IIM CALCUTTA
CONSULT CLUB

PRESENTS

# CASE BOOK

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INDIAN INSTITUTE OF MANAGEMENT
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# ISSUE DETAILS AND COPYRIGHT

Edition 4
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Edition 4: September 2023

# FOREWORD

Greetings!

The Consult Club of IIM Calcutta is delighted to present the fourth edition of the IIM C Casebook. The purpose of this book is to better equip students, with a keen interest in pursuing a career in the field of management consulting, with the different types of cases asked during the recruitment process in both summer and final placements. In this edition, we have completely overhauled the existing cases and industry reports as well as introduced multiple new cases across the 6 case types

This casebook is a concise guide to developing the essential analytical approach to solving cases that is sought by most recruiting firms. It has been curated with utmost care with inputs from the 59th and earlier batches and includes a collection of cases in the final interviews and in the buddy programs of various firms.

We are sharing this casebook on public domains to assist students with their preparation. Please note that this is meant to supplement the excellent work done by our and other schools in earlier casebooks and interview experience compendia, so we strongly encourage you to not make this your sole reference.

We hope you enjoy reading this book and practicing cases with your peers. The process is just as fun as the destination!

Godspeed.

Regards,
Consult Club
IIM Calcutta

ACKNOWLEDGEMENT

Dear Reader,

We would like to take this opportunity to express our gratitude to all the people who have supported us by sharing their cases which has encouraged us to prepare this comprehensive consulting preparation resource for all the past and present batches.

In particular – we are extremely grateful to the following students who have actively contributed to preparing this casebook:

- **59th Batch:** Ruchi Mehta, Tusita, Anuja Jain, Shounak Bhattacharya, Sneha Choudhary, Chiraag Thakur, Lucky Daga
- **60th Batch:** Harsh Parekh, Parth Kaushik, Saumil Nagpal, Sanskar Sarawagi, Jayshree Poddar
- **Consult Club Core Team:** Shubham Garg, Sree Sahithi, Apoorva Singh, Amogh Zare, Nimisha Pandey, Siddhant Dasgupta, Shruti Dash, Prajwal Umathe

Without the proactive contribution of all of the above and the support of many other PGP2s in sharing their cases as well as giving valuable inputs in both casebook and industry report, none of this would have been possible.

Last but not the least, we would also like to thank 58th and all the previous batches who had created a wonderful base for us from where we could take this casebook forward.

Regards,
Consult Club,
IIM Calcutta

# HOW TO USE THIS BOOK

Dear Reader,

In lieu of the upcoming summer placements for the 60th Batch, we have put together this concise guide to different types of cases that are asked during the course of the selection process of various consulting firms. Apart from the different types of frameworks used, we have selected a bunch of cases that were asked to the previous batches during their buddy calls and final interviews with various firms.

Before you dive into the vast pool of literature available to you in the form of casebooks, we urge you to make a note of the following:

- **Do not memorize frameworks:** Frameworks used in specific types of cases are mere guidelines and tools to enable you to think. Keep in mind that they are not necessarily applicable in every situation as the interviewer might also test your ability to think on your feet.
- **Work in non-homogenous groups:** In order to maximize your learning when practicing cases, we urge you to work with groups of different people to consider different aspects and points of view of the problem statement. We suggest the reader should use the interview transcripts in this casebook to set up a case in groups of at least 2. An observer may keep note of hygiene factors.
- **Structure is key:** Always be **MECE** (Mutually Exclusive Collectively Exhaustive) when it comes to structuring your thoughts. Be exhaustive and list down all possible alternatives under any scenario before the interviewer leads you in a particular direction.

We wish you all the best for your placements and hope you land a job of your choice. Feel free to reach out to us in case you require any assistance.

Regards,
Consult Club,
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# THE CASE INTERVIEW PROCESS

# WHAT IS A CASE INTERVIEW?

A case interview is a simplified, condensed version of a complete consulting project. The candidate (interviewee) is in the driver's seat and is expected to explore the data and provide solutions to a problem statement that a client gave to the interviewing firm.

**IDEAL CANDIDATES DEMONSTRATE**

PROBLEM SOLVING ABILITY + INTERPERSONAL SKILLS + CULTURAL FIT

The case interview is an example of a real business problem based on your interviewers' past work experiences. The problems you will encounter are not designed to be brain teasers, or theoretical problems designed to stump you, but rather to reflect the challenges that our clients face. These real-life examples allow you to learn more about the type of work we do and the impact we have with our clients.

We believe the following is representative of all firms and are qualities expected in a potential candidate:

- ➞ The approach you take to solving a problem
- ➞ How analytical and creative your thinking is
- ➞ Your usage of data to quantify and make your recommendations
- ➞ Your communication skills in conveying your ideas
- ➞ How you would suggest implementing these proposals



*Source: Bain & Co. (www.bain.com)*

# CASE INTERVIEW FORMAT

A typical case interview lasts for 20-25 minutes and includes the following components*:

| INTRO | FIT QUESTIONS | CASE INTERVIEW | Q&A |
|---|---|---|---|
| 3-5 mins | 5 mins | 10-15 mins | 3-5 mins |

### Clarifying Questions

- **Prompt:** This is the premise of the case. It will include some background on who the client is and lay out the problem
- **Clarifying Questions:** Some basic contextual questions to guide your framework; avoid getting into the nitty-gritties of the case in this stage

### Framework

- **Framework:** Once you are confident that you understand the prompt and the context of the case, take roughly 90 seconds to layout a structure on how to approach the case. Refer to the Frameworks section to get a better understanding

### Analysis

- Most types of cases involve some basic calculations and guesstimates to come to a conclusion. Ask relevant questions, confirm the analysis with the interviewer before identifying any pattern or insights

### Brainstorming

- After the analysis, the interviewer can ask you to brainstorm around additional aspects of the problem
- Clearly listen to the interviewer and pickup cues from the interviewer and think accordingly

### Conclusion

- **Summary:** Restating the facts discussed through the course of the case
- **Synthesis:** Providing additional insights and takeaways from the case in addition to a quick summary
- One can go a step further and suggest ways to implement the solutions provided in the case, if time permits



**Note: While this is usually followed, this format may differ by firm or by interviewer.*
*Also note, while it is called a Case Interview, often, it is a **Case Discussion**. Hence, frequent two-way communication is important while you are solving the case*

# FIT QUESTIONS

While case preparation is key to cracking the interview, consulting firms are also assessing your ability to successfully work with teams and judge how well you understand their firm and yourself. This is done through customary HR questions such as:

**Tell me about yourself**

- **Your pitch should include**: Your past, key positions held, achievements in your career; highlight work experience and/or internships focusing on results
- **All answers must include**: Relative skills & experiences, key transition points in your career, and a career objective
- **Strong answers have**: A powerful "hook" – your value proposition that highlights how you have the competencies they desire in a candidate

**Why Firm X or Consulting**

- **Firm & industry fit**: Interviewee should have a deep understanding of a firm's culture, functional expertise, and working style
- **Industry interest**: Interviewee should highlight experiences they want to gain and skills they bring
- **Strong answers have**: Structured reasons, and answers tailored to your prior experiences and future aspirations

**Give me an instance when…**

- **Experience / Personal**: Interviewee should demonstrate leadership ability, "drive" – taking initiative, and professionalism
- **CAR**: **Context / Challenge** you faced, the **Action** that you demonstrated, and the **Result** of your actions
- **Strong answers have**: Concise response, a learning element if the situation helped you grow, utilizes structure, and engages the interviewer with energy, emotion, and authenticity

# CASE INTERVIEW: CLARIFYING QUESTIONS

**Clarifying Questions** | Framework | Brainstorming | Analysis | Conclusion

## THE PROMPT

All case prompts will introduce:

- Company Premise
- Industry
- Specific Company Problem

Most prompts don't talk about the client's objective and how the client is looking to deal with the problem

Thus, it is up to the candidate to find out the business objective of the client by asking necessary **clarifying questions**

## CLARIFYING QUESTIONS

Clarifying questions should always be to the point (E.g.: context on products, core goal of the client, revenue generations)

Do not make any assumptions unless necessary. Confirm with the interviewer before making any assumption

Feel free to ask relevant clarifying questions during the case discussion

**Guide to asking preliminary questions*:**

The following may be helpful in asking clarifying questions in a structured manner:

- **3CP:** (Customer, Company, Competitor, Product)
- **7Ps:** Start with the 4Ps (Product, Place, Price, Promotions) additional 3Ps (Physical evidence, People, Process) if required
- **4As** (Awareness, Accessibility, Availability, Affordability)

Refer **Frameworks** section for detailed explanation.



**Note: This is not a exhaustive list of frameworks. The candidate may ask more questions relevant to the context of the case. In general, a lot of people prefer using 3CP framework as it is concise*

Clarifying Questions → **Framework** → Brainstorming → Analysis → Conclusion

**SAMPLE INTERVIEW SOLUTION A4 SHEET**

Notes and Clarifying Answers

**Key question in prompt**

*Sample framework*

Profit

Revenue

Price

Volume

Cost

Fixed

Variable

Market/External
- Competitors
- Government Regulations
- Industry Trends
- Natural Calamity

Customer/Company
- Internal
  - Acquisitions
  - Capacity
  - Value Chain
- Consumer Preferences

Your recommendations

***(This is how you are expected to solve your case i.e. in a neat & clean manner)***

Frameworks provide clarity of thought and helps you structure your arguments better*

**MANTRA:**

**MECE:** Mutually Exclusive, Collectively Exhaustive
- Ensure your framework is as MECE as possible
- Detailed but not lost in the weeds
- Thorough but not wasteful
- Insightful but not presumptive

**MYTH:**
- There is one perfect framework for every case
- Frameworks are not important
- There is a finite number of frameworks that will provide answers to every case

**Note: Different types of case frameworks have been explained in subsequent sections of this book.*

***Structuring in this manner will help the interviewer understand and assess your thought process. Candidates can chose a format they are comfortable with.*

# CASE INTERVIEW: BRAINSTORMING

Clarifying Questions → Framework → **Brainstorming** → Analysis → Conclusion

The key to brainstorming is structure. The candidate should first devise two or more "buckets" or categories to organize one's thoughts.
Some of the most commonly used categories / buckets to organize your thoughts are given below.
Note: Use one of these categories, especially when you are stuck. It will help you structure your unstructured thoughts

### Value Chain Analysis

- Analyze each step of the value chain to identify the root cause of the client's issue
- Useful for exploring causes to cost related problems
- The entire value chain is described in **Profitability -> Cost Reduction – Value Chain Analysis** section

### Customer Journey

When conventional frameworks do not help you get to the crux of the problem, understanding the customer journey can bring useful insights. One framework to describe Customer Journey is **AIDA** – Attention, Interest, Desire, Action (Useful in Sales / Revenue Improvement cases).
Refer **Profitability -> Customer Journey** section for one comprehensive framework

### Supply vs Demand

- Useful in profitability cases to identify whether the root cause of the problem is due to supply push or demand pull
- Typically used in exploring revenue related problems

### Internal vs External

- Internal factors represent any aspect internal to the client's business (e.g.: products, process, brand, leadership, etc.)
- External factors represent those which are beyond the client's control (e.g.: competition, government regulations, market trends, etc.)



**Note: This is not an exhaustive list of frameworks. The candidate is encouraged to apply his/her creativity*

# CASE INTERVIEW: GUIDE TO DOING ANALYSIS



Most cases involve simple arithmetic or guesstimates. Follow these tips to avoid making mistakes:

## TIPS FOR SUCCESS

### SANITY CHECK
Make sure your numbers make sense in the context of the case.

### MISTAKES
Mistakes are okay. You can recover from them as long as you don't repeat them.

### SHORTCUTS
Round-off when required and manage your zeroes correctly to avoid mistakes.

### TALK
Talk it through and explain each step you are doing to your interviewer.

### SO WHAT?
Draw necessary inferences from your numbers and tie it back to the case.

### PRACTICE
Practice until you are comfortable doing math in front of the interviewer.

# CASE INTERVIEW: CONCLUSION

Clarifying Questions → Framework → Brainstorming → Analysis → **Conclusion**

Conclude the case in usually one minute and the conclusion may include the following key elements:

### Summary

Restate the key facts mentioned in the case and the inferences drawn during the case

### Recommendation

State the actions that the client should take and cite the key insights in your analysis that have helped arrive at the conclusion

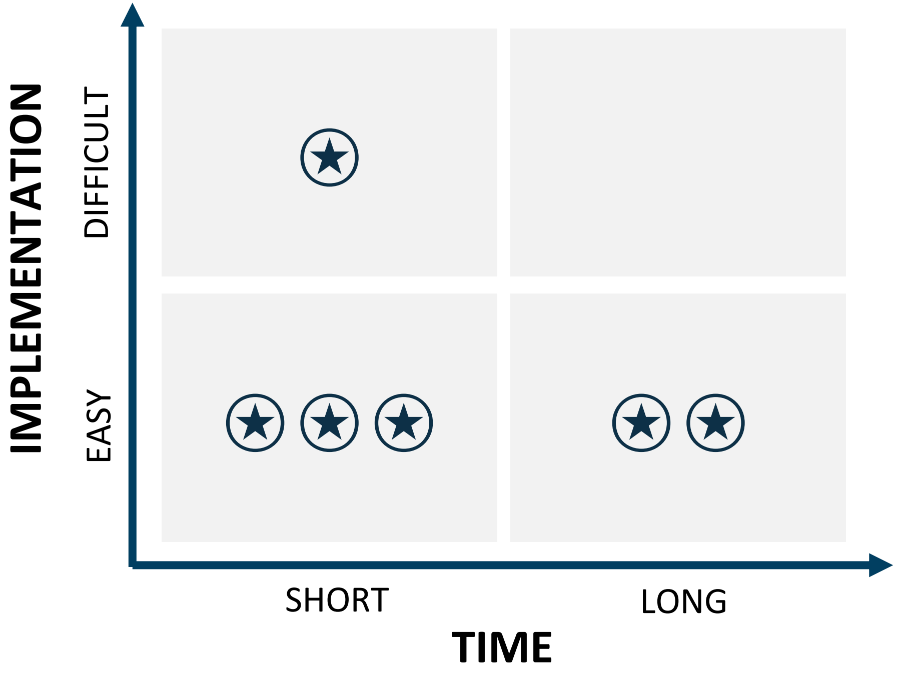
### Implementation

Highlight the actions the client must take in order to implement the recommendation given in the case
E.g.: Establish a value chain in a market entry case that includes Production, Distribution and Marketing

### Risks & Concerns

Mention the factors in the case that the client should be aware of that may impact their business or implementation of a recommendation
Note: It should not contradict your overall recommendation

## STRUCTURING RECOMMENDATIONS




Feasibility vs Impact is another way of structuring recommendations derived from the case.

# INDUSTRY OVERVIEW

*Note: The following is a non-exhaustive list of commonly tested industries. The interviewer may test the candidate on industries based on his/her prior experience*

# Automobile Industry

## Industry Overview

- **Definition**: The automobile industry is divided into majorly four biz. segments of which two-wheelers & passenger vehicles dominate domestic demand
- Globally, India is the fifth largest automobile market with annual production of 23M vehicles in FY22.

*Leading players*

*Two-Wheeler Cos.* | *Four-Wheeler Cos.* | *EVs*

## Business Segments

**Automobile Sector**

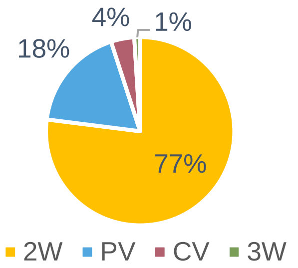
| Two wheelers | Three wheelers | Commercial vehicles | Passenger vehicles |
|---|---|---|---|
| *Mopeds* | *Passenger* | *Light CV* | *Cars* |
| *Scooters* | *Goods* | *Heavy CV* | *Utility* |
| *Motorcycle* | | | *Multi-purpose* |

## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| **Industry Size** | $222B |
| **CAGR (2022-27)** | 9% |
| **GDP Contribution** | 7.1% |
| **Units Produced** | 23M |
| **Units Exported** | 6M |

**Segment Sales**




## Key Drivers

| | | |
|---|---|---|
| Revenue | *Sales Volume* | *Product Mix* |
| | *Financing Services* | *After Sales Service* |
| Cost | *Commodities (RM)* | *R&D* |
| | *Distribution* | *Compliance* |
| Macro Factors | *Fuel Prices* | *Inflation* |
| | *Policy Support* | *Market Sentiment* |

## Industry Trends & Challenges

**Trends**

- Electric Vehicles (EV)
- Autonomous Driving
- In-Car Technologies
- Shared Mobility
- Industry 4.0

**Challenges**

- EV adoption
- AV regulations
- Supply chain risks
- Shifting preferences
- Emission compliance

## Recent policy updates & news

- Schemes such as FAME, CAFÉ-2 & BS-VI launched by the Indian Govt. will help promote production & commercialization of EVs
- The Automotive Mission Plan 2016–2026 (AMP 2026) seeks to enhance the industry's contribution to GDP and employment
- After touching peak PV sales (3.4M) in FY19, the automobile industry witnessed lows till FY21. However, it has shown recovery signs in FY22 (3.1M)

*Value Chain Analysis*

### Pre-Production

| R&D | RM | Inbound | Inventory |
|---|---|---|---|
| • Designing<br>• Innovation<br>• Labour | • Commodities<br>• Technology | • Mode<br>• Route<br>• Labour | • Conditions<br>• Location<br>• Costs |

### During Production

| Process | Others |
|---|---|
| • Equipment<br>• Mfg.<br>• Quality | • Assembly<br>• Utilities<br>• Labour |

### Post-Production

| Outbound | Distribution | Marketing | After-Sales |
|---|---|---|---|
| • Mode<br>• Route<br>• Labour | • Dealer Mgmt.<br>• Salesforce | • Advertising<br>• Insurance<br>• Financing | • Repair<br>• Rentals<br>• Labour |



*Source: IBEF, Invest India*

*Note: Mfg. refers to Manufacturing*

# Aviation Industry

## Industry Overview

- **Definition**: Aviation industry encompasses domestic and international air transportation services (including passenger & cargo) operated by an airline
- India's aviation sector is 3rd largest in the world in terms of handling domestic air-traffic

*Leading players*

IndiGo, Vistara, AirAsia, SpiceJet, GO FIRST, Air India

## Business Segments

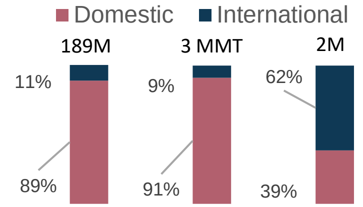
**Aviation Industry**

- Airlines
- Airports
- MRO & Ground Services

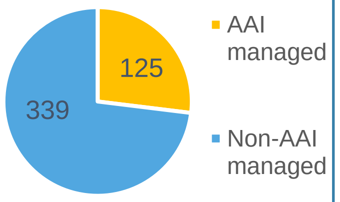
Other players: *Aircraft Mfg.*, *Air Traffic Control*, *Aviation Education*, *Aviation Tech*

## Key sectoral data

**AAI Airports Activity**




**Aviation Governance***




*AAI managed airports – Airports Authority Act (1994)*
*Other airports – Aircraft Act (1934)*

## Key Drivers

| | | |
|---|---|---|
| Revenue | *Ticket sales* | *Freight services* |
| | *Routes & Locations* | *Ancillary revenues* |
| Cost | *Fuel Costs* | *Airport charges* |
| | *Wages* | *MRO costs* |
| Macro Factors | *Exchange rates* | *Geopolitical factors* |
| | *Tourism trends* | *Govt. policies* |

## Industry Trends & Challenges

**Trends**

- New routes
- Consolidation
- Sustainability
- Digitalization
- Passenger Exp.

**Challenges**

- Price sensitivity
- Traffic congestion
- Env. concerns
- Fuel price volatility
- Pilot retention

## Recent policy updates & news

- India plans to mandate the use of 1% sustainable aviation fuel for domestic airlines by 2025
- The MCA has launched UDAN 5.1 to enhance connectivity in remote areas through helicopters
- Both Air India & IndiGo have placed large orders for aircraft purchase from Airbus and Boeing
- On the other hand, GoFirst and SpiceJet are facing insolvency crisis due to different reasons
- AirIndia to merge subsidiaries & operate two airlines

*Value Chain Analysis***

### Operational Value Chain Analysis

**Flight Ops.**
- Scheduling
- Rostering
- Performance

**Ground Ops.**
- Passenger
- Baggage
- Ramp

**MRO**
- Maintenance
- Repairing
- Overhauling

### Commercial Value Chain Analysis

**Revenue**
- Fare
- Demand Forecast
- Seat Mgmt.

**Distribution**
- Ticketing
- AIS
- Ancillary

**Customer Exp.**
- Reservation
- Boarding
- In-flight

### Support Value Chain Analysis

**HR**
- Pilot / Crew
- Safety & security training

**Supply Chain**
- Procurement
- Inv. Mgmt.
- Fuel

**Corporate**
- Finance
- Legal
- Strategy Dept.



*Source: IBEF. Note: MRO refers to Maintenance, Repair & Overhaul. AAI: Airports Authority of India, AIS refers to advanced information systems, MCA refers to Ministry of Civil Aviation*
**The Aviation Governance pie-chart indicates the total number of airports & airstrips governed by different acts in India, **Other often used method to analyze Aviation Value Chain is to map customer journey*

# Cement Industry

## Industry Overview

- **Definition**: This industry refers to players involved in the production, distribution & sale of cement
- India is the second largest cement producer worldwide with over 7% of the global installed capacity

*Leading players*

UltraTech, Shree Cement, Ambuja Cement, ACC, Dalmia Bharat, Birla Corporation Limited, The India Cements Ltd, JK Cement

## Process Flow

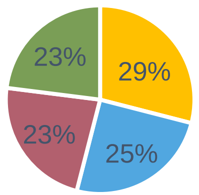
| Raw Materials | Clinker | Cement | Packaging |
|---|---|---|---|
| Limestone, clay, etc. extracted & mixed to form Raw meal | Raw meal heated, cooled & calcinated in Kiln to remove moisture | Clinker grinded w/ Gypsum & stored in silos to form cement | Cement packaging into bags for sending to retailers / sites |

## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| Industry Size ('22) | $143B |
| CAGR (2021-29) | 5.5% |
| GDP Contribution | 4.5% |
| Top 4 players | 75% |
| Total Capacity* | 360MT |

**Cement Demand**




*Rural & urban housing account for 52% of the cement demand*

## Key Drivers

| | | |
|---|---|---|
| Revenue | *Prices* | *Market demand* |
| | *Real estate growth* | *Govt. spending* |
| Cost | *Raw materials* | *Energy costs* |
| | *Transportation* | *Labor costs* |
| Macro Factors | *GDP growth rate* | *Urbanization* |
| | *Exchange rates* | *Interest rates*** |

## Industry Trends & Challenges

**Trends**

- Cement blending
- Affordable housing
- Capacity expansion
- M&As
- Carbon neutrality

**Challenges**

- Lack of support infra.
- Land acquisition
- Env. concerns
- Financing constraints
- Commodity prices

## Recent policy updates & news

- Adani's $6.5B acquisition of Ambuja and its subsidiary ACC was the largest M&A in Indian infra sector.
- **Synergies & M&As** – (Adani Group, Ambuja, Input utilities synergies); (Ultratech, NTPC, input utilities synergies)
- Governmental schemes to grow Indian economy help the cement sector – NIP, NMP, PMAY (Urban / Gramin) Smart Cities, AMRUT

*Value Chain Analysis*

### Pre-Production

**R&D**
- Alternate RMs
- MIxing

**RM**
- Mining
- Grinding
- Quality

**Inbound**
- Mode
- Route
- Vendor

**Inventory**
- EOQ
- Handling
- JIT

### During Production

**Process**
- Kiln
- Grinding
- QC

**Others**
- Utilities
- Waste
- Packaging

### Post-Production

**Outbound**
- Fulfilment
- Tracking
- Route

**Distribution**
- Margins
- Efficiency
- Channel

**Marketing**
- Branding
- Pricing
- Feedbacks

**After-Sales**
- Support
- Complaint Mgmt.



*Source: IBEF, Statista, MOSPI, Trading Economics, MaximizeMarketResearch. Note: *MT: Million Tonnes, **Interest rates are an important consideration for cement industry as they impact financing availability for construction projects, EOQ: Economic Order Quantity, JIT: Just-in-time.*

# E-Commerce Industry

## Industry Overview

- **Definition**: This sector encompasses companies involved in the buying & selling of goods and services through electronic platforms, primarily the internet
- India could outpace more mature markets to become the 3rd largest globally with $350B size by 2030

*Leading players*

| Marketplace | Online Retailers (E-Tail) | Logistics & Delivery | Internet Economy Players |
|---|---|---|---|
| amazon, Flipkart, snapdeal | Myntra, TATA CLiQ, NYKAA, AJIO | DELHIVERY, ekart, XPRESSBEES | SWIGGY, zomato, Zoomcar, bookmyshow, practo, policybazaar |

## Business Segments

**E-Commerce Industry Biz. Models**

| Marketplace Model | Inventory Led Model |
|---|---|
| *Zero inventory model* | *Significant inventory* |

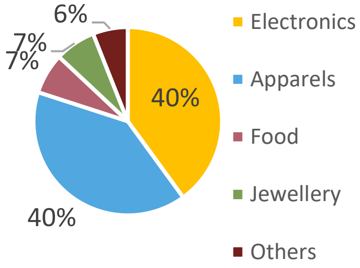
| Players Involved | | |
|---|---|---|
| | *Marketplace* | *E-Tailers* |
| | *Internet Economy* | *Payments Infra.* |

## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| **Industry Size** | $75B |
| **CAGR (2022-30)** | 21% |
| **GDP Contribution** | 2.4% |
| **E-Com Sales** | 10% |
| **Internet Users** | 780M |

**Segment Sales**




## Key Drivers

| | | |
|---|---|---|
| Revenue | *GMV* | *# transactions* |
| | *Average order value* | *Seller commissions* |
| Cost | *Fulfillment costs* | *Customer acq. costs* |
| | *Technology infra.* | *Advertising costs* |
| Macro Factors | *Internet penetration* | *Consumer spends* |
| | *Payment infra* | *Govt. policies* |

## Industry Trends & Challenges

**Trends**

- Omnichannel sales
- Ancillary revenues
- Geo. expansion
- Social commerce
- Personalized exp.

**Challenges**

- Last mile delivery
- Payment challenges
- Counterfeit products
- Customer trust
- Reverse logistics

## Recent policy updates & news

- Through its 'Digital India' campaign, GoI is aiming to create a trillion-dollar online economy by 2025
- Currently, 100% FDI via automatic route is permitted in the marketplace model of E-commerce.
- In Q1'22, PE/VC investments in this sector stood at $2.7B with 47 total deals
- The total volume of wireless internet data usage has surged 7 times over since 2018
- E-com cos. are moving towards subscription model

*Value Chain Analysis*

### Supply Chain & Operations

**Procurement**
- Suppliers
- Contract
- QC
- Inv. forecast

**Inventory**
- Warehouse
- Stocking
- Expiry mgmt.
- Monitoring

**Others**
- Order mgmt.
- Packaging
- Shipping
- Reverse logi.

### Technology & Platform

**Development**
- Website/App
- Front-end
- Back-end
- Payments

**Products**
- Catalog
- Taxonomy
- Discounts
- Reviews

**Others**
- Gateway
- Cyber-risk
- Subscription
- Metrics

### Marketing & Customer Engagement

**Mkt. Research**
- Target mkt.
- Mkt. trend
- Competitors
- Pricing

**Branding**
- Identity
- Pricing
- Positioning
- Product USP

**Others**
- SEO / PPC
- Cust acq.
- Loyalty pts.
- Cust. service



*Source: IBEF*

*Note: GMV – Gross Merchandise Value, AOV – Average Order Value,*

# Financial Services Industry – All

## Industry Overview

- **Definition**: This sector encompasses various financial institutions & organizations that provide financial products & services to individuals & businesses
- According to GS, India's stock market is likely to reach \$5T surpassing UK to become the 5th largest by 2024

*Leading players*

*Multi-segment players* — *Insurance* — *NBFC*

## Business Segments

**Financial Services Industry**

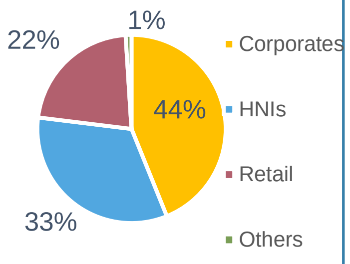
| Capital Markets | Insurance | NBFCs | Banks |
|---|---|---|---|
| *MFs* | *Life* | *Asset fin.* | *Commercial & Retail Banks* |
| *Broking* | *Non-Life* | *Loan cos.* | |
| *IB* | | | |

## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| Gross Savings / GDP | 29.3% |
| Insurance AUM ('25E) | \$1T |
| MF AUM | \$478B |
| MF Penetration | 5-6% |
| IPO Capital Raised | \$7B |

**MF breakdown**




*Industry regulators: RBI, SEBI, IRDAI*

## Key Drivers

| | | |
|---|---|---|
| Revenue | *Client base* | *AUM* |
| | *Cross-selling* | *Ancillary fees* |
| Cost | *Employee benefits* | *Tech infra. costs* |
| | *Rents & Leases* | *Compliance* |
| Macro Factors | *Economic stability* | *Interest rates* |
| | *Exchange rates* | *Financial literacy* |

## Industry Trends & Challenges

**Trends**

- Digitalization
- Rise of FinTech
- Financial inclusion
- Account aggregation
- ESG Focus

**Challenges**

- Cybersecurity
- NPA management
- Debt market liquidity
- Customer trust
- Economic volatility

## Recent policy updates & news

- GoI has approved 100% FDI for insurance intermediaries and increased limit to 74% in insurance from the previous 49%
- A pilot programme for Central Bank Digital Currency (CBDC) was launched by RBI in November 2022
- In September 2021, 8 banks announced that they are expecting to roll out account aggregator framework
- **Key Deals:** (HDFC Bank, HDFC); (Piramal Group, DHFL); (LIC IPO); (Axis Bank, Citi Bank retail business)

*Value Chain Analysis*

## Operational Value Chain Analysis

**Risk mgmt.**
- Risk analysis
- Underwriting
- Risk mitigation

**Investment**
- Financial planning
- Portfolio mgmt.

**Settlements**
- Payment processing
- Trade execution

## Commercial Value Chain Analysis

**Marketing**
- Branding
- Research
- Lead generation

**Onboarding**
- Prospecting
- Conversion
- Account setup

**Relationship**
- Cust. Support
- Cross-selling
- Loyalty pts.

## Support Value Chain Analysis

**Tech. infra.**
- H/W & S/W mgmt.
- N/w mgmt.
- Data security

**Compliance**
- Regulations
- Filings
- Audits
- AML / KYC.

**HR**
- Workforce planning
- Employee benefits



*Source: IBEF, Note: GS refers to Goldman Sachs, iB/RB/CB: Investment Banking, Retail Banking, Commercial Banking; MF AUM: Mutual Fund Industry Asset Under Management, AML / KYC refers to Anti-money laundering & know your customer processes.*

# Financial Services Industry – Banking Sector

## Industry Overview

- **Definition**: A part of the financial services industry that is specifically focused on traditional banking activities such as loans, deposits, fund transfers, etc.
- Compared to the world's developed nations, 40% of the world's total digital transactions happen in India

*Leading players*

*Public Sector Banks* | *Private Sector Banks* | *Foreign Banks*

## Business Segments

**Financial Services Industry**

**Banking (Governed by RBI)**

- SCBs
- Cooperative Credit Cos.
- Financial Institutions

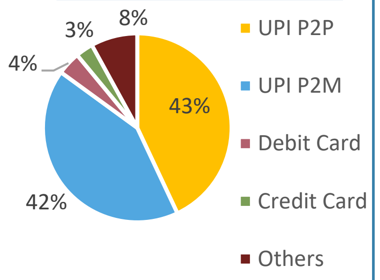
| SCB Types | | |
|---|---|---|
| | *Public Sector Banks* | *Foreign Banks* |
| | *Pvt. Sector Banks* | *Cooperative Banks* |

## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| Banking Assets | $2.7T |
| PSB Share in Assets | 60% |
| # ATMs | 2.1L |
| FinTech Industry | $150B |
| Total # SCBs | ~1L |

**Payment Volume**




## Key Drivers

| | | |
|---|---|---|
| Revenue | *Interest Income* | *Investment Gains* |
| | *Cross-selling* | *ForEx Income* |
| Cost | *Employee benefits* | *Marketing costs* |
| | *Rents & Leases* | *Compliance* |
| Macro Factors | *Monetary policy* | *Systemic risks* |
| | *Exchange rates* | *Consumer trust* |

## Industry Trends & Challenges

**Trends**

- Mobile Banking & Payments
- Rise of FinTech
- Unbanked banking
- AI & Automation

**Challenges**

- Capital adequacy & other requirements
- Loan recovery
- Frauds & Financial Crimes

## Recent policy updates & news

- Around 470M beneficiaries have been banked under PMJDY scheme amounting to $21B
- RBI has launched the RBI Retail Direct Scheme through which retail investors can now directly invest in Government securities
- Budget 2022 proposed to integrate the Indian post offices into the core banking system
- NPCI is planning to launch UPI Lite which will provide offline UPI payments upto Rs. 200

*Banking Process Mapping*

### Pre-service delivery stage

**Research**
- A/c types
- Bank comparison
- FNA

**A/c opening**
- Documentation
- A/c setup & activation

**Advisory**
- Goal setting
- Product recomm.
- Fin. planning

### Service delivery stage

**Services**
- Deposit / Withdrawal
- Loan / Credit
- Investment

**A/c mgmt.**
- Mobile banking
- Credit mgmt.
- Invt. tracking

**Cust. support**
- Query resolution
- Compliant handling

### Post-service delivery stage

**Relationship**
- Relationship manager
- Cross-selling
- Loyalty pts.

**Resources**
- Financial education
- Account review

**VAS**
- Insurance upgrades
- Exclusive benefits

*Since the value chain is very similar for banking sector & the entire financial services industry, we have done a banking process mapping which highlights the entire end to end banking process*

*Source: IBEF, Times of India. Note: SCBs – Scheduled Commercial Banks, FNA refers to Financial Needs Assessment which is sometimes an offering of the banks, Invt. Abbreviation for Investment. FinTech Industry Size is as per 2025 estimates. Payment Volume doesn't include cash transactions*

# Fast Moving Consumer Goods (FMCG) Industry

IIM CALCUTTA CONSULT CLUB

## Industry Overview

- **Definition**: The FMCG industry refers to the production, distribution, and sale of often purchased, non-durable goods such as household products.
- India's FMCG market grew at 16% in FY21, the fastest seen in the previous nine years

*Leading players*

Hindustan Unilever Limited, TATA CONSUMER PRODUCTS, ITC Limited, Nestlé, marico, Colgate, Dabur, BRITANNIA, P&G

## Business Segments

**FMCG Industry**

- Food & Beverages
- Healthcare
- Household & Personal Care

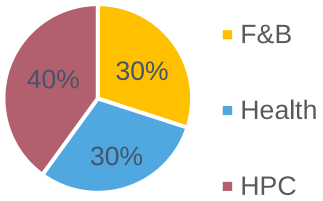
Trade Channels: *General Trade*, *D2C / E-Commerce*, *Modern Trade*, *Omni-channel*

## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| **Industry Size ('20)** | $110B |
| **CAGR (2020-27)** | 28% |
| **GDP Contribution** | 3.5% |
| **Internet Users** | 780M |
| **Urban Sales** | 65% |

**E-com segments**




## Key Drivers

| | | |
|---|---|---|
| Revenue | *Consumer spends* | *Urbanization* |
| | *Rural Markets* | *E-Commerce sales* |
| Cost | *Raw Materials* | *Packaging* |
| | *Manufacturing* | *Distribution costs* |
| Macro Factors | *Consumer Behavior* | *SC Disruptions* |
| | *Festivals & Seasons* | *Population Growth* |

## Industry Trends & Challenges

**Trends**

- Health & Wellness
- E-Commerce rise
- Sustainability
- Convenience culture
- ONDC

**Challenges**

- Price sensitivity
- Distribution mgmt.
- Rural penetration
- Illicit Trade
- Intense competition

## Recent policy updates & news

- To promote FMCG sector, GoI has approved 100% FDI in single-brand retail & 51% FDI in multi-brand retail
- The industry is witnessing regulatory headwinds in the form of regulations in E-Com (deep discounting), quality standards (honey adulteration), etc.
- **Key M&As** – (HUL, GSK CH); (Tata Digital, BigBasket); (Marico, Beardo); (Dabur, Badshah Masala)
- Reliance's entry into the FMCG poses a significant threat, due to its deep pockets and vast network

*Value Chain Analysis*

### Pre-Production

**R&D**
- Product
- Packaging
- Consumer insights

**RM**
- Forecasting
- Supplier
- Pricing

**Inbound**
- Mode
- Route
- Labour

**Inventory**
- EOQ
- Tracking
- Warehouse

### During Production

**Process**
- Production
- QC & QA
- Packaging

**Others**
- Utilities
- Waste
- Labelling

### Post-Production

**Outbound**
- Fulfilment
- Tracking
- Route

**Distribution**
- Margins
- Efficiency
- Channel

**Marketing**
- Branding
- Pricing
- Feedbacks

**Reverse Logi.**
- Recalls
- Returns
- Recycling



*Source: IBEF.*

*Note: Urban Sales refers to the sales from Urban regions as a % of total sales. D2C refers to Direct-To-Consumer Channel, Reverse Logi. refers to Reverse Logistics*

# Iron & Steel Industry

## Industry Overview

- **Definition**: The sector that is involved in the production, processing, and distribution of iron and steel products
- India is the second largest crude steel producer in the world, with a total production of 133 MT in FY22.

*Leading players*

TATA STEEL, JSW Steel, ArcelorMittal, सेल SAIL, JINDAL STEEL & POWER, ESSAR STEEL

## Process Flow

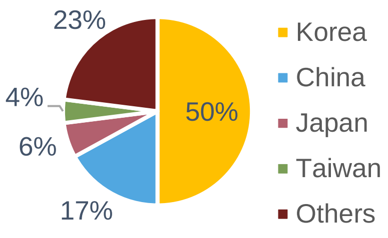
| Raw Materials | Iron-making | Steel-making | Finishing |
|---|---|---|---|
| Iron Ore Mining, Production of Coke from coal, Scrap collection | Conversion of iron ore to molten iron | BOF/EAF: Iron to Steel conversion. Casting of steel | Rolling (shaping & reducing thickness), Surface Treatment |

## Key sectoral data

**Macroeconomic data***

| | |
|---|---|
| Total Capacity | 144MT |
| CAGR (2022-25) | 7-8% |
| Consumption | 115MT |
| Total Exports | 14MT |
| Total Imports | 5MT |

**Export locations**




## Key Drivers

| | | |
|---|---|---|
| Revenue | *Automotive growth* | *Govt infra. spends* |
| | *Exports* | *Steel prices* |
| Cost | *Raw materials* | *Energy costs* |
| | *Transportation* | *Labor costs* |
| Macro Factors | *GDP growth rate* | *Int'l trade tariffs* |
| | *Exchange rates* | *Interest rates*** |

## Industry Trends & Challenges

**Trends**

- Tech. Transformation
- Sustainability
- Steel consumption ↑
- Consolidation
- Steel recycling

**Challenges**

- RM availability
- Volatile input costs
- Lack of support infra.
- Financing constraints
- Dumping allegations

## Recent policy updates & news

- National Steel Policy (2017) has envisaged achieving production capacity of 300MT by 2030-31
- Schemes such as PMAY, Smart Cities, PLI, etc. are expected to boost steel demand in the coming years
- Currently, 100% FDI (via the automatic route) is available in the steel industry
- **Side note:** India is home to fifth-highest reserves of Iron-Ore in the world giving India a comp. advantage
- Steel industry supplied medical $O_2$ during Covid-19#

*Value Chain Analysis*

### Pre-Production

| R&D | RM | Inbound | Inventory |
|---|---|---|---|
| • Alloy dev.<br>• Process optimizn. | • Mining<br>• Coking<br>• Scrap processing | • RM transport<br>• Energy input | • EOQ<br>• Handling<br>• Tracking |

### During Production

| Process | Others |
|---|---|
| • Ironmaking<br>• Steel gen.<br>• Alloying<br>• QC & QA | • Casting<br>• Waste & energy mgmt. |

### Post-Production

| Quality | Inventory | Marketing | Others |
|---|---|---|---|
| • Non-destructive testing<br>• Compliance | • FG inv.<br>• Handling<br>• Order fulfillment | • Branding<br>• Pricing<br>• Feedbacks | • Channel mgmt.<br>• Outbound Logistics |



*Source: IBEF, Statista, Ministry of Steel, GoI; Note: *MT: Million Tonnes Note: *MT: Million Tonnes, **Interest rates are an important consideration for cement industry as they impact financing availability for construction projects. #: Steel mfr. were permitted to produce & sell industrial oxygen during Covid-19 pandemic. Curr. steel industry $O_2$ capacity = 1500MT per day. BOF/EAF: Google.*

# IT & ITES Industry

## Industry Overview

- **Definition**: This industry involves a wide range of services related to information technology, software development, & business process outsourcing
- This industry accounts for 56% of the global outsourcing market

*Leading players*

## Business Segments

**IT & ITES Sector**

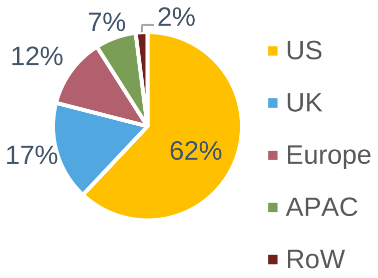
| IT Services | Biz. Process Mgmt. | Software Services | Hardware |
|---|---|---|---|
| *81% rev. from exports* | *87% rev. from exports* | *84% rev. from exports* | *Major rev. from India* |
| *50%* | *20%* | *20%* | *10%* |

## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| Industry Size | $230B |
| CAGR (2021-28) | 13% |
| GDP Contribution | 7.4% |
| FDI Inflows Rank | 2 |
| # employees | 5M |

**Exports by Region**




## Key Drivers

| | | |
|---|---|---|
| Revenue | *Pricing* | *Talent pool* |
| | *Global demand* | *Tech. adoption* |
| Cost | *Salaries* | *Infra. costs* |
| | *Constant R&D* | *Compliance* |
| Macro Factors | *Economic growth* | *Exchange rates* |
| | *Tech. trends* | *Inflation* |

## Industry Trends & Challenges

**Trends**

- Cloud computing
- Data centre investments
- Generative AI
- Cybersecurity

**Challenges**

- Global competition
- Attrition
- Price volatility
- New regulations
- Rising wages

## Recent policy updates & news

- Indian cos. are now looking to expand global footprint to support global delivery model (Eg: TCS expansion in UK)
- In August 2022, CERT India (CERT-In) team carried out a 'cyber-security' exercise with CSA, Singapore to build resiliency against ransomware attacks
- The new Digital Personal Data Protection bill is expected to be tabled in the monsoon session of Parliament in July 2023

*Value Chain Analysis*

### Operational Value Chain Analysis

**Development**
- Planning
- Design
- Coding

**Delivery**
- Deployment
- Integration
- Migration
- Training

**Operations**
- Monitoring
- Incident res.
- Improvemen t

### Commercial Value Chain Analysis

**Revenue**
- Pricing
- Billing
- Profitability assessment

**Marketing**
- Insights
- Cust. Acq.
- Proposal
- Negotiation

**Relationship**
- Acc. Mgmt.
- NPS scores
- Custom products

### Support Value Chain Analysis

**HR**
- Talent acquisition
- Training
- Perf. Mgmt.

**IT Support**
- Helpdesk
- IT assets mgmt.
- N/w infra

**Quality**
- Legal
- QC & QA
- Compliance



*Source: IBEF, Statista, Times of India,*

*Note: FDI Inflows Rank is a rank which indicates that IT & ITES sector has witnessed 2nd highest FDI inflow in the country in the past few years.*

# Metals & Mining Industry

## Industry Overview

- **Definition**: This industry encompasses exploration, extraction, refining, and processing of various metallic and non-metallic minerals found in India
- This industry is one of the core industries as it provides basic raw materials to many other industries

*Leading players*

TATA STEEL, JSW Steel, SAIL — Ferrous Metals*

Hindustan Copper Limited (Cu), Hindalco (Al), Hindustan Zinc (Zn) — Non-Ferrous Metals

Vedanta; Gold & Silver mines across India — Precious Metals

UltraTech, Ambuja Cement (LST*); Tata Chemicals (Others) — Industrial Minerals

## Business Segments

**Metals & Mining Industry**

| Ferrous Metals | Non-Ferrous | Precious Metals | Industrial Minerals |
|---|---|---|---|
| *Iron & Steel.* | *Aluminium, Zinc, Copper, Lithium.* | *Gold, Silver, Diamond, Platinum* | *Limestone, Coal* |

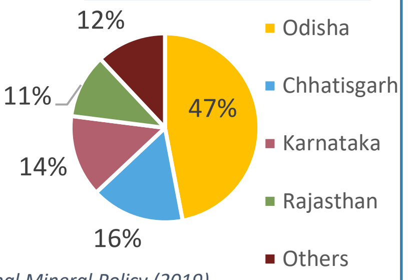
*The process flow is similar in all – RM extraction -> intermediate product -> Final metal / mineral which is further used by other industries as their base RM*

## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| **Industry Size** | $127B |
| **CAGR (2022-25)** | 7.1% |
| **GDP Contribution** | 4.1% |
| **Metallic mines** | 525 |
| **Non-metallic mines** | 720 |

**Mineral Production**




*Governed by National Mineral Policy (2019)*

## Key Drivers

| | | |
|---|---|---|
| Revenue | *Global demand* | *Commodity prices* |
| | *Capacity utilization* | *Export opportunities* |
| Cost | *Energy costs* | *Machinery costs* |
| | *Environmental costs* | *Logistics costs* |
| Macro Factors | *Economic growth* | *Exchange rates* |
| | *Financing options* | *Social responsibility* |

## Industry Trends & Challenges

**Trends**

- Sustainability focus
- Mine exploration
- Rise of PPP
- Digitalization
- Social responsibility

**Challenges**

- Limited workforce
- Geopolitics
- Lack of financing
- Commodity prices
- Safety standards

## Recent policy updates & news

- The Mines and Minerals Amendment Act (2021) enabled captive mine owners to sell up to 50% of their annual mineral production in the open market.
- State-run Cos. have shown interest to buy mining assets related to Lithium & Cobalt overseas
- FDI upto 100% is allowed in the exploration of metal and non-metal ores via the automatic routes
- **Side Note:** Usually, leases are given out for a period of around 50 years for the purpose of mining

*Value Chain Analysis*

### Pre-Production

**R&D**
- Mining equipment
- Exploration methods

**RM**
- Identifying reserves
- Acquiring licenses

**Inbound**
- Equipment transport
- Route

**Inventory**
- Tracking ore grades
- Handling
- Storage

### During Production

**Process**
- Mining operations
- Processing
- Refining

**Others**
- Pollution mgmt.
- Rehabilitation

### Post-Production

**Quality**
- Compliance
- Recycling
- Waste mgmt.

**Distribution**
- Warehouse
- Exports
- Optimizing SC

**Marketing**
- Pricing
- Mkt. research

**Finance**
- Budgeting
- Cost control
- Investment mgmt.



*Source: IBEF, Statista, Times of India, ResearchandMarkets. Note: *Ferrous Metals, Limestone, Coal are covered in more details in the industry reports of Iron & Steel, Cement and Power Industries , Cu/Al/Zn/LST: Copper, Aluminium, Zinc/Limestone. SBI: State Bank of India*

# Oil & Gas Industry

## Industry Overview

- **Definition**: This sector encompasses companies involved exploration, refining, transportation, & marketing of petroleum and natural gas products
- India is the third-largest consumer of energy in the world, as of 2022

*Leading Players*

Upstream Players: ONGC, Essar, Cairn, Oil India Limited, Reliance Industries Limited

Midstream Players: IndianOil, HP, Bharat Petroleum, Nayara

Downstream Players: GAIL, adani Gas

## Business Segments

**Oil & Gas Industry**

| Upstream | Midstream | Downstream |
|---|---|---|
| *Exploration* | *Storage* | *Refining* |
| *Production* | *Transportation* | *Retail Distbn.* |
| *Crude Oil, Gas* | *Crude Oil, LNG* | *Petrol, LPG* |

