



IIMA

Consult Prep Book

2020-21

Issue details and copyright

Prebook, Consult Club, IIM-A, 7/e

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First edition:	July 2014
Second edition:	August 2015
Third edition:	September 2016
Fourth edition:	September 2017
Fifth edition:	September 2018
Sixth edition:	August 2019
Seventh edition:	September 2020

Introducing the IIMA Consult Prep Book

This year the Consult Club, IIM Ahmedabad is proud to present the Consult Prep Book, an all-in-one document that bundles all key resources required to ace consulting interviews as one ready-to-use document.

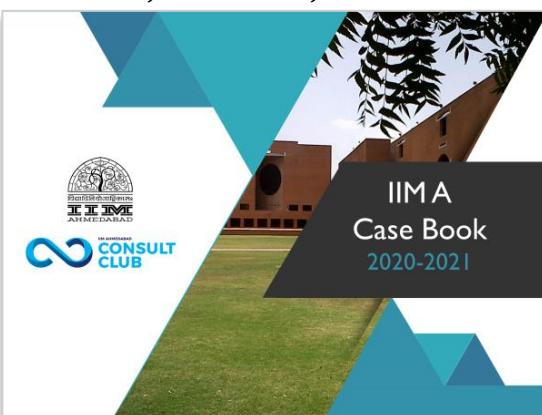
The **IIMA Case Book**, now in its 7th edition, aims to give the reader a comprehensive view of the type of cases that form a significant part of consulting interviews. The document is a careful curation of real interview experiences of candidates with leading consulting firms. These interview experiences are collected, analyzed, sanitized, and then bolstered using relevant frameworks. By relying on this book, thousands of students, across numerous institutes, have been able to achieve success in their case interviews over the past six years.

To make the case preparation experience seamless, we have added **Panorama Reports**, a collection of analyses of 16 industries highly relevant for consulting interviews. Even though these interviews test first-principled thinking which is industry-agnostic, aspirants are often concerned about grasping the nuances of cases across multiple sectors and testing their understanding across them. These reports, aimed to do just that, are presented in a digestible fashion so that the reader can supplement their case preparation with industry-specific learning.

As part of the appendix, we have also added our first-ever **Consulting Primer**. This is to help the uninitiated reader develop a basic understanding of consulting, including what a career in consulting entails. We hope that this adds to your perspective about consulting.

We're making this document available in the public domain with a goal to help consulting aspirants, irrespective of campuses and levels of information access, step closer to their professional goals. We hope that we've been able to help you in doing so. If you any feedback for us, please do not hesitate in reaching out. With this, I wish you the best!

Kishan Kashyap
Coordinator, Consult Club, 2020-21



Acknowledgements

IIMA Case Book

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

We would like to thank Akanshu Verma, Dhairyा Shrivastava, Priya Changani, and Vineet Mall (PGP 2019-21) for leading the Case Book initiative and putting together this edition of the IIMA Case Book. We would also like to acknowledge the efforts of Avantika Mathur, Rinkesh Binani, and Shubham Goyal (PGP 2020-22) for helping the club put together this Case Book. They have ensured breadth and depth in the cases to give the reader a comprehensive view of the kind of cases they may be administered.

Panorama Reports

We would like to thank Aayush Gupta, Shrey Banka, and Srishti Bhageria (PGP 2019-21) for leading the Panorma Reports initiative and putting together this revamped edition. We would also like to acknowledge the efforts of Aadarsh Agarwal, K R Ramakrishnan, and Srishti Jain (PGP 2020-22) for helping the club put this together. They have ensured that the analysis of all major industries relevant for consulting preparation are presented in a thorough, yet easy-to-understand manner.

Consulting Primer

We would like to thank Srishti Bhageria (PGP 2019-21) for leading the Consulting Primer initiative and ensuring that aspirants are able to gain an unbiased perspective about consulting.

We would like to thank Kshitij Jain, Head, Publications, Consult Club (PGP 2019-21) for leading all these initiatives with thorough professionalism and delivering this integrated output.

We would also like to extend a special acknowledgement to the contributors of the previous editions of the IIMA Case Book as well as numerous Consult Club alumni whose feedback, over the years, has shaped this document. We would also like to thank students of the PGP 2019-21 and 2020-22 batches, many of whose submissions have added unmatched richness to the Prep book. (Details on page 213)



IIMA

Case Book

2020-2021

What is different in this year's Case Book?

Changes to the Seventh edition

This Case Book has incorporated the following new changes:

1. Detailed analysis of one anchor case for easy explanation of frameworks
2. Addition of set of 'Must do cases' which have been extensively collected from previous interviews as well as buddy experiences.
3. Incorporation of key learnings for each case to give a summary of takeaways from a particular case
4. Improved frameworks for every case based on the feedback received from previous batches to give you a good starting point

How to make the most of it?

While reading the Case Book, we suggest the reader should use the interview transcripts to set up a case between 2 people (or groups), and after solving the case, the solution process sheet should be looked into to gain a broader understanding of the approach and areas of improvement.

The frameworks are there to give a direction initially to new case-solvers and should not be treated as a fixed boundary but could be utilized by the reader to cover any case which comes up their way according to their own logical structure. Also, the reader should leverage the recommendations, tips, and suggestions to apply learnings from one case to another.

Remember, the journey is as important as the destination. Case preparation is a group exercise with individual self-preparation as well.

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Structure of a consulting case interview

Interviews usually test the candidates on both or any of the following criteria:

- Personality/behavioural questions (through HRQ)
- Problem solving (through cases and/or guesstimates)

Personality / behavioural (through HRQs)

Candidates are strongly advised to be prepared for any kind of question that may pop-up from the information mentioned in their CVs, particularly past work experience, internships or projects, besides the most famous questions like what are your strengths and weaknesses, why consulting, why this particular firm.

Problem solving (Case interviews)

- Expectations

Case interviews are used to measure candidates' ability to assess an unfamiliar situation, uncover relevant and minute details while applying their thought process to come up with one or more possible solutions to the problem, and finally communicating their recommendations in a structured manner.

- Approach

The basic approach to solving a case interview is: First, understanding the problem and requirements, then identifying a structure that would help one solve the problem, then analysing the information available and finally, reaching a conclusion & giving recommendations



How to approach a case interview

Understand & clarify the problem statement

- Candidates must be absolutely sure that they have clearly understood the problem statement, a mistake committed here has the biggest potential to ruin the entire interview.
- Ask clarifying questions in the beginning; someone who asks the right questions is better able to understand the complete problem and has a higher chance to come up with an accurate solution.
- It is not unusual for the interviewer to not divulge all the relevant information at once because they also try to test the candidates on their ability to extract information; the obvious purpose is to see how well the candidate may be able to do the same while interacting with clients.
- Do not make any assumptions unless necessary; if a candidate wishes to do, then it's always better to communicate with the interviewer to get them validated

Structure the problem

- This involves putting all the data received together and making a sense out of it. The A4 sheet technique is very helpful for this, however, candidates may use their own methods according to comfort level.
- Candidates should try to keep their structure as simple as possible because in some cases, the interviewer may ask for the working sheet, and accordingly should be able to understand the approach followed by just glancing at the sheet at once.
- Frameworks can be used for structuring of data; however, do not try to force fit any framework just for the sake of using it. Also, whenever a framework is used, the candidates should communicate their approach of reaching the solution to the interviewer rather than saying that "I'm using market entry framework".

Analyse the case

- This is the main stage of the problem-solving process wherein the candidates are required to draw inferences from the gathered information. The process is aided by the structure they decide to follow using the chosen framework, if any.
- Candidates should ask two questions to themselves: a) How did this data point look like earlier for us?, and b) How does this data point look like for the competitors?
- It is suggested that candidates develop a hypothesis consisting of various possible solutions, ask leading questions to validate their hypothesis, and keep on narrowing their set based on the discussion. The candidate should continuously communicate with the interviewer to let them know of one's thought process. More often than not, the interviewers will help the candidate get back on track if they see that the person is thinking in the wrong direction.
- In case the candidate realizes that some data is still missing, do not hesitate to ask questions to extract it from the interviewer. No one will provide the information on their own but will surely help if well-directed questions are asked.

Arrive at a conclusion

- This is the last stage of problem-solving and perhaps the determinant of a candidate's success in getting through the interview. All efforts put in thus far are of little use if the candidate is unable to come up with a proper conclusion backed by a logical implementation plan.
- Try to ensure that the recommendations are close to reality since it increases their chances of being implementable in real life scenarios. Remember, concrete solutions fetch more marks than broad vague answers.
- Before finally communicating the solution, do a quick "sanity check", that is, evaluate if the proposed solution, particularly if its quantitative in nature, makes sense or not. This can be done by using bottom-up strategy if the original answer was derived following top-down approach or vice-a-versa.

Some Do's & Don'ts for the interviews

Do's

- Build rapport: It plays a crucial role in how the interview pans out eventually. The opening interaction, continuous communication and patient-listening skills contribute in building rapport and thus, strengthening the candidature from the communication aspect of the interview.
- Be Confident: Remain confident throughout the interview even if there's a feeling that things aren't going as expected. This exhibits an important trait of being able to maintain composure and handle critical situations, which are part and parcel of a consultant's life. Also, it has been seen that the interviewers more likely than not drop hints to help the candidate get back on track, hence, watch out for those in case there's a feeling of getting stuck
- Drive the interview towards your strong zone: The candidates can try to drive the interview towards the areas they are comfortable talking on. This can be done by using examples related to their domain area while answering the questions put forward by the interviewers. However, be mindful of not making it an irrelevant reference or overdoing it if the interviewer isn't interested in talking about that.
- Positive body-language: Try to be positive and cheerful throughout the interaction as it may help to cover a small mistake, if any, the candidate might have committed while solving the case. Further, candidates are evaluated on their overall presentation, that includes body language and communication skills apart from the most sought-after problem-solving skills.
- Closing note: The candidate should end the interview with a smile even if it wasn't the best of the interviews; sometimes even the candidate's positive approach may work in the favour and overshadow a mediocre interview.

Don'ts

- Interrupt the interviewer: This should never be done since there is a risk of missing out on some important information which the interviewer would have otherwise divulged. Further, it gives an impression that the candidate is impatient, and might not be a good team player.
- Assume any information unless explicitly given by the interviewer: Usually on getting a case from a familiar background or applying association rule, candidates tend to presume certain information. This should strictly not be done unless the interviewer gives the information explicitly. However, if a candidate has some prior information, either clarify that through questions from the interviewer or suggest that as a possible solution to the given problem.
- Get bogged down by frameworks: Frameworks are useful in structuring one's thoughts but should not become an impediment to "out of the box" thinking. For instance, an acquisition may be used to improve profitability; however that would not fall under any of the conventional frameworks.
- Be Mechanical: Candidates are advised not to be mechanical while answering questions related to their personal experience as it gives an impression that the answer has been well rehearsed. Try to read the cues of the interviewers and involve them in the discussions.
- Panic: Mistakes do happen, either in calculations or while speaking on a topic. It is important not to freak out in such moments; rather as soon as a mistake has been committed, be ready to own up and admit it.



Profitability

Profitability– Overview

A profitability case could deal with revenue-side issues, cost-side issues or both. The candidate is expected to identify the key revenue and cost heads, and isolate the ‘problem areas’.

Important notes: Initial question

- Get primitive understanding of company:
What product/services does it offer?
What geography does it cater to?
- Understand whether this is a company specific problem or an industry-wide phenomenon
- Keep in the mind the quantum of profit/losses and the time period

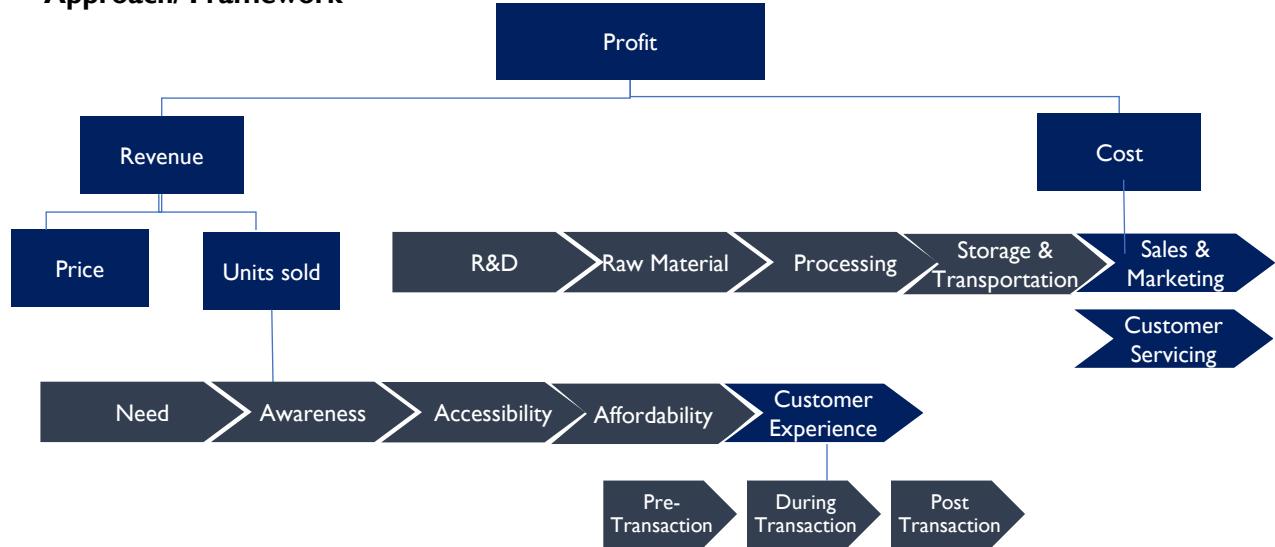
Important notes: Profit vs Profitability

- Profits are merely a difference of Revenues and Cost, while Profitability refers to profit as a proportion of sales

Important notes: Value Chain Analysis

- Clearly lay out the value chain to cover all costs and ask interviewer where to focus
- Similarly look at customer journey while analysing decrease quantity sold

Approach/ Framework



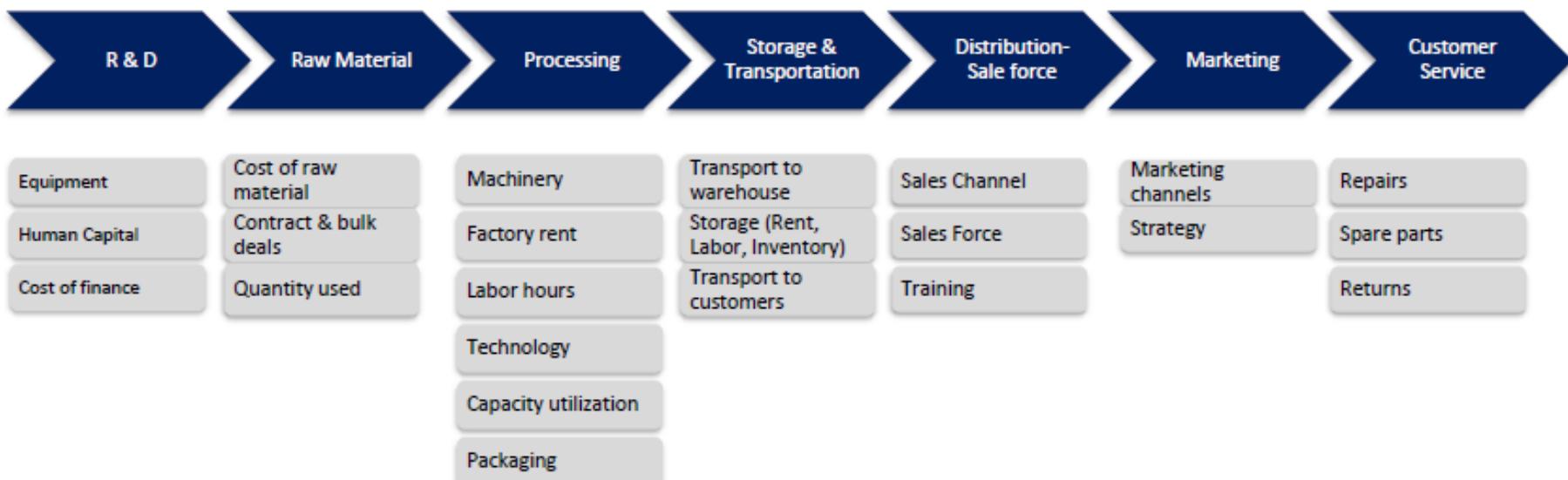
Alternate Approaches

- **Cost:** While segregating cost, we can break down cost as fixed and variable
- **Revenue:**
- Problem with units sold can be looked at from the demand and supply side lens
- Factors affecting revenue can be bucketed as internal and external factors
 - Internal Factors include Production (R&D issues, manufacturing issues- Labour, machinery, packaging), Distribution/Push factors (Distribution channels, no. of distributors, margins offered) or Consumer/ Pull factors (Product, Promotion)
 - External factors can be examined by conducting a PESTEL analysis

Cost Reduction – Overview (subset of profitability cases)

In a cost reduction case, a company is likely to aim for becoming more profitable by reducing their bottom line. An interviewee is expected to first identify various cost component, followed by validating them, identify major cost drivers along with levers affecting their values, and finally recommend how the company can change it's ways to become more cost efficient.

Approach / Framework Overview



Framework Summary

A company can reduce cost and become more efficient across its components. The best way is the look at the journey of a product/service right from the time its raw materials are bought to the time it is delivered to the customer and he is happy after the post sale support etc. This is called a value chain analysis as each step of the process adds some value to the initial raw material and accelerates its journey towards the final product. At each of these stages, we expect to find some levers which can be tweaked to make the process more efficient.

Tips

- Clarify objective, especially the cost buckets the interviewer wants you to delve into
- Cost cases are generally very streamlined till the time you are identifying places where cost can be reduced. Creativity comes into play when recommendations are asked by the interviewer.

Key Questions

- Is this particular company facing the problem of high costs or is it something that the industry is facing as a whole?
- Chalk the value chain and then ask if it is the correct way to do it? Or should it be done by splitting fixed and variable costs?
- What are the last 3 year trends in growth for the organization?
- Any major shifts in cost over time?
- Does any of these cost seem out of line?

Airline operator – Interview Transcript

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

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

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

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

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

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

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

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

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

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

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

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

Yes, the hangar costs have gone up.

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

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

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

Please go ahead.

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

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

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

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

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

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

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

Yes. Please go on.

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

Airline operator

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

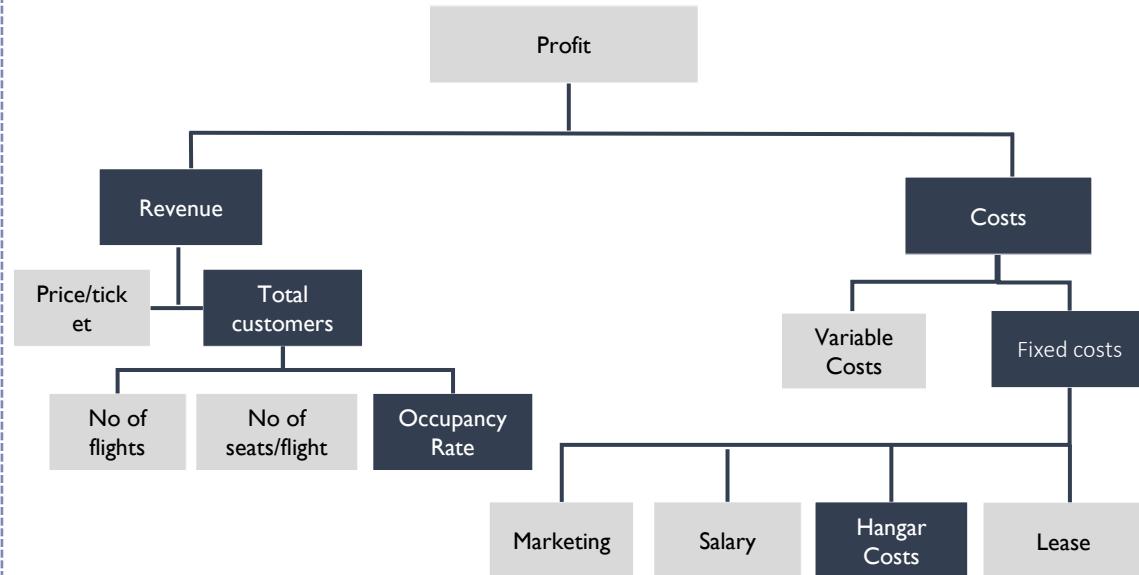
Interviewee Notes

- Revenue –cost analysis
- Client currently in airlines industry
- Ask about the current status of the industry and competitive scenario
- Look into the customer journey

Case Facts

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

Approach/ Framework



Recommendations

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

Observations / Suggestions

- The candidate did a good job in figuring out the fundamentals in why the revenue has gone down. Also after the cost analysis, the candidate was able to further elaborate on the reasons why the revenue has gone down
- Need to understand the customer journey to figure out the reason behind lower occupancy rates
- Do not directly suggest to undo an action the client has taken, unless there is sufficient evidence to suggest the same

Key learnings

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

What could have been done better

The candidate skipped to the cost side without deep diving into the revenue side problem. In this case, as there was a linkage between the two, it was easy to come back to the revenue side again, otherwise it could have been a problem.

After diagnosis of the problem, the candidate should have explored the client's strategy of owning airports and its viability in the long run. This could have earned brownie points

What was done well

The candidate tried to start with an exhaustive list of revenue streams- tickets, cargo and hospitality. Usually, in such cases, candidates straight away start with revenue from tickets.

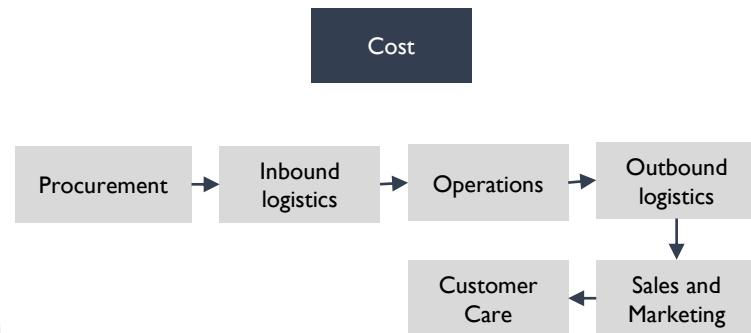
To understand the reason behind the low occupancy rate, the candidate successfully understood the customer journey. Further, reaching the airport was seen from both the time and cost perspective.

In each step, the candidate tried comparing the conditions with those of competitors. This helped in diagnosing the problem effectively.

Alternate Approach

The candidate could have used the value chain approach to assess the cost side of the problem instead of suing the fixed and variable cost approach.

It is not always possible to be exhaustive while using fixed and variable cost approach.



Beer manufacturer – Interview Transcript

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

Is the problem only on the cost side, or should I also analyse the revenues of the company to look for a problem there?

No, the problem is only on the cost side.

Alright. Is the problem with only one specific beer product, or is the problem spread out across different products? Additionally, is this an industry wide problem, or specific to our client?

The problem is not limited to one product. In fact, the client is facing the problem across many beer products. There is no relevance to the problem being limited to our client or the industry.

Okay. I think it would make sense to break the costs down into the value chain to see where the cost issue lies. Should I go ahead with the same?

Sure, you can do that.

I would start by looking at the raw material costs. Are they larger than the industry average?

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

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

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

Okay, in that case, I would like to delve deeper into processing costs. However, before I proceed with the same, I would like to see if this is the only cost head that has an issue.

You may proceed with processing costs. There are no other cost heads where the client is facing a problem.

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

Yes. The client is indeed facing a problem in the utilization of capacity

How many plants/machines does the client own? What is the capacity of each plant/machine? Are we utilizing 100% of the production capacity?

The client owns 3 plants with 3 machines each. The capacity of each plant is 30,000 bottles. Yes, we are able to utilize 100% of the capacity.

Okay. So this would mean 10,000 bottles per machine. Are the competitors also producing 30,000 bottles per plant.

No, the competitors are able to produce 50,000 – 80,000 bottles per plant.

Is it because of better machines or more number of machines?

Competitors are using advanced machines which are able to produce more number of bottles per machine

How expensive are advanced machines? Would the labour need special training to operate the same?

These machines cost 1.5 times(1.5 crores) the normal machine and produces twice the amount produced by normal machine. There are no special training requirements to operate the machine

Okay. So now I would want to figure out the reason for not buying high capacity machines

Sure, Go ahead.

I could think of the following reasons :

1. The client can't invest an amount of 1.5 crores at this point of time
2. There are some logistics issues associated with installing the machine

The client can invest 1.5 crores so lets explore the second option

It can be because of the size of machine or different raw material requirements

Okay, so the advance high capacity machine requires larger ground area which is not possible in the current plant size. What would you recommend in such a case?

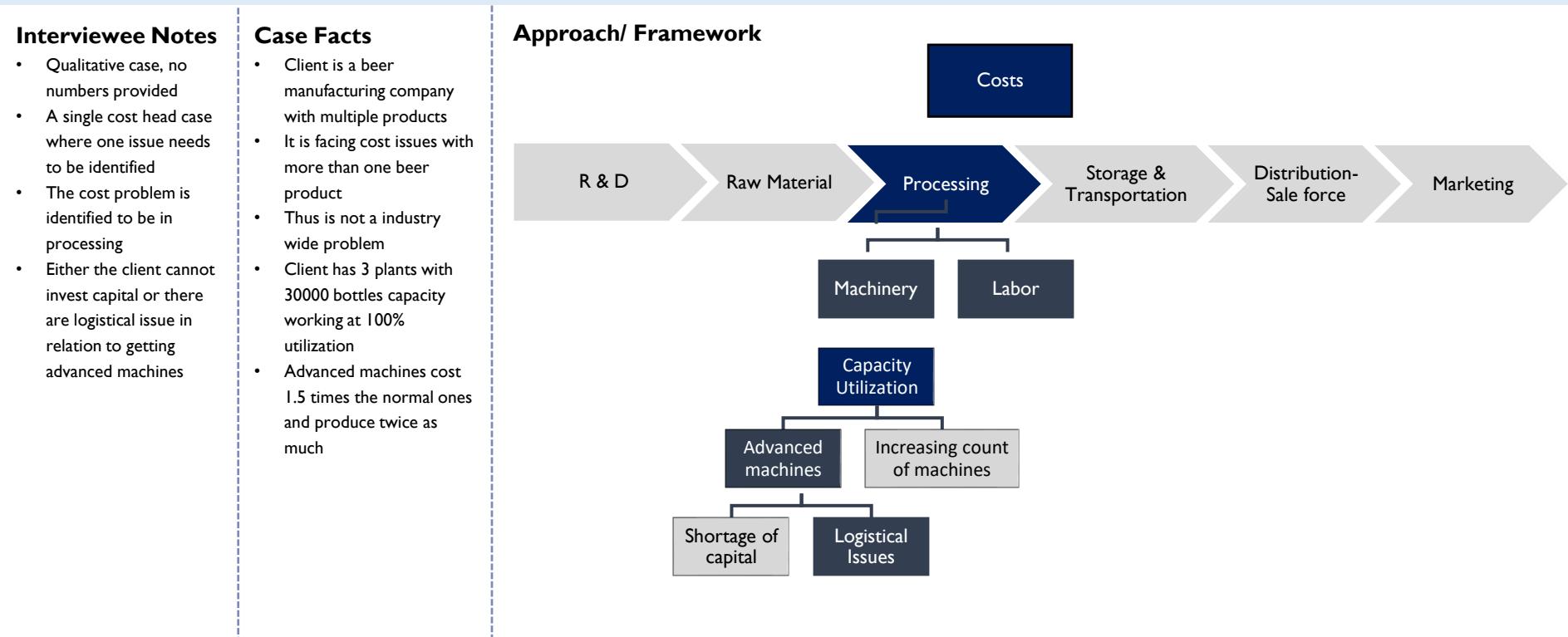
So I have a few questions before I give the recommendations. How many shifts are we operating in and what is the duration of each shift?

We are currently operating in 2 shifts of 8 hours each.

So, In the short term, we can increase the shifts from 2 to 3 to increase the capacity of the plant. And in the longer run we can aim to buy plants which are larger as compared to the existing plant to accommodate high capacity machines.

Beer manufacturer

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



Recommendations

- Candidate should give a combination of short term and long-term recommendations
- In the short term, the shifts can be increased from 2 to 3 to increase the capacity of the plant.
- In the longer run, the client should aim to buy plants which are larger as compared to the existing plant to accommodate high capacity machines.

Observations / Suggestions

- This is a cost reduction case where the interviewee should quickly establish the major cost buckets after discussing with the interviewer. The candidate can either probe each bucket along the value chain, or ask the interview which buckets to look into
- Each cost component should be broken down into multiple cost levers to ensure that nothing is being missed out
- When analysing a specific cost bucket, look into its components in decreasing order of their magnitude

Retail bank – Interview Transcript

Our client is a major retail bank facing declining profits and is unable to compete. You have been approached to find the problem and suggest changes.

Sure, sir. So the key problem I need to focus on is finding the issue with declining profits of our client which is a major retail bank. Is there any other objective I need to keep in mind?

No, please go ahead.

I'll start with a few clarifying questions. Is the problem plaguing most of the client's branches or is specific to a particular category (metro, urban, rural) of branches?

The problem is being faced by a specific branch located in a metropolitan region.

Given the problem is specific to a particular branch, it is fair to assume that the problem is not faced by the banking industry in general? Are the competitors located in that region also facing similar issues?

No, the problem is only being faced by our client.

How much have the profits declined by? And for how long has the client been experiencing this decline?

There has been a decline of 20% in profits. The issue has been around for 3 Quarters now.

Alright. Since the issue is that of profitability, could you help me with the trend in revenue and cost of that particular branch over the last three quarters?

Revenue has grown at a steady rate, but the costs have increased at a much higher rate.

Alright. In that case, I'd like to delve into the cost structure of a typical retail bank branch. All the costs of a retail bank can be mostly divided into three heads: Interest, Provisioning and Operating expense. Do we have knowledge as to which of above were not in line with the expectations of the client?

The interest expense is similar to comparable branches and the bad debt levels are also at par with the region.

Okay, so the issue is with the operating costs of the branch. The major operating expenses of the branch would include employee/agents salary, rent, utilities, stationery & postage, maintenance and depreciation expense. So, do we have any information of where the costs have been increasing specifically vis-à-vis our competitors or in comparison to prior periods?

The rent per square foot is similar to other banks in the area and has remained unchanged for the past year, maintenance, depreciation and utility expenses have also roughly been the same.

Okay, so that leaves us with employee and sales agents salary (i.e. customer acquisition and customer handling costs), stationery & postage expense. Addressing the issue of employee and sales agents salaries first, are salaries of branch employees and sales agents higher than industry standards?

The salary structure of employees for various positions is similar to that of comparable branches.

Alright. Can you give me some insight on the customer base of the branch? As it was the demographic similar to that of other competing branches? Also, if you can help me with a few metrics such as no. of customers served, ratio of low-value to high-value customers etc.

The branch is similar to competing branches in all of the above terms. The number of customers served by the branch is also roughly the same.

Alright, so *prima facie*, the issue seems to be that of overstaffing. Alternatively, given that increased employee expense has not resulted in a proportional increase in revenue for the branch, the issue can also be seen as that of inefficiency.

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

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

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

1. The employees may be lacking competency or training, thereby being unable to resolve the issue of the customers in their first visit.
2. Due to improper segmentation, the customer may have to visit multiple counters for performing a single task.

So, how do you suggest we overcome this?

I can think of the following few steps:

1. Encouraging the branch customers to use bank's mobile app and website for availing basic services such as transferring money and balance inquiry. Demonstrate the services if required.
2. Set up a self-operating kiosk inside or outside the bank for deposit of cash and updating of passbook.
3. Train the employees so as to enable them better understand the needs of the customer and thereby assist them efficiently.
4. Have single window clearance for as many services as possible.

Thank you. These are reasonable recommendations.

Retail bank

Our client is a major retail bank facing declining profits and is unable to compete. You have been approached to find the problem and suggest changes.

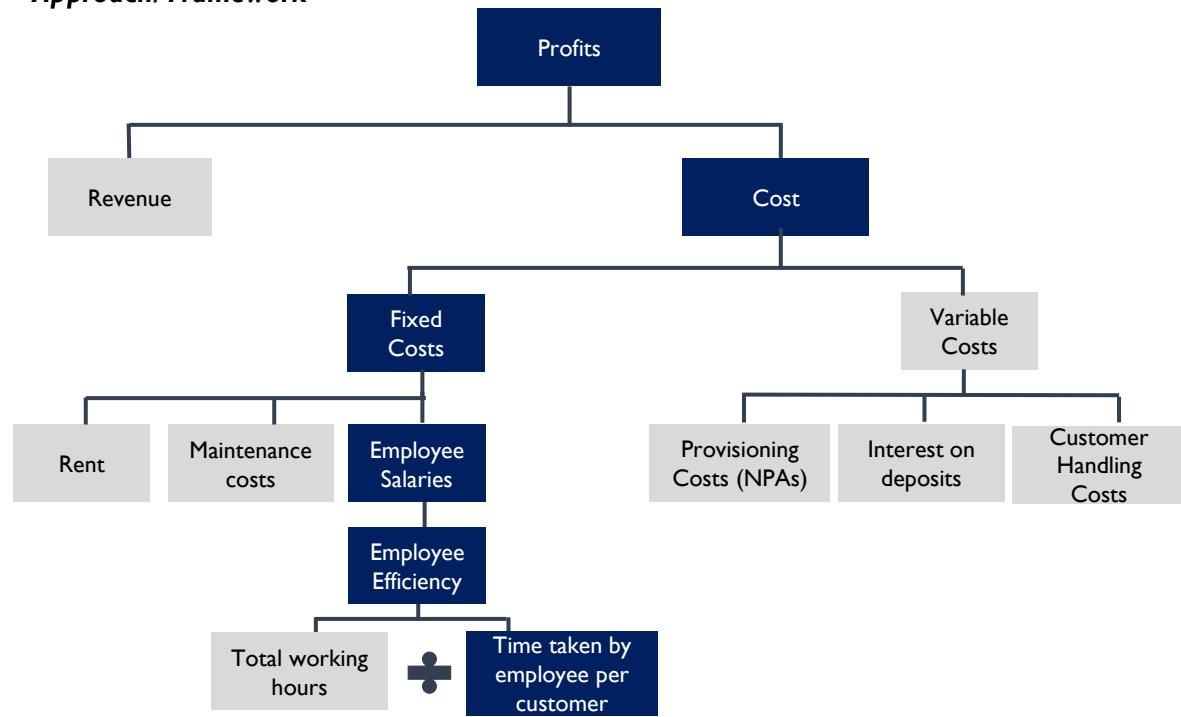
Interviewee notes

- Issue with costs
- Low efficiency of employees
- Lack of training to provide solution to customers in one go
- Multiple visits by customer for any service

Case Facts

- Client is a major retail bank
- Problem of increasing costs
- Problem specific to a particular branch
- Interest expense and bad debt level at par with other branches
- Fixed cost of employee salary similar to competitors

Approach/ Framework



Recommendations

- Improve the systems in place to ensure customer service is improved and time devoted by an employee decreased- introduce single window clearances and self-operating kiosks
- Give proper trainings to employees to help them better assist the customers
- Aggressive use and promotion of technology to avoid redundant tasks performed by the employees

Observations / Suggestions

- Declining costs are majorly due to higher employee salaries. This can also be figured through higher customer handling charges
- Once the problem is identified, it is important to figure out the reasons for the same- this can be done through industry specific metrics which measure efficiency/ productivity
- Candidate needs to develop understanding of the cost structure in the banking industry

Lease fee – Interview Transcript

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

That is an interesting case.. As I understand, client needs to find ways to reduce current amount of leasing the jet. Do I need to look into other options of buying the jet or booking of private jet during the time of use? Or should I just focus on lease contract

So, client needs to lease the jet as per his requirement. You should look into how to lower the cost of leasing

I would like to know whether the jet should be exactly the same as the jet leased under the past lease contract? Also, what is the duration of the lease contract?

