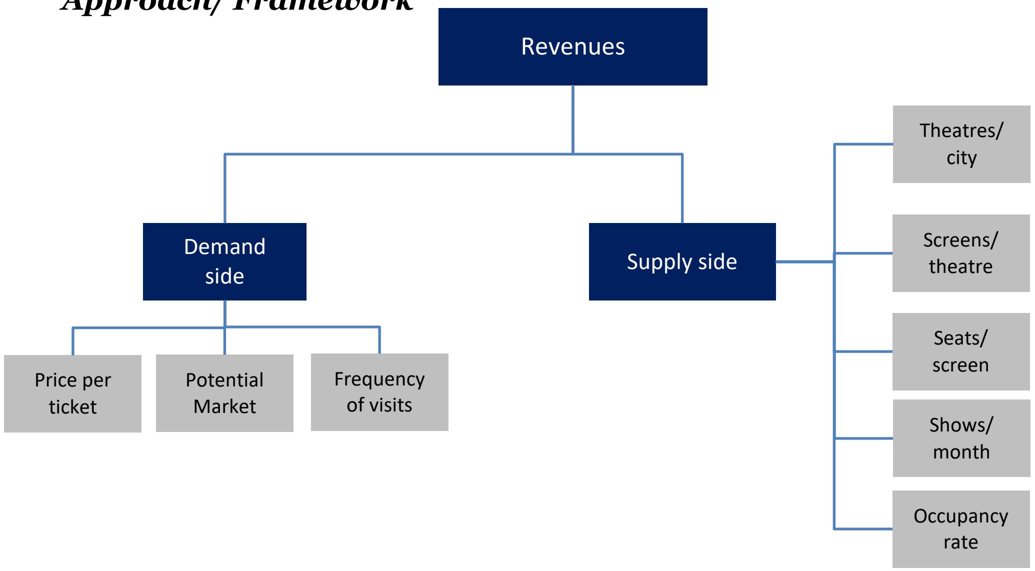
New Market Entry– Investment in PVR

The client is an investment fund looking to invest in PVR, explore the viability for the same.

Interviewee Notes
- Investment fund – investing in PVR
- Explore viability by estimating revenues (demand side, supply side), risks associated with the investment & exit strategies

Case Facts
- The client specifically looking to invest in PVR no need to explore the possibility of investment in any other entertainment company

Approach/ Framework



Recommendations
- The risks can be mitigated by providing services that uplift the whole experience of watching movies in the theatre; increasing the value provided by visiting a theatre
- Different areas can be segregated according to their average income and theatres in that area can charge prices and provide service in line with the propensity to spend

Interview Summary and Tips
- The case had a wide number of things that could be analyzed; key was in focusing on the important aspects of the issue at hand
- The interviewer was happy with the overall detailed analysis.
- The candidate could've guesstimated numbers differently; some assumptions can be challenged logically

Our client is a large African telecom company, and it has recently been experiencing a decline in the customer ratings. It has hired you to identify and resolve the issue.

To clarify, the objective at hand is to find out the reasons for decline in telecom industry customer ratings and propose steps to resolve it. Is there any other objective I should keep in mind?

No, please go ahead

Before delving on to the possible reasons, I would want to get some idea about the firm. Could you give me some idea about the African Telecom industry, the client and its competitors?

Assume that all of those factors have no direct impact on the problem.

Sure. So I would like to analyse the case from the customer point of view, and explore the various touch points that he has with the firm. The issue could be at any of the stages, ranging from SIM procurement, service quality, dissatisfaction with pricing policy or after sales service (customer service).

The problem is actually in the customer service area. Our users are not satisfied with our current levels of customer service. What do you think could be the reasons for the same?

OK, I would like to analyse the various stages that make up a customer's interaction with our service. The problem could be because difficulty in reaching the executive due to complexity of the portal, high waiting times, call drops, service experience or failure to address / resolve customer issues.

Our waiting times are indeed very high, much more than those of our competitors portals.

The waiting times could be high because of understaffing, intraday/week load variations, or executives spending too much time on trivial issues. Could you tell me the profiling of the call purpose for our customers?

Our workforce is adjusted according to weekly and monthly seasonality, but the staff strength is constant for a particular day, which leads to high waiting time at peak hours. Our executives broadly handle 3 types of calls – customer requests for activation and modification, enquiries for usage information and grievance redressal.

Firstly I would recommend the firm to incorporate some automation in terms of IVRS and issue specific mapping, so that a significant number of our calls (primarily requests and enquiries) can be addresses without manual intervention. These modifications can be communicated vie SMSs, mails and can be promoted at the Point of Sale as well.

Good. What can we do to improve the operational efficiency of the centre?

We can also employ some data analytics to determine call volume patterns to vary the staff strength in multiple shifts within a day, which could help decrease the customer waiting time as well as idle time.

Great Job. Thanks a lot!

Customer Satisfaction- Telecom Industry

Consult IIM Ahmedabad

Our client, a major African telecom company, is facing a decline in customer ratings. You have been approached to find a solution to the problem.

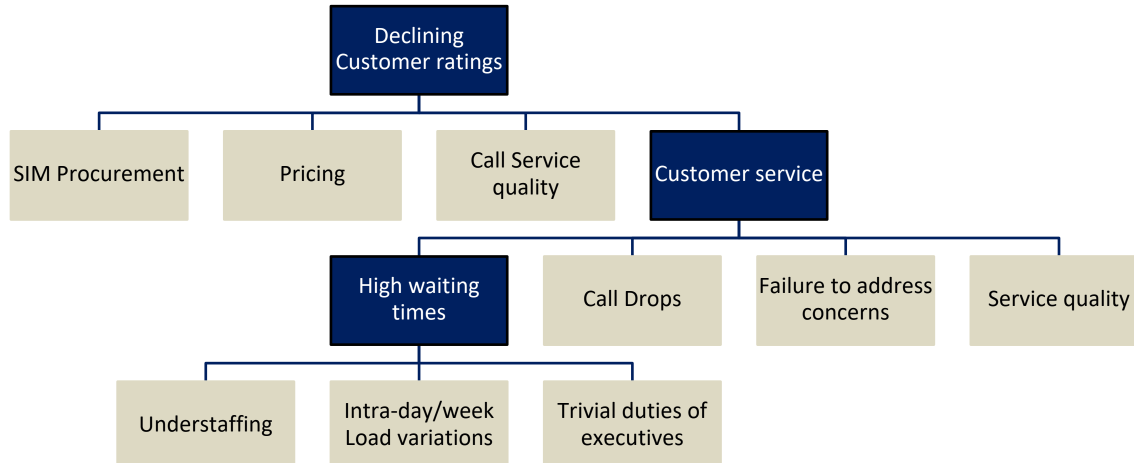
Interviewee notes

- Issue with customer service
- High waiting times
- Seasonal variations accounted for by workforce hiring
- Intra-day variations not taken into account – issue in the peak hours
- Requests, Enquiries, Grievances

Case Facts

- Africa based company
- No change in industry scenario
- No new competition

Approach/ Framework



Recommendations

- IVRS system to automate specific issues – promotion through SMS etc.
- Data analysis to manage intra-day call variations and shift design

Tips / Suggestions

- Structuring an issue with reference to the entire value chain makes it easy to spot problems.

Unconventional case- Loss in a football match - Interview Transcript

A football team recently suffered a surprise loss. You have been approached to find out why this happened.
First I would like to understand a bit more about the context. What kind of match was this (was it in a league/knockout tournament/friendly) and what kind of team was this?
This was in a league tournament like the EPL and the team is one of the top 5 teams.
Why was it a surprise loss for the team?
It was surprising because our team lost to one of the bottom ranked teams.
How has our team's performance been in the past. Has our performance been steadily declining or was this a sudden drop?
We've been performing quite well in the tournament. That's why we are in the top 5. This was a sudden loss.
I would like to break down the problem into two parts. We could have lost the match either because we did not score enough goals or we conceded too many goals (i.e. it could be a problem of either attack or defence). What score line did we lose by?
We lost 2-0.
What has been the average number of goals we have scored and conceded in the matches prior to this?
On average we score 4 goals and concede 2 goals in a match.
It looks like the problem in this match lies in our attack and not defence. Our defence usually concedes 2 goals and even in this match they conceded two goals. Our attack usually covers up for this by scoring four goals but in this match we weren't able to score. I would like to further explore why this was the case.
Sure. Go ahead.
I can think of three broad areas regarding where the problem could lie: Player level Issue, team level issue or an external environment issue.
Can you explain each and think of which one is most likely?
External environment problems could be a change in the playing conditions, field, weather, crowd etc causing a sudden drop in performance. This is less likely to be the case if we are looking at a professional league like the EPL. Team level issues could be changes in the playing XI, support staff, management or strategy that could have caused the poor performance. These are more likely than external environment problems. Player level issues can be further broken down into physical and emotional issues. Physical issues could be fatigue or unavailability of players due to injury. Emotional issues could be stress or any other emotional problems that one/some of the players could be facing, which was affecting their performance. In my opinion player level issues seem to be the most likely as I would expect a professional management to mitigate some of the team level issues.
Yes, we have found out that two of our forwards had picked up an injury but had continued playing and this affected their performance. Thank you.

A football team recently suffered a surprise loss. You have been approached to find out why this happened.

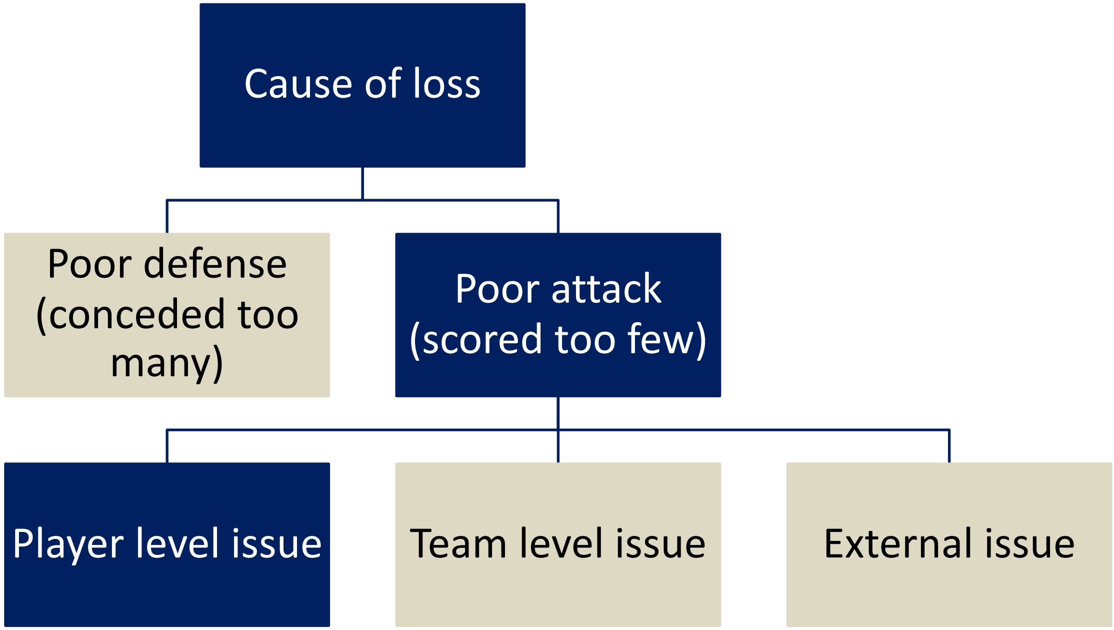
Interviewee notes

- Top 5 EPL team. Lost to bottom team
- Defence was always weak. Strikers covered up for this
- Attackers did not perform this match

Case Facts

- Team scores 4 and concedes 2 goals on average
- This match: conceded 2 but did not score

Approach/ Framework



Tips/suggestions

- Understanding the context is important. Need to understand what kind of match/tournament was being played and past performance of the team to identify whether this was a one-off situation.
- It is important to adopt a structured approach and cover all the possible reasons rather than just listing several reasons.