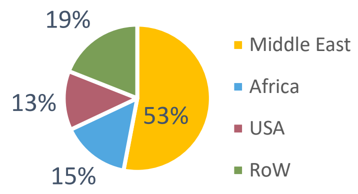
## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| #1 in Upstream | ONGC |
| #1 in Midstream | IOCL |
| #1 in Downstream | ONGC |
| Oil imports (% demand) | 88% |

*Indian Oil Imports - $120B*

**Indian Oil Imports**




*In FY23, India suddenly imported 33% oil from Russia*

## Key Drivers

| | | |
|---|---|---|
| Revenue | *Volumes & reserves* | *Oil and gas prices* |
| | *Refining margins* | *Petroleum demand* |
| Cost | *Oil acquisition costs* | *Exploration costs* |
| | *Refining costs* | *Distribution costs* |
| Macro Factors | *Geopolitics* | *Int'l crude oil prices* |
| | *Exchange rates* | *Energy trends* |

## Industry Trends & Challenges

**Trends**

- Energy transition
- Biz. diversification
- Digitalization
- Infra. development
- Energy efficiency

**Challenges**

- Crude oil price volatility
- Env. regulations
- Financing constraints
- Energy security

## Recent policy updates & news

- As per the Biofuel policy ('22), GoI plans to achieve 20% ethanol blending with petroleum by 2026
- Currently, 100% FDI (via the automatic route) for oil and gas PSUs is approved
- Only three states (Assam, Gujarat, and Rajasthan) account for more than 96% oil production in India
- India heavily relies on imported LNG. Globally, it is the fourth largest LNG importer
- India diversified crude oil sourcing from Guyana ('21)

## *Value Chain Analysis*

### Upstream

**Exploration**
- Geo. survey
- Reserve estimation
- Risk analysis

**Drilling**
- Wells design
- Drilling rigs
- Reservoir management

**Field Dev.**
- Feasibility studies
- Infra design
- Compliance

### Midstream

**Pipelines**
- Design
- Construction
- Pumping
- Monitoring

**Storage**
- Tank farms
- (Un) Loading
- QC & QA
- Safety

**LNG Ops.**
- Gas processing
- Liquefication
- LNG storage

### Downstream

**Refining**
- Crude oil distillation
- Petrochemical

**Blending**
- Refined products blending
- QC

**Distribution**
- Network mgmt.
- Pricing
- Branding

*Source: IBEF*

# Pharmaceutical Industry

## Industry Overview

- **Definition**: The pharmaceutical industry involves the development, production, and commercialization of drugs for medical treatment and prevention
- India ranks 3rd worldwide for pharmaceutical production by volume and 14th by value

*Leading players*

SUN PHARMA, Mankind, LUPIN, Dr.Reddy's, gsk, Cipla, Abbott, Zydus, SANOFI

## Business Segments

**Pharmaceutical Industry**

- Active Pharma. Ingredients / Bulk Drugs
  - *Branded*
  - *Generics*
- Formulations
  - *Branded*
  - *Generics*

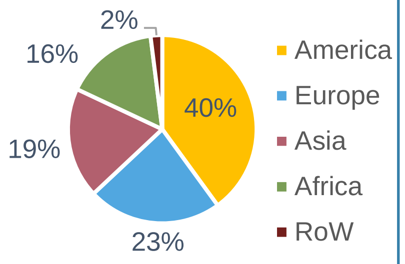
Other Types: *OTC Medications*, *Biosimilars*, *Contract Mfg.*, *Vaccines*

## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| **Industry Size** | $50B |
| **CAGR (2021-30)** | 13% |
| **GDP Contribution** | 1.7% |
| **Total Exports** | $25B |
| **Total Imports** | $8B |

**Exports by Region**




## Key Drivers

| | | |
|---|---|---|
| Revenue | *Branded Drug Sales* | *Exports* |
| | *Contract Mfg.* | *Healthcare spending* |
| Cost | *Raw Materials* | *R&D* |
| | *Manufacturing* | *Compliance* |
| Macro Factors | *Healthcare Infra* | *Exchange rates* |
| | *Patent expirations* | *Disease outbreaks* |

## Industry Trends & Challenges

**Trends**

- Digitalization
- Personalized meds.
- Generics exports
- Contract Mfg.
- Green practices

**Challenges**

- Price controls
- Low R&D investment
- Reliance on China
- Supply chain risks
- Counterfeit drugs

## Recent policy updates & news

- Due to supply chain disruptions, the industry has witnessed a rise in prices of raw materials ranging from 25%-120%
- Recognising this dependence, Govt. has launched a PLI scheme for promotion of domestic manufacturing of key raw materials in India with implications of about ₹15,000 crore (FY21)
- Due to these rising costs, the drug pricing authority allowed price hikes for the first time in many years

*Value Chain Analysis*

### Pre-Production

**R&D**
- Discovery
- Trials
- IP

**RM**
- APIs
- Prices
- Incentives

**Inbound**
- Mode
- Route
- Labour

**Inventory**
- Conditions
- Location
- Costs

### During Production

**Process**
- Formulation
- QC & QA
- GMP

**Others**
- Utilities
- Labelling
- Compliance

### Post-Production

**Outbound**
- Mode
- Route
- Labour

**Distribution**
- Cold storage
- Retailer N/W Mgmt.

**Marketing**
- Pricing
- Consumer Insights

**After-Sales**
- Support
- Complaint Mgmt.



*Source: IBEF, CARE*

*Note: GMP: Good Manufacturing Practice Industry Standards; QC & QA refers to Quality Control & Quality Assurance*

# Power Industry

## Industry Overview

- **Definition**: This sector encompasses companies involved in the generation, transmission, distribution, and consumption of electrical power
- India is the 3rd largest producer & consumer of electricity worldwide behind China & USA

*Leading Players*

TATA POWER, adani Power, JSW Energy — *Power Generating Cos.*

NTPC, RELIANCE Power — *State Transmission & Distribution Cos.* (Power Grid Corporation of India)

ReNew Power, SUZLON — *Renewable Energy Cos.*

## Business Segments

| | | | |
|---|---|---|---|
| **Gene-ration** | **Trans-mission** | **Distri-bution** | **End-User** |
| **Gene-ration Sources** | **Thermal (Coal / Diesel)** | **Renew-able** | **Hydro / Nuclear** |

Other players: *Equipment Mfr.*, *IPPs*, *Power Trading Cos.*, *EPCs*

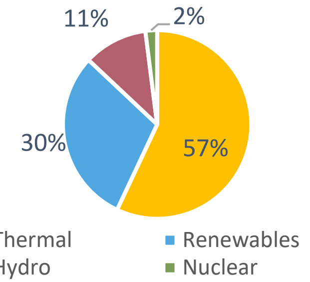
## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| **Total Capacity** | 411GW |
| **Peak Demand** | 205GW |
| **Largest player** | NTPC |
| **NTPC Capacity** | 72GW |

*Power industry is governed by Electricity Act (2003)*

**Power Sources**




## Key Drivers

| | | |
|---|---|---|
| Revenue | *Demand* | *PPAs* |
| | *Tariff / Price* | *Carbon Credits* |
| Cost | *Fuel Costs* | *Losses* |
| | *Transmission* | *Compliance* |
| Macro Factors | *Int'l prices* | *Financing options* |
| | *Weather / Climate* | *Govt. regulations* |

## Industry Trends & Challenges

**Trends**

- Renewable energy
- Smart grids
- Digitalization
- Decentralized power generation

**Challenges**

- Aging Infra.
- Financial viability of Power DISCOMs
- Energy theft
- Input imports

## Recent policy updates & news

- To meet India's 500 GW renewable energy target, GoI has identified 81 thermal plants to be replaced by renewable energy generation by 2026
- Currently, 100% FDI is available in the power industry
- GoI schemes such as UDAY, DDUGJY IPDS, etc. are pushing for increasing electrification in the country
- In 2021, the EXIM Bank of India extended $100M line of credit to Sri Lankan government to ensure 70% renewable power generation in Sri Lanka by 2030

*Value Chain Analysis*

### Power Generation

**Fuel procuring**
- Sourcing
- Transport
- Quality

**Power plant**
- Steam Gen.
- Turbine ops.
- Control Sys.
- Maintenance

**Compliance**
- Pollution control
- Waste management

### Transmission & Distribution

**Grid infra.**
- Substation
- Transmission Lines
- Transformer

**Grid mgmt.**
- Load mgmt.
- Voltage regulation
- Grid stability

**Cust. service**
- Metering
- Billing
- Complaint resolution

### Energy Market & Customer

**Market ops.**
- Trading
- Mkt price forecasting
- Settlement

**Cust. analysis**
- Tariff pricing
- Consumption analysis

**Other services**
- Energy audits
- Energy advisors



*Source: IBEF*

*Note: IPP – Independent Power Producers , EPC – Engineering, Procurement & Construction Cos., PPA – Power Purchase Agreements, DISCOMS – Distribution Companies*

# Telecommunication Industry

## Industry Overview

- **Definition**: This industry involves provision of various communication services, including voice, data, and multimedia transmission over long distances
- India's telecom sector is the second largest globally with regards to subscriber base & internet users also

*Leading players*

*Network + Internet Providers (ISPs)*: airtel, Jio, Vi, BSNL, ACT, MTNL

*Equipment Manufacturer*: HUAWEI, ZTE, ERICSSON, NOKIA, SAMSUNG

*Satellite Communication Services*: TATA PLAY, SUN DIRECT, dishtv

*Infrastructure Cos.*: indus TOWERS, AMERICAN TOWER, Bharti Infratel Limited

## Business Segments

**Telecommunication Industry**

**Network / Internet Providers**

- Mobile (Wireless)
- Fixed-line (~Broadband)
- Internet Service

Other players:

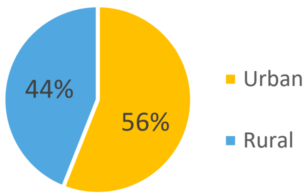
- *Equipment mfr.*
- *Infrastructure cos.*
- *Satellite services*
- *Value added service*

## Key sectoral data

**Macroeconomic data**

| | |
|---|---|
| Industry Size | $37B |
| CAGR (2023-28) | 9.40% |
| GDP Contribution | 1.1% |
| Total Subscribers | 1.1B |
| Internet Subs | 830M |

**Indian Tele-density**




*Total Tele-density is at 85% of population*

## Key Drivers

| | | |
|---|---|---|
| Revenue | *ARPU* | *Demand for data* |
| | *Value added service* | *Partnerships w/ OTT* |
| Cost | *Infra. maintenance* | *License fees* |
| | *Spectrum purchase* | *Energy costs* |
| Macro Factors | *Govt. policies* | *Economic growth* |
| | *Tech. advancement* | *Consumer behavior* |

## Industry Trends & Challenges

**Trends**

- Bundled services
- OTT popularity
- Convergence with other sectors
- 5G race

**Challenges**

- Intense competition
- Debt burdens
- Data privacy laws
- Digital divide
- Network congestion

## Recent policy updates & news

- FDI limit was increased to 100% from previous 49% via the automatic route in 2021
- PLI scheme worth $1.6B for telecom & networking products was approved by the Union Cabinet
- As of August 2021, the DoT is working on a package to reduce the revenue sharing license fee to 6% of Adj. Gross Revenue from 8%
- Now, focus is on manufacturing equipment in India
- **Other things to note:** BharatNet, USOF, RailTel, NDCP

## *Value Chain Analysis*

### Operational Value Chain Analysis

**N/W planning**
- Coverage
- Infra. design
- Spectrum mgmt.

**N/W maint.**
- Monitoring
- Trouble-shooting
- Upgrades

**Service**
- Activation
- SLA mgmt.
- QOS assurance

### Commercial Value Chain Analysis

**S&M**
- Pricing
- Mkt research
- Promotions & advertising

**Customer**
- Acquisition
- Account mgmt.
- Loyalty pts.

**VAS**
- Partnerships
- Content
- Cross-selling
- VAS pricing

### Support Value Chain Analysis

**Procurement**
- N/W equipment
- Spare parts

**IT systems**
- Billing
- Data analytics
- System Dev.

**Others**
- Finance
- Legal
- HR
- R&D



*Source: IBEF, Statista, Times of India, Mordor Intelligence. Note: Industry Size of Telecom Industry includes just Network & Internet Service Providers and not other players mentioned in the industry. It is interesting to note that, as per IBEF, the Industry Revenues have declined from $40B in 2016 to $37B in 2021. SLA: Service Level Agreement, QOS: Quality of Service*


FRAMEWORKS

# GENERAL FRAMEWORKS

## BUSINESS SITUATION FRAMEWORK (3C'S OR 3C-P)

Used for understanding the firm's current position in the market and evaluating launch of new products, entry into a new market, growth etc.

| | |
|---|---|
| **Customers** | Understanding market segments; consumer behavior; demographics; Used for identifying target customers |
| **Competitors** | Size of the market; Market share; Clients' performance vis-à-vis competition; Competitors' future aspirations |
| **Company** | Understanding the firms' goals and objectives; Strategy it in the short term and long term |
| **Product** | Nature of the firms' product/service vis-à-vis competitors; Customer requirements; Complements and substitutes |

## MARKETING MIX (4P'S AND 7P'S)

Used for identifying the differentiating factor between the firm and the industry and root cause analysis for any problem

| | |
|---|---|
| **Product** | Various attributes of the product; Differentiating factors; Value Proposition |
| **Place** | Different distribution channels used by the firm (retail, wholesale, online etc.); Supply chain; Network optimization |
| **Promotion** | Marketing message of the client; Promotion channels; Recent Marketing Campaigns Run |
| **Price** | Price of client's product; Price Elasticity of the product; Willingness to Pay; Competitor Pricing |
| **Physical Evidence** | Sales of the product/Contacting Customers; Product Packaging; Online experience |
| **People** | Who are the people from the client's side delivering services? How trained are they? |
| **Process** | The systems and processes that deliver a product or a service to the customer; Quality Assurance; Value-Chain analysis |

## THE FOUR A's

Used for identifying the supply and demand constraints of a product/service

| | |
|---|---|
| **Awareness** | Branding; Analyze whether sufficient people know about the product/service |
| **Availability** | Sufficient supply; Appropriate stock; Analyze availability across various distribution channels |
| **Accessibility** | Equitable distribution of product/service and accessible by all target consumers |
| **Affordability** | Appropriate pricing of products/services to ensure it is affordable by all target consumers |

# PORTER'S FIVE FORCES

Michael Porter's Five Forces is probably the most famous framework used in preparing for case interviews. It has endured as one of the frameworks most talked about by many in and out of the consulting field. Although the Five Forces is an excellent framework in helping you organize your thoughts, its analysis is not complete. It should be used in conjunction with other frameworks to enable you to fully understand the issues at hand.

Competitive advantage in an industry is dependent on five primary forces:

- The threat of new entrants
- The bargaining power of buyers
- The bargaining power of suppliers
- The threat of substitute products
- Rivalry with competitors

The degree of these threats determines the attractiveness of the market

- Intense competition allows minimal profit margins
- Mild competition allows wider profit margins

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

**Note:** Identification of buyers and suppliers is key. Here's an easy heuristic:

- The company pays money to a supplier
- The company gets money from a buyer




Source: Michael E. Porter, *Competitive Strategy: Techniques for Analysing Industries and Competitors*

# PORTER'S FIVE FORCES

**Barriers to Entry:**

There are a number of factors that determine the degree of difficulty to enter an industry:

- Economies of Scale
- Product differentiation
- Capital requirements
- Access to distribution channels
- Cost advantages independent of scale
- Propriety technologies
- Relationship with suppliers of raw materials
- Geographical presence
- Time compression diseconomies
- Government regulations

**Relationship with Buyers:**

A buyer group is powerful if:

- It is concentrated or purchase large volumes as a % of seller's sales
- Undifferentiated products
- Low switching costs
- Buyers pose a credible threat of backward integration
- The industry's product is unimportant to the quality of the
- buyer's products or services

**Relationship with Suppliers:**

A supplier group is powerful if:

- There are fewer substitutable products
- The industry is not an important customer of the supplier group
- The supplier group is an import input to the buyer's business
- The supplier's products are differentiated and have high associated switching costs
- The supplier group poses a credible threat of forward integration

**Substitute Products:**

Substitute products that deserve the most attention are those that:

- Compete in price with the industry's products
- Are produced by industries earning higher products

**Rivalry:**

Rivalry among existing competitors increases if:

- Numerous or equally balanced competitors exist
- Industry growth is slow
- Fixed costs are high
- Undifferentiated products and low switching costs



Source: Michael E. Porter, *Competitive Strategy: Techniques for Analysing Industries and Competitors*

# IMPORTANT MATRICES

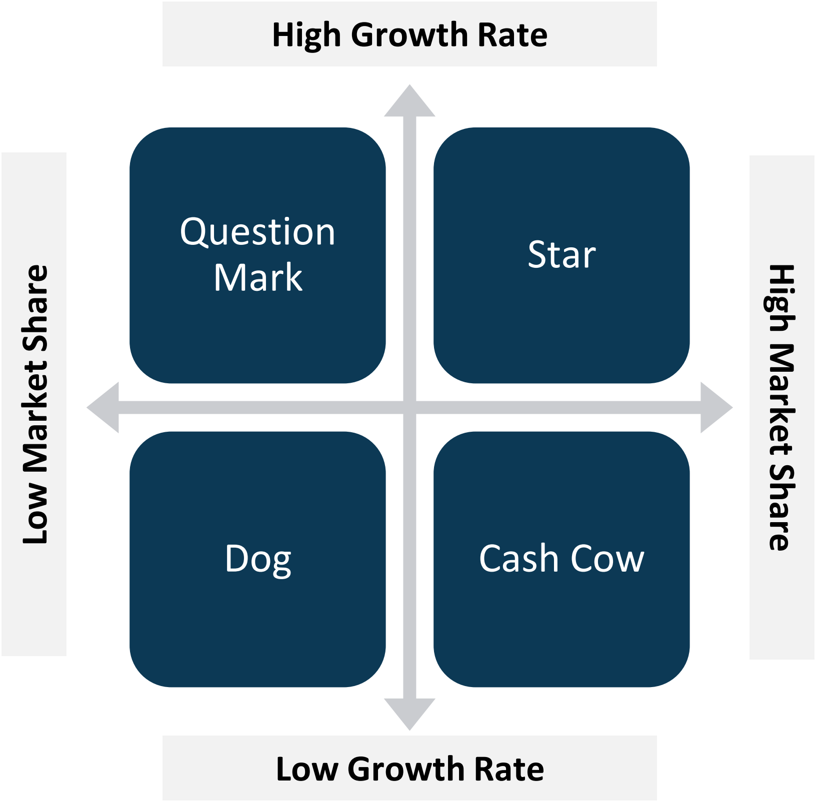
Matrices are an excellent way to illustrate a small number of potential scenarios or concepts. Some examples include:

- High Impact versus Low Impact
- High Market Share versus Low Market Share
- Broad Market Reach vs Limited Market Reach

## BCG – GROWTH SHARE MATRIX

The BCG Growth-Share Matrix is a portfolio planning model based on the observation that a company's business units can be classified into four categories based on combinations of market growth and market share relative to the largest competitor. Market growth serves as a proxy for industry attractiveness (cash usage) and relative market share as a proxy for competitive advantage (cash generation).

| | |
|---|---|
| **Dogs** | **Low Share, Low Growth.** Companies should liquidate, divest, or reposition these "pets" |
| **Question Marks** | **High Growth, Low Share.** Companies should invest in or discard these "question marks," depending on their chances of becoming stars |
| **Stars** | **High Growth, High Share.** Companies should significantly invest in these "stars" as they have high future potential |
| **Cash Cows** | **Low Growth, High Share.** Companies should *milk* these "cash cows" for cash to reinvest |

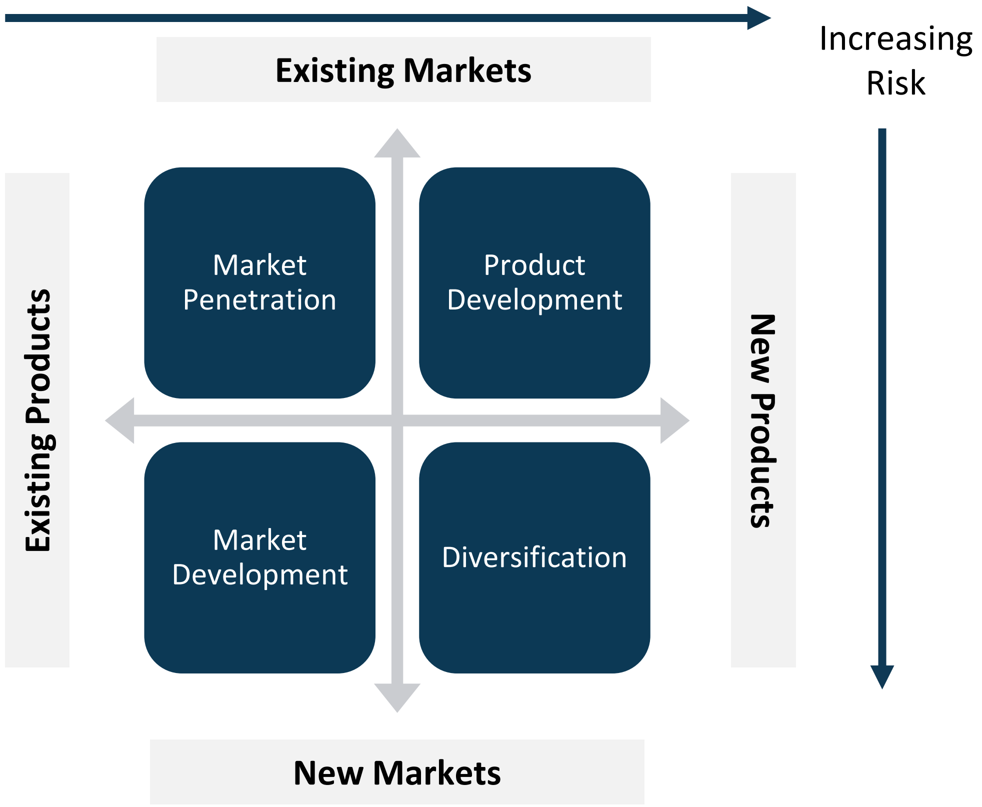





Source: BCG Growth Share Matrix

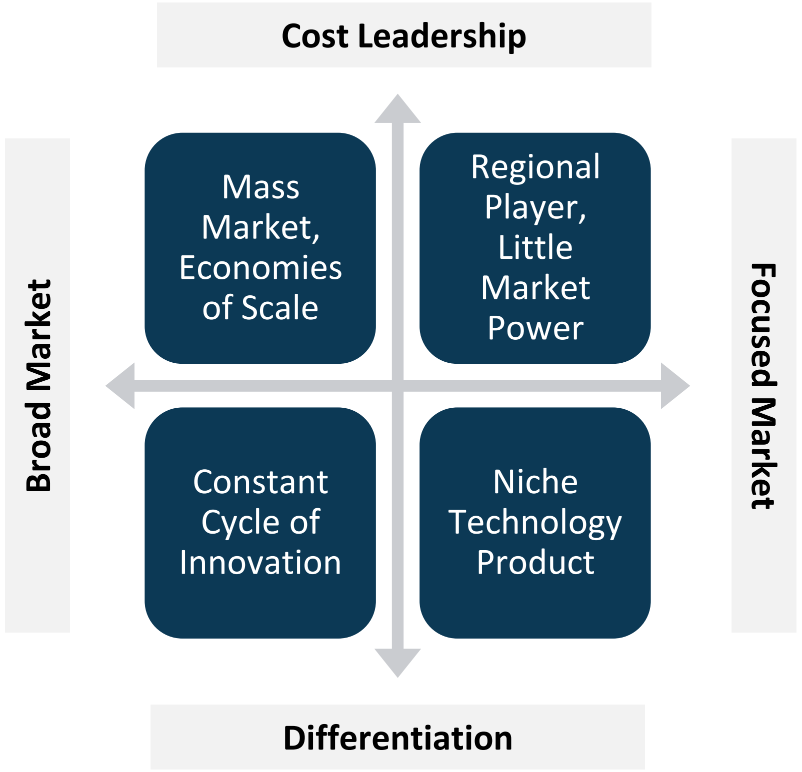
# IMPORTANT MATRICES

## ANSOFF MATRIX




The Ansoff Matrix, also called the Product/Market Expansion Grid, is a tool used by firms to analyze and plan their strategies for growth. The matrix shows four strategies that can be used to help a firm grow and also analyzes the risk associated with each strategy. .

## PORTER'S GENERIC STRATEGIES




Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. The generic strategy reflects the choices made regarding both the type of competitive advantage and the scope.

# MATRICES - EXAMPLES

*"You are a brand manager for P&G in the Health & Beauty Aids category, and a competitor just introduced a new toothpaste that is gaining market share…"*

| | Low Market Share | High Market Share |
|---|---|---|
| **Same Target Market** | Examine product's benefits; identify potential line extension? | Identify if share loss is due to trials or switching; re-do marketing mix |
| **Different Target Market** | Ignore it? | Re-examine market segmentation & potentially introduce competing product |

*"You are the head of R&D for a large pharma company, and a new process has been created as a result of the work done to sequence the human genome…"*

| | High Impact | Low Impact |
|---|---|---|
| **Core Business** | Crash program to incorporate new technology into existing processes | Evaluate relevance and switching costs |
| **Non-Core Business** | Look for possible disposition or outsourcing opportunities | Watch to see if the technology becomes relevant |

# CASE THEMES

The following case themes are popularly tested in case interviews. Please note that this is not an exhaustive list of themes and a case interview can include a combination of multiple themes.

**PROFITABILITY:** Analyze potential reasons for decline in profits by studying sources of revenue and costs and identifying sustainable solutions to improve profitability

**MARKET ENTRY:** Analyze the client's opportunity to expand and quantify the viable market for launching new products and services or entry into a new geography

**PRICING:** Evaluate the product offering of the client and suggest appropriate pricing strategy through competitor, cost and value based pricing. Often combined with market entry cases

**GROWTH:** Identify opportunities for the client to optimally grow revenues or increase market share

**UNCONVENTIONAL:** These cases usually test the candidates' presence of mind and analytical skills. Structure is key to tackling such open ended cases


PROFITABILITY

# PRELIMINARY QUESTIONS

| | |
|---|---|
| **Step 1**<br>**Understand the Qs** | Reiterate the problem statement, and ensure you understand it clearly – along with the objectives and timelines |
| **Step 2**<br>**Clarifying Questions**<br>**(3C P)** | **Company:**<br>• Revenue streams<br>• Geography<br>• Value chain<br>**Product:**<br>• Type of products<br>• Product mix - B2B as well as B2C<br>**Customer :** Segmentation (B2B as well as B2C)<br>**Competition :**<br>• Type of competition (existing, upcoming)<br>• Market share<br>• Whether issue is industry wide or specific to us<br>***Note:*** *For each question which segments the company (Geography/Revenue Stream/Products), Also ask if the problem is specific to one of the segments or all. E.g. Is the drop in profits in any one particular Geography/Revenue Stream/Product or Is it homogeneous across all?* |
| **Step 3**<br>**Solve the Case** | *On the Next Page* |

# BASIC FRAMEWORK

**Profit**

- **Revenue**
  - **Price / Unit**
    - **Internal**
      - Pricing strategy
    - **External**
      - Substitute
      - Competition
      - Government policies
  - **# of Units**
    - **Supply**
      - Value Chain of producers to identify bottlenecks
    - **Demand**
      - Customer Journey *(On the next page)*
- **Cost**
  - **Value Chain / Operational**
  - **Miscellaneous**

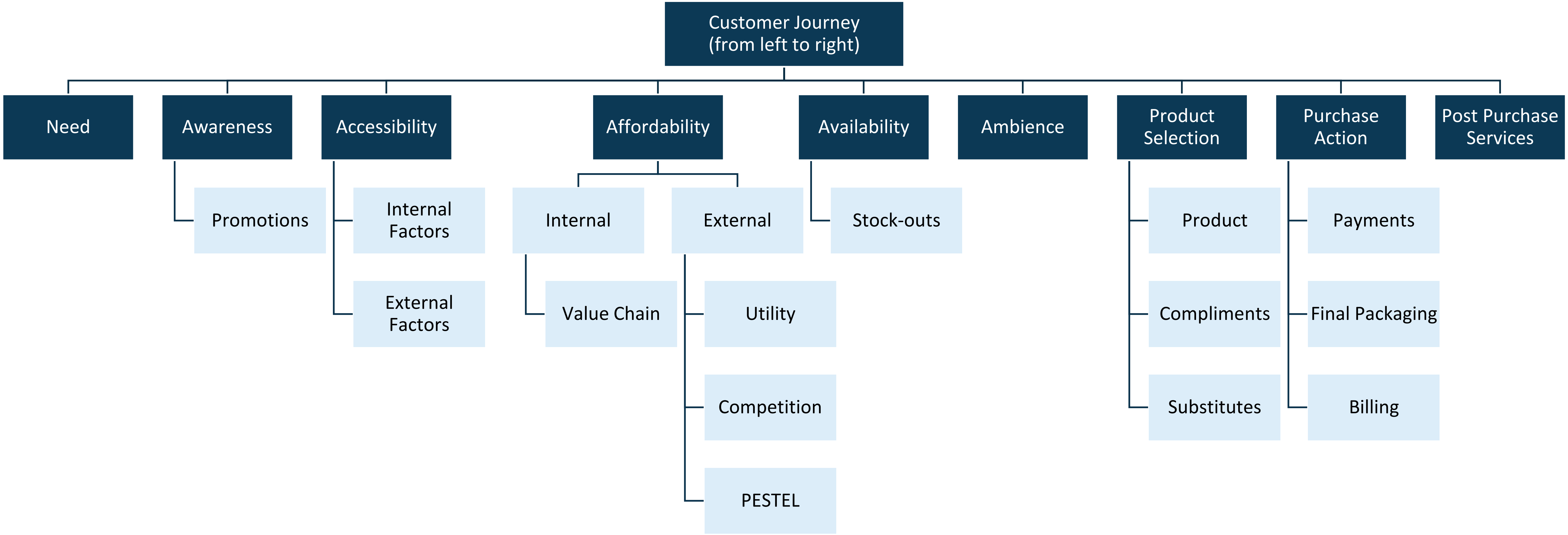
- **R&D :** *Equipment, human capital*
- **Demand Forecasting:** *Software Driven, or Human Driven*
- **Raw Material :** *Cost Price & Logistics*
- **Processing :** *Employees, Utilities, Packaging, Maintenance*
- **Warehousing :** *Logistics & Storage Cost*
- **Distribution**
- **Marketing**
- **After Sales**

**Fixed Costs** + **Variable Costs** × **# of units**

# CUSTOMER JOURNEY

Customer journey can be applied to any situation (i.e. all types of cases) and this can be used at any stage during analysis to make sure that all viable possibilities are considered if you get stuck. This is the most typical framework when analyzing issues at customer's end.

It refers to the path that customers take from the moment they realize they need something, and how many elements may affect that trip. This customer journey can also be categorized into – **Pre-Purchase, During Purchase & Post-Purchase Phases**



# COST REDUCTION – VALUE CHAIN ANALYSIS

**OVERVIEW**

Client is facing reduction in earnings/profits (bottom line) due to possible increase in cost of operations. You need to understand reasons and give recommendations

- Profit
  - Revenue
  - Cost
    - R&D
    - Raw Material
    - Processing
      - Machinery
      - Employees
      - Technology
      - Capacity Utilization
      - Packaging
    - Storage & Transportation
      - Transportation to Warehouse
        - Quantity per trip
        - Number of trips
        - Value per trip
        - Cost per trip
      - Storage
        - Number of warehouses
        - Cost per warehouse
      - Distribution
        - Sales Channels
        - Sales Force
        - Efficiency
      - Marketing
        - CRM
      - Customer Service
        - Repair
        - Returns
        - Spare Parts

# DECLINING REVENUES

**OVERVIEW**

Client is facing reduction or stagnation in earnings/profits (bottom line) due to possible decrease in revenues (top line). You need to understand reasons and give recommendations

- Profit
  - Revenue
    - Price
      - Price Elasticity
      - Competitors
      - Substitutes
    - Number of Units
      - Number of customers
        - Demand
          - Internal
          - External
            - Competition
            - PESTEL
            - Change in consumer preferences
        - Supply
          - Internal
            - Value Chain
          - External
            - PESTEL
      - Number of units/Ticket size per customer
        - Internal
        - External
      - Frequency
        - Internal
        - External
  - Cost

# DELHI METRO NETWORK

**The Delhi Metro network is facing profitability issues. Figure out why and suggest recommendations.**

Since when is the station facing this & what is the difference magnitude?

Since the beginning and there is a considerable difference in profits

As per my knowledge, Delhi Metro Network majorly earns its revenues from metro operations, is there any other source of revenue ?

They also provide consulting services to other metro projects across the world, however this issue is observed only in its metro operations

Is this issue being faced across all metro stations or any particular station ?

This issue is being faced only at the Connaught Place (CP) Station

Okay. Now, profits are a function of the revenues & costs. Do we know if the costs are higher as compared to other stations or there are less revenues?

The revenue is not as high as other stations. You can ignore costs for now

Okay. I would break down the revenue streams into 3 broad categories – tickets, advertisements & outlets. Should I consider consulting revenue also?

No, you can proceed with these three.

Is there an issue with one of these revenue streams as compared to other metro stations, or shall I look at all of them to find where the problem is?

The revenue from outlets is less as compared to other metro stations.

Okay. The revenue from the outlets depends on total number of outlet units, occupancy rate & the rent per outlet. Is there any other factor I should consider?

No, you can go ahead with these

Are the number of outlet units the same as other metro stations?

Yes, all stations have the same number of outlet units

Coming to the outlet rent, is it uniform across stations ?

The rent is higher for stations with high traffic such as CP. However, the overall revenue of CP is lower among these similar stations

Okay, so it seems CP station has a lower occupancy rate. To break this down further, a franchise owner would look at the following factors apart from rent: awareness or branding of the location, awareness of outlet tenders, administrative requirements of the desired outlets, outlet locations within the station, other contract specifications and the overall expected revenue.

Yes, these factors are good. You can assume that there are no issues in awareness or expected revenue. Let’s move to the other contract issues.

Sure. The various terms of a rent agreement include the rent, security deposit amount, lock-in period. Since the rent is the same, we should look at the other factors. Is the security deposit amount or lock-in period different which could be a higher risk for the shopkeeper?

Yes, that is correct. The lock-in period for outlets in other metro stations is 6 months while in CP it is 12 months, due to which they do not prefer to rent them. Can you suggest recommendations?

Yes. First, we should look into why the lock-in period is 12 months in CP while 6 months in other stations, and if it is possible, it should be reduced. If not, then we can explore reducing the rent to make our outlets attractive to franchises. Additionally, we can also explore a differential pricing system wherein a higher rent can be charged for the 2-month lock in period and a lower rent can be charged for 6-month lock in period

That’s all. Thanks.

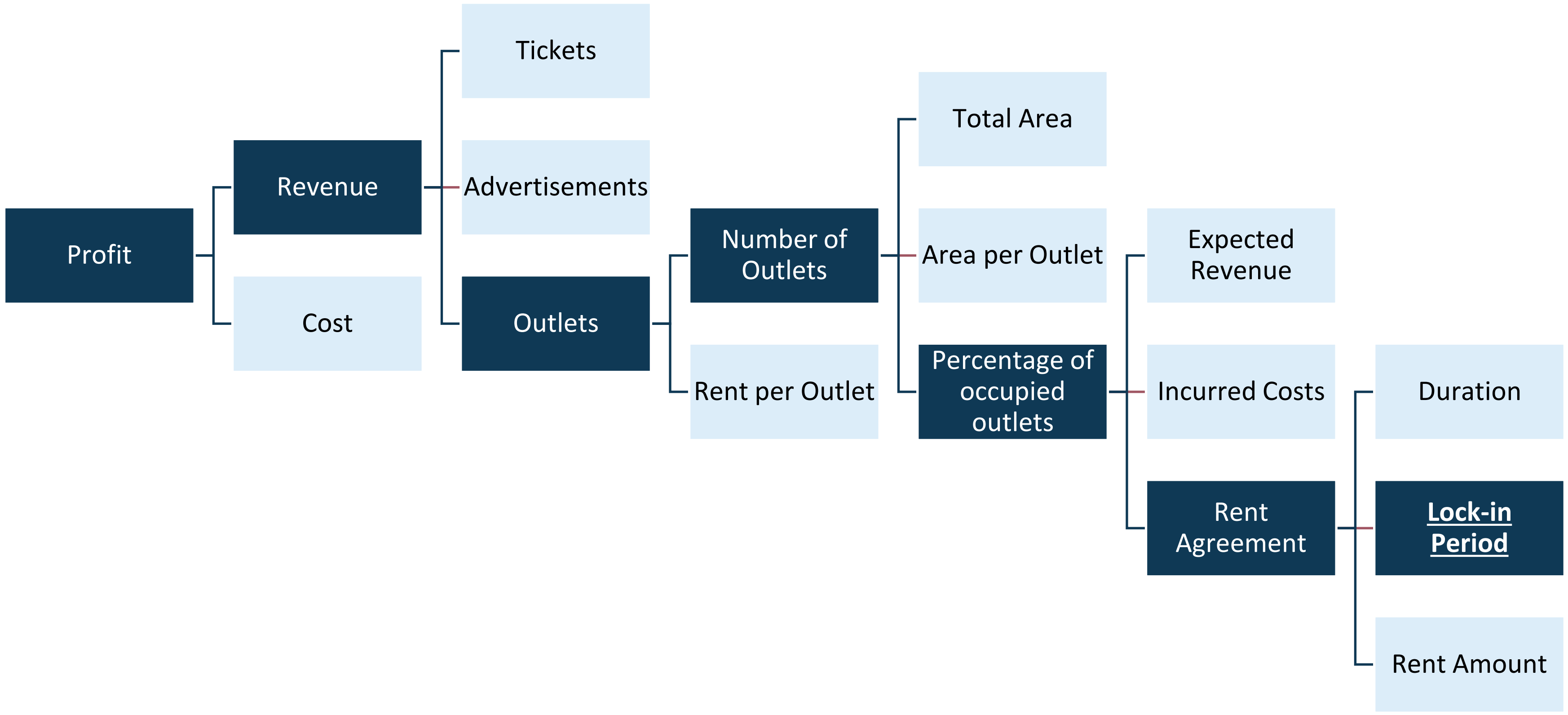
# DELHI METRO NETWORK

**Problem Statement**

The Delhi Metro network is facing profitability issues. Figure out why and suggest recommendations

**Case Facts**

- The client is facing lower revenue at CP Metro station compared to others
- Occupancy rate of outlet units is low
- Issue with the rent agreement of outlet units
- Lock-in period is the time-period in which the tenant cannot vacate the property and the landlord cannot evict you from the property




**Summary / Takeaways**

- It is important to be MECE at all stages of this problem
- Number of outlets could also be divided into total area, area per outlet and % occupied
- Please don't start listing possible options and rather make use of some structure

# FIVE STAR HOTEL

| |
|---|
| **Your client is a 5-star hotel in Mumbai. They have been facing lower profitability. You are required to identify the reasons behind the same.** |
| First, can you please tell whether the client is a hotel chain or single hotel? |
| It is a single hotel which has been facing the issue |
| Since how long has the client been facing this issue? |
| The issue persists since the last 3 years but it has amplified in the last 1 year |
| Since the loss has been greater in the last 1 year, I think there might be multiple recent factors affecting the hotel. Next, I would like to know if other hotels have been facing this issue as well or is it just us? |
| It's just our hotel which has faced this issue |
| Alright! So, this is not a market wide problem. Next, I would like to know more about the hotel itself. What type of a hotel is this? |
| It is a luxury hotel with different rooms for different customer types |
| What are the types of customers that we normally receive at our hotel? And have we observed any change in their ratios? |
| Two types – tourists & business customers. The split between them is 30:70. Earlier, the split was 50:50 |
| And what are the revenue streams which our hotel has? |
| There are 4 streams – rooms, restaurants, banquet hall & ancillary services |

| |
|---|
| Alright! Is there any particular-revenue stream where the client has been facing this issue? |
| Let's start with the room revenues here first and slowly move on to others |
| Sure! Profits are a function of revenues or costs. So, do we know whether the revenues of the hotel have gone down or costs have gone up or both? |
| So, it's a situation of both. But let's start with the revenues first |
| Right! And starting off with the room revenues, we can bifurcate that into 2 parts – room rent and related purchases such as room service. |
| The problem is being seen in the rental revenue |
| Perfect! Then I would like to divide my room revenues into the number of rooms offered by the hotel, the room rent charged and the occupancy rate. Has there been any change in any of these factors over the last 2-3 years? |
| There has been no change in the number of rooms & the occupancy rates have been high as well. Even, the rent charged per room hasn't reduced |
| Since none of these factors have changed but we have faced a decline in the revenues received, it could be a possibility that the hotel is not receiving the maximum possible revenue for its rooms |
| Right, what could be the reasons according to you? |
| *(Continued on the next page)* |

# FIVE STAR HOTEL

It could be happening due to 3 reasons: First, as every hotel has different types of rooms, maybe we have reduced the high-rent rooms and replaced them with the lower-rent versions. 2nd, there could be a difference in the type of customers which the hotel is getting and 3rd, the payment facility which the customers are using has changed which has reduced our profits. Since, we know that the type of customers which we receive has changed over time, I would like to start off with that aspect here

Okay, how do you think the second factor would be affecting the hotel?

As there is a greater influx of business customers, the hotel can't charge any amount higher than what has been agreed with their respective company. On the other hand, rents charged for general tourists can be higher, thus reducing the rent collected per person

Correct! Due to a greater number of business customers, the hotel has to keep a fixed price & is not able to take advantages of higher revenues due to higher demand which other hotels can. Let's go to restaurant business now.

Sure! Could you tell me how many restaurants does the hotel have?

So. the hotel has 2 restaurants – an Asian and a Continental one. We have been facing lower profits in the Continental restaurant

And do we know whether the revenues have fallen, or costs have gone up? If it is revenue - we can analyse by looking into in-dining revenues & delivery services?

There has been a fall in the revenues – in particular in-dining revenues

Dining revenue can be looked at through the following aspects: Number of tables, occupancy rates, average order quantity and the average prices.

There has been no change in any of these factors. Why don't you go through the customer journey from reaching the restaurant to leaving it?

Okay! So a customer's journey can be broken down into the following steps – Arriving at the restaurant, waiting time (both for being assigned a seat and for the food ordered), consumption of the meal and then paying for it

Let's look at the payment aspect. Can you think of the different ways through which a customer might pay for their meal? Focus on non-cash payments

Yes, that would be via credit/debit card and UPI payments. The issues could be broken down into following areas – customer side payment issues, restaurant side receipt issues, discounts and cash backs. As we know that the order value had not changed, it seems that we are not receiving the money which customers are paying, which could be due to extra discounts offered

Correct! Most of our recent customers have Zomato Gold or Dineout installed which is reducing their final payment value & client bears some amount of this. What are your recommendations? We will close the case after this

Short term, our client can increase prices for room service and other facilities for the business customers. On a long-term basis, our client can re-negotiate its contracts with companies as well as Zomato/Dineout to address the discount issues. It can also limit the number of rooms for business customers

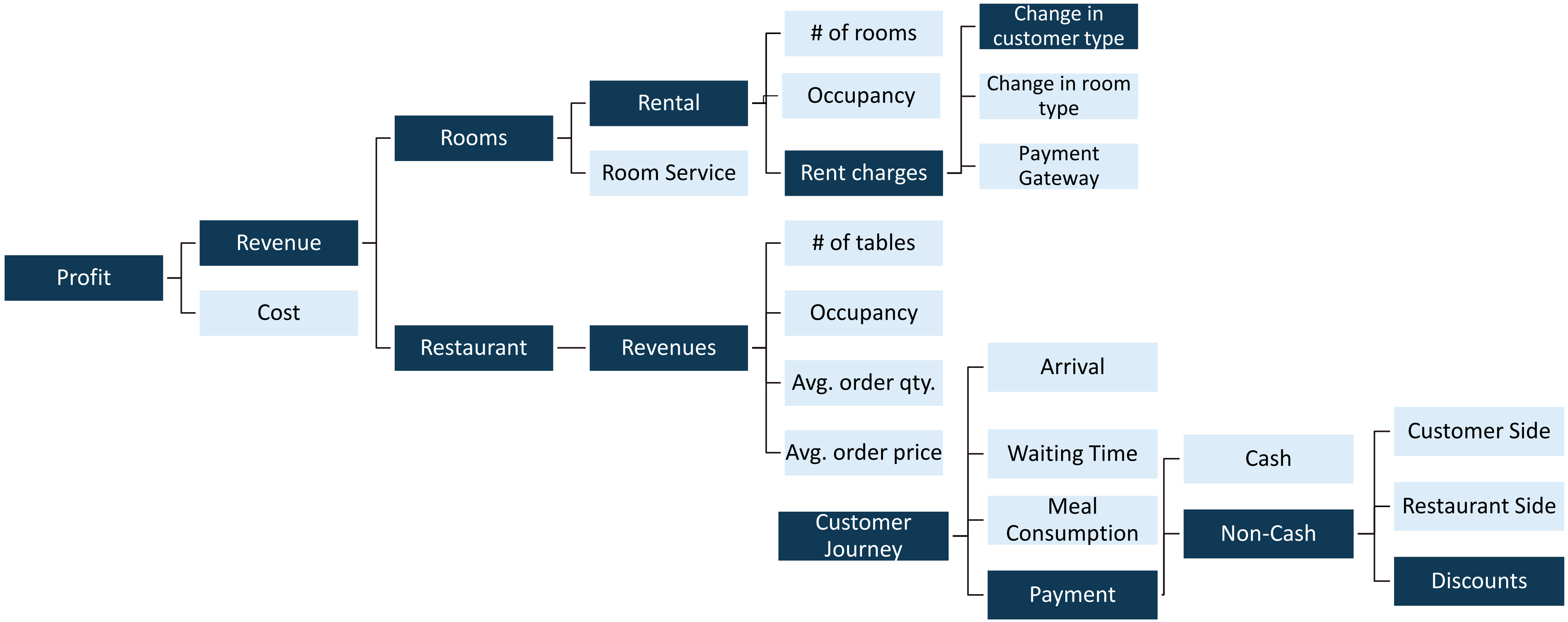
# FIVE STAR HOTEL

**Problem Statement**

Your client is a hotel in Mumbai who have been facing lower profits. Find out the reasons why

**Case Facts**

- The client is a single hotel which has been facing lower profits across multiple business lines
- Reduction in revenues received despite no change in the occupancy rates
- Issue was with the greater influx of business customers, reducing the per customer revenue earned
- In the restaurant side, more customers with Zomato Gold or Dineout discounts were causing lower revenue for the restaurant




**Summary / Takeaways**

- Instead of using price/charges, revenue received could be a better option as that would include both price and discounts
- It is always advisable to ask interviewer for suggestion or change in framework if the existing one doesn't provide the required solutions

# CAR INSURANCE COMPANY

**Your client is an insurance company who has been facing a decline in its profits since the past year. Analyze the problem and suggest recommendations.**

Understood. Before I delve deeper, I wanted to ask some clarifying questions. What kind of insurance does it provide? What are the geographies in which it operates? How does it sell insurance? Also, is this an industry wide phenomenon or company specific issue?

It provides many types of insurance but the decline has primarily been in Automobile Insurance. It operates in India in 3 states - Delhi, Maharashtra & Gujarat. It has partnered with car dealers to sell insurance at the time of purchase. Apart from this, renewals continue by directly approaching the customers. This is happening only with our client.

As Profits = Revenues – Costs. Any information on changes in any of these?

Revenues have been unchanged, and costs have relatively increased.

So this is a cost side issue. I'll break down the costs into fixed and variable costs. The major cost heads in fixed is operating costs while that in variable are claims payout & marketing expenses. Has any of these increased?

Yes, the claims payout has increased.

Alright, so the total claims payout cost can be broken down further as no. of payouts and average amount per payout. Which of these has changed?

Number of payouts have increased. What can be the possible reasons?

There can be 2 types of causes –
1. **Internal** such as – algorithm / formula determining claims payout could have changed,
2. **External** such as higher number of accidents could be happening

We know that the internal algorithm and formula has remained unchanged. What could be the other reasons?