Excellent question. The jet leased under the new contract does not necessarily have to be the same. The current contract was for 1 year

I would like to look at 2 factors affecting the leasing cost. First would be our client's requirement for the jet and second would be the lessor and its leasing contract

Ok. Go ahead

I would like to deep dive into requirements of our client. I would like to analyse the seating capacity required by the client as well as the # of times jet is used. What is the general occupancy of the plane over the last few years and what is the seating capacity of the leased plane?

The seating capacity of the plane is 40 and the occupancy has ranged between 8 to 10

Great, so one way the firm could reduce its cost is by leasing a plane with a lower seating capacity. Considering that the occupancy rate was around 10, I believe that a plane with 15 seats should be sufficient. Assuming that the occupancy rate follows a normal distribution it is very unlikely that there will be more than 15 people in the plane at the same time. However, if this is the case it is always possible for the plane to fly multiple trips.

I agree, that is a great suggestion.

Now I would like to analyze the usage of jet. I would like to know how often the leased plane is used per year?

The company uses the plane 3-4 times per year.

Ok, as we know that company uses jet only 3-4 times a year, do we know which months specifically the company uses the jet? I am coming from the point that if we know the specific months, we can lease the jet for those months only

Fair suggestion, but generally industry has minimum of 1 year of leasing contracts and client doesn't have fixed months when jet is required

Ok, another suggestion because of low usage can be that the company could possibly share the plane with another firm. The sharing of cost would then result in substantial cost savings.

This might result in complications in case both companies require the plane at the same time.

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

Good point.

Now I would like to analyze the lessor and the contract. I would like to look into different lessors available to our client and how the length of leasing contract will affect the cost. What is the our current relationship with the lessor and are there other lessor who have better pricing with similar services?

Client has been leasing the jet from the same lessor for past 7 years and trust him with quality. He doesn't want to look for other lessors

Ok. So, as the current leasing contract is just for 1 year, the company could hence opt for a contract with a longer period. This should provide the firm with a discount.

Good suggestion. As you can see in the graph the leasing price per year in the initial contract is 1 million per year. The total price for a contract with a duration of 5 years is 4.2 million. What would be the cost savings for the firm if they switch to a contract with a longer leasing period?

The cost savings would be \$160000.

Excellent suggestions. It was nice interacting with you.

Lease fee

Your client is a private company in the United States that leases a jet. The lease contract is soon expiring and the company wants to renew the contract. The client now contacted you and asked you to find ways to reduce the lease amount.

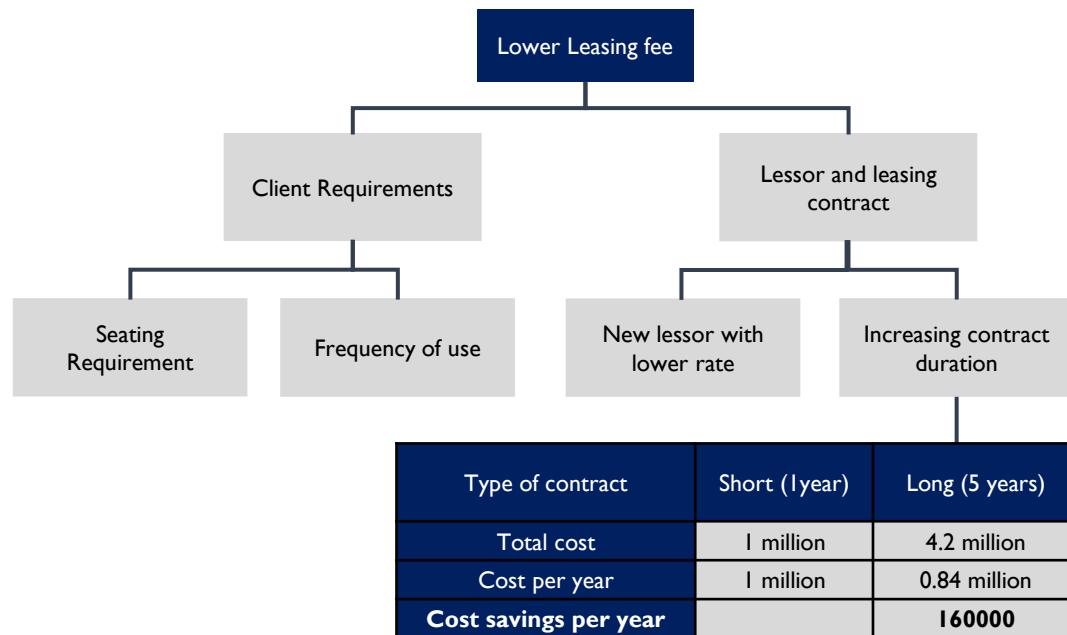
Interviewee Notes

- The jet need not be the exact same as leased under the present contract
- Assume occupancy follows a normal distribution and will rarely exceed 15 passengers
- Look into the requirement of the jet
- Duration of lease agreement can be modified to reduce costs

Case Facts

- The current lease fee is 1 million Dollar
- The contract duration is 1 year
- Seating capacity of the plane is 40
- The occupancy has ranged around 8-10
- The company uses the leased jet 3-4 times per month
- The contract has been renewed for the last 7 years

Approach/ Framework



Recommendations

- Lease plane with lower seating capacity. Since the plane hardly ever is used at max capacity, a smaller plane can be leased
- Share the lease contract with another party. Stringent contracts need to be established regarding usage
- Increase contract duration. A longer contract duration should result in discounts

Observations / Suggestions

- Conduct a feasibility analysis of the options recommended, wherever possible
- If a feasibility analysis is not possible, mention the caveats associated with your recommendations
- Structure the recommendation and do not give a laundry list of suggestions

Auto Insurance – Interview Transcript

Your client (IA) is an auto insurance company operating in India and has been facing reducing profitability in the last 2 years. They have come to you for help to identify the reasons and explore possible solutions. You can ignore reinsurance for the purpose of the analysis.

Can you tell me a little bit more about the industry, and the position of IA? The kind of competition, the growth?

Sure. IA is one of the 5-6 major players who dominate the industry and hold around 95% of the market. The market has been growing steadily at around 10% p.a.

Okay. And how is the company growing? Is it in line with the industry?

The market is growing at around 10% p.a, and the company's market share is growing in almost the same proportion.

Alright, is this reduction in profitability only being faced by the company or by competitors as well?

We do not have very accurate data of competitors, however, reliable estimates indicate that most of them have maintained profitability levels and some have even increased profitability. What do you think are the possible causes for this?

It can either be due to higher revenues, or due to lower costs.

The industry is fairly competitive, and none of the players can get away with charging higher prices without losing out on market share. And as for number of customers, there has not been any major change as such. So you can move on from revenue.

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

No, go on.

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

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

And what about claim costs?

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

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

Probably yes.

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

I do not think that is the case. This would result in unnecessary loss of goodwill for the company. Further, the industry is highly regulated and all players have similar policy terms and claim processes. Hence, this is not practical.

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

No, you can focus on claim costs

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

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

We can segment customers into buckets based on

- a. Age group
- b. Income bracket
- c. Geography and terrain
- d. Traffic in the area.

That would give us an idea of the risk, based on the general profile of the customers. So do we have any data regarding this?

Yes, so although there is a fair mix in all the buckets, the portfolio is generally dominated by people of relatively younger age groups (less than 25 years). In terms of income, IA has a large base of lower and middle level income groups. It has its operations in all major cities –Delhi, Bangalore, Mumbai, etc.

That explains a lot. You mentioned that the company has more number of customers who are young. They can be considered more risky, as they tend to be more rash while driving, increasing risk of accidents, when compared with middle aged people having families. Further, you mentioned that they do not have too many customers in the higher income brackets. Higher income groups can be considered less risky as they use expensive cars, usually have professional chauffeurs who are generally more careful. Also, it has a lot of clients in cities with extremely high and aggressive traffic like Delhi, which have higher incidents of accidents

Thus, the company should either focus on improving the portfolio mix, or should adjust premiums more appropriately to factor in the risks.

That sounds good to me. Thank you.

Auto Insurance

To increase profitability of an auto insurance provider

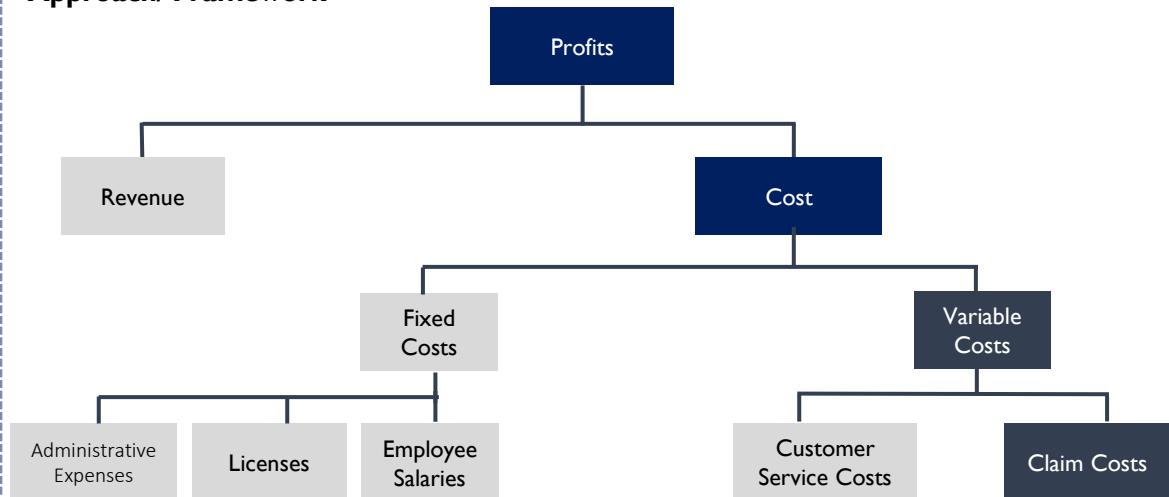
Interviewee Notes

- Profitability changes can be due to both revenue and costs
- Since revenues have been growing in line with industry, declining profitability must be due to rising costs
- Problem is also specific to the client (not an industry-issue)
- Analyse variable and fixed costs of the client
- Claim cost has increased at a faster rate than revenue
- Understand the customer segment behind the rising claim costs

Case Facts

- Client is a top 6 player in a concentrated auto insurance industry in India
- Client has experienced falling profitability but competitors haven't
- Revenues have been growing in line with industry
- Industry is competitive with little scope to charge higher than competitors
- Fixed cost growing as per market trends

Approach/ Framework



Recommendations

- The problem arises due to high claim costs. High claim costs arise due to an unfavourable customer profile mix.
- Thus, the company should either focus on improving the portfolio mix, or should adjust premiums more appropriately to factor in the risks.

Observations / Suggestions

- Have a clear approach. In this interview, the candidate took many questions before being able to pin down claim costs as the root cause. Nonetheless, it is clear that the candidate had a very clear framework in mind (Profitability > Revenues/Costs > Industry-Wide/Firm-Wide Issue > Fixed/Variable > Claim Costs).
- Furthermore, the candidate also asked if there were cost components he was missing. This shows that the candidate tried to have a MECE approach, which is what interviewers are looking for.
- It is important to have an understanding of the nuances of the insurance industry to come up with the cost structure

Banking – Interview Transcript

Your client is a Leading Public Sector Bank(PSB) in India. Recently it has been experiencing a decline in its profitability. It wants you to analyse why?

Is our objective to reverse the decline in profitability, or is the bank only looking towards assessing the reason for the decline?

The bank wants us to analyse the reasons and suggest avenues for growth.

Is it safe to assume that the bank is National – Pan India, and that domestic business is the major arm of the business.

That is a fair observation

I am trying to understand the bank's customer base. Am I right in assuming that the bank draws a majority of its business from rural banking, but also has a competitive position in Urban areas?

Yes, a majority of the bank's business is from rural areas, and in urban areas it has a more muted presence. Something it aims to work on

Since when has the bank been facing a decline in profitability? Also, have the other banks also been facing similar issues?

The bank has been witnessing falling profitability for the past 5-6 quarters. Some banks have seen declining profits, but others have seen periods of steady growth.

Interesting. That's a decline for almost a year and a half, while the industry seems to be doing fine. This leads me to hypothesize that is some systemic issue with the bank, that probably stems from faulty loan policies, in turn escalating costs A final clarification, what is the timeline that we are looking at to reverse the decline in profitability?

The bank wants to reverse the trends in the next 1-2 years.

Given the short timeline, I would like to take a two pronged approach. To increase profitability, we have two possibilities - increase revenues - increasing the customer base and income from advances. Second, we could look at the cost aspect, maybe target recoveries to decrease the NPAs, reducing the written off assets. Is there something specific you want me to look at?

Has there been a substantial decrease in the revenues, or an increase in the costs?

Yes, the costs have increased, but revenues have remained more or less constant. Why don't you start by analysing the costs?

The costs for the bank can be broadly be segmented into Fixed and variable. The fixed costs comprise of Infrastructure costs and labour, since a PSB has permanent staff. On the infrastructure side, two major areas are real estate and IT infrastructure. The variable costs, can also be segmented into operational costs and capital costs.

Is there any particular bucket you want me to analyse?

Yes. Lets explore the variable costs.

Sure. The capital costs can be calculated by looking into the reserve funds and investable funds. The cost associated with investable funds are a function of the rate and the leakage, where the rate is determined externally. On the operational dimension the cost relate to customer acquisition costs and transaction costs.

Good, that's a fair analysis of the costs. The bank has found that it has a higher than average leakage and transactional costs. What measures can you suggest?

The transactions either happen through physical brick and mortar structures or digital channels. As I understand it the costs are substantially lesser in digital transactions compared to those done through brick and mortar structures.

Yes. the cost for an on-site transaction is Rs.50, which gets reduced to an average of Rs.12 for digital transactions

In that case the bank should push for digital transactions. In the short term moving to digital transactions would incur high costs – training the rural customers, setting up camps. However, the customer would also start associating brand loyalty with the bank which on-boarded them. In the long term, the bank would have to invest in its digital network to support the large customer base. However, it's the transaction costs would decrease, and also free the employees to be reassigned to more productive assignments.

For promoting a digital drive we could tie up with NGOs – it would also be an initiative in CSR. The NGOs in conjunction with schools, and help from the local Panchayats could help reach out. Good. Could you also examine the leakages?

The leakages could be examined from the point of view of increasing recovery and correcting future occurrences. The leakages due to NPA could be due to externalities, such as a downturn in the economy. However, since other banks have done well during this period, it cannot be a economy wide phenomenon. Thus, the problem could either be due to the downturn in the particular sector in which the bank is employed or internal parameters. In the internal parameters, the cause could either stem from policies, or from shoddy implementation. The policies of the bank could be a cause, say, by not capping the industry exposure, or not setting proper disbursal guidelines. Similarly, in implementation, the cause could be improper follow-up procedures, or customer verification.

Alright, anything in particular that the bank can do to increase recovery?

Do we have a break-up of the NPAs?

A large percentage of the NPA is contributed to by the large conglomerates, but measured by the number of NPA accounts, it is high in the agriculture sector.

For recovery by corporates, the bank could look at re-structuring or file a case under the bankruptcy code, if the bank feels that restructuring would not help.

Alright, for corporate loan recovery the bank has already taken appropriate steps.

I assume that the agricultural revenues are mostly cyclical. In this case the recovery should be done in campaign mode in the month of harvest. As most of the farm income is concentrated in a few months. This could be tailored as per the regions. For instance, in Uttarakhand, where most of the produce is Sugarcane, the bank needs to directly tie-up with sugar mills, to have all the proceeds routed through the account.

Would the bank have enough resources for these activities.

The bank would need to create special recovery officers to target these NPAs. Reallocating the staff to specialised roles such as these, could improve productivity. Another important area that can be addressed in agriculture is crop insurance. This should be made mandatory, with the bank bearing a part of the cost. Insurance would protect the interest of the farmers, and the bank, and also be a channel of cross-selling for the latter.

That's great. Anything else?

Since the cause of the decline in profits was an increase in costs, the bank could look towards the utilisation of Banking Correspondents to provide the last mile connectivity thus reducing fixed costs by obviating the need to set-up brick and mortar structures.

That's a good idea. Since you mentioned that digital capabilities should be developed for reducing the costs. How would you do that?

Bank may look at acquiring an existing digital payment bank to develop digital capabilities quickly. This would also be beneficial to the bank as the existing team in the Target would have experience and knowledge in this segment which would create synergies

Thanks, that would be all.

Banking

Your client is a public sector bank who is facing a decline in profits. It wants you to figure out the reason for the same

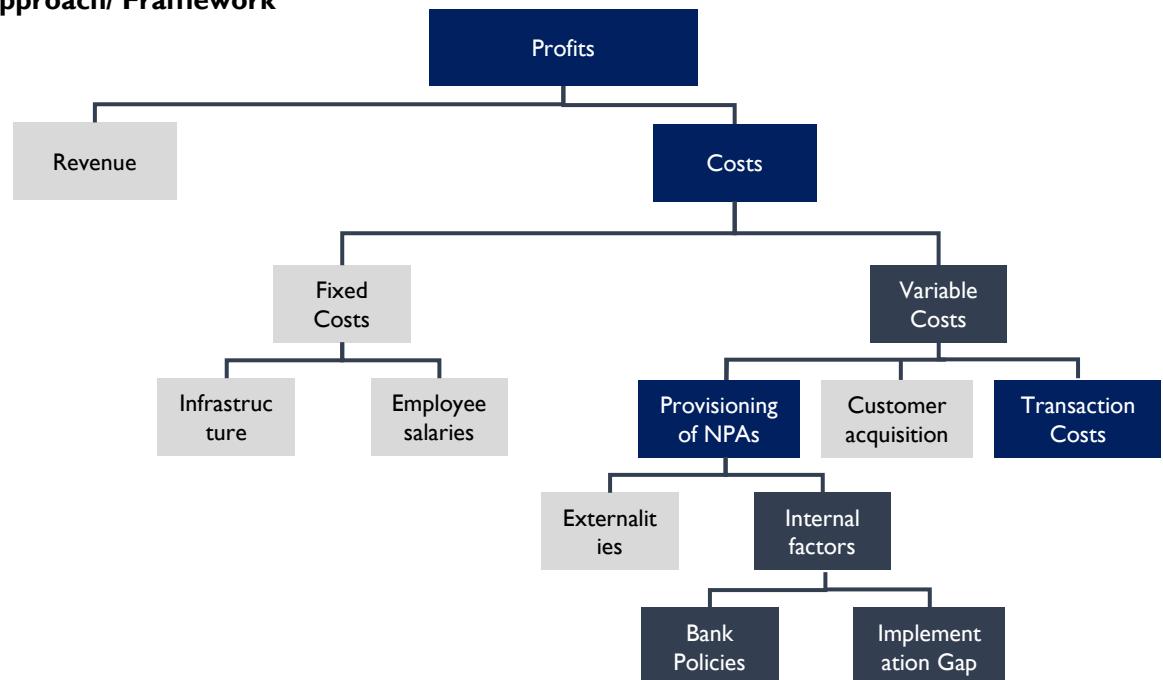
Interviewee Notes

- Banking sector specific costs such as customer acquisition and transaction costs along with NPAs should be focused on
- Decline is because of higher customer acquisition as bank still follows traditional banking model
- Costs are high also on account of larger NPAs
- NPA recovery to be done on a sectoral basis
- Focus on tie-ups with different agencies wherever possible to reduce costs

Case Facts

- Client is a national, Pan- India bank
- Bank draws majority business from rural base
- Problem limited to the bank itself and not the sector
- Bank wants to reverse this trend in the next 1-2 years
- Declining profitability is due to increasing costs

Approach/ Framework



Recommendations

- Use digital technology to acquire customers and handle transactions as the cost is less than traditional methods; Consider acquiring an existing payment bank to build digital capability
- Create special recovery officers position that targets recovery agricultural loans to ensure minimum NPAs; Make insurance mandatory for agricultural loans to reduce risks
- For corporate NPAs, go for restructuring or the IBC route

Observations / Suggestions

- It is important to use nuances of banking industry to analyse sector specific costs such as NPAs.
- Need to understand factors which are within the control and outside the control of the bank: Example, costs such as Interest rates are decided on external factors such as decisions by RBI and therefore are not within the control of Bank
- Structure the recommendation as per the specific problems and do not give a laundry list of suggestions

Telecom billing process – Interview Transcript

You have been approached by the CEO of a telecommunications provider company. He is worried about the high expenditure in their billing process and wants your help in identifying areas where you can reduce costs.

What are the different ways in which the client's company send out bills to the customers?

There are three ways in which the bill can be sent to the customer. Through post, internet and by sms. For this interview just concentrate on post and internet.

Since sending bills through internet would involve minimalistic cost, focusing first on snail mail and looking at different cost component involved in the value chain.

Sure. Go ahead and list down various cost components.

There will be cost involved in buying raw material, printing bills, sending bills to customers. And fixed cost involved will be the infrastructure renting cost and the employee cost.

Assume both rental cost and the employee cost to be optimal.

OK. So, let's begin by evaluating the first component of the value chain. Raw material for printing are paper and ink.

Let's take paper first and try to reduce paper cost followed by ways to reduce the cost of ink.

Sounds reasonable. Go ahead.

We can bring down the paper cost by using thinner paper, by using smaller size of paper, by printing on both sides of the bill, by leaving lesser margin, may also use a recyclable paper.

To reduce the cost of ink used, reduce the number of words on the bill by eliminating unnecessary details. Reduce the font size and only print a black and white bill to save on the coloured ink.

Should I move ahead and explore ways in which the client can save cost in sending the bills to the customer?

Yes. Why don't you help the client in reducing their expenditure in sending the bills by post.

OK. So, the total annual cost in sending bills by courier will be equal to = No. of bills sent/month* Frequency of sending bills* (Base price for mail+ (Price/km)*No. of kms)

Let's start with Price/km first. To reduce this, switch to a cheaper mail/courier service. This can be achieved by using regional courier services as well.

Next, I would want to understand the base price for mail. How many hubs does the client have to send out the bills to the customers?

As of now, the client has one facility in Mumbai and the bills are mailed all across India from the Mumbai hub itself.

Ok. Another way in which we can optimize this is have smaller facilities in cities like Delhi, Chennai, Kolkata and send the bills to customer sin that region from there.

It would serve the purpose of lower base price as well as quicker and timely delivery of bills with lower bill loss rates.

That's interesting. How else can you reduce the cost of sending the bill to the customer?

Apart from this we can reduce the frequency of sending out the bills to the customers. Here, the tradeoff is between the cost saved in mailing the bills and interest forgone from the money received a month earlier.

Let's reduce the frequency of sending bills from one per month to one per two months. When do you think this will become feasible?

Okay. To analyse this I would want to understand the approximate cost in sending out one bill by mail/courier.

Sure. You can assume that one time cost of sending the bill by mail is around Rs. 20. And for all practical purposes, take the interest rate to be 10% annually.

By not sending the bills every month, The client will save Rs.20/bill. Assuming the rate of interest to be approximately 1% per month, the bill amount should be above Rs.2000 for the client to be making losses by reducing frequency of sending bills.

i.e. if the bill amount is more than Rs.2000 then the bill should be sent every month, But the majority of bill value in India would be much less than even Rs.500. So, in that case, reducing the frequency becomes a cost saving option.

Can you think of a way in which you can reduce the costs overall?

I think sending the bills through internet or sms would lead to massive reduction in overall cost. How much does it currently cost to send a bill through internet?

Around 5 paise.

Okay, so our aim should be to encourage the customers to start using internet as a medium to pay bills/ view bills.

Interesting. How do you plan to do that?

In the initial phase we can target those customers who use internet to pay their bills. We should incentivize them by telling them about the benefits of sending bills online. A few of them are- 1.Prompt delivery of bills

2.No losses- no fudging of content, it wouldn't get lost during transit, lesser chance of a bill going to the wrong address

3.Convenience of having a bill online. You can check it whenever you want and there's no hassle of storing them carefully.

4. Incentivize people to use internet to pay bills by giving some discounts in the initial phase.

Telecom billing process

You have been approached by the CEO of a telecommunications provider company. He is worried about the high expenditure in their billing process and wants your help in identifying areas where you can reduce costs.

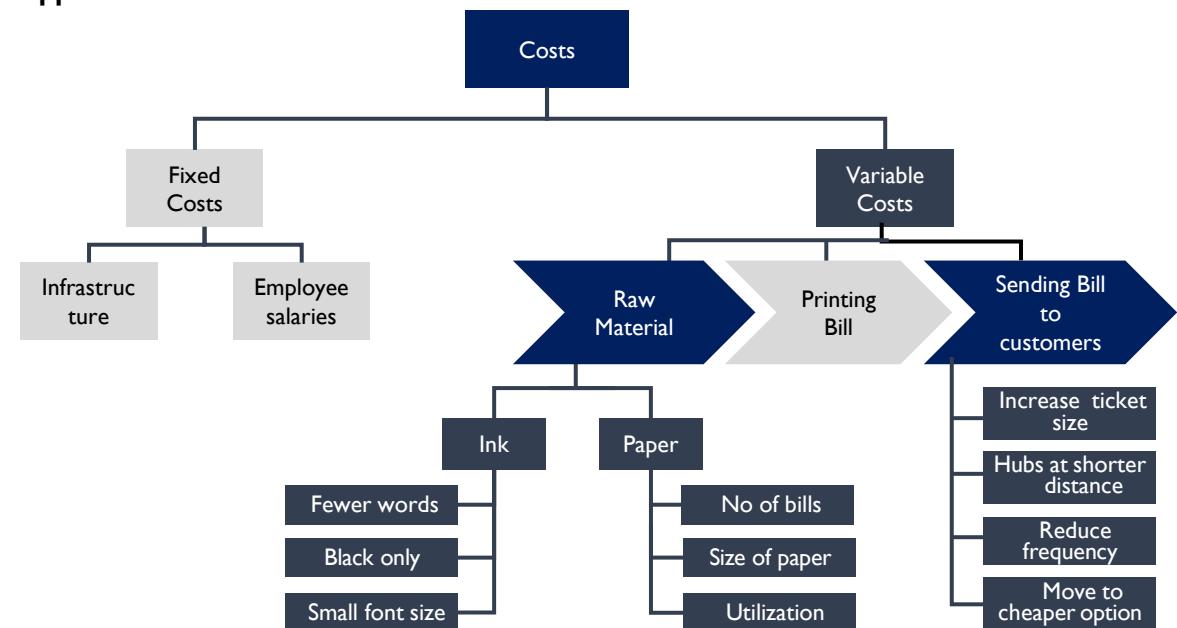
Interviewee Notes

- Reduce cost of bills
- A cost benefit analysis for each mode of sending bill
- Reducing the cost of preparing bill itself

Case Facts

- 3 ways of sending bills- SMS, internet & Snail mail
- Internet and SMS are optimized, possibility only in snail mail
- Rental and employee cost are optimal
- Only one billing hub in India- in Mumbai and bills are sent all over India from Mumbai
- Cost of sending a bill by snail mail is INR 20
- Cost of sending a bill through internet is INR 0.05
- Rate of return annually= 10%

Approach/ Framework



Recommendations

- Reduce the unnecessary expenditure on paper and ink. This being an inelastic good, customers won't be bothered by smaller size or lesser words until relevant info is present
- Explore the alternate route of sending the bill to the customer. Keep in mind the new evolving technology and try to push customers towards using it
- Highest cost component of snail mail can be brought down by reducing the frequency of sending bills to one bill per two months. Only when bill amount is less than Rs.2000

Observations / Suggestions

- Each cost component should be broken down into multiple cost levers to ensure that nothing is being missed out
- Breaking down cost of snail mail into components helped the interviewee to analyze each one carefully
- Further having to shift the customers to the low cost option is also relevant and important to bring down cost drastically and for having convenience in the future
- Overall, the case is fairly simple- one needs to be exhaustive and try looking at the cost levers from different aspects

Oncology firm – Interview Transcript

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

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

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

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

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

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

Fair.

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

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

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

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

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

Operates across the entire value chain.

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

Let's focus on revenues for now.

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

There has been a fall in volumes.

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

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

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

Focus on sales & marketing

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

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

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

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

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

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

Oncology firm

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

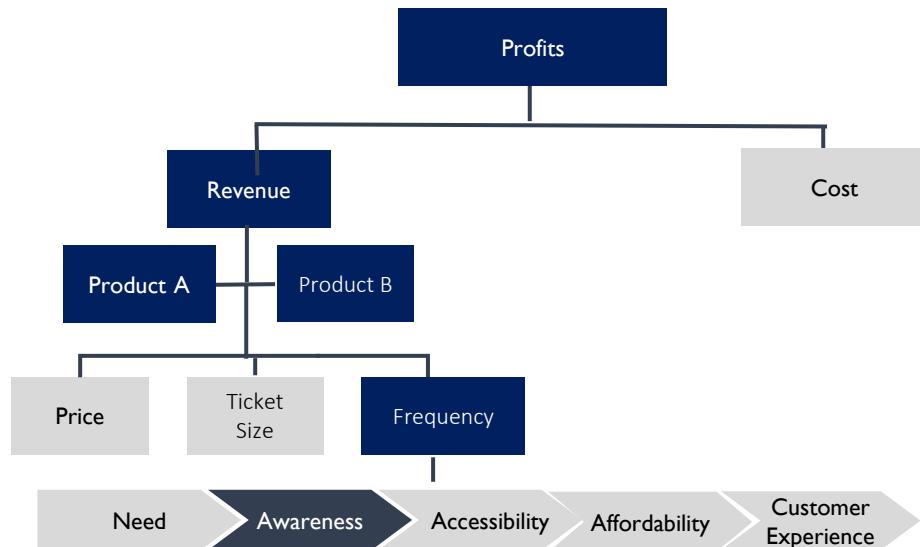
Interviewee Notes

- Declining profits due to revenue fall
- Ask if revenue fall is across the industry or firm specific
- Understand client product portfolio and check if decline is across both products
- Identify components of revenue and the problem component subsequently
- Identify drivers of the problem component
- In this case, the problems lies with the marketing effort
- Under marketing, the problem lies in 2 channels: door to door selling and publicity

Case Facts

- Leading global firm
- Manufactures specialized cancer treatment drugs (only business)
- 2 products- A (80%), B (20%)
- Both the products are hit in terms of profits
- Operates across the entire value chain

Approach/ Framework



Recommendations

- Loyalty programs- Such loyalty schemes would act as a substitute to the competitor's referrals and not compromise ethics either
- Enter into long-term contracts
- Explore new geographies and market segments (eg- secondary healthcare centers, specialized clinics of doctors)
- Improving the efficiency of sales personnel

Observations / Suggestions

- The candidate did a good job in understanding the product portfolio (prescription drugs) and diagnosing appropriately. The candidate was able to create a MECE framework for revenue first and then fall in frequency. The key to the case was identifying referrals by competitors as the major reason behind frequency fall.
- The interview was designed to judge how quickly could the candidate move through layers of revenue and identify referrals given by competitors as the major problem component.
- The candidate should have been able to apply knowledge of prescription drugs marketing to the case in order to identify referrals as the largest component.

Urea Manufacturer – Interview Transcript

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

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

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

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

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

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

Our client is the only one.

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

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

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

No, there was a decline across all the segments.

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

Competitor action is the driving cause.

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

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

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

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

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

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

I would make the following recommendations to our client-

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

Urea Manufacturer

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

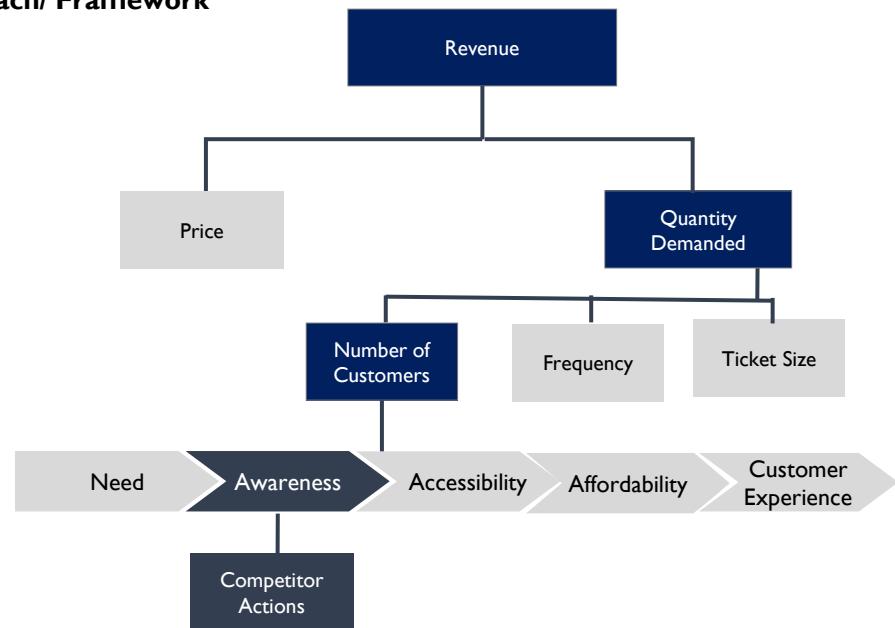
Interviewee Notes

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

Case Facts

- Leading Indian firm with presence in 4 North Indian states
- Minimal product differentiation in the industry, similar to a perfect competition set-up
- Client manufactures only one product used in fertilizers by farmers
- Competitors have colluded and launched a new promotional campaign,

Approach/ Framework



Recommendations

- As the industry is standardized, client can imitate competitor
- Explore promotional schemes such as discounts on product, innovative tie-ups with complementary product manufacturers, rebranding the product
- Long term contracts with retailers as customers are indifferent between brands
- Explore new markets

Observations / Suggestions

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

Oil Distributor – Interview Transcript

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

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

That is correct.