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 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 will 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.

Unconventional case (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.

Interviewee notes

- Be qualitative. Global impact.
- SUPPLY side issue.
- API is unique and one variant. Derived from PLANTS!
- Issue- farm level.
- Ignore Government and weather.
- Focus on macro issues
- No of farmers- cyclical

Case Facts

- Malaria, WHO, cyclicity in prices.
- Facts-Annual phenomenon. 10 years ago.
- 95% from small marginal Chinese (east) farmers

Approach/ Framework

Exhibit 1: Process map of the product production steps (Please note that transportation costs/processes discussion between any 2 processes will be discussed along with these if needed)

Farm (includes sourcing inputs) → Processing of raw material → Medicine manufacturing → Supply to wholesaler → Supply to retailer

Exhibit 2- Process map of the annual output drivers (upstream to downstream). Every point is multiplied in the total; change in any of the 6 factors will lead to change in output.

Number of farmers → Field area under cultivation/farmer → % Field area under cultivation for this crop → No. of cropping cycles/year → Units of crops/unit field area (Cropping density) → Productivity factor

Recommendations

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

Tips / 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

This case focusses on the optimization of the logistics of an Indian company. Just imagine a truck delivering goods from Delhi to Mumbai. This currently takes up a substantial amount of time. The goal of the company is thus to reduce the turnaround time. Basically the firm wants to reduce the amount of time the truck spends on the road. How would you go about solving this case?

Ok, let me start off by estimating how much time it would take from Delhi to Bombay on the road. To do this I will first estimate the distance between the 2 cities. I know that the flight time is around 2.5 hours and that a plain has an average speed of 800 kilometers per hour. The distance is therefore approximately 2000 kilometers.

Now that you know the distance, how would you proceed with the case?

So what I would do is, I would split the travel time into 2 components. On the one hand the travel time consist of the time on the road and on the other hand it consists of breaks. When it moves it operates with an average speed of 35 km/hour. However, the average speed depends on the type of road, the route and on traffic. The breaks are caused by numerous factors. We can split this into primary needs and other issues. Primary needs concern bathroom breaks, as well as breaks for eating and sleeping. With the other issues, I refer to the waiting time caused by the need to fill out paper work when passing states.

Ok, so you now understand what variables affect the travel time. What kind of measures would you propose to reduce the turnaround time?

Let me start off with the measures with which I can improve the average speed while driving. One option is to set-up a new traffic schedule, where we take into account the rush hours and avoid them. Do you maybe have information on when the drivers usually depart and arrive on their destination?

They usually leave around 7.30 and will be on the road throughout the day.

Ok, so we could adjust the drivers schedule to ensure that the driver passes the major cities during night time or during non-peak hours. This would result in a higher average speed and thus a faster turnaround time.

That is fair suggestion. What else?

One other issue could be the fact that the truck drivers might not be aware of traffic and construction works. To overcome this problem, I suggest to provide all truck drivers a mobile phone with Google Maps. Google maps would always indicate the fastest route and drivers are hence expected to deliver the goods in a faster time

I agree, what about the breaks. Are there things the company could do to limit the time spent for breaks

So now let me focus on the extra travel time caused by breaks. For the waiting time when passing states, I propose a monthly/yearly pass. Drivers could show this pass, and would be allowed to immediately pass the security. For the other breaks, I believe that sleeping is the primary driver of the additional traffic time. To solve this problem, the company could rotate drivers. This can be done in 2 forms. Either, the company could use 2 drivers per truck or establish certain locations where drivers would switch. Additionally, the firm could give its drivers prepacked-food to reduce the need for breaks.

Excellent suggestions. It was nice interacting with you. Thank you for your time.

Unconventional case- Reducing turnaround time

You have been approached by the CEO of a company in India. The client asks you to come up with ways to lower the turnaround time of its trucks between Delhi and Mumbai

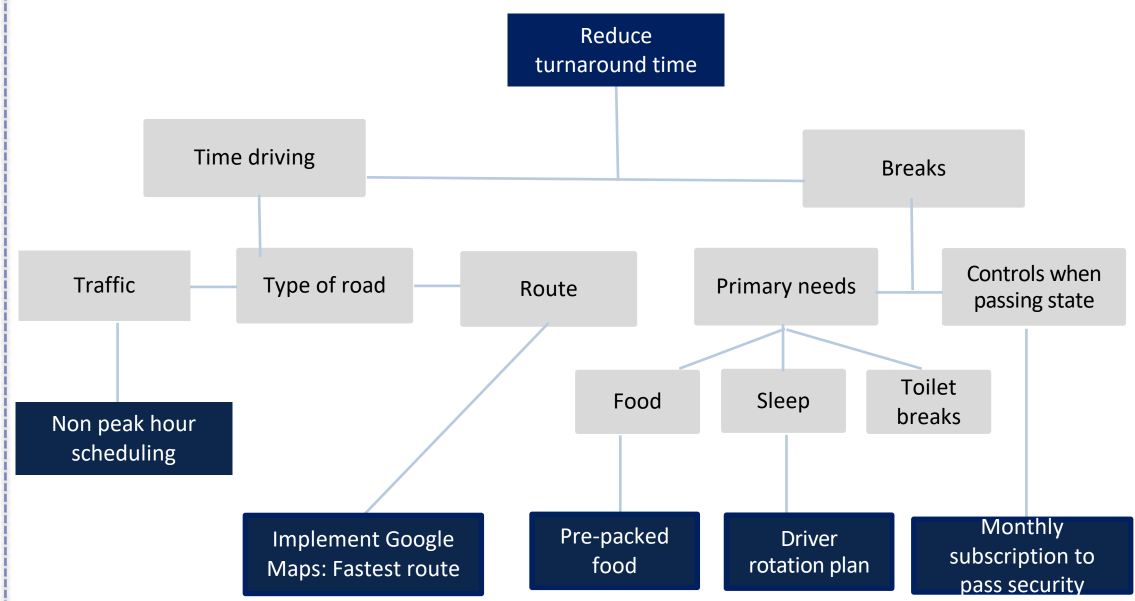
Interviewee Notes

- Contingencies are ignored in the case
- Truck drivers have to fill in paper work when passing states
- Assume that there are 2 types of road: Highway and city-roads

Case Facts

- Truck driver travels from Mumbai to New Delhi

Approach/ Framework



Recommendation

- To reduce the turnaround time, the firm can implement measures that affect either the time of driving or the length of breaks. Possible measures include the adoption of a new transportation schedule where peak hours are avoided, a driver rotation plan to minimize the amount of breaks, and the use of pre-packed food to make food-breaks unnecessary. The company can provide drivers with mobile phones with maps to ensure that drivers follow the fastest route

Interview Summary

The interviewer wanted the candidate to identify the major drivers of the turnaround time. The interviewee was then expected to come up with well-reasoned, logical and solutions that would lower the turnaround time

Observations/Tips/Suggestions

When confronted with unconventional cases the interviewee should remain calm and define a structured approach to go through the numerous steps

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.

Unconventional case- 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

Geopolitical Risks
- Trade embargoes
  - Sol: Re-routing via Asian countries
- Tax law change
  - Sol: Contract structured to charge customer accordingly

Economic Risks
- Increase in transportation costs
- Variable component on oil prices
  - Sol: Sign futures contracts to fix price
- High capital investment
  - Sol: Lease ships for short periods

Labour Related Risks
- Need to employ highly skilled labour
  - Sol: Develop a training program to reduce hiring costs

General Risks
- Low ship occupancy
- Exclusivity clause in contract
- High requirement of deliverables
  - Sol: Structure contract accordingly
- Low Market entry/exit barriers
  - Sol: Secure long term contract to avoid competition

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

Interview Summary

This is a market risk analysis case where the client is looking to enter into a new opportunity and we need to look into the possible risks associated with the opportunity, and explore ways to mitigate those risks.

Observations/Tips/Suggestions

- 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

Unconventional case- Declining footfalls in Church- Interview Transcript

Our client, a Church, has approached us with the issue of declining number of church goers. Find out why.

To clarify, the objective at hand is to find out the reasons for declining church footfalls. Is there any other issue I need to focus on?

No, please go ahead

Is the issue limited only to our client or generally to the entire industry?

It is only for our client

Is the problem seasonal or associated to a particular age group?

No nothing of that sort. The number of visitors has been declining for over four months now across age groups and all age groups.

OK, before proceeding, I would like to structure the issue into possible reasons. Any change in number of hours the church remains open, accessibility to the church due to road or traffic, new church in the vicinity or lastly, reduced inherent demand to go to church will lead to a decline in number of church goers

There is no change with the working hours or accessibility. Explore the reasons why there is a reduced inherent demand

Primary reason to visit a church is religious.. Has there been any issue with the authenticity of the church programs recently leading to bad publicity?

No

Additionally, there are also weddings and obituaries and tourist visits which happen in the Church. If aesthetics of the Church are affected in any way, people might not prefer to have weddings there. Even tourist visits will be reduced. Obituaries will be affected by possible closure of cremation facilities nearby.

There is no issue with any of those activities. Where else could the problem lie?

Ok, there are also various programs which the Church takes up for the society – such as health check-ups and meals.

That is correct. Due to a budget cut recently, the mid-day meal program in the church was scrapped and health check up programs were minimized. Can you suggest ways to improve them?

What was the reason for the budget cut? Was the total budget for the church cut or was it only for the specific programs and it can be reallocated?

No, assume that the budget allocated cannot change. What best can you do?

Ok, we can look at the option of having fundraising campaigns to fund the programs first. Additionally we can also target HNIs or even corporates to sponsor these programs as their CSR initiatives.

Sounds good. That will be all. Thank you.

Thank you.

Unconventional case- Declining footfalls in Church

Our client, a major church, is facing a decline in number of visitors. You have been approached to find a solution to the problem.

