

Case 2: Bottle Shifters (I of VI)

Bain, Round 1

Problem statement narrative

“Bottle Shifters” design and distribute bottles. Its customers are small/medium sized companies (in the food/drinks sector e.g. startup /brewery). It is the biggest 3rd party manufacturer in the industry.

Our client – a Private Equity firm has acquired them as there is a huge market. They are looking to increase profitability. They have already optimized the cost structure.

Guidance for interviewer and information provided upon request⁽¹⁾

Sample structure to tackle the case:

-Understand the market and the company’s market position

- Market size and growth
- Value chain
- Competition
- Products
- Customers

-Explore the revenue side (ignore the cost given the problem statement)

- Price (can we charge more?)
- Quantity (how can we sell more volume and sell more items with high profit margins?)
 - Product mix
 - Customer mix
 - Store mix
 - Channel mix

-Potential risks/issues

Case 2: Bottle Shifters (II of VI)

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Interviewer guide

- Market size: hand out the Market Data slide and ask candidate to calculate the market size
- Competition: Bottle shifters is the dominant player. There is one more player with half of the revenues. The rest of the market is fragmented.
- Customers: Bottle Shifters serves food and Drink sector only. Competitors serve other sectors besides food and drinks.
- Products: Bottle shifters has expertise in design. Although majority of the products are customized, they have standardized products as well. Products include bottles, cans, etc.
- Value Chain: hand out the Value Chain slide and explain. Bottle Shifters is involved in 2 steps in the value chain: Designing and Distribution (and not manufacturing). They also customize their products for their customers.

Interviewer guide (contd.)

- Price: If candidate asks about price and whether it is possible to increase it, interviewer could say: "Great question. That's exactly the first place we looked at. However, their pricing is quite high, and it's alright. There's not much scope there."
- Product Mix: if candidate asks about product mix, ask why he/she wants that information (a good answer would be: since different products might have different profitability we want to see if we can optimize the product mix and increase overall profitability. Hand out the Product Mix slide.
- Store Mix/Customer Mix/Channel Mix: good questions but no data available.

Case 2: Bottle Shifters (III of VI)

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Market Data

Total volume of liquor sold in the US annually: 1.43B liters
Average size of a bottle: 0.75 liters
Standardized: 80% (price: 0.30\$)
Customized: 20% (price: 0.70\$)

Case 2: Bottle Shifters (IV of VI)

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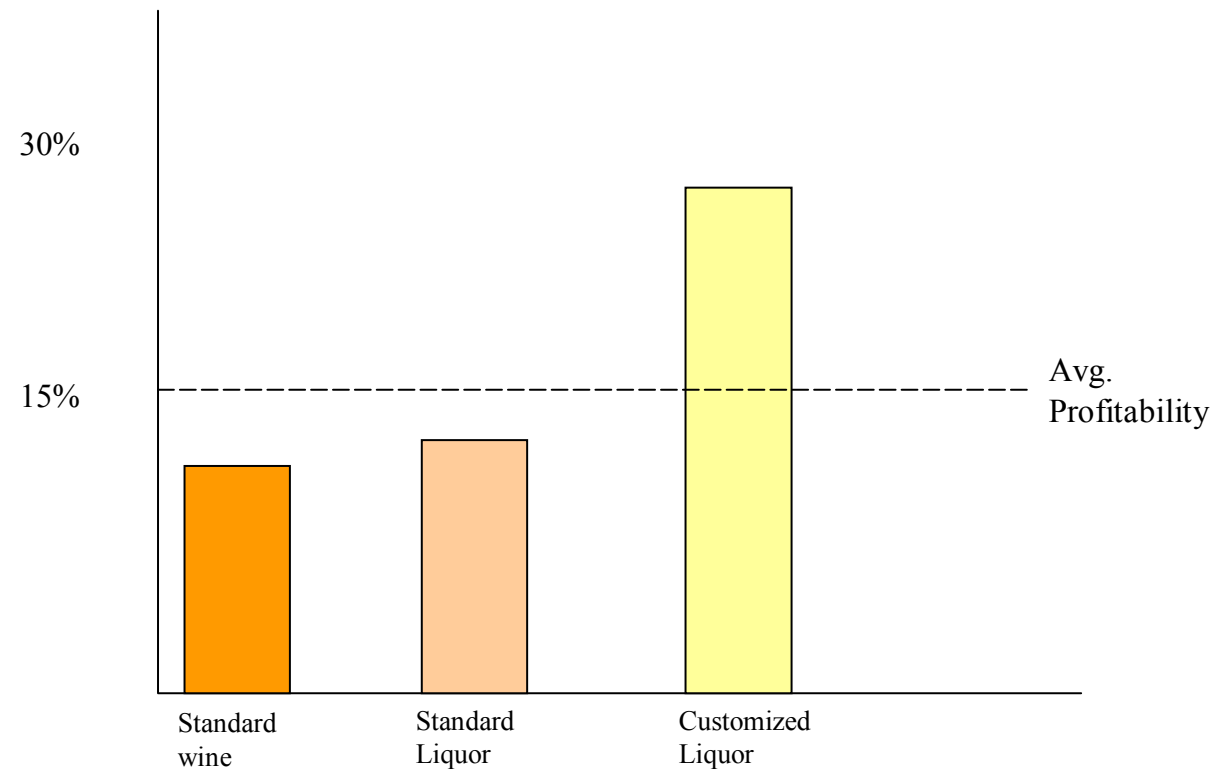
Value Chain



Case 2: Bottle Shifters (V of VI)

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Bottle Shifters Product Mix



# of accounts	698	2	2
Revenues	1.4Mn	8.6Mn	0.7Mn

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Solution guide

Calculate Market Size

1.43B liters was rounded to 1.5B liters (after checking with interviewer)

Total bottles: $1.5\text{B liters} / 0.75\text{liter} = 2\text{B bottles}$

Standardized: 1.6B (80% of 2B)

⇒ Market size for Standardized: $1.6\text{B} * .30\$ = \480M

Customized: 0.4B (20% of 2B)

⇒ Market size for Customized: $0.4\text{B} * .70\$ = \280M

Product Mix

Product for customized liquor has the highest profitability yet Bottle Shifters sells a small volume of such product. The market size for the customized bottles did not look much at first glance. However, if compared to Bottle Shifters' sales in this category (0.7M), there is a high growth potential in this category.

Potential Risks/Issues

Possible answers:

- Financial investment
- Competitive reaction