Understood. In that case, there seems to be an external reason for this phenomenon. Again, there can be 2 possibilities –
1. **Technical flaws** like faulty cars leading to more accidents or
2. **Interpersonal flaws** like irresponsible driving

You are right. We have observed that the young population in our customer base has been driving recklessly, leading to higher number of claim payouts. Could you suggest some recommendations in this regard?

Sure. I recommend the client to:

1. In the short term, change their algorithm to either set a cap on reimbursable damages or incentivize responsible driving via behaviour-based premiums (low premiums for safe drivers i.e. driving track record and vice-versa)
2. In the long term, the client should diversify its customers both age wise and state wise so that this doesn't affect their bottom-line too much again in the future.

Good recommendations. Thank You. We can close the case here.

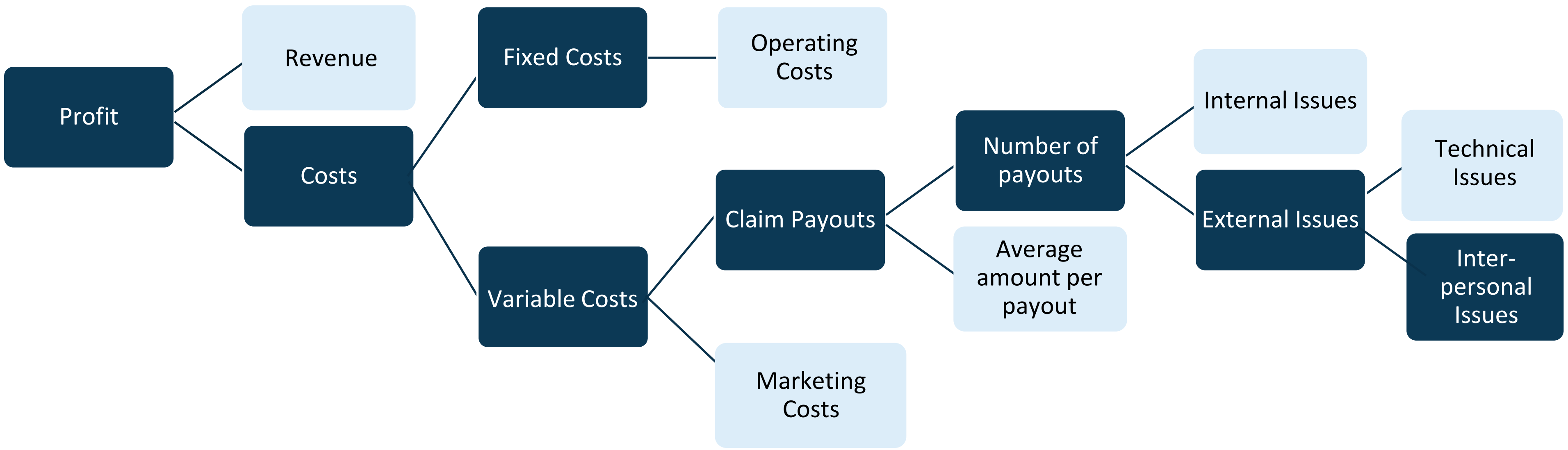
# CAR INSURANCE COMPANY

**Problem Statement**

An insurance company is facing declining profits. Figure out why and suggest recommendations

**Case Facts**

- The client is facing lower profits in the automobile segment
- Variable costs for the client have increased
- Higher number of claim payouts over the past year




**Summary / Takeaways**

- External issues could have also been divided as vehicle issues vs driver issues
- Please don't start laundry-listing options after reaching number of payouts, rather make use of some structure

# TRACTOR INSURANCE PROVIDER

**Your client is an insurance provider facing a decline in profits. Figure out why and suggest recommendations.**

Just to ensure we are on the same page, our client is an insurance provider, who is facing a decline in profits. I need to find out the root cause and provide with recommendations

Yes, that's correct

Before beginning my analysis, I want to clarify a few things. What kind of insurance does the client provide and since when have they been facing this issue?

Client deals with tractor insurance and is facing this issue for the past 1 year.

In which geography does the client operate?

The client operates Pan India.

Okay. Since they only deal with tractor insurance, can I assume that their customers are only people living in rural areas and involved in farming?

Yes, you can assume that.

Can you tell me more about the competitors of the client?

There are 4 more players in the industry, and all have equal market share.

Is this an industry wide issue or is it a client specific problem?

It is an industry wide issue.

How does the client operate? How do they reach out to the customers? Do they have their own offices with agents, or is there any other tie up?

The client does not follow an agent driven process. We have tie ups with local banks, the customers can approach any bank to avail the insurance and other facilities are available are there.

Okay. Now I would like to break down the profits as revenue minus costs. Have the costs increased, or revenues reduced or a combination of both?

The revenues have declined.

Can I assume that major revenue comes from the insurance premium that we collect from customers?

Yes, you can assume that.

The premium would be a function of the total number of customers, the premium per customer per instalment, and the frequency of paying instalments. Has there been a change recently in any of these?

Yes, the number of customers has gone down.

Okay. This means that less people are buying insurance for their tractors. This could be a supply issue or a demand issue? Do we lack capacity to sell the policies or has the demand reduced?

There is a reduction in demand.

Okay. To see why the demand has reduced, I would go through the journey of a customer, starting from the need till the post purchase experience. Does that sound suitable to you?

Yes, you can go ahead with this.

The process that I will consider will include need, awareness, availability, accessibility, affordability, purchase experience, and post purchase experience. Do we know if there is an issue with any of these factors?

Yes, the customer need has declined.

Okay, this means that the customer does not need insurance as they used to before, even though other factors have remained the same *(next page)*

# TRACTOR INSURANCE PROVIDER

Further, the number of insurance policies required for tractor would depend on the total number of tractors purchased and the percentage of them buying an insurance policy. So, are less people preferring an insurance policy, or has the number of people purchasing tractors gone down?

You are correct. The number of tractors purchased has reduced.

Is it a supply side issue or a demand side issue?

No there are no issues on the supply of tractors. You can look into the demand related factors for tractors

Since the demand for tractors is declining, I will again consider the journey of a customer when the customer buys a tractor, starting from need till the post purchase behaviour. Do we know if there is an issue with any of the factors?

The affordability of the customers in particular has declined. Can you analyze what could be the reasons?

Okay, I will look closely into the ways of buying a tractor, farmer would either use one's own finances or borrow money from someone, which can either be a local bank or local moneylenders. In this case, I think they would be borrowing money. Do we know the source of their funds?

They generally borrow from a local bank.

The affordability can decline due to a change in income or loan amount

The income is same whereas the loan has become costly.

The loan of a farmer would depend on the price of the tractor and the interest that the farmer must pay on the money borrowed. Has there recently been any change in any of these?

Yes. Last year a lot of farmers defaulted on their loans, due to which the local banks have increased the interest rates.

Do we have any information on why the farmers defaulted on their loans?

Yes, it was because of a bad monsoon during the year which affected the revenues of the farmers. Now that you have identified the root cause, can you suggest recommendations?

Sure, in **short term** our client can collaborate with local agricultural cooperatives, associations, and farming communities to organize workshops or seminars focused on risk management and the importance of insurance. Our client can also offer incentives, such as discounted premiums for group enrollments, to encourage farmers to sign up for insurance coverage.
In **long term** our client can develop long-term partnerships with tractor manufacturers and dealerships to offer bundled insurance packages at the point of tractor purchase or

That would be all, thank you.

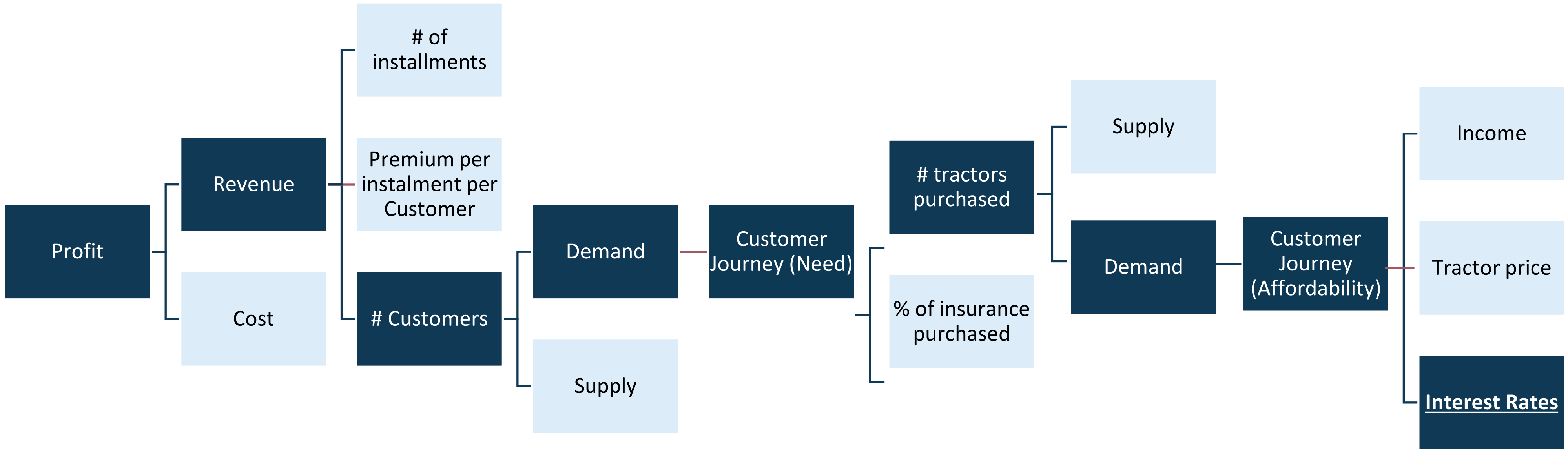
# TRACTOR INSURANCE PROVIDER

**Problem Statement**

Our client, an insurance provider, is facing a decline in profits. Figure out why and suggest recommendations.

**Case Facts**

- Client deals with tractor insurance, decline in profits since last year
- Market has five players with equal market share; industry-wide issue
- Demand for tractors has gone down




**Summary / Takeaways**

- This is a tough case because the problem doesn't lie within the industry in question, but an industry which is directly linked to it. Customer journey framework needs to be applied twice to deep dive into the problem.
- These type of cases are generally longer, and it is essential that they are started well, with appropriate preliminary questions to understand the context well. The recommendations also encourage the interviewee to think out of the box, since very less information is available.

# LARGE INSURANCE MULTINATIONAL

**Your client is a large insurance multinational who has been facing a decline in their profits since the last 2 years. Analyze the problem**

Understood. I wanted to ask some clarifying questions. Assuming, the large insurance multinational operates in a variety of insurance products, is there a specific domain where this effect has been observed? Any geography that has been affected or has this been happening pan-India? Also, is this an industry wide phenomenon or company specific?

Yes, the decline has primarily been in Home insurance. No, this has been a pan-India phenomenon. Moreover, this is happening only with our client.

Right. And how does the client make Home insurance sales?

It mainly operates through 2 channels - online through its app and offline through door-to-door sales as well as tie ups with banks during time of home loan purchase.

So, I'll begin my analysis by breaking down profits into revenues and costs. Is there any information about any of them changing?

Costs have remained the same, but revenues have declined.

Okay, so this is a revenue issue. The major source of revenue for the client would be premiums. I'll split the total premiums as total no. of customers, average premiums collected per customer per installment and number of installments. Has any of them changed?

We've witnessed the no. of customers to have declined with time.

Right, so I'll further break it down as no. of new customers and no. of renewals with existing customers. Is there any information about them?

No. of new customers which get added over time have seen a decline as opposed to historical numbers.

Understood, there seems to be an issue in the sales process of new customers. I'll trace the customer journey to zero-in on the exact cause. I would go through the journey of a customer, starting from the need till the post purchase experience. The process I will consider will include need, awareness, availability, accessibility, affordability, purchase experience, and post purchase experience

Let’s look into the purchase experience.

Purchase experience can be analyzed using 'People, Process, Product' framework. Here, 'People' would mean salesperson; 'Process' would be insurance buying process and ‘Product' would be insurance product.

Let’s look at the salesperson.

There can either be a decline in number of salespeople or a decline in salesperson’s performance

The performance of salespeople is not up to the mark

Since the profits are declining over last two years, have the performance of older salespeople gone down or is the issue with the salespeople hired over the last two years

# LARGE INSURANCE MULTINATIONAL

| |
|---|
| The issue is with the latter |
| The performance of salesperson depends on 2 factors - Ability and Motivation. Ability is determined by their degree/college as well as training undertaken. Motivation is driven by monetary and non-monetary factors. |
| The salespeople aren’t capable enough and have been underperforming.<br>We started hiring from previously untapped colleges recently and sales made by them have not been up to the mark. What are your recommendations? |
| Sure, I'll suggest the client to do the following –<br>1. In the short term, consider hiring majority of salespeople from our previous hiring colleges only<br>2. Assign experienced and successful salespeople as mentors to the underperforming individuals. This can provide personalized guidance, share practical insights, and boost their confidence<br>3. In the long term, craft detailed training program for all new hires<br>4. To increase motivation, they can provide monetary and non-monetary incentives |

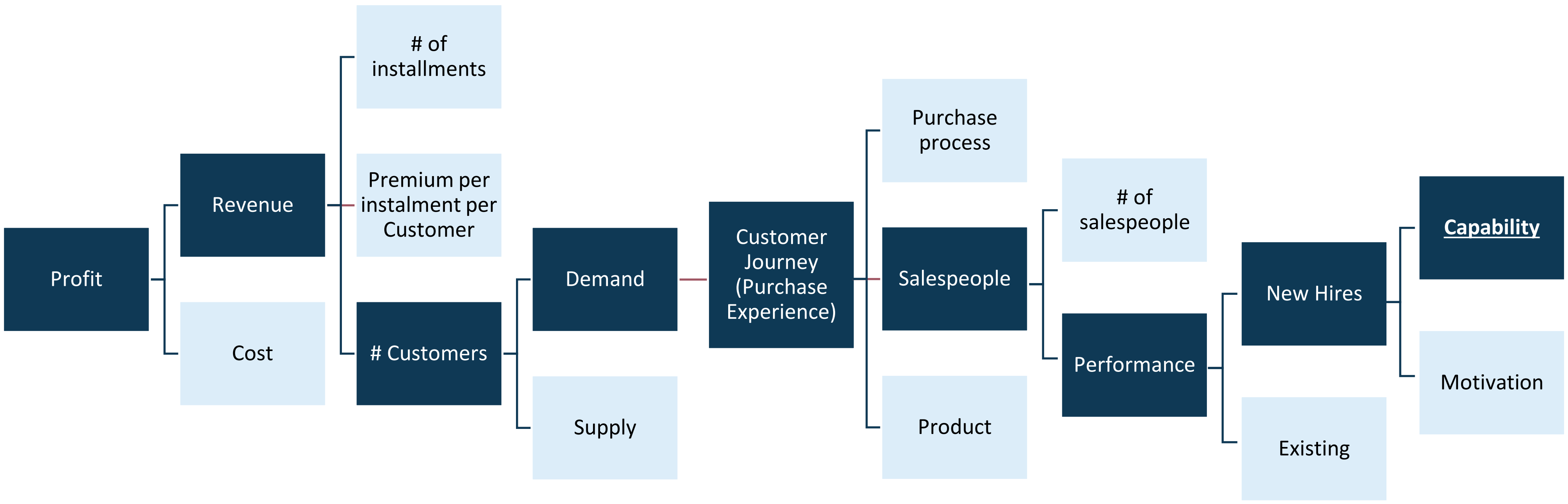
# LARGE INSURANCE MULTINATIONAL

**Problem Statement**

Your client is a large insurance multinational who have been facing a decline in their profits since the last 2 years. Analyze the problem

**Case Facts**

- Decline in home insurance PAN India just for our client
- The number of new customers has declined




**Summary / Takeaways**

- Structuring the problem well and breaking it into pieces is the key to identifying the underlying issue
- Please note that this case could have also been solved via the "Supply" bucket. The point here is any approach so long as it is structured, works

# BEER MANUFACTURER

**Client is a beer manufacturer. It's facing decline in profits. You have been brought in to figure out the reason and suggest some recommendations**

To start with, may I know how long has the client been facing this problem? And does our client have a single product or multiple ones?

Client has been facing this issue since 2-3 years & has multiple beer products.

In which geography does the client operate? Is there any specific region in which we are seeing this issue?

The client has different brands across the world. The problem is particularly evident in the US.

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. It an industry wide issue.

Can you tell me more about the competitors of the client?

There are 4 major players. Our client has almost 50% of the market share.

Okay. Now I would like to break down the profits as revenue minus costs. Could you please tell me if there are any changes in the revenues or costs over the past few years?

The revenues have been declining. The costs have remained the same.

Here, I would like to understand about the revenue streams of our client. I understand that beer is typically sold in liquor shops & pubs. Am I missing any other revenue stream? Has the revenue gone down in both these channels?

No these are the two major channels. Revenue has gone down in both.

I would like to split the revenue in number of units sold, average price of a beer bottle and product mix. Could you please let me know if there are any changes in these parameters?

As a matter of fact, industry prices of beer and our product mix has remained the same but units sold have gone down.

Okay, has there been any supply issue in distributing the beer through the channels? Or the demand from the consumer side has reduced?

There has been no change in the supply. Even the margins for the distributors have remained the same. People are just not buying the product.

Okay Since, this has been an industry wide problem, it looks like an external issue. I would like to analyze some macro economic factors that could have led to this. *(Applies PESTEL)*

Yes. Actually, there has been a social lifestyle change in the beer consumers of US. They have become more health conscious as beer may lead to long term obesity and other heart and liver problems.

Okay. That's why there is a fall in the demand. I think we have identified the issue. Can I take up a minute to come up with some recommendations?

Sure

I'll split my recommendations into : Existing products & New Products.

On the existing products, to stimulate demand, we can look at promoting the beer brands that already have low alcohol content. On the new products side, we should plan to launch a new alcohol-free brand variants that taste like beer, but can act as a healthier alternative for our consumers

Looks good. Thanks

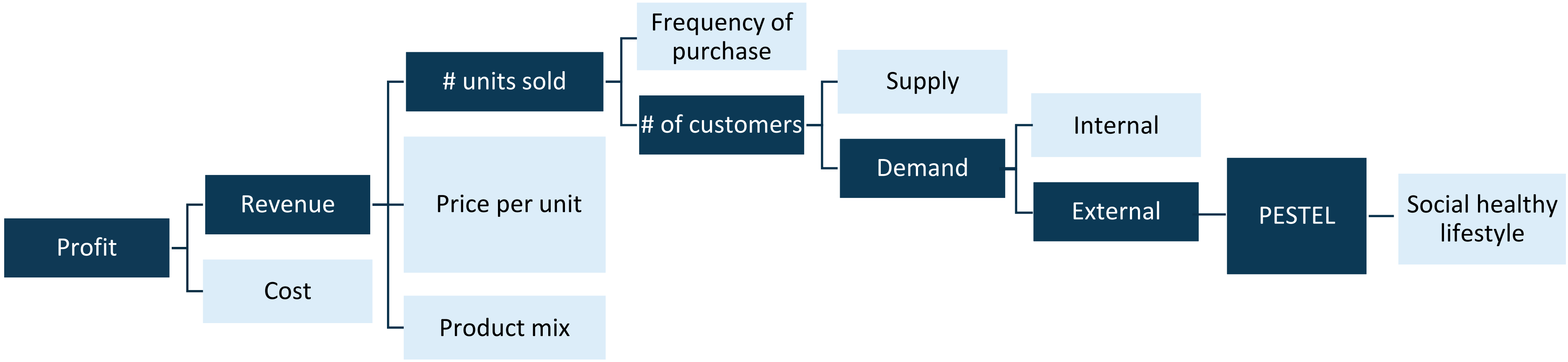
# BEER MANUFACTURER

**Problem Statement**

Your client is a beer manufacturing company facing declining profits. Figure out why and suggest recommendations

**Case Facts**

- The US division is facing declining revenues due to an industry wide phenomenon
- External issues are causing the decline
- Lifestyle changes of consumers is causing lower bottle sales




**Summary / Takeaways**

- Each cost component should be broken down into multiple cost levers to ensure that nothing is being missed out
- For external factors, frameworks apart from PESTEL such as Porter's or SWOT (opportunities and threats) can be used
- You can either probe each factor of PESTEL, or ask the interviewer which buckets to look into

# KIRANA STORE OWNER

**Your Client is a Kirana shop owner who is facing a decline in profit for the past 5-6 months. Identify the root cause for the same**

I have a few preliminary questions – Where is the store located? Who are the customers? Are there any competitors in this locality? Have they been facing similar issues?

The store is in a Tier-2 city in India. Customers are mostly people from the city and a few villagers from a nearby village. There are competitors, but they haven't been facing this issue.

Alright. A decrease in profits can either be due to a drop in revenue or an increase in costs or a combination of both. Do we have any info?

Their revenue has dropped in the past few months. Let's analyze them.

Revenue is a function of the number of customers and average order value. Do we have any info on what has gone down?

The number of customers and the demand for our products have declined

Alright. This can be due to Internal and External factors. I'll analyze Internal factors first, via a customer journey map. The journey involves: Travel -> Parking -> Product Ask -> Waiting -> Transaction -> Post Purchase –Service. The issues under each bucket can be – For the travel, if there is any hindrance in reaching the shop. For the parking, if there is any change in the current parking system or the existing parking has been blocked. For products, any change in offerings can be an issue. Under transaction, unavailability of certain payment modes can be an issue. Coming to the Post-Service bucket, the Kirana store primarily replaces products to retain the customers. Any change in this practice can be an issue.

Good analysis but none of this is an issue. Let's analyze External factors

External factors can be customers, competitors, collaborators / regulators

Okay. Please explain the three buckets.

In the **customer's bucket**, any change in customer's preferences will impact our revenues. The preferences can be store-specific or brand-specific.
Under **competitors**, it can either be due to new competitors or existing competitors. Any new competitor will impact our sales, while discounts/loyalty programs by existing competitors will also impact our sales
If our **collaborators (suppliers)** are a constraint, then we might not be stocking the right qty. or quality of products. Under **regulatory sides**, any regulatory challenges like change in market rules etc. can impact our sales.

Great. You have got the answer. One of the competitors has started providing discounts on orders above INR 500. Since people from the nearby village visit to buy their monthly ration, their bill is above this amount, and they have shifted to the competitor. Can you give some recommendations?

Sure. We can replicate the discounts but that will create a price war of sorts so instead we can enhance offerings such as by providing free home delivery

Good recommendations. Thank you. We can close the case here.

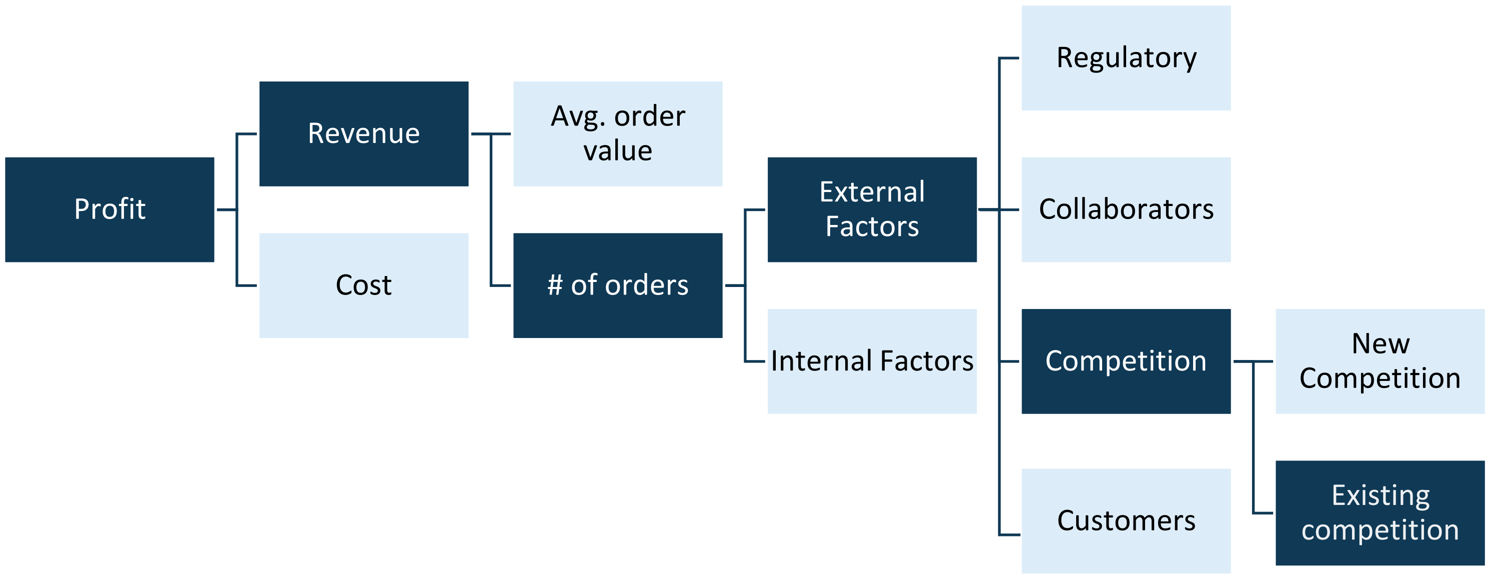
# KIRANA STORE OWNER

**Problem Statement**

A Kirana store owner is facing profitability issues. Figure out why and suggest recommendations

**Case Facts**

- The Kirana store is in a tier 2 city in India
- The client's revenue has declined due to decline in number of orders
- This is not an industry wide problem
- Discounts offered by existing competition are causing the decline in this revenue




**Summary / Takeaways**

- It is important that you confirm each step with the interviewer before you directly jump into the analysis because as in this case, the entire analysis could be useless if the problem lies somewhere else. The interviewer liked the analysis this time but this might not be the case every time and could reflect negatively

# LIGHT BULB MANUFACTURER

**Your client is a lightbulb manufacturer facing a decline in profits for the last 6 months. Figure out why and suggest recommendations.**

Sure. I'd like to ask a few preliminary questions to understand the situation better. What kind of lightbulbs does the company manufacture?

The client manufactures a single standard lightbulb.

Okay. Where in the value chain does the client operate? What is their business model?

The client is responsible for R&D and manufacturing light bulbs. They have their own distribution network. They place orders for raw materials from suppliers. The client is a B2B company. They deal with big ticket orders.

Alright. Which regions do they operate in?

They manufacture in Uttar Pradesh and sell all over India.

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

The decline in profits is unique to our client.

Okay. Now, profits are a function of the revenues and costs. So, in the past 6 months, have the costs increase or the revenues declined?

The revenues have declined.

Okay. The revenues could have declined due to decrease in (i) number of orders (ii) size of order (iii) price per lightbulb. Have we observed a change in any or these factors?

Yeah, they have seen a decline in price per lightbulb.

Understood. Price per light bulb can be external driven or internal driven. If a competition is providing light bulbs at a cheaper price, we might have reduced our prices to match competition. Under internal driven factors, we might be offering discounts/offers to our customers

The client has had to offer more discounts. The client has a policy that it will offer discounts if their order is not delivered within a particular time frame.

Interesting. So, the client has had to offer more discounts due to delayed delivery of the orders. I would like to explore the value chain to determine the reason for delay.

The value chain would consist of (i) Research and Development (ii) Raw Material Procurement (iii) Manufacturing (iv) Storage and Transportation (v) Distribution, (vi) Marketing and (vii) Customer service. I would like to start with R&D. Have there been any delays in this process?

No delays.

Okay. Have there been any delays in raw material procurement?

When the client places an order for raw materials, they receive it in time.

Alright. Is there an issue with forecasting the requirement of raw materials?

Yes. A new MBA graduate has been put in charge of forecasting 6 months ago. On his advice, the client has changed its forecasting methodology. This has caused a delay in raw material procurement. Do you have any recommendations for the client?

I have 3 recommendations. (i) To understand why the forecasting method was changed & consider reverting to the previous method. (ii) To explore the possibility of altering the contract with buyers to reduce discounts. (iii) To explore the possibility of storing raw material for longer time.

That's all. Thanks.

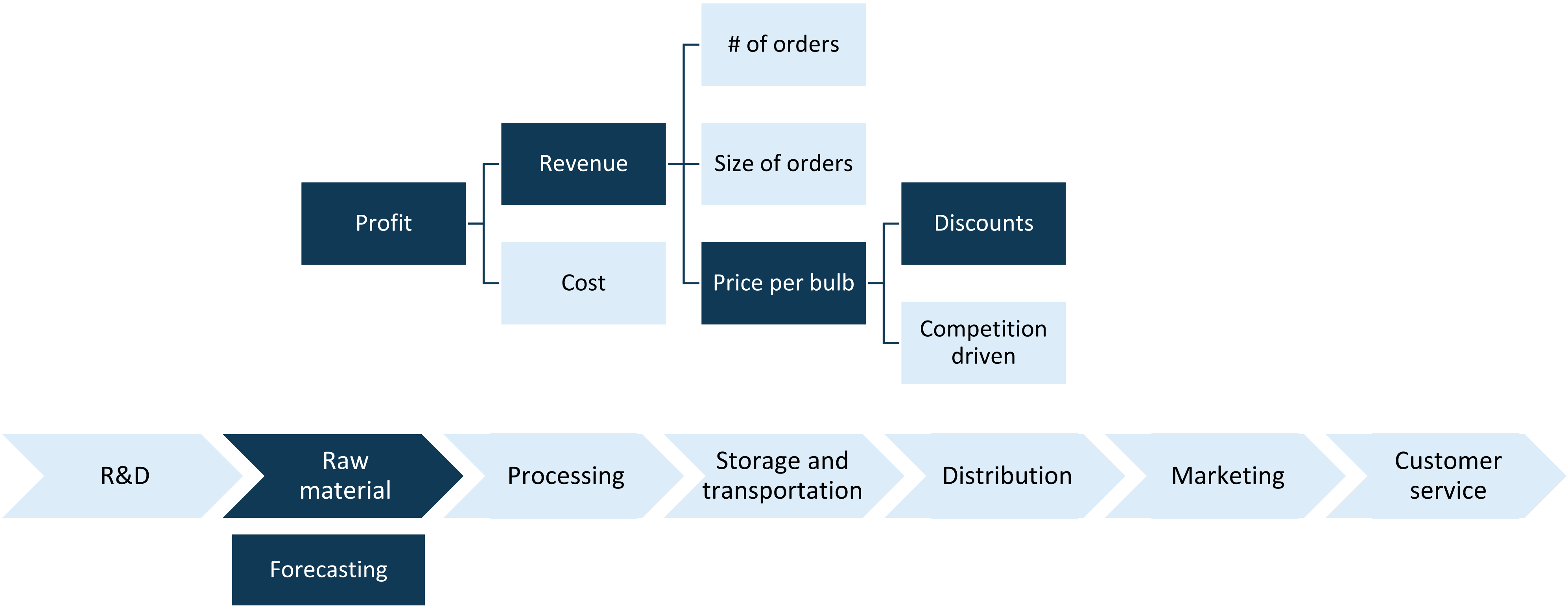
# LIGHT BULB MANUFACTURER

**Problem Statement**

A lightbulb manufacturer is facing profitability issues. Figure out why and suggest recommendations

**Case Facts**

- The manufacturer manufactures a single standard light bulb and is responsible for R&D and processing
- The decline in profits is a client-specific issue and is revenue driven
- Client has seen a decline in price per bulb due to discounts
- They are forced to offer discounts due to delayed delivery




**Summary / Takeaways**

- It is important to be MECE at all stages of this problem
- Use of value chain simplifies the problem and helps the interviewee provide targeted solutions

# BAKERY SHOP

| |
|---|
| **A bakery shop is experiencing a decline in profits since the past 6 months. Figure out why.** |
| Where is the bakery located? Does it have one branch or multiple branches? Does it sell online also? |
| They have only one branch in Delhi, with dine-in, takeaway and online sales. |
| Are there any other bakeries or similar food shops nearby? Are they also facing the same problem? |
| There are other bakeries nearby, but they are not facing a decline in profits. |
| So, it's a company specific problem. I want to divide Profits into Revenue & Cost. Profits can decline due to 1. Decline in revenue or 2. Increase in cost or 3. A mixture of both. |
| The bakery is facing both decline in revenue and increase in cost. |
| I'll start with Revenue. Is there a decline in revenue in both online sales and dine-in/takeaway? |
| The revenue decline problem is only in dine-in/takeaway segment. |
| Okay. Revenue can be divided into revenue per customer visit and number of customer visits. Revenue per customer can be analysed as (Average Price) x (Number of items purchased per customer visit)<br>To analyse decline in number of customer visits, the problem can be analysed from Demand and Supply side i.e., whether there is a decrease in demand or supply issues. |
| It's a demand side issue - the number of customer visits has declined. |
| Since most bakery products are all-season, can I assume seasonality isn't an issue? |
| Sure. |

| |
|---|
| I will start by analysing the customer journey which is as follows: Awareness about bakery -> Customer Interest -> Travel to bakery -> Parking of vehicle if needed -> Entry into bakery -> Select items to buy (own or with help) -> Placing order -> Billing and payment -> Waiting for order -> Dining or packed for takeaway -> Exit from bakery -> Customer satisfaction with food |
| We have problems with parking. There is a construction work going on in the parking lot, hence customers can't park their vehicles while visiting. |
| Got it. So, decline in customer visits and hence in revenue is due to the parking problems. I'll move on to cost now. Has cost increased for both online as well as dine-in/takeaway? |
| Cost has increased only for the online segment. |
| Okay. I want to analyse the cost factors and then drill down on the issue. The major costs for online sales will be maintenance of own website/app (if any), commissions paid to food delivery platforms, marketing/promotions on such platforms, personnel handling online orders and their training, processing fees for online payments, packaging cost, delivery logistics (if provided by us). |
| The delivery cost has increased. |
| Delivery cost can be broken down into (Number of deliveries) x (Cost per delivery); Cost per delivery is dependent on vehicle used, vehicle utilisation, fuel cost, distance travelled, mileage. |
| Right. Due to the construction work, we have to take longer route to deliver. This has led to higher distance travelled and ineffective utilisation of vehicle leading to higher delivery costs. We can close the case here. |
| Okay, thank you |

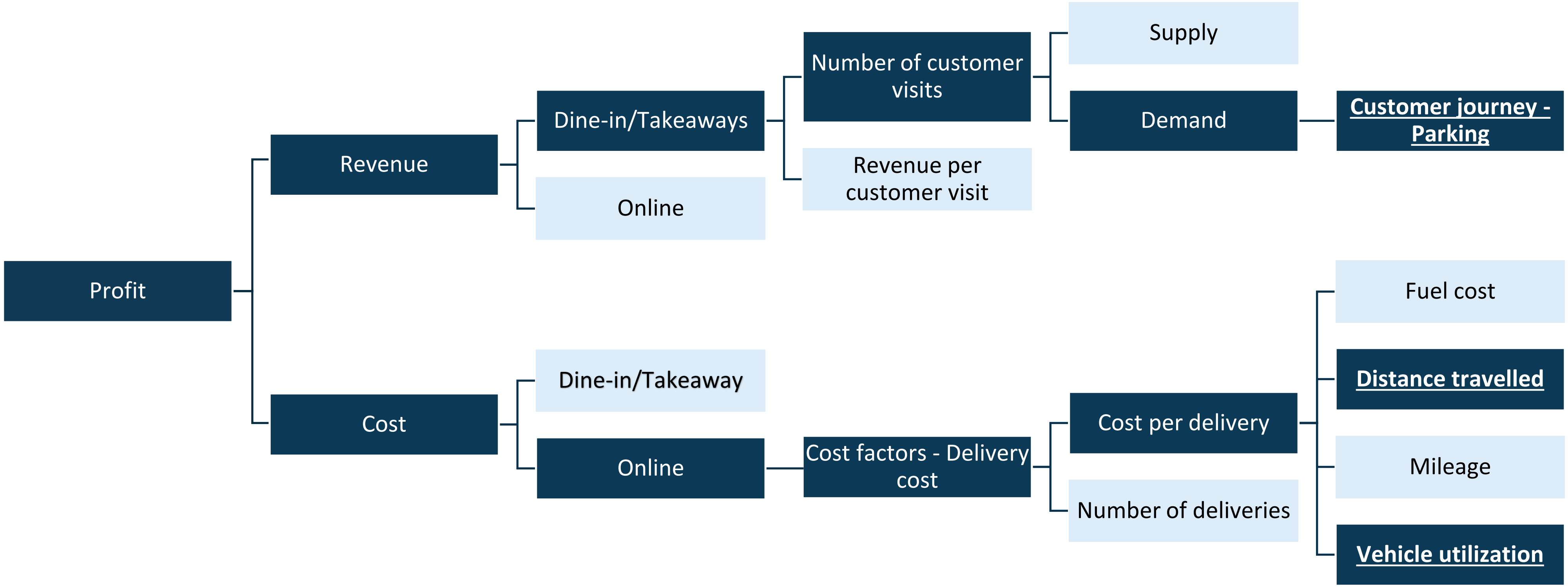
# BAKERY SHOP

**Problem Statement**

A bakery shop is experiencing a decline in profits since the past 6 months. Figure out why.

**Case Facts**

- Bakery has one branch in Delhi with dine-in, takeaway and online sales
- Company specific issue - no other nearby bakery facing decline in profits




**Summary / Takeaways**

- Remember to ask about channels if there is a possibility of sales happening through multiple channels
- Notice how the drill-down to the problem at every step is MECE and structured using formula, exhaustive customer journey, etc
- Clarify assumptions – even if it seems obvious

# FRENCH MUSEUM

**Your client is a museum in a city in France. Their profits have decreased, and they have hired you to find the cause and provide recommendations.**

I would like to start with a few preliminary questions. What kind of museum is it? How long have they been facing this issue? What is the magnitude of the decrease? Are there any competitors and have they faced this issue?

It is an art museum, and the only museum in the city. They have been facing this issue for the past 1 year – profits have declined by 15%.

Alright. I would like to start the analysis now. Profits is basically Revenue minus costs. A decline in profits can be due to a decline in revenues, an increase in costs or a combination of both. Do we know what is happening?

The costs have remained the same. We have seen a decline in revenue.

Sure. The major revenue sources for a museum would be sale of tickets, auctions, donations and sales from any shops in the museum.

We don't conduct auctions or receive donations. Our major revenue streams are ticketing (80%) and sales from an in-house restaurant (20%).

Okay, since the most significant driver of both the revenue streams is the number of people visiting, I would like to analyze ticket sales first

Sure, go ahead. Just a heads up, the museum is visited by tourists majorly

Okay, The ticket sales would depend on the number of people visiting the museum and the average ticket price. Have we changed the ticket price?

No, the number of people visiting the museum has declined.

The number of people visiting would depend on the number of tourists visiting the city and the preference of tourists for the museum

The number of tourists in the city have actually increased.

Interesting. This means that the preference for visiting the museum has decreased. I would like to divide it further into internal and external issues.

There are no issues with the museum. It is an external issue.

Okay. Since it is an external issue, I would like to analyze the journey of a tourist in the city – they would arrive in the city, get an accommodation, research on the places they want to visit or hire a guide/tour planner, and then actually travel to and visit the places.

Let's focus on the part where they decide the places to visit or go to tour guides. We have a partnership with guides – they bring visitors to us.

Visitors research places to visit online these days - are they able to easily find information about us online? For the tour guides, have we reduced their incentives or is some other tourist attraction paying additional incentives?

Correct, Disneyland has opened in the city last year, and guides are diverting all tourists there. They are also running ads online to attract more visitors.

Alright. I would give a few recommendations to potentially increase our revenues: 1) We can increase the incentives paid to the guides or give bulk discounts for tickets, 2) We can organize special talks with artists or events that attract the target audience basis a financial feasibility check

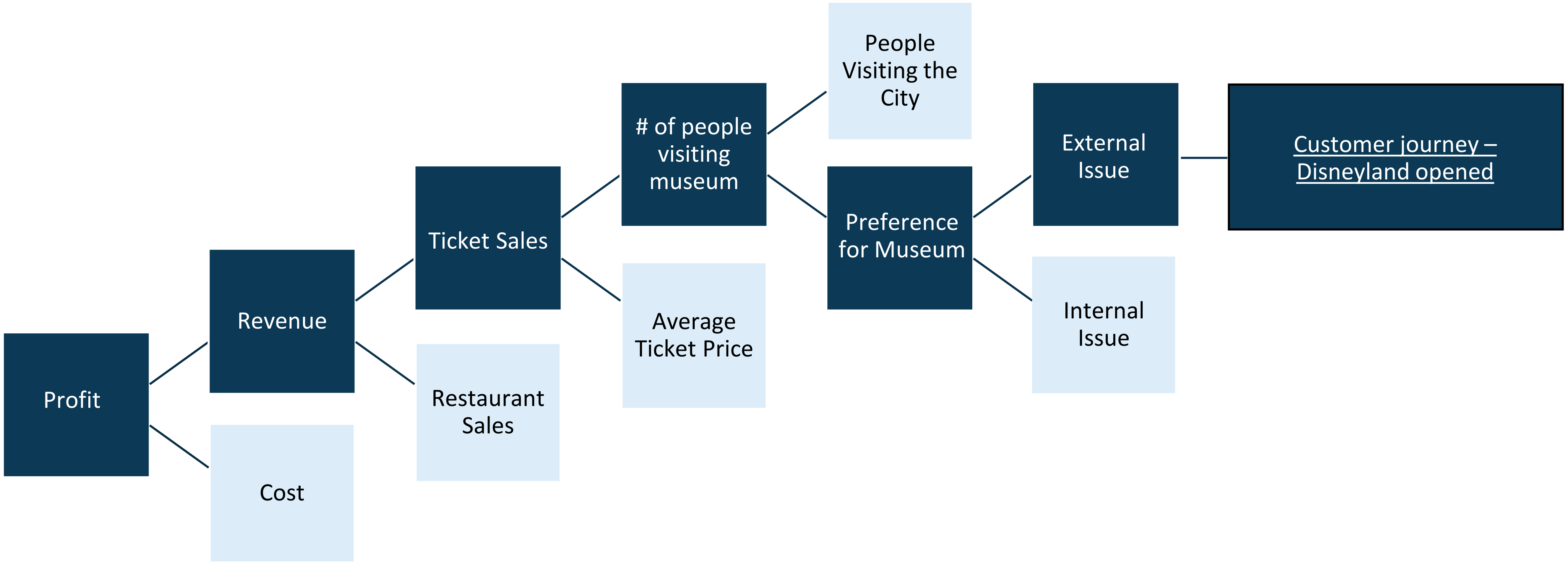
# FRENCH MUSEUM

**Problem Statement**

Your client is a museum in a city in France. Their profits have decreased, and they have hired you to find the cause and provide recommendations.

**Case Facts**

- It is an art museum, and the only museum in the city
- Facing 15% decline in profits since the past 1 year
- Revenue streams - ticketing (80%), food and beverage sales from an in-house restaurant (20%)




**Summary / Takeaways**

- The interviewee mentioned revenue streams for a museum upfront, instead of asking the interviewer – shows good thinking
- It's a good practice to mention about some feasibility check that might be required while you're giving recommendations (can also incorporate numbers if given in the case)

# BPO COMPANY

**Your client is a BPO company operating out of India. They have witnessed a significant decline in profits over the past 6 months. Help them identify the cause and give recommendations.**

What kind of customers does our client serve? Where are they located? What is the timeline of the problem? What all competitors do we have? Are they also facing similar decline in profits?

Our client serves customers across IT, Pharma, and Banking industries based in Europe. We have been facing this issue for the past 6 months. We have several competitors who aren't facing this issue.

Is the problem specific to any customer segment? Should I consider COVID?

Yes, the decline is majorly due to banking customers. There is a COVID component as well, however, the problem is broader than that.

Sure. I would like to start the analysis now. Profits is basically Revenue minus costs. A decline in profits can be due to a decline in revenues, an increase in costs or a combination of both. Do we know what is happening?

It is a combination of both. The revenues have declined by 5% and the costs have gone up by 10%. Let's start the analysis with cost.

Alright. I would like to list down the major cost headers for a BPO company. The major ones are staff costs, server costs, and utilities. Do we know what is causing the increase?

The staff costs have gone up.

Interesting. The staff costs would be # of employees multiplied by average salary per employee. Do we know what has increased in this?

The number of employees have gone up. We had made hiring commitments before COVID and went ahead with that. We currently have an overcapacity. Also, we incurred additional costs in providing work from home infrastructure to our employees. Let's move to the revenue side.

Sure. Revenue would be dependent on number of contracts and the revenue per contract. Since the revenue per contract can't change in a 6-month period as most BPO contracts are longer than that, I assume it's due to a decrease in the number of contracts that we have. I would like to analyze the same along the lifecycle of a contract.

Yes, that's right. We have lesser contracts now. Go ahead.

The contract starts from the sales team pitching to potential clients, then we work on the assigned tasks, deliver the same to the client and finally revenue is realized. Are we facing an issue at a certain step.

Yes, we are facing an issue at the sales step. We are pitching more than ever but not winning enough contracts.

Interesting. The sales would depend on the number of clients pitched and conversion rate. As mentioned by you, here the latter has decreased. It could be due to internal reasons like the decline in performance of our sales team as well as external reasons like competitors offering better services.

# BPO COMPANY

| |
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| Right. The clients are moving to our competitors. The clients in Europe desire integrated services and our competitors are selling a bundle of consulting, IT and BPO services, whereas we offer only BPO services. We want to improve our revenues in the next 6 months. What should we do? |
| Setting up our own consulting and IT verticals won't be possible in the given timeline. Hence, we can explore M&A with some local firms offering these services, which will bring in their clients and complement our BPO services. Local firms will have local sales-personnel who'd help us understand the local landscape and help in better conversion. If closing an M&A in such a short-term is not possible, we can develop a revenue sharing agreement with firms that offer the require services and try to offer a combined service to the client |
| Great. We can close the case here. Thank you! |

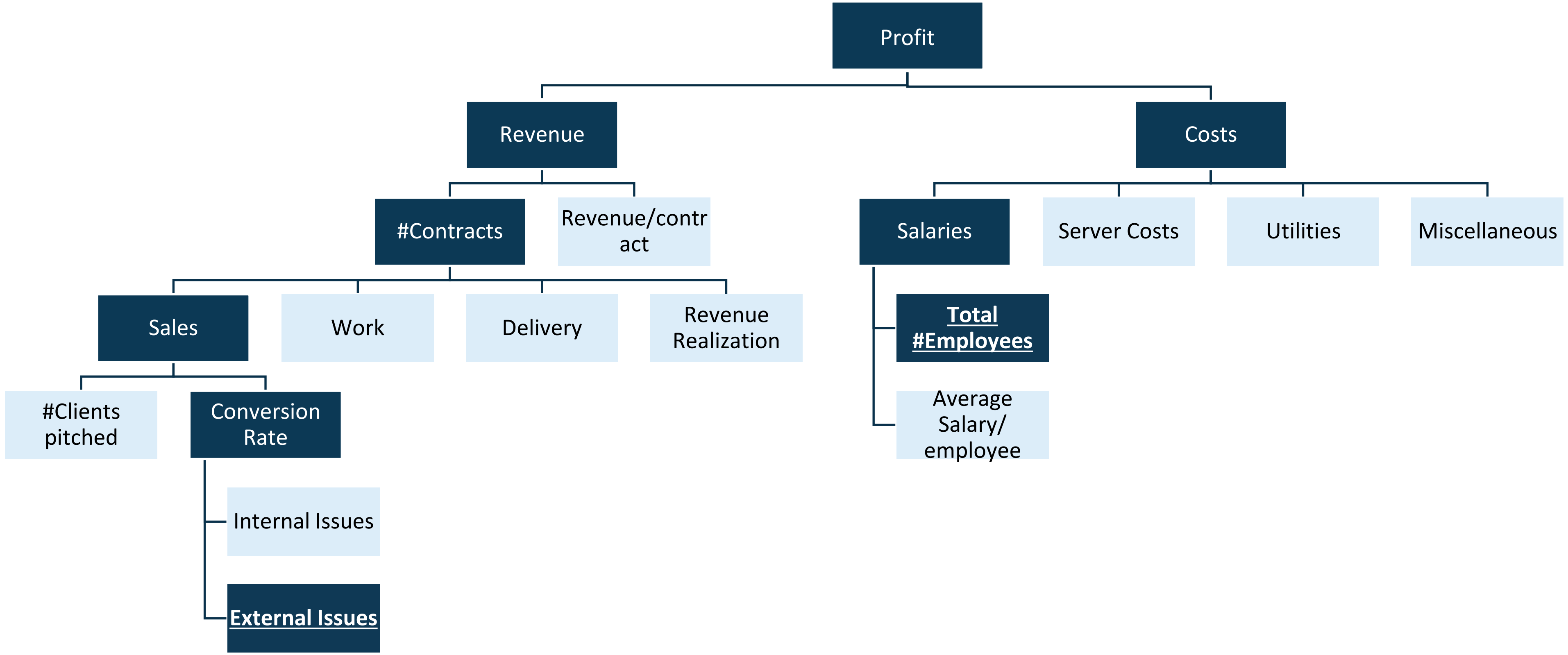
# BPO COMPANY

**Problem Statement**

Your client is a BPO company operating out of India. They have witnessed a 15% decline in profits over the past 6 months. Help them identify the cause and give recommendations.