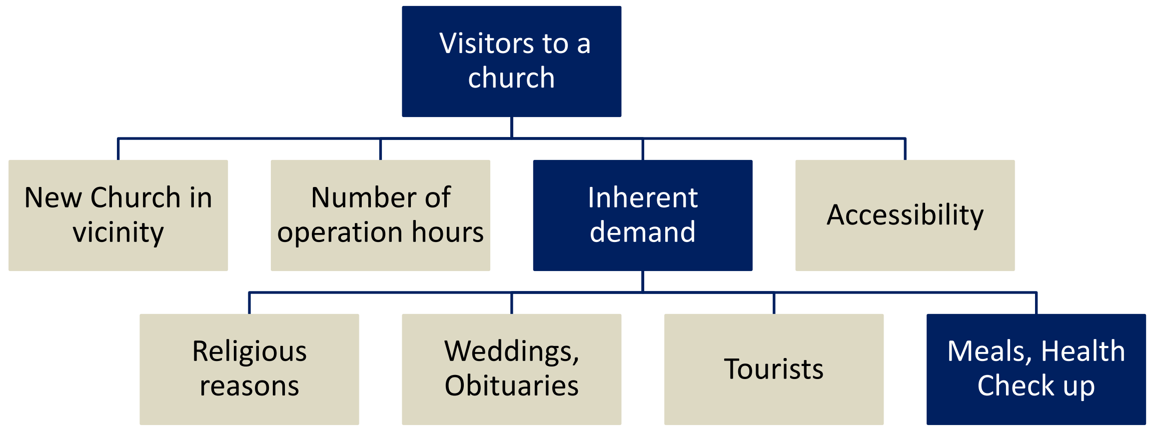
Interviewee notes

- Reduced inherent demand
- No aesthetic issues, similar tourist numbers
- No change in weddings and obituaries
- No decline for religious reasons

Case Facts

- Declining number of visitors
- Limited to our client
- No diversion to a new church; no accessibility issue

Approach/ Framework



Recommendations

- Increase fund raising initiatives
- Tie ups for corporate / HNI sponsorships

Tips/suggestions

- Understanding the reasons for reduced inherent demand is critical and tends to be overlooked while looking at external factors.
- Can also be done by dividing the reasons into internal and external factors

You're Prashant Kishore. Your client is Rahul Gandhi and he's asked you to come up with a strategy to win the 2019 Lok Sabha elections. How would you go about it?

I would first like to know if I'm targeting 272 seat by myself or whether I would need coalition partners to get there. Based on that, I would craft a message (state-specific) that lets me get me the required following and votes

He is more interested in knowing areas of focus as opposed to a detailed action plan

In that case, my plan would be look at different aspects of running an election campaign. I would look at playing with the anti-incumbency factor, getting a strong central leadership figure, driving the poll message to the state cadres and coming up with the money to do all this

Okay this looks fine. Can you elaborate a bit more on all these points?

I would start by positioning our party as the change this country needs after 5 years of costly hits and misses. We will need a strong message that challenges the present government on their biggest failures (demonetization, lynchings, fuel prices etc) to capitalize on anti-incumbency and help us with the public sentiment

What else will you look at?

Then I will look at bringing a central leadership figure to drive this message through (similar to BJP in 2014 with Modi)

Who will that central leadership figure be?

I will carry out a grassroot level survey to identify a party leader who unites the party cadre and who enjoys a high public approval

How will you drive this message?

I will use the leader's image to bring the party on board. Then I will ensure consistent top down messaging to the state cadres. I will set up state-wise units and allocate responsibility to monitor our voter access/penetration metrics and see if any local modifications need to be made to our message

How will you manage the campaign economics?

That brings me to the last part. I will identify big business houses and create a pitch for them. I will reassure them about how their sector is going to benefit from my government. I will keep keep reviewing that list continuously to see which organizations we need to make more effort with and where we're getting traction from

Thank you. That will be all

Poll strategy for Congress in 2019 LS elections

Interviewee Notes

- Identify relevant factors to devise an appropriate poll strategy
- Identify relevant stakeholders to drive elements of this strategy

Key action points

- Clear message
  - Target critical failures
- Strong leadership figure
  - High internal and external approval
- State cadre
  - Consistent messaging and continuous reviews
- Campaign finance
  - Approach big business houses

Data – Business Expansion – Telecom Video Project

Consult IIM Ahmedabad

You have been approached by the Chief strategy officer (CSO) of a telecommunications service provider for advice on options to improve the economics and performance of it's recently introduced videostrategy

Interviewee Notes

- Focus in on client's options to quickly gain scale in video services
- Analyze the benefits and deficiencies associated with each option
- Appropriate the value of a video subscriber, along with the incremental value of a triple play subscriber
- What is the value of scale in video to the client?

Case Facts

- Business Situation
- Our client is an integrated wireline and wireless telecommunications services provider that recently began offering wireline video services in a portion of its geographic footprint in response to competitive pressure from cable operators offering triple-play bundles with video, broadband and voice services.
- Thus far, complexity, technology and cost issues have limited the rollout and adoption of this service and reduced our clients ability to effectively counter the competitive threat. Some terms key to understanding the client are as follows:
- Video offerings: Our client currently offers video services across its wireline footprint in partnership with a national satellite operator (DBS); the satellite operator is the largest source of new subscribers to our client's wireline geography.
- Buildout costs: Cost of putting in place the delivery infrastructure that must be incurred before service is delivered to that neighborhood.
- Programming costs: Cost of procuring and packaging content.
- Installation costs: The cost to connect a subscriber to the delivery infrastructure.
- ARPU: Average Revenue Per Unit
- Churn: Loss of customers as they switch to other service providers

Miscellaneous Information

Client's subscribers	50 Million
Buildout costs	$1500/household
Programming cost	25% above competition
Installation cost	$500/new subscriber
Video ARPU	$75/month
Triple play ARPU	$120/month
% of new video subscribers who take triple play	90%
% of triple play customers who churn relative to voice only	50% less

Market Information

US TV Market

Total US Households	116.2M
Total US TV Households	111.2M
Total US MVPD Subscribers[1] (HH)	98.0M
MVPD Penetration in TV HHs	88%
Total Triple play Subscribers	9.7M

Client Video Services

Client video buildout households passed	31.3 M
Client total video subscriber monthly churn rate[2]	2.75%
Client Consumer access lines	36.4 M
Annual change in client Consumer access lines	-4%

Competitor programming cost per subscriber/month = $20.63

1. MVPD = Multichannel video programming distributors; MVPD subscribers pay a monthly fee to a MVPD provider (e.g., cable company, satellite company)
2. Video subscriber monthly churn = Total disconnects for the month / average subscribers for the month

What are your client's options to quickly gain scale in video services?

The client can look out for both organic or inorganic growth options, with preference to inorganic due to the desire to acquire scale rapidly

Can you please elaborate on both these options?

Sure. By Inorganic, I meant to acquire current satellite distribution partner, cable operator (e.g. Comcast), or disruptive competitor (e.g., Vudu, Veoh, etc.). While the organic strategy can involve Increasing the speed of video build out/rollout schedule for client video offering and/or offer significantly lower promotional pricing for video services to increase penetration in available markets

What are the benefits and deficiencies associated with each option? Please detail them out.

- Acquire current satellite distribution partner:
- Benefits: provides a large number subscribers quickly, national footprint, expanded footprint to new geographies and savings on cost of installation
- Deficiencies: price, potential loss of distribution from other telcos, integration challenges (not wireline)
- Acquire cable operator:
- Benefits: expands footprint to new geographies, wireline video offer
- Deficiencies: price, potential mismatch in geographic coverage, savings on cost of installation
- Acquire disruptive competitor:
- Benefits: lower price, national coverage, rapid roll-out
- Deficiencies: may not be considered a true substitute to traditional video services, may require higher speed connections
- Rollout owned service faster:
- Benefits: lower operating costs due to one network / optimal network design
- Deficiencies: time to market, proof of success at scale
- Lower pricing:
- Benefits: increase penetration in target markets, rapid implementation (only in areas where service currently offered)
- Deficiencies: margin implications, devaluing service in customer perception, risk of churn when prices rise, competitive response
- On another note, getting people to sign up for triple play if they currently have nothing might be even more expensive than converting the households currently with MVPD

That was a good take. Moving on, how would you estimate the value of a video subscriber?

We can do it by lifetime value analysis. I'll start it by calculating contribution per month per subscriber and the corresponding expected lifetime

Sounds good. Can you please walk us through your calculations?

- Contribution per Month
- Monthly Revenue = $75
- Monthly Service programming cost = $20*1.25 = $25 (Pull 25% from Misc. Info table)
- Contribution per subscriber/month = $75-$25=$50
- Expected Lifetime
- Annual Churn Rate=2.75%*12=33%
- Expected life in years=1/33%=3 years
- Lifetime Value
- Installation Cost = $500
- Contribution/year = $50*12
- Cost of Capital: NOT PROVIDED – Should make an assumption e.g. may choose 10% for easier calculations
- DCF = -$500 + $600 + $600/1.1 + ($600/1.1*1.1) = -$500 + $600 + $545 + $495 = $1,140

Makes sense, on another note additional assumptions could have been made regarding other costs not provided (e.g., cost of sales, cost of care, etc.) that would alter the lifetime value calculation. But, we are good with your explanation.
So, moving on can you try figuring out the incremental value of a triple play subscriber?

- Incremental life of triple play customers
- Annual churn rate of triple play customers = 2.75%*.5*12=16.5%
- Expected life in years = 1/16.5% = 6 years
- Incremental life of triple play customers = 6 years – 3 years = 3 years
- Incremental value due to triple play
- Incremental lifetime value = (600/1.1^3)+(600/1.1^4)+(600/1.1^5) = $450 + $410 + $373 = $1,233
- Adjust for 90% triple play = 90% * 1,233 = $1,110

Any thing else, that you may considered as incremental value?

The value drivers related to scale can be summarized as :

- Increased bargaining power with video programmers
- Retention benefits from triple play subscriptions leading to fewer access line losses
- Faster realization of video revenue streams

Any thing else, that you may considered as incremental value?

As a part of our implementation strategy, I would like to assess our technical knowledge, ability to attract personnel, availability of capital and grid accessibility. Is there anything else I should consider?

Please try quantifying some of these drivers.

Value of scale can be estimated as follows:

- Programming cost benefit: $5 * 12 months = $60 per subscriber per year [$5 is difference between estimated $25 programming cost and $20 cost for competition]
- Retention benefits from fewer access line/broadband losses: $45*12 = $540/retained subscriber/year [$45 is the difference between the $120 and $75/month ARPU]

That's good, thank you

Data - Profitability – Telecom Market : Interview Transcript

How would you approach identifying the source of our client's lagging financial performance?