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

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

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

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

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

Only petrol is sold currently.

Among the non fuel sources, the possible revenue streams would be convenience store, value added services (paid air filling station, garage). Are there any other revenue stream I should be looking at?

No you can go ahead.

I'll like to start by analysing the revenue from fuel sources first. I'll break it down into no of customers visiting per day, ticket size per customer and the price of petrol. Do we have any data of these based on current operations.

Currently the average no of customers per day is 100, ticket size per customer is 1 lt and the price of petrol is Rs100/ltr.

Alright. So to increase the profits, we need to look at increasing any one of them at least. How do these numbers look for our competitors?

You can assume that the prices are competitive and ticket size is almost the same. The no of customers depends on a combination of multiple factors.

Okay. So the number of customers will depend on three major factors :Location, Price and Service. How are we in terms of location and service as compared to our competitors?

We are located in metro city like Mumbai and location is not an issue. Our services are also top-notch

Ok. So we need to look at the possibility of either increasing the prices or decreasing them and see their effect on the number of customers vising the petrol pump. Do we have any projection regarding the same?

Based on the market research, we have found that on every 10% increase in price, the number of customers decrease by 20% and for every 10% decrease in price, the number of customers increase by 5%

This implies changing price will lead to overall reduction in revenues. Can we look at other ways of increasing the number of customers, like advertising?

Petrol is a commoditized product and advertising won't be helpful.

Okay. Then we don't see any way of increasing the revenues from fuel sources in isolation. Can we look at non-fuel sources and see if that is related to the number of customers visiting the petrol pump.

That's correct. 30% of people visiting petrol pump end up visiting the convenience store as well. The other non-fuel revenue sources can be neglected for this analysis.

So this means we can look at the possibility of increasing the number of customers and see the net effect on revenue based on decreased prices and increased revenue from convenience store. Do we have any numbers related to revenue per person from the convenience store?

Yes. Currently the revenue per person from convenience store is Rs100. Your analysis is correct. Assume that the prices are decreased by $x\%$ and the revenue per person from the convenience store changes to y . Can you get the condition that must be satisfied for increasing net profit.

(Writes the equation) This means that decreasing the prices is not the sole criteria. We also need to look at ways of increasing the revenue per person or the percentage of people visiting the store. What are the products being sold at convenience store?

We currently sell general consumption items like chips, biscuits and other FMCG products. We don't have a big range of products. Can you give recommendations on ways to increase the revenue from conveniences store.

1. We can stock more items both in terms of variety and volume so that any customer visiting usually gets the product of his/her choice.
2. We can stock more items related to vehicles.
3. We can look at the possibility of advertising the store
4. We can also explore the option of introducing a new process where the payment for petrol will be done the store counter. This will essentially lead to all customers visiting the store and many people may turn up finally buying something. (Trade off needs to be done based on inconvenience caused for people who don't want to go to the store)

This will be fine. Thank You.

Oil Distributor

You have been approached by an oil distributor facing with profitability problem in one of the 4 petrol pumps owned by them. Diagnose the problem and recommend appropriate solutions.

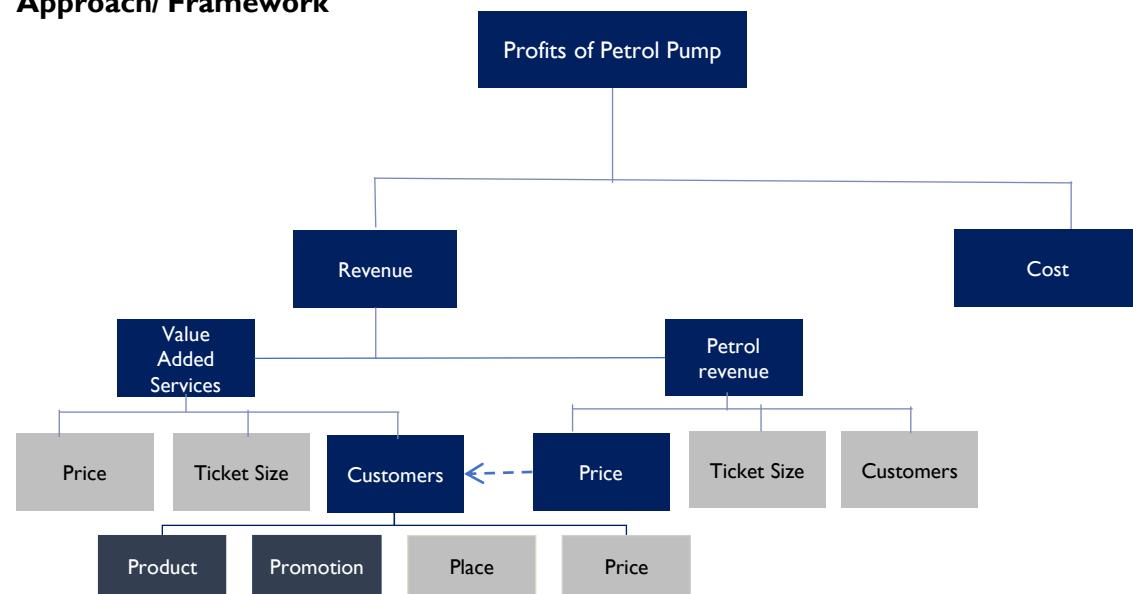
Interviewee Notes

- Profits have been constant over past few years due to problem in revenue generation
- Identify the additional revenue sources for petrol pump- VAS, convenience store
- Understand the interdependence of revenue sources on each other
- Number of customers depend on location, price and service
- Changing price will lead to overall reduction in revenues

Case Facts

- Client owes 4 petrol pump and the problem is in only one of the pumps
- Problem specific to the client
- Only petrol is sold currently
- No problem on the cost side
- No new competition
- Petrol pump facing issue situated in metro city, no issue with the location nor with service quality
- Advertising will not be helpful as product is commoditized

Approach/ Framework



Recommendations

- Reduce price of petrol to get more customers
- Increase the convenience store revenue: increase stock in terms of volume and variety; stock more vehicle related items; advertising the store ; alternate payment process to increase visits to store

Observations / Suggestions

- It is essential to figure out the key revenue streams for the petrol pump and their interdependence
- Calculate the net effect of reduction in prices on profit and the possible ways of increasing revenue from convenience store
- Develop equation between x and y and find the desired relationship for ensuring overall profits

Price of petrol	No of customers	% of customers visiting convenience store	Revenue per customer from convenience store
Original price (Rs 100)	100	30	100
Price increased by x%	Customers decreased by 2x%	30	z
Price decreased by x%	Customers increased by (x/2)%	30	y

Washing Machine firm – Interview Transcript

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

Profits is a function of revenue and cost. I would like to understand which part of the function is causing a problem.

We have seen decline in revenues whereas costs is not a problem

Before proceeding further, it would be good to know about the Company, its position in the market, product mix and the customer segment it targets. Do we have data on this?

Yes. Company is a market leader in the washing machine segment. It targets middle class consumer and does not manufacture high end products

Great. I would like to understand the trend for revenues and profits of the Company for the past 2 years

Revenue and profits have seen an overall decline of 10%

I would like to break the revenue into volume and price to understand the decline in revenues

That seems fair. The decline in revenues is due to fall in volumes. What will you do next?

Having known this, I would like to know the geographical segments, the company is operating in.

Also, is the issue of decline in volumes company specific or industry wide

The company operates primarily in Western India. The issue is specific only to the company

Okay. Is our product differentiable from the products offered by the competitors in terms of features and price?

The company's product is superior in terms of quality as compared to competitors, but the price is almost comparable to them.

If the product is superior in terms of quality and yet comparable in price and when there is no industry wide issue, the product should be in demand amongst the consumers. Can I therefore assume that product is not available in sufficient quantity when demanded by customers?

Yes. That's correct.

In that case, company's distribution channel needs to be analysed. Do we have data on the distribution channel of the company?

Company sells its products through distributors, who then sell them to retailers and is thereby made available to consumers.

I would like to assume that company is facing some problems with its distributors. Is my assumption correct?

Correct. Distributors feel that the margins offered by the Company is less as compared to competitors. Hence, they distributors have gradually reduced the stock offered to retailers. What would you do next?

Do we have details on the margins offered by us and by the competitors?

Yes. We offer 4% margin whereas competitors offer 7% margins. How will you solve this problem

Can we consider increasing the margin for distributors and absorbing the increased expense in our income statement?

Consider the following data and then decide:

Particulars	FY2017	FY2019
Units Sold	100,000	90,000
Price to dealer	18,000	18,000
Expense per unit	14,000	14,000

Assume that the number of units sold will be back to original levels if margin is made comparable to competitors

Based on the numbers, Company made a profit of INR 40 Crs in FY 2017 and INR 36 Crs in FY 2019. In case, the price is reduced by offering margin of 7%, the revised price shall be approximately INR 17,400. The resultant profit shall be INR 34 Crs. That would mean we would be worse-off than current situation if margins are increased.

Yes

Do we have data on the number of distributors and their geographical spread along with the approximate number of retailers and their geographical spread?

Currently, Company has 5 distributors. 2 distributors handle Gujarat region while remaining 3 handle Maharashtra region. There are 200 retailers in the Western region, with 50 in Gujarat and 150 in Maharashtra. All the retailers are widely spread across the two states

Also, is the Company exploring any other distribution channels such as e-commerce?

Company itself has minimal presence on e-commerce portals. The products are often sold by distributors on such portals

In this case, I would like to give two recommendations.

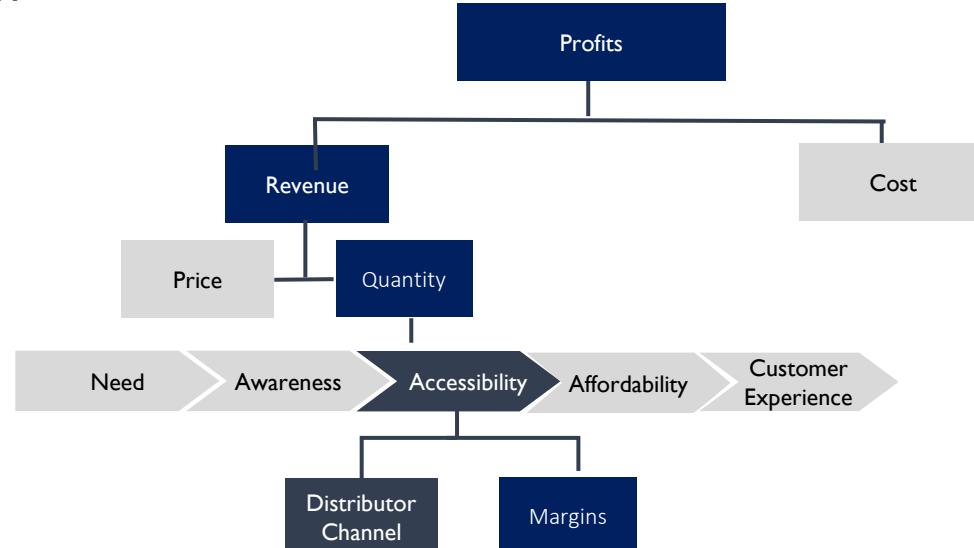
One, Company can start transacting with retailers directly. In this situation, company can decide to hire a factoring agent who can take up the task of collections from retailers and invoicing them regularly. Company would also have to re-look at its distribution channel and look at the most optimized logistics strategy.

Secondly, company start selling its products directly on e-commerce portals and thereby move lost sales from distributors on such portals.

Good job!

Washing Machine firm

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

Interviewee Notes	Case Facts	Approach/ Framework
<ul style="list-style-type: none"> Decline is because of lesser demand from distributors on account of lower margins Profits will decline further if comparable margins are offered to distributors Retailers are widespread across the western region The problem is in the lower availability of the product 	<ul style="list-style-type: none"> Targets middle class customer Market leader in the segment Revenue and profits have seen a decline of 10% over 2 years Company product superior to competitors and pricing at par Sale through distributor and retailers 	 <pre> graph TD Profits[Profits] --> Revenue[Revenue] Revenue --> Price[Price] Revenue --> Quantity[Quantity] Price --- Need[Need] Quantity --- Awareness[Awareness] Awareness --- Accessibility[Accessibility] Accessibility --- Affordability[Affordability] Affordability --- Customer[Customer Experience] Accessibility --- Distributor[Distributor Channel] Accessibility --- Margins[Margins] Cost[Cost] </pre>

Recommendations

- Start direct transactions with retailers by on-boarding a factoring agent to handle invoicing and collection
- Start selling on e-commerce portals directly from company

Observations / Suggestions

- It is important to think about distribution channels which often goes unnoticed in profitability framework
- It is important to understand how long the problem has been going on . In this case the problem started around 2 years ago which means that something must have changed during this period which has led to a decline in profits

Tractor Company – Interview Transcript

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

OK, so I would like to understand that when we say decline in sales, does it mean decline in overall revenues or # of units sold?

They are facing overall revenue decline

The key problem I need to focus on is finding the issue with declining revenues from tractor sales. Is there any other objective I need to keep in mind?

No. Please go ahead

Is this a nation-wide issue or should I focus on a particular market?

Focus on the West, where there is a major decline

What are the key product offerings and target market of the company? Is the company involved in direct retailing?

There is only one type of tractor in the market. Please focus only on that for the rural market. The company does indirect retailing through various distributors.

I would now like to deep dive into the problem. I would like to breakup revenue into 2 components i.e. # of units sold and price per unit. Do we have any information if any of these 2 has declined.

Our prices have remained constant but we have faced decline in the number of units sold.

of units can be affected by 2 components. Overall market size of the tractor and our captured market share. Has whole tractor industry faced decline or our market share has declined.

Overall industry is not facing any decline. Our competitors have gained the market share.

Decline in our market share can be due to manufacturing issue leading to lower production, distribution issue or customer demand issue. Do we know because of which reason we are facing decline

We can manufacture even for a 50% increase in demand. Capacity is idle. Also, there has been no change in ours or competitor's distribution. We are facing shortage of demand from customers.

Ok. So we know that decline of the revenue is linked with decline of demand of our tractors by the customers. To further deep dive the reason of decline in demand, I would like to explore 4 factors i.e. our product, places we are reaching out, price of our product and our promotion strategy, all with respect to competitors. Also, I would like to know a bit about our competitors.

This looks good. There are 3 main competitors. Sales of one player have increased alarmingly while other have seen only a modest increase. The key issue is with the promotional activities. Why would that be?

Has the competitor increased the promotional activity more than us?

What promotional activities can you think of?

The promotional activities in this industry can be discounts, financing or increase in channel based promotions. Is the competitor offering heavy discounts in the market?

No, it is the same. What can you think can be the issue with financing?

As we know that the tractors are mainly financed by different financing companies. Due to the recent slowdown in financial sector including both banks and NBFCs, it may be possible that we are not able to provide good financing deals to our customers as our competitor

Excellent point. But the current issue is related to increase in channel based promotion

Okay. Other channels for promotion can be the print media, bill boards, TV, radio and digital (SMS, internet, etc) and the word of mouth publicity

That is correct – the major issue was that our word of mouth publicity was less. Can you guess why?

Is there a negative branding about our company in the market?

No nothing of that sort. Think about what the competition could do to enable word of mouth?

They can organize trade fairs to directly connect with the consumers – telling them about the product and branding themselves.

Correct. They did organize a trade fair in multiple villages, called people to get free test drives and gave away prizes at the event. This was a part of the focused strategy to gain market in the West. Thank you.

Tractor Company

Our client, a tractor manufacturer, has been facing a decline in sales. You have been approached to find a solution to the problem.

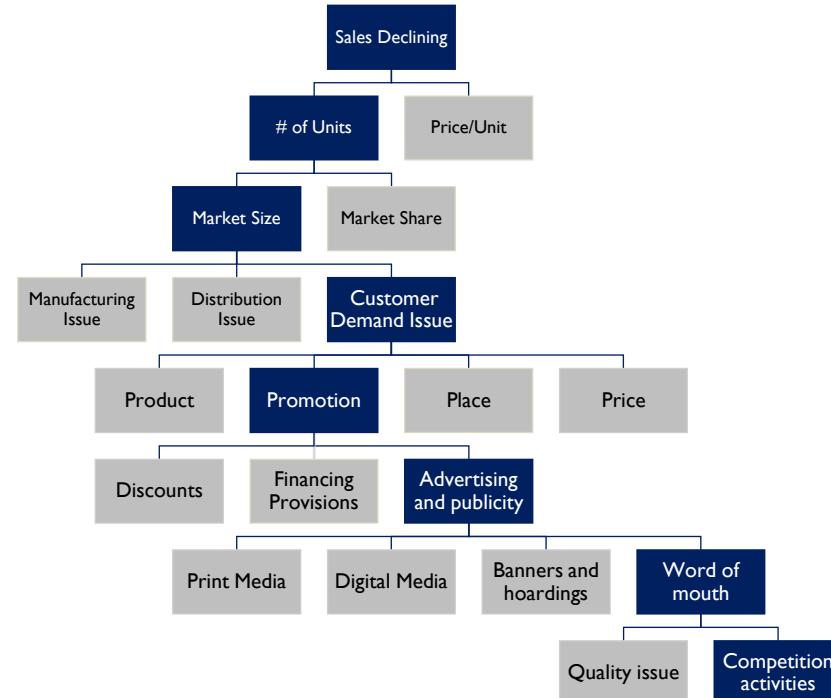
Interviewee notes

- Issue with promotion activity
- Same discounts as competition
- Same promotion spending across print and other media
- Low word of mouth publicity
- Increased competition activities

Case Facts

- Major tractor manufacturer, with only one major product
- Declining sales
- Only an issue in the West
- Prices have remained same, decline in units sold
- Decline limited to company and not industry
- No supply issue

Approach / Framework



Recommendations

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

Observations / Suggestions

- Declining sales problems can also be separated into internal and external issues
- Once the problem is identified to be in the publicity and advertising part, including word of mouth publicity is especially critical

Fishing company – Interview transcript

A fishing company has faced a decline in profits of 15% over the last year. The CEO has hired you to find out why this has happened.

I would like to ask some preliminary questions to understand the situation better. What exactly does the company do and what geography does it operate in?

It employs fishermen, who use the company's boats to go to sea and catch fish. They sell the catch directly to customers in the town. The company is also in the business of leasing fishing boats. The company is based out of Goa.

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.

Does our client have multiple product lines within sea food or do they sell just fish?

They only sell two types of fish – large and small.

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

Small fish are considered premium and sell at 1.25x of the price of big fish. However, it costs the same to catch those fish.

Okay, that's interesting. So let me know try and identify the cause for drop in profitability. Since profitability is a function of revenue and cost, I'd like to analyse the two. Starting with the cost component, what has been the trend over the last year?

Our costs have actually gone down by 5%

Okay, that's interesting. What about your revenue?

Our revenue for the last FY was down 12% YoY.

Alright, so the Revenue component is driving profitability down.

I guess so. So what do you suggest?

Okay so in a typical fishing company, the major heads of revenue would be fish sales and lease of fishing vessels and equipments. Do we have any data with respect to these?

Yes, we do. Our lease income has indeed fallen from the previous year on account of loss of a few customers. But leasing only contributes to about 15% of our total revenue. So there's must be something else too.

So a fall in revenue from fish sales must be driven by one of these three factors: fall in average selling price, dip in volume or a change in product mix. Do we have any indication about which of these it could be?

Yes that's indeed correct. So, there has been a change in the product mix that we offer. We have found out that we are selling more large fish and fewer small fish than we used to last year. Can you help the company understand why this could be the case?

The problem of product mix could either be a demand side issue or supply side issue. Demand side issue affect the whole industry and since that is not the case, it is my hypotheses that the problem is one of the two: we are unable to catch small fish or are unable to sell them. Do we know which of these it could be?

Our catch of small fish has indeed fallen last year. What could be the possible reasons for it?

So the problem could be either external or internal. Has there been any change in the composition in the water body where our fishermen fish? Is it possible that there are fewer small fish available?

No there's been no change in the composition of the sea. The proportion of small fish available is still the same.

Okay then it seems to me that there is some issue with our process of catching and transporting fish. Has there been any significant change in the process over the last year? This could be any of the following: any change in logistical arrangements, change in fishermen, trawlers or fishing nets or even change in our area of fishing For e.g.. distance from the shore

Actually yes there has been. Last year we went on a cost cutting drive. We wanted to reduce our expenditure on fishing nets so we tied up with a company providing cheap recycled nets.

However, these nets came with a square mesh instead of the diamond mesh that fishermen traditionally use. It was found that while the gaps in the diamond shape nets compressed when it came in contact with water, the square shaped mesh retained its shape under water and allowed a lot of small fish to escape through the gap in the nets.

That is some really interesting information!

Thank you for your analysis. You did a good job.

Fishing company

Drop in profits of a fishing company

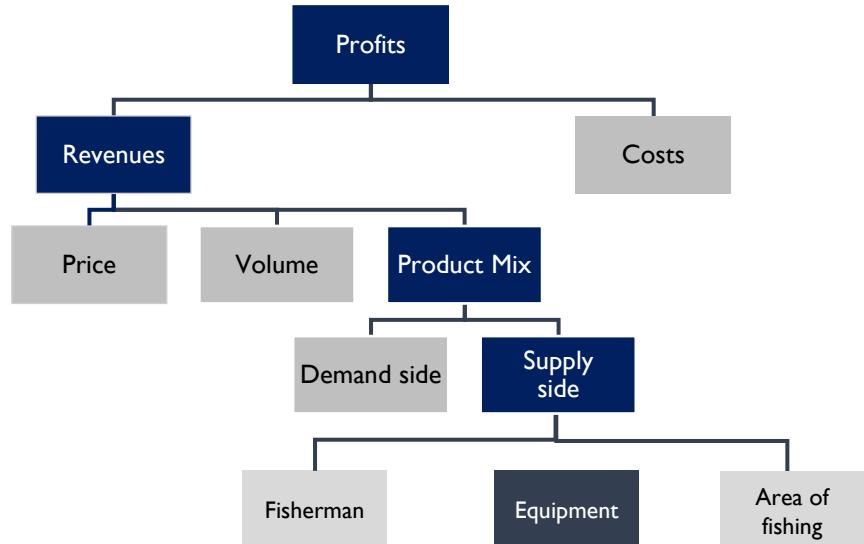
Interviewee Notes

- There could be two problems: either client is not able to capture fish or unable to sell them
- No change in consumer preferences
- No change in sea composition
- Look for change in process of catching fish

Case Facts

- Company based out of Goa
- Fisherman sell directly to customers
- Profits down by 15% over one year
- Cost have gone down and so has revenue
- Decline limited to client and not industry
- 2 product lines: big and small fish

Approach/ Framework



Observations & Suggestions

- It is important to ask preliminary questions to understand the company and the industry. A key insight (different product lines and different margins for each) was derived from the preliminary questions.
- It was important to note that change in sales of one product was not linked with change in consumer preferences. The problem can be on the supply side as well so it is useful to analyse the entire value chain to understand where the problem lies.

Banking – Interview Transcript

Your client is a Leading Public Sector Bank(PSB) in India. Recently it has been experiencing a decline in its profitability. It wants you to analyse why?

This seems like an interesting problem. To better understand the proposition, I would want to ask a few clarifying questions.

Is our objective to reverse the decline in profitability, or is the bank only looking towards assessing the reason for the decline?

The bank wants us to analyse the reasons and suggest avenues for growth.

Is it safe to assume that the bank is National – Pan India, and that domestic business is the major arm of the business.

That is a fair observation

I am trying to understand the bank's customer base. So, am I right in assuming that the bank draws a majority of its business from rural banking, but also has a competitive position in Urban areas?

Yes, a majority of the bank's business is from rural areas, and in urban areas it has a more muted presence. Something it aims to work on

Since when has the bank been facing a decline in profitability? Also, have the other banks also been facing similar issues?

The bank has been witnessing falling profitability for the past 5-6 quarters. Some banks have seen declining profits, but others have seen periods of steady growth.

Interesting. That's a decline for almost a year and a half, while the industry seems to be doing fine. This leads me to hypothesize that is some systemic issue with the bank, that probably stems from faulty loan policies, in turn escalating costs. A final clarification, what is the timeline that we are looking at to reverse the decline in profitability?

The bank wants to reverse the trends in the next 1-2 years.

Given the short timeline, I would like to take a two-pronged approach. To increase profitability, we have two possibilities - increase revenues - increasing the customer base and income from advances. Second, we could look at the cost aspect, maybe target recoveries to decrease the NPAs, reducing the written off assets. Is there something specific you want me to look at?

Has there been a substantial decrease in the revenues, or an increase in the costs?

Yes, the costs have increased, but revenues have remained more or less constant. Why don't you start by analysing the revenues?

As a Public sector bank, since in-organic growth is not a feasible option, we could explore increasing the number of customers or the value per customer. Since the agriculture and commercial loans have been high on NPAs, the bank could focus on retail assets to grow.

However, I do realise that the social dimensions, and priority sector lending targets are also to be considered.

That's a fairly good analysis. Could there be a way to utilise the latter, since we enjoy a large rural presence?

Using its pervasive network, if the bank could tap into the last mile customer and provide a basket of services to these customers, whom they have almost exclusive access to. This would help them substantially grow their revenue, and also build our brand image.

Alright, now let's concentrate on retail growth, as you rightly pointed out, it has the lowest NPA.

In growing the number of customers the bank could look at our existing market presence or look to expand to newer areas. In the existing markets they could need to analyse whether our products have market visibility. In case that is there the bank needs to analyse if the channels are accessible, and finally, the bank need to look at desirability vis-à-vis other providers.

Briefly analyse all

Awareness could be increased with promotion. In Channels, there are two broad categories – Physical and Digital. In both, the approachability and the hygiene factors are important. The approachability looks at aspects such as location of physical branches, or accessibility of the site. The hygiene factors explore the ease of doing business. In the desirability, the bank needs to look at the products and services offered by our competition, the tie-ups and the preferences of customers.

In tie-ups, the bank could explore areas such as EMI loans for online shopping; tie up with real estate agents, educational institutes, car agencies, travel agencies, and businesses (for personal loan for employees).

Is there something I should analyse in greater detail, or should I move onto analysing new markets? No this is a good analysis. Let's move onto value per customer.

In value per customer, since, the interest rate is not a variable we can adjust to a large extent, we could look at increasing the loan amount per customer, or cross-selling associated products.

Ok

For increasing the loan amount the bank could sell them other loans. For instance, for someone who has a home loan, the bank could sell them a car loan, etc. In selling associated products, the bank could market insurances and wealth management products of its partners.

Good. Thanks, that would be all.

Banking

Your client is a public sector bank who is facing a decline in profits. It wants you to figure out the reason for the same

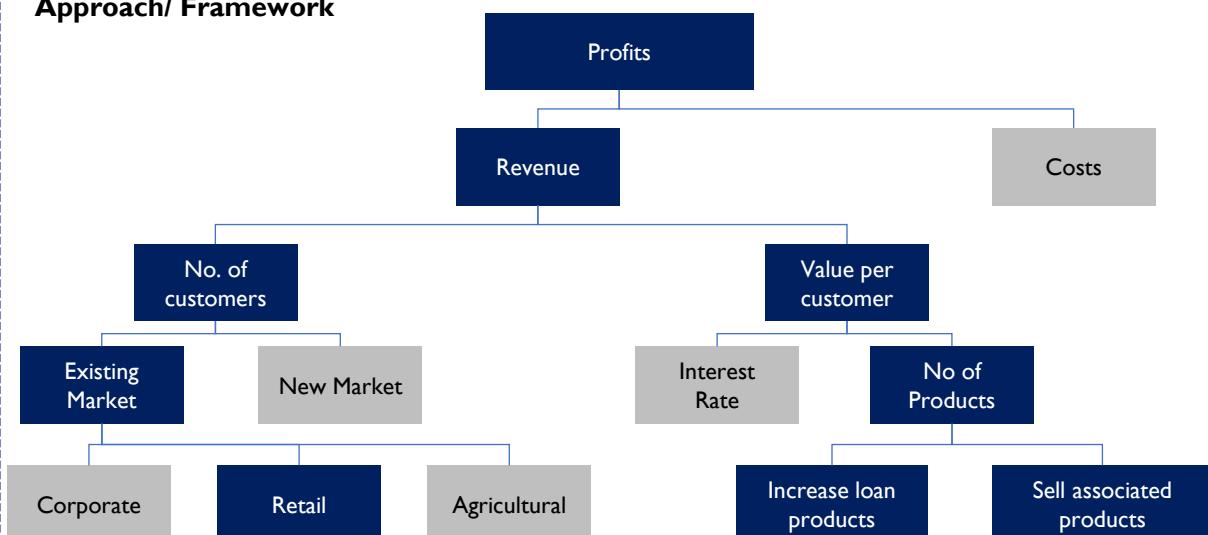
Interviewee Notes

- Banking sector specific costs such as customer acquisition and transaction costs along with NPAs should be focused on.
- Decline is because of higher customer acquisition as bank still follows traditional banking model.
- Costs are also on account of high NPAs
- Interest rates generally cannot be changed to increase revenue

Case Facts

- Leading public sector bank in India
- Pan India operations
- Majority business from rural banking
- Declining profitability over the last 5-6 quarters
- Not an industry wide problem

Approach/ Framework



Recommendations

- Target retail assets to grow revenues which have minimum NPAs, use existing network as leverage to grow
- Increase the number of products as well as value per customer to drive this growth

Observations / Suggestions

- It is important to look at the timelines while making recommendations
- Sector specific knowledge such as increasing farm loan waivers in agricultural sector or rising NPAs in corporate sector can hint where the bank could look for its growth, i.e. retail

Alcohol Company – Interview Transcript

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

I would like to begin by understanding more about the company and its products. What geography does the company cater to? Could you please tell me about its product portfolio?

The alcohol manufacturer makes several types of alcohol. It caters Pan India and some foreign markets. You may want to focus only on India.

Is the decline related to all products? Is this an industry wide problem or a company specific phenomenon?

The decline in profits is faced by their Whiskey Brand. It is limited to our company

Great! I would now like to dive into the case and structure it to get to the bottom of the problem. I would first examine the gradual decline in profits and then move to the sudden dip recently. I will begin by breaking down profits into its component parts: Revenue and Cost. Next, I will identify which of these are a problem and further look into Internal and External Factors that may have changed to alter the revenue or the cost structure. Would you like me to proceed in this way?

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

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

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

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

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

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

Sure. Go ahead.

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

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

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

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

I would like to know more about our whiskey brand- what are its core competencies and how is it different from its competitors.

The Company has a premium chain of whiskey brands. It seeks to offer customers better taste and superior packaging. This comes by charging customers a premium price.

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

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

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

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

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

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

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

Those are good recommendations. Can you quickly summarize the case for us

The company is an experienced Indian alcohol manufacturer facing a decline in profits over time and more so recently. The gradual decline in profits can be attributed to a slow down in the no. of units sold for its premium whiskey brand. The reason behind this is the change in taste of the consumer. The sudden dip in profits recently is because of a government law passed to regulate the sale of alcohol. To improve profits, the company can market its product more extensively and lobby with the government to change the recently passed law. Over time, the company can launch a non-premium label of whiskey

Alcohol Company

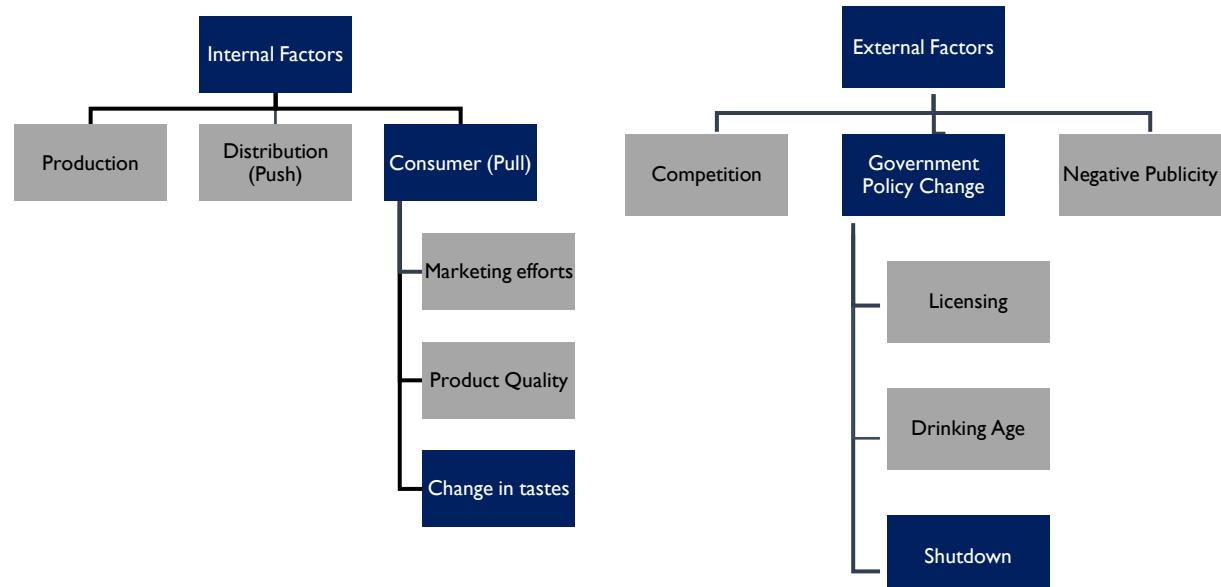
The client is an experienced alcohol manufacturer in India. They have been facing a gradual decline in profits and have also experienced a sudden dip in profits recently. The client wants you to identify the reasons for the decline in profits and give recommendations for improvement.

Interviewee notes

- Break down the causes into internal and external factors
- Enquire about product variety and geography
- Whiskey sold is a premium product and appeals to a certain section of society
- Government policies can influence alcohol sales
- Break down recommendations into short term and long term

Case Facts

- Client is facing a gradual and sudden drop in profits
- Focus on Indian Market
- Decline faced by whiskey brand
- Revenue has declined and this is due to decline in unit sales



Recommendations

- Long term: For change in consumer invest in product innovation to launch a non-premium brand to cater to the changing demographics who prefer cheaper alcohol and are not keen on the brew and taste.
- Short term: Firm can indulge extensively in marketing the premium whiskey product; lobby with the government to negotiate with rules.

Observations / Suggestions

- It is important to capture the problem as described by the interviewer- in this case, a sudden and gradual drop in profits as the reasons for each would be different
- Divide recommendations into short term and long term to help give a full proof solution
- Industries like alcohol are governed by stringent government regulations which can be modified resulting in further issues

SpiceJet vs Indigo – Interview Transcript

Your client is SpiceJet which has recently seen a decline in profitability compared to Indigo. Analyze the problem and provide solutions

I would like to ask a few clarifying questions before I begin to analyse the case. Firstly, I would like to confirm that we are focussing only on SpiceJet's airline business and domestic travel at that since we are comparing with Indigo?