**Case Facts**

- Client is facing lower revenues and higher costs
- Client has three kinds of customers, however issue is only with Banking
- Decline is 15% in 6 months: very large in short term




**Summary / Takeaways**

- Sometimes, a lot of redundant information can be given in the problem: being MECE helps ensure you're clear on what you're tackling and why
- An easy way to bucket is to examine things as multiples of independent metrics

# HIGH-END RESTAURANT

**Your client is a high-end restaurant in Khan Market, Delhi. Their profits have been declining for the past 2 months. Identify the root cause**.

I would like to start with a few preliminary questions. What kind of cuisines does it serve? Is it dine-in only? Should I consider the COVID scenario? Are there any competitors in the locality? Have they faced similar decline?

Consider a pre-COVID scenario. The restaurant serves Italian cuisines. We offer dine-ins, takeaway & delivery orders. We do have several competitors in the locality, however, none of them has faced a similar decline.

Okay. I would like to start the analysis now. Profits is basically Revenue minus costs. A decline in profits can be due to a decline in revenues, an increase in costs or a combination of both. Do we know what is happening?

It is a combination of both.

Sure. I would like to start with the revenue side if that's fine.

Go ahead.

Revenues would be a sum of the three kind of orders – delivery, dine-in and takeaway. Have we faced a decline in all three or a particular segment?

Only dine-in revenues have declined.

Alright. Dine-in orders would depend on the number of tables in the restaurant, average occupancy and average order value. A decline can be due to a decline in either or all of these. Do we know what's the case?

The average order value (AOV) has increased.

Oh. Interesting. A higher AOV implies that either we are serving larger groups or premium clients. Do we have any information on this?

Yes, we have started serving larger groups now. In fact, to accommodate larger groups, we have clubbed some of our smaller tables to make room for more people on the same table.

This would have decreased the number of tables for couples/smaller groups. Have we seen a decline in these customers?

That's Right. The number of couples/smaller groups has declined sharply.

I think we have arrived at the root-cause for the revenue decline

Yes, Let's analyze costs next.

Costs can be divided into the following – Variable costs (Raw material costs, cooking costs, servicing costs, billing costs) and fixed costs (Rent, Utilities and Salaries). Do we have any information on what has increased?

The raw material costs have increased.

Despite a lower raw material consumption, our costs have increased. Have we changed the supplier? What is our arrangement with the supplier?

No, we haven't changed the supplier. Our supplier provides all raw material every morning. He offers additional discount for larger orders.

Alright. Since our orders would have become smaller due to falling demand, the discounts would have reduced. Hence higher costs. Is it the reason?

Right. We can close the case here.

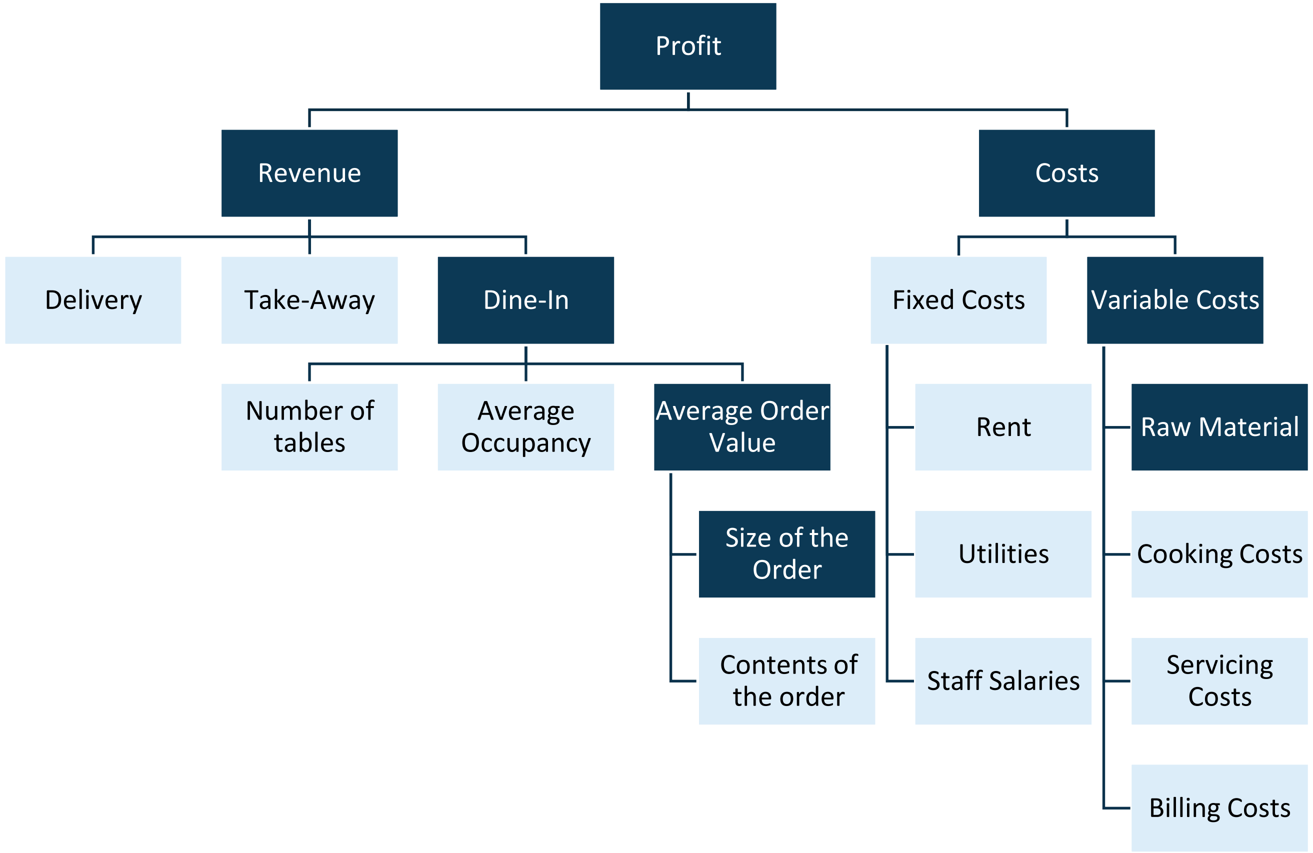
# HIGH-END RESTAURANT

**Problem Statement**

Your client is a high-end restaurant in Khan Market, Delhi. Their profits have been declining for the past 2 months. Identify the root cause.

**Case Facts**

- The client is facing declining profits since past 2 months (pre-COVID)
- No other competitors facing similar issue
- Restaurant serves Italian cuisine across delivery, take-away and dine-in




**Summary / Takeaways**

- Costs could also be looked at through the lens of the value chain
- Please don't start listing possible options and rather make use of some structure

# HOSPITAL CHAIN

IIM CALCUTTA CONSULT CLUB

**Your client is a hospital chain located in suburban Mumbai which is experiencing decline in profits since last 6-8 months. Figure out why.**

Okay. I would like to ask few clarifying questions to understand the problem statement in detail. How many hospitals are there in this chain and are all of them facing a decline in profits?

There are 3 hospitals in the chain & the problem is specific to just 1 hospital

What kind of hospital is this – a general hospital or a specialty hospital catering to any specific disease? In terms of the ownership, is it a government or a private hospital? Also is there any specific customer segment we cater to?

It's a general hospital owned by a private player. The hospital majorly caters to the people living in nearby areas across all income segments.

Since, it's a general hospital I presume the client would be facing competition from the nearby hospitals. Do we know the no. of competitors, trend in market share and whether it's a client specific issue?

There are two more hospitals in the nearby location. Client has been losing market share in the said period to them so it's a client specific issue.

Got it. The decline in profits could be due to fall in revenue, increase in cost or a combination of both. Since the market share of client has fallen, I presume it would be majorly due to fall in revenues. Do we have any details around it?

You're right, the revenues have declined while the costs have remained the same. Can you figure out why?

A general hospital could have multiple revenue streams – consultancy fees charged for check-ups, diagnostic fees for carrying out tests and sale of medicines by pharmacy, if any in the hospital. Do we have details regarding decline in any?

The revenues from diagnostic services have declined here.

I can break-down the revenue as a function of No. of patients x No. of tests per patient per year x Avg. price per test. Which one of these have fallen?

The no. of patients have fallen.

Interesting. The no. of patients have fallen yet the consultancy fees hasn't declined. Is it a supply side issue wherein we aren't able to cater to customers or a demand side issue wherein the customers aren't visiting us in first place?

We don't have any constraints in terms of supply. The demand from customers have fallen.

I would like to analyse it across the entire customer journey which I would break down into 5 components – need, awareness, affordability, accessibility and customer experience. Should I go through them one by one or do we know the issues lies in which component?

We can look at the awareness component in detail.

There can be multiple channels through which patients could be aware about a hospital. It is majorly through word of mouth, doctor referrals, print media and digital media.

The no. of referrals made by doctors have declined in recent past.

| |
|---|
| So, the referrals can be from existing doctors or the new doctors which we would have enrolled. Is the decline specific to any one or its across the board? |
| The referrals coming from new doctors have declined with more doctors referring to our competitors. |
| Got it. I would want to structure the no. of referrals into a funnel - 1) No. of doctors identified by our sales team 2) No. of doctors to whom our hospital is pitched 3) No. of doctors convinced about our offering 4) No. of doctors onboarded 5) No. of onboarded doctors who actually give referrals. |
| The problem lies in the onboarding stage. Even though the doctors seem convinced about our offering, very few of them are onboarded successfully. |
| Onboarding would typically involve execution of a contract. It can have two aspects. First is terms & conditions of the contract and second would be convenience associated with executing the contract in terms of time, documentation, mode of execution etc. Since, the doctors are convinced about our offering, I presume the problem would lie in convenience front as they would be well aware of terms & conditions. |
| Yes, the client takes 10 days to execute a contract whereas the competitors are able to execute them in a day itself. What can the possible reason for it? |
| Since, the time difference is drastic & it has been observed in the recent past, I think it can be related to mode of execution in terms of offline & online. |
| Correct. The competitors have started digital mode of contract execution but the client still uses the offline mode. That would be it. Thank you. |

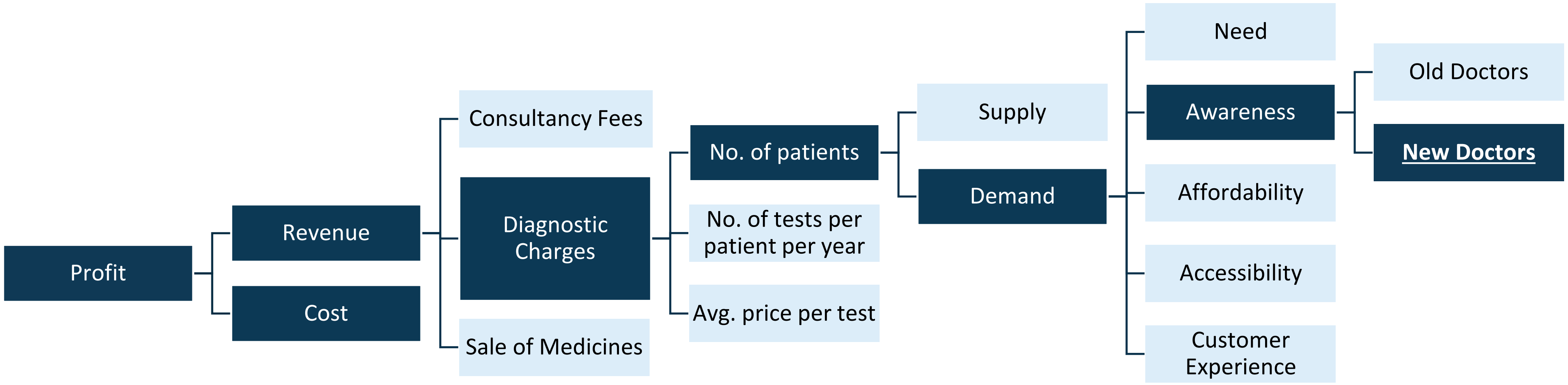
# HOSPITAL CHAIN

**Problem Statement**

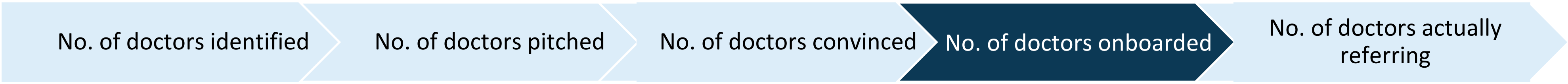
Your client is a hospital chain located in suburban Mumbai which is experiencing decline in profits since last 6-8 months. Figure out why.

**Case Facts**

- Recent problem specific to one hospital
- Loss of market share to competitors
- Issue with the rent agreement of outlet units




**Value Chain of Referrals**




**Summary / Takeaways**

- Being MECE in all steps of a value chain requires care to avoid getting stuck
- You’re not expected to know technical details like revenue streams of a hospital, ask for interviewer’s help after listing the obvious ones

# FLOWER SHOP

**Your client is a flower shop chain that has two branches. One branch is profit-making, while other is loss-making. Figure out why.**

Okay, I would like to begin by asking some preliminary questions. Could you please throw some light on the location of these branches, the types of flowers they sell and also for how long is the client facing this issue?

Both the branches are in different neighborhoods in the same city. Both the branches receive similar flower supplies from the same supplier. The issue has been persistent for quite some time but that's not relevant

Sure, thank you! I would like to take a structured approach to analyze the situation. I would analyze profits by dividing them into revenue & costs. Within, revenue – I will look at price, volume & product mix whereas in the costs, I will analyze the value chain to find out the source of the issue

That sounds like a good approach. You can focus on the revenue aspect.

Okay, because you had mentioned that both the shops receive similar flower supplies from the same supplier, I would assume that the difference is in price of the flowers and/or in the volume sold in two shops? Is that okay?

Yes, that's a fair assumption. Just to give you further context, both the shops sell the flowers at the same rate.

Okay, so then I would analyze the volume sold in both the shops. To delve deeper, the difference in the volume sold could arise from either the supply side issue or from the demand side issue in both the shops.

Correct. Since the supplier is the same for both the shops, the issue doesn't lie on the supply-side. You can focus on the demand side

Okay, thank you. I would like to analyze the demand side of the volume sold by going through the customer journey which can be divided into multiple buckets such as

1. **Pre-purchase** which includes – Need, Awareness, Shop Accessibility;
2. **During purchase** which includes – Affordability, Availability, Ambience, Product Accessibility, Product Selection & Purchase Action
3. **Post purchase** which includes – after sales support

That's a good way to structure customer journey. You can focus on During purchase bucket

Okay, again since the pricing between the two shops is same & since both the shops sell similar flower all of which are procured from the same supplier, I would assume there is no issue in the affordability & availability bit. Is that a fair assumption?

Yes, you are correct.

Next is "Ambience." This could be a crucial factor. Could you describe the differences in ambience between the profitable & loss-making branches?

Certainly. The profitable branch has a visually pleasing ambience because it follows a First-In-First-Out (FIFO) approach, displaying the freshest flowers at the front. On the other hand, the loss-making branch uses a Last-In-First-Out (LIFO) approach, displaying newer flowers at the back till older ones are sold.

That's interesting. This difference in ambience affects the demand for the flowers in both the branches and hence the difference in profitability.

Yes, you are correct. We can close the interview here. Best of luck.

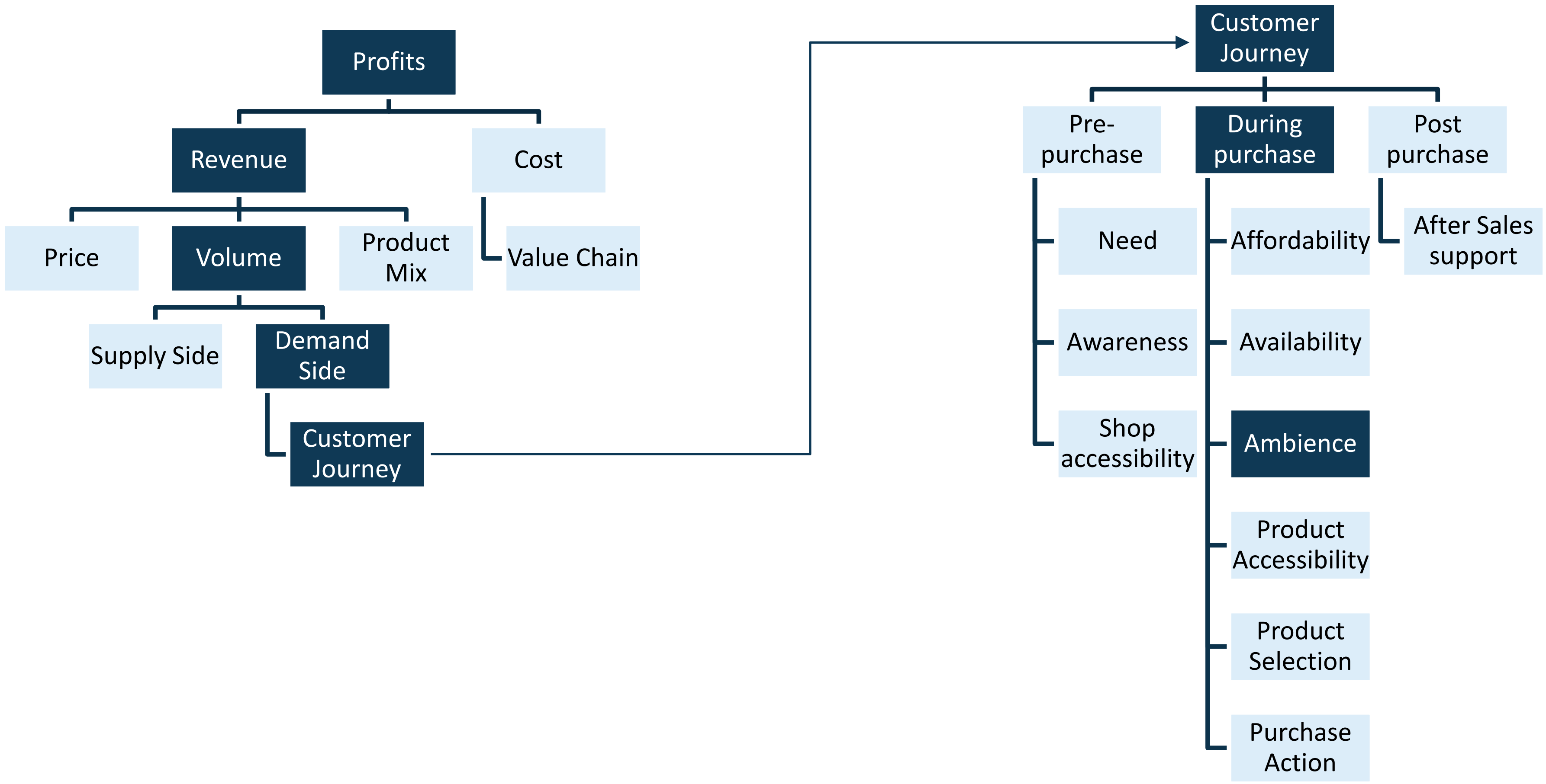
# FLOWER SHOP

**Problem Statement**

Your client is a flower shop chain that has two branches. One branch is profit-making, while other is loss-making. Figure out why.

**Case Facts**

- Two branches – one profitable, another loss-making
- Branches are in the same city but different neighbourhood
- Both branches have the same supplier, sell similar flowers at similar rates




**Summary / Takeaways**

- It is important to always confirm your assumptions with the interviewer
- Make assumptions basis some logic only. If you make an assumption in a branch where the problem lies, then it won't be look good
- It is very important to listen carefully to an interviewer. A point made by the interviewer in the start could prove to be helpful towards the end

# THERMAL POWER PLANT

**Your client is a power plant based out of Chattisgarh who has witnessed a decrease in profits in the past four months. Find out why**

Okay, before I delve deeper in the case, I had a few preliminary questions. What kind of a power plant exactly was it – say Thermal / Hydro / Renewable? Given the power industry has multiple players such as Generators / Transmission Cos. / Distribution Cos., in what part of the value chain does the client exactly operate?

Fantastic questions. The client is a thermal power plant. It works in the electricity generation which is then supplied to Transmission Cos.

Okay, last few question, is this an industry wide issue or an issue specific to the company? By how much quantum have the profits declined and how much of it can be attributed to revenue & costs given profit is a function of revenue & costs?

We don't have exact data on this but you can assume that it is an industry wide issue. As far as quantum of profits decline is concerned, most of it can be attributed to costs.

Okay thank you, I believe I have all the contextual information now. Since, most of the profit decline can be attributed to increase in costs, I will look at the costs of the company by analyzing each part of its value chain

Okay. Please proceed

The value chain of a power generation plant will include: Raw material procurement -> Inbound logistics -> Power generation process -> Outbound logistics -> Distribution. So, first – is there a significant rise in RM costs?

Yes, there has been a significant increase in raw material costs.

Okay, total raw material costs = total volume of RM required * price of RM for all the required raw materials. For a thermal power plant, coal is the most important raw material. So, should I focus on that first?

Yes, you are correct. You can analyse the volume aspect as the prices of coal have stayed constant or in fact even declined.

Okay then the increase in costs can possibly be attributed to increased requirement of coal. The causes of this can be looked at in two aspects –

1. Internal reasons which includes – improper handling of Coal, or changes in the supplier or the type/quality of coal
2. External reasons which includes – political, economic, social, technological, legal & environmental aspects

Correct, there seems to be some issue in the quality of coal.

Alright, this can again be looked upon in two aspects –

1. Interal aspects of coal mining done by supplier which affects quality -
2. External reasons that are having an impact on the quality of coal

Absolutely, it is because of the external reasons.

Given, you had mentioned that this seems to be an industry wide issue, the major external factor that can impact the quality of coal is the environment.

Correct, it is rainy season currently. Can you connect the dots now?

Alright, it seems that the moisture content in the coal has increased. This means more coal is required to produce the same amount of electricity. Hence, there has been an increase in costs. Correct?

Correct. We can close the case here. All the best.

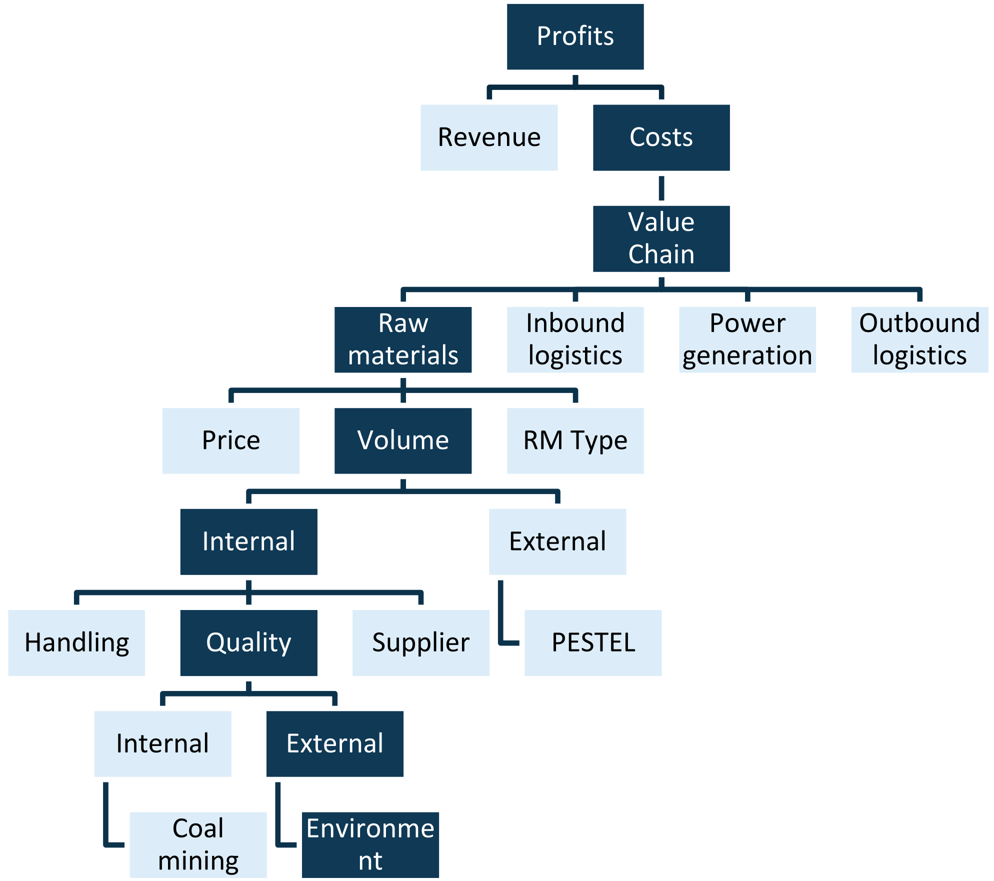
# THERMAL POWER PLANT

**Problem Statement**

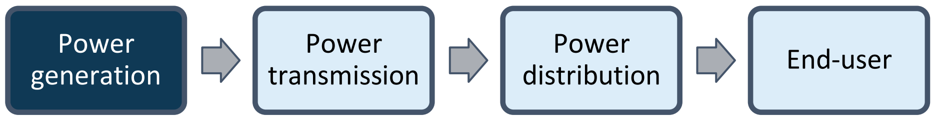
Your client is a power plant based out of Chattisgarh who has witnessed a decrease in profits in the past four months. Find out why.

**Case Facts**

- Client is a thermal power plant that is into electricity generation
- Problem seems to be an industry wide issue
- Most impact of cost increase on profits decline
- Prices of Raw materials have stayed constant / have declined




*Power Industry Structure*




**Summary / Takeaways**

- Some cases may go on for longer & it can happen that beyond a point, you may not be able to structure your thoughts
- In such cases, the easiest way to structure is by categorizing the points into two buckets – internal reasons & external reasons
- In this case the first internal/external split looks at company related issues whereas the second internal/external split looks at coal-specific issues

# HOTEL CHAIN – VALUE ADDED SERVICES

**Your client is a hotel chain and has witnessed a decline in profits in the past few months. Find out why.**

Okay, before I delve deeper in the case, I had a few preliminary questions. How big is the hotel chain? Which geographies does the hotel chain operate in? In which geographies exactly are we witnessing this issue? Is this an industry wide issues? Who does the hotel chain think of as its competitors?

The hotel chain has 15 hotels across India. The issue persists in one hotel in Delhi. This is a hotel specific issue & competitor data is irrelevant for now.

Okay thank you. Just a few more questions – what type of a hotel change exactly is it – luxury, middle-income, low-priced hotel? Who are its target customers and finally what are the kind of services / amenities does it offer?

Good question. The client is a luxury hotel chain visited by majorly corporate guests & high-income families. Apart from hotel rooms, it has services such as room dining & multiple additional value-added services.

Sure, thank you! I would like to take a structured approach to analyze the situation. I would analyze profits by dividing them into revenue & costs. Within, revenue – I will look at price, # of hotel rooms, # of times the rooms were booked across the year & revenues from other streams whereas in the costs, I will analyze the value chain to find out the source of the issue

That sounds like a good approach. You can focus on the revenue aspect.

Okay, so have we witnessed any significant change in the price of hotel rooms even though I believe that since the issue is specific to this hotel that might not be the case?

Correct, the prices of the rooms have stayed constant.

Okay, so have we witnessed a significant decline in the number of the rooms that were booked, or the number of times bookings were done?

No, the bookings & the no. of hotel rooms have more or less stayed constant

Alright, so it seems the source of the revenue & thus profits decline lines the in the additional value-added services that the hotel offers? So, should I proceed with analysing these services?

Yes, please go ahead

Since it is a luxury hotel, I believe the hotel must be offering a wide range of services –

1. In room facilities – Room dining, TV, WiFi, extra beds
2. Out-room facilities – Laundry, cab services, concierge, recreational

Is there any particular segment that you want me to focus on?

Correct, you can focus on the recreational bit within out-room facilities

Alright, thank you! So recreational services such as spa, gym, tourist travel services, other corporate offsite event activities are usually offered in a luxury hotel. So, are we witnessing any significant change in any of the above activities?

Correct, the revenue has declined from the spa services.

Alright, as per my current understanding – services such as spa are usually outsourced to third party contractors who pay a % of their total revenues or a fixed fee to the hotel chain. Is this how the spa operates in this hotel as well?

Absolutely, there is a third-party contractor who pays a fixed % of the revenue to the hotel and the spa services booking can only be done through reception which helps the company track the revenue of the spa

# HOTEL CHAIN – VALUE ADDED SERVICES

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| Alright, so the decline in the revenues could be either because the % commission that is given by the spa contractor to the hotel has decreased or because the total revenues of the spa have decreased. |
| Correct, the total revenues of the spa have decreased. You can analyse that. |
| Alright the total revenues of the spa is a function of the price of the services * number of bookings done for all the kinds of services that are offered. So, are we witnessing any particular change in any of the above? |
| Correct, the total revenues of the spa have decreased because the contractor has abruptly increased the prices of its services which have impacted the volumes of the services. Why do you think an increase in prices of spa services would have affected high-income guests who usually visit this hotel? |
| I agree, this could either be because of the following reasons –<br>1. Even high-income guests could be price sensitive<br>2. They may not be seeing enough value for money in the spa services as high-income guests could be looking for enhanced services with the additional price increase<br>3. They might be lured to other recreational activities such as gym & tourist activities |
| Perfect, I think we can close the case here. |

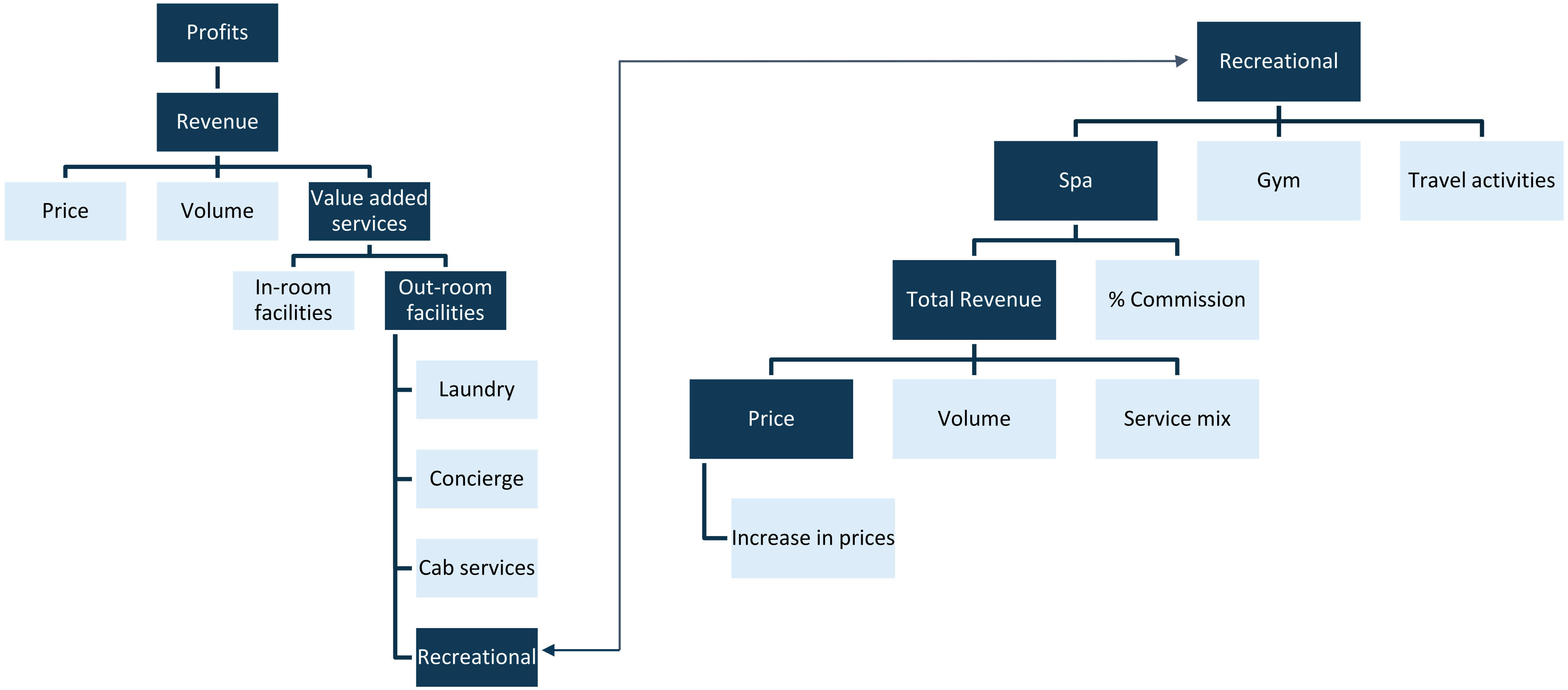
# HOTEL CHAIN – VALUE ADDED SERVICES

**Problem Statement**

Your client is a hotel chain and has witnessed a decline in profits in the past few months. Find out why.

**Case Facts**

- Client is a hotel chain that has 15 hotels across India. The issue is being faced by only one hotel and it is not an industry wide issue
- It is a luxury hotel with corporate travellers & high-income families as its target customers
- The hotel offers a wide range of value-added services in addition to hotel rooms




**Summary / Takeaways**

- It is always important to be structured during the case interviews.
- Some interviews can go on for a long time. In such cases, it is important to remain calm and always try to have a structured approach
- To ensure there is no error, it is better to confirm every step of your solution before directly proceeding.

# RESORT IN GOA

**Your client is an owner of a resort in Goa who is facing declining profits. Find out why**

Okay, before I delve deeper in the case, I had a few preliminary questions. How long has the resort been seeing declining profits and in which pricing segment would you say the resort operates in ?

Fantastic questions. The client is facing declining profits for the last 3-4 months. The resort has positioned itself in the luxury/premium segment

Okay, last few questions, who are the key clients for our resort and what are the services that the resort offers to its clients ?

The key clients are families and corporates. The resort offers typical services such as stay services, dining through restaurants and leisure activities for people to enjoy.

Okay thank you, I believe I have all the contextual information now. Since profits is a function of revenues and total costs, a decline in profits can be due to decrease in revenues or a rise in costs or a combination of both decline in revenues & increases in costs. Can you please tell me which one I should focus on first?

Okay. Please proceed by first analyzing the revenue aspect.

Revenue for a resort will be a function of a services offered, pricing and number of customers. So firstly, is there a decline in the number of customers that are visiting the resort?

Yes, there has been a decline in the number of customers. The resort has empty rooms on many nights.

Okay, so number of customers decreasing can be a problem from supply side or demand side or both? Is there any specific side I should focus on?

You can focus on the demand side. There are no changes in the supply side from the resort's end or any other issues on the resort's end.

Okay let me break down the demand further by looking a the customer journey – Is there any decline in the need or awareness for the customers? Or any changes in the accessibility or availability for the customers? Additionally, is there an issue regarding affordability for the customers ?

Correct, there seems to be some issue in the affordability.

Alright, this can again be looked upon in two aspects Internal and External. Since there is no issue on the resort's end, I will start by focussing on external factors. Has there been any political unrest in the area or some policy changes? Has the income of potential customers gone down ?

None of those reasons are related to our case here.

Okay, has there been any changes in the competitive landscape of the area? For instance, are there any new competitors that have opened up?

Yes, there is a new competitor that has opened up.

Alright, it looks like the competitor is attracting customers through some marketing scheme.

Right. The new resort is offering attractive price discounts and cashbacks to customers. That is the root cause. Now, please give some recommendations

Sure, the resort can offer short travel packages and also offer loyalty points to its repeat customers. They can also adopt bundling strategy for their existing services.

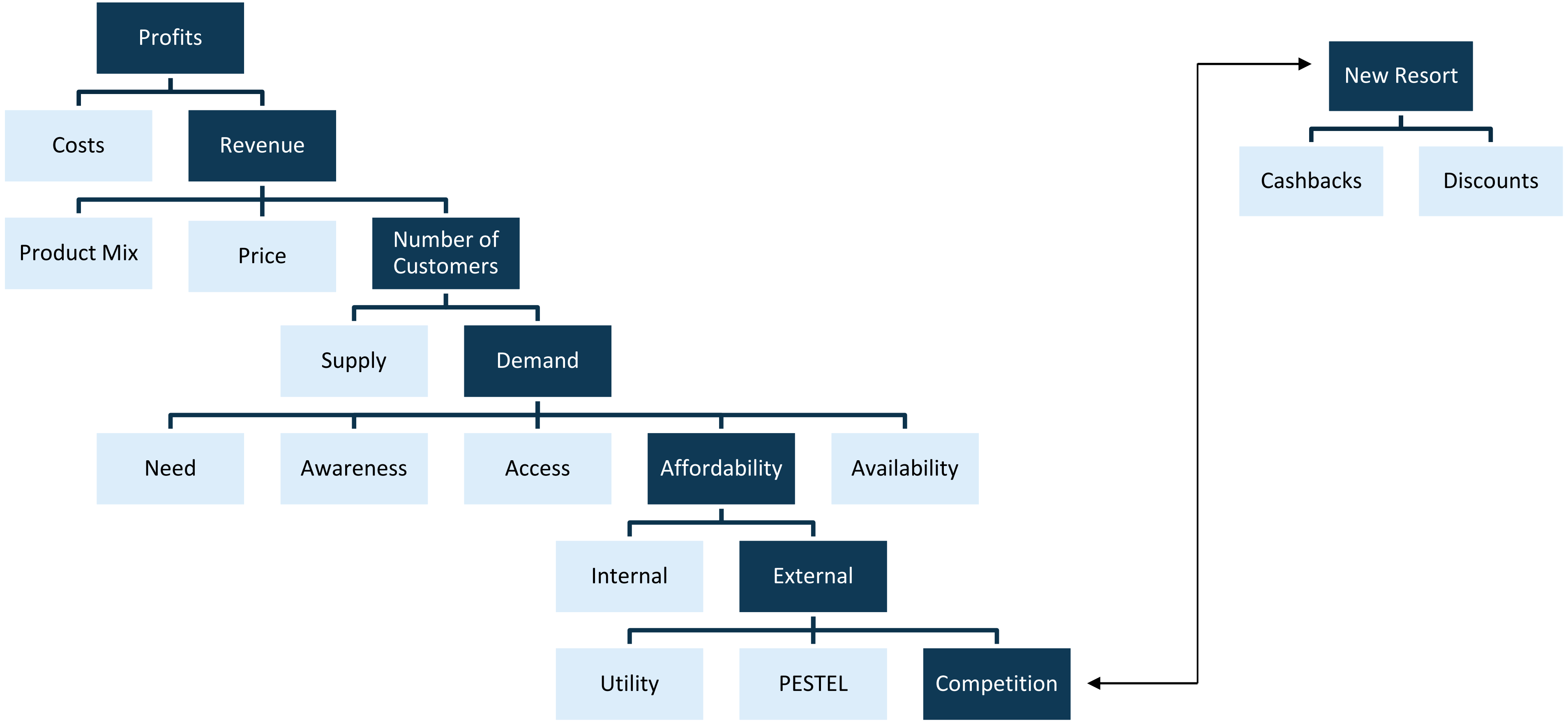
# RESORT IN GOA

**Problem Statement**

Your client is an owner of a resort in Goa whose profits are declining. Find out why.

**Case Facts**

- Client is seeing declining profits for past 3-4 months
- The resort operates in the premium segment
- Key clientele are families and corporates
- The resort offers stay, dining and leisure activities




**Summary / Takeaways**

- Profitability cases follow a set framework which if followed can lead you to the solution in a structured manner
- In such cases, the easiest way to structure your solution is to keep eliminating parameters as variables are limited and there isn't much variability

# DEODORANT COMPANY

**Your client is a Deodorant company and they've seen a 20% decline in profits over the last 4 months. You need to figure out the cause for the same.**

Okay, before I delve deeper in the case, I had a few preliminary questions. What part of the value chain does our client operate in? What is the product mix, and who do they sell to? Is it an industry-wide issue or unique to us?

Good questions. The client operates end to end in the value chain. They sell deodorants to wholesalers & retailers. They have 2 variants – Gasless & ordinary, and the decline has been uniform across the variants. This decline is unique to our client.

Okay, I think I've got the hold of the issue. Profits being a function of revenue and cost, do we have any data on which of these has been an issue?

Yes, we have seen a decline in our revenue and interestingly, our cost has also reduced a bit. Focus on revenues for now.

Okay, that's interesting. Revenues can decline because of a drop in prices or number of deodorants sold, or a change in the mix of gasless & ordinary deodorants sold. Is it okay if I assume that we've no other revenue stream?

Sure, we know for a fact that product mix isn't an issue. We have seen a decline in unit sales across the mix. And yes, this is our only revenue stream.

Understood. A decline in number of units sold can either be because of a demand side issue, or a problem in our supply. Do we have any information on whether the issue related to demand or supply?

You are right, there has been a decrease in quantity demanded. Please look into that.

Alright, so I'll break down quantity demanded in a time frame as follows: Qty. demanded = No. of customers * Deodorants purchased per customer. Deodorants per customer in a time frame is proportional to -> Number of sprays * Qty. per spray / Volume of one bottle in same units. Just to check, do you think this is a comprehensive break-down of items or should I add any other element to it?

Yes, you are correct. This is great. We know that there has been a decline in qty. per spray which is leading to the issue we're facing.

Okay, to look at this decline I'd like to go through the process map of a spray. There's deodorant kept in the bottle, and a straw pulls it towards the nozzle, which then sprays out the deodorant. The problem can either be with the quality/thickness of the straw or the size of the pore of nozzle. Is that fair?

Correct, you've identified the problem. We recently changed the supplier of our nozzle and the new one has a smaller pore. We're done with the case! Do you have any recommendations?

Sure, before I proceed to the recommendations, I'd like to confirm if the decline in cost was due to change in nozzle type?

Bullseye!

I'd like to break-down my recommendations into 2 parts – Long-term and short-term. For the short-term, I'd suggest getting back the old nozzle because the purpose of cost reduction got defeated by revenue reduction. For the long-term, we can either play on how the new nozzle enhances current product offering or we can reduce the quantity per bottle.

Sure, good recommendations. Thank you!

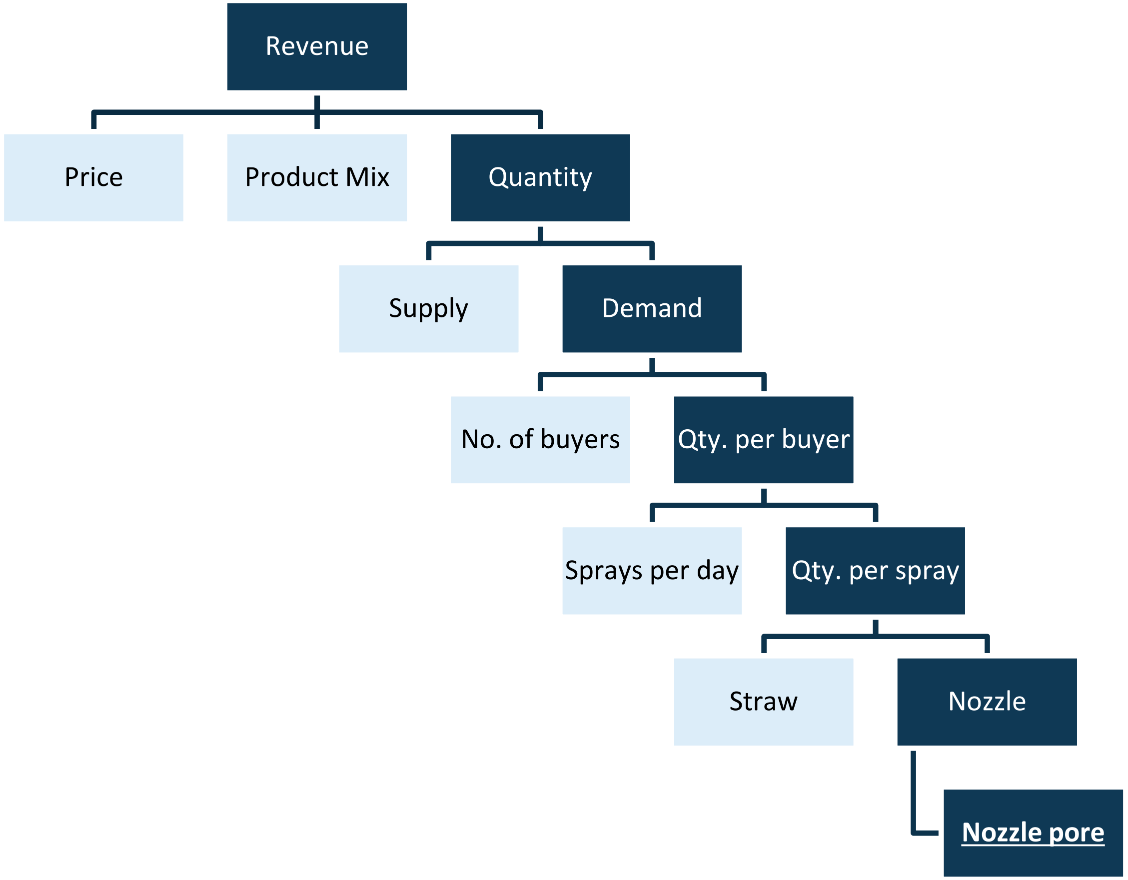
# DEODORANT COMPANY

**Problem Statement**

Your client is a Deodorant company and they've seen a 20% decline in sales over the last 4 months. You need to figure out the cause for the same.

**Case Facts**

- Decline in profit by 20% over 4 months
- The decline is uniform across 2 product categories.
- The client operates end-to-end in the value chain.
- This is a company-specific issue.




**Summary / Takeaways**

- Always break down problems mathematically to the maximum extent possible. This will help reducing errors in identification.
- Always check with the interviewer if your approach makes sense to the interviewer. Clarity in communication is the most important part of the case discussion.

# MARKET ENTRY

# FRAMEWORK (1/3)

**OVERVIEW**

Client is considering entering a new market. Your goal is to recommend whether or not they should enter it (through various means). For these types of cases, it is common that the client is looking to invest in the expansion and get returns. In addition to financial feasibility of the plan, one must also test: Likelihood of implementation success based on industry conditions and firm capabilities, Risk Assessment

*Some key points of discussion are as below*

### Strategy

- **Why are they thinking of market entry?**
  - Growth
  - Mature current market
  - Response to competitors
- **Resources and Capabilities**
  - What does the firm have that makes them think they will be successful?
    - Brand
    - Patents
    - Local Expertise
- **Mode of Entry**
  - Self Launch
  - Acquisition
  - Joint Venture

### Economics

- **New Market Conditions**
  - Market Size
  - Possible Revenue
  - Possible Growth
- **Competition in New Market**
  - Market Share
  - Pricing your product vis-à-vis competitors
- **Parameters to Consider**
  - Investment Required
  - Client Capacity to invest
  - Expected Revenue
  - Expected Profits
  - Payback Period for investment

### Risks

- **Barrier to Entry**
  - Regulatory Barriers
  - Financial Capabilities
  - Existing Players and their market share
    - Porter's Five Forces
- **Risks**
  - Implementation
  - Political
  - Currency
  - Other macroeconomic factors

*For a comprehensive framework, refer to the next slide*

**PRELIMINARY QUESTIONS TO CONSIDER***

- What business is the client operating?
- How the client performing currently?
- Does the client have any prior experience in the new market/geography?
- What is the aim of the client? (Revenue, Profit, Payback Period etc.)
- How is the competitive landscape in the new market?
- What are the client's capabilities and bottlenecks?