I would break down the various sources of Revenues and Costs to identify the factors that are causing decreasing profitability. I will analyze at individual market level rather than at national level, given the lack of success of national level initiatives in the past

Can you please elaborate on both these options?

Sure.

1. Revenue - I shall break it into components using multiple criteria like Recurring vs One-Time revenues and those revenues arising from existing customers vs those coming in from new customers.
2. Costs – Break Costs into its components, Fixed Costs and Variable costs and further break it down into Cost to acquire and Cost to serve.

We could also leverage competitor benchmarks to identify areas in which client is underperforming in the marketplace for different markets and thereby suggest methods to increase revenue or decrease costs or both.

Our client decided to conduct a market-level performance analysis, and has provided you with the data (Look at Exhibits – 1,2). What trends do you observe?

- Markets 3 and 8 have a large population and the client has a higher share with a low level of competition. They seem to be driving a lot of revenue. Indicates they are good to focus on and to drive more from those markets.
- Market 2 is fairly insignificant, can ignore
- Market 4 has high growth potential – Relatively higher number of new subscribers, strong market growth from 2010 and low competition level
- Market 5 is big, has smartphones and high Revenue per Subscriber, but is competitive and the client's network isn't great. It may be an opportunity
- Smartphone tends to be tied to higher ARPU. Better network where competition is low.

Based on your analysis, the client has identified three key markets to focus on. Please calculate the annual revenue for markets 4, 5, and 8.

- Total Revenue = Revenue from ARPU + Device Revenue
- Revenue from ARPU = Subscribers X (ARPU X 12 months)
- Revenue from Devices = (Subscribers X % buying devices X Average Device Price)
- Is there data on Average Device Price?

Average Device price across the markets is $100. Please calculate the total revenues for year 2013

- ➢ Market 4
- Revenue from ARPU = 150,000 X $50 X 12 = $90M
- Device Revenue = (150,000 X 30%) X $100 = $4.5M
- Total Revenue = $90M + $4.5M = $94.5M
- ➢ Market 5
- Revenue from ARPU = 400,000 X $55 X 12 = $264M
- Device Revenue = (400,000 X 35%) X $100 = $14M
- Total Revenue = $264M + $14M = $278M
- ➢ Market 8
- Revenue from ARPU = 1,200,000 X $45 X 12 = $648M
- Device Revenue = (1,200,000 X 20%) X $100 = $24M
- Total Revenue = $648M + $24M = $672M

That's Great. Now please have a look at Exhibits – 4 & 5 and calculate the costs for those same markets? What are the profits by market?

Total Cost has three cost components; Customer Acquisition cost, Operations cost and Store cost

- Customer Acquisition cost = Cost per New Subscription X No. of New Subscriptions
- Operations cost = Annual network maintenance + (Marketing spend X % for market) + (G&A spend X % for market)
- Store Cost = No. of stores X (Personnel cost + Rent). Is there data available on rent for the

Consider Rent per store at $70K per store. Please calculate the total costs and profits for each market for year 2013?

- ➢ Market 4
- Customer Acquisition Cost = $250 X 50K = $12.5M
- Operations Cost = $75M + ($250M X 15%) + ($1B X 5%) = $162.5M
- Store Cost = 50 X ($450K + $70K) = $26M
- Total Cost = $12.5M + $162.5M + $26M = $201M,
- Profit = $94.5M - $201M = -106.5M
- ➢ Market 5
- Customer Acquisition Cost = $300 X 75K = $22.5M
- Operations Cost = $50M + ($250M X 5%) + ($1B X 10%) = $162.5M
- Store Cost = 100 X ($550K + $70K) = $62M
- Total Cost = $22.5M + $162.5M + $62M = $247M,
- Profit = $278M - $247M = 31M
- ➢ Market 8
- Customer Acquisition Cost = $200 X 250K = $50M
- Operations Cost = $75M + ($250M X 35%) + ($1B X 35%) = $512.5M
- Store Cost = 170 X ($450K + $70K) = $88.4M
- Total Cost = $50M + $512.5M + $88.4M = $650.9M,
- Profit = $672M - $650.9M = 21.1M

After the market segmentation, client determined that they have 2 markets that are profitable but have a declining subscriber base. What would you recommend the client in order to make sure profitability is maintained and/or grown?

- Recognize that revenue needs to be prioritized to improve profitability given declining subscriber base
- Suggest expansion of subscriber base through targeted marketing
- Identify opportunities to grow sales through upsell (e.g., try to get everyone on smartphones and the highest available data plans) and cross-sell (e.g., other non-mobile products (cable from parent company, content partnerships) and adding other family members or devices to the contract

Data - Profitability – Telecom Market

You have been approached by a Regional Wireless Service Provider who is facing declining profitability over the last few years due to strong competition from larger companies to identify an approach to reach improved profitability across their footprint

Interviewee Notes

- Focus on various market segments and their profitability
- Analyze the factors associated with profitability for each market
- Look at various options to boost revenue while reducing costs to be able to increase profitability

Case Facts

- The client's past efforts to improve performance focused on national-level initiatives in marketing and customer experience, but saw no meaningful improvement in their financial metrics
- Client operates in 8 US metropolitan areas. Market metrics of these 8 areas have been provided in the tables below in Exhibits - 1 and 2.
- Various Costs incurred by the company are provided in Exhibits – 3 and 4.

EXHIBIT – 1: Summary Metrics by Market

Market	Market Population	Market Share	Avg. Revenue per Subscriber per Month	# of Stores	Network Quality (1 Low – 10 High)	% of All Subscribers that Buy New Device During Year	Smart phone %	Level of Competition in Market
1	3.3M	14%	$55	125	5	25%	60%	Strong
2	0.35M	5%	$35	20	3	20%	35%	Moderate
3	2.9M	32%	$45	170	9	15%	45%	Low
4	1.9M	7%	$50	50	7	30%	50%	Low
5	4.0M	10%	$55	100	2	35%	65%	Strong
6	1.2M	18%	$40	50	4	25%	50%	Moderate
7	1.3M	12%	$45	50	5	25%	55%	Moderate
8	4.9M	24%	$45	170	9	20%	40%	Low

EXHIBIT – 2: Subscribers by Market over Time

Market	Subscribers in 2010	Subscribers in 2013	New subscribers in 2013
1	450K	400K	150K
2	20K	20K	5K
3	800K	1000K	150K
4	75K	150K	50K
5	600K	400K	75K
6	400K	200K	40K
7	250K	150K	30K
8	1,100K	1,200K	250K

EXHIBIT – 3: Summary Costs by Market

Market	Avg. Annual Personnel Costs per Store	Cost to client per New Subscriber	Annual network cost
1	$500k	$300	$25M
2	$500k	$200	$10M
3	$400k	$250	$75M
4	$450k	$250	$75M
5	$550k	$300	$50M
6	$500k	$250	$25M
7	$450k	$250	$25M
8	$450k	$200	$75M

EXHIBIT – 4: Marketing and G&A Spend Breakdown by Market

Market	Marketing Cost	G&A Cost
Total Cost	**$250M**	**$1B**
1	5%	12%
2	0%	3%
3	25%	25%
4	15%	5%
5	5%	10%
6	5%	5%
7	10%	5%
8	35%	35%

Data - Mergers & Acquisitions – BevCo : Interview Transcripts

What is the most suitable approach for assessing BeerCo's value?

- Market based approach: specifically M&A valuation using multiples is the most suitable approach for assessing BeerCo's value. Two or more approaches are necessary to arrive at fair value range

What purchase price would you estimate based on current financial projections? (using M&A information provided by the client's bankers, and considering BeerCo's revenues to be $1100M and EBITDA at $240M

- Transaction multiples from the historical M&A comps chart can be used for valuation, and we can use the appropriate comps from the chart *(#2-#5 are for appropriate since they are in beer market & Park Ave is too small to be included)*
- Need to calculate both revenue and EBITDA multiples, and use them with BeerCo Rev/EBITDA to get a valuation range .
- We should also recognize that these are transaction comparables, so they already include the impact of synergies.
- However these are very rough valuation estimates, and are highly sensitive to the way EBITDA is calculated

	Acq. Price	Target's Segment	Target Rev. ($M)	Target EBITDA ($M)	Transac. Rev Multiple	Transac. EBITDA Multiple
Beer Market Average	688	Beer	380	67	3.0x	14.3x
Beer Market Average (Excluding Park Ave)	880	Beer with appropriate size	501	88	1.78x	10.5x
Only Craft Beer Average	630	Craft beer	333	53	1.80x	11.4x

	Transaction Rev Multiple	Transaction EBITDA Multiple
Valuation Range (Overall beer) -$M	$3300M	$3432M
Valuation Range (Beer with appropriate size) -$M	$1958M	$2520M
Valuation Range (Craft beer only) -$M	$1980M	$2736M

Beyond synergies, what considerations could impact the purchase price?

- Access to newer customers and/or suppliers
- Access to the vast distribution network and sales routes
- Established craft beer brands
- Access to quality talent
- Regulatory/political reasons etc.

Additionally reasons can be explored that would increase and decrease the price or that is specific to BevCo or BeerCo to draw conclusions

What operational considerations should BevCo keep in mind when standing up this new business unit?

- People: BevCo should understand what people will come over with the acquisition (in this case, all brewery operations personnel, no corporate management). BevCo will then need to develop the organization chart, reporting relationships, and roles and responsibilities for the organization.
- Process: BevCo will need to establish management processes for coordinating amongst operations, finance, procurement, and logistics personnel as well as related functions such as sales and legal. Processes need to address key inputs, deliverables & metrics to drive compliance & improvement.
- Technology: BevCo should conduct an assessment of technology and the migration plan with existing systems. BevCo should then identify gaps, determine critical requirements, and develop a strategy for investing in new technology systems that will enable them to achieve expected benefits.

Additionally BevCo can also

- Conduct a Gap Assessment of people, processes, and tools to leverage from BevCo to the new BeerCo
- Address Org Structure and required staff skill and leadership for running the business
- Training: Identify skill requirements and expected capabilities, and develop desired competencies
- Developing Metrics aligned to driving and managing across both business units
- Address Tax implications and Alignment to strategy of deploying key functions (e.g., procurement)
- Pilot new processes and scorecards within the organization to promote adoption and improvement

As a part of optimizing operations, BevCo would like to better understand BeerCo's supply base. In particular, should BevCo continue to purchase cans from the existing supplier or open a new production facility?

Answer Key	2014	2015	2016	Total
Number of Cans	500M	700M	900M	2,100M
Build Scenario Costs: CapEx+Variable Cost	$125M ($100M + $25M)	$85M($50M + $35M)	$95M($50M+$45M)	$305M
Buy Scenario Costs: Cost per cans	$75M	$105M	$135M	$315M

At what point, if any, would building a new facility be more economical?