Yes, that is correct.

Alright. I would like to then understand the recent industry trends over the last 5 years. Is the decline in profitability specific to Spicejet or is it an industry wide phenomenon?

SpiceJet specifically has been facing the issue of decline in profitability.

Since this is the airline industry, has the decline been on some specific routes?

Across the nation.

Is there a specific reason we are comparing our profitability to Indigo's since our scale and target population of premium customers (if I can assume that) is different?

No specific reason. Indigo is doing well in the domestic market, they are not seeing the same decline that SpiceJet is.

Alright then. Since this is a profit problem, I would begin by splitting it into revenue and cost. Are we observing rising costs or declining revenues?

Both. Let's start with revenues and move over to costs.

Okay. Revenue for SpiceJet's airline business can be written as Price X Occupancy X Capacity. Have we observed a change in any of these components or across all?

Price has remained the same. Occupancy has declined and capacity has increased.

Again, have these changes occurred across the country or only on some specific routes?

SpiceJet recently started its business across some niche routes. Occupancy in those routes has been suffering.

That makes sense. Just to clarify, since this is a new business for SpiceJet I would like to understand what kind of investments have been made? Has SpiceJet purchased a new fleet or has it simply re-routed its existing fleet?

New fleet has been purchased.

Since it is an occupancy issue (low demand for SpiceJet), I would like to understand the customer profile in these niche routes. Do these routes have low airline travel demand or is this occupancy issue specific to SpiceJet? Is this demand likely to grow in the future?

Currently these routes have low travel demand but likely to grow in the future, and therefore the investment. The demand for premium SpiceJet travel has also been projected to rise.

That's very helpful. Since we have already made substantial investment we may not want to withdraw fleets from these niche routes entirely for now. A few short term measures which we can undertake are as follows:

1. We can expedite our marketing activities in these regions
2. We can analyse price sensitivity of the customer pool and accordingly price for now. We need to keep in mind that this is a price sensitive industry with very little pricing power
3. Instead of having flights catering to these niche routes specifically, we can have our new flights on the conventional routes and have re-routing via these routes.

That makes sense. Let us now come to the cost aspect of the problem.

For the cost aspect of the problem, I would like to draw the cost value chain for SpiceJet which consists of the following- Cost of materials i.e. expenditure on fleet, processing costs which would include airport rent, employee salaries, IT services and fuel costs, storage costs which is maintaining inventories of spare parts, distribution and marketing and customer services (on-board services). Which part of the value chain would you say is suffering?

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

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

Only SpiceJet.

Inventory costs can be split into types of inventory held, number of inventory parts and cost of carry which would include pilferage, warehouse rent, poor demand prediction, poor inventory management & late supply costs. Is the cost higher than Indigo across all these components?

The cost is high specifically due to the types of inventory held. SpiceJet operates with different kinds of fleet whereas Indigo has one standardised fleet. Due to this, SpiceJet needs to hold more inventory. What implications would this have?

Due to different kinds of planes, there is a greater number of spare parts that SpiceJet is having to hold which is the reason behind higher costs. The costs have risen now more than before, could probably be driven by the new fleet purchased by SpiceJet for the niche routes. If the new fleet is of a different type, then cost of inventory due to the new purchase has increased overall costs and led to a fall in profitability.

That is correct. The new fleet purchased by SpiceJet is smaller and requires an inventory of different parts. What would your recommendations be?

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

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

SpiceJet vs Indigo

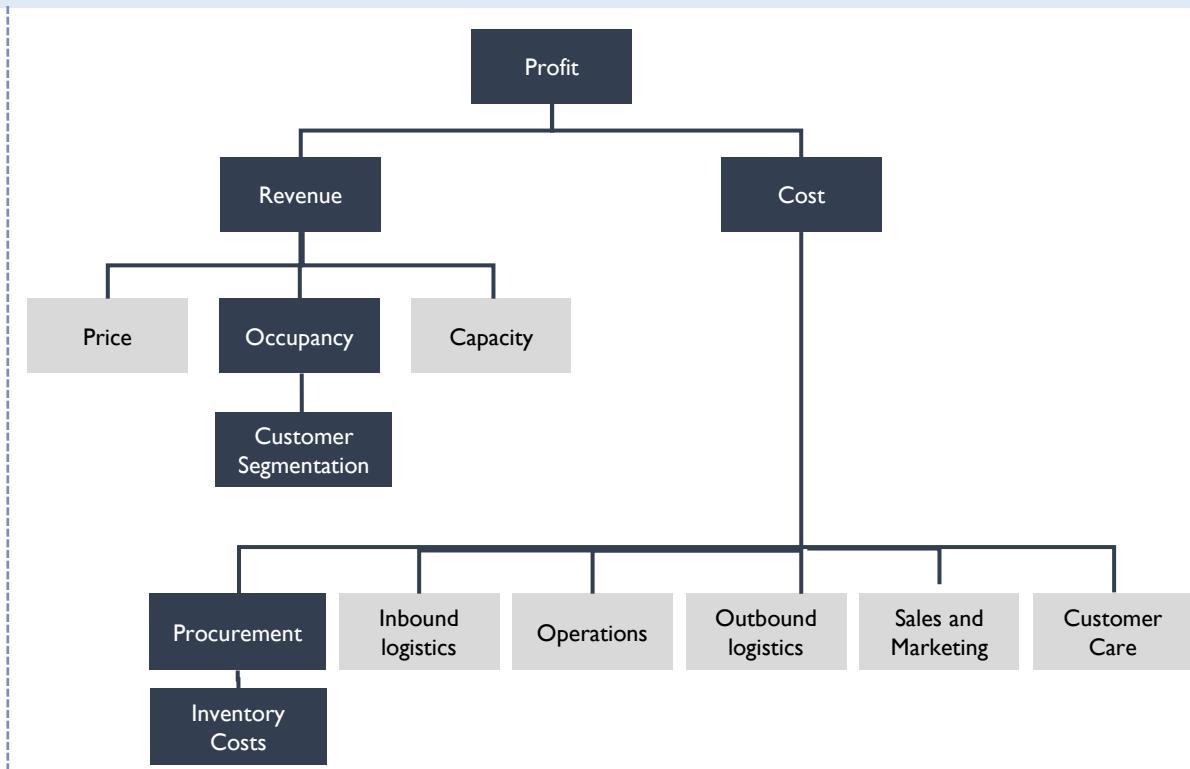
Your client is SpiceJet. It has observed a decline in profitability vis-à-vis Indigo. Analyze the problem and provide solutions.

Interviewee Notes

- Revenues have fallen and costs have risen
- As substantial investments have been made, withdrawing altogether from niche routes is not ideal as demand is slated to grow in the future
- New fleets purchased are of a different type leading to higher inventory costs

Case Facts

- SpiceJet airways facing declining profitability. Not an industry wide trend
- Focus on airline business, domestic travel
- Occupancy has declined and capacity has increased
- Problem across niche routes
- New fleet purchased for niche routes
- Faces high storage costs



Recommendations

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

Observations / Suggestions

- Revenue should also be appropriately split into its components given the airline travel industry
- Do not directly suggest to undo an action the client has taken, unless there is sufficient evidence to suggest the same
- While devising strategy to improve occupancy, look at it from the 4P perspective
- Candidate needs to develop an in-depth understanding of airline industry to split cost into components
- Understanding of generic methods to cut inventory costs is essential- this can then be tweaked as per the airline industry

Fast Food Industry – Interview Transcript

Your client is the owner of a famous Burger Chain in India with various outlets located in and around major tech cities- Hyderabad, Bangalore and Pune near the major tech parks and major shopping malls. For the past two years you are facing decline in the profits. What's the reason behind it, and how would you improve the profits?

Just to reiterate, we need to identify the reasons for the decline in the profits of the burger chain and how to improve the profits.

Yes, that's correct.

Before getting to the analysis, I wanted to know about the business in a little more depth- Is the issue of declining profits pertaining to a particular region or all three regions?

The profits have declined in the Bangalore region; for Hyderabad and Pune region, it has been increasing.

Ok, and Does the company operate through a franchise model or are a self-run business?

They are a self-run business. Why is it relevant here?

In some of the cases, it might happen that if there's a franchisee, then the operations remain standardized. But if they are a self-run business, they could try to change their operations depending on the different regions they are operating. So they might have different streams of revenue or different cost structures.

Fair enough. Go ahead.

So now I would like to analyze the reason for the profits decline in the Bangalore region by breaking it down the profits into its two components- Revenue and Costs.

For this particular case, you can assume that the revenues have remained constant for the past years, but we have seen an increase in our costs.

Ok, so are the increasing costs an issue for both the outlets in shopping malls and tech parks or any one of them?

The costs for the outlets in the shopping mall have remained relatively in line with the revenue of the outlet.

To get the idea of the Tech park outlets- are those sites typical dine-in only, or they also have different services like drive-through and what are their operating times?

Good observation, they operate both dine-ins and drive-throughs in separate spaces but in the same areas. The Dine-ins are operational from 10 am to 11 pm, but the drive-throughs open in the evening from 5 pm to 2 am.

Why is that they are not sharing the same outlet?

Its not relevant but you can assume that there might be some layout issues related to the construction of the drive-through.

In this scenario, I would like to break down the cost side by going through the outlets near Tech parks' dine-in service and drive-through service. Further, I would like to divide the cost components into fixed and variable costs.

So, for the dine-in, the fixed costs would include the rent of the outlet, maintenance costs, employees' salaries, licenses, insurances, marketing and the variable costs would consist of the inventory, other utilities- uniforms, hourly payrolls.

For the drive-through, the fixed costs would include the rent for those premises, the employees, different insurance costs, licenses and the variable costs would consist of the hourly payoffs, inventory, and other utilities.

Is there anything else that I should consider?

No, this seems fine.

So do we know about the rents and payrolls for the dine-in outlets. Are they increasing?

No, they have remained constant for the past two years. You can consider that the fixed costs haven't increased much for them and also the variable costs are in line with the revenues. You can focus on the Drive-throughs.

So, in case of Drive-throughs as I discussed the fixed and variable costs, I am assuming the insurance costs, licenses and other utilities will be most likely constant. So, is there any issue with the employee salaries and the variable hourly payrolls.

Yes, the fixed employee salaries have increased significantly and also the hourly payrolls have gone up. Could you rationalize the reasons?

This could because of the following reasons- The fixed number of employees has increased in the drive-through outlet and their salaries have increased, but if we consider the increase in salary this would have also affected the dine-in outlets, so this could be attributed to the increase in number of employees owing to the increased footfall. The other reason could be the hourly payrolls have increased for the employees working late in the night with their numbers also increasing and mostly during the weekends.

Seems fine. So what suggestions would you give to address these issues?

Ok so as we have now identified the cause of the increased costs, I will move towards the different recommendation-

1. We need to identify the choke points in the system. So the various components in a drive-through are-
 - Microphone to place your order
 - Employee listening to the order
 - Movement of the burger order
 - The window where the customer interacts with the employee to take the order

In the following points to reduce dependence on the employees, there are several points that could be automated. The order placed could be connected to a voice recognition system to automate the order placement. The window where the employee gives the customer could be replaced by another type of vending machine where the employee in the kitchen could put the order in a specified segment in the machine which could be accessed through an OTP given while placing the order. A conveyor could be used to transfer the food from cooking area to the segments of the vending machine.

2. Another thing that could be done is to see if the number of employees in the night shift which are on hourly payrolls is justified with the number of the customers coming during that time. If its not justified, the drive-through's timing could be changed accordingly.
Do we have any data about the arrival patterns?

The peak hours are 9 pm to 1 am, and average arrival before that. But after 1 it is very low.

So as the arrival is very less during 1 am to 2 pm we could change our operating hours from 5 pm to 1 am.

That's good. Do you think CAPEX for the automation sector could be justified?

Yes, I think even in the changing technological scenario automation provides you an added advantage of having a competitive advantage while reducing the redundant work.

Fast Food Industry- Interview Transcript

Continuing on the lines of automation, consider the burger chain contracted some vendors and received a deal for coffee machines. So where do you think these machines could be used and how do you justify going ahead with this venture?

Ok, so to analyse the scenario we have to look at the consumption patterns of coffee. So I would like to analyse the footfall in different regions at different times of the day and also the coffee demand in the different regions. So, is there any data related to that?

Yeah, they had already done a market survey in all three regions, so it is found that the coffee drinkers are most in Bangalore followed Hyderabad and Pune but not much difference. Also the footfall is maximum around 9-11 am.

So do we know anything about the age group of the consumers?

Yes, there's a particular age group which consumes more coffee- 25-40 years.

So can we infer that from the given data that given the particular environment that there is in these cities, i.e. tech culture with most of the professionals working in tech firms and arriving to the office effectively at that time when the coffee consumption is also at the peak.

It's a valid inference.

So in order to deploy the vending machines at the most optimal areas, it is necessary that they are near or around the major hotspots, i.e. around the Tech parks in all three regions, where the working professionals could have easy access to quality coffee without any hassle. So the coffee vending machines could be used in the outlets near the tech parks to be better placed to succeed in this venture. Moving to the justification of the venture, do we have any data about the capex of the chain pre-decided for the vending machines and what are the total number of outlets in these three regions near the tech parks?

There are in total 4 dine-in outlets near tech parks in Pune. In Hyderabad, there are 5 dine-ins and for Bangalore, there are 7 dine-in outlets and 4 drive-throughs. In Hyderabad and Pune, there are no drive-throughs. They have agreed upon capex of INR 10.5 Lacs initially.

So, if we assume that a general vending machine costs around INR 35000, so we are able to purchase 30 machines. And to reduce the bottlenecks we can install 2 machines in each of the outlets except for only one in two outlets in Pune. To get to know about the breakeven, is it safe to assume that the variable costs per dispensed cup is INR 30 depending on the premium quality, cost of standardised good quality cups and size of the serving. And what are they thinking to price per cup of coffee at?

Go ahead with the assumption. They are thinking of pricing it at around INR 100 per cup.

So we have the fixed price, the variable price and the selling price, so we can find the break even values for the number of cups to be dispensed for all the three regions. For Bangalore, it is 7000 cups, for Hyderabad- 5000 cups and Pune- 3000 cups.

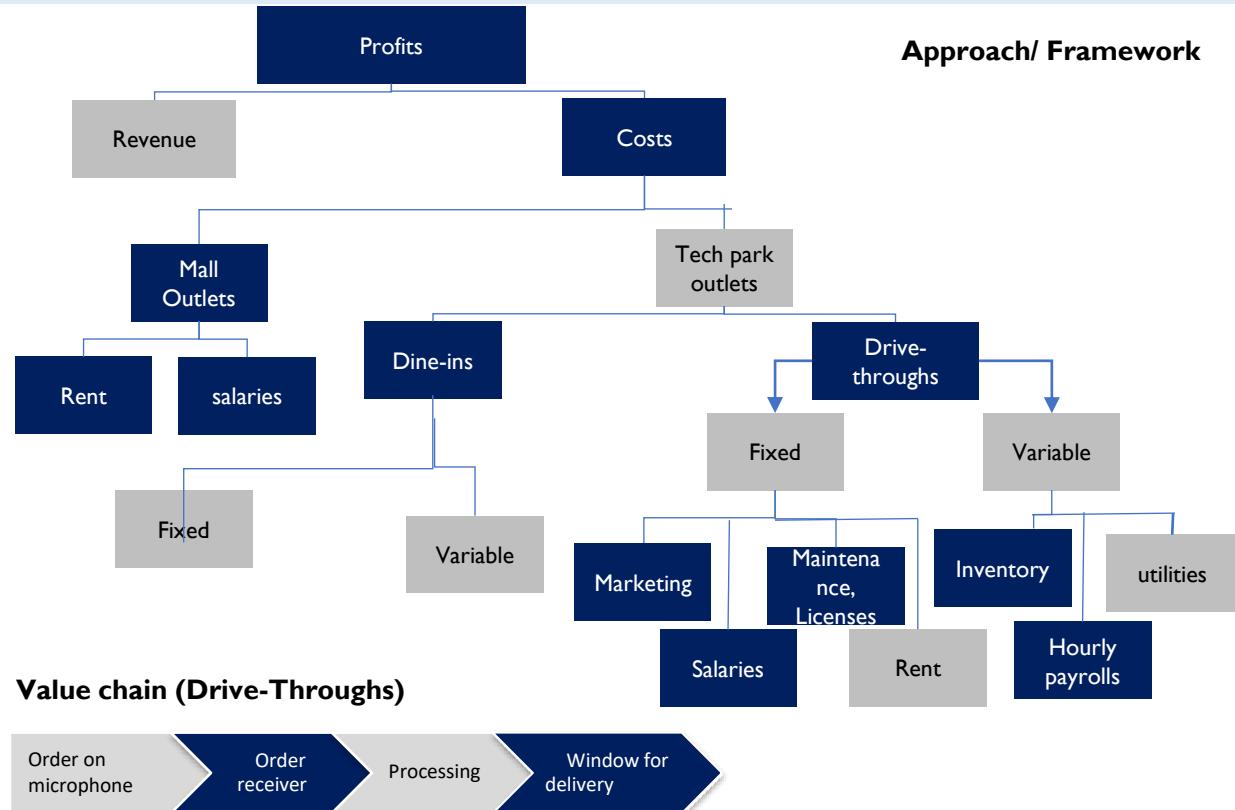
So if we consider during the peak hours i.e. between 9-11 am the arrival is 20 per hour and for the rest of the day it could be averaged out to ~2 per hour. So for the day it is- 42 per day. So for Hyderabad lets assume 80% w.r.t. to Bangalore and for Pune, lets assume 60% w.r.t. Bangalore. So the number of cups per day in Hyderabad- 33 and Pune- 25.

So the investment could be recovered around 170 days which is approximately half a year. So if they want to use it in different regions and different outlets they can plan accordingly. So according to me they should go ahead with the venture.

Thanks, that would be all.

Cost Reduction - Fast Food Industry

Your client is an owner of a famous Burger Chain in India. Identify the problem and provide recommendation to tackle the issue.



Recommendations

- Use automation in the value chain of the drive-ins to reduce the number of employees to keep the salary of the employees under control.
- To keep the costs related to hourly payrolls less, change our operating hours from 5 pm to 1 a.m.
- For Vending machine, install the vending machine in the outlets near to the Tech parks and go ahead with the venture.

Observations / Suggestions

- It is necessary to understand the business model of the chain, even if there's some doubt clarify it to get a clearer picture of the issue.
- Along with this, it is important to understand the value chain of any offering.

Textile (Retail) – Interview Transcript

Your client is a leading textile company in India. Recently it has been experiencing a decline in its return on capital. Could you analyse why?

I would like to begin by understanding more about the company and its products. What geography does the company cater to? Could you please tell me about its product portfolio?

The client sells different types of menswear and womenswear through retail outlets. Their stores are spread out across India, mostly in Tier-I cities.

Alright. So that implies that the client buys clothes from wholesalers and sells it to consumers through retail outlets, is that right? Is the decline related to a particular store or region?

Yes, the client procures from suppliers and sells to final consumers. The decline is across all the stores in India.

Noted. Do we have any information about the quantum of the decline and since when this happened?

There has been a 4% decline in the last year.

Are other players in the industry facing this same issue?

No. It seems to be a problem specific to the client's firm.

Right. Are we considering the returns to just the equity shareholders or the overall return to the firm?

The decline is based on the overall long-term capital.

Great! I would now like to dive into the case and structure it to get to the bottom of the problem. I will begin by breaking down Return on Capital into its component parts: Operating Profits and Capital Employed. Next, I will identify which of these are a problem and further look into factors that may have changed to alter either of these. Would you like me to proceed in this way?

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

Since ROC is a function of profits and capital, I would like to know if the profits have decreased or the capital has increased or both.

The capital employed by the firm has increased.

Okay. This implies that the firm is requiring more capital than last year to earn the same amount as operating profits, am I correct?

Yes, that is right.

To analyse why more capital is being used to generate the same profits, I would like to break down capital into its constituents. If we look at which assets are being financed, we can divide the capital into two parts- fixed capital and working capital. Fixed capital is the permanently deployed capital in the business, that would have been used to fund the land, buildings, machinery and other such assets of a long-term nature. On the other hand, working capital is used to meet the day-to-day operational cash requirements of the firm. Can we compare the balance sheet as on date with last year to understand if one or both of these components have increased?

That's a good idea. On comparing the two balance sheets, we find that the working capital invested in the business has increased.

Right. Since working capital equals current assets less current liabilities, we can further break down working capital by analyzing current assets and current liabilities separately. Current assets would include cash and bank, inventories, trade receivables, prepaid expenses, short-term investments, and advances. There can be other elements as well, but I am assuming these are the major heads. Is this assumption valid?

Yes, you can proceed.

Great. Similarly, we can segregate current liabilities into trade payables, short-term loans, accrued expenses, bank overdrafts and unearned revenues.

The next step would be to find out if any of the constituents of current assets or current liabilities have seen a pronounced change from last year. Alternatively, multiple constituents might have changed in small amounts resulting in a large aggregate change. Do we have numerical data that can help confirm either hypothesis?

From the balance sheets once again, we can say that there is a stark difference between the trade payables in the two years.

For working capital requirement to have increased, trade payables would have to fall given the relationship defined earlier. Now we could look into possible reasons why the firm's creditors have decreased. Can I proceed with this approach?

Sure, go ahead.

Some reasons why this might happen are as follows:-

First, the firm's suppliers might have changed and the new suppliers have allowed a smaller period of credit than the earlier ones. However, this would have possibly had an impact on the cost of goods sold as well and thereby the profits, unless the price levels between suppliers are fairly similar.

Second, the existing suppliers might have changed their credit terms resulting in a shorter credit period and thereby lesser payables.

Have either of these events occurred?

Not really. Are you aware of how credit terms are framed in such contracts usually? Maybe that could help you pin-point the issue.

From what I know, suppliers usually allow retailers a certain period, say ten days, within which they have to make the payment for supplied goods. If the retailer makes the payment before that, he may be eligible for a cash discount, which is calculated usually as a percentage of the purchase price.

Correct. So what might have happened here?

The client may have changed its policy of payment to the suppliers. Earlier, the client would have been paying them the dues beyond the stipulated payment period. However, to avail the cash discount this year, the client could have reduced the credit period. In all probability, the benefit from the cash discount was outweighed by the increased working capital requirement as a result of the decrease in credit period from the suppliers.

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

Thank you. It would a pleasure interacting with you.

Textile (Retail)

Your client is a leading textile company in India. Recently it has been experiencing a decline in its return on capital. Could you analyse why?

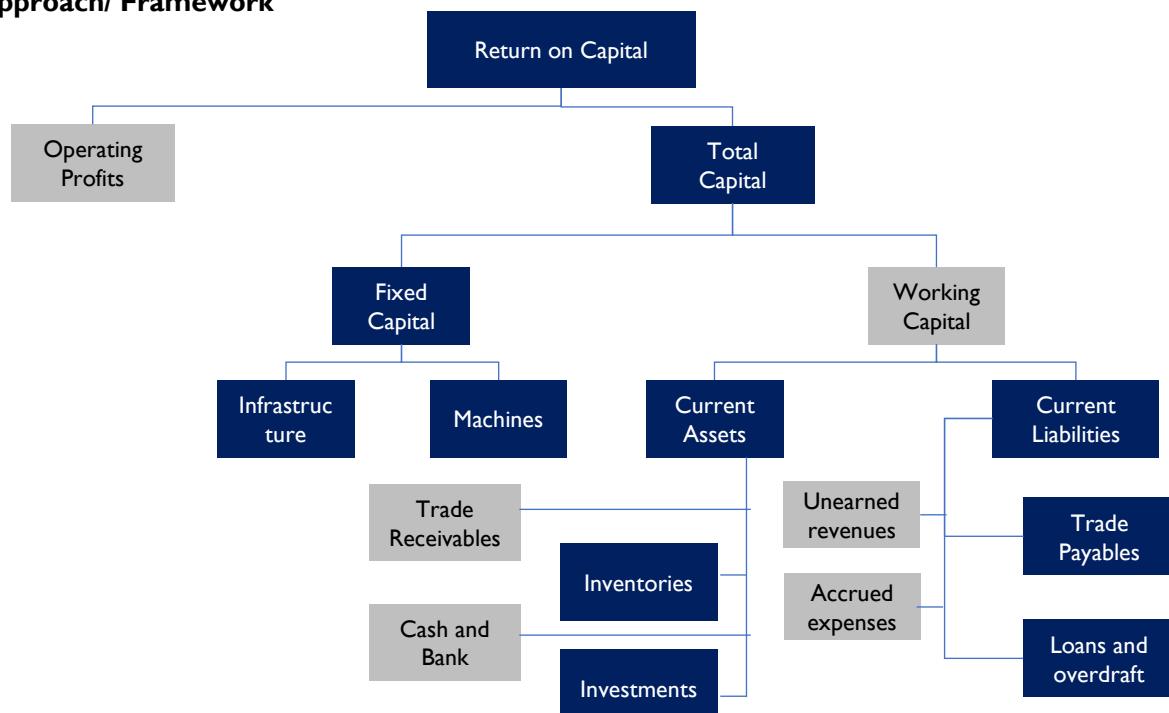
Interviewee Notes

- It is important to understand whether the cause of decline is due to profits or capital.
- Balance Sheet structure and retail-specific purchase contracts need to be focused on
- Decline is because of higher working capital requirements.
- Trade payables have reduced due to change in firm's policy towards supplier credit terms.

Case Facts

- Leading textile company in India (retail)
- Decline in return on capital (4% decline last year)
- Problem specific to the firm and not industry
- Focus on overall return on capital (not equity)
- Capital employed by firm has increased

Approach/ Framework



Recommendations

- Shift back to the old policy of the extended credit system rather than availing the cash discount.
- Another alternative is to negotiate with the suppliers in order to extend the period within which cash discount can be availed.
- Negotiate with customers in order to reduce trade receivables, or avoid selling before payment (zero-debtor policy). This would free up some working capital.

Observations / Suggestions

- It is important to be aware of the different components that constitute capital.
- Textile industry-specific knowledge could help to ascertain forms of contracts and thereby reasons for the decline.

Beverage Manufacturer– Interview Transcript

Your client is a leading beverage manufacturer. Recently it has been experiencing a decline in its profitability. They want you to analyse the causes.

To begin with, I would like to know the timeline and magnitude of decline.

The decline has been observed over the past 1-2 years and has been around 5-10%.

Alright I would now like to understand the client's business a little better. Specifically I would like to know about their geographical presence, product segments and parts of value chain that they operate in.

They manufacture, distribute and retail two kinds of products: fruit juices and beer, across India.

Okay. Has the decline been observed in a particular product segment or both? Also, who are their major competitors in this space and have they experienced a similar decline or is the problem specific to the client?

There is strong competition in the industry, both in fruit juices and beer categories. The decline for client has been observed in the beer segment and is specific to the client.

I will begin by breaking down profits for beer business into its component parts: Revenue and Cost. Next, I will identify which of these are a problem and further look into Internal and External Factors that may led to a change in the revenue or the cost structure for the category. Would you like me to proceed in this way?

Sure. The revenues for the client have remained the same and are on par with the industry. I would like you to focus on the costs.

Alright, to proceed with my analysis, I will look at the steps in the value chain of the client's product and narrow down the possible areas where the costs may be rising.

Okay, please go ahead.

For a beer manufacturing firm, the value chain can be broken into raw material procurement, processing, packaging, storage, distribution and retail. Additionally, there will be transportation between these steps. Is there any step that I am missing and you like me to focus on?

Well, to answer that, I have a question for you. Typically when you go for a beer at a place, how do you dispose of the bottle?

I leave it at the restaurant. I presume the restaurant either throws those bottles away or passes it forward for recycling. Okay, so this means that there could be another step in the process after sale- returning of bottles and reverse logistics.

Bingo! Please proceed with your analysis.

Thanks. Has the client observed the cost increase in any particular step of this value chain?

The packaging costs for the client have risen.

Has the client made any recent changes to the packaging?

Yes, the bottle design has been slightly altered.

Alright, then the increase can be driven by increase in per bottle price by the vendor, which is likely because the bottle design has been altered or by the increase in number of bottles we purchase. Do we have an understanding of which of the two have increased for the client?

The unit prices have not changed. The number of bottles purchased has increased.

Okay so it seems like though the revenue has stayed constant- which means that unless the client has changed product prices, the number of bottles sold would have remained almost same, still the number of bottles purchased has increased. Now, based on our discussion so far, the packaging for the client could be sourced in three ways- in-house manufacturing of bottles, purchase from a vendor and refilling of the returned bottles. Which sources does the client use and has the increase been observed in any particular category?

The client does not manufacture bottles in-house, only purchase and refills. The purchase of bottles has increased.

Okay so my hypothesis at this point is that the increase in purchase of bottles is because of the decrease in refilled bottles. Reason being: as the refilled bottles would logically be lesser costs than purchased bottles, the client would most likely prefer to have maximum refilled bottles, which is why the increase in purchase of new bottles has to be driven by decrease in refilled bottles. To understand the decrease in number of refilled bottles, I will look at the reverse logistics chain for the bottles. After consumption, one would typically return these bottles to the stores or restaurants. Then these would be collected together and then transported to the company's storehouses. Does this approach seem okay to you, or should I relook at it?

It is alright, let us go forward and test your hypothesis. The bottles, as you mentioned, after being returned to stores by the customers, are collected by a district level collector who then transports it to the client's warehouses.

Okay so the decrease in number of bottles returned could happen at multiple points within this process. It could be because of decrease in number of bottles returned by the customers, which could be due to things like issues with ease of returning or maybe due to changed bottle design customers would like to keep the bottle and reuse on their own. The decrease could also be because of the number of bottles returned by shops- which might be possible if they've found some cheaper recycling alternatives or reselling options etc. It could also be because of losses on the way in transportation or losses in the client's warehouses. Is there any particular category you would like me to focus on?

Yes, I would like you to dig deeper into the transportation losses.

Okay, so transportation losses could be intentional or unintentional. The intentional category is where the transporter is intentionally reducing the number of bottles- like stealing some and reselling to other high paying company and the unintentional category is wherein the bottles are getting damaged. Which of the two factors would you like me to analyze first?

Haha intentional-unintentional! Assume that our partners are all trustworthy and we have foolproof contracts to protect us against such thefts. Go ahead and analyze the "unintentional category".

Okay the damage to bottles can be inflicted at three points: loading, transfer and offloading. In case of loading factors like rough handling could affect. In case of transfer many road, driver etc. related factors could be responsible. In case of offloading, factors like changes in the offloading bin could be a reason.

Onloading-offloading are smooth, those employees are seasoned and responsible.

Okay then it has to be transfer. During transfer there could be two kinds of factors that could affect the losses- internal and external. Internal factors are the ones that are internal to the bottle and likewise external factors are external to the bottle. I will look at the external factors first. Has there been any change in the route, vehicle, driver, container?

Nope everything is same.

Okay then I will analyze the internal factors. The bottles inside the truck, could be getting damaged because of collisions between each other or because of falling down. Now since the design of the bottles has changed, it is likely that the new design is more prone to toppling due to changed fitting within the crates (which were fit for earlier bottles). Increased collisions could also occur due to a similar reason.

Great. So how do you suggest we can manage this?

Beverage Manufacturer– Interview Transcript

I would structure my recommendations into two parts: reducing the decline in number of bottles lost and newer ways to reduce costs of the bottle.

Ways to reduce decline:

1. Redesign better crates to avoid collisions and falling of bottles.
2. Another way could be to design a method to horizontally store bottles in the truck to reduce chances of falling.
3. Ensuring that the truck goes completely full so that there is lower degree of freedom for the bottles and they don't move from their place and fall/collide.
4. Consumers can be incentivized to return more bottles, through ad campaigns, environment cautious communication offers, art installations etc..

Ways to reduce costs:

1. Look at recycling options through the vendor- for example selling the bottles back to the vendor for recycling. This income can offset the purchase costs.
2. Look at other packaging materials- probably like tin cans- however this would involve a significant marketing effort.

Okay thanks for those suggestions. We can close the case here.

Beverage Manufacturer

Your client is a beverage manufacturer who is facing a decline in profitability. They want you to figure out the reason for the same

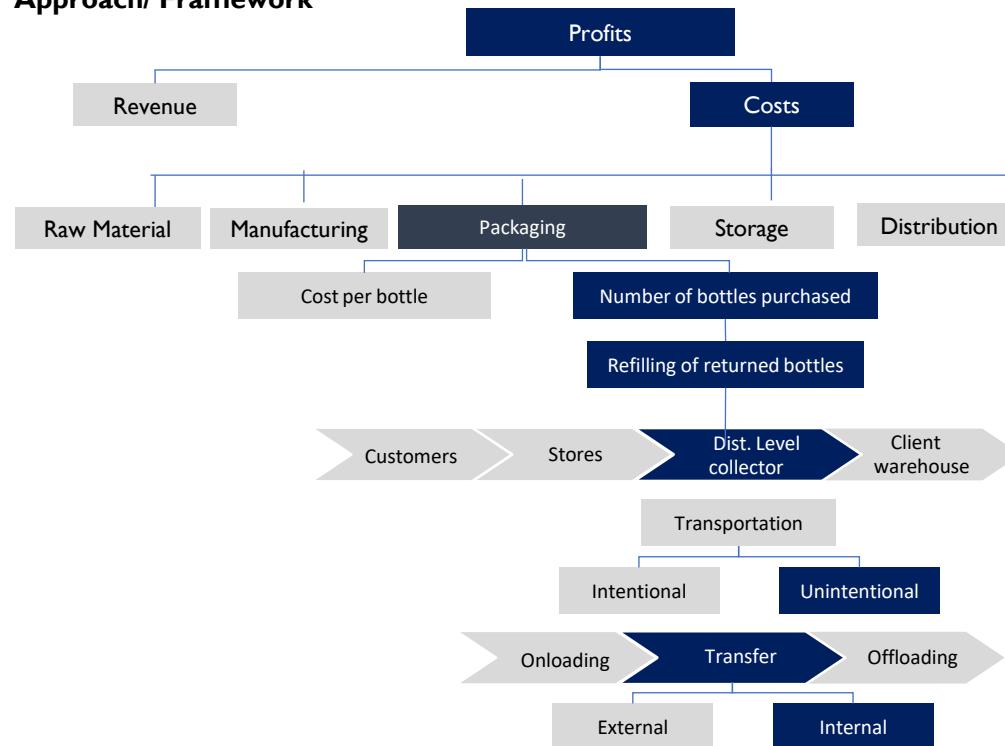
Interviewee Notes

- Include returning of bottle or reverse logistics in the value chain
- Increase in purchase cost can be driven by increase in bottle cost or number of bottles purchased
- Increase in bottles purchased is due to decrease in refilling of returned bottles
- Transportation losses can happen at three stages- loading, unloading and transfer

Case Facts

- Beverage manufacturer dealing in 2 kinds of products- fruit juice and beer across India
- Client specific decline, over past 1-2 years
- Focus on profits from beer. Focus on the cost side.
- Packaging has changed and packaging costs have increased

Approach/ Framework



Recommendations

- Redesign crates or design a method to horizontally store bottles in the truck to avoid collisions and falling of bottles.
- Ensuring that the truck goes completely full so that there is lower degree of freedom for the bottles and they don't move from their place and fall/collide.
- Consumers can be incentivized to return more bottles, through ad campaigns, environment cautious communication offers, art installations etc.
- Look at recycling options through the vendor- for example selling the bottles back to the vendor for recycling. This income can offset the purchase costs.