*3CP Framework can be used

# FRAMEWORK (2/3)

- **Market Entry Framework**
  - **Company analysis**
    - Objective — Aim of the company? Evaluation metric?
    - Resource assessment — Core competency? Any patents / licenses?
    - Org. readiness — Any previous experience? Skills? Risk appetite?
  - **Industry Analysis**
    - Market attractiveness — Market size? Profit margin in the industry? Growth rate? *Next slide*
    - Customer analysis — Customer needs / preferences? Do we meet them?
    - Competitor analysis — Competitor strategy? Use 7Ps framework
  - **Implementation feasibility**
    - Financial feasibility — Does the company have financial strength to back this growth?
    - Operational feasibility — Sales & distribution strategy? Logistics & supply chain?
    - Regulatory Factors — Any regulatory barriers?
  - **Mode of Entry & Risks**
    - Market entry options — Organic / Inorganic? Exporting / Licensing? JVs / Acquisition?
    - Risk analysis & mitigation — PESTEL analysis & determine mitigation strategies



*Another often used framework for GTM / Market Entry cases is Market Attractiveness / Financial Feasibility -> Operational Feasibility -> Risks.*

# FRAMEWORK (3/3)

$$\text{Profits} = \text{Market Size} \times \text{Market Share} \times \frac{(\text{Price} - \text{Cost})}{\text{Unit}} - \text{Fixed Costs}$$

## MARKET SIZING

Once the preliminary questions have been answered and the situation looks favourable, market sizing needs to be done to understand the financial viability of the market entry. This guesstimate can be done either through a top-down or bottom-up approach.

## MARKET SHARE

Understand incumbents' market share and estimate the possible market share for the client. This is essential to understand the serviceable obtainable market (SOM) for the client

## PRICE

If the client does not have a price point for the product/service in mind, you can use any of the approach covered under 'Pricing' frameworks to estimate the price.

## FIXED COST

This is the initial capital invested by the client in building capacity and adding resources when entering the market

**Example: Estimate the market size of refrigerators in India**

- Population of India
  - Urban — Households
    - High Income
    - Medium Income
    - Low Income
  - Rural — Households
    - High Income
    - Medium Income
    - Low Income

Consider Units/Household and Average Life Span of a Refrigerators to arrive at the final market size

**Once the market size and other financial parameters have been estimated, conduct a feasibility study for implementation.**

Production → Distribution → Marketing → After Sales

# EDIBLE OIL MANUFACTURER

**Your client is an India-based edible oil manufacturer. They are strong in the Southern part of India with ~98% market share. They want to enter new markets – you need to draft GTM strategies for the same.**

Okay. Can you tell me more about the client? Is edible oil their only business or they have any other source of revenue as well? What is their product mix? Do they manufacture the products inhouse? How do they distribute it? Does the client want to enter new markets because the market has saturated in South since they already have a high market share, or is there any other reason as well?

Edible oil is their only business. They have 2 types of oils – sunflower oil or vegetable oil, and health-based oils (soybean, coconut, mustard, etc.). They manufacture it in-house, and distribute it through third party distributors. They want to enter new markets because the current market is saturated.

Okay, thank you. Are there any particular markets that are being considered? Is it restricted to India or can we explore international markets as well? When is the client looking to enter these markets?

The aim is revenue growth since the south Indian market is saturated. We are currently considering the north, east, west and central India. We are open to international markets as well, but for this case consider India only. You need to figure out which market to target first.

Is the demand of both products similar to South India in each of these regions? Can you tell me if the market is growing for each of these products?

No, the demands and growth rates are different.

| Growth Rates | North | West | East | Central |
|---|---|---|---|---|
| Sunflower Oil | -4% | 0% | 2% | 15% |
| Health Based Oil | 12% | 5% | 25% | 50% |
| Demand | | | | |
| Sunflower Oil | 80% | 80% | 10% | 95% |
| Health Based Oil | 20% | 20% | 90% | 5% |

| North | West | East | Central |
|---|---|---|---|
| 85% - 3 players | 85% - 2 players | 25% - 2 players | 35% - 3 players |
| 15% - 10 players | 15% - fragmented | 75% - fragmented | 65% - fragmented |

This is the data available, you can recommend basis these numbers.

As per this data, firstly I will not target North because 3 players have dominated the market and it would be tough penetrating the market. Additionally, in sunflower oil even though there is high demand right now it is declining. Next, I would also not target West because majority of the market is of sunflower oil but it is stagnant. When I look at the other two markets, I would target health-based oil segment in East region, because it has a high demand and is also growing at a high rate. In Central even though health-based oil segment has a very high growth rate, the demand for health-based oil is not attractive. I can look at expanding into sunflower oils in the central region after entering the East region.

That sounds good. Thank you.

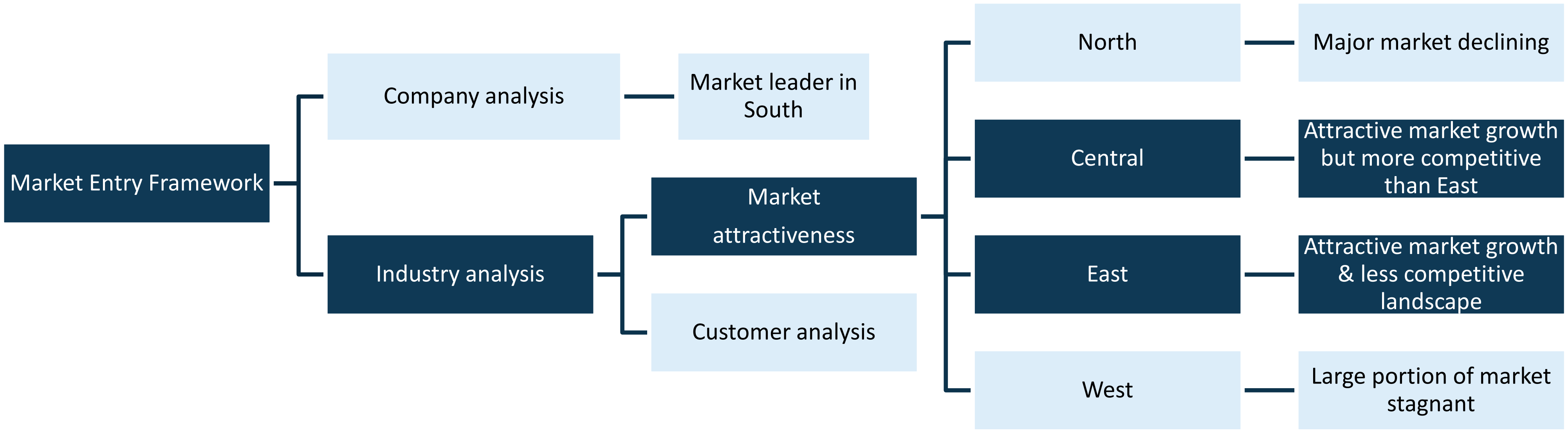
# EDIBLE OIL MANUFACTURER

**Problem Statement**

Your client is an India-based edible oil manufacturer. They are strong in the Southern part of India with ~98% market share. They want to enter new markets – you need to draft GTM strategies for the same.

**Case Facts**

- Client is an Indian based oil-manufacturer with 98% market share in South
- Products – Health based oil & sunflower oil
- Aim: Enter other regions in India since South Indian market is saturated
- Further data is given in the prompt




**Summary / Takeaways**

- In some cases, you will be asked to interpret the data. In such cases, it becomes important that you first take few minutes to analyze the data
- Don't panic in case you are not able to make sense of the data at first. Slowly, just read through the data while discussing with your interviewer
- It is always better to first introduce the entire framework to the interviewer and then move into individual branches (top-down approach)

# BIKE TAXI LAUNCH

**Your client is a cab hailing app. They have developed a new product for Delhi-NCR Market. Devise an end-to-end strategy for the launch.**

I would like to ask a few preliminary questions. What exactly is the product? What is the objective of the client? Is there a similar product in the market?

The product is a bike-taxi, you can consider it like Rapido. The objective here is to analyze three aspects – market selection, pricing and implementation. Assume there are no similar products in the NCR market.

Sure. That's interesting. I would like to start with the market selection part. It would depend on state regulations (as NCR consists of Delhi, parts of UP and Haryana mainly), and demand of the product.

That's a great insight. Can you elaborate about regulations and demand?

Yes sure. There are certain rules limiting operations of commercial 2-wheelers in the state of Delhi, hence we could start by launching either in Noida or Gurgaon. The demand would depend majorly on the customers we serve. I believe a good use case would be providing end-mile connectivity for metro passengers. Since metro coverage is better in Gurgaon and there are several corporate offices, we should focus on that for the launch.

Great. Let's say we start with Gurgaon. How would you price the product?

One way to start with the pricing could be to use cost-based value pricing, using the cost to set a minimum price, whereas analyzing willingness to pay to estimate the upper cap.

Sure, go ahead.

The major costs would be a) R&D costs and b) Variable costs like fuel, driver salary. On top of that, our client would expect a margin. Do we have any numbers for these or should I assume some?

That sounds right. We expect no margin initially, but the drivers expect 20k income per month, out of which he'd be paying the bike EMIs as well.

Assuming 10 trips of average 5 km/day and a mileage of 50 km/L with fuel costing approximately Rs. 100/L, we can calculate the fuel costs. We can also do a similar analysis to estimate driver costs per trip assuming 30 working days. This comes to around Rs.75/trip. However, the per km rate would be a better way to describe it, which would be about 75/5 = Rs. 15/km. ***Calculation*** *– Total trips: 300, Total distance: 1500, # of refuels required: 1500/50 = 30, Total cost: 3000 (fuel) + 20000 (salary), Cost per trip ~75*

That's the cost. How'd you set the price?

Willingness to pay can be estimated by using proxies. An auto rickshaw is a good proxy for end-mile connectivity, and they charge around 15/km. Since we are providing a more convenient experience and saving time, we can charge a premium over the cost and set around the price at Rs 20/km.

Okay. How to implement the product now? What all is to be taken care of?

Implementation would start with onboarding drivers, launching the app, and bringing in customers (promotion).

Yes. Launching the app is simple. What would be an ideal candidate for a driver? I want you to list down the criteria for onboarding drivers.

# BIKE TAXI LAUNCH

| |
|---|
| The candidates should own a bike and have a driving license. I would imagine a young/mid-age man who is comfortable using mobile apps. The food delivery professionals are a good proxy. |
| Alright. Moving on to the promotional campaign – What would be the USPs of your campaign? What channels would you use to promote? |
| Under the promotional campaigns, I would highlight 3 things – a) Affordability, b) Time saved in traffic, and c) Safety. Since we are offering end-mile connectivity to metro passengers, we can place hoarding inside metro trains and metro stations. We can also set up billboards at office spaces near metro stations where people would use our product to go to the metro station post office hours. |
| Great. That'll be all. Thank you! |

# BIKE TAXI LAUNCH

**Problem Statement**

Your client is a cab hailing app. They have developed a new product for Delhi-NCR Market. Devise an end-to-end strategy for the launch.

**Case Facts**

- Client is a cab-hailing app who is looking to enter the Delhi-NCR market
- Aim: Launch a bike-taxi service
- Focus on market attractiveness, pricing & implementation
- Product is like Rapido and assume that no competitors

- Bike-Taxi Launch Strategy
  - Market Selection
    - Demand
    - State Regulations
  - Pricing (Cost-based + value pricing)
    - R&D Costs
    - Fuel Costs
    - Driver Salary
    - Client Margin
  - Implementation
    - Onboarding Drivers
      - Demographics of potential candidates
    - App Launch
    - Promotional Campaigns
      - Define USPs to be promoted in advertisements

**Summary / Takeaways**

- While this case could have been solved by the recommended framework, it is not necessary to always force-fit a framework
- In this case, the candidate seems to have contextual information about the Delhi region. However, it is okay if you don't have this information. In most cases, the interviewer will introduce any important information during the discussion

# CHEMICAL COMPANY

**Client is a US-based chemical company looking to enter the Indian market. You need to evaluate if the market is attractive for the client to enter.**

I've a few preliminary questions. What kind of chemicals does the client sell? Why have they chosen India as the target market?

We sell patented chemical products used to melt snow. It is used in regions with heavy snowfall. We have chosen the Indian market as it is a large country and the current players are fragmented.

That's interesting. I'll structure the problem in two major parts – Estimating the market size and then the potential market share the client can capture if the industry is attractive.

Sure. How would you estimate the market size?

I would use an area-based approach – I'll estimate the area of India which receives heavy snowfall as that is the region where the product will be relevant. Thereafter, I'll estimate the quantity of chemical needed to melt the snow in these regions, and multiply the total quantity by price to estimate the total market size.

Seems right. Go ahead.

To estimate the area of India, we can assume that it is similar to two triangles placed over each other. (The base of the triangle will be the east to west distance of India and height of each triangle will be half the distance between top and bottom points of India). Making this calculation, Area of India will be 2*(1/2*base of triangle*height of triangle) = 2*1/2*2500*3000/2 which is approx. 35,00,000 sq km.

Only certain Northern states receive snowfall, which is approx. 20% of the country. Therefore, area under snowfall will be 20%*35,00,000 = 7,00,000 sq km. Now I will calculate the amount of chemical needed to melt the snow in this area. Can you tell me how much chemical is needed to melt snow and what is the usage frequency?

Seems good. You can assume that these regions receive approx. 100 cm of snowfall each year, and snow is to be melted atleast 20 times a year. On average, 10 mL of chemical is required to melt 1 cubic metre of snow.

Using these numbers, the total chemical needed is 7,00,000*1000*1000 *1*20*0.01 litres= 140 billion litres of chemical is needed in India every year. What is the price of this chemical? *(calculation explained on next slide)*

You can assume the average price is 0.5$ per litre.

Alright. This makes the market size as 140 billion*0.5 = $70 billion

Great. This seems like an attractive number for a segment of the chemical industry. How would you decide whether we should enter or not?

I would like to understand the current distribution of players. Who are the major players and what is the industry growth rate?

The industry has 8-10 players currently and none of them have a share of more than 8%.

This seems like a fragmented industry. Can you please tell me a bit more about how our product differentiates itself from those of competitors?

Alright.

# CHEMICAL COMPANY

Our client has produced a patented solution in an independent research which melts snow using lesser amount and this would bring down the cost of thawing. So, given the scenario, should we enter or not?

The market size is attractive. With a patented product in a fragmented market, I believe that the client can garner a good market share and should enter the market.

Alright. How should the client enter the market?

The client could either enter independently, acquire small sized players in the market, or do a joint venture with one of the major competitors. I would suggest it would be better if the client goes into a Joint Venture with a couple of the existing local players as the client would be able to use their local understanding and local distribution network, which coupled with the strong R&D capabilities and product of the client would ensure success.

Sounds good. Thank you!

# CHEMICAL COMPANY

**Problem Statement**

Client is a US-based chemical company looking to enter the Indian market. You need to evaluate if the market is attractive for the client to enter.

**Case Facts**

- Client is US-based chemicals company
- Produces chemicals that are used to melt snow
- The chemicals have a patent
- Aim: Enter Indian market as it is a large & fragmented market

- Market Entry Framework
  - Industry analysis
    - Market Size
      - Litres of chemical required
        - Volume of snow present (in m^3)
          - Area of snow-clad region
          - Height of snow
          - No. of times melting required
        - Litres of chemical required per m^3
      - Price of chemical per litre
    - Competitor Analysis
      - Fragmented market
  - Mode of entry
    - Joint Venture
    - Independently

**Calculations (in SI-Units – m/L)**

| | | |
|---|---|---|
| Area of India | 3500 | 10^3 sq.km |
| Area of snow (in sq. km) | 700 | 10^3 sq.km |
| **Area of snow (in sq. m)** | **700** | ***10^3*10^3*10^3 sq. m** |
| | | |
| Amount of snowfall (height) | 1 | m |
| No. of times melting required | 20 | |
| **Thus, volume of snow to be melted** | **14000** | ***10^9 m^3** |
| | | |
| Litres of chemical required per m^3 | 0.01 | L |
| **Total litres of chemical required** | **140** | ***10^9L** |
| | | |
| Price per litre of chemical | 0.5 | $ |
| **Total market size** | **70** | **Billion $** |

**Summary / Takeaways**

- Some cases can be a bit mathematical in nature. In essence, this case was majorly a guesstimate portrayed as a market entry case
- In such cases, it becomes important to first delineate the exact approach for calculation. Calculate the numbers only after the approach is approved
- For simplifying calculations, it is important to bring units of all numbers in a standard format for instance SI units as is used in this case

# ICE CREAM FRANCHISE

**Our client is an Ice Cream franchise and is evaluating the possibility of opening a new outlet in a Stadium in Chennai. Your assistance is required for the same.**

Sure. Can you tell me more about the client?

The client is a well-known player in the Ice-Cream industry with branches across the country. They serve the mid to high income consumer segment.

Okay. Why does the client want to open a new outlet in a stadium?

Everyone is aware of the sports frenzy in India. The client wants to make profits out of this while simultaneously promoting its brand to the spectators.

Fair enough. What kind of stadium is it? Do we have any info on the matches hosted, frequency of matches etc.?

Yes, it is a cricket stadium. It is set to host matches from the upcoming season of IPL, a significant event of the year.

Okay. Before I proceed with the analysis, do we have any info on the other stalls already present in the stadium?

There are several stalls selling snacks & beverages in the stadium. However, currently there is only one stall among them that sells vanilla softy ice-creams.

Okay, I'd like to investigate the three main aspects of evaluation when looking to open a new outlet in any location – Attractiveness of option, Economic Viability and possible Operating Feasibility & Risks. Do you want me to look at any aspect in particular?

Sounds good, can you quickly take me through each of these aspects

Sure. We know that IPL is an event that garners an enormous crowd and given that IPL is scheduled during the summer, it's a great location to open an ice-cream outlet. For the second aspect of economic viability, do we have any information about the prices of our client's ice-creams? Also, what is the maximum occupancy and occupancy rate of the stadium per match?

Our client offers a variety of flavours with an average price of Rs 50/- per ice-cream. The stadium houses a total of 36,000 seats with an average occupancy rate of 80% per match.

Okay. Based on the information, the average footfall per match is 0.8*36000 = 28,800. The ticket price to the IPL matches is usually on the expensive side and it is fair to assume that the spectators would be able to afford a Rs 50/- worth of ice-cream. However, not all people fancy ice-cream & so I'd like to consider a conservative estimate of 60% of ice-cream purchasers. So, our client's revenue would come up to an average of 0.6*28,800*50 = ₹ 8,64,000 per match. Margins can be accordingly estimated.

Sounds good. What would be the possible operating challenges?

Catering to an extremely large crowd, especially when offering multiple SKUs, can be very challenging in terms of estimating the raw materials required & the quantity of each individual flavour required. Also, handling the crowd at the outlet could be challenging. But they can be dealt with by carefully devised operational strategies. On the whole, opening a new outlet at the stadium looks like a viable proposition.

Looks about right. That would be all, thank you.

# ICE CREAM FRANCHISE

**Problem Statement**

The client is an Ice Cream franchise and is evaluating the possibility of opening a new outlet in a Stadium in Chennai. Your assistance is required for the same.

**Case Facts**

- IPL is a significant event that the client wants to profit from
- The timing of the IPL season & footfall per match make it a lucrative option
- There are several snack stalls & direct competition from vanilla softy ice-cream seller.

- New Stall in a Stadium at Chennai
  - Attractiveness
  - Economic Viability
    - Footfall
    - ×
    - Potential Customer Base
    - ×
    - Price per unit
  - Operational Feasibility & Risks
    - Raw Material Procurement
    - Crowd Handling
    - Inventory levels of different SKUs

**Summary / Takeaways**

- Important to evaluative all 3 aspects of market entry
- Follow MECE at each step of the evaluation to make accurate predictions of potential returns
- Figure out the ease with which hindrances can be dealt with and determine if it is a viable proposition

# AUTOMOBILE MANUFACTURER

**Your client is an automobile manufacturer based in India who is planning to enter a foreign market. Please advise them on the same**

I would like to ask a few preliminary questions before proceeding with this case. Which automobiles does our client manufacture?

They make SUV cars mainly for the premium segment in India

Alright, and why are they planning to expand into a different country?

They have 20% excess capacity in their manufacturing units and want to utilize the same

Do they have any country in mind?

Yes, they want to enter Saudi Arabian market with their SUVs and want you to help them in pursuing this. Our client considers the market as profitable in the future and has excellent relations with the Prime Minister of Saudi Arabia

Alright! What's the overall growth rate or automobile market in Saudi Arabia?

It is around 7%

Are there any other competitors for SUVs in the Saudi Arabian market?

Yes, there are 6 major automobile competitors in the market. Out of these, 4 players exist in the SUV market which sell mainly to the premium segment

Alright! Since, most players already exist in the premium segment, is our client planning to enter the same segment or a different one?

What would you advise our client to do?

I would advise our client to enter into the economy segment, primarily due to two reasons

And why would you advise this?

First, lack of options in the economy segment provides our client with an excellent opportunity and second, as many people in Saudi Arabia have higher incomes, our cars with similar prices as that in India might fall in the economy segment

Alright! That makes sense. Let's proceed with the case

Sure! So, I would like to first check if it is financially feasible for the client to enter Saudi Arabian market and then analyze the same from an operation feasibility point of view. Does that make sense?

Yes. That makes sense. Let's start with the financial angle

Sure. So, profits can be calculated by a formula of Market size, multiplied by the market share and the margins earned. After this we can subtract the fixed costs which will give us the profit figure

Sounds fair! Let's estimate the market size of these vehicles in Saudi Arabia

Yes! So, the total population of Saudi Arabia is roughly 4 crore which can be divided into a rural-urban split of 50-50. Since its SUVs, I would like to focus more on the Urban sector and then we can come back to the rural sector to give some percentage allocation. For the urban sector, the whole population can be divided into 4 income segments – Lower class, lower-middle, higher-middle, upper class which can be further divided by 4 to get SUVs per household

Alright. This sounds good. Let's continue

From this number of households, we would apply a percentage factor of households who own cars. Now this number will be higher for upper class and higher income category than lower income category. Furthermore, we'll then apply another percentage factor for the households which own SUVs. This would give us the total number of SUVs in the market

That makes sense

After this, we'll have to assume the total life of an SUV and find out the number of new SUVs which will be bought during the year

Perfect! Okay, let's assume that it is financially feasible for us to enter Saudi Arabia. Now I want you to figure out the operational aspect of it.

Sure! Since we already have extra capacity which we plan to utilize, I assume that we won't be facing any production issues. However, we will have to export the cars to the market. Does our client have the financial resources to undergo export?

Yes, our client is ready to export the cars there

Perfect! Then coming over to the distribution angle. How do we normally distribute our cars in the Indian market and how is it carried out in Saudi Arabian market?

In the Indian market, we sell through our own showrooms and third-party distribution networks and its similar for players in Saudi Arabia

As a new player who are selling extra capacity, it would not make sense for us to open our own showrooms. Hence, we should explore third party distribution channels

But how would you get third party channels to sell your car? As mentioned, there are multiple players already existing in the market who are serviced by these channels, and they'll not want another competitor entering their country

Yeah, that makes sense. But the motivation of a third-party channel to sell our car would be affected by the following factors – commission, ease of business, demand for cars and past relations. In the shorter term, we can offer them higher commissions as well as ease in distribution through our export channels. As the demand for our product increases, third-party channels would be willing to sell our cars without higher commissions. Additionally, due to our good relations with the Saudi Arabia government, we can enlist their help in obtaining access to third party channels

Alright! Let's dive into the marketing and promotional angle. How would you introduce the product into the new market?

| |
|---|
| Sure! We would have to look at the various online and offline promotional campaigns. |
| Before we go there, I would like you to look at an overall perspective – what would be your branding levels, what would be you drive your product promotion around? |
| Alright! So, I would like to look at the following aspects of the launch – the SUV which we are offering, the pricing and customer segment and the promotional activities. |
| Okay, that sounds like a structure. Let’s proceed |
| So, from the product angle, it should be best for us to drive our product branding around the features of the product as well as the differences between our SUV and the other SUVs. We should highlight the best features of our SUVs and show how we provide these at a lower cost than our competitors |
| But won’t our brand value be affected since we are a premium brand in India? |
| You are right about that. In order to tackle the problem, we can sort this situation by launching a sub-brand, especially one which relates more to the Saudi population, or which represents some famous symbol of theirs |
| Alright! We can close the case here |

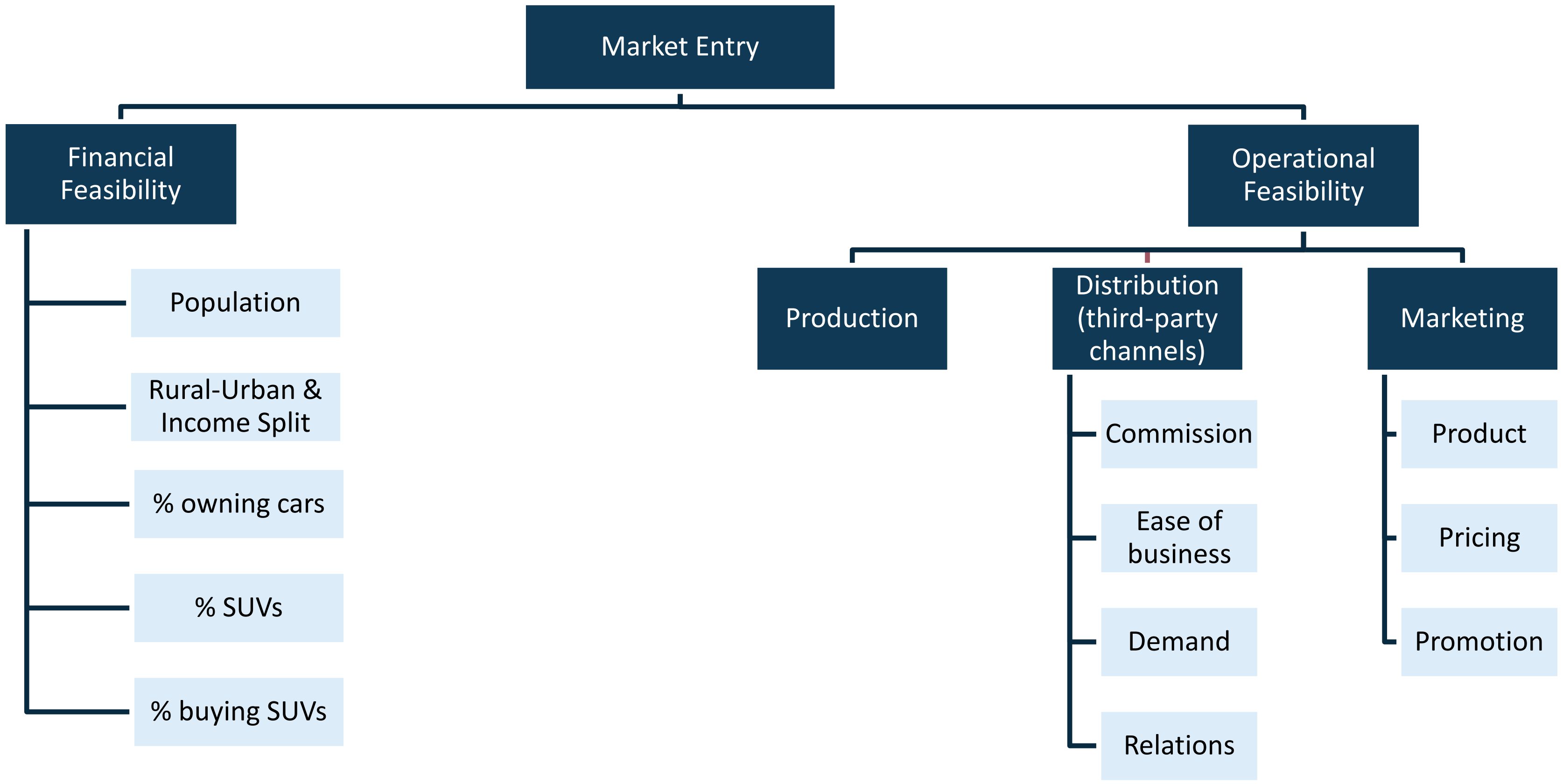
# AUTOMOBILE MANUFACTURER

**Problem Statement**

Your client is an automobile manufacturer based in India who is planning to enter a foreign market. Please advise them on the same

**Case Facts**

- Client sells SUVs in the premium segment and is planning to sell their extra capacity in Saudi Arabia
- There are 4 other players in the Saudi Arabia which sell SUVs
- Saudi Arabia represents an attractive opportunity, and the company has good relations with the Prime Minister of the Saudi Arabia




**Summary / Takeaways**

- In this case, instead of formulating general promotional strategies, the interviewer asked to form a structure and look beyond the campaigns
- While making estimates about any electronic product, it is always useful to look at the product life to get correct numbers regarding the usage in a particular year

# CONTACT LENS

**Your client is a contact lens manufacturer & retailer based out of Western Indian. It is looking to expand its operations in other geographies of India. You are required to draft the GTM strategy for it.**

I would like to ask few clarifying questions to understand the client. What kind of contact lens do we manufacture and are we only limited to it, or do we sell ancillary products like lens solution as well? Also, what is the life of the lens?

The client has 2 kinds of lenses – regular use for corrective vision and fashion use lens which are typically colored lens. This is available across price segments ranging from economy to premium. Lenses have a life of 6 months.

What is the current product mix, and do we want to sell both?

90% regular & 10% fashion in terms of volume. Clients want to sell both.

Where is the manufacturing facility and how does it sell its products?

Client has a manufacturing facility in Gujarat, and it sells products through its own retail outlets in Tier 1/2 cities

What is the reason for expansion and what objectives does the client wants to achieve? Also, by other geographies, do we have any specific area in mind?

The client has excess manufacturing capacity at present. It wants to utilise this capacity to capture market share & generate profits. Let's just consider new geographies & not discuss expansion in existing one. We can consider North, South & East India as the regions & client has to select one.

What's the timeline we are looking to achieve the objectives?

5 years

What is the competitive scenario in India?

There are 20 players operating in India (incl. our client) having roughly equal market share. Now all these are regional players again roughly divided equally between the regions – North, South, East & West.

Interesting. Is it fair to assume that there are no barriers to entry for regions?

Yes. No barriers as such

I think I have enough data to proceed now. I would first want to evaluate the economic feasibility in terms of volume & profits and then the operational feasibility for each of the regions. Then, I can evaluate the associated risks

That sounds fair. We can proceed with economic feasibility

For calculation of volume, I would look at the total market size and the market share that we can capture. Do we have any data around this?

Why don't you guesstimate the market size for entire India for regular use contact lens? You can just tell the approach without the numbers

# CONTACT LENS

Sure. I would first divide India into urban and rural. Rural region would have lower use of contact lens. Then I would want to break it down by income & age. Again, low income and lower-middle income would have low usage. Age 0-16 & 40+ would also have low usage. Then, I'll consider percentage of people requiring glasses/lenses and then apply % for lens considering above factors. Then, I'll factor in the life of lenses & multiply the resultant figure by 2 (12/6).

That's sound fair. How would the approach change for fashion use lens?

I'll ignore %age for corrective vision. Restrict the usage to upper income & 16-40 ages. I'll further consider its use in fashion, theatre & film industry.

Sounds good. Let's consider you get a cumulative figure of 24 million through this. Now how would you go about market share?

We can assume that we'll eventually become a 6-player in the region having 1/6 regional market share in a period of 5 years. Since, we already have experience in the business, it seems achievable.

Sounds a little aggressive but sure we can go ahead with this assumption. For the sake of simplicity, assume volumes are equal across regions. Why don't you work out the nos.?

Sure. So, for each region volume is 6 million (24/4 regions). Annual volume that can be captured by our client is 1 million (6/6 players) in a period of 5 years.

Okay. Let's look at profits now.

So, I'll calculate the profits as Volume * (Revenue – Variable Cost) – Fixed Cost. Since, we are taking 5 years, I'll also factor the growth rates.

Assume the revenue to be 100 for simplicity. Variable cost is given as % of revenue: 35% - North, 30% - South, 45% - East. Growth rates in volume are 12% - North, 8% - South, 8% - East. Fixed cost is same across regions

We have assumed market share of 5% will be realized by year 5 end. For calculation should I consider 1% by year 1, 2% by year 2 and so on?

That's how one would consider practically but for keeping calculation simple, just assume 5% in year 1 and continue.

I'll calculate profits for north and south region only. East can be ruled out because of higher variable cost but similar growth rate as south. I assume the reason for this would be higher transportation cost from Western India.

Yes. We must only evaluate North and South. Why don't you calculate year-wise profits and the cumulative for 5 years?

| Region | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Total |
|---|---|---|---|---|---|---|
| North | 65 | 73 | 82 | 91 | 102 | 413 |
| South | 70 | 76 | 82 | 88 | 95 | 411 |

All figures are in millions. The profits are oddly coming out to be similar

Now consider 2 scenarios – i) Operate for more than 5 years ii) Exit within 5 years. Which region would you consider under these?

# CONTACT LENS

i) Would select North because of higher growth ii) Would select South because of higher profits in initial years as present value would be higher

Correct. Let's discuss selling channels for each of the products now.

We can have 2 selling channels – offline retail outlets (present model) and online (own website or a marketplace like Flipkart, Amazon etc.). For regular use lens, we can focus more on offline channel since new customers would you apprehensive of purchasing lens without having a look at it once. But for fashion use lens, we can explore the online channel as well since most of its customers would be well-accustomed to online shopping.

That sounds good. Thank you.

# CONTACT LENS

**Problem Statement**

Your client is a contact lens manufacturer & retailer based out of Western Indian. It is looking to expand its operations in other geographies of India

**Case Facts**

- Client has 2 kinds of lenses – regular use for corrective vision and fashion use lens which are typically colored lens
- Client has a manufacturing facility in Gujarat, and it sells products through its own retail outlets in Tier 1/2 cities
- Client has excess capacity in its manufacturing facility

- Market Entry
  - Market Sizing
    - Population
    - Rural-Urban & Income Split
    - Age Split
    - % requiring lens
    - Life of lens
  - Profits
    - North
    - South

**Summary / Takeaways**

- The case focused heavily on numbers and calculations. However, in any GTM case, you should ensure that you're giving adequate time to both quantitative and qualitative factors
- The interviewer relied on cash flows for short term decision and growth for long term decision


PRICING

# FRAMEWORK

**OVERVIEW**

While pricing cases can be asked on a standalone basis, they can also be asked in conjunction with market entry cases to estimate the potential revenues generated by the client upon entry. Your objective is to identify the best approach to estimate the price of the product.

- Pricing
  - New Product (Innovation)
    - Value Based Pricing
    - Cost Based Pricing
  - Existing Product (Modified)
    - Competition Exists
      - Cost Based Pricing
      - Competitor Based Pricing
    - No Competition
      - Value Based Pricing
      - Cost Based Pricing

| Value Based | Cost Based | Competitor Based |
|---|---|---|
| • Willingness to pay<br>• Benchmark against similar products<br>• Opportunity Cost | • R&D Cost<br>• Production Cost<br>  • Fixed Costs<br>  • Variable Costs<br>• Breakeven Period, Margin | • Existing Products<br>• If new product, NPV of substitutes<br>• Supply-Demand Considerations |

**Note: Consider implications of price elasticity on demand of the product**

**PRELIMINARY QUESTIONS TO CONSIDER***

- What business is the client operating?
- What is the product or service that is being offered?
- What are the various uses of the product?
- How is it different from what is being offered by the competitor?
- Who are the competitors and what are their prices?
- Expected margin
- Substitute products
- Capital investments and expected payback period

# KOREAN FERTILIZER MANUFACTURER

**Client is a Korean conglomerate and wants to launch a new fertilizer in the US market. Suggest pricing for the fertilizer.**

Okay, can you tell me more about the client? What is the main business of the client? Where does the client currently operate?

The client manufactures chemicals, fertilizers, and other petroleum products. They currently operate in the Asian market.

Since the client operates in the Asian market, why are they targeting the US market?

Fertilizers is not a big market in Asia due to low income of farmers, hence for high profits the clients want to launch it in US directly.

What is the new fertilizer? Is it different from the fertilizers people generally use in US?

Yes it is a different to the existing fertilizers in the market, it accelerates the growth of fruits.

Does it work on all kinds of fruits or any specific types of fruits?

It has been tested successfully on apples; hence the client wants to launch it only for apples as of now.

Does the client have a patent for this product? Does any similar competing product that already exists in US?

Yes, the client has a patent. No such similar product exists.

Okay. Does the client plan to set up a manufacturing plant in US or import the product? How are they planning to sell to the customers?

That will depend on the revenues we are expected to generate, you can ignore that for now. They plan to sell it through retail chains across US.

Okay. To price the fertilizer, we cannot use competition-based-pricing since there is no competition, and cost-based pricing also cannot be used since we don't know about the cost details, hence I think that value based pricing will be the best way to monetize this fertilizer. You mentioned that it accelerates the growth of fruits. By how much does time get reduced?

The time gets reduced by 20%.

How much time does the normal cycle of apples take to grow?

It takes 90 days.

Okay. This means that a farmer can grow 4 cycles in a year, taking 360 days. Reducing time by 20% means the new cycle will be complete in 0.8*90 = 72 days, and the farmer can now grow 5 cycles in a year. What is the price of the fertilizer that they currently use?

There is only one type of fertilizer in the market, which costs $40/kg.

How much quantity do they generally require?

Assume 1kg of fertilizer is required per acre and additional revenue per cycle assuming 1 acre of land is $200

Okay, so clearly the farmer has the potential to earn additional $200 in revenue due to this fertilizer. However, the farmer will also have to born an additional cost of $40 for fertilizer for each additional cycle. So a farmer's additional profit for every new cycle of production is $160. Hence, the value of this fertilizer can be at most $160.

That looks good, thank you.

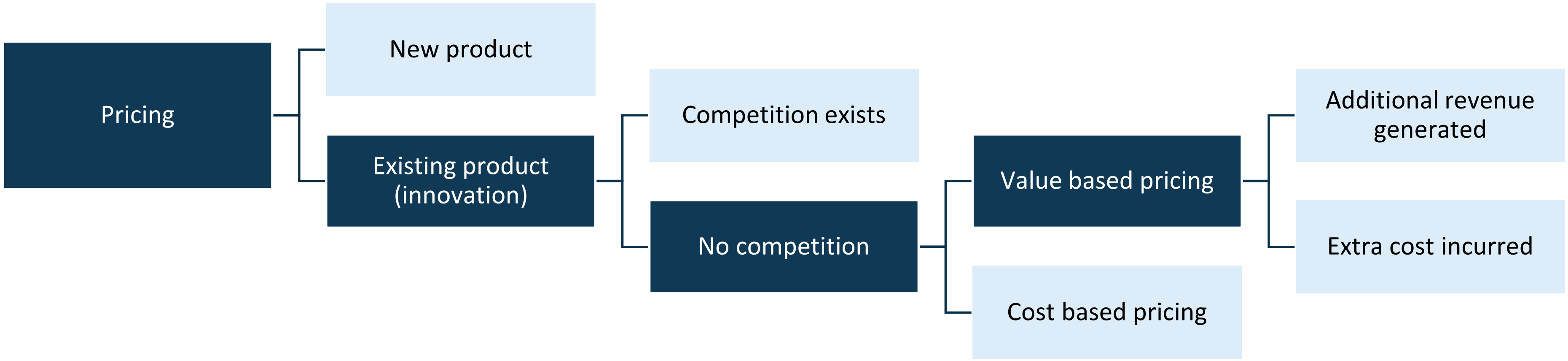
# KOREAN FERTILIZER MANUFACTURER

**Problem Statement**

Client is a Korean conglomerate and wants to launch a new fertilizer in the US market. Suggest pricing for the fertilizer.

**Case Facts**

- Client is into chemicals, fertilizers & petroleum products
- US is a bigger market hence client wants to enter
- The fertilizer helps in fruit growth (20%- time decrease)
- Client has a patent & there are no exact competitors




**Summary / Takeaways**

- Since it is a new fertilizer, value-based pricing is used
- Here value is derived basis additional revenue & additional costs incurred i.e. overall additional profit for the user
- Finally, a maximum price is determined basis such that new total profit (with this product) > previous total profit (w/o product)

# TOOTHBRUSH MANUFACTURER

**Client is a toothbrush manufacturer. It has recently come up with a toothbrush which can last forever. The client has hired you to suggest a price for this toothbrush.**

Ok, to begin with, I would like to ask a few question regarding the product. Could you please tell me a more about the product functionality and features?

So, it looks like a normal toothbrush only, but it can last the entire lifetime of a person. Its used as the same way as a regular toothbrush.

What is the cost associated with manufacturing such a product?

The company spend 10 million dollars in R&D. Now it takes around 50Rs to manufacture this brush.

How does the company plan to distribute this product? Is there any geography in mind to launch this product?

Initially we plan to sell via retail grocery stores and on OTC medical shops. We plan to make it available in major Indian cities.

Are there any existing similar products currently in the market?

No there exists no such product which can last for a lifetime.

Does the company plan to recover its R&D cost through its pricing model?

No you can assume the R&D cost to be sunk cost.

Since there are no current competitors, I would like to ignore the competitor based pricing. I would like to proceed with Cost based and value based pricing.

Sure that makes sense.

Is there a fixed margin that the client is looking for the product?

They would ideally like a 50% margin over revenue.

Okay. Since the cost to produce the brush is 50 Rs, the brush can be priced at Rs. 100, to give a margin of 50% on revenue. This price looks very low for such a novel product.

Ok, sounds good.

Let me move on to value-based pricing. I would like to calculate this using the value i.e. lifetime functionality the product fives over normal toothbrushes.

Go ahead.

Considering an average age of a person to be 70 years, and if we ignore infant and old age period, we can assume that a person uses a toothbrush for 60 years and current toothbrushes are typically changed every 2 -3 months.

That’s a fair assumption. You can assume 2 months and go ahead.

This would mean that a person uses around 6*60 = 360 toothbrushes in their lifetime. If we assume a price of Rs 50 per toothbrush, the ideal value of our product is 360*50 = Rs 18000.

Ok. What do you think are the factors that will change this price.

I would like to split the factors in two. Factors that will reduce the price and others that will increase the price.

Sure, that sounds good. What will the be?

I think the factors that will increase this value is inflation, time value of money, convenience of one time buying and the factors that will reduce the price would be fear of loss, boredom of single product for entire life .

Awesome. We can close the case here.

# TOOTHBRUSH MANUFACTURER

**Problem Statement**

Client is a toothbrush manufacturer. It has recently come up with a toothbrush which can last forever. The client has hired you to suggest a price for this toothbrush.

**Case Facts**

- Normal toothbrush just that it can last a lifetime
- R&D cost: $10M
- Manufacturing cost per unit: Rs. 50
- No current competitors
- 50% margin preferred

- Pricing
  - New product
  - Existing product (innovation)
    - Competition exists
    - No competition
      - Value based pricing
        - Cost per normal toothbrush
        - Toothbrushes used per year
        - Life expectancy
      - Cost based pricing

**Summary / Takeaways**

- In case of new / novel products, usually value based pricing is preferred
- Value based pricing can be derived using the additional value (in monetary terms) that the product has the potential to create
- Cost based pricing can then be used for relative comparison with value-based pricing & sense check

# TELEPORTING MACHINE

**Your client has created great innovation, a teleporting Machine. They have approached you to price the product.**

Can I assume the significant feature of the teleporting machine is to transfer to any part of the world?

Yes, you can make that assumption.

Alright. I have a few preliminary questions – Is there any competition for the client? Where is the machine located? Can that be considered as the starting point? How much time does it take to teleport someone?

There are no direct competitors. The machine is in Mumbai – you can consider that as the starting point. It takes approximately 30 mins to transfer you to any place.

Great. Pricing can be done in 3 ways – 1) Cost-based Pricing; 2) Competitor-based Pricing and 3) Value-based Pricing. Since it is specialty product/service, cost-based pricing can be ruled out. Since there are no competitors, we can rule out competitor-based pricing as well. I'd use value-based pricing here.

Sure. Go ahead.

The pricing can be done by using the value of time saved as a proxy. The target customers can be three major segments – 1) CXOs who lose a lot of valuable time during international travels, 2) Diplomats who have to travel abroad for urgent matters, 3) Travels related to medical emergencies. I'd like to price the product for the first segment to begin with.

Seems okay. Let's focus on the first segment only

Alright. I'd consider the average yearly salary for CXOs to be approximately INR 10 crores, which means the hourly earnings are somewhat around INR 40k, assuming he/she works 10 hours a day for 250 days in a year.

Seems like a fair assumption. Go ahead.

A typical international trip takes 15 hours on an average. Using the teleporting machine, it can be completed in 1/2 hour, which indicates a time saving of 14.5 hours. Now, assuming the CXO can use 70 to 80% of the time saved in doing other essential work, the actual time benefit for the CXO is around 10-12 hours. Taking a conservative assumption, I'd assume a total benefit of around 10 hours. Using the hourly salary of CXO calculated earlier, this translates to a price of ~INR 4 lacs per use.

Fair logic. Anything else you would like to add to justify your costs?

Yes. We can use a business-class ticket price to justify this price. On an average, a typical business class international trip costs around INR 2 lacs. Our price is a 100% premium over this, which seems fair to me. We can certainly tinker with the price on the basis of the destination of the person using our machine.

Makes sense. Thank you. We can close the case here.

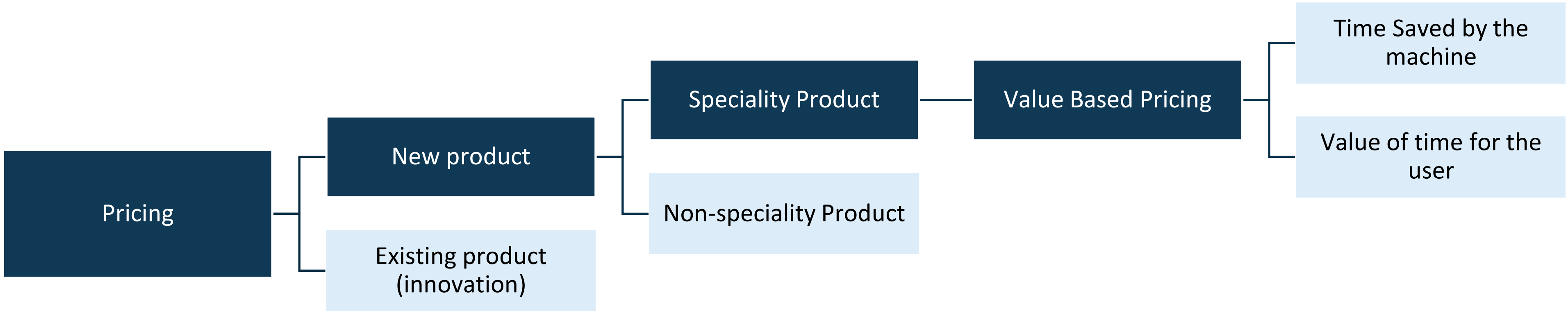
# TELEPORTING MACHINE

**Problem Statement**

Your client has created great innovation, a teleporting machine. They have approached you to price the product.

**Case Facts**

- Starting location of the machine: Mumbai
- Takes 30 mins to go from one place to another
- No competitors




**Summary / Takeaways**

- Value based pricing is used as it is a novel product
- Value is derived basis the time saved by the machine for different kinds of users
- The value-based pricing is then compared with international airline tickets to ensure the pricing makes sense

# GLOBAL EVENT BID PRICING

**Your client is a media & entertainment giant & is looking to bid for a global event. You are required to determine how much should the client bid**

Sure, before I delve deeper, I just had a few preliminary questions related to the event. Can you please tell me a bit more about the event? More so related to the timeline of the event, geography? Will advertising be the primary source of revenue for the winning bidder?

The event is of three weeks. You can think of any sporting World Cup as reference. Yes, advertising will be the primary source of revenue. You can assume India for geographic reach of the event

Alright. Just to understand further, what exactly is the objective of our client? If it is just pure returns, then does the client have a target margin?

Correct, the objective is ROI with 30% margin in mind. Enough questions for now, please proceed with your approach.

Okay, the approach that I am planning to take for this problem is as follows:
Bid Price = Profits / 1.3;
Profits = Revenue – Costs;
Revenue = Total primetime hours * Primetime advertising rates + Total non-primetime hours * non-primetime advertising rates
Costs = Total expected cost for streaming the event + Opportunity cost of streaming something else;

Sounds like a solid approach

Alright, before I proceed, I would need some data around the prevalent advertising rates for primetime & non-primetime hours.