- When we look at the cumulative costs, year on year, we can clearly see that the cumulative cost for Build scenario falls below that of Buy scenario in year 2016

Cumulative Answer Key ($M)	2014	2015	2016
Build Scenario Costs:	$125M	$210M	$305M
Buy Scenario Costs	$75M	$180M	$315M

- Additionally we can look at financial implications with debt financing for an initial investment, how Op costs may effect the bottom line, depreciation/amortization tax implications & overall risk tolerance
- A step further we should also think about physical constraints, including local infrastructure, available
- Overall we can also consider a possibility of a JV instead of acquisition for benefits like: Reducing initial investments, sharing risk with 3rd party and potential synergies

Data - Mergers & Acquisitions – BevCo : Strategic Target Assessment

BevCo, a leading international producer and marketer of wine and spirits, has been facing declining revenue and profitability due to shifts in consumer tastes to other categories such as beer. Due to their limited experience in beer industry, you have been asked to determine if they should acquire BeerCo and identify integration considerations that need to be addressed.

Interviewee Notes

- During acquisition, profitability & investment required are the most important factors, followed by the market competition and the growth rate
- BevCo should keep in mind operational considerations when integrating BeerCo – i.e., how to optimize the integration of people, process, and technology.
- To improve profitability of the Lager line, reducing variable cost could be considered as a key lever

General pointers:

- BevCo should keep in mind operational considerations when integrating BeerCo – i.e., how to optimize the integration of people, process and technology
- Making cans from its new facility is more economical than purchasing cans from existing supplier starting from 2015
- *Profitability & investment required are the most important factors, followed by the market competition and the growth rate*
- *Based on our analysis, we can achieve 5% revenue growth and 10% total cost reduction through this acquisition (based on 2014 financials)".*

Beer Co:

- BeerCo's operating margin is greater than BevCo's as well as that of the industry average
- BeerCo's portfolio includes six of the top 20 craft beer brands in the US and a coveted portfolio of premium brands
- Lager product line demonstrates the largest top line growth but lowest operating margin
- Its lower margin is potentially due to the use of Cans vs. Glass and the associated COGS difference
- To improve profitability of the Lager line, reducing variable cost could be considered as a key lever

Market Situation:

- Wide range of wine, beer and distilled spirits by brand and by type.
- Demand is relatively inelastic & Premium alcoholic beverages are growing in popularity like the flavored offerings.
- Craft beers are popular, priced higher and are profitable, as long as the cost of their rich ingredients is covered.
- Producers invest large amounts of cash in marketing and advertising. Debt burdens have been growing in recent years as companies aggressively expand through acquisitions.
- Gradual consolidation (70% market concentration) from last decade.
- Large domestic brands, while still holding the majority of US beer sales, are declining as consumer tastes shift to craft brews and imports.
- Growth trends in the overall US beer market don't look very good whereas growth trends in the US craft beer market are very good, relative to other beer segments as well as to the alcoholic beverage market overall.
- Other market characteristics (margins, growth rate, competition, investment needed) also look attractive for craft beer
- Average operating margin is 20% in the craft beer segment

Recent M&A Activity in the Market

Target	Acq. Price	Segment	Rev. ($M)	EBITDA ($M)	Transac. Rev Multiple	Transac. EBITDA Multiple
On the Rocks	1,000	Margarita	641	103	1.6x	9.8x
Craftbev Co	990	Craft beer	510	80	1.9x	12.3x
Park Ave.	112	Beer	17	4	6.5x	25.9x
Mark North	1,380	Beer	836	159	1.7x	8.7x
Epic MJ	270	Craft beer	156	26	1.7x	10.4x
Won Winery	130	Wine	96	13	1.4x	10.1x
Jane Co.	280	Spirits	175	34	1.6x	8.1x

Supply Base Data

Build Own Facility	Status quo
• Number of cans in 2014 is 500M, increasing by 200M annually • Variable costs will be $.05 per can • Initial CapEx of $100M, with additional $25M CapEx for each 125M volume milestone over the initial 500M (i.e. $25M at 625M and an additional $25M at 750M) • Assume no: fixed costs, taxes, depreciation & amortization, or cost of capital calculations	• Number of cans in 2014 is 500M, increasing by 200M annually • BeerCo pays $0.15 per can to its existing supplier

Unit Information – Ale (in 2014)

Number of units	1000
Price/unit	$0.91
COGS/unit	$0.50
SGA/unit	$0.12

Our client owns one of the largest global card payments networks. As of 2007, the consumer card payments business had reached maturity in the US and Europe, with stagnation in annual revenue growth. The client has identified a small start-up, currently a provider of payment service in the e-commerce industry, as a potential acquisition target. You have been called in to evaluate the potential acquisition, and provide guidance on the integration of these two companies, should the merger occur.

Interviewee Notes

- How should a large organization such as our client evaluate this acquisition opportunity?
- What data would you need and what analyses would you conduct to develop a recommendation?
- The client does not have a track record of acquiring and successfully integrating small, innovative companies.
- What cultural differences will the client have to overcome? How would you advise the client to overcome them?

Case Facts

•E-Commerce has been identified as a key growth driver, as the industry has grown at 20% and is expected to grow at a 15% CAGR over next 5 years.

•PayPal, Amazon 1-Click and Google Checkout dominate the industry, controlling over 50% of the market share. Our client's Senior Executives feel that they need a capability in E-Commerce, an area where they have historically lagged.

•The small start-up identified as the potential acquisition target has an innovative business model and has grown rapidly. It is a provider of micro payments for social networks, which is used to pay small amounts to publishers of online content and for downloadable media.

•Industry leaders such as PayPal find it inefficient to manage these small transactions and charge disproportionately high fees, making traditional online payments unfeasible.

Approach/Framework

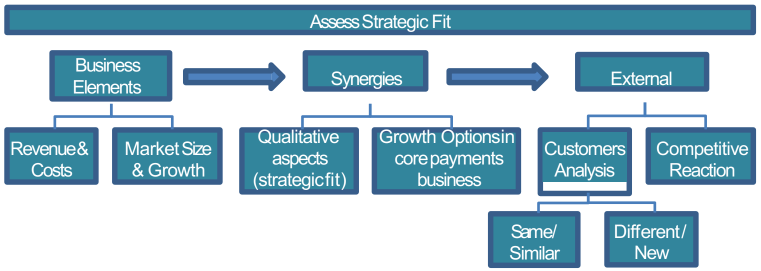
•Data Requirements

•Some data that can be used to structure analyses includes:

•information about the size and history of the target; growth rate for the target

•information about the leadership and culture of the target

•financials about the level of commitment and level of gain, and whether this could even "move the needle" from a growth perspective



Recommended Thought Process

Fit with existing business: Can a company focused on security and reliability successfully integrate with a start-up focused on peer-to-peer payments, which are notorious for fraud? How similar are the business models (i.e. both generate revenues as a percentage of transaction amounts)?

- Overall business case: Growth in target revenues, possible synergies in external settlements, options for cross-selling with existing business, obtaining deep consumer behavior insights in a segment of current "non-users," organizational synergies.
- Qualitative aspects: Can the entrepreneurial spirit of a start-up be combined with the client's behemoth organizational bureaucracy? What will be the keys to success? (May include holding the company as a separate unit, or giving it complete autonomy for a finite period)
- Customer analysis: Will the combined company serve more customers, or the same customers in different ways? The target's customers are typically younger, but may be in households with the client's existing customers.
- Technology considerations: Is the new technology for micro-payment clearing compatible with the Client's payment systems, and can they be settled profitably on the Client's network given the small size of the transactions (and, hence, small per-transaction revenues)?

Guestimates

Brief Description and Proposed Solutions

Estimate the demand for Gold flake cigarettes in Mumbai

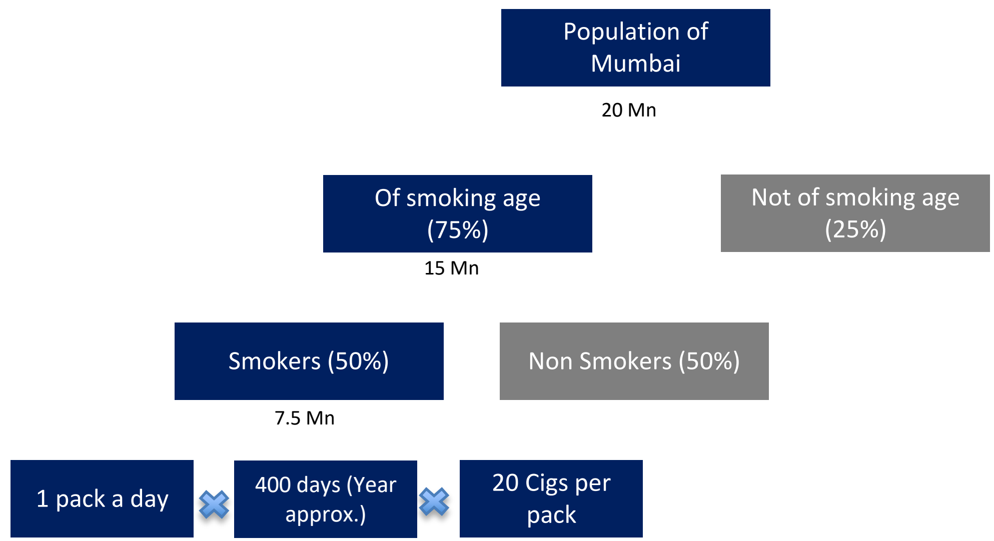
Interviewee Notes

- Begin by understanding total market for cigarettes in Mumbai
- Market share for gold flake would be similar to other metropolitan cities such as Delhi and Bangalore

Case Facts

- Market share for Gold flake in Delhi is 20%, Bangalore is 22%

Approach/ Framework



7.5Mn * 400 * 20 = 60,000 Million Cigarettes a year
Approx. market share of Gold flake = 20%
Demand for Gold flake = 20* 60,000 Million = 12,000 Million Cigarettes a year

Interview Summary

The candidate used good enough assumptions to get to an approximate number of cigarettes consumed in Mumbai in a year, and correctly compared the market shares of other metropolitan cities to determine market share of Gold flake in Mumbai

Observations/Tips/Suggestions

- Be careful with numbers; silly calculation mistakes could be harmful.
- First create structure, then put numbers to it.
- Make reasonable assumptions and clarify with interviewers at each stage.

Guesstimate 2

Estimate the number of Crows in Ahmedabad

Interviewee Notes

- Since crows will be flying over different areas during the day, it would be difficult to determine total number of crows.
- Assume no crow leaves or enters the city (or assume number of crows during the day to be the same as during the night)
- At night, crows rest on trees. Try to find out the trees in different regions of Ahmedabad, and using this data, guesstimate the number of crows.