Observations / Suggestions

- When it comes to consumer goods, it is better to analyze the costs through Value chain- that way it is unlikely that you will miss any cost
- It is important to take interviewer's buy-in to ensure that no steps are missed. Like here, it led to identification of reverse logistics
- Relating previous findings with analysis at later stage is also crucial

Meal Coupon Company – Interview Transcript

Your client is a meal coupon company. It is evaluating a shift from using paper coupons to a card-based system. It wants you to advise whether it should shift to the card-based system or not.

Great. I am not very conversant with the business model of a meal coupon company. Can you please provide me insights into the company's operations and how it earns profits?

Organizations give meal coupons to their employees, which the employees can use to have food at the workplace or use it at various retail stores & restaurants. The major advantage to employees is that they enjoy tax savings on the coupons offered to them.

Okay. So if I understand it, organizations pay XYZ cash and obtain coupons. They then distribute these coupons among their employees, who can utilize it in the canteen or at restaurants/ retail stores.

Yes. That's right.

Coming back to the case statement, is the decision to shift driven by profitability or should I consider other factors?

The major criteria for the decision would be profitability. We can examine other factors at a later stage.

What is the major reason the company is evaluating this decision at this stage?

The company wants to improve the convenience provided to customers. The current paper coupons is not convenient for customers.

Are the competitors launching a similar system? Or is the company the first to do so?

The company is the market leader in the space and drives the industry trends. It would be the first to make the transition, in case it decides to do so.

Great. So there are no competitive pressures and the main criteria for evaluating the decision is profitability. So I will analyze the potential increase in revenues and costs and accordingly evaluate the decision. Does that sound acceptable?

Yes. You can proceed in that direction.

I will start with the revenues side. The primary revenue can be expressed as No. of corporate tieups * No. of employees/ company * Monthly allowance. The monthly allowance I expect is driven by the tax legislation and wouldn't undergo a change due to the shift. The average number of employees/ company also doesn't undergo a change due to the shift. If due to the enhanced convenience, the number of companies opting for the scheme increase, then the revenues could increase.

The next major income item for the company is interest income. It receives cash from the company upfront while it needs to make the payment to the retailers/ restaurants later. The company can invest the money in the interim and earn interest on the same. With increased convenience arising from the card system, the employees would end up spending the amount earlier, as they are not constrained by the necessity to carry the coupons along with them. Hence, the shift can be expected to reduce the interest income earned by the company.

That's a good point. In the short term, the no. of corporate tie-ups isn't expected to increase. So you can assume that the revenues will fall in the short term.

Great. Moving to the costs side, the major cost item would be the payment made to the retailers/ restaurants. In the current system, as its paper based, there is the possibility of duplicate coupons. Shifting to the card system reduces this risk and results in saving.

The next major saving would be in terms of printing costs. The card system is a one-time shift and doesn't require any recurring expenditure. This would enable the company to substantially save on its printing costs.

Moving to the costs of administering the card system, I want to understand how the company proposes to run the card system. Does it propose to have separate card machine or use the existing network?

The company plans to leverage on the existing Visa & MasterCard network which doesn't necessitate significant capital investment.

Great. That would also mean that there is no training costs which need to be incurred to explain how the system works to the retailers/ restaurants. Before I summarize, I wanted to check whether there are any cybersecurity issues which could arise due to shifting to the card system.

That's a good point. You can assume that there are no cybersecurity issues which arise from the shift. What is your suggestion for the company?

I think the company would save significantly on the printing costs and the administration costs. While this could lead to a reduction in the interest income, I expect this to be compensated by onboarding additional customers in the long run.

That's a good analysis. But there's one impact of the change which you are missing out on.

Sure. I will take a minute to respond. (After a minute). I think I missed a fundamental thing in the business model understanding. Not all coupons will be utilized by the customers. So, lets say the company sells coupons worth INR 100 and the customers exercise coupons worth only INR 80, the difference arising due to unutilized coupons of INR 20 adds to the profit of the company.

In case the company shifts to the card system, the no. of unutilized coupons will reduce due to increased convenience to the customer. Also, coupons are susceptible to loss and theft, which are also avoided in case of the card system. This could mean increase in the amount paid to customers and thereby decrease profits. This would have a significant impact on the profits.

Great. That's what I was looking for. Let's assume the company goes ahead with the card system due to the convenience factor. What measures do you suggest to plug the fall in profits?

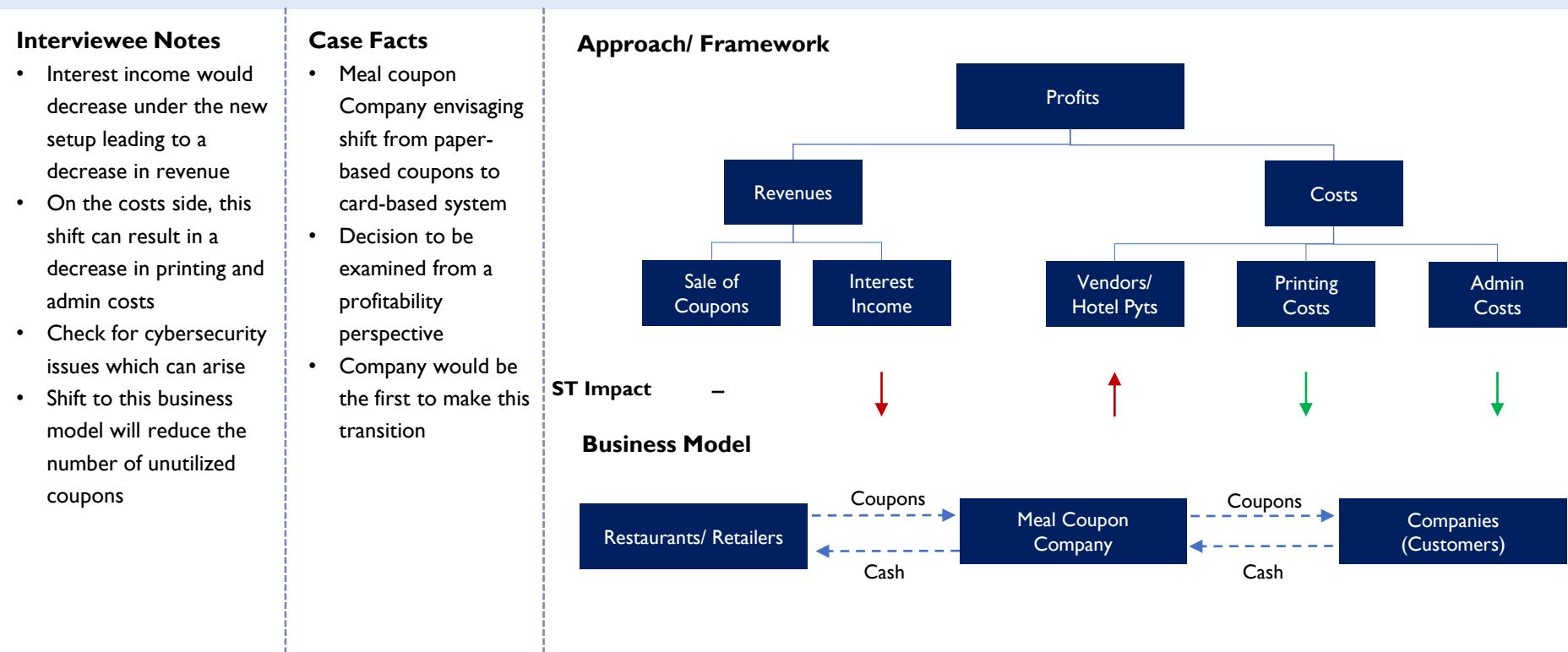
I would divide the measures into two – a) aimed at increasing revenues and b) aimed at reducing costs. On the revenue front, the company can evaluate whether it can analyze the data from the card system and use it in its operations. The data analytics could be valuable for food companies and there is potential to monetize the data.

On the cost reduction side, the company can look at ways of reducing the amount paid to retailers/ restaurants. This could be done by imposing limits on points utilized at one go, frequency of usage and limits per retailer/ restaurant. However, this could have negative implications on the brand image and the customer satisfaction. This should be considered before undertaking any such measure.

That brings us to the close of the case. It was great interacting with you. Thanks!

Meal Coupon Company

Your client is a meal coupon company. It is evaluating whether to shift from the paper-coupon system to a card-based system. Evaluate whether the company should make the transition or not.



Recommendations

- Shifting to the card system would lead to increased card utilisation thereby increasing costs and simultaneously lower interest income earned by the company.
- The decrease in interest income vs the potential addition of corporates in the long term will determine the feasibility of the transition.
- In case the company goes ahead with the card system, it could look at data analytics as a potential revenue stream to increase profits.

Observations / Suggestions

- In case of an unfamiliar business model, take some time to understand the business model and confirm whether there are any gaps in your understanding. Drawing a small flowchart with the supplier & customer side helps in understanding the model better.
- In a back to back business model, always check the flow of cash to check whether there are differences which could result in profits to the company.

Steel Industry – Interview Transcript

Your client is a an integrated steel manufacturer in India. Its current profitability is 4-5% and is higher than the industry average. However, the client believes that there is potential to improve the profitability further and needs your help in analysing the situation.

I would like to ask some preliminary questions. Can you please help me understand what does the term integrated steel manufacturer mean?

The client handles end-to-end steel manufacturing processes including sourcing of raw materials from suppliers, processing raw material to crude steel and then finished steel, and then selling it to end customers.

How many plants does the client own and where are they located?

The client owns a single plant in central India. Also, there are no plans to expand elsewhere.

What is the final product the company is selling? Who are the end customers?

The company sells steel sheets, steel rods or hollow pipes primarily to automotive industry, pipes industry and construction businesses. You can assume they all contribute equally in our sales.

Who are the major competitors and how are they performing?

The competitors are small local manufacturers and companies from China. They are not performing as good as us as the client has better quality products and charges premium for it. So, the objective is to increase the profitability. Do we have any targets in mind?

None as such. We are just exploring to check if there exists an opportunity in reducing costs as our prices are already quite high.

Interesting. We can divide our costs primarily into raw material sourcing, manufacturing , storage distribution, general and administrative costs.

Sounds reasonable go ahead.

Consider the first kind of cost – raw material sourcing. There are three elements involved here – cost of raw material, alternate raw materials and supplier contracts. Can we assume that cost of raw material cannot be changed much as iron ore is a commodity?

Yes, I think it is a fair assumption. In fact, why don't you look into supplier contracts? Based on discussion with the client team it is apparent that they have too many suppliers.

Sure, having too many suppliers can be problematic as it increases the cost of supervising them and also increases the cost of raw material as there are less bulk deals. It also affects the supply guarantee.

So what do you suggest? How should we go about this?

The first step will be to ensure we have sufficient supplies available with the suppliers to meet the client's increased demands if we opt for supplier consolidation.

Some of the suppliers have more capacity than the clients' needs.

Interesting. Then we should be providing incentives to the suppliers through bulk deals and guarantee order quantity. Secondly, to ensure quality of the product we should put contractual obligations on the suppliers to meet quality requirements and timely deliveries. Also, we can explore alternate raw materials to bring down our costs. Do we have any information on the quality requirements by the various industry groups – automotive, pipes and construction?

Quality requirements are quite high for automotive and construction industries. However, piping industry doesn't have stringent requirements.

Great. Then that implies we can use additional raw materials such as iron ore scrap from our own plant which will bring down the raw material costs significantly.

That sounds interesting and fairly doable.

Moving on to manufacturing, what are the current efficiencies of the plant? And what processes go into the manufacturing of the different products – sheets, rods, and pipes?

The current plant efficiency is greater than 95% and is above industry standards. We can explore the processes though. The client currently prepares all three products with the same quality.

And why does the client them at same quality standards despite different market requirements?

The plant currently has only one blast furnace, which converts raw material into crude steel. There is high set up cost associated with it and thus manufacturing settings cannot be altered.

If I hear you correctly, then there is possibility to separate the production lines for the products and save on the costs for pipes. Is that right?

Yes. In fact, the R&D has been working on this.

Great, then we can move on to storage. Is the client facing any issues there?

Yes. The client currently has lots of inventory piled up at its warehouse.

Can you please help me understand which products currently have high inventory levels?

I cannot specify it by product. The final output is made as per the customer specifications. However, sometimes the customers delay payments for previous orders and so, the managers decide to hold the second delivery unless previous payment is made. This sometimes hampers customer relations. As a result, the orders stay in warehouses for more than speculated time.

So, we should be focusing on fast payments from customers for clearing inventory levels and improving customer relations. Is that right?

Yes. It looks like a big challenge.

What is the current credit policy for customers during purchase?

The client currently provides 30-day credit to the customers during purchase.

We can incentivize the client using 2/10 net 30 credit policy. This involves providing discounts to customers who pay in full within 10 days from purchase. As a result, the debt collection can be sped up and also the demand variability will reduce. Thus, clearing inventories. Also, it will be a win-win strategy as customers also get 2 percent discounts and thus can reduce their purchase costs.

I think it is good suggestion.

Lastly, can you help me understand the current distribution process?

I think it is pretty optimized and has not further scope for improvement. Let us skip this part.

Great. So, I will quickly summarize our findings and recommendations for the same.

Sure. Go ahead.

The client is trying to solve for profitability. We analyzed the steel manufacturing value chain for the client, involving raw material sourcing, manufacturing and R&D, storage, and distribution. We found three problem areas:

1. The suppliers are fragmented
2. Current manufacturing process produces high quality products only and changing settings to adjust to product quality is not possible
3. There is inventory pile up at the warehouse due to issues with credit collection

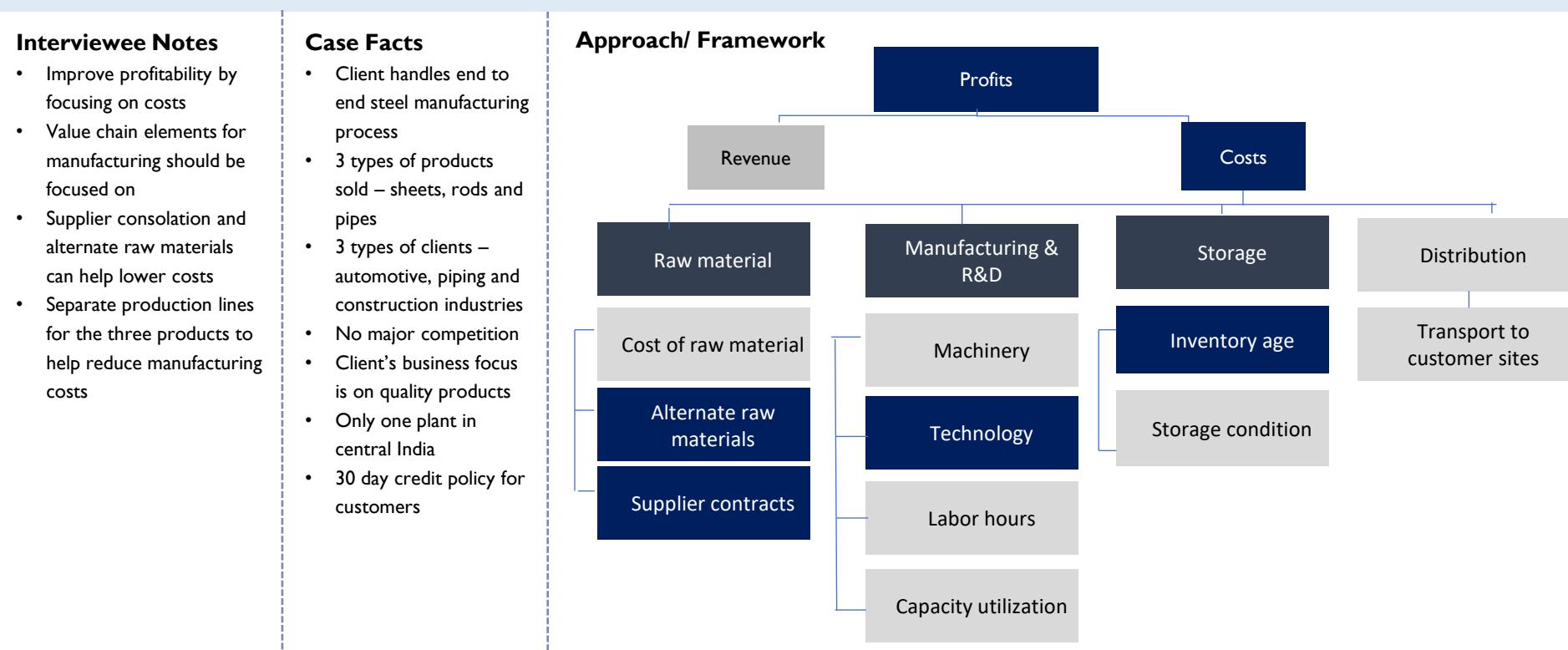
It is recommended that the client makes the following changes in its process to reduce its costs:

1. Supplier consolidation and contract refining for timely orders, bulk deals and stringent quality requirements
2. Using scrap as raw material
3. R&D focus on new methodologies for improved manufacturing line
4. Revising credit policy to 2/10 net 30 credit terms

Thanks! That would be all.

Steel Industry

Your client is a steel manufacturer who wants to increase its profits. It wants you to figure out the key problem areas and solve for the same.



Recommendations

- Supplier consolidation must be conducted and supplier contracts should be revised for timely orders, bulk deals and stringent quality requirements
- Consider using scrap as a raw material
- Focus R&D on developing new methodologies for a new and improved manufacturing line
- Revise credit policy to 2/10 net 30 credit terms

Observations / Suggestions

- It is important to understand every factor that can affect a particular cost.
- Steel industry related terminologies should be fully understood to be able to come up with recommendations.

Client Card Company – Interview Transcript

Your client is a credit card company based out of India. Recently, it has been experiencing a decline in its revenues. It wants you to analyse why this is happening.

I have a couple of questions through which I would like to gain more clarity about the situation. Since when have we been facing this problem and what is the quantum of the drop?

We have been facing this problem for quite a few years now and we have seen a 10% dip in revenues.

Okay. By "credit card company", do we mean credit card issuers like Citibank, ICICI, Axis etc. or credit card networks like MasterCard, VISA etc.?

I meant to imply a bank like Citi, Axis, ICICI etc.

Sure, also, are there variants of the credit card? And does this problem pertain to specific geography?

We just have only one card and we have seen revenues drop throughout the country.

As far as I understand, earnings via credit cards primarily happen through interest on outstanding amount, annual fees and charges levied on merchants. Am I correct in saying so?

For the purpose of this case, let us assume annual fees is the only revenue stream with the company.

Lastly, are other companies also witnessing this problem or is it just us?

Sadly, this problem seems to be unique to our bank.

That is interesting. The problem has persisted for quite a few years, while the other banks seem to be unaffected by this. In order to assess this situation, I would like to dissect revenues and drill down to understand the source of this decline.

The revenues accruing to the bank because of cards can be primarily seen as coming from either the retail segment or the corporate segment. Do you want me to analyse any particular bucket first?

The problem ties with only the retail segment.

All right, now if the revenues have dropped, the cause can be attributed to either the number of customers or the annual fees charged per customer. Do we have any data on this?

We have not changed the annual fees in quite some time. However, we do agree that there has been a perceptible fall in the number of users of our card.

That is insightful. Number of customers at any point of time is linked to the rate at which the new customers join and the rate at which the old ones leave. Have we seen any change here?

Yes. So, the attrition rate has increased significantly over these past few years. However, on-boarding of customers is still happening at a steady pace.

All right, now I would like to look at the customer journey through the subscription and usage process. I believe that doing so should enable me to locate the exact problem the customer is facing.

Go ahead.

Firstly, I would like to analyse the need for credit cards. Given there exist a wide range of alternative payment options like UPI, the need for credit cards might have gone down. However, I find that unlikely since the problem of revenue dip has affected just our bank.

Secondly, I would look at how much are people aware about our cards; if we are adequately promoting our cards and the methods through which we are doing so. However, again, this should not be the issue since the problem is of high attrition rate and not of joining the company.

Thirdly, I would look at the customer experience.

Right, I would like you to focus on this bucket.

Sure, I would like to divide the customer experience into three parts and then see if the problem lies in any of these components.

1. Pre-transaction
2. During transaction
3. Post transaction

The first stage would consist of the channels through which the customer can approach the bank for obtaining the card in the first place. It would also deal with the joining formalities that the customer has to fulfil to acquire the card. I would like to enquire if there is any change that we have seen in these steps.

No, these processes have remained intact.

All right, in the "During transactions" stage, I would like to look at the pain points that the customer might face. I can think of high transaction failure rate, unusually high processing time or lack of ease while using the card.

Umm, no. We compete well on these points and don't think they are issues to the customers.

Lastly, I think I would look at the "Post transactions stage". Here, the pain points of the customers might relate to the cumbersome repayment process of the credit availed, frequency and mode of sending reminder communication or perhaps, dissatisfaction with the customer service provided. Does the problem lie with any of the above?

No, we don't think that the problem lies here. Can we possibly go ahead and look at what comes after the above steps?

Sure. I think I missed the renewal stage. Do we have an idea if there is some problem attached with the renewal stage?

Tell me more about it.

Okay, I think I can segment the problem associated with renewal into the following heads:

- a) Frequency of renewal
- b) Issues with the process
- c) Customer support resources like quality of customer service representatives

Can you look at the issues with the process?

The process problem can be either time-related or effort-related.

Right, so we had constituted a new renewal mechanism, where the customer would have to resubmit the documents and his CIBIL would be reassessed. This could have come across as a more demanding process to the customer.

Okay, but why did we do so?

It was a compliance requirement from the regulator's end. However, the other banks apparently have chosen not to take it seriously and hence, their renewal processes are quicker and more flexible.

Can you give a few recommendations to help us turnaround the situation?

Definitely. Firstly, I would like to look at fixes in the short-term. In the short-term, our priority should be to curb this outflow through fire-fighting measures. For that, I think we can institutionalise the practice of sending renewal reminders well in advance. This would enable the customer to gradually complete the process and not be overburdened till the end.

Secondly, while we do the above, we can look at providing incentives like lower annual fees temporarily or co-branding with other companies.

In the long term, we can lobby with the government and request to make the compliance requirements less cumbersome. Alternatively, we can also look at taking the renewal process online and build an app for it, if we do not have such a facility currently.

Sure, that sounds doable. Thank you.

Your client is a credit card company based out of India. Recently, it has been experiencing a decline in its revenues. It wants you to analyse why this is happening.

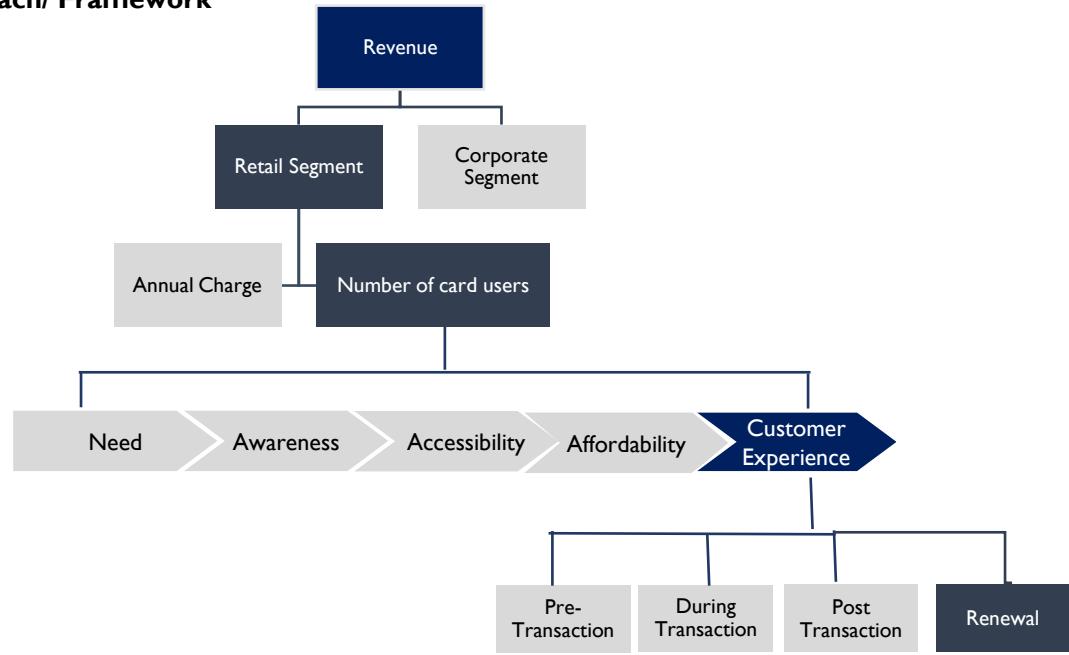
Interviewee Notes

- Customer churn rate
- Look at customer journey
- Banks are known for having lengthy documentation processes and record-keeping

Case Facts

- Credit Card company (issuer) with national presence facing 10% dip in revenues
- Revenue stream : Annual Charge
- Problem specific to the company
- Problem with retail customers

Approach/ Framework



Recommendations

- In the short term, Incentives to customers: lower annual charge or associations with different companies and sending reminders to the customers at frequent intervals before the renewal deadline can be done.
- Also, having an online facility (if not any) in place would be convenient for customers to upload their document details.
- In the long term, we can lobby with the government for easier procedures

Observations / Suggestions

- Structure the problems till the end and modify the frameworks according to need. Segmentation of recommendations should also be done according to the time period.
- Have a longer-term vision of the business. This could have enabled the ascertainment of the problem with the renewal process.

Banking – Interview Transcript

Your client is an Indian commercial bank which has observed a decline in its profitability in the last 18-24 months. You have been roped in to identify probable cause(s) and give suitable recommendations.

Alright. Just so I've understood the problem correctly, our objective is to identify the cause of decline in profitability and suggest measures to reverse it?

Yes, you can proceed with that objective.

To get a more nuanced idea of the context, I have a few questions I'd want answers to. Is it fair to define a commercial bank as one that offers services to the general public and to companies?

That is a fair understanding

Thank you. Could you offer me some more details about the bank's clientele: is it a public or private bank? And what is the rough urban-rural composition?

The bank in question is a leading player in the private sector. Also, a majority of the bank's business is from urban areas, and in rural areas it has a more muted presence.

Alright. What is the magnitude of decline that we are looking at? Also, are the other banks in the country also faced with a similar situation?

The dip in profitability has been recorded around 2 percentage points. Most competing players in the industry have seen a steady growth during this period.

Interesting. This leads me to hypothesize that there's some systemic issue specific to our bank. I'd like to dive into the two major components of profits: revenues and costs. Is there any particular head you'd want me to look into first?

Before you do that, could you help me understand the major cost and revenue heads for a typical commercial bank?

Sure. The major revenue sources of a bank would be namely: interest income, transaction fees & charges and other tertiary services (like forex, advisory etc.). Investments could also be a major source of revenue. The costs, on the other hand, can broadly be segmented into two major buckets: interest expended (on deposits) and operational costs.

Do we have any numbers with respect to these components that could be useful for my analysis?

Is there any other cost head that you'd want to consider, specially in the Indian context?

Oh, yes. I missed out on the Provisioning and contingency cost, which must be a fair portion of the total costs.

Correct. So, to answer one of your previous questions, our revenues have grown in line with our projections, but our costs have grown significantly.

Sure. So, breaking the various cost components further down, interest costs can be subdivided into interest expended on corporate deposits and interest expended on retail deposits. The operational costs could be divided into fixed and variable expenses. Fixed expenses would comprise of rent, payroll expenses, utilities, other administrative costs, etc. The variable portion would comprise of raw materials, stationery, commissions, marketing and customer acquisition expenses, etc.

Good, that's a fair analysis of the costs. It's been recorded that our interest expenses on retail deposits has shot up disproportionately.

Understood. So, my understanding of the situation is that the average cost of funds for the banks has increased.

Yes. That's a fair understanding of the scenario.

Looking at how a typical commercial bank in India accepts retail deposits, two things come to mind: demand deposits like current/savings account and term deposits like fixed or recurring deposits. Now, term deposits typically enjoy a much higher rate of interest as compared to demand deposits, thereby meaning they are a costlier source of fund for the bank. Breaking it down further, there are two probable reasons for the increase in cost of funds:
a) Change in the mix of deposits b) Increase in the rate of interest offered

My hypotheses is that there's been a change in the mix of deposits with the bank, in favor of term deposits. At this point, is it fair to assume that the average deposit per customer for demand deposits as well as term deposits have remained unchanged?

You can assume that to be true.

Okay. So, do we have any information about the mix of deposits and their respective rate of growth over the last 6-8 quarters?

Our demand deposits have grown by 3% while our term deposits have grown by 12%

Interesting. So, there appears to be a clear change in the balance of the ratio of demand deposits to term deposits. Assuming that the average deposit per customer has remained unchanged, the rate of growth in deposits is a function of: New customers added (-) Attrition in existing customer base. Do we have information on these numbers?

There has been no attrition in customers holding term deposits. The growth can purely be attributed to new customers. However, there's been a 10% attrition in the existing customer base as far as demand deposits are concerned.

Alright. Understood. I'll now try to understand the reasons behind demand deposits. These are the factors that come to my mind: safety, convenience, economical, mandated, access to credit.

You can focus on the short-term credit aspect.

Alright. Let me try and understand the short term credit access facilities associated with savings and current bank a/c. The major ones would be: bank overdraft facility, trade credit and credit cards. Is there any particular head you'd want me to delve into first?

Right. So our analysis shows that the dip is attributable to a particular class of clients: ones who hold Credit Cards against their Current or Savings bank A/C.

Interesting. So, trying to understand the requirements of a typical credit card customer, I'd like to break a holder's journey down into Pre – During – Post. So, for any particular cycle (monthly/quarterly), the pre phase comprises of the payment of dues for the previous cycle and ends with the initiation of the new billing period. The during phase includes the period during which customers use the credit card – online or offline, shopping, withdrawals, lounge access to name a few. The post phase starts with the generation of bill by the company followed by the intimation of the bill amount, reminders, payment and ends with the confirmation of payment.

Have we been able to understand from our former customers as to which part of the process were they unsatisfied about?

Yes, we have. So, the pain point of our customers have been Reminders. They often complain that they end up missing the due date (and therefore pay hefty penalty) due to our inefficient reminder mechanism. Give me three recommendations to resolve this issue and prevent further attrition

- Shift from traditional methods of reminders like e-mail, text to newer mediums like WhatsApp
- Offer auto-debit facilities to customers where ones holding Savings/Current A/C with our bank can give standing instructions for automatic payment
- Incentivise early payment of dues – some sort of pre payment (before bill generation)

Thank you, that would be all.

Banking

Your client is an Indian commercial bank who has seen a decline in its profitability. It wants you to identify probable cause(s) and offer suitable recommendations.

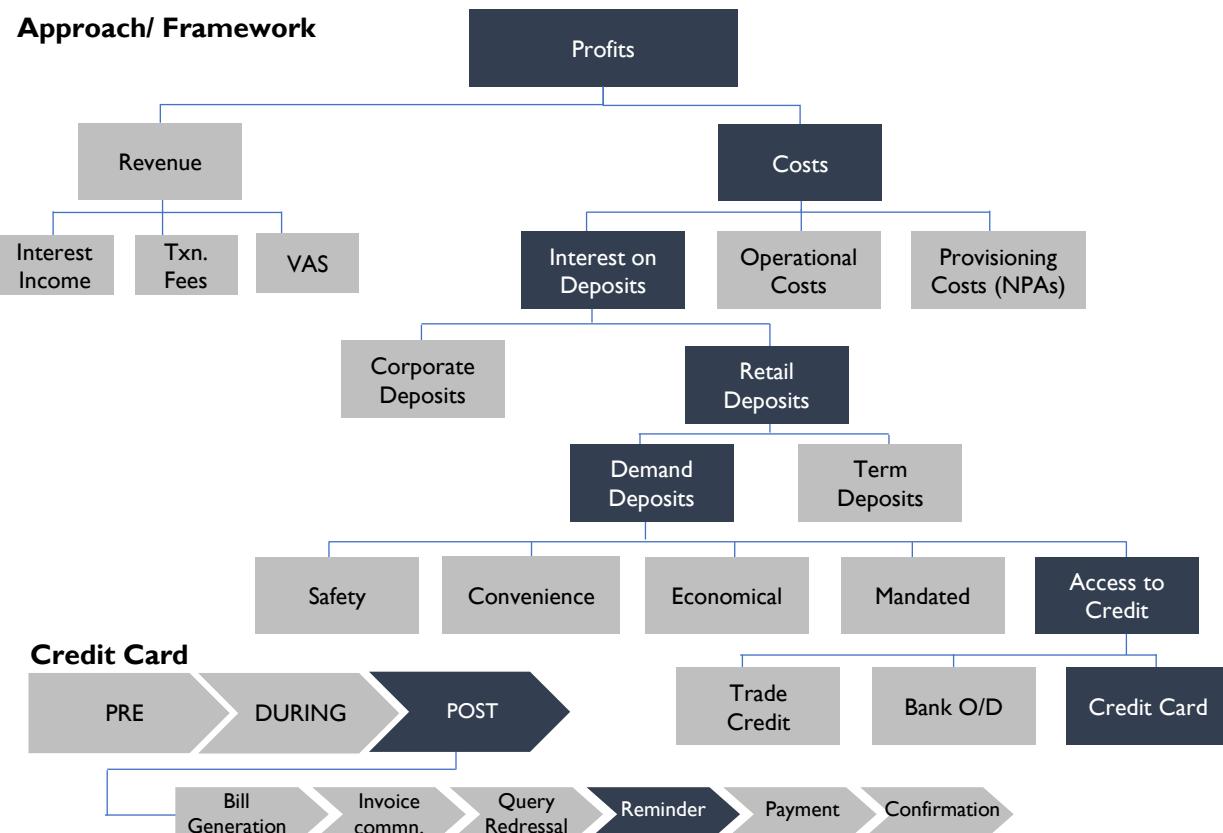
Interviewee Notes

- Provisioning and contingency would be an important cost head when it comes to banking sector
- Banking sector specific costs such as interest costs, NPAs should be focused on.
- Costs are high on account of increased average cost of funds.
- Visible attrition from a particular class of customers
- Understand the customer journey for credit cards

Case Facts

- Decline in profitability of the commercial bank in the private sector
- Decline since last 18-24 months
- Major presence in urban areas
- 2% decline in profitability vs competitors growing steadily
- Problem is not specific to any branch or geography
- Increase in costs, revenue growth in line
- Increase interest expenses on retail deposits

Approach/ Framework



Recommendations

- Shift from traditional methods of reminders like e-mail, text to new age mediums like WhatsApp.
- Offer auto-debit facilities to customers where ones holding Savings/Current A/C with our bank can give standing instructions for automatic payment
- Incentivise early payment of outstanding amounts

Observations / Suggestions

- It is important to have a fair understanding of the way a typical bank operates, its major sources of revenue and its cost heads.
- An idea of nuanced banking concepts like Net Interest Margin or NPAs creates a favourable impression in the eyes of the interviewer.
- An understanding of the purpose of holding a savings account or a credit card is helpful
- It is important to observe the customer journey (in case of Credit Cards, here) at a granular level or the issue could easily be overlooked

Restaurant– Interview Transcript

Your client is a restaurant owner. It has been experiencing a decline in profits. It wants you to analyse why?

