



Good and Excellent

There are two drink companies. One is named Good. Another is Excellent. They both have a steady revenue growth for the past five years and the market size of both these are the same. The Good profits have been steady but Excellent profits are fluctuating. Find reason for the fluctuating profits of Excellent company.

CASE TYPE
Profitability

COMPANY NAME
LEK Capability Network

DIFFICULTY LEVEL
★ ★ ★

Good and Excellent

Can a Healthcare company tap into Smart Watch?

Case Type
Profitability Case

Company Name
LEK Capability Network

Round
Partner

Difficulty Level
☒ ☒ ☒ ☐ ☐

Problem Statement

There are two drink companies. One is named Good. Another is Excellent. They both have a steady revenue growth for the past five years and the market size of both these are the same. The Good profits have been steady but Excellent profits are fluctuating. Find reason for the fluctuating profits of Excellent company.

I have certain clarifying questions. "Drinks" is a very broad category. What specific product do these companies deal in?

Both these companies are dealing in ready-made coffee.

Are these two companies deal in different geographies or same geographies?

Only information given is relevant. They are operating in the same geographies.

Profitability has two aspects : Revenue and cost. Since there was steady revenue growth, I assume revenue is not the problem.

With that, I will divide the costs into fixed and variable costs. Profits were fluctuating for two years. That means fixed cost is not the problem as profits haven't just disappeared. The variable cost is the main problem.

Let me make a value chain for the company to see where the problem is arising.

I don't want a value chain. Think of another method. Try to get to the point quicker.

In that case I have some more clarifying questions. To begin with the product, is there a difference in their raw materials?

As a matter of fact, Excellent company uses fresh mountain water to make their coffee but Good company can use any type of water and raw material.

So, the main problem is fresh water which is a manufacturing component?

That's a viable hypothesis.

Following this line of logic, there might be an issue with procurement of fresh water. Is there a particular state, river or mountain from where we are procuring the water? Are there any other problems related to procurement of raw materials which is driving up the cost?

This could be a problem. Can you find more reasons for the difference in raw materials being a problem?

Perhaps, the taste differs. I can also think of certain vendors of raw materials driving up the prices.

Good attempt, but I would have liked more reasons for where the problem lies.



HERE'S A TIP!

This was a case where the usual strategy for a particular case type was interrupted. The candidate was then, expected to come up with a viable response and guess on the spot. Often, flashes of insight can be used to drive a case into its conclusion. Moreover, there was continuous elimination of options based on available information.

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CASE FLOW

CASE FACTS

- 1 Find the reason for the fluctuating profits of Excellent company.
- 2 There are two drinks companies : Good and Excellent, which had stable revenue.
- 3 Find the reason for the fluctuating profits of Excellent company.