Approach/ Framework

Starting Assumption: Ahmedabad Area : 500 (25x20) sq. km

- Ahmedabad (500 sq. km)
  - Low Forest Cover (60%)
    - Trees / area
    - Nests / tree
    - Crows / nest
  - Medium Forest Cover (30%)
  - High Forest Cover (10%)

Number of Crows in Ahmedabad

Area Type	Low Forest Cover	Medium Forest Cover	High Forest Cover
Percentage Area	60%	30%	10%
Trees / (100x100 sq. m)	10	20	50
Nests / Tree	0.2	0.1	0.1
Crows / Nest	4	4	4
Number of Crows (region-wise)	240,000	120,000	100,000
Total Crows	460,000		

Suggestions

- This is an interesting guesstimate; take some time to create the structure, get interviewer's approval for your logic, and then possibly put numbers
- Make reasonable assumptions, clarify with interviewers at each stage

Interview Summary

The candidate brought structure to an out-of-the-box question.

Observations/Tips/Suggestions

Candidates should not get flustered when faced with unconventional questions. It is ok to take some time to work through the question. Take the interviewer through your thought process at every stage

Estimate the annual revenue of a multiplex

Interviewee Notes

- Only cover the most substantial revenue streams
- The footfall will depend on whether it is a weekday or weekend
- Price can also be considered different for weekday and weekend, here although average price has been taken
- Assume that the revenue from advertising primarily comes from billboards and digital ads between movies.
- This is average revenue per screen, can be multiplied by number of screens to obtain revenue of multiplex

Case Facts and calculations

<u>Average daily revenue/screen</u>

***1. Ticket Sales Revenue per day**= (Average footfall per day)*(Average price per show)*(No of shows/day)*

=<u>200*250*4=Rs 2,00,000</u>

2. Revenue from parking per week:

(Average footfall per show)(% people using parking)*No of shows/day)**
(Average ticket size)

<u>200*0.5*4*50=Rs 20,000</u>

***3. Advertising Revenue=** Assuming it is 10% of the total revenue*

***4. Food & Beverage=** (Average footfall per show)*(% people buying)*No of shows/day)**
(Average ticket size)

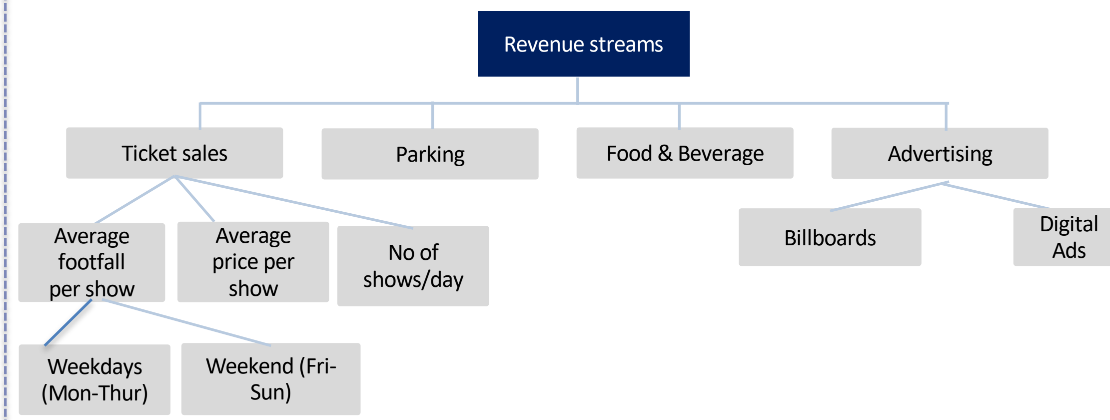
<u>200*0.5*4*150=Rs 60,000</u>

<u>Average daily revenue/screen =Rs 4.2lac</u>

***Total Revenue =** Average daily revenue/screen*No of screens*No of days*

*=4.2*4*300 = 5040 lacs =***50.4 Cr**

(Taking into account some days when the footfall will be extremely low)



	Weekdays	Weekends
Seating Capacity	300	300
Average occupancy rate	60%	75%
Average footfall	180	225

Average footfall per day = (180*4+225*3)/7~200

Interview Summary

This is a guestimate case where the interviewee should quickly identify the most important revenue streams before laying down a structure and solving the case

Observations/Tips/Suggestions

- Should first create structure, then put numbers to it
- Make reasonable assumptions, clarify with interviewers at each stage
- Be prepared to justify your assumptions at each stage

Guesstimate 4

Estimate the value of a coffin maker's business in Ahmedabad

Interviewee Notes

- NPV analysis
- 1% of Ahmedabad assumed to be Christian
- Life expectancy assumed to be 70 and population growth rate of Christians assumed to be 0%
- Only 3 coffin makers in Ahmedabad (info received from interviewer) so market share assumed to be 1/3
- FC and VC provided by interviewer when asked
- Discount rate assumed to be 10% (chosen for ease of calculation and reasonable since risk free rate is ~7%)
- Profits assumed to stay constant into perpetuity

Approach/ Framework

Estimating quantity

Population (60,00,000)

% Christian (1%) = 60,000

No. of deaths per year = (1/70)*60,000 = ~900

Market Share = 1/3

Quantity = 300

Profits
- Revenues
  - Price (Rs. 10,000)
  - Quantity (300)
- Costs
  - Fixed costs (Rs. 4,00,000)
  - Variable Costs (60% of price)

NPV = (10,000*300 – 4,00,000 - .6*10,000*300)/0.1 = Rs. 80,00,000

Suggestions

- Make reasonable assumptions, clarify with interviewers at each stage

Interview Summary

- The candidate had a good logical structure

Observations/Tips/Suggestions

- This guesstimates tests the basics of finance (NPV, PV of perpetuity)
- Common mistakes include not account for the % of population that is Christian (assuming everyone that dies needs a coffin) and errors in calculating no. of deaths

Guesstimate 5

Estimate the monthly electricity consumption (residential) in India

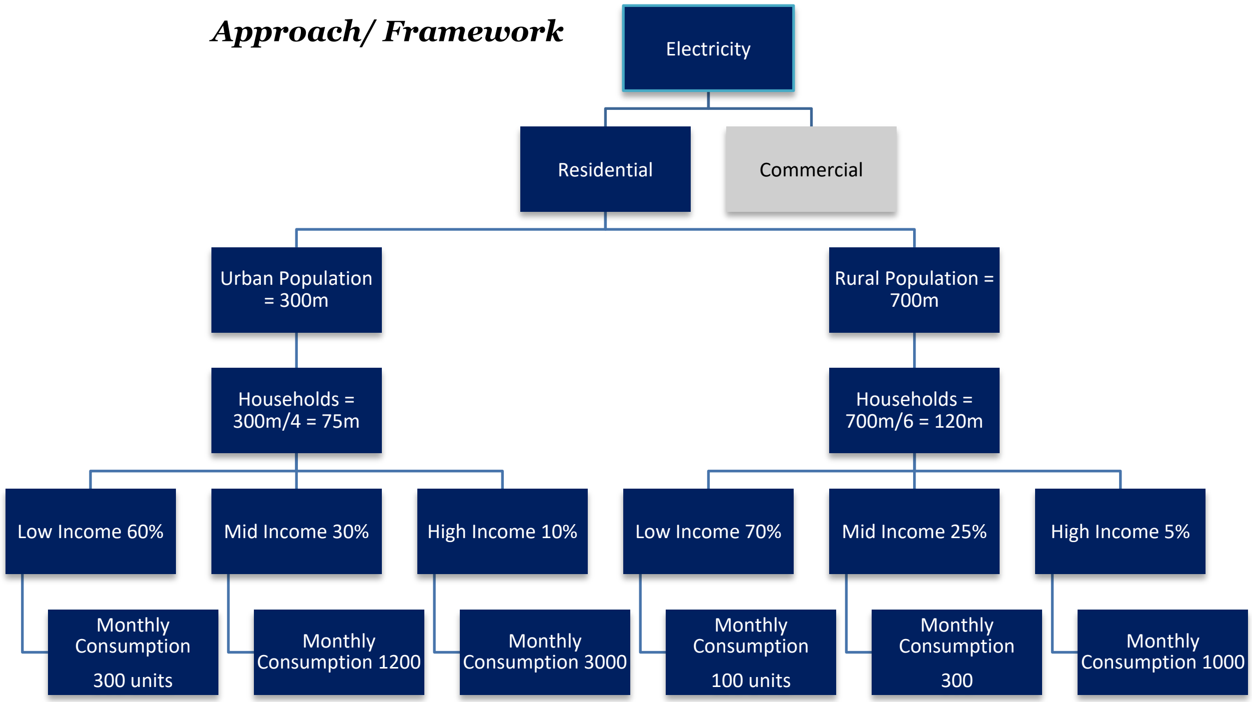
Interviewee Notes

- Clarify end-markets to be included (residential / commercial) because consumption rates are very different in these segments. In this case, focus only on residential.
- Within rural segment, interviewee should consider adjusting for (1) homeless people and (2) 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

Case Facts

- NA

Approach/ Framework



75m x (60% x 300 + 30% x 1200 + 10% x 3000) = **63,000 units**

120m x (70% x 100 + 25% x 300 + 5% x 1000) = **23,400 units**

Interview Summary

The candidate clarified the scope of the case (whether to include both residential and urban). Where he did not know, he made reasonable assumptions which he could justify. Candidate showed awareness of demographic information (rural/urban split, income distribution split)

Observations/Tips/Suggestions

- Be careful with numbers; silly calculation mistakes could be harmful.
- First create structure, then put numbers to it.
- Make reasonable assumptions and clarify with interviewers at each stage.

To estimate the revenue of tourism in Gujarat in peak months

Interviewee Notes

- Was required to estimate cost per person per bucket and number of people in each bucket
- Usually it's easier to analyse group costs over individual costs
- Was required to take several assumptions
- Quantitatively intensive case, required a significant amount of breaking down into
- Number of marriages taken to be 10mn
- Calculation done for tourists only from urban India and abroad

Case Facts

- Cost per trip = Lodging + Travel + Food + Sightseeing
- Total Revenue = (Population x Can afford x No. in India x No. in Gujarat x No. in peak month/ No. of people per group) x cost per trip

Approach/ Framework

Market for tourism per peak month
- Couple
- Groups
- Family
- International

Filters	Couple	Groups	Family	International
Population	20mn	110mn	200mn	2mn
Can afford	20%	10%	10%	N/A
Number in India	80%	100%	80%	N/A
Number in Gujarat	5%	10%	5%	10%
Number in peak month	25%	8.33%	16.67%	25%
Number of people per group	2	5	5	2
Cost per trip/group	11,500	6,000	12,000	20,000
Lodging	4,000	2,000	5,000	5,500
Travel	2,000	1,500	2,000	4,000
Food	3,000	1,500	3,000	3,000
Sightseeing	2,500	1,000	2,000	7,500
Total revenue	230mn	110mn	320mn	500mn

Recommendations

- It's extremely important to know which buckets to consider in this case. Taking too many or too few buckets can lead to large errors
- Make reasonable assumptions with cost per group in each bucket. Lower income groups have less costs, and shall pull the average cost down

Interview Summary

The candidate was required to analyse several buckets to come to a reasonable approximation for the revenue of the Gujarat tourism industry.