Since when has the client been seeing decline in its profits? Also, do we have the magnitude of decline?

The client has been seeing decline in profits for the past one year, but there has been a significant decline for the past three months.

Is it only the client's restaurant which has seen the decline in profits or other restaurants in the area have also seen a decline?

Other restaurants have also seen some dip in their profits but the client has been significantly impacted.

Now I'd like to understand more about our client. What type of a restaurant is it? And where exactly is it located?

The client has one high-end multi-cuisine restaurant located in a high footfall area of Agra.

Due to the Taj Mahal, Agra attracts a lot tourists. I'd like to understand the type of customers that visit the restaurant. Are they locals or tourists?

This is a fair observation. The customers are mainly tourists and you can consider them to be international tourists.

Got it. The decline in profits could be due to increase in costs or decrease in revenue or a combination of both. Do we have an idea which side the problem lies?

The revenues have declined significantly, while the costs have declined marginally.

Since, revenues have seen a major decline, let's first understand the reasons for its decline and then explore the cost side. A restaurant can have multiple revenue streams including dine-in, take-away and delivery. It can offer both food and beverages including alcoholic and non-alcoholic. Is our client into all of these services. Has any one of these services observed a greater decline than others?

The client only has dine-in restaurant services and does not provide alcoholic beverages.

Okay. Has the average number of customers being served at the restaurant in a day or the average amount spent per customer decreased?

The average amount spent per customer has not changed but the number of customers visiting the restaurant has decreased.

Do we know if this decrease is because the client has not been able to cater to the customers willing to visit the restaurant or the demand for the restaurant has declined?

The client has been able to cater to all the customers who have visited its restaurant.

This implies that the customers visiting the restaurant have decreased. The average number of customers visiting in a unit time can be seen as: Total number of tourists visiting India X % tourists visiting Agra X % visiting the client's restaurant. The problem could lie in any of these parts.

The total number of tourist visiting India and % of those who visited the client's restaurant, both have declined.

This is interesting. Let's first look at why tourist visiting India have decreased. This decrease could be either due to a change in the International perception about India, increase in processing hassles such as visa approvals or change in preferences of the tourists due their country's economic reasons or increased availability of alternative options.

With the current slowdown internationally, the international tourism market has seen a decline and India has been affected by it too. Now can you look at why the % of tourists visiting the client's restaurant has decreased?

To understand this, I would like to look at the journey of the consumer from the time when it decides on which restaurant to eat, to actually eating the meal at the restaurant. For this, I would like to divide the journey into three parts. The first part of the journey will start with the decision to eat food till reaching the restaurant. The second part will include the experience inside the restaurant and the third part will include the journey after exiting the restaurant.

Sure, please go ahead.

To finalize the client's restaurant to eat, the customer needs to be 'aware' about the restaurant. Many international tourists must be checking reviews on websites such Tripadvisor as well as those of niche food bloggers. The promotion done by restaurant through posters and hoardings can also make tourists aware. Many tourist also ask for recommendations from their friends, travel agents and from the tourist guides available at monumental places.

The tourist will then check the price of the restaurant to ensure 'affordability'. Finally, once the restaurant has been decided, the tourist will head towards the restaurant. The restaurant should be 'accessible'. Mismatch in location from google maps, change in routes or route blocks due to construction activities, difficulty in parking spaces etc. could negatively impact the tourist's decision to visit the restaurant. Do we know is there any problem here?

Yes. A few months back, the restaurant decided to reduce the commission of the tourist guides because of which these guides have now started recommending our competitor's restaurants to the tourists. You can now move to the next phase of the journey.

Interesting. This can potentially explain why the costs also decreased, but we'll look into it later. Once, the customers reach the restaurant, they may have to wait before their turn comes. Then they enter the restaurant and take a seat. The seating arrangement, presentation of cutlery and other amenities will effect the overall perception. The customer places an order using a menu, where the presentation in the menu is important. Having placed the order, the waiting time, waiter's hospitality and food quality and quantity will be important. Finally, the ambience also adds to the experience. Has there been changes in any of these?

Can you look at the ambience part in more detail? What all would it entail?

Sure. The ambience to a restaurant is aided by the features inside the restaurant like the music, fragrance, visual appeals of the paintings, the overall décor etc. The view from a restaurant also adds to the ambience, used by roof-top cafes, sea-facing restaurants etc. Here, a view of Taj Mahal can be an added experience to the customers.

That's great. A building construction started three months back which has blocked the view of Taj Mahal from the client's restaurant. This has deterred many customers. Can you quickly also look at the last part of your journey?

Once the customer has exited the restaurant, she may avail a service from near the restaurant including local shopping or visiting a sweet shop. She may have to take a transport mode to visit another place. The restaurant may engage in loyalty programs as well. However, since tourist visits are generally a one-time visit, loyalty program doesn't seem to be important here. Can you suggest if any of these has had any changes in recent times?

Outside the restaurant was a famous paanwala shop which got closed due to the sad demise of its owner. This has also impacted few customers. Can you give some recommendations now?

Since, blocking of Taj Mahal's view is the major reason for the decline in revenue, the restaurant can explore if relocation is possible, though that would be tough. While continuing with the same location, the restaurant can provide differentiated ambience with local Agra's feel, provide value-added services, and include paan in its menu. We will have to see why the tourist guide commissions were reduced. If increasing it is possible, that could be done or alternatively, non-monetary incentives can be provided to these guides.

That's great. Thank you.

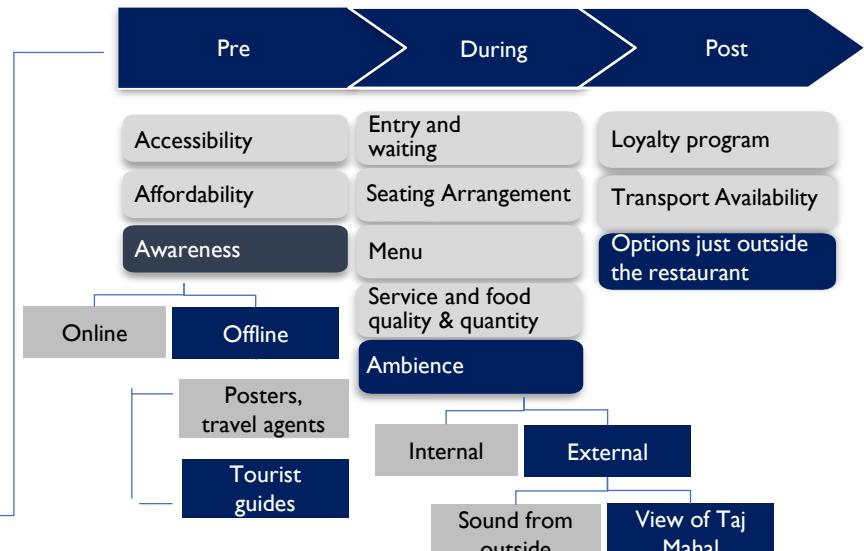
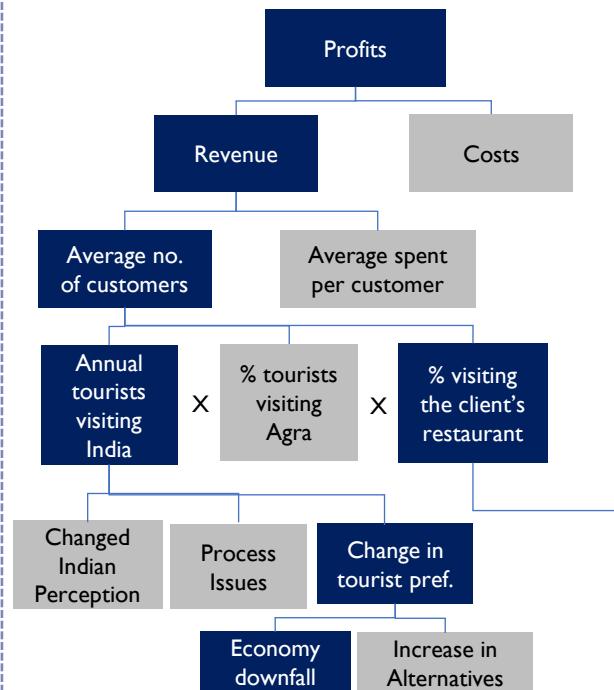
Restaurant

Your client is a restaurant owner who is facing a decline in profits. It wants you to figure out the reason for the same.

Interviewee Notes

- Since the competition is also facing decline in profits, it is likely to be an industry wide issue. But higher decline with the client suggests client specific issues as well.
- Before proceeding ahead with the decrease in revenue, it is important to understand if it is a demand or supply side issue.
- Specifics about the Agra city should be kept in mind to customize the arguments.

Approach/ Framework



Recommendations

- Since the Taj Mahal has been obstructed from view, the hotel can provide differentiated ambience with local Agra's feel, provide value added services and open a paan counter to try replacing the paan shop experience.
- Since there has been a decrease in offline advertising through agents, we can look at our increase in offline advertising through tie ups with hotels, maintaining good rating on food apps etc. Also we can have strategic advertisements by placing our placards near prominent areas in Agra.

Suggestions

- While moving from one phase of the customer journey to another (say from pre phase to the during phase), one should confirm from the interviewer if she has covered all the aspects. This ensures that one doesn't move back and forth the phases of the customer journey.
- Structure the recommendation and do not give a laundry list of suggestions.

Seat manufacturing – Interview Transcript

Your client is a seat manufacturing company. They have hired you to figure how to reduce their total cost of operations.

I would like to know a bit more about the company. Where is it located? Is it solely into manufacturing? Who are its customers?

It is located in India and has factory down South. Its customers consist of 2-wheeler auto manufacturers. It does have a salesforce to maintain relations with auto-companies but is primarily a manufacturing entity.

Oh! Approximately what share of the market does it command?

It is actually a local plant which supplies only to automobile manufacturing factories located in the same SEZ and it's the only locally available manufacturer.

So our client is a company which manufactures seats for two-wheeler vehicles and is located in an SEZ where their customers are also present. They want me to come up with cost-cutting mechanisms. May I ask why?

With the slowdown in the auto-sector, they have been forced by their customers to reduce the prices at which they sell their seats. Also keep in mind that the company has been trying to cut costs on its own.

Makes sense. Auto-manufacturers generally have higher negotiating power over their suppliers. So, the way I am going to approach the problem is to look at each stage of the value chain and identify the cost heads. Once I have done that, I'll try to come up with ways in which we can cut costs for the company. Before I drill down further, do we have any specific cost-reduction targets?

Go ahead with your approach. Though there is no specific cost-reduction target, remember that your incentives are tied to the percentage reduction in costs you affect.

Okay! I have broadly broken the cost heads down into Raw materials costs, production and R&D costs, storage costs, distribution costs and sales costs. Production costs would include variable costs of processing & fixed costs of factory overheads. Sales would also include the same. Do you want me to focus on any specific cost head?

What do you think you should focus on?

I would look for avenues for cost reduction which comprise of a majority of my costs. For something like a seat for a 2-wheeler, the customers probably send the design specifications to our client. In addition, the client is a local player. Both of the above reasons give me confidence that the R&D costs are a small percentage or are non-existent. Outbound logistics & are likely to be a small percentage of the total costs since our client is local. Sales also probably contribute to a low percentage of the costs as he is the sole manufacturer and salespeople mostly act as liaisons. Most of the cost is likely to be concentrated in the Raw Materials & Production costs. At this point I would like to clarify about the production process . How exactly does it work?

Good. You were right in identifying that the RM cost is the highest. The seat is made up of three components, the plastic frame, the foam and the rubber covering. The plastic frame is manufactured in house. The raw material i.e. plastic goes through an injection molding process to make the plastic frame. The foam is cut & set on top & the seat is covered with rubber and stitched. The suppliers of raw materials are also in the same city and hence you can neglect inbound logistics costs as well.

Got it. I would first like to focus on raw materials costs. The total cost of raw material/seat can be written as (Writes Equation). Hence, we can either reduce price, reduce wastage, or the designed quantity of raw material for the seat. For reduction in price, we can negotiate with our suppliers to reduce prices...(interrupted)

Don't you feel the company would have already tried negotiating raw material prices? Keep in mind that you need to come up with something the client hasn't thought of yet.

Okay. Presently, one of the ways in which one can reduce the prices is by using cheaper but low quality raw material. However, I will not recommend that since it will cause a significant loss to customer experience for a marginal benefit in the cost.

For reducing the amount of material and wastage, we can work with our customer to implement some design changes which will result in cost savings.

For plastic frames we can reduce the thickness of the seat. In injection molding there is certain amount of wastage associated with each plastic frame in form of support structure. If the design of the mold includes manufacturing of multiple frames at the same time, we can reduce the wastage per seat.

Generally 2-wheeler seats are stylized to create ergonomic seating, which might result in wastage during the process. Instead, we can design foam elements in such a way that there are straight cuts, so as to optimize the material.

Finally, instead of stitching the rubber material onto the foam, we can marginally save on the seam material by using an adhesive to stick the rubber covering on the foam.

Good, some of the above measures were not implemented by the client yet and will be useful for them. Do you have any long-term measures?

To constantly keep costs low, the workforce in the factory must be motivated to achieve high productivity and low costs. Also, factories traditionally have had a bureaucratic structure with significant managerial overhead costs. However, the company I interned for had managed to have very low managerial overheads in its factories due to its HR policies.

Oh! Can you briefly outline how you would approach the design of HR policies for this client?

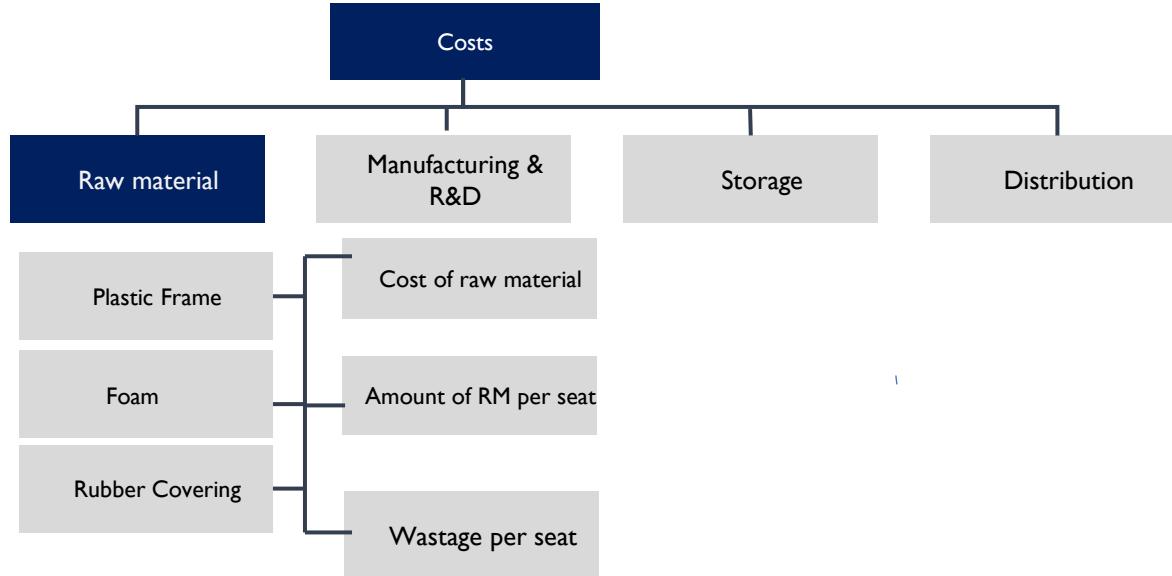
We have already identified that the firm's objective is to reduce costs. In designing the HR policies, I would look at each of the subsystems in place and figure out how to modify the policies such that it will result in an increase in productivity. The subsystems would include Recruitment, Training, Compensation, Incentives, Performance Appraisal, Promotions and Retention. In each subsystem, we can check for whether they are geared towards the objective, and modify them in case they are not. E.g. we can have a suggestion scheme with a monetary reward in case the suggestion results in significant savings. Should I go ahead and analyze the system?

No that's okay. Let's wrap up the case here. You did well. Thank you.

Thank you, It was a pleasure interacting with you.

Seat Manufacturer

The client is a seat manufacturing company. They have hired you to figure out how to reduce their total cost of operations.

Interviewee Notes	Case Facts	Approach/ Framework
<ul style="list-style-type: none"> Identify the biggest buckets and prioritize them Client is trying to reduce costs on their own. Need to come up with innovative solutions Client is the only local manufacturer and has a competitive advantage. Auto-manufacturers have significant negotiating power. The client's company may not Enquire about the production process from end to end 	<ul style="list-style-type: none"> Seat manufacturer for automobile Located in South Indian SEZ Primarily a manufacturing entity Customers are 2 Wheeler auto manufacturers Reduced prices due to slow down in auto sector Objective: Reduce costs as much as possible 	 <pre> graph TD Costs[Costs] --> RawMaterial[Raw material] Costs --> Manufacturing[Manufacturing & R&D] Costs --> Storage[Storage] Costs --> Distribution[Distribution] RawMaterial --> PlasticFrame[Plastic Frame] RawMaterial --> Foam[Foam] RawMaterial --> RubberCovering[Rubber Covering] PlasticFrame --> CostRM[Cost of raw material] Foam --> AmountRM[Amount of RM per seat] RubberCovering --> Wastage[Wastage per seat] </pre> <p>The diagram illustrates the cost structure of the seat manufacturer. It starts with a central box labeled 'Costs', which branches into four main categories: 'Raw material', 'Manufacturing & R&D', 'Storage', and 'Distribution'. The 'Raw material' category further branches into three sub-components: 'Plastic Frame', 'Foam', and 'Rubber Covering'. Arrows point from each of these sub-components to their respective cost components: 'Cost of raw material', 'Amount of RM per seat', and 'Wastage per seat' respectively.</p>

Recommendations

- The client should take the following short-term measures for each of the materials:
 - Plastic frame – Reduce wastage by changing to a multi-mold setup, reduce amount by reducing thickness
 - Foam – Reduce wastage by implementing straight cuts
 - Rubber Covering – Stick instead of stitch, to reduce wastage.
- In the long term, the client should implement changes in its HR policies to continue with a long-term low-cost strategy.

Observations / suggestions

- The interviewee should quickly identify & clarify the cost heads of the company & then be able to prioritize them.
- Interviewee does identify some key elements of the strategy of the client i.e. low cost, low negotiating power. It would have been a good idea to state them up-front.
- Key takeaways from the case: Be innovative in your solutions, but also be structured. 80:20 rule was used particularly well when each cost head was evaluated. Value chain to evaluate costs.



Market entry

New Market Entry – Overview

A market entry case (whether new product launch or entry into new geography or both) is hinged on two basic questions: Is it worthwhile entering the market (economically and strategically) and if yes, what would be the best way to enter the market.

Important notes: Initial question

- Always ask about company's objective to enter that particular market
- Get primitive understanding of company: what it does? What product to launch? Previous history with launches & why this particular geography/product launch?

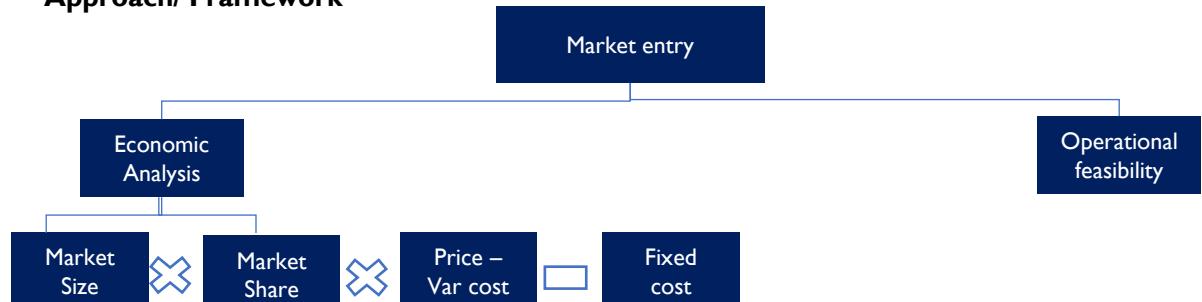
Important notes Economic analysis

- For market size, run the approach through the interviewer
- For market share: always look for cues from the interviewer and decide on 1 approach from the 3 mentioned

Important notes: Feasibility study

- Clearly lay out the value chain and ask interviewer where to focus
- Probe potential problems/risks in each bucket and provide potential solution: **Brownie points**

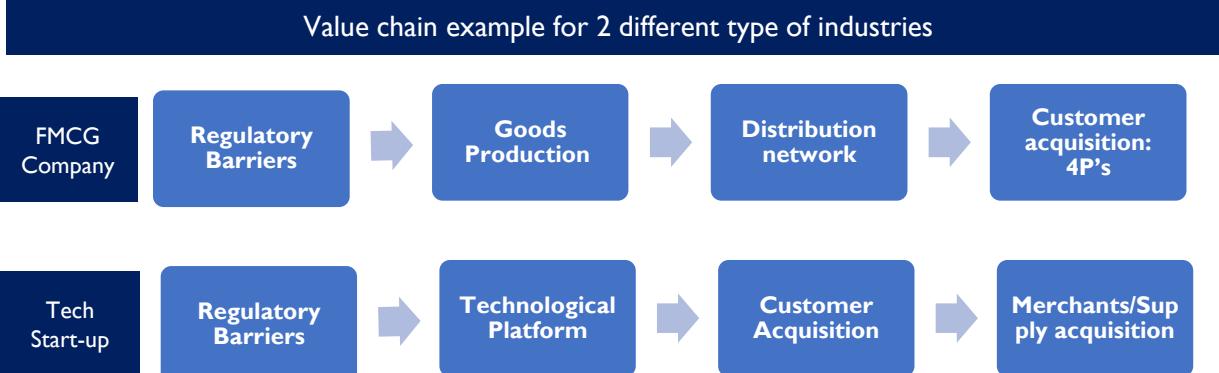
Approach/ Framework



Market size = Figure out to solve from demand vs supply side

Market Share: 3 ways: 1. Ask interviewer for expectations basis 4 P analysis 2. Comparable from similar launches in different geography by same company 3. Comparable from similar expansion by competitors (domestic and global)

FEASABILITY ANALYSIS: Always setup the value chain & analyse each bucket



New Market Entry – Overview

A market entry case (whether new product launch or entry into new geography or both) is hinged on two basic questions: Is it worthwhile entering the market (economically and strategically) and if yes, what would be the best way to enter the market.

Approach / Framework Overview



Framework Summary

Understand what the company's objectives and expectations are. Does it make business sense for them? Does it align with the overall firm strategy. Analyze the feasibility of market entry by considering 4 different buckets. Then recommend whether they should enter or not. If yes, how should they do it.

Tips

- Not every aspect of the framework mentioned will be applicable to all cases. But try to cover as much as you can, so that you get a good idea of the industry and the client current status. It is very important to identify where the client would stand in the industry compared to the existing competitors and what measures should be taken to mitigate competitive edge of incumbent.

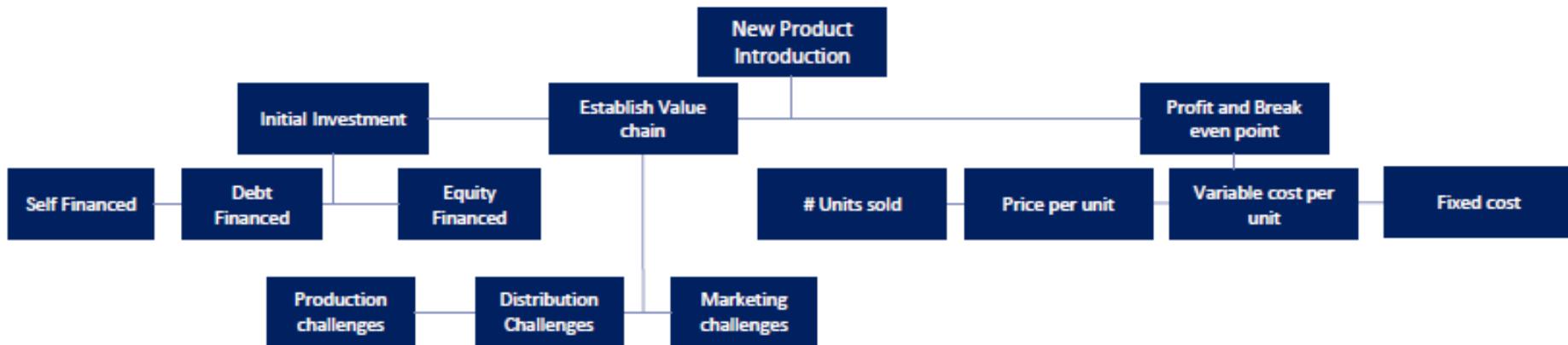
Observations

- Most of the times interviewer will be satisfied if you analyze and suggest, whether to enter or not. But it is always good to take an extra mile by giving a high level plan on how to enter and capture the market

New Product Launch – Overview (subset of market entry)

In a new product entry case, a company is likely to aim for introducing a completely new product in a market or expand its existing product's reach in a new geography. A interviewee is expected to first align on the product's viability to succeed in the market followed by identifying the correct price point and target market and finally recommend levers that can drive product success in the market

Approach / Framework Overview



Framework Summary

A company can either introduce a product in a market where it has no presence or can extend product line in its current market. Launching a product in a market with no presence pose not only operational challenges but viability of product's success in the market also needs to be explored. Extending the product line in current market may require looking into cannibalization while doing a feasibility check of product in the market and how the current value chain can be leveraged in making the product available to its customers.

Tips

- Clarify objective, especially focus area of a new product entry case
- New product entry cases might involve multiple issues linked to it and hence both depth and the breadth needs to be covered for exhaustiveness

Key Questions

- What is the purpose of the new product introduction –capture increased market share, entry into a new business line, profits, build brand?
- How big is the market for the product? Any barriers to entry? How does the competitive landscape look like?
- Segments in the target population?
- Initial investment? Expected payback period?
- What is the price at which the product can be introduced?

Insurance – Interview Transcript

Your Client is a Health insurance company based in the US. They are planning to expand to India. What insurance market segment should they enter?

I want to understand if there is any particular reason to enter India? And what is the main objective behind this market entry? Is it to maximize profit, break-even or any other specific objective?

India's insurance market has great growth potential, so they want to enter into a new market segment to increase their global presence and customer base.

Okay, I also wanted to know if the company has a specific segment preference? Do they plan to leverage their health segment expertise? Also, are there any regulatory restrictions or any constraints relating to capital investment?

They do not have any financing constraints or regulatory restrictions. And they have decided to evaluate all segments except health insurance. How would you evaluate the segments?

Interesting. I would like to approach this problem by evaluating the financial viability, operational feasibility and market attractiveness of the potential segments. The financial viability aspect is to assess the profitability and return on investment. The operational feasibility would include factors like regulatory approvals, resource availability and technological capabilities, as these directly impact the scale and efficiency of operations. Lastly, I would assess the market attractiveness in terms of market size, attainable market share, growth rate, existing competition, availability of agents/brokers. Is this a reasonable approach?

Yes, Go ahead. Please tell me how would you evaluate the profitability?

The major revenue would come from the premiums and the major expense would be the claims. Should I consider any other streams?

No, this is fair. How would you compute the amount of the claims?

The claim is the amount paid when the contingent event occurs, this would be an amount lower of the sum assured and actual loss. We can determine the amount of claims by factoring the likelihood of loss occurrence and severity of the loss

$\text{Claims Amount per contract} = \text{Minimum}(\text{Sum assured}, \text{Loss amount}) * \text{Probability of loss occurrence}$

Okay, What all metrics would you consider for evaluating the financial viability? And what are the various factors that you would consider?

I would compare the profitability ratio which would be assessed based on the average profit and the volume of insurance contracts. The volume of contracts can be determined based on the market size and the attainable Market share. Profitability Ratio = Profit/Revenue* 100

I would also compute the combined ratio, which is the benchmark profitability metric for the insurance industry as this includes only operating expenses and would be more relevant for segment comparison as non-operating expenses would be incurred irrespective of the segment.

Combined Ratio = $(\text{Claim losses} + \text{Operating Expenses}) / \text{Premiums Earned}$.

Apart from the profitability analysis, we can compare the return on investments to assess how well the segment generates earnings.

Okay, Now let us look at which segments would have the highest number of users; can you first list out all the segments for me?

Okay, Whenever or wherever there are some variability, uncertainty, and risk of incurring damages/loss, there would be an opportunity for insurance. So, apart from health insurance, there is life insurance and general insurance. General insurance is broadly segmented into fire, marine, property, liability and other miscellaneous insurance. Property can be either immovable properties like building, machinery or immovable properties like vehicles.

Okay, can you pause for a moment and tell me how big the auto insurance segment would be?

Sure, what sort of vehicles are we looking at? And is it domestic or commercial vehicles?

Look at the domestic cars. Don't get into the numbers, just tell me the factors to consider

I would consider the total population and compute the number of households. The households can be bifurcated into rural and urban, then we can factor the income classes and consider the average number of cars based on the income group. For example, urban high-income group will have an average of three cars, urban middle-income group will have an average of one car.

Okay, Let us move back to the segment selection. Consider the life insurance and the general insurance segment, which one should the client target?

The Life insurance segment already has dominant players like LIC and intense competition. Further, the government is also providing schemes like Pradhan Mantri Jeevan Jyoti Yojana, Pradhan Mantri Suraksha Bima Yojana. Thus, it would be difficult to gain a reasonable market share in this segment. Thus, the client should focus on the general insurance segment.

Fair enough. Can you pick any one emerging segment of your choice in the general insurance segment?

Sure, Shall I go ahead with travel insurance?

Sure, first tell me what all losses can one suffer during travel? How would you classify it?

Let us look at all the events that happen during travel, it includes transportation, accommodation and spending time/ travelling at the location. I would categorize the losses into Health related losses, Theft related losses and Transport related losses. Health would include any costs relating to accidents, hospitalization, medical evacuation. Theft could be of passport/documents, luggage and money. Transport risks include risk of flight cancellation, delays and accidents.

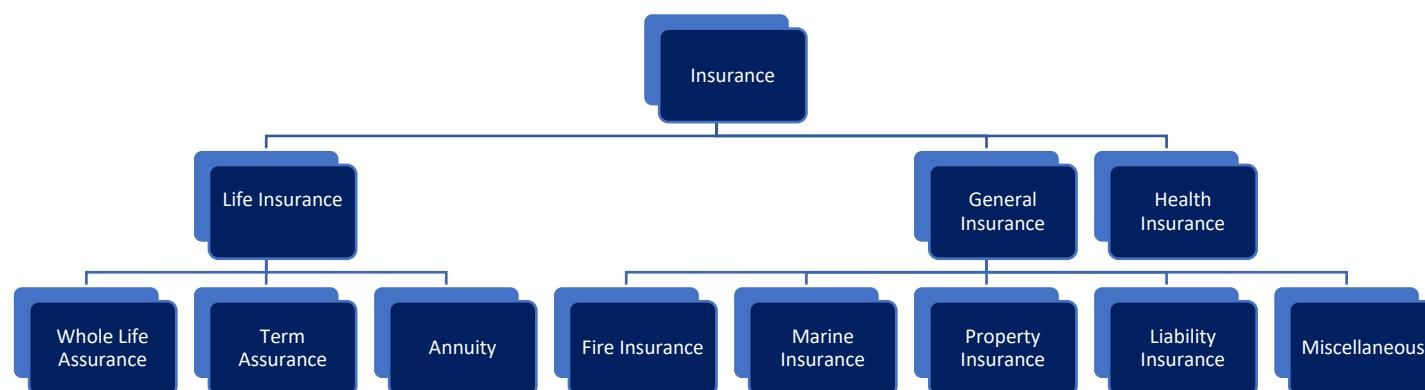
Alright. This is fine. Let us wrap it up here.

Sure, Thank you. It was a pleasure interacting with you.

Insurance

Your Client is a Health insurance company based in US. They are planning to expand to India. What insurance market segment should they enter?

Interviewee Notes	Case Facts		Approach/ Framework						Entering Strategy
			New Market Entry	Financial Viability	Operational Feasibility	Market Attractiveness			
			Visions	Profitability/ Combined Ratio	Regulatory Approval	Market Size and Share			
			Goals	Return on Investments	Resource Availability	Growth Potential			
			Objectives	Technological Ability	Competition	Agents/ Brokers			
									If yes, How?
									No
									Start from scratch
									Joint Venture
									Acquisition



Key learnings

Case: Your Client is a Health insurance company based in US. They are planning to expand to India. What insurance market segment should they enter?

What could have been done better

The insurance companies collect premiums and utilise the excess for investments. There is a major portion of the operations involved in the investing activity. Thus, the investment income and losses should have been included.

The interviewee focused on direct insurance but there are opportunities in re-insurance business as well, the same could have been included.

The revenue was based on the market share, but for insurance business take a longer time horizon to recover their investments, thus the revenue should have been assessed for a longer term after considering the persistency ratio, which would factor in the future non-renewals.

Since it was an open-ended case, recent trends of peer-to-peer insurance or microinsurance could be discussed.

The client is a foreign company, the FDI regulations could have been considered for assessing the chances of entering the market by direct investments.

What was done well

The inclusion of combined ratio to assess the profitability was relevant and showed the interviewee's knowledge in the insurance sector

The risks involved in the travel insurance was well-segmented to ensure that it is mutually exclusive and collectively exhaustive

Insurance companies require heavy capital and regulatory approvals, the same was included in the initial stage of the case

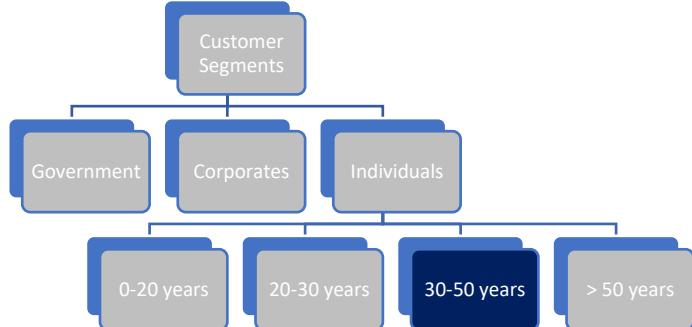
Alternate Approach

The interviewee could have started solving the case by assessing the various insurance segments first before moving on to the basis for evaluating the segments.