INR 5L per 30 seconds for primetime & 3L per 30 seconds for non-primetime

Alright, so assuming a total of 10 hours of event streaming everyday -> total hours can be divided on weekdays & weekends as follows:
Primetime = 3hrs on weekdays + 10 hrs on weekend
Nonprimetime = 7hrs on weekdays + 0hrs on weekend

And what about the opening & closing ceremony?

Yes, so assuming both of them to be of 3 hours and that both happen on weekends, the total hours can be calculated as:
Primetime hours = (3hrs * 5days * 3weeks) + (10hrs * 2days * 3weeks) + (6hours) = 111 hours = ~100 hours for simplicity
Nonprimetime hours = (7hrs * 5days * 3weeks) = 105 hours = ~100 hours

Okay, calculate total revenue now.

Alright, assuming 10 mins out of 1 entire hour are available for advertising –
Primetime revenue = 5L/30secs * 60 sec/min * 10min/hour * 100 hours = 3000 crs
Non-primetime revenue = 3L/30secs * 60 sec/min * 10min/hour * 100 hours = 1800 crs
Thus, total revenue = 4800 crs = ~5000 crs

Is there any assumption here that you are taking?

Yes, I am assuming that all advertising slots are sold

Correct. Moving ahead, you can assume the total costs of the event to be around 1000 crs. Now go ahead calculate the profit & bid price

Alright, so total profits = 5000 crs – 1000 crs = 4000 crs and
thus, bid price = 4000 / 1.3 = 3000 crs

Correct, we can close the case here.

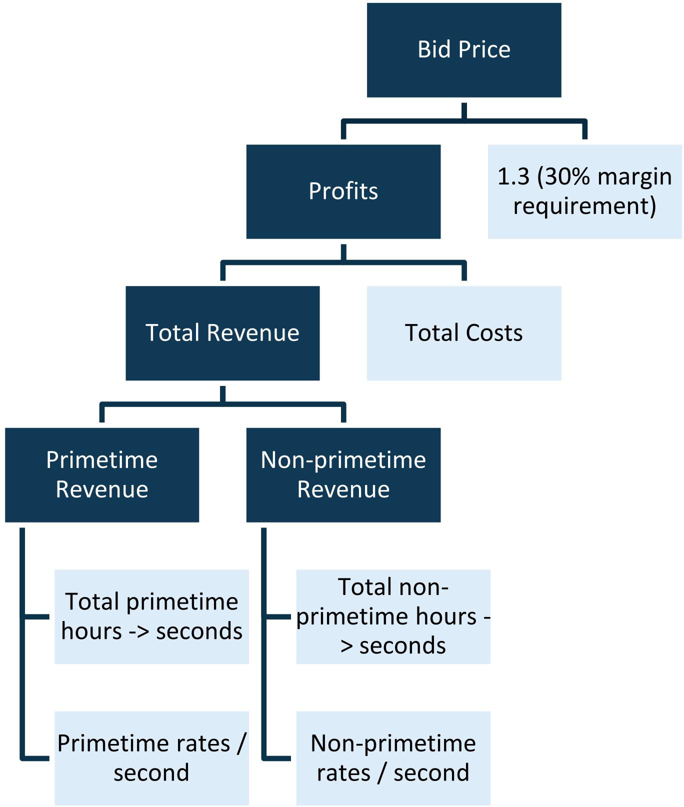
# GLOBAL EVENT BID PRICING

**Problem Statement**

Your client is a media & entertainment giant & is looking to bid for a global event. You are required to determine how much should the client bid

**Case Facts**

- Client is a media & entertainment giant
- Objective is to achieve 30% ROI
- Timeline of the event is 3 weeks
- The event has opening & closing ceremony
- Advertising rates are 5L per 30 seconds for primetime & 3L per 30 seconds for non-primetime




| Hours Calculation | | |
|---|---|---|
| | Weekday | Weekend |
| Primetime Hours | 3 | 10 |
| No. of days | 5 | 2 |
| No. of weeks | 3 | 3 |
| Primetime hours | 45 | 60 |
| Special events (in hours) | | 6 |
| **Total Primetime hours** | **111 -> ~100 hours** | |

| | | |
|---|---|---|
| Non-primetime Hours | 7 | 0 |
| No. of days | 5 | 2 |
| No. of weeks | 3 | 3 |
| Non-primetime hours | 105 | 0 |
| Special events | | 0 |
| **Total Non-primetime hours** | **105 -> ~100 hours** | |

| Revenue Calculation | |
|---|---|
| Total primetime hours | 100 |
| Total advertising minutes / hour | 10 |
| Total seconds per hour | 60 |
| Primetime rates / 30 seconds | 5L |
| **Total primetime revenue** | **3000 Crs.** |

| | |
|---|---|
| Total non-primetime hours | 100 |
| Total advertising minutes / hour | 10 |
| Total seconds per hour | 60 |
| Primetime rates / 30 seconds | 3L |
| **Total non-primetime revenue** | **1800 Crs.** |

| | |
|---|---|
| **Total revenue** | **~5000 Crs.** |

| Bid Price Calculation | |
|---|---|
| Total Revenue | 5000 Crs. |
| Total Costs | 1000 Crs. |
| **Total Profits** | **4000 Crs.** |

| | |
|---|---|
| Margin Required | 30% |
| **Bid Price** | **~3000 Crs.** |

**Summary / Takeaways**

- This case was a calculation heavy case
- In such cases, it is most important that you first lay down a structure in your mind as to how you will calculate the final required parameter
- Hence, in such cases, it is recommended to take 1 minute to think your structure through before you proceed with the calculation

# EXPRESSWAY PRICING

**Your client is a construction company who have recently developed an expressway. They need your help in identifying the price which they should charge as part of the toll tax.**

This sounds like an interesting problem. Could you tell me more about the expressway, like where is it located and why has this been built?

The expressway has been built between Delhi and Amritsar. An expressway is a high-speed corridor which has only a few entry/exit points, thus leading to non-stop transit. This newly built expressway would reduce the travel time by 2 hours

Who would be controlling the expressway and its revenue collection?

So, the expressway has been built with a BOT model (Build-Operate-Transfer). Under this agreement, the construction company has built the expressway without obtaining any payment from the Government. They will earn their revenues through the toll charges over a period of 10 years, post which the expressway would be handed over to the government

How many entry/exit points does the expressway have?

Roughly 8-10 points

What are the targets of the construction company?

They want to recover their costs and earn 20% profits

Who are expected to be the normal users of the expressway?

So this expressway would be used by all the people who use any highway – truck drivers, small car consumers, public transport etc

What is the total amount which has been incurred in the construction?

Let's assume a total amount of $2.5B has been incurred. Let's start with your approach.

Sure. So, the price can be estimated through one of the following ways: Cost-based model, competitor-based model and Value-added model

Let's proceed with the cost-based approach first

Sure! Under the cost-based system, the first task would be to identify the components and amounts of fixed and variable costs. The fixed costs would include material costs, labour costs, equipment cost, which should represent a major portion of the $2.5bn spent. On the variable cost side, this would include the costs incurred to ensure smooth running of the expressway over the next 10 years. This would include labour costs to maintain the toll booths, repair costs, maintenance and supervision costs

Perfect. Let's proceed further, give me the structure for estimating your price

Okay. So, the next task would be to estimate the miles covered by a vehicle on the expressway. Since the expressway has multiple entry and exit points, we need to estimate the total vehicle miles which would be covered on an expressway. Then, a pass or ticket can be provided to a vehicle when it enters the expressway and the same can be collected at an exit point which will be used to estimate the miles covered and charges involved. So, the final method could be (cost + profit)/vehicle miles. Additionally, a load aspect can also be added where a certain charge can be imposed for the load of goods on the vehicle

That sounds good. Let's go with the competitor approach now

Sure. So firstly, how many other similar highways or substitute transport options are available for the travel between Delhi and Amritsar?

# EXPRESSWAY PRICING

| |
|---|
| There are 2 other highways which can be used for the transit |
| And are there any similar expressways which cover similar distance or travel time in India? |
| Yes, there are roughly 4 other expressways which are very similar in terms of distance and exit points |
| Perfect. So, the charges imposed by competitor highways can be used as a base for the pricing method. Additionally, given that our expressway cuts the travel time, customers might be willing to pay extra for the time saved. Hence, here we can check the charges imposed by the similar expressways across India. The toll tax for the expressway can be between the price charged by competitor highways and the similar expressways across India. |
| That sounds like a good approach. Let’s move to the next one |
| So, the final approach will be the value-based pricing. Under this method, the aim is to estimate the additional value being generated from the time saved by the expressway. Here, the value of time saved can be obtained by first, computing the economic value of 1 day for 1 person. Following that, we will take the average time saved per user (2 hours) and obtain the economic value of the same. This economic value so obtained can be added to a base price or competitor price to obtain the value-based price/toll charges |
| That sounds good. Let’s close the case here. |

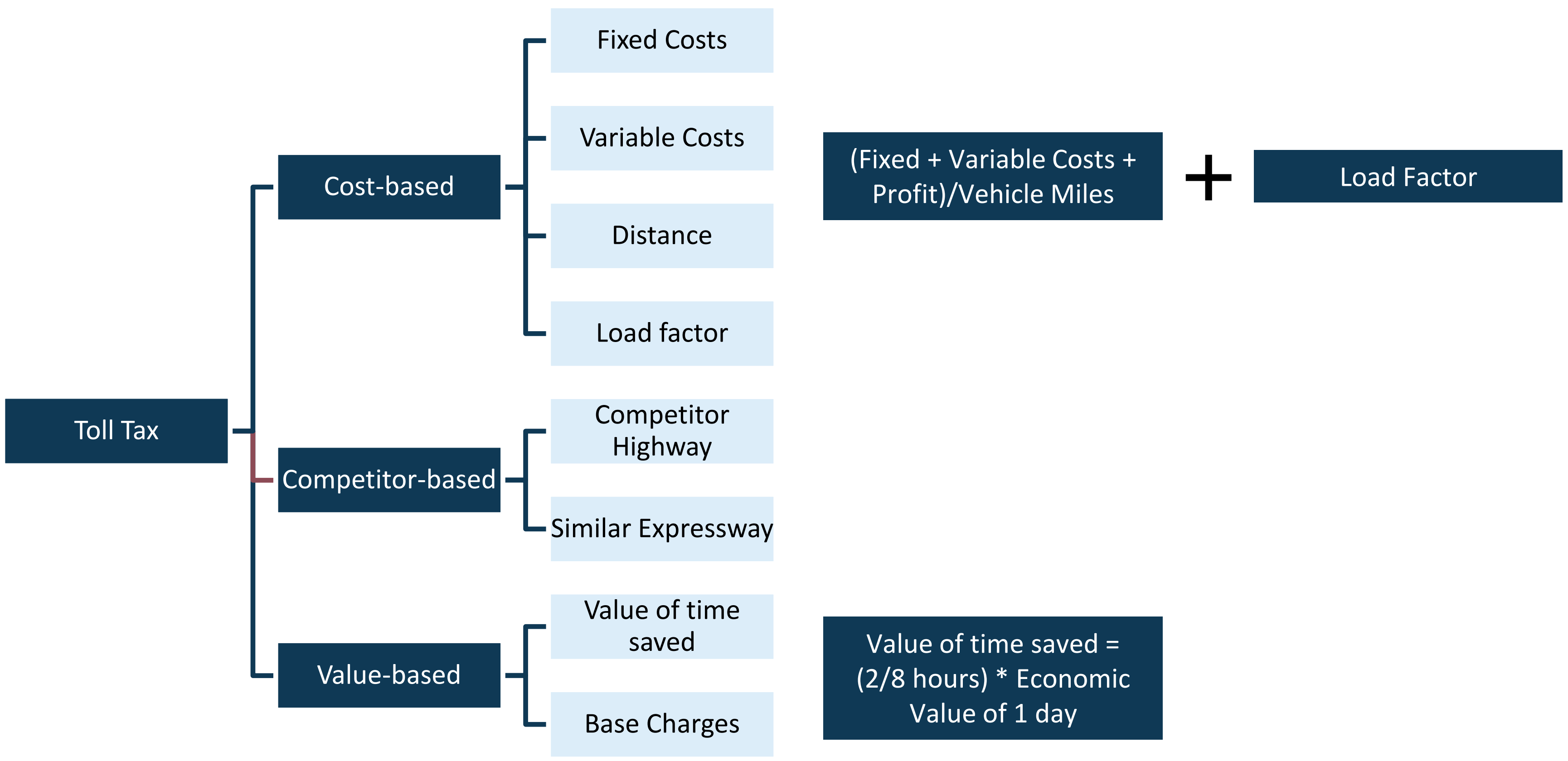
# EXPRESSWAY PRICING

**Problem Statement**

Your client is a construction company who have recently developed an expressway. They need your help in identifying the price which they should charge as part of the toll tax.

**Case Facts**

- The client is a construction company who have recently built a new expressway connecting Delhi and Amritsar
- The expressway has been built was a BOT model and the company aims to earn 20% profits
- The company will be allowed to collect toll charges over a period of 10 years




**Summary / Takeaways**

- Most pricing cases have a similar structure and can be solved through either of the 3 methods. Key is to adapt those methods with the respective problem statement
- Competitor based approach should also include aspects of substitutes, even if it is a product-based pricing case

# GROWTH

# FRAMEWORK (1/2)

**OVERVIEW**

In growth cases, the client is typically expecting to see some year-on-year growth. You are expected to understand growth targets, evaluate methods, and suggest recommendations to achieve the targets.

- Revenue Growth Target
  - Existing Market
    - Increase Volume
      - Increase Customer Base
      - Increase Product Mix
    - Increase Price
      - *Considering Price Elasticity*
  - New Market
    - Geographic Expansion
      - Domestic
      - International
    - Diversification
      - Horizontal Diversification
    - Inorganic Growth
      - Mergers
      - Acquisition
    - Business Integration
      - Vertical Integration

**PRELIMINARY QUESTIONS TO CONSIDER***

- What is the growth objective/target of the client?
- What is the time-period in which the client wants to achieve the target?
- How has the client's industry been performing?
- Where does the client stand vis-à-vis competitors (number and respective market shares)?
- Does the client have the capacity to meet increase in demand?
- Does the client have any financial constraints for investment?

Each L3 unit (Merger, Acquisition, etc.) requires additional considerations.

**Note:**
In case, the prompt asks you to analyze profit growth opportunities, all you need to do is individually analyze the revenue prospects using the framework on left and then also analyze the cost prospects using value chain analysis.

# INTERNATIONAL EXPANSION (2/2)

## OVERVIEW

The following framework can be considered if you are faced with a problem statement which involves international expansion growth strategy.

- International Expansion
  - Internal
    - Does it match our growth strategy?
    - JV with local firm?
    - Can our resources succeed overseas?
    - Do our corporate values match the new market?
  - External
    - Cultural Differences of Customers
    - Contracts with Governments
    - Educational Differences
    - Economy and Exchange Rates
    - Seasonality
    - Distribution Channel and Logistics
    - Political Climate
    - Local Market (Size, Competition)
  - Quantitative
    - ROI/Hurdle Rate
    - Cash Flows
      - Amount
      - Discount Rate
      - NPV
      - Payback Period

# AUTOMOBILE PARTS MANUFACTURER

**Client is an automobile parts manufacturer. They want to grow to 2X in the next 5 years. Analyze the possible options and give recommendations.**

Alright, I'll start with a few preliminary questions to get a better understanding of the problem at hand. Where is the client based out of? What do you mean by growth – Is it in terms of revenue or profit or market share? What is the current market scenario?

The client operates Pan-India. They want to grow their revenues. The market has a total of 5 players including us, each having 20% market share.

Okay. It seems it is a B2B business with automobile manufacturers as the major customers, correct? What does the selling process look like?

Yes, 90% of our customers are automobile manufacturers. We manufacture plastic parts for cars – steering wheel, dashboard etc. sold via tenders

I would like to understand about these tenders. What does the bidding process look like? What is the delivery mechanism if we get the contract?

The tender is floated when a company decides to launch a new car in the market. If you win, you get the contract for the entire lifecycle of the vehicle. The contract is given based on price quoted and existing relationship with the car manufacturers. Once you get the contract, you start production.

Interesting. I think I've gathered a fair understanding of the context and the client. I would like to start the analysis now. I would like to divide the case into two parts –

Growth in the current market & exploring new markets. New markets geographical expansion, product diversification and business integration.

Describe diversification, integration & logic for deciding new target markets.

By diversification, I mean expanding into new product lines – we can explore manufacturing parts for other vehicle segments like 2Ws. Next, Integration can either be forward or backward. Forward integration would be manufacturing the automobiles ourselves, which is not feasible. Backward integration would be to acquire a plastic manufacturing unit to cut down on our RM costs. For geographical expansion, I would start by exploring international clients who have been working with us in India. The existing relationship will help us enter the new markets.

Great. Let's talk about the existing markets.

Revenue in existing markets depends on number of contracts and the revenue per contract. Since increasing revenue per contract might not be possible as the market is competitive, we should focus on increasing number of contracts. Our contracts is a function of total contracts in the market, % of contracts we're qualified for, % of contracts we apply to and our win rate. We can't control total contracts. The ones we're qualified for – we can increase that by focusing on R&D & partnering with new entrants. For the ones that we apply to – our win rate can be improved by better relations with the OEM & understanding internal decision-making processes.

Great. That'll be all. Thank you.

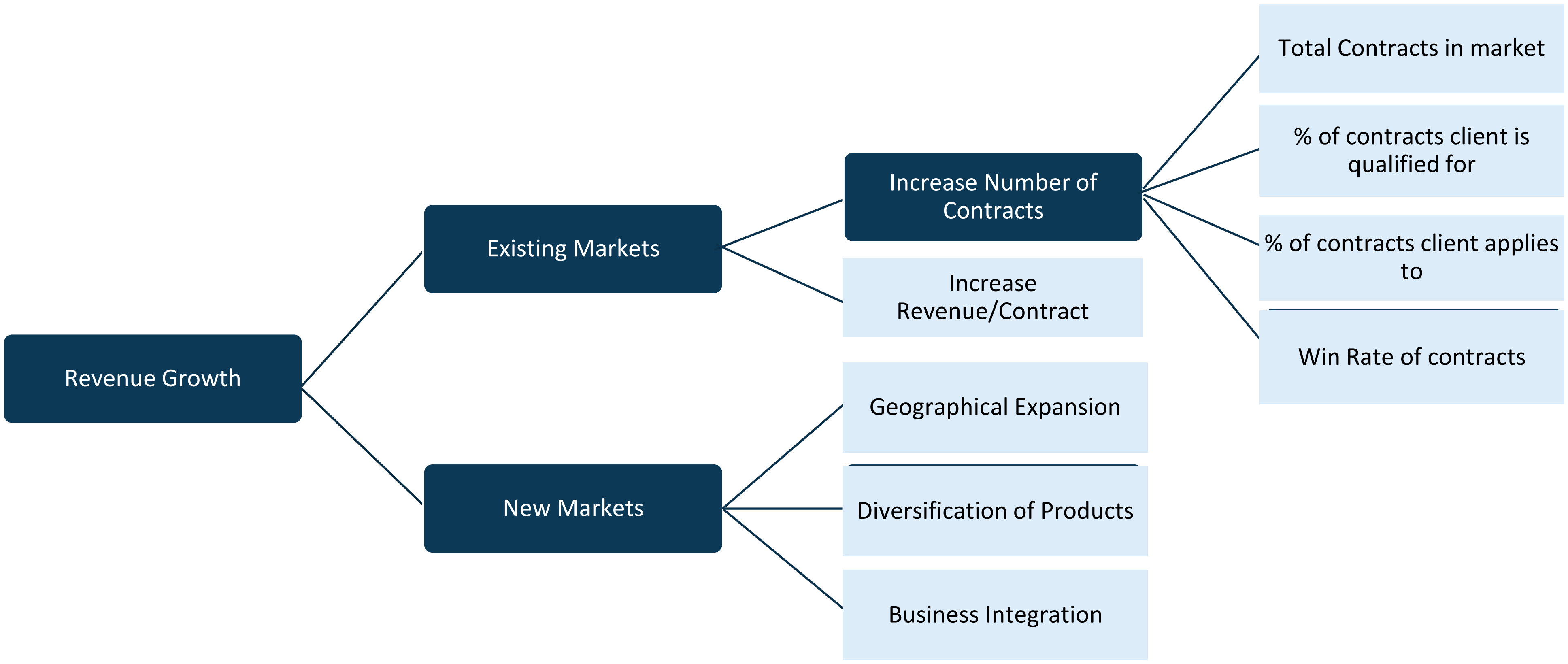
# AUTOMOBILE PARTS MANUFACTURER

**Problem Statement**

Client is an automobile parts manufacturer. They want to grow to 2X in the next 5 years. Analyze the possible options and give recommendations.

**Case Facts**

- The client wants to grow revenues
- 5 players including them, each with 20% market share
- 90% customers are automobile manufacturers
- Selling via tenders, contract received for entire lifecycle of product




**Summary / Takeaways**

- Clearly identify if the client wants to focus on acquiring new customers or gaining more from its existing consumer
- Risks & mitigation strategy for the recommendations can be touched upon briefly

# CONSULTING FIRM

**Client is a partner at a leading consulting firm. He wants to understand how they can potentially grow the revenue at a faster rate.**

Okay. Where is the firm based? What are the types of clients that they generally work with?

The firm is based in India, with offices in Bangalore, Delhi and Mumbai. They deal with clients across India and Southeast Asia, in the oil and gas, consumer and financial services industries.

What is the growth in revenue that we are targeting? Does the partner have any number in mind?

No, the partner just wants to explore options right now.

Okay. Can I assume that the only revenue stream is from the consulting services that we provide to the clients?

Yes.

Should I consider only the revenue? Or is it the case that we are looking to expand the bottom-line as well?

For now, consider only the revenue.

Okay. I would first look at organic growth opportunities, and then move on to inorganic growth.

I would break down the total revenue into the average revenue per client and the number of clients, and look at each of these separately.

Go ahead.

The average revenue per client would be a function of the number of projects that we have and the price that we charge for it. I don't think we would be willing to charge a higher price, so I'll look at how we can increase the number of projects that we have. Is that a fair assumption?

Yes, that is a fair assumption. Go ahead.

To increase the number of projects, firstly we can look at how we can increase the number of modules per client. The firm can pitch different modules while working on one module, and suggest their recommendations in other areas as well. They can improve their services by over delivering, which can increase the customer loyalty and will help in increasing modules from existing clients. We can also look at bundling, where we can offer discounts if the client hires us for multiple modules.

Good. You can now go to the number of clients.

To increase the number of clients, we can diversify into different geographies. We can approach clients in countries we haven't worked yet. We can also look at taking projects in more sectors.

Okay. Anything else you want to add? Also, which sectors can the client target basis current Indian macroeconomy?

Yes. We can also look into expansion if the client is open to new investment. They can increase their employee base so that they can cater to more clients and projects, and also expand office space. They can also increase on-shore projects and promote work from home policies.

In case of inorganic growth, the client can also look into acquiring small consulting firms or merging with other consulting firms. Although this is rare, that can be looked into.

In terms of sectors, the client can expand into sectors such as Governmental consulting, Technology sector, Space-Tech sector & even Education sector

That would be all. Thanks.

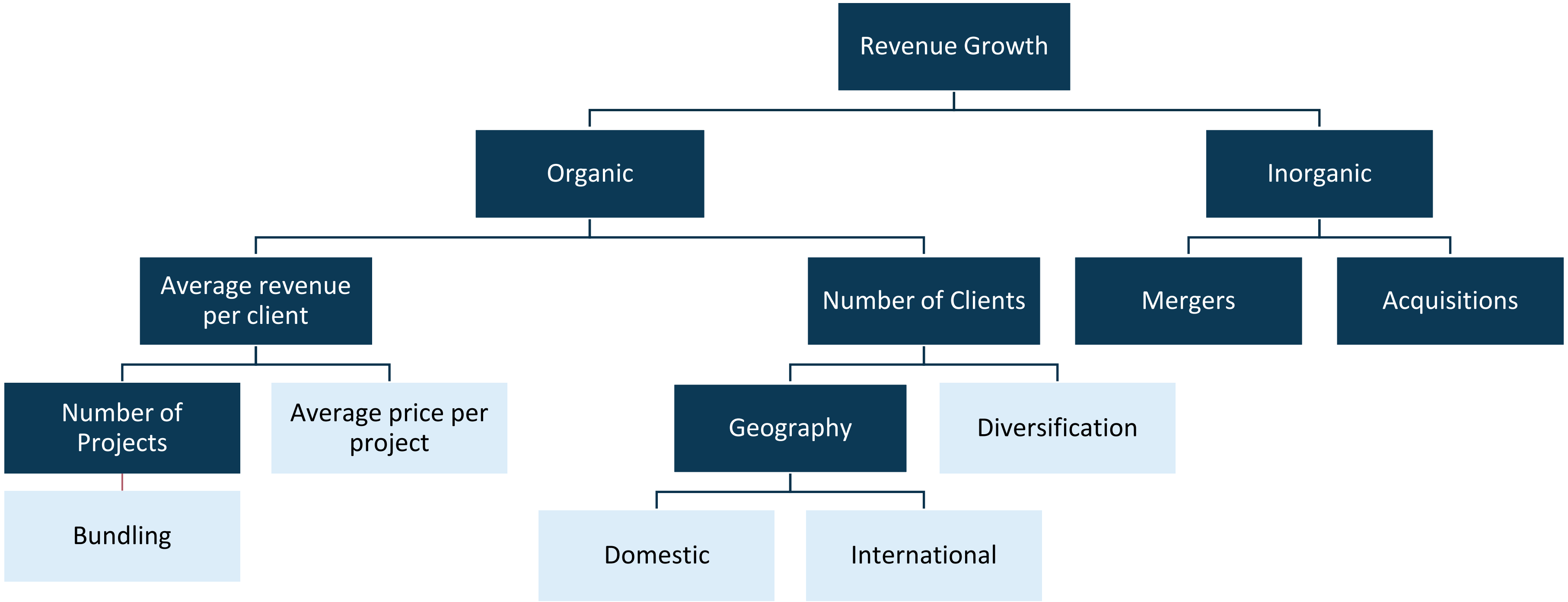
# CONSULTING FIRM

**Problem Statement**

Client is a partner at a leading consulting firm. He wants to understand how they can potentially grow the revenue at a faster rate.

**Case Facts**

- Client has offices in Bangalore, Delhi and Mumbai
- Deal with clients across India and Southeast Asia
- Caters to the oil and gas, consumer and financial services industries




**Summary / Takeaways**

- Feasibility of recommendations need to be touched upon, avoid just listing down
- Service diversification can be included as the current industries are limited

**Your Client is Flipkart, and it is the year 2017-18, and they have asked you to develop their strategy for the next 3-5 years.**

What are the current features that are available with Flipkart?

Consider that it has a basic application where users can order the product and get it delivered.

What is their primary goal for this? Where are they currently operating?

They want to increase profitability and increase the customer base as well. Their current growth rate is 20%. They operate in Top 4 Indian cities only.

There are two types of growth feasible: 1. Organic, 2. Inorganic. So, do you want me to concentrate on any particular-type?

Let's start with Inorganic Growth.

As the company is at the beginning phase for inorganic growth, the better option would be to go into a partnership rather than a merger or set up alone. I would begin by evaluating the customer journey and the feasible option for inorganic growth at each point. Broadly the customer journey involves four significant buckets:

1. Searching for relevant products, 2. Checkout, 3. The transaction,
4. Delivery & Pickups.

For searching, the company can explore the option of vernacular startups, Voice-based search options, For checkout to increase the basket size, Flipkart can look at partnering with sub-products for e.g.: insurance for laptop, etc., For Transactions, Flipkart can evaluate the option of Credit service startups which can help them in underwriting the customers & give out the risk. For Delivery & pickup services, the company can evaluate integrating with any of the logistics startups to increase their reach.

Okay. Can you deep dive into the organic branch now?

For the organic structure, we can divide it into three major buckets, namely: 1. New Products, 2. Improving Existing Product Sales, 3. Geographic Expansion. For the New Products category, Flipkart can look at diversifying its business from the traditional eCommerce platforms. This can involve: 1. Customer Engagement Platforms like gaming & Live feed, 2. Video Platform. 3. Can diversify the range of the products available on the website.

Seems good. Let's move into the next bucket.

For improving the revenue from existing products, there are two ways: 1. Increase the frequency of buying, 2.Increase the basket size. For increasing the frequency of buying, Flipkart needs to concentrate on building a strong customer loyalty program and partnering with banks to increase the number of offers. To increase the bucket size, Flipkart needs to build a strong recommendation system to constantly nudge the users.

*(continued on next page)*

# FLIPKART

Good points. Let’s discuss your final bucket.

For expanding into new geographies, Flipkart needs to first increase its reach in all Tier-1 cities in the next 1-2 years and then concentrate on reaching out to Tier-2 cities. For the Tier-1 customers, the primary requirement would be a hassle-free experience with minimal involvement, so Flipkart can explore reducing the customer clicks via Voice checkouts, offering more payment methods, and hassle-free experience in delivery.

Thank You. We can close the case here.

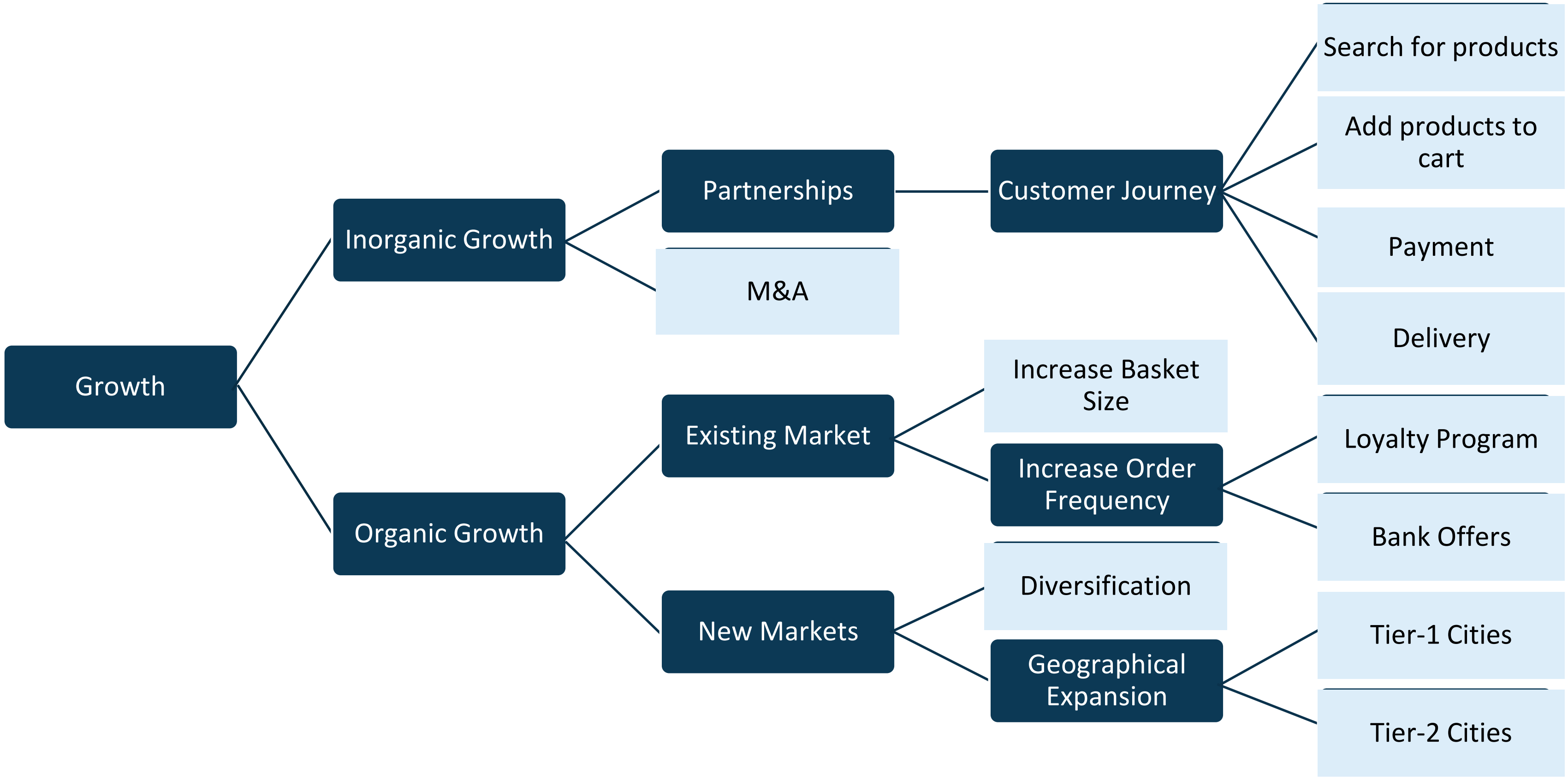
# FLIPKART

**Problem Statement**

Your Client is Flipkart, and it is the year 2017-18, and they have asked you to develop their strategy for the next 3-5 years.

**Case Facts**

- Basic application for ordering
- Current growth rate is 20%
- Want increase in profitability as well as customer base
- The client operates in the Top 4 Indian cities only.




**Summary / Takeaways**

- Since the interviewer mentioned profitability, asking if focus should be on increasing revenue or decreasing costs or both would have taken the case into a different direction
- Breaking into customer journey to identify areas of inorganic growth was a good approach
- A brief implementation strategy for Tier 2 cities can be included as well

# SOUTH AFRICAN TELECOM OPERATOR

**Your client is a South African telecom operator who entered Zimbabwe 2 years ago. However, the client hasn't achieved its targeted growth. Find out why and recommend solutions**

Okay, before I get started, I just had a few preliminary questions. What does not achieving targeted growth exactly mean? What was the target of the client? Also, can you please throw some light on the scope of operations of the client in both South Africa & Zimbabwe including its services?

Good question. Our client is the leading player in South Africa with 35% market share. It was hoping to garner 10% market share in Zimbabwe but has only achieved 4% market share. Its services include data + voice connectivity, prepaid + postpaid & it offers better quality than competitors. You can use lack of targeted profit growth as the major reason why the client hasn't achieved its target without going into calculations.

Just one last question, what does the competitive landscape in Zimbabwe look like? Also, does client target a particular set of the demographic?

There are 2 major local players in Zimbabwe with 40% market share each. The client offers products to all customers & no specific demographic.

Okay thank you. To analyze the lack of profit growth, I would look into majorly two aspects – revenue & costs. Revenue can be further categorized into price per service, no. of customers & range of revenue streams (i.e. service mix). For costs, we can look into the value chain of the company.

Sounds good. On the cost front, Can you quickly provide a brief overview of the value chain for a telecom operator assuming first? We will move to revenue bit later after that.

Alright for a telecom operator, the value chain can be categorized into
1. Operational aspects – network planning & maintenance, quality of service
2. Commercial aspects – Sales & marketing, Customer services, VAS
3. Support aspects – Equipment procurement, IT systems & other support

Sounds good, let's look into why targeted revenue growth is not met & ways to achieve it.

Okay, we will analyze – prices, # of customers & service mix. So how are the clients products priced compared to competitors? Also, does the client any additional value-added services as is seen in Indian market these days?

Good observation. The client's services are priced at the same levels or slightly lower than the competitors, so no issues there and the client doesn't offer any value-added services

So, clearly there is a scope for the client to increase revenue by offering value added services such as partnerships with OTTs assuming the market is ready for it. Next, looking at the no. of customers – are there any issues related to the capacity of the client network to support large number of customers i.e. any supply side issue or is the issue more pertinent on the demand side?

Good that you stated that assumption and no, the issue is not on the supply side. You can focus on the demand side.

Okay, thank you. I would like to analyze the demand side of the volume sold by going through the customer journey which can be divided into multiple buckets such as – pre-purchase, during purchase & post-purchase

Okay, sounds like a good approach

| |
|---|
| Okay the three categories are:<br>1. **Pre-purchase** which includes – Need, Awareness, Shop Accessibility<br>2. **During purchase** which includes – Affordability, Availability, Ambience, Product Accessibility, Product Selection & Purchase Action<br>3. Finally, **post purchase** which includes – after sales support |
| I would like you to analyze the pre-purchase category further. |
| Okay, so just to understand, have we witnessed any particular problems when it comes to the need of the services? Are we meeting the exact customer needs? |
| Yes, our clients' services meet the needs of the customers. |
| Okay, so is there enough awareness of the client and it's services? |
| Correct, this is where this is a slight gap that the client has noticed. Can you delve further into ways of increasing awareness? |
| Alright – awareness can be increased & improved in a new country with cultural differences in majorly 3 ways –<br>1. **Marketing strategy** which includes - Digital marketing, Localized content creation, local influencer partnerships<br>2. **Localization & communication channels** which includes – Localized website & app, localized customer support, localized communication materials<br>3. **Partnerships & community engagement** – Local retailer & distributor tie-ups, enhancing government relations & finally community engagement |
| Those are some very good points. We can close the case here. |

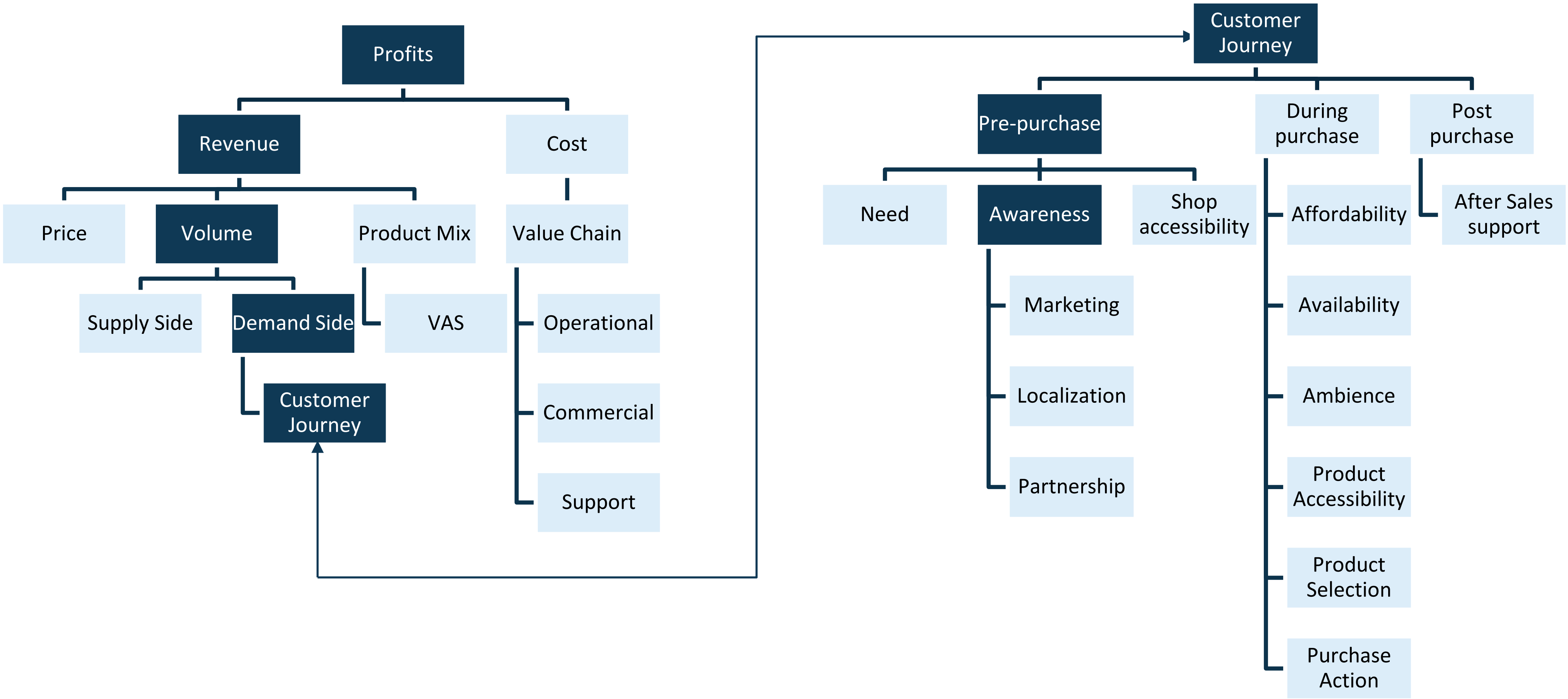
# SOUTH AFRICAN TELECOM OPERATOR

**Problem Statement**

Your client is a South African telecom operator who entered Zimbabwe 2 years ago. However, the client hasn't achieved its targeted growth. Find out why and recommend solutions

**Case Facts**

- Client is a South Africa based telecom giant with 35% market share in SA and 4% market share in Zimbabwe (Target: 10%)
- Targets not met in Zimbabwe, 2 major competitors in Zimbabwe with 40% market share each
- Services – voice + data, prepaid + postpaid for all customers at similar prices as competitors




**Summary / Takeaways**

- This case is not like a conventional growth case. More often than not, similar cases are asked in an interview i.e. a mixture of two types of cases
- In fact, in an interview, the interviewer doesn't explicitly mention the case type. In such situations, it becomes important to be on your feet and bring some structure to your responses.

# ONLINE TRAVEL AGGREGATOR

**Your client, an online travel aggregator, wants to become the number one in India within two years. Please lay down a strategy for them**

Thank you. To start, could you please provide some more details about the services & products of the client? Also, when we say no. 1, in what sense exactly do we mean? Is it market share / profits / revenue or anything else?

Good question. The client has an online website where you can book tickets for various kinds of transport. The client is currently 3rd largest & wants to become the player with the highest market share over next two years

Currently, what is the scope of their operations? I mean, across which regions does the client operate or is more focused on? Does it additionally offer add-on services such as hotel-booking or event related booking?

Since the client primarily operates a website, it is accessible pan-India. However, the client receives most traction from urban youth. Also, it offers some add-on services, but nothing is structured on that front.

Got it. To become number one, we need to devise a strategy for increasing their market share. To develop an effective plan, I will analyze the strategy in two aspects – growing in existing markets & by entering new markets

Sounds like a solid approach. Let's explore those areas step by step.

Sure, Withing existing markets, I would focus on three aspects – increasing volume & increasing transaction fees assuming the client charges a fee for each transaction via the platform

Yes, correct, the client charges a fixed 1% fee to both the customer as well as the travel agency which does the final booking for each transaction. The client doesn't want to increase this commission %

Got it. To increase volumes, I'll start by focusing on three main areas: **New Customer Acquisition & Retention**, **Product and Service Enhancement** & **value added services.** To increase market share, we need more customers. How is the client currently acquiring customers?

The client uses both online marketing & partnerships with travel agencies

In online marketing, we could optimize their digital channels through search engine optimization (SEO), pay-per-click (PPC) advertising, and social media. The client can focus on improving user experience on their platform, making it user-friendly and easy to navigate. Offering personalized recommendations and packages based on user preferences can also enhance customer engagement. Additionally, introducing loyalty programs and referral incentives can encourage repeat business.

And what about value added services?

Under Value Added Services, the client should focus on expanding their offerings to cover emerging modes of transport and travel experiences. Collaborating with regional transport providers and tailoring their offerings to local preferences can be effective. Additionally, the client can tie-up with local tourism players to provide offerings related to local events

Finally, what was your strategy about entering new markets?

To expand their market presence, they could consider entering untapped segments, such as rural areas or specific demographic groups.

Since the timeline is of just two years, what should the client do first?

It can focus on increasing volumes & value-added services in urban areas

Okay, correct. Let us close the case here.

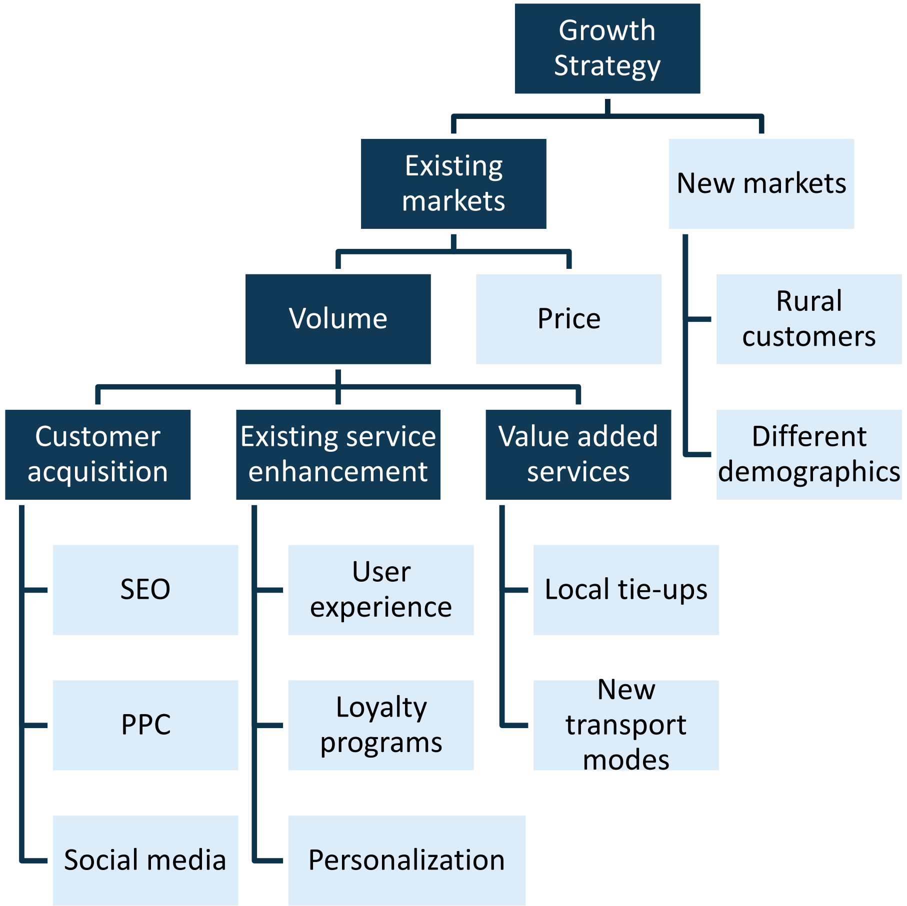
# ONLINE TRAVEL AGGREGATOR

**Problem Statement**

Your client, an online travel aggregator, wants to become the number one in India within two years. Please lay down a strategy for them

**Case Facts**

- Client is a pan-India online travel aggregator with more traction from urban areas
- Client wants to have the highest market share in next 2 years
- Client charges 1% commission to customer as well as booking agency. Client doesn't want to increase this fee
- It offers value-added services but nothing structured currently




**Summary / Takeaways**

- Usually, in growth cases, not many numbers / calculations are involved. Neither is there any kind of root cause that is usually seen in profitability
- Thus, in such cases, what becomes important is to cover all the possibilities in a MECE manner
- Recommended ways to widen your understanding about the realm of possibilities in different industries is by reading news & industry reports

# SaaS Firm

**Your client is SaaS firm planning to expand their operations overseas. What factors will you consider to help them make the decision?**

Okay, interesting case. I would like to know more about the firm. What is the current geography they are operating in? And what is their intention / goal behind expanding in the first place?

They are based out of USA, and they just want to grow organically; no specific target / objective apart from organic growth in mind.

Can you please share some information about what kind of work does the client do as part of SaaS?

They provide integrated software services to High-end clientele.

What kind of clientele do they serve?

Most of their clients are based in Silicon Valley in the USA

Are we planning on expanding in any specific service that we offer or is it generic?

Generic. Now that you know more about the firm, what factors will you consider?

I will take a few seconds to jot down my thoughts - if I may?

Sure, go ahead.

(After a pause) I will create a matrix with probable countries that we can target as columns and factors we want to look at as rows. Countries could be India, China, European, etc.

Okay, let's stick to the factors.

(Used PESTEL) I will start with some External factors:

- Geopolitical factors, political stability (P),
- After-effect and return to Normalcy for the economy after COVID-19, inflation, currency risks, etc. (E),
- Technology edge as we are, after all, a SaaS company (T),
- Human resource available, literacy rate, etc. (S),
- Overall effect of Pandemic (E), and
- Government regulations/barriers to entry for a foreign entity entering (L)

What do you think are some other external factors that might be important for our client?

Apart from the previous analysis, evaluating the competitive landscape will also be important. To better understand the market conditions, I will perform a thorough competitor analysis to understand our competitors' market share, USP of our competitors, etc., which will help us understand which area will be the most suitable for our objective. Post this, I will consider the market entry strategy that we will need to be successful and finally decide on whether we want to partner or not and with whom to do so.