Observations/Tips/Suggestions

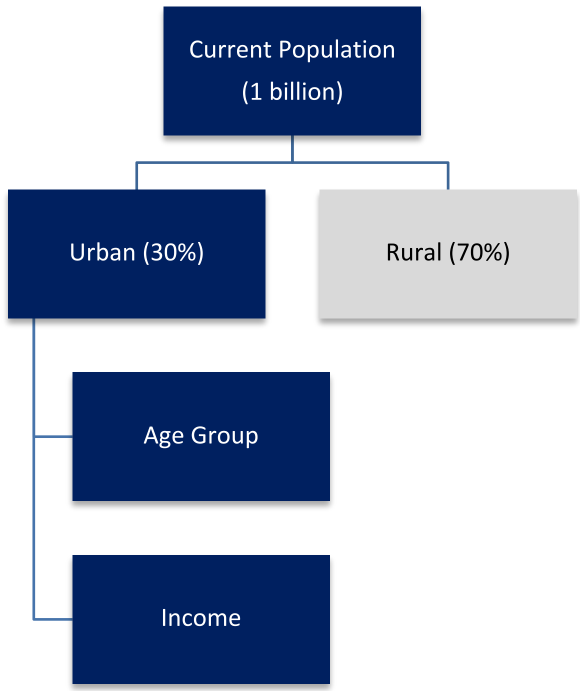
When faced with guesstimates like these, which require the candidate to go into multiple directions one by one, it helps a lot to take structured notes and highlight important figures, so that the candidate does not lose track of the final solution in the process of analysing the smaller buckets.

Estimate the monthly mobile data usage (GB) in 2020

Interviewee Notes

- Divide current population into Urban and Rural. Calculate data for only Urban population, and extrapolate for Rural population using a similar logic
- In Urban areas, data usage is dependent on factors like age group (older generation may not be tech savvy) and income (lower income groups might not have access to smartphones)
- Estimate usage for 2017, and assuming an annual growth, predict usage for 2020

Approach/ Framework



Monthly Data Usage (in GB) by different age groups & income levels

	Income	Low	Medium	High
Age		60%	30%	10%
0-15	25%	0	0	0.5
15-30	35%	0.1	5	6
30-50	25%	0.1	2	4
>50	15%	0	0	2
Weighted Average (WA)		0.036	0.675	0.353

Total (Sum of WA)	Population	Data Usage (GB) / month (2017)	Annual Growth	Data Usage (GB) / month (2020)
1.064	300 m	320 m	10%	**425 m**

Recommendations

- Should first create structure, then put numbers to it
- Make reasonable assumptions, clarify with interviewers at each stage
- Be prepared to justify your assumptions at each stage

Interview Summary

The candidate clarified the scope of the case; and made relevant assumptions wherever necessary. The candidate could have taken whole numbers to simplify the calculations.

Observations/Tips/Suggestions

Should be careful with numbers; silly calculation mistakes could be harmful. Case could have more layers.

Guesstimate 8

Consult IIM Ahmedabad

Estimate the daily revenue of an airport

Interviewee Notes

- Only cover the most substantial revenue streams
- Assume shops pay a fixed and a variable fee to the airport
- The number of flights per hour depends on whether it is a rush hour
- Assume that the revenue from advertising primarily comes from billboards
- Assume that parking + lounge are only a minor revenue stream for airports and can be skipped.
- Assume that the airline fees primarily come from the variable fee for slots

Case Facts and calculations

Revenue airline fee: 5% of the total ticket fare

Revenue from shops:

(Fixed fee per shop + % of revenue * Volume) * Number of shops

Advertising Revenue= Meters of billboards * price/meter

- Revenue streams
  - Airline fees
    - fixed fee: check-in spaces
    - Variable fee for slot
      - Domestic
      - International
        - Rush [hour]
          - Low(7)
          - Med(6)
          - High(11)
  - Parking + lounge
  - Shops
    - Fixed fee
    - Variable fee
  - Advertising
    - Billboards
      - Small
      - Med
      - Large

Rush hour	Low	Medium	High
Hours	7	6	11
Flights/h	2	6	12
Flights/day	14	36	132

Type	Small	Medium	Large
Size	1x1	2x2	3x5
Number	500	200	50
Total Area	500	800	750

Interview Summary

This is a guestimate case where the interviewee should quickly identify the most important revenue streams before laying down a structure and solving the case

Observations/Tips/Suggestions

- Should first create structure, then put numbers to it
- Make reasonable assumptions, clarify with interviewers at each stage
- Be prepared to justify your assumptions at each stage

Guesstimate 9

Estimate the yearly revenue of an IPL team

Interviewee Notes

- Only cover the most substantial revenue streams
- IPL revenue only receives a small fraction of the revenue (35% for home games, 5% for away), the rest is paid to the league
- The circumference of a cricket pitch is approximately 400 meters
- The probability of winning the league is the same for each team (1/8)
- A league season consist of 14 matches
- Merchandise is only a minor revenue stream for an IPL team, and hence, can be skipped

Case Facts and Calculations

Revenue advertising:

(Price per m of billboard * length)* Matches

5000*400*7= 1.4 Crore

(Small shirt ads*Price +shirt sponsor)* matches

(10*5 Lakh +20 Lakh)*14= 10 Crore

Revenue tickets:

No. of home matches*Tickets*Ticket price*% of revenue (same for away matches)

7*50k*500*0.35+7*50k*500*0.05≈7CR

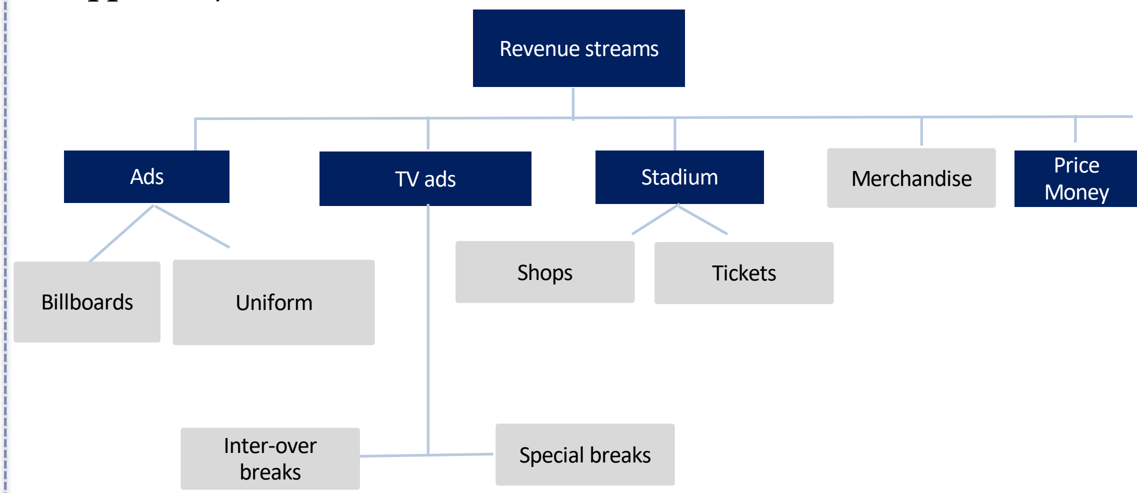
Price Money

Probability of winning * price money

(1/8) * 5 Cr ≈ 60 Lakh

TV ads (See Framework)

Approach/ Framework



Type of Advertisement	Inter-over Breaks	Special Breaks
No. Of slots	40	3
Price per slot	20 Lakh	5 Crore
Total	8 Cr	15 Cr

Recommendations/Solution

Based on my assumptions and analysis I conclude that the yearly revenue of an IPL team is 42 Crore

Interview Summary

This is a guestimate case where the interviewee should quickly identify the most important revenue streams before laying down a structure and solving the case

Observations/Tips/Suggestions

- Candidate should define the structure first before moving to the calculations
- Clearly communicate your assumptions to interviewer
- Only focus on the most important revenue streams. Communicate to the interviewer why you leave out certain revenue sources

Consult IIM Ahmedabad

Estimate the number of emails flowing though IIMA mail server

Interviewee Notes

- Guestimate and was told to exclude PGPX and other programs for simplicity.

Approach/ Framework

- Mails
  - Academic
  - Administrative
  - SIF
  - Peer-to-peer

Academic

PGP 1 :
=# courses * # students * # mails/course
= 6* 450* 3 = **8.1 k/week**

PGP2:
=# courses* # students * #mails/week
= 30*80*3
=**7.2 k/week**

Administrative

GNB: 10/week * Community size (2k)
= **20k/week**

SIF

4 Joos + 6 SPFS/JPNS/day
=10/day * 7 * 1000(No of students)
=**70k/week**

Peer-to-peer

5 mails per community member =5*2k
=**10k/week**

Framework Summary

Structured the case into 4 parameters – Academic, Administrative, SIF and Peer to peer.
#mails/course: 2 from Instructor on average and 1 for the quiz notification
Community size: 1000 students + 1000 faculty, academic and other staff.
There will be some other additional external mails which are sent from outside.
Also PGPX and other programs are not taken into consideration.

Tips

Well structured thought process.

Guesstimate 11

Estimate the total length of barbed wire used in India

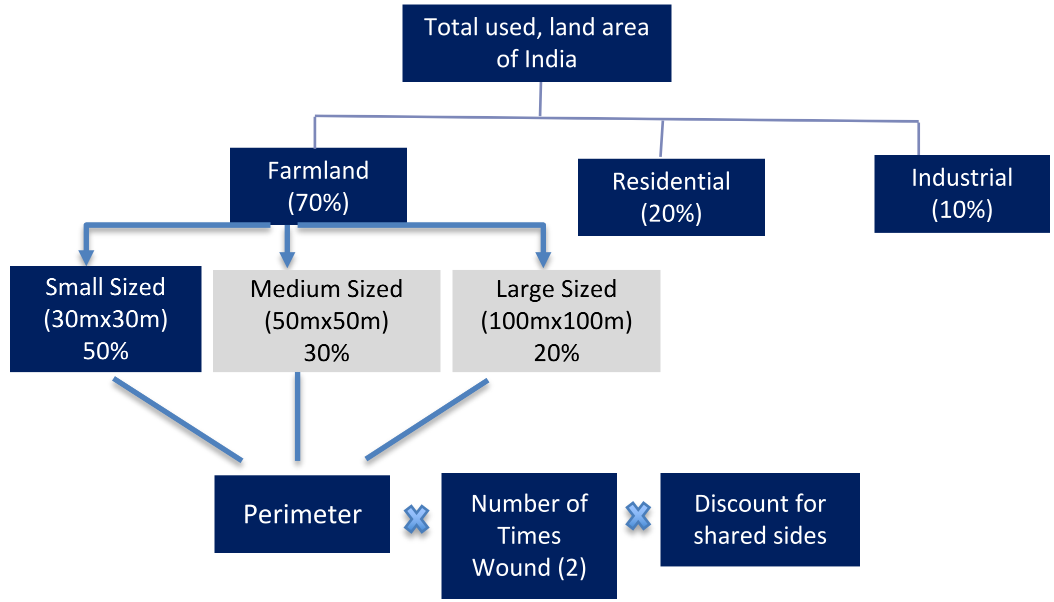
Interviewee Notes

- Assume square farmlands
- Find the average perimeter of each size of farmland
- Barbed wire needed = perimeter * number of times the wire is wound
- Adjacent farmlands would be sharing a common side of barbed wiring.
- Multiply the total number with a factor to account for how barbed wire is usually used: circled through the perimeter

Case Facts

- NA

Approach/ Framework



Recommendations

- Should first create structure, then put numbers to it
- Ask the interviewer if he would like you to focus on all the three branches or just one.