The various segments could be assessed and selected based on customer types instead of insurance product types. The customers can be segmented into government, corporates, individuals. Further, the individual segment could be targeted as it would be difficult to attract government or corporates as they would have strong existing relations with reputed insurance companies and would not prefer to shift to a new foreign player.

The individual's target segment can be grouped based on the age and the Middle-aged segment could be targeted as they would be the most concerned about any losses or risks, than the younger and older age segments.

The targeted middle-aged segment can be further bifurcated based on the occupation and the risky events that take place in their life.



HBS Satellite campus – Interview Transcript

HBS wants to set up a new satellite campus in India. They want your advice about the proposal.

What is the primary objective of the school in setting up the new campus?

The mission of HBS is to educate leaders who make a difference in the world. They want to increase their impact.

So is it safe to assume that the target audience would be young Indians?

Actually that is a bad assumption. It so happens that HBS wants this campus to be International like the one in Boston. Having said that, the college does expect the proportion of Indians in the batch to increase.

The motivation would be to expand their current capacity of the program in that case? And also what is the timeline they are aiming to set up the campus?

That is correct and they want to set it up in 5 years.

To evaluate the market entry, I would want to look at aspects under the three major heads: opportunity analysis, feasibility and viability. In Opportunity analysis, I would look at the market size and the market share that we can capture. In the feasibility, I would analyse the barriers to entry and analyse the feasibility of setting up the value chain. In viability, I would analyse if it would make economic sense in the long run and also see for any risks.

To do this, I would look at the current demand for the HBS course and would use that to estimate the demand for the new campus. As far as I know, I believe top US schools like HBS receive around 10k applications every year for their MBA program. Those would automatically be our target market. However, I believe a proportion of them would not be interested in studying at the Indian campus due to preference for the US market. Do we have some data about their preferences?

That is a good approach. Let us assume that 50% of the applicants are interested in studying at the Indian campus as well. Can you estimate the rough size? Ignore affordability as a concern for now.

I just want to add that I would also want to look at the additional Indian students that we can capture because of the lower cost of this program vis-à-vis the Boston one.

I will use the CAT enrollments as a proxy for estimating the demand. So around 2 lakh students apply for CAT to do their MBA. Let us assume 1% would meet the HBS criteria, i.e. 2000 students. This means that the market is significant. However, the competition is another factor that I would want to look at. Can you give me some information about the competitive scenario?

The satellite campus would face competition from primarily two sources: one would be the global schools setting up campus in India. Currently, that is not a potent threat. The other is from IIMs and ISB.

I believe HBS would have an edge over Indian schools as the global exposure and the brand value that it would offer would give it a clear competitive advantage.

However, I would like to look at feasibility. The factors that I would look are the regulatory barriers and the feasibility of establishing the value chain. For that, I would want to know if there are any regulatory restrictions in India?

The regulations in India prevent any institution that is not AICTE approved from giving a degree. Compliance with AICTE guidelines would dilute the HBS curriculum.

In that case HBS would not go for the AICTE approval. It wouldn't be able to offer a degree. But I don't think that will be a constraint. ISB has a similar model and is successful. The other factor would be the ability to set up the value chain. The key facets would be the teachers & land for the campus. Initially, teachers might need to travel from parent campus. The rent for the campus would be a challenge and would increase costs.

Good. What else do you want to look at?

I would next look at viability. In terms of financial viability, I am assuming pricing will remain same as the parent campus to maintain parity. However, the additional cost due to the land and teacher travel would drive up the costs. Additionally, there would be risks due to the lack of acceptance of India as a study destination among International students. Hence, I will suggest against the proposal.

Thanks. That would be all.

Thank you. It was a pleasure interacting with you.

HBS Satellite campus

HBS wants to set up a new satellite campus in India. They want to your advice about the proposal.

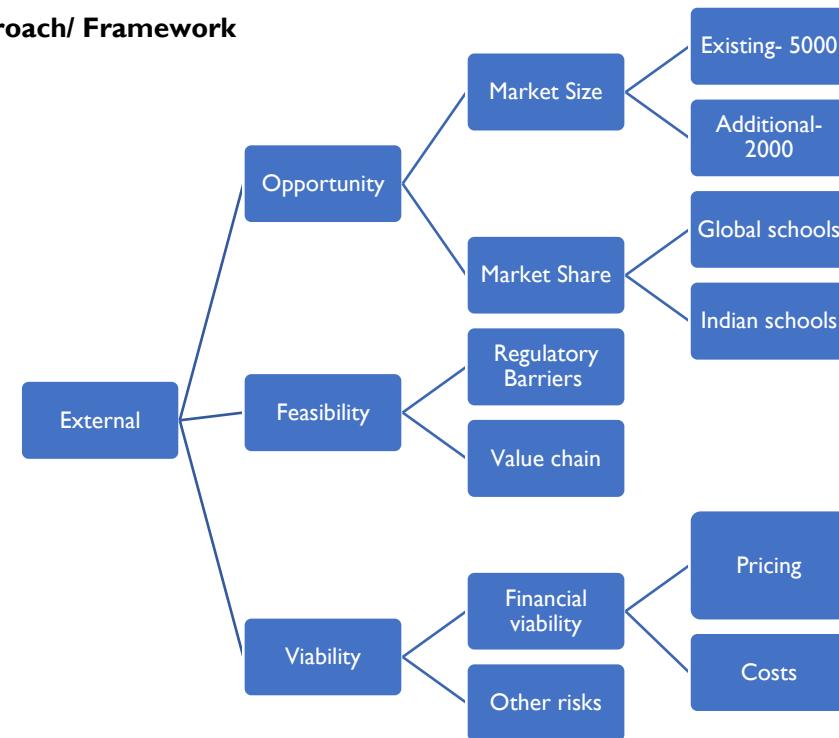
Interviewee Notes

- Objective: Expand capacity of MBA program (400)
- Timeline: 5 years
- 10k applications
- CAT benchmark

Case Facts

- 50% interested in studying in India
- AICTE approval

Approach/ Framework



Recommendations

- Should not go ahead with the satellite campus.
- Serious concerns about the viability of the operations considering the high costs and also uncertainty of regulations.

Key learnings

- It is best to not lose sight of the structure in quest for creativity and that is what the candidate achieved in this case.
- Note that interviewer will try to gauge your perspective on all the aspects hence always broadly try to walk interviewer through the structure.
- During guesstimates, always advisable to do sanity checks using comparable for quick analysis → Impresses interviewer

Insurance company – Interview Transcript

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

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

The client believes that there's a real-estate boom happening across India, and hence a potential market which is expected to grow substantially in the coming years.

Okay, so they're concentrating on the growth of the housing market. What products are they planning to sell in this segment?

Their home insurance products would not only be limited to new houses but would also be relevant for renovation of existing houses.

So ideally we'll be looking at not only people who own houses, but also people who are planning to buy new homes. Can you tell me a bit more about the current competition in this segment?

There is low penetration; not many companies have ventured into this segment.

That's great. So we don't have to fight competitors to grow our share. We can build our customer base from scratch. Can you tell me what kind of clients are we planning to sell our products to?

The company hasn't decided this yet and would like to know your thoughts on this.

I would start by segmenting the Indian population in terms of their income groups in the rural and urban market. Since the company wants to enter the home-insurance market, initially, it can ignore the rural population since home ownership among this population is low. In terms of the urban population, I would segment this market according to income groups.

That's right. What segment should the clients target?

Very few people in the low-income segment would own a house, whereas for a middle-class person, buying a house is a dream. So there would be a large portion of the population in this segment who would be thinking about purchasing a house. Also, the individuals in this segment are more risk-averse, and would want to protect their house with insurance. People in the high-income segment would also be interested in our products. Therefore, the client should target the middle-income and high-income groups.

(The interviewer questioned the assumptions for each segment)
Moving on, assume that the client has decided to enter this market. How would you roll-out the products to their intended customers?

As the client is already present in the life and health insurance segment, it would have insurance agents on the ground. So, my first move would be to educate the agents about our products through training programs in main cities in the first couple of months. Initially, we can go ahead with the existing agents then over the period we would look to hire specialized agents.

Training the sales people is good, but how would that ensure that customers buy these products if they aren't interested in them in the first place?

If the penetration of home insurance is low then either the people don't know or trust these products. So, we need to educate them about the importance of getting their home insured. We will reach out to these customers through home builders and contractors. We can also tie-up with banks, who can inform clients about home insurance while giving out home loans.

Okay. Do you see any other roadblocks or pitfalls of your roll-out plan?

The roll-out would be slow and gradual. Since our current sales force is trained to sell health & life insurance products, they would need training regarding the home insurance products. Also since we are educating the masses, then we are also educating them for the competitors. So even if the competitors have marginally better prices, then people would go for them as people in this segment would be price sensitive.

What analysis can you do, that would help the CEO to take much more decisive action.

We can do the "customer lifetime value analysis" by taking into account their acquisition cost and the revenue earned per customer over their lifetime. This will give an indication to CEO if this segment is worth entering.

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

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

Insurance company

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

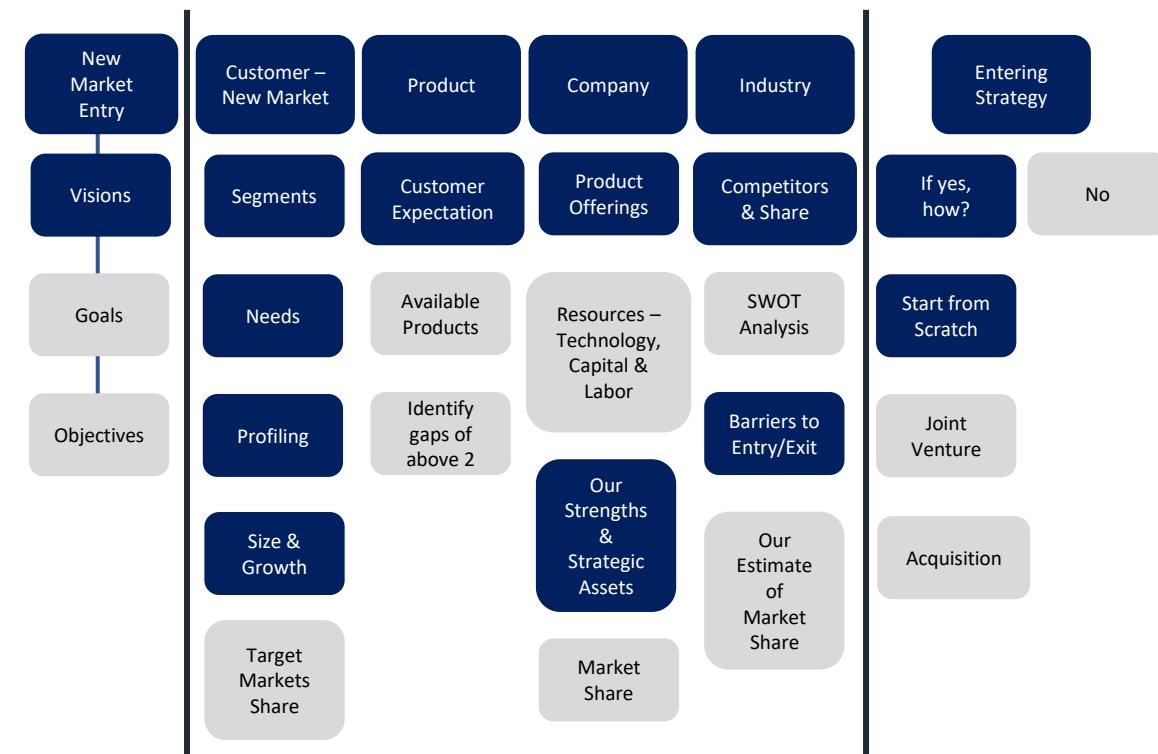
Interviewee Notes

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

Case Facts

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

Approach/ Framework



Recommendations

- The client should enter the home-insurance segment
- They are already present in the health and life insurance segments, and can leverage their existing salesforce to introduce home insurance products to their clients
- Real-estate industry projected to grow; home products cover both new and existing houses, making the Urban Middle and High-income group preferred target segment

Key learnings

- Very important to understand here who your target customer is
- Probe every information that interviewer has provided in the beginning: For ex: why is penetration so low and what does it mean for our client?
- The candidate could've dwelled a bit more into the implementation which would have added more value to his arguments.

Electric buses – Interview Transcript

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

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

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

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

This sounds fine to me.

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

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

That is good. It gives us the advantage to position our product as an environmentally-friendly alternative that can be used for an extended period of time. I would also like to understand how our client priced these buses in their existing markets.

They are selling these buses at approx. 1.6 times the price of fuel-based buses; however due to the presence of heavy environment taxes, many companies prefer to buy these buses in the long-run.

That might be a problem for us. Since these are short-to-medium distance buses, they would be used mostly for intra-city travel, and private/public bus-operators won't accept a more costly option until they don't have a similar incentive.

That's a fair point. Assume that the government is providing a 5-year tax holiday to companies investing in the electric vehicle industry and would give special tax breaks to private operators who promote environmentally-friendly buses.

Ok, this means that our major target customers – both in the public and private sector - are receptive to the product. Can you also tell me if there are existing EV bus operators in India?

No, the client would be the first company to introduce such buses.

That does play for and against us. It's good for us since we would have the first mover advantage and will be able to capture more market, but it might play against us because the infrastructure required to support these buses may not be present and awareness of the EV buses might be low. Can you also tell me what is their target region or cities in India?

Assume that the company will initially operate only within Ahmedabad, and has the capital and resources for this. Given this information, can you suggest some company and market specific strengths and possible problems that the company might face.

(draws and discusses SWOT table) To summarize, the company has the requisite experience to manufacture and customize these buses, and the environment-friendly policies of the government, and the associated financial incentives, are a good reason to expand into India. The growing urbanization in India, and the large population that uses public transport, also justify the need for a product that can meet demand without compromising the environment. However, there are certain major problems/barriers as well – oil is currently at its lowest price in over a decade, which may make it difficult to convince operators to switch to these electric buses. Also, the high-price of these buses, the lack of charging infrastructure and operability for a short distance (before being put to charge again) are some other problems that the company might face. One other major problem that I foresee is that tenders in the public sector are often offered to lowest-bidders, and if the client can't match the prices of its competitors, then it won't get business from the public sector companies operating in the transport sector.

Ok, that sounds like a detailed analysis. Based on this, what is your recommendation?

My final recommendation would be not to introduce these buses in India since current industry landscape and market conditions are not favorable for such a move. However, in the near future, once the government policies become more supportive and the market conditions change to favour EVs, the company may reconsider its position on entering the market.

Very good. Thank you.

Electric buses

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

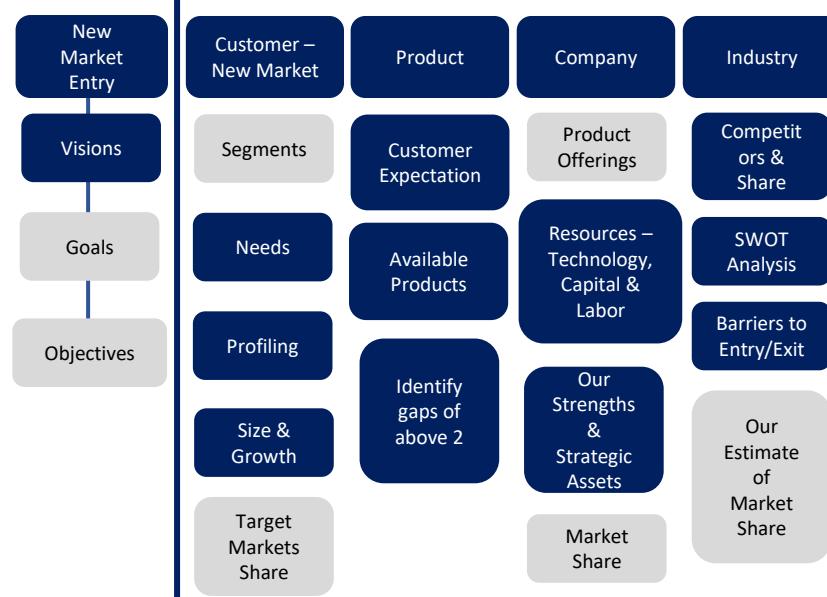
Interviewee Notes

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

Case Facts

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

Approach/ Framework



Entering Strategy

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

Recommendations

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

Key learnings

- Understand while evaluating a market you should also look at its drivers: positives & negatives
- Try to probe which specific geography company is looking to enter: within India too a company can look at only a particular city or combination of cities

Strengths

Technical Expertise / First mover advantage

Saving on Fossil Fuel costs / pollution

Government Policies

Weaknesses

Lack of charging infrastructure

High Price of Electric Buses

Short-Medium distance use only

Opportunities

Large population using public transport

Increased Urbanization and Acceptance of EV/Buses

BRTS Infrastructure

Threats

Other Foreign/ Domestic Players

Growth of other Public Transport solutions

Global Crude Prices – all time low

Retirement benefits policy – Interview Transcript

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

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

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

Got it. How big is this industry?

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

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

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

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

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

Okay, let me now move to gauging the incremental savings that is likely to enter the investment pool. I shall make some assumptions, please stop me if any of them are unrealistic. My goal is to size the number of people working in the organised sector in India, as they shall be paying the premium amount for this policy.

I shall assume that individuals between the ages 18 and 60 are eligible to be employed. I shall assume the life expectancy in India to be 70 years, with the population distributed uniformly by age.

Okay, that sounds fine for now.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Great. Thank you.

Retirement benefits policy

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

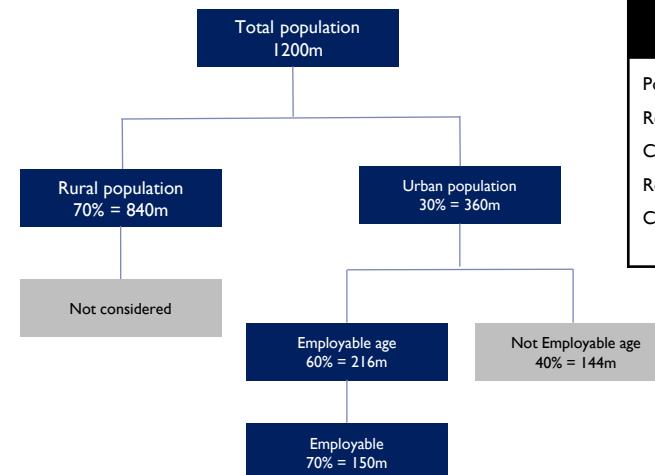
Interviewee Notes

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

Case Facts

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

Approach/ Framework



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

Recommendations

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

Key learnings

- Run through the population split step by step, calculating the number of people at each step and not just in the end
- In case you reach a scenario where the company is initially making losses, make sure you analyse future prospects to see if there is a turnaround in the additional year: All decisions are made basis NPV of all the future cashflows
- Identify the scope of the problem right from the beginning

Anti-smoking pills – Interview Transcript

The client is in the business of making anti smoking pills - the way we have those patches and lozenges in the market to curb the urge to smoke. The client wants to sell it at a premium price. You have been hired to find out if the product can be introduced in a country like India - and if so - what is the expected target market, market share and a feasible price at which the drug should be sold.

I would like to confirm if I have understood all the critical aspects of the client's situation. Our client is in the business of making anti-smoking pills that reduce the urge to smoke for smokers. We need to do see if the product is feasible to be launched in India and evaluate the market characteristics such as size and client's share based on the price.

That's right. Now that you've understood the situation well, how do you propose going about the solution?

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

This sounds fine to me. Also, please note that this product is not entirely new; it has been introduced in other countries already.

Ok, that experience should definitely help us. To start with, can you tell me something more about the product? How is it different?

Unlike the lozenges or patches, this product is completely nicotine free - it is 5 times more effective as proved by lab results and 50% of the test results responded to the pill (which in this industry is an extremely high number thus indicating success). Moreover, it is a drug that cannot be sold over the counter - it requires a prescribed dosage given by the doctor. It is to be taken for 3 months daily, 3 times a day.

That is good. It gives us the advantage to position our product as superior due to the higher efficacy of treatment. I would like to know take up the competitive scenario next so that we can decide the price before determining the overall market size.

That's a fair point. So, there is no similar product in the market. Cheaper products like lozenges exist but they contain nicotine and sell for Re. 1 per unit.

What are the other countries where the product has been introduced? How receptive have the customers been in those countries?

The other countries have smokers who are quite similar to the Indian consumers. The product has been quite a success.

Ok, this means that the target audience will be receptive to the product and we can assume that there is a strong market for the same. I will now proceed with the estimation of the price and market size. There are two ways that we can price a new product in a non-competitive market: Cost based and 'willingness-to-pay' based. In the first, I would calculate the cost to company and charge a margin on the same while in the second case; I would calculate the propensity of the consumer to pay for this drug. This would vary with my target segment chosen. Ideally, we should be able to calculate the optimal profit case by considering the trade-off in sales volume vs. price for various price points. The solution will also be influenced to an extent by the growth rates of the different target segments overall, say movement of people to upper-class from lower-middle class.

Hmm... that is good. In our case, let us assume we did this and came up with Rs. 8 per unit. You think that sounds reasonable?

I think a price of Rs. 8 per pill is feasible because of the lab results - people will be convinced that it is a medically prescribed drug and since it is a pre-scheduled dosage for 3 months, results are guaranteed. We can also stress on the nicotine bit and indirectly position this as a life saving drug.

Ok, let's estimate the market size assuming we decide to price it at Rs. 5 per unit.

Let's take Delhi as a base case. Population: 150 lakh. Target segment: 40% of them smoke * 20% of them would want to quit smoking * 75% can afford (Rs. 8 * 3 * 90 = Rs. 2160 drug to quit) = 9 lakh people or INR 9 * 2160 ~ INR 200 crores. We can now assume that this drug will reach out to 25% of the population across India (urban + rural since its effective and one-time payment to quit smoking), which means the total market is 200/150 * 0.25 * 10,000 lakh = INR 3,333 crores.

Very interesting. What will drive the market growth our market share?

The market growth rate will be affected by the sales and distribution coverage, willingness of people to quit smoking and addition of new smokers who would want to quit after sometime. We can look to capture about 80% of this market eventually, assuming no major competitor enters the market, which can be prevented by IPR support. Since this is a prescription drug, the bulk of the promotion costs in this industry are in targeting the doctors and chemists via direct sales agents or Medical Representative to convey the pros and cons for them to a) prescribe the drug and b) keep it in their pharmacies. This will drive our market share from the potential market size.

Good. What about the other 20%?

I am assuming that the remaining 20% will comprise of smokers who are unwilling to quit smoking (10%), perceive the price to be high (5%) or are not aware of the product (5%). This percentage can decrease as we move further in the product life cycle and the product becomes well established through marketing and promotion efforts.

Good. Any other costs/concerns that you would like to address?

The training costs for the direct sales agents will also be critical as this is a new product and local agents would need an in-depth understanding of the product. No. of sales people can be calculated by total workload method: Assuming Doctor/Population ratio and say 3 doctors per day and repeat visits every 2 months; and Chemist/Population ratio and 3 chemists per day and repeat visits every 15 days. The supply chain will have to be considered - the warehousing, distribution network, retail chains etc. We can perform the cost benefit analysis for using middle distributors v/s direct distribution.

Good, I think we have covered the different aspects of the case. Thank You.

Anti-smoking pills

The client is in the business of making anti smoking pills - the way we have those patches and lozenges in the market to curb the urge to smoke. The client wants to sell it at a premium price. You have been hired to find out if the product can be introduced in a country like India - and if so - what is the expected target market, market share and a feasible price at which the drug should be sold.

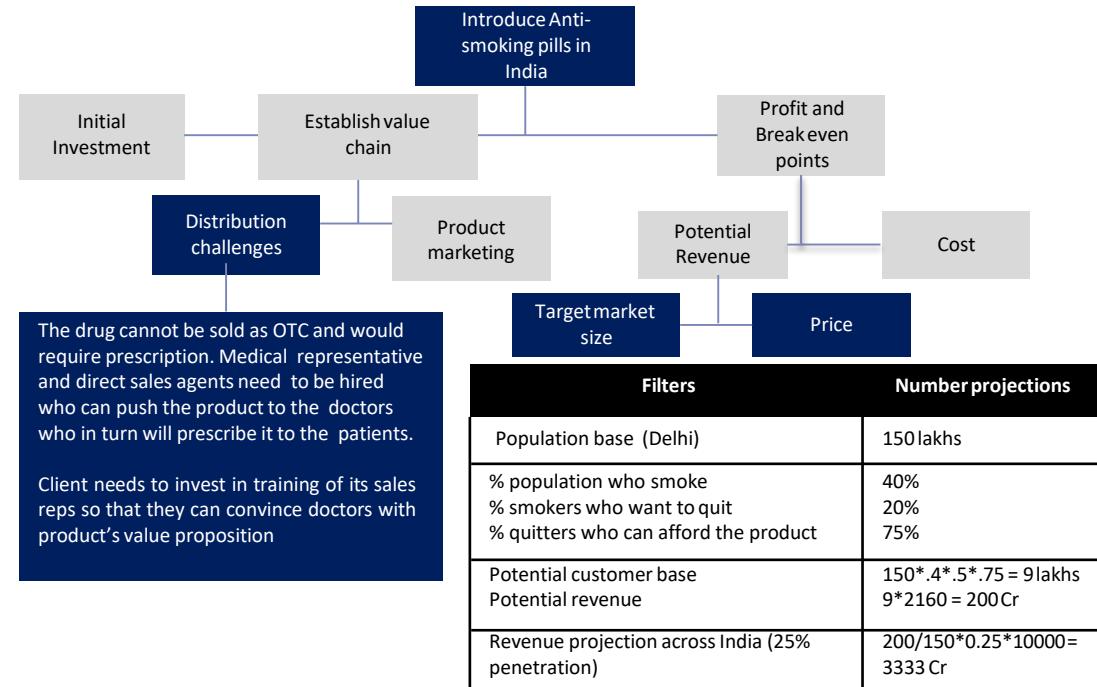
Interviewee Notes

- New product launch – Anti smoking pills
- Country - India
- Premium product- requires premium price
- Product characteristics (suitability for Indian market) & Product launch (competition, distribution and promotion)
- How is the product different from existing products
- What is the competitive scenario in the market
- Product has already been introduced in some countries

Case Facts

- Client is in the business of making anti-smoking pills
- Client wants premium price for its product
- Client wants to find product's potential in India – target market, market share and feasible price

Approach/ Framework



Recommendations

- Price point should consider both customer's willingness to pay and product's incremental value proposition over existing products in the market
- IPR/ Patenting the drug can prevent competitors to enter market and facilitate capture of market share
- Spend more on training the medical representatives and direct sales agents to push the product to the doctors who in turn will prescribe it to the patients

Key learnings

- Marketing of the product can be briefly discussed since the product charges a premium price to its customers
- Long term product goals and ways to improve product penetration across its lifecycle could have been discussed
- Remember to use comparable from similar launches by same company or competitors

Fintech in UAE Market – Interview Transcript

Your client is a Dubai based E-commerce firm backed by Indian payments giant Paytm. The firm wants to enter into the fintech market in UAE and want your recommendation on this

What is the firms objective behind this? Do we have any decision metric in mind that we can use to evaluate such as revenue or profits target?

So like any other business it wants to maximize its revenue. While the firm does not have a specific revenue target it wants to maximize its ROI in the next 5 years.

Understood. Can you tell me a bit more about our client. When we say e-commerce is it similar to Amazon or Flipkart.

Yes, the client is exactly similar to Amazon with majority of its operations in the gulf region.

Also how long have we been in the market and what is our position in the market currently?

The client was the first e-commerce firm in middle east and currently controls more than 50% of the market which is valued at \$10 bn. There are 3-4 other competitors but they have less than 10% each market sure.

That means we are the market leader and have a dominating position. Now coming to the business vertical, I am not much familiar with fintech space but what I understand is that it is a very broad market with solutions such as insurance, wallet etc. Is there any specific product that we want to launch with?

That's a good question. We have 4 key verticals in mind: A wallet like Paytm, Micro lending card for loans of small denominations, Stock broker, Marketplace for insurance and credit cards. If we have to decide only one out of the above 4, what do you think which one would be the most relevant choice for the client

Since we are the market leader in e-commerce, I will evaluate the above options on the basis of 1) Market size (2) Competitive landscape (3) Synergies with existing company. But before moving ahead with this, I would want to know get more context on the fintech space in UAE.

UAE economy exactly like India is also driven by cash transactions accounting for more than 40% of the transaction value. The fintech space is completely non existent in the country. We will be the first mover.

Really interesting. I would look at a payment wallet solution first. Given the market similarity to India, this product will help us establish a market amongst the masses first and subsequently we can introduce more specialized products. It will also help us facilitate payments on our e-commerce platform and thus accelerate customer acquisition.

Excellent. What next?

So now I would want to evaluate the business from 2 perspectives:

1. Economic analysis to know how big is the market and what proportion I can capture
2. Operational feasibility where we look at how to establish the business and what can be the key risks of venturing into this new space.

I would want to start with economic analysis first.

My expected profits will be equal to Market size * Market share.*Average contribution margin minus the fixed costs/initial investment

Do we have any information on the market size that we are looking at or do I need to estimate the same

Good. So assume that the fixed costs are essentially zero because of an already established technical business. Also since the market is non existent, we will need to estimate the market size in dollar value. Let us estimate the profits for the first year.

I will start by estimating market size in terms of \$ value.

Market size = Number of addressable customers * Number of transaction per customer * Value per transaction per customer

For the number of customers, I will look at the population of UAE and adjust it for age, internet penetration, smartphone penetration, bank account/credit card penetration.

Fair enough. Do you think your formula will give you the correct market size? This will only give you the value of transaction that happens on the platform and not the revenue.

Apologies. I think there will be an aspect of commission that the platform will make on every transaction which needs to be incorporated.

Correct. Moving ahead, how do you think we can get a reliable estimate of the other 2 parameters?

Maybe we can look at average transaction size and no of orders per customer on our e-commerce platform.

Don't you think that will give us an overestimate. Remember that this product will essentially replace your daily cash transactions at local mom and pop stores rather than e-commerce. Similar to what we see in India with Paytm.

Ahh. Then we can use comparable by evaluating avg transaction size and no of orders per customer for Paytm when they launched in India and adjust them for purchasing power parity and higher per capita income in Dubai.

Ok. So lets say that this gives us a very attractive market size.

Next I would want to look at the market share that we can capture. Given the nascent industry in UAE, we can benchmark market share achieved by similar products in similar markets such as India or other gulf nation. For instance, market share that was captured by Paytm in 1st 5 years

Let us assume that this market makes sense economically for the firm to enter. What next would you suggest?

Since economic feasibility has already been established I would now want to look at the operational feasibility of the business. I would want to look at the entire value chain comprising of Technology platform followed by merchants followed by consumers.

However, since we are operating in the financial space, before moving ahead I would like to know if there is any regulatory barrier that I must be aware of?

Good point. So the law of the land mandates that at least 51% of ownership has to reside with a UAE based bank.

That might throw challenges. I think we have 3 strategic options here:

1. Set up our own bank but that will be a time-consuming process and we might lose the first mover advantage.
2. We can enter into a joint venture with one of the major banks
3. We can also acquire a UAE based bank but our current financial position may not allow us to do so.

Thus Joint Venture seems to be the most feasible option here. However, a key risk that needs to be highlighted here is we should have some sort of protection that stops these incumbents from entering into the fintech space.

Fintech in UAE Market – Interview Transcript

Yes Joint Venture seems to be the most appropriate step here. Our technical expertise in the market will also be a unique value proposition for banks to partner with us.

Understood. Next I would want to look at the creation of platform. Given that we are the biggest e-commerce firm in UAE and are owned by a global fintech giant, creating the right platform does not seem to be a major challenge.

Correct!

After this I would look at how we will onboard merchants on our platform. I will divide merchants into 2 parts: New acquisition, Existing e-commerce platform merchants. I will target the merchants associated with my e-commerce platform first which can act as the early adopters of such a platform and spread word of mouth around it. On the other hand, to on-board local mom and pop merchants, we can run incentive schemes like zero commission for first few days via our sales force.

Ok.

Also since it is a 2 sided platform, we will also have to ensure simultaneous addition of customers on the platforms to appease both the parties. I will again target my existing e-commerce customers first via cashback, discount offerings, loyalty programs etc.

However, in all our acquisition efforts we will have to pay considerable attention to possibility of frauds which happened a lot with Paytm.

That's a good insight. I think we have covered all the aspects of the value chain. We can stop here.

Fintech in UAE Market

Your client is a Dubai based e-commerce firm which wants to enter into the fintech space. They need your help to figure out how to do this?