Okay good, what are the other parameters that you would look at?

Post this, I will also look at some internal factors on the operational front. Leveraging the MNC high-end clients to source some customers and have a look at customer density, probable revenues five years down the line, and probable cost of running our operations - do an Net Present Value Analysis (NPV) to look at which location would make the most business sense.

Okay, great – let's wrap it here

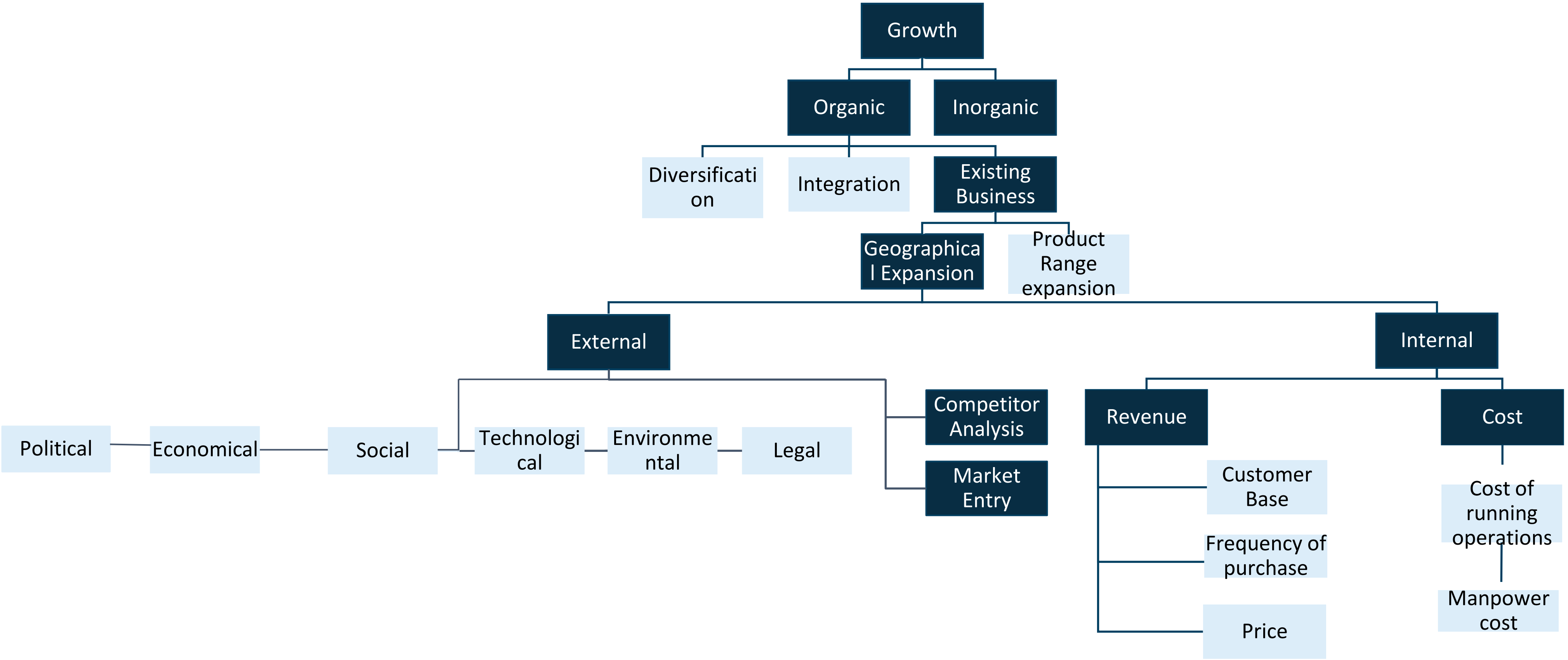
# SaaS Firm

**Problem Statement**

Your client is SaaS firm planning to expand their operations overseas. What factors will you consider to help them make the decision?

**Case Facts**

- The client is based out of the USA and wants to grow organically
- Has High-End Clientele




**Summary / Takeaways**

- Try to keep the interviewer in the loop while going in any particular direction and seek validation to better understand their expectations.
- Structuring is very important in such open-ended growth cases. Give a one-liner explanation of each bucket and if asked to go into detail, make sure to include the potential barriers and how to overcome them.

# PHARMACEUTICAL INDUSTRY

| **Your client is in the pharmaceutical industry & is facing stagnation in growth. You have to investigate the reason & suggest ways to improve?** |
|---|
| Sure, Do we have any idea if this is an industry wide growth stagnation problem or our client is the only one facing this issue? |
| No, the issue seems to be specific to our client's company. |
| I would like to know a bit about the company. What are their products & its prices? Does the company cater to any specific type of diseases? |
| The company produces only one kind of medicine, it is priced at ₹10 per tablet in the market. |
| What kind of disease is the medicine used for? |
| The medicine is for a rare blood condition, in which if blood starts flowing a little, it does not stop. It is a fatal disease. |
| Okay. Is this medicine a generic medicine? |
| No, as of now we own the IP Rights to produce this medicine formula and have more than 15 years of life left in the patent of our medicine formula. |
| So, is it safe to assume that there are no other competitors manufacturing the same medicine, since we own the IP? |
| Yes, the medicine we produce is the only available medicine in the market that can be used in this rare condition. |
| Thank you for the information. May I take a moment to gather my thoughts? |
| Certainly, take your time. |
| Growth can be made by increasing the market size or by increasing our share of the market. What is our share in the market? |
| Since, we are the only company making the medicine, our market share is greater than 95%. |

| |
|---|
| So we do not have any competition and we have nearly the entire market share of the existing market and yet we are facing a growth stagnation. |
| Yes, that is indeed true. |
| To tackle this stagnation, we would have to increase the market size. I understand that the market size in this case would be comprised on patients who are suffering from the condition? |
| Yes, the patients who have been diagnosed with the condition take it |
| Okay, so only the patients who have been able to diagnose the condition take the medicine, is it safe to assume there might be other undiagnosed patients with this fatal condition? |
| Yes, the assumption is fair. |
| So, I will look into the patient's journey in getting diagnosed, to understand how we can increase the market size. Do we know how people get diagnosed? |
| There is a test that they could take, the test costs 2500Rs. |
| When does the patient go for taking this test? |
| The test is recommended by doctors if there is a major injury & the bleeding does not stop for the patient. |
| The patients don't know about this disease before that? |
| No. |
| So, as I understand, the major problem is a lack of awareness about the disease. Since the disease is diagnosed only when the customer is badly injured, most people would never know that they have the disease. The problem can be solved by undertaking a major awareness campaign through partnerships with NGOs, hospitals, schools & corporates, to conduct free tests. |
| Yes, that is correct. We can conclude. |

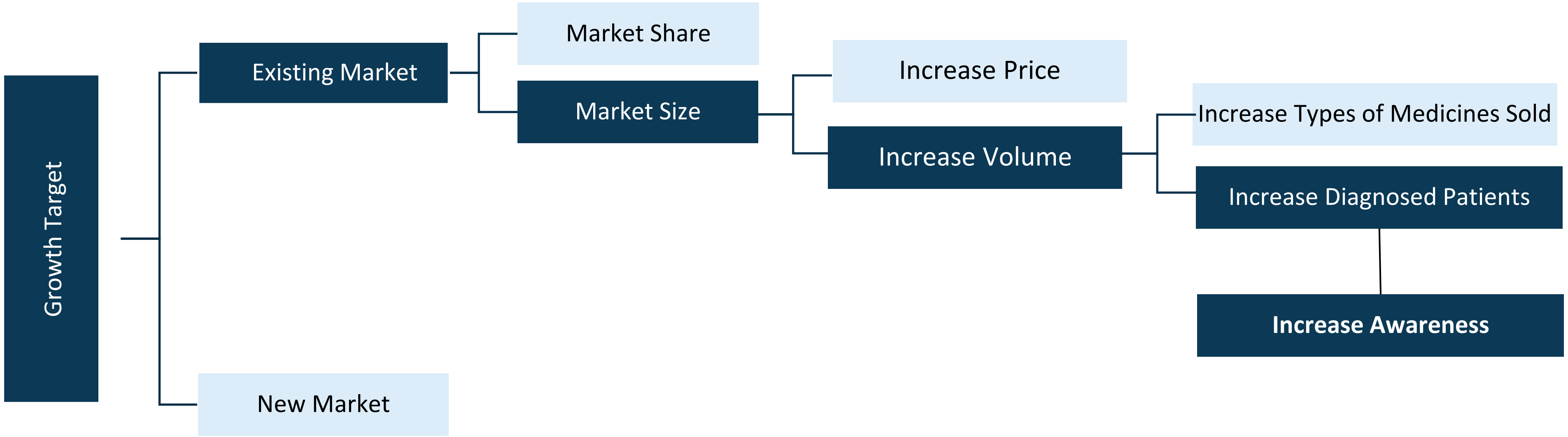
# PHARMACEUTICAL INDUSTRY

**Problem Statement**

Your client is in the pharmaceutical industry & is facing stagnation in growth. You have to investigate the reason & suggest ways to improve.

**Case Facts**

- The client holds around 95% market share. Despite this dominance, the company is facing growth stagnation
- Issue with diagnosis , too costly and only done after a critical situation on doctor's recommendation
- Lack of awareness regarding the disease




**Summary / Takeaways**

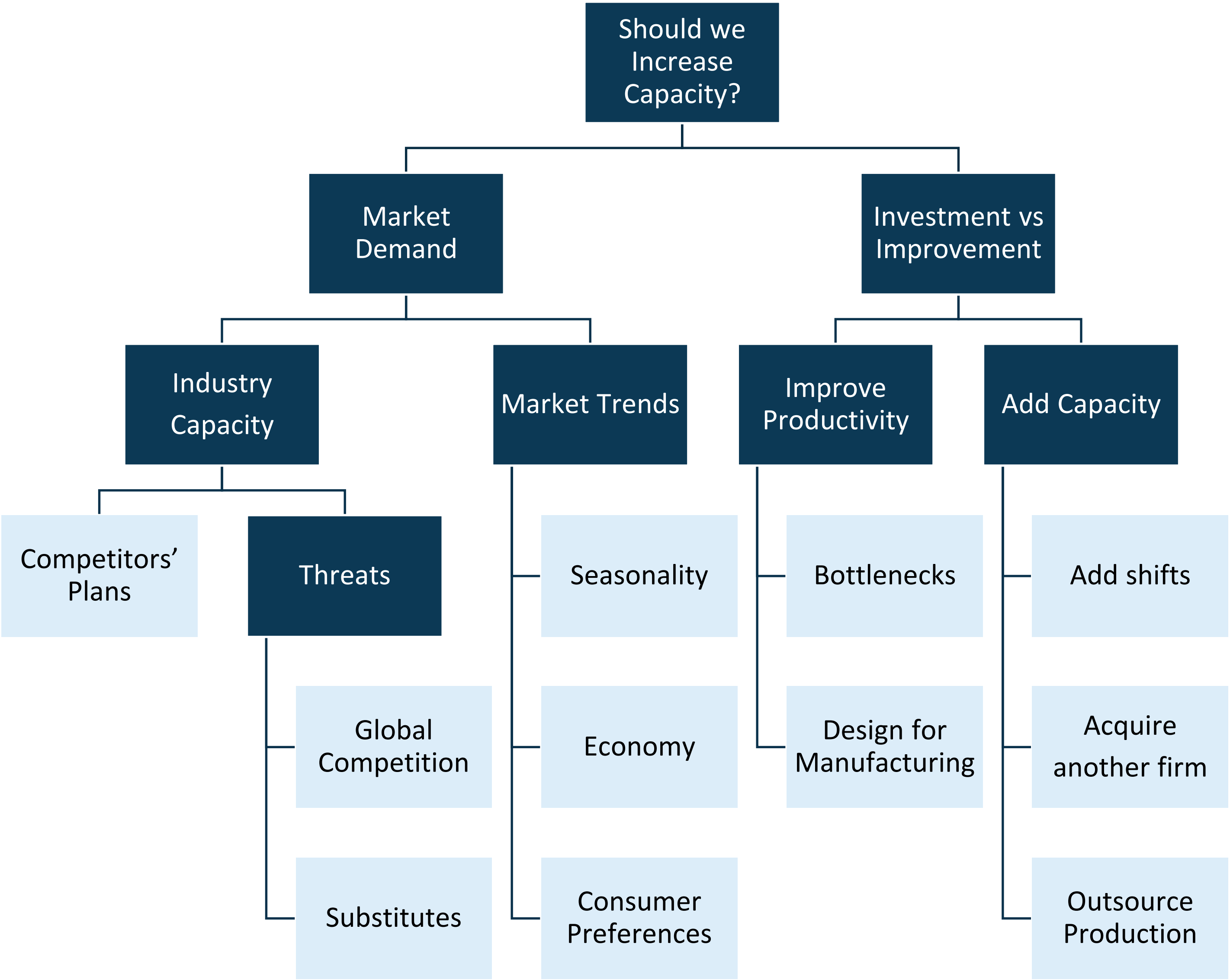
- Understanding the customer journey from symptom recognition to diagnosis is essential. In this case, patients are diagnosed only during emergencies, indicating a need for early awareness and diagnosis campaigns
- Lack of awareness may pose as a significant barrier to growth


UNCONVENTIONAL

# INCREASING CAPACITY (1/2)

## OVERVIEW

The following framework can be considered if you are faced with a problem statement which requires understanding capacity expansion. This can be an extension of a growth or profitability case where the client is looking to increase volumes and required additional capacity.



# MERGER AND ACQUISITION (2/2)

## STRATEGIC FIT

**Deal Rationale**
- Cost synergy
- Revenue synergy
- Technology transfer (early stage start-up)
- Response to competitor

**Type of Deal**
- Vertical integration
- Horizontal diversification
- New market entry

## DEAL ECONOMICS

**Valuation**
- Revenue and cost analysis
- CAPEX and Working Capital
- PBT
- PAT
- Cost of Capital (R)
- Value = PAT/R

**Deal Price**

**Synergies**
- Cost and Revenue – New Firm Value

**New Firm Value > Deal Price**

- Purpose
  - Analyze Opportunity
    - Internal Factors
      - Strategic Objective
      - Capacity and Resources
      - Acquisition Fit
      - Strengths and Weaknesses
    - External Factors
      - Industry Attractiveness
        - Porter's Five Forces
        - 3C's
      - Identify Acquisition Candidates
        - Soft Issues
          - Culture Fit
          - Management
          - Retention of employees
        - Hard Issues
          - Deal Price
          - Balance Sheet

**Consider:** Prior experience with M&A, Culture Compatibility, Post Merger Integration, Exit Strategy

# IT SERVICES

**Client is an IT services player. The number of applications for entry level training program have been reducing. They want to figure out the reason behind the same.**

Sure. Can you tell me more about the client?

The client is a top tier IT player, ERP support is outsourced to them. They provide offshore support.

Okay. Can you tell me more about the training program? Where do we hire from, what is the salary offered and what do we expect from the applicants?

We hire freshers from engineering colleges across India, and we are open to off campus applicants as well. Salaries range from 20-30k per month. We only hire software engineers.

But we are not receiving enough applications as we used to, is that correct? Since when has this been happening?

Yes, that is correct. It has been an issue for the past 2 years.

Okay. I will go through the whole journey of the application process and see where the issue is. Does this work?

Yes, go ahead.

The journey starts when the students apply for jobs during their final year. After graduation, the three most common options that students resort to are – taking up a job across different sectors, going for higher studies, or starting their own venture. Before delving deep, I would like to understand if the preference of the students has changed in the last couple of years – that less students are now applying for these software jobs and have different preferences.

No, the total applicants for taking up a job in colleges are the same.

Given that the number of applicants at the colleges have remained the same, there are 2 possibilities that I can think of – 1. Applicants are preferring other IT firms over us 2. New opportunities have emerged in the other sectors

The proportion of job openings in the other sectors has fairly remained the same. Can you elaborate on the first possibility?

Sure, there could be other companies offering higher salaries or better profiles. There could also be a possibility that more companies are visiting campus which gives students a wider pool to choose from and hence they are not considering applying to our firm.

Yes, recently a lot of start-ups have started recruiting from these campuses which offer better profiles and better exposure, hence students are preferring those over us. There is another reason why the applications are reducing. Can you continue your analysis?

Sure. I would like to continue the journey and now further look at the process. After the students apply, there are a series of recruitment activities like tests, interviews, etc. and then finally some candidates are offered full time employment. Has there been any change recently in the application or recruitment process, for instance, made longer or tougher?

Yes, we recently moved to an online process since we found the offline process quite cumbersome, but we are facing issues with it and are still in the process of fixing it.

Okay, then it seems even the students are facing issues with the system which might have had an impact on the number of applications for the client

That would be all, thank you.

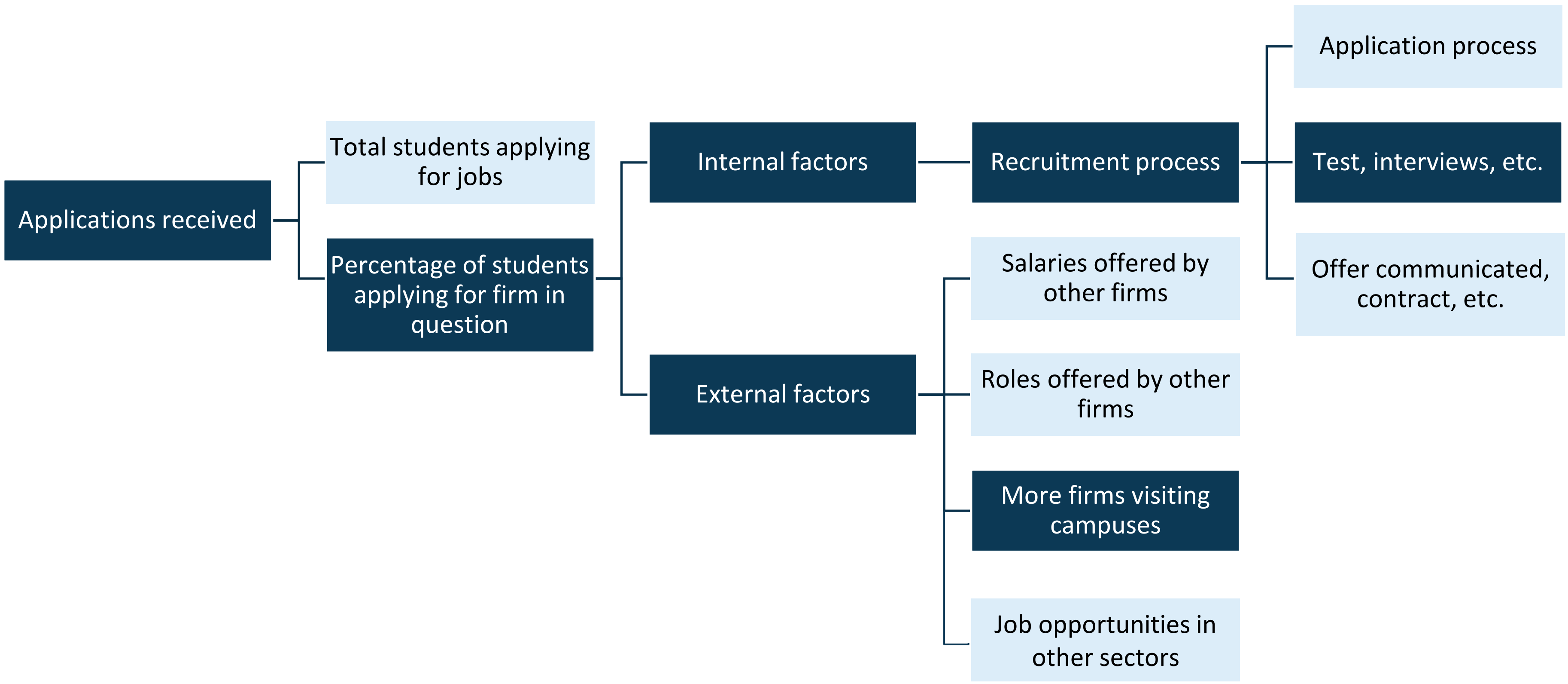
# IT SERVICES

**Problem Statement**

The client was an IT services player and the number of applications for their entry level training program were declining.

**Case Facts**

- The number of students applying to the firm has decreased
- More start-ups have begun to visit the college
- A shift from offline to online process has also created hurdles




**Summary / Takeaways**

- Important to consider both Internal & External factors
- Follow MECE when listing the different aspects of recruitment process
- Check for direction to proceed when there are multiple potential paths

# GOOGLE - MSMEs

**Google wants to onboard more MSMEs onto the new Google Pay platform. Figure out the specifics and make recommendations.**

Sure. Do they have a particular target number of merchants in mind?

Let's say, 1/3rd of the market. So that amounts around 20M enterprises.

Okay. There are 2 broad methods to enter this new space - organic and inorganic methods. So, do we any have preference from the client?

Can you elaborate a bit on this split first?

Sure. Organic methods include customer/merchant acquisition through feature enhancements and marketing. Inorganic methods would include partnerships/acquisitions with other firms

Okay. The client doesn't have a preference as such, but they want to do it as quickly as possible. What do you think would be the right way to do so?

Inorganic methods will get us bulk merchant acquisitions at once. However, forming partnerships involves elaborate negotiations & profit sharing. So, it'll be better to go for a hybrid approach. Use partnerships to get a quick jump while simultaneously working on marketing and feature enhancements.

Okay. Let's focus on the partnerships for now. How should we choose potential partners?

We can break it down into a few important factors. 1) Current merchant count 2) Growth 3) Financial & operational health of the potential partner 4) Partner's value proposition 5) Value proposition from GPay to partner.

Makes sense. What value proposition do you think that GPay can offer to the potential partners?

GPay's value proposition will be on 3 fronts –
1) **Monetary** – Discount on transactions, cash backs for the merchants accessing GPay through the partner
2) **Non-monetary** – Mini-app, notifications or other linkages with the partner apps
3) **Special features with the partners** – will depend on partnership details.

Okay. Now let's look at the feature enhancement part. How should they go about adding more features, given that they already have a lot of features targeted towards MSMEs? I would like you to talk about feature selection rather than the specific features themselves.

Sure. Given that MSMEs is itself an umbrella term and has lot of internal categories, we can focus on the needs of these categories for further feature ideas. For example: For small / medium retail category, inventory management could be an issue. So we can look at merchants who operate in these specific categories such that they meet the need of the end MSMEs. We can filter ideas for the features (& potential partners) based on 3 factors:
1) Number of merchants in the specific MSME category
2) Ease of implementation of the synergy features
3) Potential impact on the end MSMEs

Okay. Anything else you would like to add?

Yes. We can use the category wise approach to also filter down potential partners, i.e. based on the distribution of merchants on their platform. This will ensure that there is synergy between the organic and inorganic effort.

That would be all. Thanks.

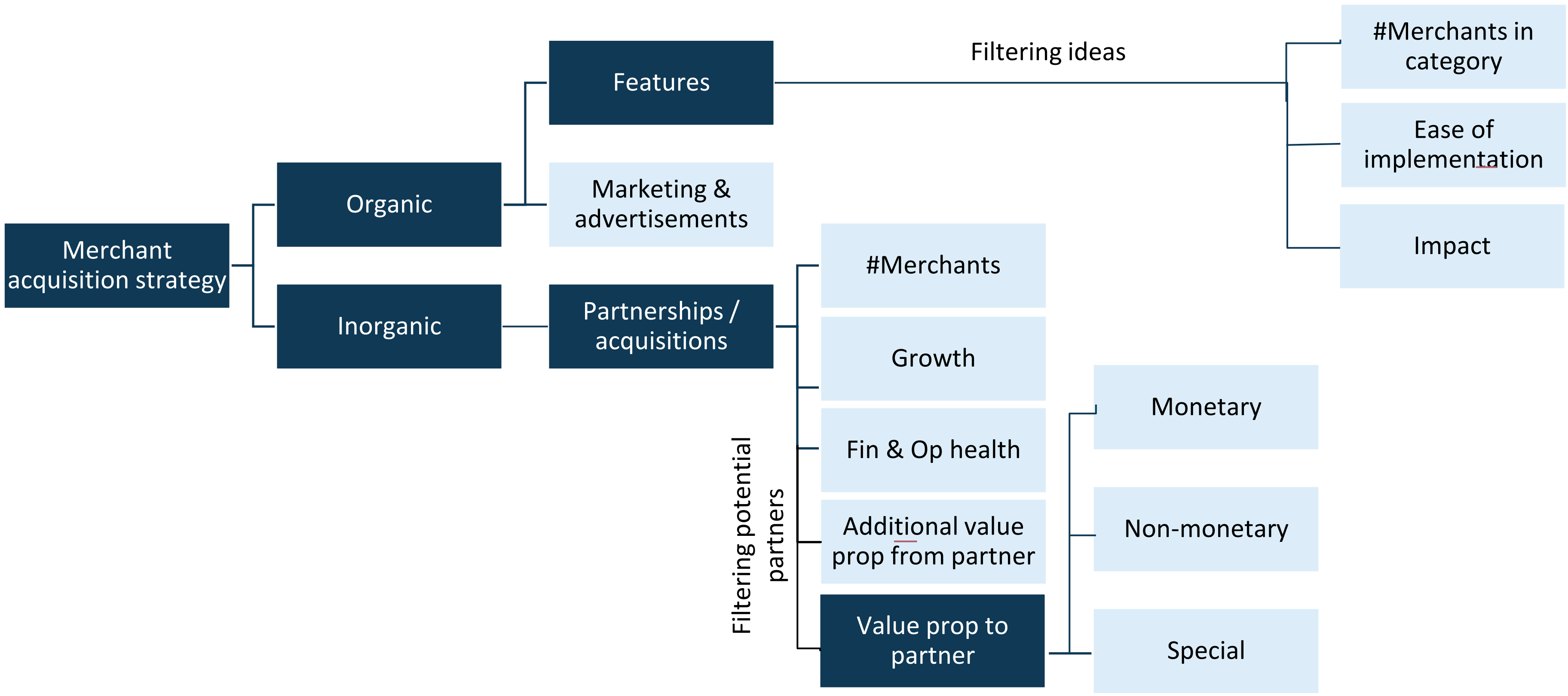
# GOOGLE - MSMEs

**Problem Statement**

Google wants to onboard more MSMEs onto the new Google Store platform. Figure out the specifics and make recommendations.

**Case Facts**

- The client is open to exploring options
- Value proposition and features enhancement are 2 aspects of focus




**Summary / Takeaways**

- Important to consider both organic & inorganic strategies, and the possibility of a hybrid strategy
- Follow MECE when listing the different criteria for filtering potential partners
- Check for direction to proceed when there are multiple potential paths

# OIL MANUFACTURER

**Your Client is an Oil Manufacturer, who is concerned about the transportation of produced oil. They want you to develop a framework through which they can predict the cost of transportation.**

Okay, I would like to ask a few clarifying questions. Where is our client located, what parts of the value chain do they occupy, and who are their competitors?

Our client is based in the Middle East. They have their own rigs, and they are involved in the initial processing. They have no competitors in their country.

Does our client want a model for worldwide shipping, or are they considering any particular location?

For now, you can just consider the costs of shipping to India as a part of this discussion

I would like to now know about the transportation. I assume it is a third-party transportation company that does the job. How many players are in this business in the Middle East?

You're correct, it is a third-party company. There are a few players who do this job so you can assume there is moderate competition among the transportation players

Okay. The transportation costs for our clients can be modelled as Volume*Cost/Volume/Km*Distance + Markup. We can assume the distance to be reasonably constant for a given shipping route. The transporter's cost/volume/km is a function of their fuel costs plus a constant overhead. Our client determines the volume shipped. It would make sense to understand what the markup is determined by. Do you think this is a good way to go ahead with this?

Absolutely, go ahead.

Thanks! The markup is a function of the demand and supply of the transportation ships. Since there is not much competition, we can assume there is no infinite supply. If I assume that the transportation company serves all the Middle East players, demand is determined by how much our client and their competitors are willing to ship to India. This is a function of the demand for Middle Eastern oil in India and the supply of the same. Indian Demand for ME Oil is determined by total oil demand in India, the availability of other (cheaper) sources for oil, and any political considerations on importing from the Middle East. Total Oil Demand can be divided into Industrial Demand and Retail Demand. I will not consider the price since oil is inelastic in the medium to short term. Do you suggest I analyze the components of Industrial and Retail Demand?

I think this is good enough. What do you mean by political considerations?

For example, if there are sanctions against Iran for example, India would not import as much from there. Or if there is any diplomatic fall-out, it might result in trade-barriers.

Good, what do you mean by supply of ME oil?

Any OPEC decision to cut oil production might push India to look for other sources such as Russia, Venezuela etc.

Okay. How do you break-down the supply of transportation ships?

Supply can be split into number of serviceable ships with the players *Availability in the Region*Competitors' share.

*(continued on next page)*

# OIL MANUFACTURER

| |
|---|
| Availability in the region is dependent on better offers available elsewhere for the transporters. I will now try to split up each of the above to understand them better. |
| That’s not necessary. Name three key recommendations for our client to minimize costs |
| Okay. Our client can 1. Lease out storage in the destination and ship when the costs are low, 2. Enter into long-term agreements with any player to supply at a fixed markup, and 3. Pass on the responsibility to the buyer by engaging in FOB Origin as much as possible. |
| That’s all. Thank you! |

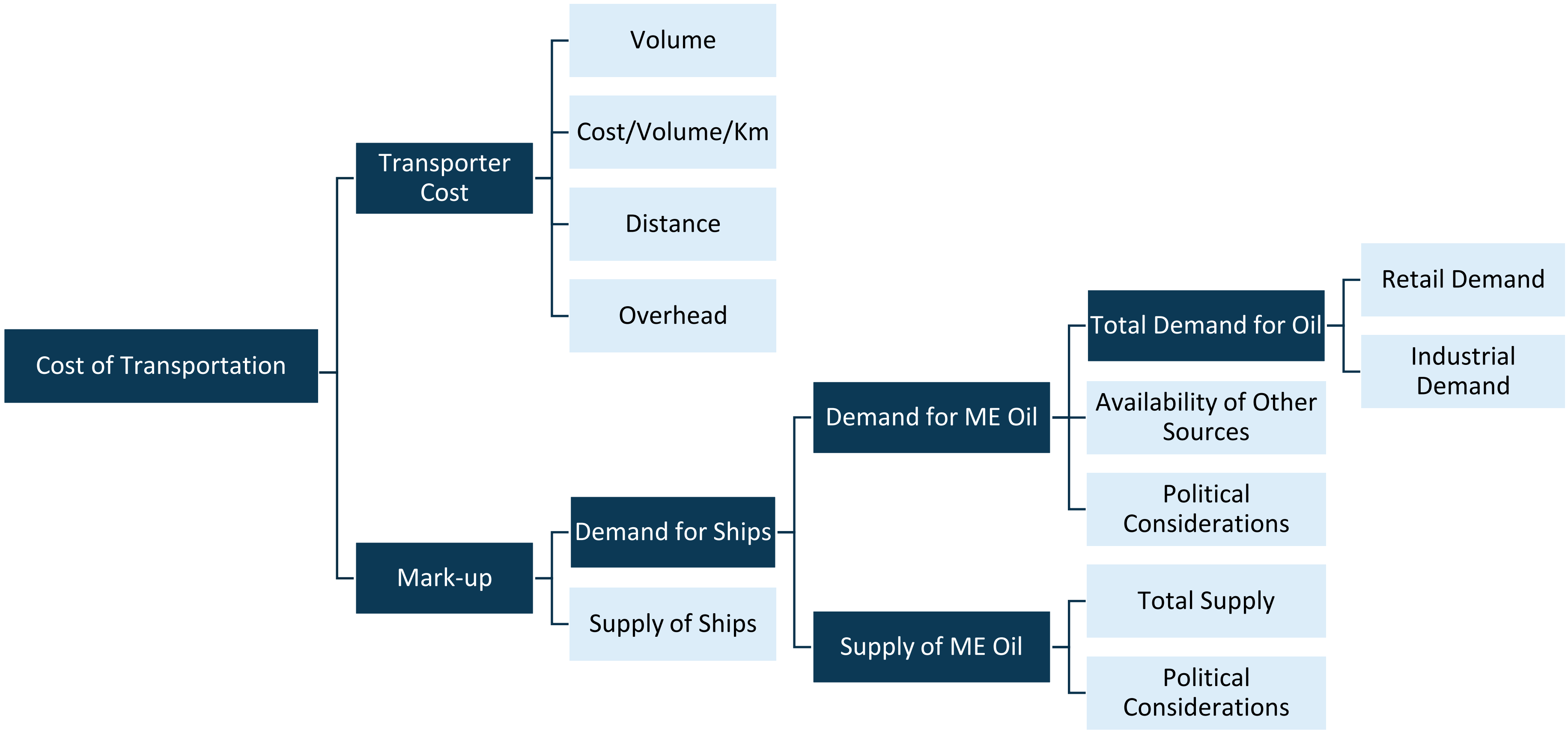
# OIL MANUFACTURER

**Problem Statement**

Your client is an Oil Manufacturer concerned about the transportation of produced oil. Develop a framework through which they can predict the cost of transportation.

**Case Facts**

- Transportation costs can be split into costs the transporter bears and markup charged.
- The demand and supply of ME oil determines the markup.
- Demand for ME oil can be broken down into demand for oil which can be further broken down into Industrial and Retail Demand.




**Summary / Takeaways**

- It is important to be MECE at all stages of this problem and have a structure in place
- Cost of transportation could have been split into fixed and variable costs.
- Demand can be further split into Internal and External.

# CONSULTING FIRM

**You are an associate at a consulting firm. You have been noticing that recently a partner at your firm has been coming late to office. You need to figure out why.**

Okay, I have a couple of questions. How does the partner come to office? How long has this been happening for?

The partner comes to office by car. This has been happening for about a week now.

Has such an event happened before?

No. The partner is generally regular in coming to office, and very particular about punctuality.

There could be two reasons why he could be late. Either the partner is leaving home late, or there is a delay on the way. Do we know which one of these is the reason?

The partner is leaving at the same time everyday. There is a delay on the way.

Since time = distance/speed, either the partner is taking a different and longer route to office, or the partner's speed has reduced.

The partner is taking the same route.

Hence, there is a delay because the partner's average speed has reduced. Reasons could be internal or external. External causes refer to issues like traffic, while internal would be issues related to the car, or the partner or the driver is generally driving slowly. Has any of these factors changed recently?

The partner's driver drops the partner to office, but no changes in the speed of driving. The car is also fine.

Okay. Shall I ignore internal factors and deep dive into external factors?

Sure, go ahead.

Since average speed is reduced but the driver is driving at the same place, can I assume that they stop somewhere on the way, and time taken there has increased?

Yes, you can assume that. Can you figure out where people usually stop on the road during travelling?

Generally, people stop either at petrol pumps or at expressway tolls.

Yes, that is correct. Which one of these do you think would be the reason?

I think expressway tolls could be the reason. People generally don't stop on petrol pumps everyday. Since the partner is being late everyday for a week petrol pump wouldn't be a reason.

Yes, that is right. Since last one week one new toll booth has become operational in the route of the partner, due to which the partner takes a lot of time to cross it, which is the reason for the partner's delay. Can you give some suggestions on what could be done?

We can ask the partner to leave early to ensure that the partner reaches the office on time but that is if this delay is having a significant impact on the partner's performance. Otherwise, we can request the partner to utilize the to install FastTag so that the partner can quickly bypass the tolls. We can also recommend the partner to complete other routine tasks during this time but ofcourse we must only recommend all of this as an extreme action as the partner must be aware of all of this already. Thank you!

Correct, we can close the case here. Thank you!

# CONSULTING FIRM

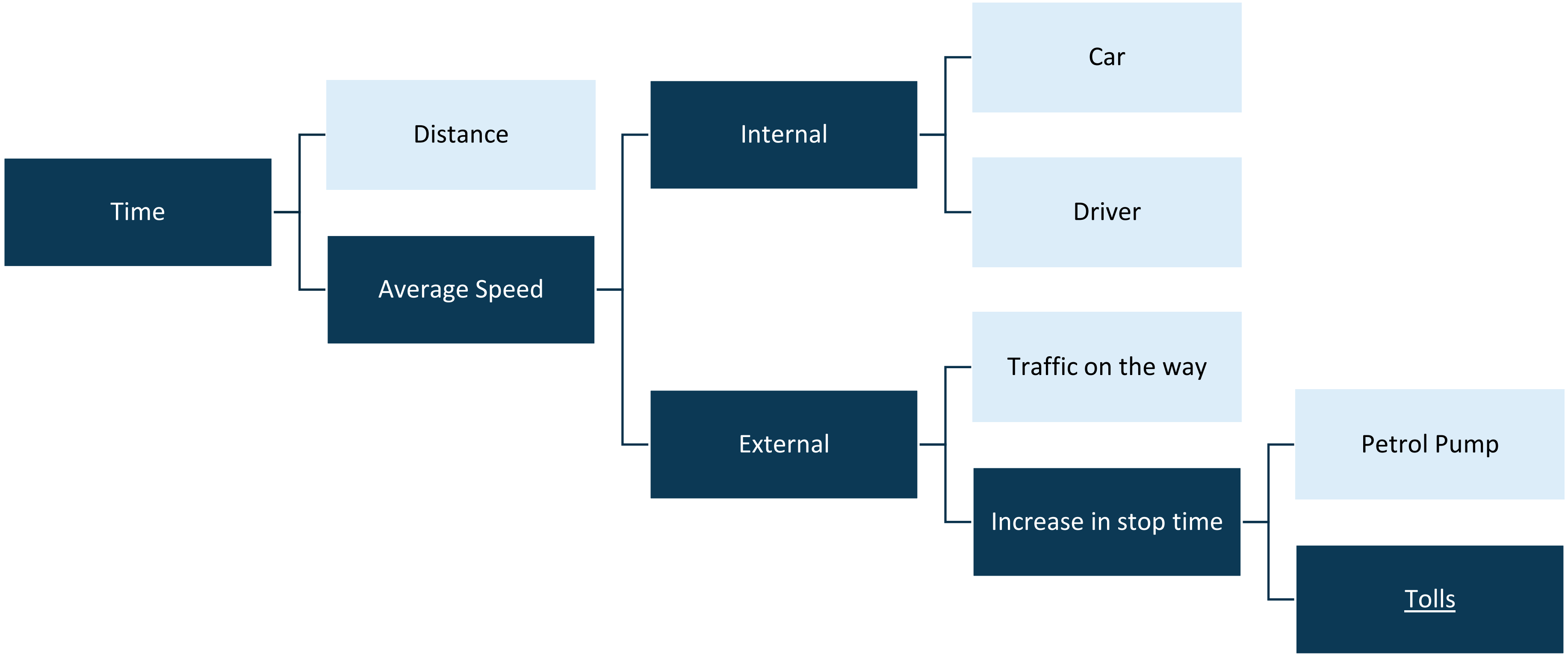


**Problem Statement**

As an associate at a consulting firm, you have noticed that a partner at your firm has recently been coming late to the office. Figure out why.

**Case Facts**

- The partner had been consistently late to the office for a week, despite previously being punctual.
- He was encountering longer commute times due to the closure of two toll booths leading to congestion.




**Summary / Takeaways**

- Increase in Stop Time can be divided into Administrative (like tolls, checkpoints) or Obstacles (Debris etc)
- Internal reasons can be further divided into the car, driver, other passengers, and partner themselves.

# VC FIRM

**Your client is a VC firm. They are currently valuing a group of early-stage start-ups that produce home IOT devices. How will you value these startups?**

Okay, before we delve deeper, I just wanted to ask a few preliminary questions about these start-ups – where are these startups located? What kind-of home IOT devices do they make? Is it a B2B startup or a B2C one?

You can focus on Indian startups for now. These startups produce a wide-range of devices such as a small plug and play devices that make existing products “intelligent” and even new intelligent devices altogether. You don’t need to differentiate between the two for now. This is a B2C startup and so are other players. You are just trying to look for the best one and you need to suggest how should the VC approach the valuation process

Okay, I think I have a basic understanding now. Thank you. I will approach the valuation in three parts – a. Market & Industry Analysis, b. Company Evaluation and Technology Assessment, c. Financial and Strategic Assessment

Can you elaborate on each of these three factors individually?

Sure, I will look at these three factors within each of the three

a. Market & Industry Analysis – Market potential, Competitive Landscape, Market Trends & Dynamics
b. Company Evaluation & Technology Assessment – Technology Differentiation, Intellectual Property Portfolio, Scalability & Adaptability
c. Financial & Strategic Assessment – Financial Projects / Performance, Management Team & Capability, Risk Analysis & Mitigation

Okay, can you describe more on market & industry analysis aspect? What factors within each of these three will you look at?

Alright, starting with market potential – I will look into the Home Devices IOT Market size in India, I will check its growth rate and also projected trends. I will also identify the overall demand for IOT solutions in India

Okay, what will you evaluate in Competitive Landscape?

Right, I will identify the major players & competitors in this sector. I will try to estimate the market positioning of each of these players, their market shares and the unique offerings of these players.

Fine, what about Market Trends & Dynamics?

In this segment, I will try to analyse the emerging technologies and shifts in consumer preferences. I will also look into analyzing regulatory trends and other standards that will affect the IOT and semiconductor industry at large

Okay, are you aware of any method to value startups?

I have heard of about four methods of startup valuation before –
a. Discounted Cash Flow Analysis – Valuation based on future cashflows
b. Venture Capital Method – Valuation based on expected exit multiples
c. Comparable Method – Valuation based on valuation of similar companies
d. Precedent Transaction – Valuation based on previous transactions of the same company

Alright, any idea, which one of the above is used most often?

I am not sure, but I believe it is the VC Method owing to lack of certain / enough data required for other three methods.

Correct, we can close the case here. Best of luck

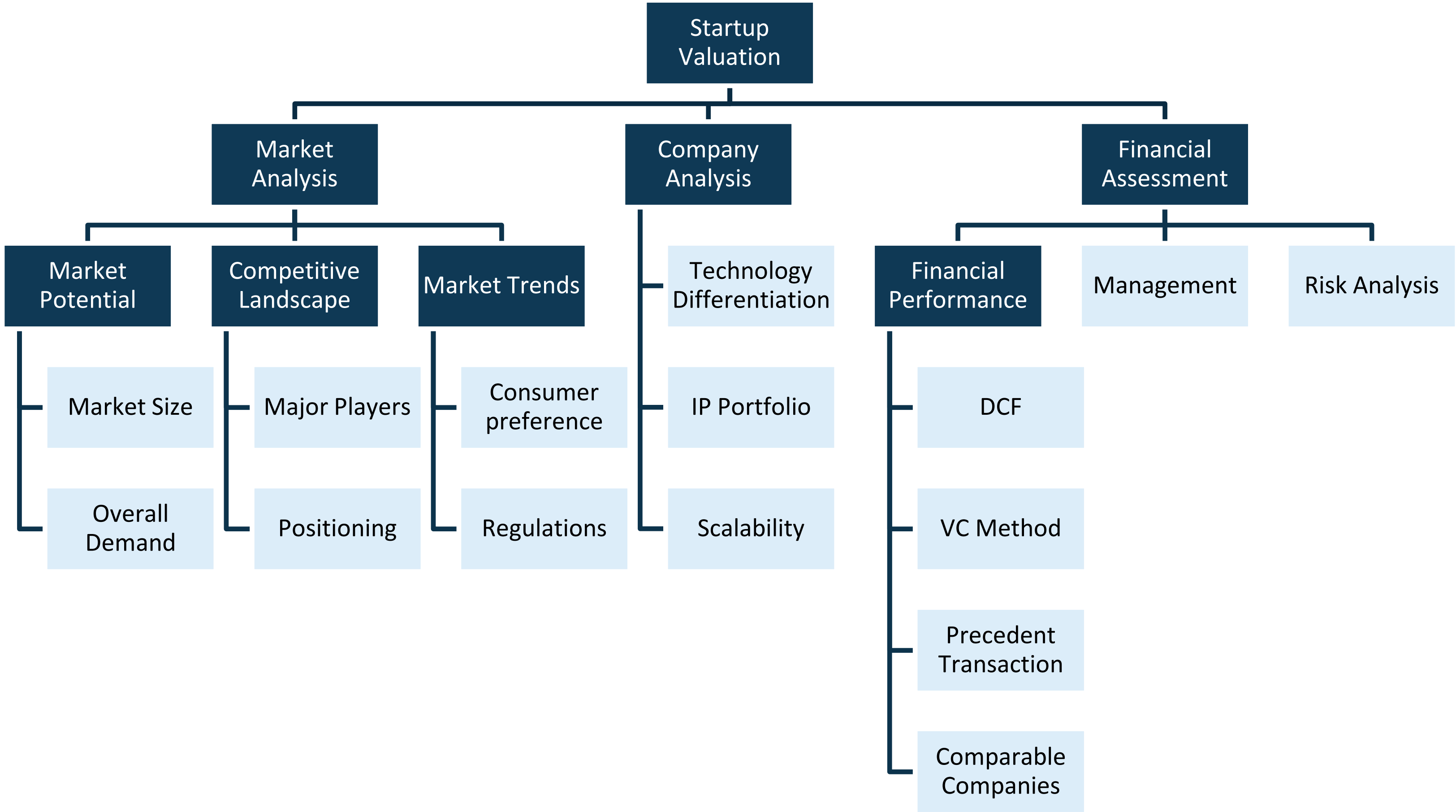
# VC FIRM

**Problem Statement**

Your client is a VC firm. They are currently valuing a group of semiconductor start-ups for home IOT devices. How will you value these startups?

**Case Facts**

- These are early-stage startups which indicates not significant revenue / operations / profits
- These startups produce a wide-range of devices such as a small plug and play devices that make existing products "intelligent" and even new intelligent devices altogether




**Summary / Takeaways**

- This case didn't involve much calculation but it is possible that in a valuation case the interviewer might ask you to perform some calculations
- The calculations won't necessarily be tough and might just be simple calculations infact
- It is always better to take some time to think of a structured approach to solve the cases

# EDUCATION MINISTRY

**Your client is the education ministry of Rajasthan. They have hired you to improve the Rajasthan State Board results for the students of Class X & XII**

Great. To begin with, could you please let me know what exactly constitutes improving board results? Is there any specific metric we are looking at?

That's a good question. You can look at pass % as the metric to be improved.

I understand. Will we be looking at improving the results for both private and public schools?

Let's focus only on public schools affiliated to the Rajasthan Education Board

Are there any particular problems that are causing poor board results for the state?

Students often complain that they don't get enough practice before the board exams. They also complain that teachers are unable to finish the syllabus on time and often skip important topics towards the end

What do teachers currently do to ensure that students get enough practice before the exams?

Apart from their regular teaching, there are monthly tests and 1 full syllabus exam towards the end of December.

Okay. I would like to approach this first by looking at the various stakeholders involved in the education scene and changes that can be implemented w.r.t them

Sure go ahead.

I think the 3 major stakeholders would be Government (Education officers), School (Principals & Teachers) & Consumers (Students & Parents)

Alright. Walk me through them.

On the government side, I believe past board data should be used to identify subjects and schools that require the most intervention. A monitoring team can then be formed in each district to visit such schools regularly. A syllabus completion planner with well-defined milestones that need to be achieved can be formed centrally. This will help ensure uniform syllabus completion across schools and will help in identifying schools which are lagging behind.

Makes sense. What's next?

Moving on to schools. I would first suggest organizing regular workshops and training sessions for teachers to upgrade their teaching skills, implement modern methodologies, and effectively engage with students. Secondly, to ensure more practice for students, I would recommend 2 Pre-Boards to be conducted in the month of January & February. Based on the results of 1$^{st}$ Pre-board, remedial classes can be conducted for poor performing students

Sounds good.

Finally for the 3$^{rd}$ Stakeholders, monthly parent teacher meetings and awareness session should be organized at every school with student feedback being shared to the parents. This will emphasize the importance of their active involvement in their child's academic journey. With regards to the students who are struggling in classes, summer remedial school & counselling sessions can be arranged to enable them to catch-up with their peers.

Is there anything else that you think can be implemented as well?

I believe both the state board & schools can introduce scholarship & incentive programs like fee waivers to motivate students to excel academically.

These are good recommendations. I think we can close the case here.

