

CASE 11:



ASIAN MOBILE SERVICE PROVIDER

| Firm Style | Interview Round |
|------------|-----------------|
| Bain | 2 |

Case Question:

Your client is a mobile service provider in an Asian country. They were targeting on the high and medium segments in the country. Recently they acquired another service provider which targeting lower segment of the market. The two companies have two different brands before, and they kept both brand after the merge. To the CEO's surprise, the overall pre-tax profit has been lower than the combined pre-tax profit of the two companies when they were not merged.

You are hired to figure out why and how can we improve that.

Clarifying Questions & Answers

Provide the following answers only if the interviewee asks the corresponding questions.

| Question | Answer |
|----------------------|----------------|
| Which country is it? | Doesn't matter |

Framework / Structure

This is a Profitability type case. The analysis may include, but is not limited to, the following areas:

$$\text{Profit} = (P - VC) * \text{Volume} - FC, \text{ with product mix in mind}$$

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Strong Plan

Use the profitability formula, with assumption that there's something in the product mix

Weak Plan

Not able to focus on profitability.

Interviewee – I am going to use this simple profit framework.

Interviewer – Good. The cost has been optimized when the two companies merged.

Expected insight – focus on price, volume and mix

Interviewee – Has price been changing?

Interviewer – What specific price are you talking about?

Interviewee- We have two brands, let's say one is high (H) and one is low (L). So I want to know the price of the H brand first, was there any changes?

Interviewer – Let me be very clear, the pricing plan that the company offered didn't change.

Interviewee– How about L brand?

Interviewer – The pricing plan didn't change

Interviewee - That's interesting, how about the real revenue we received from each customer per months?

Interviewer – That has been flat on the H brand and been decreasing on the L brand

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Interviewee – But the pricing plan of L brand didn't change

Interviewer – Yes

Expected insight – Focus on the L brand, its either volume or mix

Interviewee – does customer use the mobile phone less than before, I am assuming that there's a part in the pricing plan vary with usage

Interviewer – No

Interviewee – Do we have different pricing plans in the L brand?

Interviewer – Yes, actually the L brand targets two sub-segments, one is middle income level segment (let's call it LM), and one is low level segment (let's call it LL).

Interviewee – I see, has the mix been changing towards plan targeting lower segments(LL)?

Interviewer – Yes

Interviewee – That's probably the reason, but let me move on to the volume first and then come back. Has the volume been changing?

Interviewer – No. So what could be the reason of the mix change in the L brand?

Expected insight – You may take a break, and think about possible reasons: Customer demand shift, competitor actions, product cannibalization, or 4P.

Interviewee – Had we done anything differently in terms of sales and marketing?

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Interviewer – We promoted heavily on the plan targeting lower income level segment (LL). We did attract more customers to that sub-segment. Normally this will increase revenue. Why in this case we are losing revenue?

Interviewee – Was there cannibalization between the two sub-segments in L brand?

Interviewer – no

Interviewee - Was there cannibalization between H brand and L brand (higher sub-segments)?

Interviewer – no

Interviewee – Interesting, it must be that competitor has done something differently?

Interviewer – How would you find out?

Expected insight - take a break if necessary again, and think about practical ways to verify whether your assumption is true.

Interviewee – I will review our history customer database, and do some customer survey

Interviewer – Who are you going to survey and what questions are you going to ask if you do customer survey?

Interviewee – I will survey those customers who left us. And ask them below questions: 1). Why did they leave us 2). Who did they choose and why

Interviewer – Let's end here.