Interview Summary

The candidate was challenged to figure out that the major use of barbed wires is done on farmlands. In the structure, he was asked to ignore the residential and industrial sector and focus only on the farmlands.

Observations/Tips/Suggestions

Think deeply about the major uses of a product before you begin segmenting a suitable variable. Sometimes it may be hard to identify the major source of use of a product if you haven't seen that source yourself.

Guesstimate 12

To estimate profit made by SBI branch in IIMA Campus.

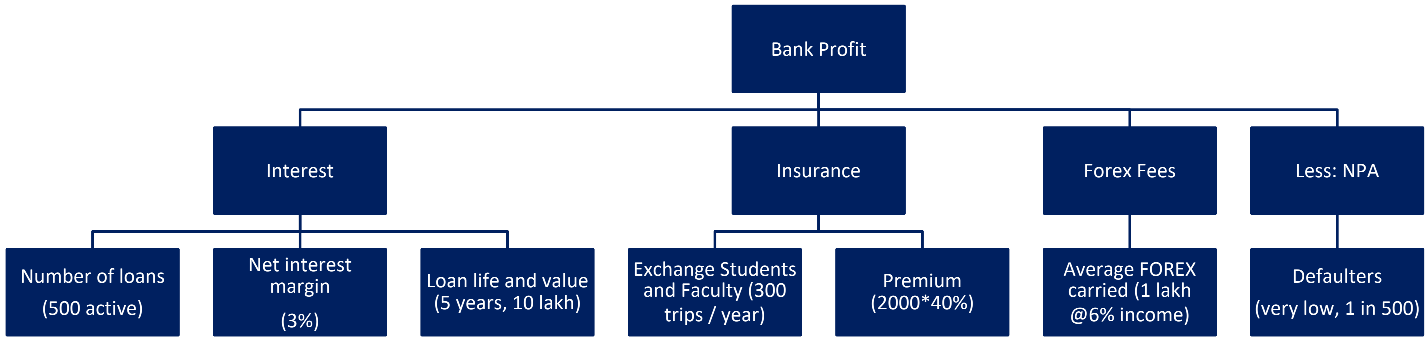
Calculations

- Loans per year ~100; Lifetime – 5 yrs.
- 500 active loans at any point
- Principal Rs.10 lakh (for 20 lakh fee – averaged over repayment of 5 years)
- Net interest margin – 3%
- Interest income = 500*10*3% = INR 1.5 Cr

- Exchange students – 100 trips/ year
- Faculty – 200 trips / year
- Insurance Premium per person – 2000
- ~ 40% commission for per policy
- Fees – 300*2000*0.4 = INR 2.4 lakh
- Forex – INR 6000 per person (assume everyone carries INR 1 lakh worth FOREX)
- Forex income = 300*6000 = INR 18 lakh

- NPA – Total Loss of Principal and Interest – 1 per year
- ~INR 25 lakh

Approach/ Framework



Recommendations

- Understanding the concept of loan life and other bank revenue streams is important

Tips / Suggestions

- Reasonable assumptions were made regarding number of students going on exchange.

Guesstimate 13

Estimate the revenue of a typical post office in India.

Calculations

- Major portion of revenue – logistics and parcels. Others ignored

- Typical circle of coverage for a metro post office ~ 2 km radius or 12 km^2
- Typical metro area = 500 km^2
- Thus, 40 post offices in the metro
- Assume, high volume – 20 and medium, low - 10

- Two approaches – demand side (number of transactions) and supply side (number of counters, utilisation in a day)
- Revenue per parcel ~ 50, neglect any charges for extra weights etc

- Total parcels ~20000
- Total revenue ~ INR 10 lakh

Approach/ Framework

- Post office revenue
  - Logistics and parcels
  - Account deposit
  - Sale of Forms etc.
  - Co-branding

- Demand side analysis
  - Number of Post offices
  - Transactions per hour
  - Hours per day

Traffic	High	Medium	Low
# PO	20	10	10
Transaction/hour	80	30	15
Hours / day	10	10	10
Total	16000	3000	1500

- Supply side analysis
  - Counters
  - Transaction capacity / hour
  - Traffic / Efficiency
  - Hours per day

Traffic	High	Medium	Low
# PO	20	10	10
Counters	10	5	3
Hourly capacity / transaction	10	10	10
Hours / day * Utilisation	10 * 30%	10* 20%	10* 50%
Total	18000	3500	1500

Recommendations

- Can be approached from either of the demand / supply sides.

Tips / Suggestions

- It is essential to structure the revenue into different streams first.
- Interviewer will automatically guide you to focus only on the stream of logistics and parcels.

Consult IIM Ahmedabad

Golf balls in the air in an average second in India

Calculations

- **#golf players :** assume only people earning ₹15 lakh and above will play golf as it is an expensive hobby to pursue. The #people **above that income threshold is around 5 million**. Out of these 50 lakh, **assume 70% live in urban areas and have access to a golf course**
    - ❖ Out of remaining **3.5 million,1.5 million will be children and senior citizens**. Hence 2 million people eligible
    - ❖ Out of these **2 million, assume 50% play any sport** (assumption on basic fitness)
    - ❖ The remaining **1 million** can play one out of upto 20 sports (cricket, badminton, tennis, swimming etc). Thus 5% on average will end up playing golf i.e there are **50,000 players**
- **Frequency of play**
    - ❖ We assume that the average player plays **once a month** *(expensive and time consuming sport)*
- **Number of hits**
    - ❖ We assume that the average game is one round, 18 hole
    - ❖ ***The average number of hits per game*** is 108 (18 holes, par score is 4 and everyone hits 2 above par as players are not professionals)
    - ❖ We assume that he average ball spends about 1 second in the air
    - ❖ Thus the number of ball seconds in the air is ~1,80,000 per day
    - ❖ The average number of balls/second is 2.08

Approach/ Framework

Income eligible players	5 million
Facility eligible players (urban)	3.5 million
Age eligible population	2 million
Population that plays sports	1 million
Population that plays golf	50,000
Avg # of players/week	~1666

Avg number of hits/game	Number of hits/day	# of balls in the air/second
108 (18 holes, 4 par, 2 above)	1,80,000	2.08 per second
	=108*1666	=180000/86400

Recommendations

- This case can also be approached from the supply side. The supply side in this case is the number of golf courses, their average utilization etc

Tips / Suggestions

- It is essential to reverse ladder the population to arrive at the number of golf players. You can clarify your assumptions with the interviewer at all points of time
- Lay out your approach upfront for the interviewer so that if a different approach is to adopted, course correction can happen at the earliest

Consult IIM Ahmedabad

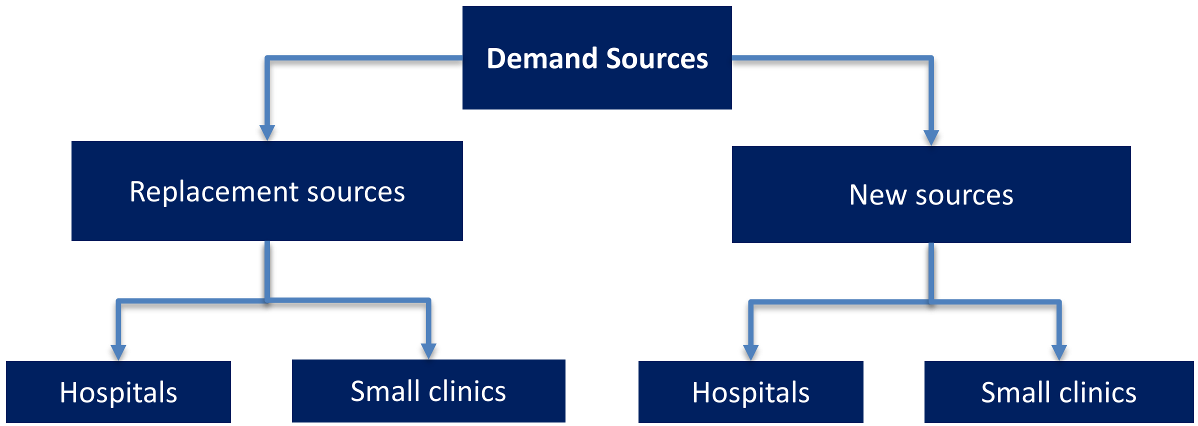
Calculate the annual market for medical X-ray machines in India

Calculations

- **Replacement demand**
  - ***Calculate the stock of X-Ray machines in India***
  - Break India into rural and urban areas
  - Estimate bed per thousand people in urban and rural areas separately and make assumptions about average hospital size and #X-Ray machines per hospital (2.5 for urban and 1 for rural)
  - This will give you the stock of X-Ray machines at hospitals
  - Do similar exercise for clinics by calculating the stock of orthopaedicians in private practice
  - ***Demand:*** Divide the stock by life cycle to get the 1 year demand for X-Ray machines
- **New demand**
  - Estimate the growth in healthcare expenditure and use that as a growth rate for hospital bed availability. Then calculate the number of hospitals and the number of X-Ray machines/hospital
  - Differentiate this rate for urban and rural areas and calculate the new demand for **X-Ray machines coming from hospitals**
  - Calculate the new demand coming from clinics by : (Doctors graduating - #Doctors joining public sector)*Proportion of Orthopaedicians
  - This will give the number of new orthopaedicians who will join private services every year and buy an X-ray for their clinic

Approach/ Framework

Illustrative



Beds/Thousand		#Hospitals	#Xray Machines	Growth (#Number of Machines)	Total annual market (hospitals only)
Rural	0.5 (800m)	4000 (100 beds avg)	4000 (Stock) Replacement Demand : 400	+10% per year (400)	800
Urban	2 (400m)	4000 (200 bed avg)	10000 (Stock) Replacement demand : 1000	+15% per year (600)	1600

Recommendations

- Can be approached from the patient demand side in this case. The demand case in this guesstimate is the number of injuries and use cases

Tips / Suggestions

- It is essential to structure the demand into different brackets first.
- Interviewer will automatically guide you to focus on the most important bracket