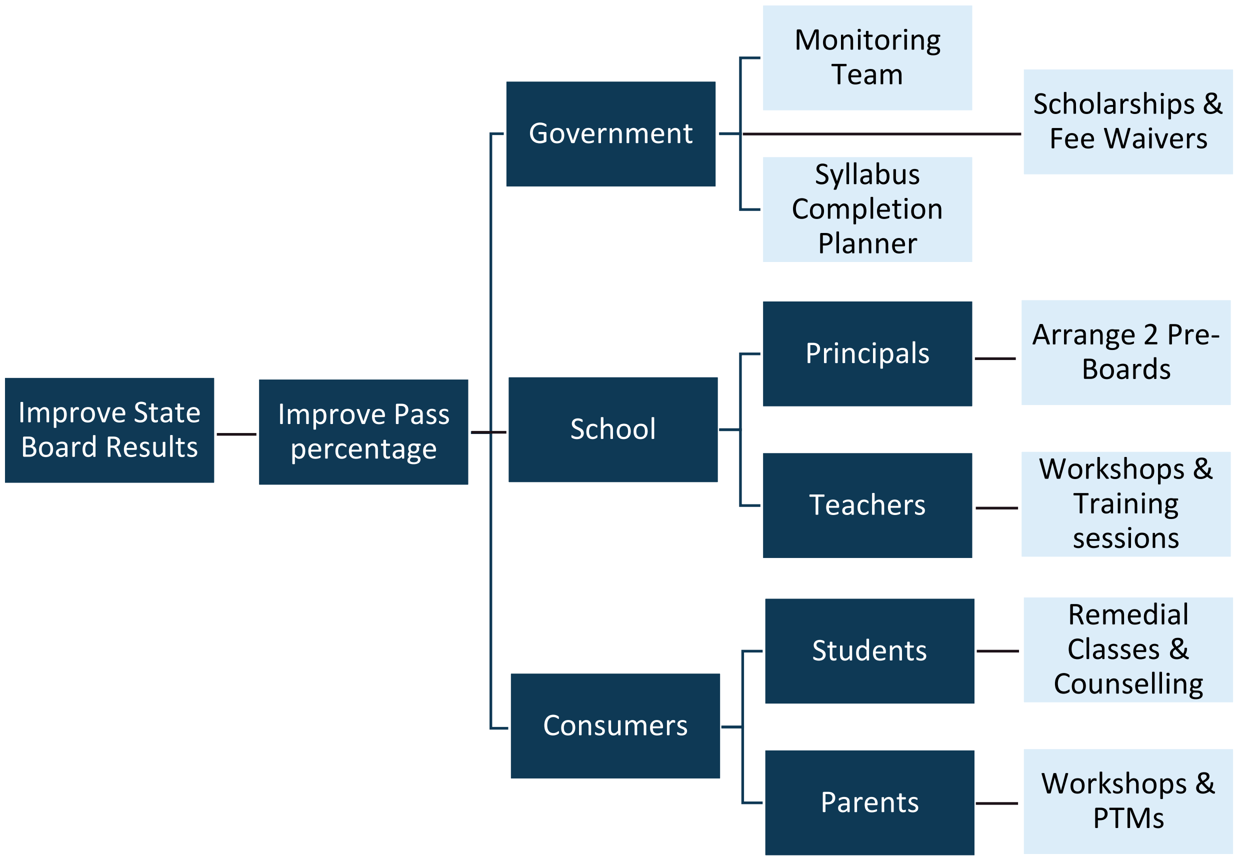
# EDUCATION MINISTRY

**Problem Statement**

Your client is the education ministry of Rajasthan looking to improve the State Board results for the students of Class X & XII in Rajasthan.

**Case Facts**

- Client is Education Ministry of Rajasthan
- Aim: To improve board results for Class X and XII students
- Metric for improvement: Pass percentages




**Summary / Takeaways**

- It is important to define what the metric for improvement exactly is at the onset itself. This will help give direction to the case.
- Though this is an unconventional case, don’t laundry list all possible options haphazardly. Make sure to use some structure.
- Make sure to remain MECE at all stages of the problem.

# MINISTRY OF ROAD TRANSPORT AND HIGHWAYS

**Your client is the Ministry of Road Transport and Highways who needs to become net zero within 25 years**

Okay, before I delve deeper, I would like to clarify a few aspects of the case. What comes under the purview of the industry? When you say Net Zero do you mean reduction of emissions? What geographies are they looking at?

Fantastic questions. The client is responsible for construction and maintenance of roads and highways as well as regulating the modes of transportation on roads. Yes, by Net Zero we mean reduction in emissions. The focus is nationwide.

Okay thank you, I believe I have all the contextual information now. I would like to look at the construction of roads and regulation of transport separately to identify the potential to reduce emissions in both.

Okay. Please proceed with the construction component first.

The value chain of construction will include: Raw material procurement -> Inbound logistics -> Construction operation and maintenance. Coming to RM, while we can procure from carbon neutral supplier, I would like to take a deeper look into cement as it is an important RM, is that fine?

Okay. Please proceed

The criteria for cement supplier should be stringent, in terms of the practices followed in limestone mining and plant operations. The ministry can mandate the suppliers to use in-situ mining and use a heat recovery unit.

Good, please proceed.

Inbound logistics will have transportation and warehousing, here Alt. fuel trucks could be used for transportation. Coming to construction operations, the methods employed should prevent wastage and use efficient machinery. Further, streetlights could be solar powered, and roads could have green spaces and cycling lanes to promote use of non-motorized transport means

These are great ideas. You can analyse the transportation regulation.

Okay, here I would like to assess the public transport and private modes of transport separately.

Okay, go on.

Alright, coming to public transport, the ministry can try to phase out Internal Combustion Engine (ICE) buses in the coming years. These can be replaced by Electric or any other alternate fuel buses.

Absolutely, now look at the private vehicle segment.

This segment can be split in HCV and LCV/4W/3W/2W segments as HCV's tend to impact the roads and highways more adversely.

1. HCV: Mandate or reward high vehicle utilization leading to lesser trips, set a limit on the no. of trips per week on national highways promote Alt. fuel vehicles through subsidies. Trip reduction will ensure lesser damage and hence lower maintenance requirement of roads
2. LCV/4W/3W/2W: Tax benefit and subsidies on Alt fuel vehicle purchase and private sector partnerships to build Alt. fuel infrastructure like EV charging stations

Correct. We can close the case here. All the best.

# MINISTRY OF ROAD TRANSPORT AND HIGHWAYS

**Problem Statement**

Your client is the Ministry of Road Transport and Highways who wants to achieve its goal of net zero within 25 years. Suggest next steps.

**Case Facts**

- Client is the Ministry of Road Transport and Highways
- Net zero -> through emissions reduction
- Geography: India
- Purview of ministry:

1. Construction of roads/highways
2. Regulate the modes of Transportation

- Ministry
  - Construction
    - Raw Materials
      - Cement
        - Supplier Criteria
          - Heat Recovery Unit on plant
          - In-situ mining of limestone
          - Fuel efficient equipment
      - Gravel + Sand + Asphalt
        - Carbon neutral supplier
    - Inbound Logistics
      - Transportation
        - Alt. fuel trucks
      - Warehousing
    - Operations + Maintenance
      - Low material wastage
      - Fuel efficient equipment
      - Solar powered streetlights
      - Incorporate green spaces
      - Cycling path on certain roads
  - Transportation regulation
    - Public transport
      - Phase out ICE vehicles
    - Private vehicles
      - LCV/4W/ 3W/2W
        - Tax benefits on Alt. fuel vehicles
        - Setup EV infrastructure
      - HCV
        - Promote Alt. fuel vehicles
        - Reward high utilization
        - Limit weekly trip count

*Alt. fuel vehicles include:*
- *EVs*
- *Hydrogen fuel cell vehicles*
- *Green petroleum and other biofuels*

**Summary / Takeaways**

- There is a high probability of getting caught off-guard in an unconventional case, the trick is to try to develop a structure to solve the case
- Clarifying questions play a crucial role in solving such cases, as it is important to understand the client and their objective well
- In unconventional cases, the interviewer focuses on the structure and practicality of ideas

# MINISTRY OF TRAVEL & TOURISM

**Your client is Ministry of Travel & Tourism, Government of India. They have observed that the tourism revenues have gone down over the last few years. You are approached to develop a framework to analyze the situation and give recommendations.**

What is the objective of the client here?

The client wants to increase the overall revenues from tourism, given India's scope due to huge number of tourist options available. They are open to exploring every possible idea

What is the timeline for the same?

Let's say the client wants to see greater revenues over the next 3-5 years

Do we know if the Ministry is targeting increased in revenue from domestic or international tourists?

They want to increase revenue from both

Has the downfall in revenues been observed in any particular state or location or is it Pan-India?

It has been observed pan-India

Do we know if the downfall has been observed in other countries as well or is it more contained in India, especially since many countries would have experienced this due to Covid?

You are right, Covid has damaged revenues across most countries. However, our growth in revenues hasn't happened at the expected rates. Let's start with the case now. Can you give me an approach which a consulting team would adopt to solve the case?

Sure! In order to solve the problem and suggest recommendations, I would proceed with the following flow:

- Assess the current situation to identify weak areas – could be done through secondary and primary research
- Identify new and emerging opportunities through the research conducted along with the emerging trends from different countries
- Suggest measures and recommendations for the problem areas and opportunities
- Identify an implementation plan for the whole

This is a good approach. Let's assume that you conducted the research and identified that there are various infrastructural issues in the country. Tourists are facing accessibility and quality issues here. How would you go above solving it?

Sure. So, when it comes to Infrastructure issues, I would bifurcate it into 3 areas – Transportation, Accommodation and Ancillary Services.

That sounds like a good approach. Let's start with Transportation

Sure. Transportation can be further divided into Road, Rail and Air travel. For roadways, the ministry can cooperate with state and local authorities to work on two areas – Introduction of newer modes of transport, such as Special taxis or buses for tourists and improving current roads and highways. In the railways sector, government can introduce additional services and benefits in existing trains to earn additional revenue. It can also continue introducing special tourist trains like the one it introduced recently for exploring religious places in North India. Government can also provide tourism bundles – offering accommodation with railway services

And for air travel?

Since airlines are mostly operated by private players, government can focus on improving facilities at the existing airports and constructing newer ones, especially international airports. It can offer various bundled packages at these airports and can collaborate with multiple companies and brands who would like to establish outlets at these airports.

That sounds good. Let's move on to accommodation now.

Sure! So accommodation can be broadly categorized under the following categories – Hotels, Homestays and government guest house. In the area of hotels and homestays, the ministry can provide additional support and loans to companies willing to maintain and construct them in order to provide greater availability to tourists. Additionally, government can support various aggregator platforms such as Trivago to update their databases with additional hotels and update the data of existing ones. The government can launch its own rating platform for hotels and homestays to provide tourists with an unbiased platform for sourcing information.

And can you suggest measures for government guest houses?

Yes. For government guest houses, I would categorize them under the following two – New and Existing. The Ministry can build newer guesthouses catering to both premium and general segments which can provide both additional revenues and reduce infrastructural issues. For the existing ones, the government can focus on improving the current infra, hiring better staff and enlisting those guest houses on various aggregator platforms. Additionally, the Ministry can set up various counters or booths in stations and airports offering exclusive booking to government guest houses

Alright! That sounds perfect

In order to identify gaps in ancillary issues, I would like to go through the journey of a tourist and check which areas they would require support in.

Okay, that sounds like an approach

Okay! So a tourist's journey can be broken down into the following steps – Identifying the destination for travel, making reservations, reserving the services of a guide, exploring the destination, and different spots, entertaining themselves with local food & events, completing the journey by paying any remaining dues and providing feedback

That seems to cover most activities. Let's go to recommendations

Yes! The Ministry can focus on promoting different tourist spots and packages to people inside and outside India. It should heavily market on social media given the increasing usage of the platform. The Ministry can also focus on releasing short and feature films on tourist spots to attract more consumers. New or less explored places should be promoted for tourism. New kinds of tourism like Agricultural Tourism etc. can be promoted.
For the guide and overall experience aspect of tourists , the Ministry can formalize the process, establish and train government authorized guides who can properly support tourists without any risks. The government should focus on skill development of local population so that they can provide better services to tourists.
For the destination exploration, the Ministry can establish various packages and tour plans to adequately cover various tourist spots. It can empower local artists and performers to showcase India's heritage and culture and attract more foreign tourists

These recommendations sound wonderful. I think we can close the case here

# MINISTRY OF TRAVEL & TOURISM

**Problem Statement**

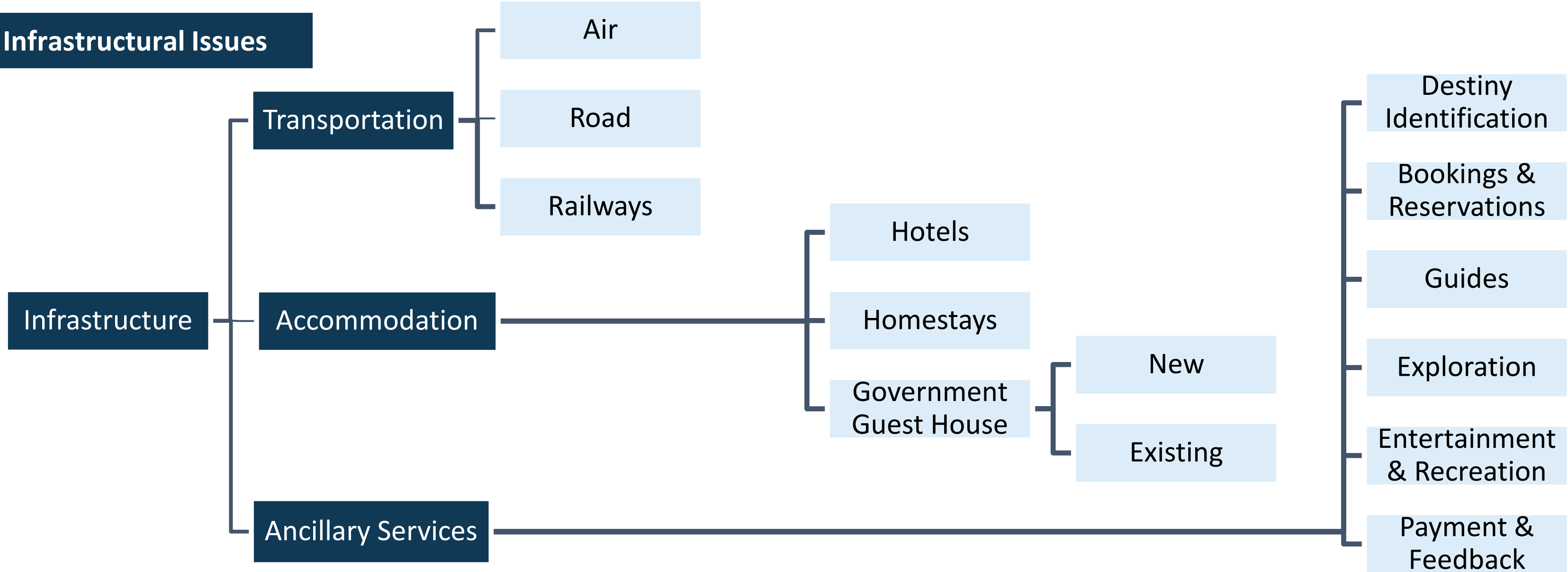
Your client is Ministry of Travel & Tourism who have observed that the tourism revenues have gone down over the last few years. You are approached to develop a framework to analyze the situation and give recommendations.

**Case Facts**

- The client is Ministry of Travel & Tourism who have observed fall in tourism revenues
- Focus of the case is towards developing solutions rather than identifying problems
- Infrastructural issues act as a roadblock in earning higher revenues
- Solution required the interviewee to provide ideas for 3 streams – Transportation, Accommodation & Ancillary services

**Analysis Structure**


**Infrastructural Issues**




**Summary / Takeaways**

- Given that this problems focuses a lot on creativity and innovativeness of the ideas, it is necessary to present all suggestions in a MECE structure
- The case could have focused on other issues such as safety, quality, pricing and so on, hence it is advisable to practice this case with multiple issues

# THE FOUNDER OF AN ANALYTICS FIRM

**Your client is the founder of an analytics firm who has received a buyout offer, decide if the offer should be accepted of not.**

Okay, before I delve deeper in the case, I had a few preliminary questions. What is the business of the analytics firm? What is the offer value? Who has given this offer? What are the current revenues of the firm?

Fantastic questions. The client is in IT services, providing people-based insights and customer retention solutions. Its clientele is small and has private businesses. The buyout offer is of $500M. Accenture is the bidder and is interested in the talent pool of the Analytics firm. The revenue of the firm is $85M and revenues have grown at 30% p.a. in last few years.

Okay, I would like to understand financial feasibility, operation scenario and personal (founder) factors separately. Is this fine?

Yes, please proceed

To assess financial feasibility, I would like to know if there are any other offers the firm has received? What is the industry valuation benchmark and data on recent deals? Statistics of the firm's last funding round?

The firm hasn't received other offers, there weren't any recent deals in this sector. The average P/S multiple received is 4. In the last funding round (2 years ago) the firm was valued at $300M and received a P/S multiple of 6.

The current offer of $500M implies a P/S multiple of 500/85 = 5.88, is there any other factor that I should consider?

Yes, there is 75% chance that the firm might win a $20M contract from HUL.

Okay, so if the increase in revenue would be expected value of the HUL contract that is (0.75x20 + 0.25x0) = $15M. The new revenue would be $100M, implying that the P/S multiple based on the current offer would be 5

Yes, you are correct. Though is lower than the past rounds it is better than the industry average. Move on to the operational scenario segment.

Okay, the operational scenario segment can be split into offer acceptance and rejection:

1. Offer acceptance: need to settle cultural differences, Accenture would assist in fuelling growth
2. Offer rejection: focus in revenue growth through client acquisitions and invest in growth through hiring and training employees, further fund raise may be required to fuel growth

Correct, the current employee strength is 600 of which 300 are new hires.

Yes, so training them would add burden on the firm's P&L

Absolutely, move on to the personal factors segment.

Here, we could look at monetary factors and the decision to stay/leave after acquisition. Further factors to consider in stay/exit decision would be emotional connect, loss of power and if any other career options are available or not

Correct, this seems fine. Do you have any recommendations.

While the stay/exit decision may be founder dependent, base on the operational scenario and financial feasibility I think accepting the offer would be prudent.

Great, we can close the case now. All the best.

# THE FOUNDER OF AN ANALYTICS FIRM

**Problem Statement**

Your client is the founder of an analytics firm who has received a buyout offer, decide if the offer should be accepted of not.

**Case Facts**

- Analytics firm is in IT services, providing people-based insights and customer retention solutions
- Clients: Small in number and private businesses
- Acquirer: Accenture for access to Analytics firm's talent pool
- Revenues: $85M, with 30% growth in last few years

*P/S = Valuation/Revenue*

Factors
- Financial Feasibility
  - IT Industry comparable
    - No recent deals
    - General P/S multiple: 4
  - Other offers
    - No
  - Last funding round
    - Valuation: $300M
    - Time: 2 years ago
    - Revenue: $50M
    - P/S received: 6
- Operational scenario
  - Offer acceptance
    - Settle cultural differences
    - Accenture would fund growth
  - Offer rejection
    - Revenue growth
      - Find new clients
      - Win HUL contract
    - Invest in growth
      - Train the 300 new employees
      - Raise fund to support growth
- Personal
  - Monetary factor
  - Stay or leave after the sale
    - Emotional connect with the firm
    - Shift in power dynamics
    - Other available career options

*Offer seems financially reasonable*

Buyout offer: $500M
Current revenue: $85M
Implied P/S: 5.88

Optionality: HUL might give a contract worth $20M
Chance of winning: 75%
New revenue: 85+(0.75x20 + 025x0) = $100M
Implied P/S: 5

It should be noted that if HUL does a trial and the Analytics firm fails, it would have to take a reputational hit also even if the firm passes there is a chance that it might become dependent on HUL for a large chunk of its revenues

The employee base of the Analytics firm is 600 of which 300 are recently hired and would require training

**Summary / Takeaways**

- In cases which include buyout/acquisition, financial, operational and legal factors are to be considered (legal factor is important to acquirer)
- Gain an understanding of the operations of the target company, like in this case being an IT service company employee training is important
- It is important to check financial feasibility with numbers, it displays your understanding of finance and ease with numbers

# LEMONADE STAND

**You are required to help a 5-year-old to set up a lemonade stand.**

Okay, before I delve deeper in the case, I had a few preliminary questions. Where is the lemonade stand to be set up? What is the occasion or purpose of setting up this stand?

Fantastic questions. The stand is to be set up in an open park with limited entry. The occasion is a one-day school annual fair. The purpose is to attract as many customers as possible and maximize revenue from the stand.

Okay, a few questions regarding the product. Shall we include different types/ flavors of lemonade? Shall we accompany our lemonades with a variety of snacks? Also, who makes up the addressable customer base?

Consider the classic lemonade as our only product. The fair is open for all the students of the class (batch of 200), their families & friends and the faculty. You can skip the general public for the time being.

Some last few questions. Since lemonade is usually a summer drink, what weather conditions do I take into consideration? And finally, who are our competitors?

That is well thought of. For this case you can assume it is the summer season. Each of the 200 students in the class has a food or beverages stall.

Alright, can I have a minute to structure my thoughts? Thank you! I would like to begin by laying out the operational feasibilities. I would also like to structure out the revenue model. What shall I proceed with first?

Sure. Can you touch upon the revenue structure first?

Sure. I would calculate revenue as Revenue = # of customers * Price/Glass * Frequency. The # of customers would include parents (2*200), friends (2*200) and faculty (1*5). We will also assume 10% competitors (10%*200) as our customers. So the total will be 825. Assuming 50% of the people will probably consume 2 glasses in the day, we take the average frequency to be 1.5. Based on the costs (Raw materials, Personnel and Electricity & Rent) we come up with the price.

Good. The addressable market size and revenue equation sounds fine. Can you proceed with the operational feasibilities now?

Sure. I will firstly divide operational feasibilities into- Setting up stand, Operations and Marketing. Setting up will involve looking at- Location, raw Materials (Lemon, Water, Sugar & Glass), Equipment and Personnel (Taking orders, Making lemonade & Delivery/ Serving)

Alright. Now proceed ahead with the other two verticals.

Delving into Operations, we will look into electricity and rent payments which will add to the costs, taking orders & producing lemonade using the equipment and payments & delivery/ serving activities. Moving ahead with Marketing we will come up with posters, social media activities and cashbacks & discounts on bulk purchases.

This sounds fine. You may conclude the case now.

To conclude, I would suggest we collaborate with other food stalls and come up with combos to drive up the sales. Also, we should encourage feedbacks from customers to better the lemonade.

Sounds Good. We can close the case here. All the best.

# LEMONADE STAND

**Problem Statement**

You are required to help a 5-year-old to set up a lemonade stand.

**Case Facts**

- The lemonade stand is to be set up for a school annual fair in an open park
- Each student in the class (200) has an F&B stall
- Need to set up the stand, streamline operations and come up with marketing strategies
- Suggestions for increase in revenue and customer retention

- Operational Feasibility
  - Setting Up
    - Raw Materials
      - Lemons
      - Sugar
      - Glass
      - Water
    - Equipment
    - Location
    - Personnel
      - Taking orders
      - Making lemonades
      - Serving
  - Operations
    - Electricity / Rent
    - Taking Orders
    - Preparing Orders
    - Delivering / Serving
    - Payments
  - Marketing
    - Posters
    - Pricing Incentives
      - Cashbacks / Discounts
    - Social Media

***Total Revenue =***
*Price per Glass * Frequency of Purchase * Number of customers*

***Number of customers =***
*Parents (2*200) + Friends (2*200) + Faculty (1*5) + Competitors (10%*200) = 825*

**Summary / Takeaways**

- It is always important to be structured during the case interviews.
- Some interviews can go on for a long time. In such cases, it is important to remain calm and always try to have a structured approach
- To ensure there is no error, it is better to confirm every step of your solution before directly proceeding.


GUESSTIMATES

# GUESSTIMATES

Guesstimates are estimates based on a mixture of guesswork and calculation. They can be given independently or as a part of a case. The interviewer is generally looking to assess:

- Structure of your approach
- Comfort level with numbers and quick calculations
- Ability to make back of the mind checks to validate the numbers

As a part of the guesstimate you will required to make reasonable and logical assumptions, it is important to state them clearly and seek confirmation from the interviewer. You will not be expected to calculate the exact value, but a rough number.

## **Approaches to solving guesstimates**:

**Top-Down approach**

Involves starting with an entire population (in other words, the "top" level) and then breaking it down until you arrive at an answer.

The major elements of a top-down approach are:

- Identifying the correct starting universe
- Applying the right set of filters and relevant conditions. Segmentation can be carried out as follows:
  - Demographics (age, sex, income, ethnicity, etc.)
  - Psychographics (attitudes, behaviour, values, e.g. smoker vs non-smoker, dog vs cat person, etc.)
  - Geography (urban vs rural, Tier I/II/III cities, country, continent, etc.)
  - Channels (offline vs online, mobile app vs website, etc.)

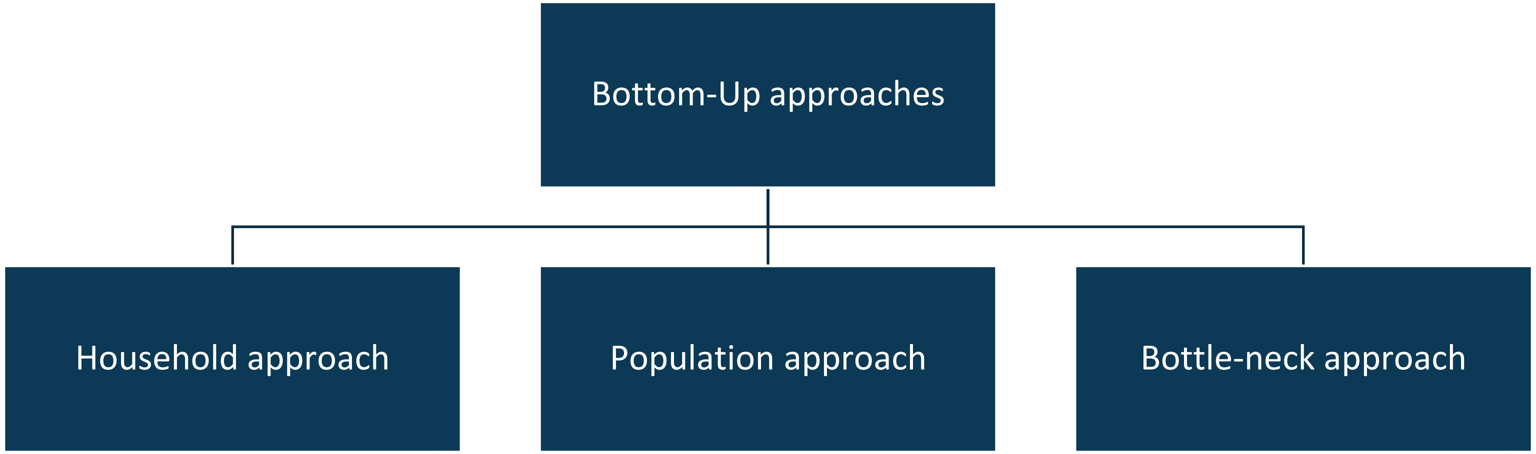
# GUESSTIMATES

**Bottom-Up approach**

For this approach, rather than starting from the “top” with a high-level figure such as population, the best approach is to start from the “bottom”—some low-level statistic, such as Revenue per customer, and build your way up to the answer.

Some common bottom-up approaches:

- Household approach
  - Example: For a guesstimate involving the number of cars, washing machines etc driving calculation using a household approach is easier
- Population approach
  - Example: For estimating the number of mobile phones, chocolates consumed, apparel bought a population approach can be used
- Bottle-neck approach
  - Example: For estimating the number of flights per day in a busy airport the number of available runways would serve as a handy bottleneck to base your calculations. There could also be a limitation on the production capacity of the manufacturer in certain cases



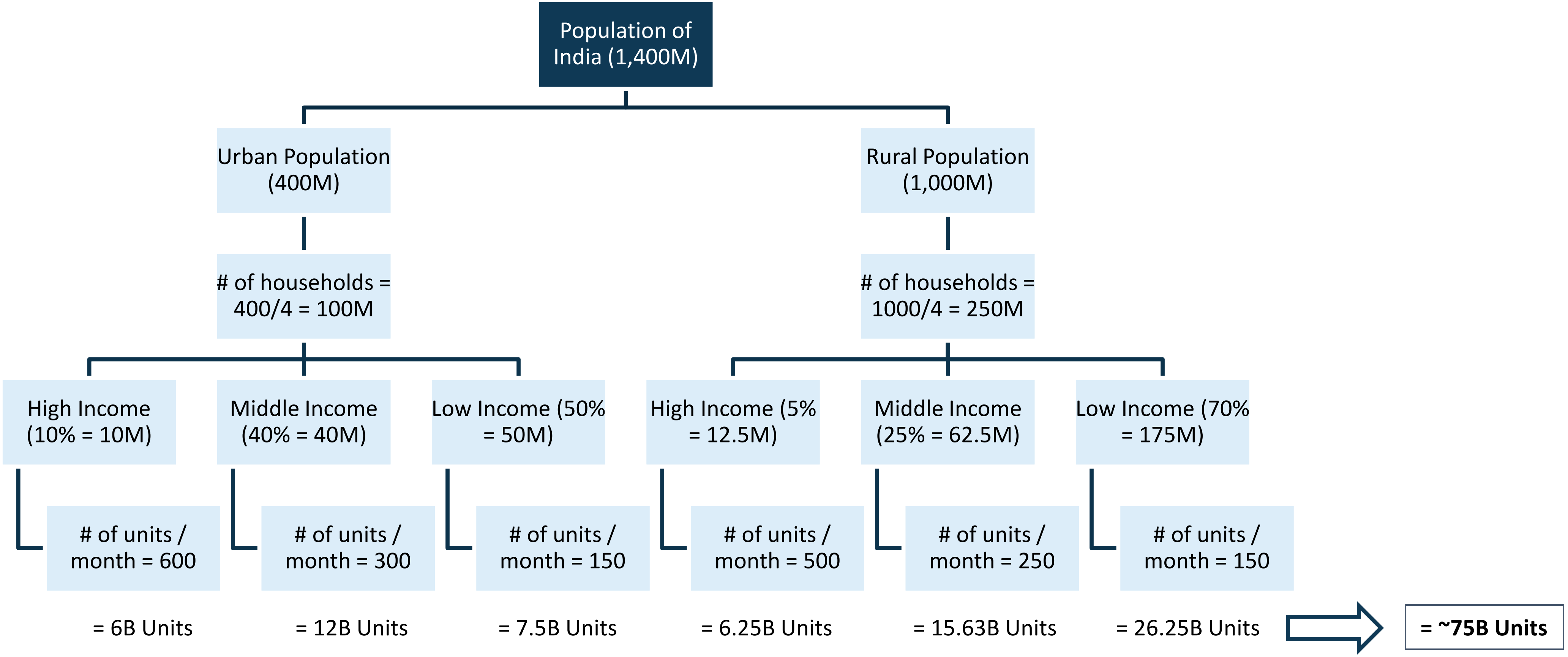
# Residential Electricity Consumption

**Problem Statement**

Guesstimate the monthly residential electricity consumption in India

**Case Facts**

- Calculation to be done in terms of units of consumption
- Average family size for both Rural and Urban
- The # of units per month for each of the income group can be assumed basis some calculation such as the monthly electricity consumption of your home




**Summary / Takeaways**

- While guesstimates are summarized here as a flowchart, even guesstimates discussion flow like any other case discussion
- You are supposed to ask for details or make & clarify assumptions with the interviewer as the discussion progresses

# Kolkata Airport

**Problem Statement**

Guesstimate the number of daily passengers on Kolkata Airport

**Case Facts**

- Number of runways = 2
- Domestic / International Flight split = 70/30%
- Time between two flights on one runway = 6 mins i.e. 3 mins between 2 flights altogether since there are two runways

# of passengers on Kolkata Airport

# of flights landing / taking off

Depends on the # runways = 2

Total operational hours of runways = 20 hours

Time b/w 2 flights = 6 mins (10 flights / hour)

Hence total flights handled in a day= 2*20*10 = 400 flights

# of flights landing or taking off

Domestic Flights (70%)

Average Capacity = 180

Average Occupancy Rate = 70%

International Flights (30%)

Average Capacity = 300

Average Occupancy Rate = 70%

Total domestic passengers per day = 400*70%*180*70% = ~35,300
Total International passengers per day= 400*30%*300*70%= 25,200
Hence total daily passengers = ~**60,000**

**Summary / Takeaways**

- This is based on the bottleneck approach. Here bottleneck was the number of flights that can land/takeoff on one day and basis that daily number of passengers are calculated
- Here, the implicit assumption is that no passenger travels twice in a day. It is better to clarify this explicitly

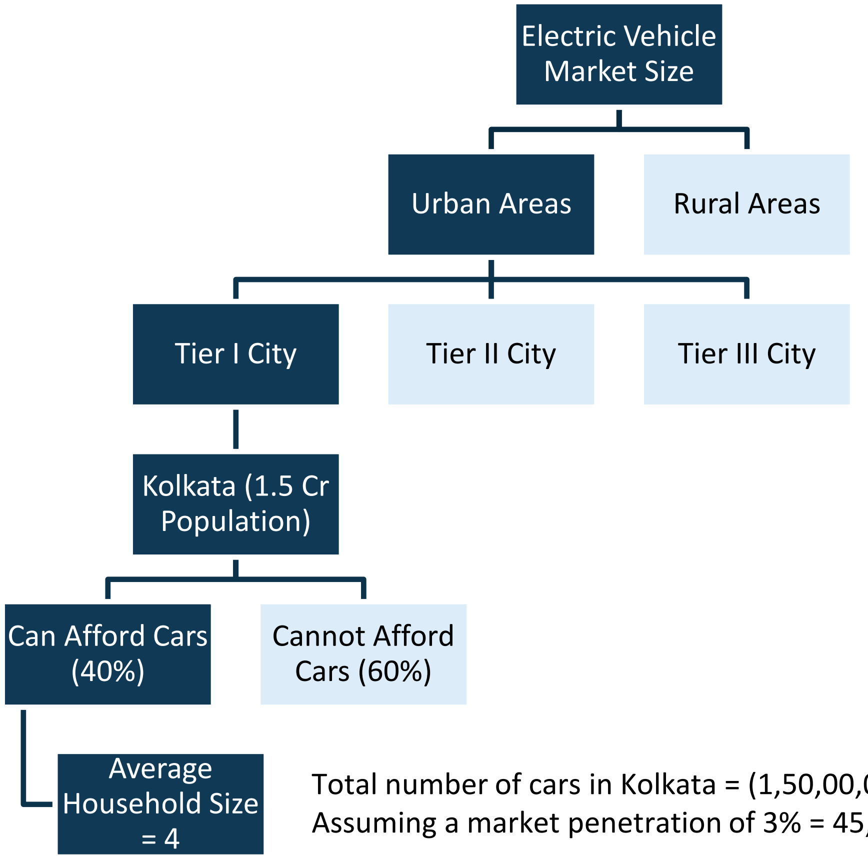
# Electrical Vehicles

**Problem Statement**

Guesstimate the electrical vehicles market size in Kolkata for the next one year

**Case Facts**

- The EV market size of Kolkata is required to estimate
- Assumed market penetration of 3% for EV's
- Population of major Tier I cities of India is 1 Cr to 2 Cr




Total number of cars in Kolkata = (1,50,00,000/4)*0.4 =15,00,000
Assuming a market penetration of 3% = 45,000 electric vehicles

**Summary / Takeaways**

- Always use a structured approach while solving for the Guesstimates and use clean numbers for assumption for easy calculation
- Approximating the car affordability can be done on the basis of income split refer to case License Plates (Pg No ) for calculations

# Fast Food Chain

CONSULT CLUB

**Problem Statement**

Guesstimate the daily revenue of a typical fast-food chain in Kolkata

**Case Facts**

- Focus on Dine-In orders only

Total Revenue

Average Price

# of items sold

Dine-In

Takeaway

Delivery

# of items sold in Dine-In

# of operational hours

Capacity (# of seats)

Average occupancy

# of items per person

/ Average time a seat is occupied

| | |
|---|---|
| Average Price | ₹100 |
| Operational Hours | 12 |
| Capacity | 50 |
| Average Occupancy | 70% |
| # of items per person | 2 |
| / Average time a seat is occupied* | 30 mins = 0.5 hours |
| **Total Daily Revenue** | **₹1.68L** |

*The average time every person eats at a fast food restaurant =30 min, therefore 2 (60min/30min) people occupying a seat per hour]

**Summary / Takeaways**

- A similar mathematical approach can be taken to estimate the total revenues via Takeaway and Delivery business
- For Delivery / Takeaway orders, you can include factors such as average order value, any special discounts / cashbacks offered, number of orders in a hour basis demand

# License Plates

**Problem Statement**

Guesstimate the number of license plates in the state of Maharashtra

**Case Facts**

- Only personal vehicles need to be considered that is ignore commercial vehicles

Assumption: Average people per household - 4

Assumption: Average # of vehicles per household -

Number of license plates per vehicle - 2

Population of Maharashtra (120M)

/4 High Income Households (10% - 3M)

/4 Middle Income Households (40% - 12M)

/4 Low Income Households (50% - 15M)

% Vehicle Ownership (90% - 2.7M)

% Vehicle Ownership (50% - 6M)

% Vehicle Ownership (30% - 4.5M)

*2 No. of vehicles (5.4M)

*1.5 No. of vehicles (9M)

*1 No. of vehicles (4.5M)

*2 Number of license plates (10.8M)

*2 Number of license plates (18M)

*2 Number of license plates (9M)

Total Number of license plates = 10.8 + 18 + 9 = 37.8M

**Summary / Takeaways**

- It is always better to clarify with the interviewer whether you are missing out on any other place where the license plates could be used
- Once interviewer confirms, delve deeper. Sometimes, it may happen that the interviewer might choose to not go into depth in certain segments

# Dinner Plates

**Problem Statement**

Guesstimate the number of Dinner Plates in the state of West Bengal

**Case Facts**

- No specific case facts were given
- Restaurants & Commercial Places need not be delved into. Just specify the approach

Population of West Bengal (100M)

High Income People (10% - 10M)

Middle Income People (40% - 40M)

Low Income People (50% - 50M)

% Crockery Ownership (100% - 10M)

% Crockery Ownership (80% - 32M)

% Crockery Ownership (60% - 30M)

Assumption: Average # of dinner plates per person

*8

*5

*3

No. of dinner plates (80M)

No. of dinner plates (160M)

No. of dinner plates (90M)

Total Number of dinner plates = 80 + 160 + 90 = 330M

Other areas that have dinner plates:

1. Restaurants
2. Commercial areas (Offices)

Approach - Restaurant

1. Try to estimate the no. of restaurants basis restaurant either basis demand for restaurants or using the restaurant density per sq.km
2. Similarly try to estimate the number of offices basis percentage of population employed
3. Then make a rough assumption for the number of plates in each of restaurant / office spaces

**Summary / Takeaways**

- Always clarify each step with the interviewer
- In most cases, interviewer will guide you with data as and when required

# Decision Tree – Movie Production House

**Problem Statement**

Using Decision Tress, estimate whether a production house should produce and release a movie

**Case Facts**

- All the probabilities were given as case facts
- You just need to calculate Bayesian Probability and hence the net profits
- Total Costs = $10M

Produce & Release Movie?

- High Quality Movie Chances (0.6)
  - Box Office Hit Chances Given High Quality Movie (0.7)
    - Potential Revenue = $20M
  - Box Office Flop Chances Given High Quality Movie (0.3)
    - Potential Revenue = $5M
- Low Quality Movie Chances (0.4)
  - Box Office Hit Chances Given Low Quality Movie (0.3)
    - Potential Revenue = $10M
  - Box Office Flop Chances Given Low Quality Movie (0.7)
    - Potential Revenue = $2M

Total Expected Revenue = ($20*0.7 + $5*0.3)*0.6 + ($10*0.3 + $2*0.7)*0.4 = $11.06M
Total Costs = $10M (Given)
Total Profits = $11.06M - $10M = $1.06M

Since Profits > 0, produce & release the movie

**Summary / Takeaways**

- This is essentially Bayesian probability. Some firms tend to ask cases based on Decision Trees hence this case is meant to give you an idea of that
- This is a very simple decision tree. It might be possible that longer decision trees may be given in the interview
- Such interviews progress just as any other case with the interviewer giving intermittent data during the discussion.

# APPENDICES

# APPENDIX A

## GUESSTIMATE STATISTICS

Following are some important statistics to keep in mind for solving guesstimates for market sizing and otherwise.

**Population Distribution in India (in Millions)**

| Total Population | | 1400 |
|---|---|---|
| **Gender** | **(in Millions)** | **%Total** |
| Males | 742 | 53% |
| Females | 658 | 47% |
| Sex Ratio (M/F) | 1.12 | |

| Geography | (in Millions) | %Total |
|---|---|---|
| Urban | 560 | 40% |
| Rural | 840 | 60% |

| Age Groups | (in Millions) | %Total |
|---|---|---|
| 0-14 | 420 | 30% |
| 15-24 | 280 | 20% |
| 25-34 | 210 | 15% |
| 35-44 | 210 | 15% |
| 45-54 | 140 | 10% |
| 55+ | 140 | 10% |
| Note: 50% of the population is under 25, 65% under 35 | | |

| Income | (in Mn) | %Total |
|---|---|---|
| Below poverty line | 280 | 20% |
| Low income | 560 | 40% |
| Middle income | 420 | 30% |
| High income | 140 | 10% |

**Area wise Distribution of India (in '000 sq. kms)**

| Total Area | | 3,300 |
|---|---|---|
| **Terrain** | **(in '000 sq. km)** | **%Total** |
| Land | 2,310 | 70% |
| Water | 330 | 10% |
| Forests | 660 | 20% |

**Population Distribution by Faith**

| Faith | (in Mn) | %Total |
|---|---|---|
| Hindu | 1,040 | 80% |
| Muslim | 195 | 15% |
| Christian | 26 | 2% |
| Sikh | 19.5 | 1.5% |
| Others/Unspecified | 19.5 | 1.5% |

**Population and Area of Major Cities**

| Cities | Population (in Mn) | Area (in sq. km) |
|---|---|---|
| Mumbai | 13 | 600 |
| New Delhi | 11 | 1500 |
| Kolkata | 5 | 200 |
| Bangalore | 5 | 750 |
| Chennai | 4 | 400 |
| Hyderabad | 4 | 600 |

| Tiers | Population (in Mn) | % Urban |
|---|---|---|
| Tier 1 (Top 10) | 60 | 15% |
| Tier 2 (Next 50) | 60 | 15% |
| Tier 3 (Next 100) | 45 | 12% |



*Note: These are only rough figures (and not actual) that are meant to help you in solving the guesstimate with simple calculations

# APPENDIX B

**GLOSSARY** Following are definitions to some key terms often used during case analysis

| Term | Definition |
|---|---|
| **Adverse Selection** | Situation in which an individual's demand for insurance is aligned to their risk of loss (i.e. people with the highest expected value will buy insurance) and the insurer cannot account for this correlation in the price |
| **Arbitrage** | The purchase of securities on one market for immediate resale on another market in order to profit from a price discrepancy |
| **Break-Even** | Total amount of revenue needed to offset the sum of a firm's costs. Implies that the firm's profit will be $0 |
| **CAGR** | Compound Annual Growth Rate:<br>[(Ending Value/Beginning Value)^(1/n)]-1, n=no. of years |
| **Capacity** | The maximum level of output of goods and/or services that a given system can potentially produce over a set period of time |
| **Competitive Advantage** | When a firm is able to deliver benefits equal to competitors but at a lower cost OR able to deliver greater benefits than competitors |
| **Consumer Surplus** | Economic gain achieved when consumers purchase a product for a price less than their willingness to pay<br>Consumer Surplus = Willingness to Pay - Price |
| **Contribution Margin** | C=P-V, where P is unit price, and V is variable cost per unit |
| **Core Competencies** | The activities that a firm does well to create competitive advantage |

# APPENDIX B

| Term | Definition |
|---|---|
| **Customer Segmentation** | Subdivision of a market into discrete groups that share similar characteristics |
| **Discount Rate** | Also known as cost of capital. There is an opportunity cost associated with every investment, with the cost being the expected return on an alternate investment |
| **Economies of Scale** | The average cost per unit for a business entity is reduced by increasing the scale of production |
| **Economies of Scope** | The average cost for a business entity is reduced by producing two or more products |
| **Elasticity** | If E>1, decrease price to increase revenue<br>If E<1, decreased price leads to lower revenue |
| **Entering New Market** | Three main methods: start from scratch, form joint venture, acquire an existing player |
| **Fixed Costs** | Costs that do not change with an increase or decrease in the amount of goods or services produced |
| **Gross Margin** | A Company’s total sales minus its cost of goods sold, divided by the total sales revenue, expressed as a percentage |
| **Horizontal Integration** | The acquisition of additional business activities at the same level of the value chain |
| **International Expansion** | Main mechanisms: exporting, licensing, franchising, joint venture, foreign direct investment (acquisition or startup) |

# APPENDIX B

| Term | Definition |
|---|---|
| **Inventory Turnover** | A ratio showing how many times a company's inventory is sold and replaced over a period. Should be compared to industry averages: low turnover implies poor sales or excess inventory; high ratio implies either strong sales or ineffective buying |
| **Law of Diminishing Returns** | At some point in the production process, the addition of one more unit of output, while holding everything else constant, will eventually lead to a decrease in per unit returns |
| **Learning Curve** | Visually shows how new skills or knowledge can be quickly acquired initially, but subsequent learning becomes much slower. A steeper curve indicates faster, easier learning and a flatter curve indicates slower, more difficult learning |
| **Marginal Cost** | Cost of one more unit of output |
| **Market Share** | The percentage of market size controlled by an individual firm |
| **Market Size** | Total size of a population (usually measured in number of people or actual dollar value) that would purchase a company's goods or services. Market size is always relevant and is a question that should be asked |
| **Monopoly** | Entity is the only supplier of a particular good.<br>• Lack of competition → produce less and charge more<br>• Barriers may include government regulation, networks, patents, scale, etc.<br>• Revenue is the midpoint of the demand curve |
| **Net Present Value** | The difference between present value cash inflows and present value cash outflows |
| **Payback Period** | The length of time required to recover the cost of an investment |

# APPENDIX B

| Term | Definition |
|---|---|
| **Perfect Competition** | Firms take price → MR = P<br>Maximum profit = MR = MC<br>P<AVC → shut down |
| **Price Discrimination** | Situation in which identical goods are sold at different prices from the same provider.<br>• 1st degree → Different price for different willingness to pay<br>• 2nd degree → Different price for different quantities<br>• 3rd degree → Different price for different segments (attributes) |
| **Product Lifecycle** | Four main stages: market introduction, growth, maturity, decline |
| **Product Mix** | Total number of product lines that a company offers to its customers.<br>Often an important area to explore in profitability cases to identify loss-making products |
| **Promotion** | Coupons, discounts, trials, etc. designed to increase sales of a product or service |
| **Risk Averse** | Individuals who prefer certainty over the uncertain for the same expected value (EV) |
| **Risk Neutral** | Individuals who are indifferent on risk taking if the EV is the same |
| **Risk Seeking** | Individuals who prefer risk even if the EV for a certain event and the risk is the same |

# APPENDIX B

| Term | Definition |
|---|---|
| **Sales per Square Foot** | The average revenue a business creates for every square foot of sales space. Used in the retail industry as a measure of efficiency |
| **Same Store Sales (SSS)** | A statistic used in retail industry to determine what portion of new sales has come from sales growth and what portion from the opening of new stores |
| **SWOT Analysis** | Strengths, Weaknesses, Opportunities and Threats. Very basic framework, probably not a good idea to put down as your case framework, but good to have as a mental checklist |
| **Synergies** | The idea that the value and performance of two companies combined will be greater than the sum of the separate individual parts. Used mostly in M&A |
| **Value Chain** | Another concept from Michael Porter. His Value chain: Inbound Logistics, Operations, Outbound logistics, Marketing and Sales |
| **Variable Costs** | Costs that vary depending on a company's production volume; they rise as production increases and fall as production decreases |
| **Vertical Integration** | Degree to which a firm owns its backward suppliers or forward buyers |

# Best of Luck!