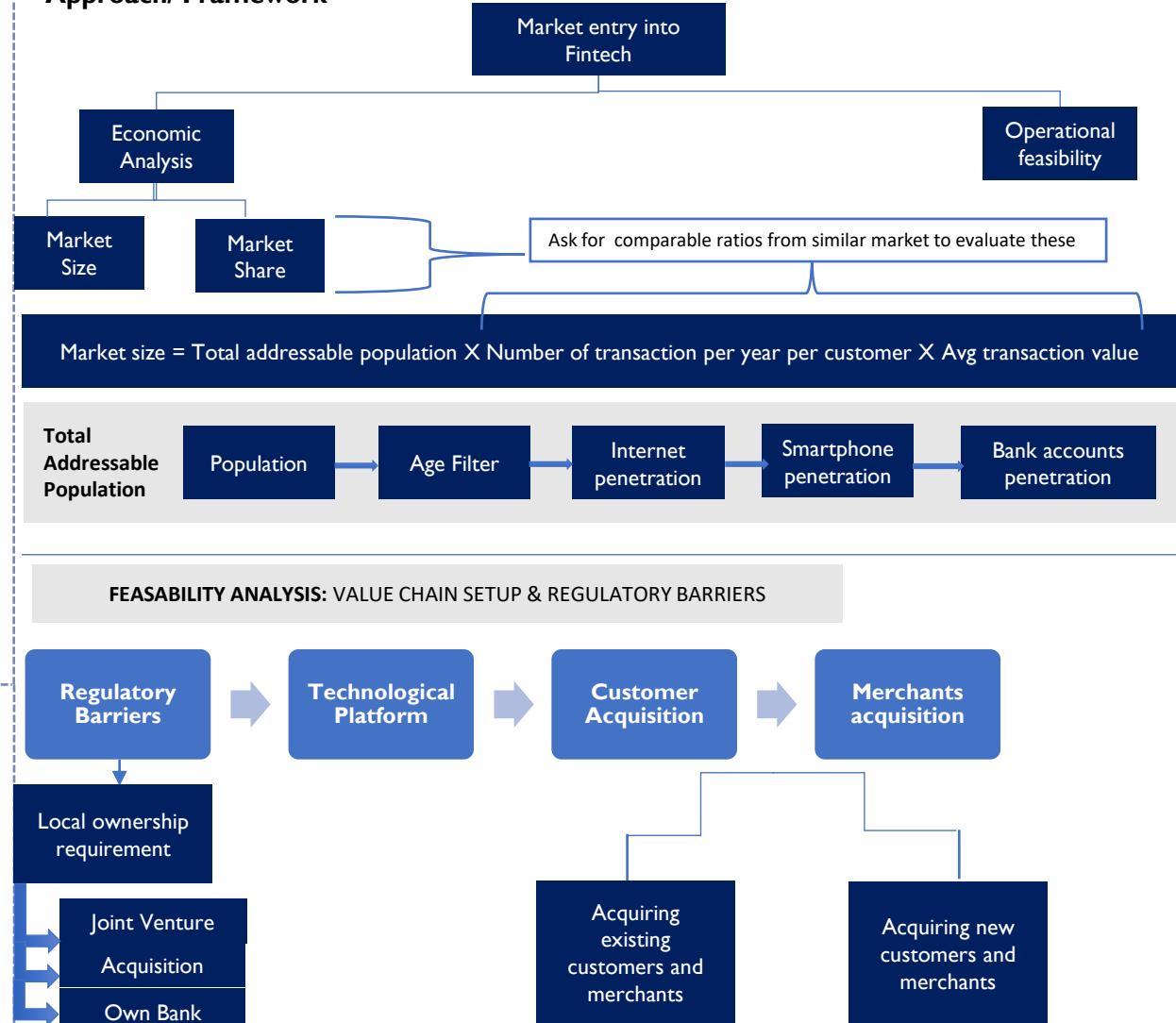
Interviewee Notes

- It is important to understand the business model that company is going to launch and the current status of the business
- Analyze possible synergies that will shape company's strategy
- Use similar market comparable and ratios to calculate market share, market size
- Establish the value chain for a general new age tech startup
- Identify barriers to entry that company may face while entry specially for financial firms

Case Facts

- Client is the market leader in e-commerce
- Client wants to enter into the fintech space with a payments wallet product
- Market is non-existent in UAE with no competition
- Client wants to find out the market potential/revenue for 1st year
- The product works on a commission model

Approach/ Framework



Recommendations

- The client should enter the fintech market

Key learnings

- In such an open-ended case be as exhaustive as possible for market size estimation and value chain setup.
- Always clarify the business model of the company and the new sector.

European Airline – Interview Transcript

Your client is an European Airline who is facing stagnant growth in Europe and would like to explore Indian market. Please help them with this

To clarify the objective, our client wants to explore Indian market to expand its airline business as European markets is not growing

Yes

What is the primary objective of our client? Do they have any profit objectives for entering India

They don't have immediate targets but are looking for long term growth

Ok. I would like to further get to know about client. What kind of airline are they? Where all are they operating? What is their current market position? Do they have any particular target market to enter into India like domestic or international sector, low cost or premium etc.

Our client is a low cost airline company in Europe. They are operating in most countries across Europe. They don't have any particular market in mind and you can suggest them the same.

Ok. I would also like to know current Indian market scenario. Can I assume it to be current market scenario in both domestic and international market?

Yes. The domestic market has majorly 5-6 players with Indigo having maximum market share.

International market has multiple players with Air India having maximum share

Ok. I will like to layout my structure, I would first like to see financial attractiveness of the market. If market is enough attractive, I would like to see operational feasibility in the market where, I would first check if there are any major barriers preventing our entry and then check how will we be able to establish the value chain. I would then like to look how we can enter the market and any future risks we will face in the Indian Market

This structure looks good. Let's look at financial feasibility first

In financial feasibility, I would like to analyze market size, market share and the profitability we can achieve. I would also look at the growth of the market. As our client is already in low cost airline, I would first like to evaluate them entering into same segment. So, I will first like to evaluate if the client enters Indian domestic market in low cost segment and then add the value of other opportunities like flights between India and Europe

Make sense. For simplicity, let's assume that the client enters domestic market only. Also assume that the client first targets major cities only

Ok. To calculate market size, we can approach by calculating traffic on major airports by looking at the number of flights taking off * # of passengers/flight*Price/ticket for an year from major airports. Do we have any data regarding the market size or should I calculate?

Its fine. Lets assume that market size is 50,000 crore.

Ok, now I would like to analyze the market share

What do you think about this market size. Is it attractive?

For that, I would like to know the current revenue of our business.

That is \$5 BN

That is equal to $5 \times 70 \times 100$ crores = 35,000 crores. I think the market is can be attractive if we are able to capture good market share in it

Also, you forgot that growth is our primary objective. You didn't ask earlier but we want a sustainable growth of 1-2% on our overall revenue

Ok. Do we have data about the growth of the Indian market. After calculating the market share, I will verify if we are achieving the required growth or not.

Sure. The Indian market is growing at a rate of 20%

Ok. I will move onto market share. I would like to compare the markets we will target, the kind of facilities we will provide, the prices we will keep and if our brand name is known to Indian market. Do we have data for this.

The client currently haven't planned this and would like your advice. How else can you calculate the market share?

India, being a low income country, is price sensitive. So we have to keep competitive prices in order to gain market share. Also, as we are targeting major airports, so would be able to reach out to most customers. We can look into the last player that entered into Indian market to benchmark market share

Good. Assume, Vistara to be a low cost carrier and was the last entrant. They have been able to gain 5% market share. Apart from this, what other benchmarks can you look into?

We can further look into if our client has entered into any new territory similar to India and how they have performed there. Also, we can benchmark it with any other low cost airline which entered into any similar market.

Good. Let's assume that you will be able to gain 5% market share

Sure. So now to see sustainable growth, we will be able to earn a revenue of 2,500 crores in Indian market that will grow minimum at Rs 500 crores per year assuming our market share remains the same. This means we have growth of around $500/35000 = 1.5\%$. Thus, this market share meets our target growth rate in Indian Market. I would now like to check the operational feasibility. First, do we know if we will be able to get license to operate in India

We will be able to get the license. Instead of going into operational feasibility, I would like to know the factors you will judge to decide How to Enter into Indian market

To enter into Indian market, we have 3 choices including enter on our own, enter through a joint venture and enter through M&A. To decide on these factors, we can look into cost, control, operational feasibility and time.

That sounds good. What are the options for us if we want to enter through M&A considering current Indian market scenario

Currently, there are multiple airlines in India that will be ready to sell their stake. We can look forward to invest in Jet Airways, Air India etc. which are looking for buyers.

Ok. So let's assume that we will buy Jet Airways. The cost required for acquisition is \$1 billion. Can you evaluate this investment amount?

Do we have required cost of capital and profitability of business?

Assume cost of capital to be 8% and profit margins to be 10% and time period to be 10 year

So, as we calculated earlier, we will be able to generate 2,500 crores of revenue in year 1 which will grow by the rate of 20%. This means that we have profits of 250 crores in 1st year followed by 300, 360, and so on at an investment of 7000 crores. Thus, we can calculate NPV and payback period to establish if the investment makes sense or not

But you forgot to take in the factor of increase in market share due to acquisition

Oh yes. We also have to see how brand name of Jet airways can help us in acquiring more market, thus increasing our revenues.

We can close the case now

European Airline – Interview Transcript (Bain buddy case)

Your client is an European Airline who is facing stagnant growth in Europe and would like to explore Indian market. Please help them with this

Interviewee Notes

- Important to ask about any qualitative and quantitative objectives especially about growth
- Define the scope of the problem as it was open ended
- Identify company's current type of airline, operational countries, market position, revenue etc.
- Competitor scenario in the Indian market

Case Facts

- Client is European low cost airline who want to analyse Indian market
- One of the big brand in Europe, want to focus on growth in revenue through Indian market
- Open to options of entering into different sectors in the airline market
- Open to suggestions about how to position the product, price the product etc.

Approach/ Framework

Financial Feasibility

Current Market

- Market Size - Calculating domestic airline size (bottleneck approach) – 50,000 Crores
- Growth – 20%

Market Share (5%)

- Major players
- Market share/position
- Product USP, Price, Airports (Place), Brand
- Benchmark – Last entrant, similar country, similar entrant

Growth

$$50000*5\%*20\%/35000$$

Operational Feasibility

Major barriers to entry

- Government Regulation
- License Rules
- FDI rules

Value chain setup and Risks

- Government License
- Airport setup and gates permissions
- Infrastructure development
- Employees
- Sales Channel

How to Enter & Entry Decision

Options

- Self
- Joint Venture
- M&A

Evaluation Criteria

- Cost
- Control
- Operational ease
- Time

Financial Evaluation

- NPV
- Payback
- IRR

Recommendations

- The airline should enter the Indian market as it is meeting the growth targets it have from entering the Indian market
- The airline should not acquire Jet airways as overall NPV of the project is negative
- The airline can enter into the market by itself or look for the Joint Venture, whichever's NPV is greater

Key Learnings

- Market entry generally don't come with growth objective. Keep the objective in mind while asking interview questions and check once if there is any quantitative targets interviewer is looking for
- Conclude each analyses once it is completed. Eg. After market sizing, conclude if the market size is good, bad or should be further analysed depending on share
- Apart from analysing 4P wrt competitors in market share, do a benchmarking analyses to try to come up with better market share percentage
- Recheck earlier calculations if any new information is provided in the analyses (Eg. Jet Airways Brand)
- Don't worry is the case is long. Always keep your patience and look at each bucket individually

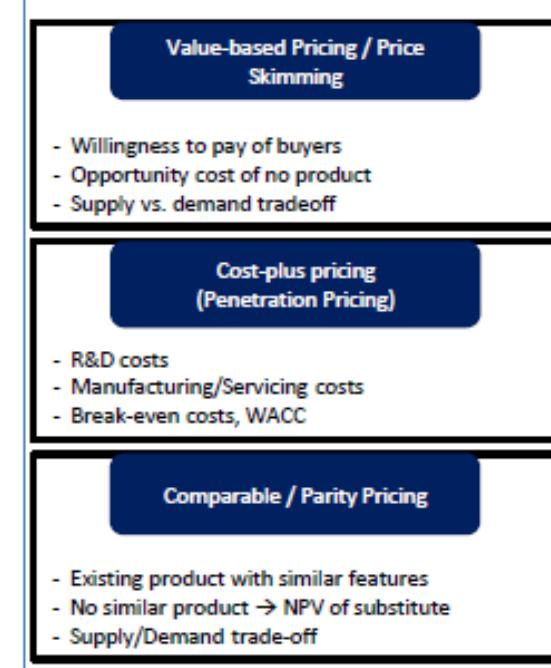
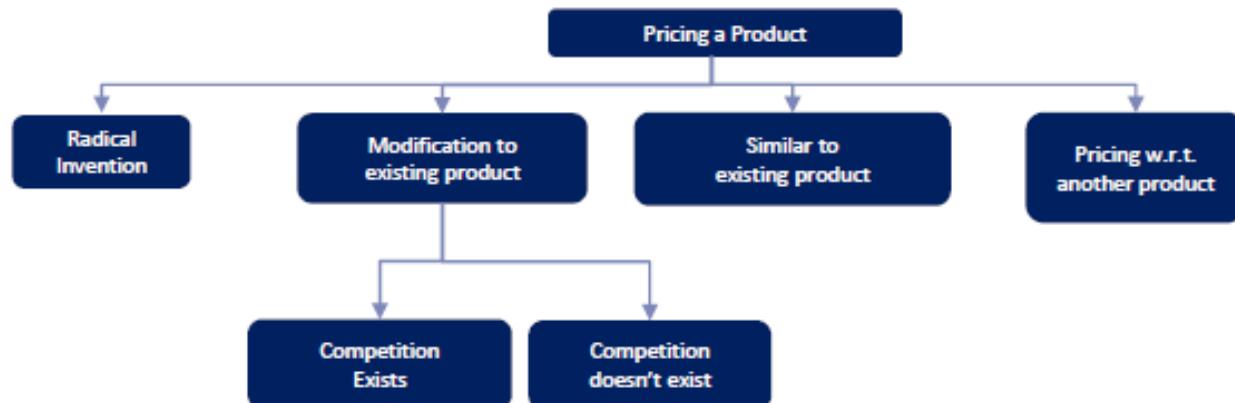


Pricing Cases

Pricing – Overview

In a pricing case the objective is to determine a methodology for pricing of any product. The product could be a new invention, it could have other competitor products in the market etc. The student should determine the objective of the company, understand the product features and market environment and then apply a relevant methodology to price the product.

Approach / Framework Overview



Framework Summary

It is imperative to consider the objective of the company, since it directly affects the pricing strategy to be followed. Then the student should understand the product characteristics and the market environment to apply a prudent pricing methodology. In case the pricing needs to be done for an old product (rare scenario), the utility of the product w.r.t a new product and the depreciation/salvage value need to be taken into consideration.

Tips

- A supply vs. demand tradeoff approximation is always helpful in such cases (best when demonstrated graphically)

Key Questions

- Which industry are we talking about?
- What is the objective of the company?
- What are the product features?
- How big is the market? What is the target segment?
- Who is the customer in the supply chain (margin to stakeholders)

Helicopter service – Interview Transcript

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

Alright. First of all, I would like to understand what exactly is a Heli air service and where is the client planning to operate it?

Heli air service is a helicopter service for inter-city transport. The client is planning to operate it in Delhi. The service would be from the airport to two different ports at the two ends of the city

Are they operating anywhere else?

Yes, the client has operations in London, Paris and New York

Is there any specific reason for choosing India?

They are excited about the growth opportunities in India and feel that it is the right time to enter the market

Are there any existing players in the market?

No

Then our main competition is with existing services like cab or metro. How are we placed in comparison to these services?

What according to you are the advantages of the proposed service?

The major advantage would be in terms of time saved and the luxury and convenience

That's right. The travel time would reduce to half.

OK. Now coming to the pricing part there are 3 possible pricing strategies that we can look into

- 1) Cost based pricing
- 2) Competitor based pricing
- 3) Value based pricing

Since we do not have a direct competitor I would like to focus on cost based and value-based pricing. Is there a particular strategy that you would like me to start with?

Why don't we start with the costs? What are the major costs involved?

The cost can be divided into fixed and variable. One of the major fixed cost would be for the helicopter. Are we planning to buy a new helicopter, lease it or get it from another market where we currently operate? How many helicopters are we planning to get?

We plan to rent it and start with one helicopter.

Ok. Other fixed costs would be the airport charges, maintenance charges, salaries of the employees, insurance cost etc. The main variable cost would be the fuel cost. Do we have data about the costs?

The cost of renting the helicopter is Rs 16 Lakhs per month. Airport charges us Rs 2 Lakh per month while the salaries of the employees come out to be Rs 4 Lakhs per month. The other overheads are around Rs 1 Lakh per month. The helicopter uses 60 Litres per hour. The cost of the fuel is Rs 75/litre.

I would like to estimate the minimum amount that our client would need to charge in order to break even. Our fixed costs come out to be Rs 23 Lakhs per month. The cost of the fuel would depend on the number of trips that we would take in a day. Is there a fixed number of trips that we are

No, why don't you calculate the optimum amount

You mentioned that our heliair service would go to the two ends of the city. On taking a cab it would take around 2 hours to reach. The helicopter would cover the distance in 1 hour. Since we only have 1 helicopter we would need to alternate between the two ports. After completing 1 trip we would need to have a break both for the pilot and the helicopter. Thus, I would like to assume that we can complete the whole trip in 2.5 hours and be ready for the next one.

Go Ahead

We can complete 4 round trips per day. The helicopter would be in use for 8 hours. Thus, the cost comes out to be Rs 36,000 per day. How many days in a month are we planning to operate it?

25 days

Then the total cost would be Rs 9 Lakhs per month. Thus, in order to break even we would need at least Rs 32 Lakhs per month from the passengers. We have a total of 100 trips in a month. Can I assume the helicopter would accommodate around 4 people?

Yes

Even if we get 100% occupancy for all our flights we would need to charge the people Rs 8000 per trip just to break even which is a pretty high cost. I would like to do a sanity check in order to make sure that the number is in the right range. The only heli air service I know is for Vaishno Devi which costs around Rs 1100 for a 5 minute ride. Thus it would be around Rs 13,200 for 60 minutes however since the fixed costs don't change with increase in length of trip Rs 8000 seems to be a good estimate. This is in contrast to taking a cab which would cost around Rs 800 thus they are paying 10 times the amount. In order for this to be a viable option their time should be worth at least Rs 7200 per hour. This is true only for the very rich people who can actually buy their own helicopter and would thus have no need for our service. Thus, I don't think that it is a viable business.

Well done

Helicopter service

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

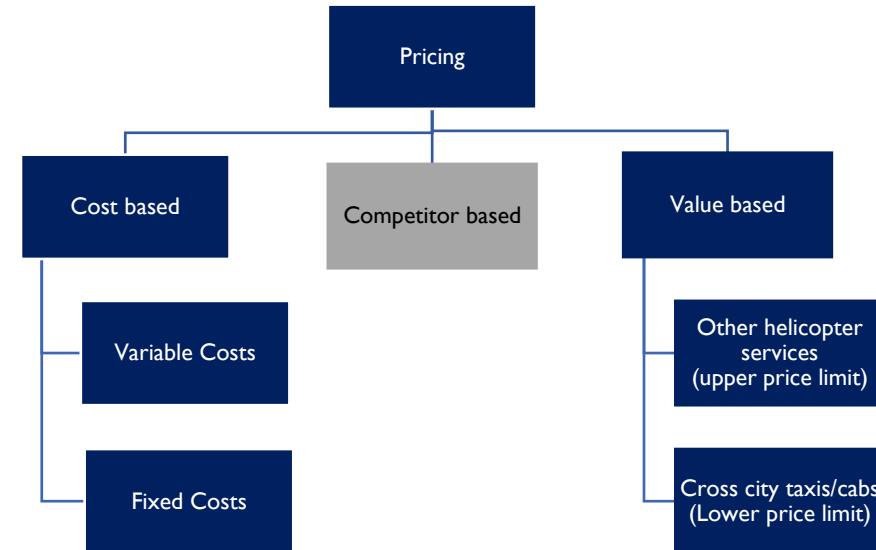
Interviewee Notes

- First service of such kind thus there are no competitors
- Operating in Delhi
- 2 ports will be operated to the two different ends of the city
- Time would reduce to half

Case Facts

- The cost of renting the helicopter is Rs 16 Lakhs per month.
- Airport charges us Rs 2 Lakh per month
- Salaries of the employees are Rs 4 Lakhs per month
- The other overheads are around Rs 1 Lakh per month
- The helicopter uses 60 Litres per hour. The cost of the fuel is Rs 75/litre

Approach/ Framework



Recommendations

- Understand the client's business and his expectations through clarifying questions before going on with the structure
- It is important to analyze all the possible pricing strategies. Here the service has a value-based price but the cost is so high that it becomes unviable
- Do sanity checks wherever possible

Key Learning

- Use of capacity constraints i.e. time limitations to estimate number of trips
- Value based approach used to evaluate upper and lower bounds for price (using similar services as proxies)

Light bulb – Interview Transcript

Surya electrical company has invented a new bulb that never burns out. It could burn for more than 500 years and would never blink. The director of marketing calls you into her office and asks "How do you price this." What would you tell her?

Alright. So before we figure out the appropriate price for this new light bulb, I would like to ask a few questions about our company, this product, the potential customers and the competition.

Go ahead

What is the objective of the company regarding this product?

To gain as much profits as possible.

Ok. I would like to know more about the product now. Is this a completely new product or has our company/ any other company introduced something similar in the past?

No this is a completely new product that we have developed. (the product is new: follow that branch)

In that case, is the product patented?

We have a patent pending, and no one else is trying anything similar.

Can you tell me if the product has any disadvantages? Does it use more energy? Or is it harmful to the customers in any way?

No it is safe product ready for the market. It also doesn't use more energy

I see. I was thinking we could either price the product at a price comparable with the competition or base it on the costs that we have incurred we can also look at the price the consumers might be willing to pay. Since you have mentioned there is no competition I shall rule that out and focus on what costs we have incurred for this.

Ok go on.

So how much have we spent on R&D for this?

₹120 Cr. for this light bulb.

For a conventional bulb it costs us 4 rupees to manufacture, we sell it to the distributor for 10 rupees, the distributor sells to the store owner for 14 rupees and he sells it to the customer for 18 rupees.

This light bulb costs ₹400 to manufacture.

Ok so if the manufacturing cost is 100 times, then accordingly the customer will have to pay ₹1,800 for one light bulb. On the up side this is a bulb that will never burn out, so say the people will buy it once for the next fifty years and are essentially paying for 100 bulbs that they would have used in the next 50 years. (considering a bulb change twice in a year)

So? Will the customers agree?

I do not think so. However we have spent ₹120 Cr. on the project and it is a very useful invention. Let us broaden the scope for the product a little and think more about the customers. I think various city councils are our customers too as they need to provide lighting for the streets and public places. There may be around 3000 street lamps and another 1000 bulbs at various stations, hospitals etc.

Ok, what are you proposing?

These customers incur an additional expense of maintenance and changing of the light bulbs and maintaining staff for it etc. If we can sell this product to them, they will save on these additional costs and will not have to worry about maintenance at all. Estimating that these bulbs are available for ₹500 to the city, upon which they need to pay labour charges of ₹200 each to two workers needed to change the bulb, it still costs them ₹900 per bulb, twice a year. We can have a mark-up over this and sell each bulb at ₹4,000 each. They would recover the amount in two years and we can use this price based costing to get a very good profit. It is important that we make a good profit on this product because for every sale of a new technology based bulb, we are losing the sales for 100 conventional bulbs.

Good point , thank you.

Light bulb

Surya electrical company, has invented a new bulb that never burns out. It could burn for more than 500 years and would never blink. The director of marketing calls you into her office and asks "How do you price this." What would you tell her?

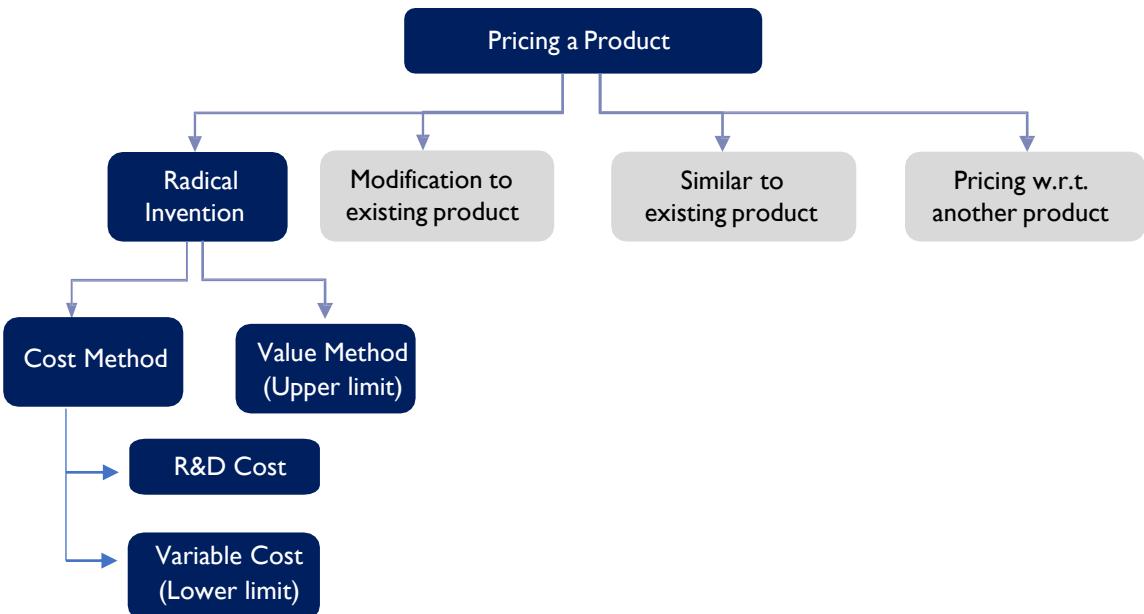
Interviewee Notes

- New product in the market with a distinct longevity feature
- Other utilities are similar to a common bulb
- This is a modification to an existing product yet comes with an advantage that no bulb in the market has.
- The objective is to gain as much as possible

Case Facts

- The invented light bulb lasts for 500 years
- No threat of competition in the near future
- R&D cost is ₹120 Cr.
- Conventional bulb costs ₹4 to manufacture
- The new bulb costs ₹400 to manufacture

Approach/ Framework



Recommendations

- Since the manufacturing cost is 100 times that of conventional bulb, customers would ideally have to pay ₹400 for us to recoup costs. This is improbable since customers would not shell out a huge amount for a bulb and the longevity benefits are difficult to be perceived by the average customer.
- However, this innovation can be useful for public places such as streets, stations, hospitals etc. where additional staff is required for maintenance. A long-life bulb in such areas would be extremely useful as maintenance costs would be largely reduced. Hence, such customers should be targeted for this product.

Key Learnings

- Sense check pricing by cost method using the value method (will customers pay that price for the product)
- Look for alternative markets/customers when cost based pricing too high for traditional customer

Residential complex – Interview Transcript

Your client is an upcoming builder in Kolkata. He has recently built a housing complex and wants to figure out how to price the apartments. Help him decide a price.

I would like to ask a few clarifying questions before I begin. I want to understand a few things about the complex. What kind of a locality is it located in and how crowded is the market in that region?

The complex is on the outskirts of the city. It is an upcoming region which the client has managed to make headway into before any other builder.

Is there any specific reason for choosing this location?

There are a few offices coming up near by along with a metro project announced by the State Government connecting the area to the main city

This would be able to attract people working in these offices and people who are willing to travel in search of cheaper apartments. What are the number of apartments and buildings in the complex?

There are 10 buildings with 100 apartments each.

So 1000 apartments. Okay, Are these segmented into different categories? And if yes, what are the kind of amenities offered by each of the categories?

Assume all the apartments fall into the economy category and that the amenities are at par with the industry standard.

How much has the builder invested in this project and what is the gestation period he is comfortable with?

The builder has invested 250 crores and expects a 10-12 year gestation period

Okay, lastly what is the average size of a single apartment?

A single apartment is on average 2000 square feet.

All right. I will like to look at three kinds of pricing and then take a decision on which pricing method to go ahead with. I will look at cost based, competitor based and value based pricing.

That sounds reasonable, let's look at cost-based first in that case

Okay, So I have a few questions before I begin. I want to know about the expected profit margins and maintenance charges per flat, expected sale schedule and pricing strategy to be followed for different flats

Consider profit margins to be 10% of the cost incurred and maintenance charges to be payable annually and thus not included in the pricing of the apartment . The client is expecting to sell 20% of the flats every year in the next 5 years. Assume floor 1-5 to be priced 10% higher than 6-10.

Our price should be such that it should include the cost incurred by the client and the profit expected out of the project. Considering the profit to be 10% of the investment made in the project. The total expected revenue would be 280 crores. Expected Revenue = number of flats*price/square feet*square feet. Since some flats are to be priced higher than others, price/square feet for floor 1-5 would be 1467 and price/square feet for floor 6-10 would be 1333 INR. Since all the apartments would not be occupied in the first year, we can increase the price of the apartment in future years to account for growth, improvement in surroundings and inflation.

Okay, and what would be the questions you would consider with regard to the competitors?

I would find the competitors' prices and costs in the economy category to gauge their margins. Moreover, I would compare their offerings with ours to see if they offer more or less for unit price. I will then price the apartment basing competitor as the benchmark.

One to go now. What about value based costing?

Well proximity to Metro and office spaces certainly be a reason to add a premium to the competitor - based pricing I had discussed earlier, assuming the competitors don't offer this advantage. We can also look at proxies in other parts of the city to analyze the prizing strategy followed by builders. Therefore, I would price the apartments at a premium above the competitors' prices, with an overall constraint of keeping prices above or equal to the cost-based rate that was computed.

That's fair; What would you recommend in this case?

Since it is upcoming region and metro services are not being offered right now, so competition and value based pricing would not help us much and we should go with cost based pricing till the area is sufficiently developed.

Residential complex

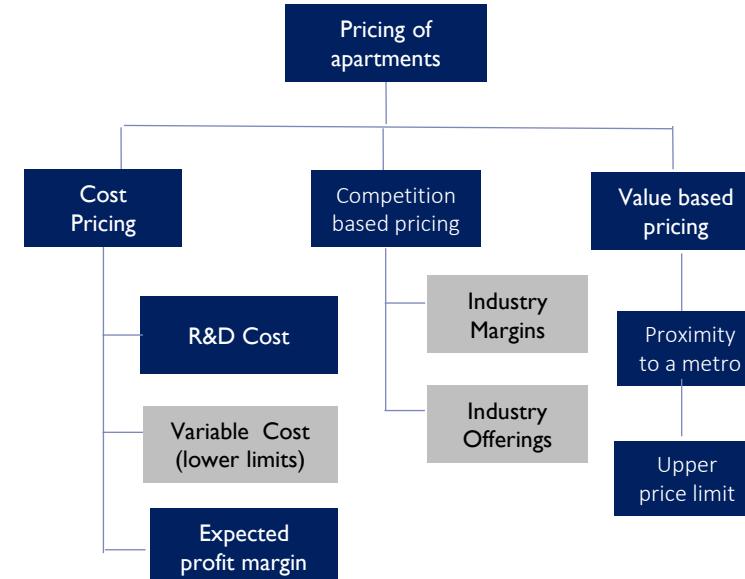
A builder has approached you to know the price at which he should sell the apartments in his newly developed housing complex in Kolkata

Interviewee Notes

- No product differentiation as such
- First mover advantage
- Cost, competitor, value
- Regulatory concerns

Case Facts

- 10 buildings x 100 apartments/ building = 1000 apartments
- Located on the outskirts of Kolkata
- 10-12 year gestation period
- Capex 250 crores



Recommendations

- Understand the client's business and his expectations through clarifying questions before going on with the structure
- Figure out a way to collate or coalesce the three prices found through the three methods

Key learnings

- Estimated Gestation period of investment and location are important in construction cases
- Different flats (products) of the same family/group may be priced differently
- Price can be increased over time, as value of product increases

Cow Feed – Interview Transcript

Your client has developed a new variation of cow feed they want to know how to price it optimally for the Uttar Pradesh Market, How will you go about it ?

Can I get some details on the client ? Their country of origin ? Whether this is their first product or do they have other products ?

The client is from Sweden and this will be their first product in the Indian, specifically UP market

Since we have to price this cow feed, there could be three standard pricing approaches and we also have to consider a fourth option, how this cow feed will play into the barter system that is primarily present in these villages.

Can you elaborate on the barter system ?

Sure! Villages are generally tight knit communities where the people would generally exchange goods for goods or favors, for example a farmer could give crop waste for a cow and get some milk in return, would you like me to start my analysis with such a system ?

Excellent point! However for this situation we would not consider such interactions. What else do you think could be done to price this product?

I can think of three approaches to price the cow feed, a cost based approach that would allow us to cover the basic costs, a competitor based approach which would give us a benchmark and finally a value based approach which would be based on any USP that our product can provide

Please go ahead with all three, starting with the cost based approach

Surely! Since this project would have involved significant RnD, do we have any costs that we need to recover, if so do we have a timeframe within which we would like to cover this cost?

While this would be an apt assumption, for now focus only on the variable cost for this product

I'd like to focus on the value chain of the cow feed then, I will assume it involves the same steps to deliver a bag of cow feed as any packaged product. Do we know if we are going to be manufacturing in India ? The one major cost that I can foresee is related to the last mile connectivity issues

Yes you are correct in your assumptions, we will be manufacturing in India but last mile connectivity is still a cost guzzler, the final cost for a bag of cow feed turns out to be Rs 1000

Great that gives us a lower limit on the price, do we have any expectations on margins?

Yes, about 10 percent

So that gives us a price of Rs 1100 , Now to check if this price is viable or not I would like to do competitor benchmarking, do we have any data on the competitors in this market ? If not then do we have any prior market research data on the customer's willingness to pay?

While there are small players in the market, there is one major player that sells the cow feed at Rs 950 a bag

Oh! So we seem to be in a bind! If we can't provide any extra value we can't justify our price. We should look at the value based approach next, but before that I have a few questions about the product of the competitor and our product

Yes go ahead

The first question is regarding the dimensions of the bag, does our bag have the same quantity as the competitors? If yes can I please know how many cows can the bag feed at once or a single cow can be fed for how many days ?

The competitor's cow feed bag and our bag have the same dimensions, a single bag can feed a cow for 30 days.

Since we have already covered that significant RnD has been spent, Does our cow feed benefit the cow or the cow owner in any way, let us say for instance the cow feed would lead to an increase in the milk production of the cow ?

Experiments have shown that cows that have been fed on our product show an increase in milk production by 6 liters over 10 days and also have a shinier coat.

Great! That is something that we can work on, however just before I would like to clarify a few things, will the experiments conducted show the same results in the field ? What I mean by this is that there could be a difference in the breed of cows used for the experiments and the final cow that eats the cow feed in the market ? Should I consider any such anomalies ? Also is there a quanta of time after which the cows show these results?

Good point! You can assume that cows in India will only be able to give 4 liters of extra milk for the same cow feed, as per the time before the results are seen, you can assume instantaneous results

Can I know the milk price per liter ?

Sure it is Rs 50

So From my calculations, we are able to provide a customer with Rs 600 of extra value compared to the competitor's bag, so we can price our bag between Rs 950 – Rs 1550, we can charge a price lower than Rs 1550 and still make a profit!

That is great ! So we can close the case here, all the best !

It was a pleasure interacting with you!

Cow Feed

Your client wants you to price a new variation of cow feed for the Uttar Pradesh market

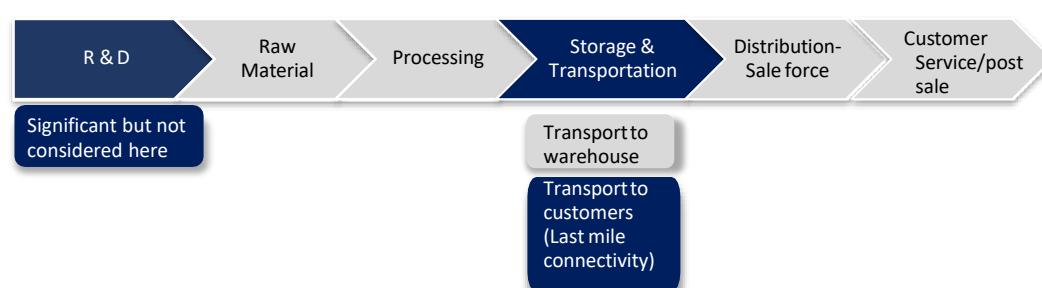
Interviewee Notes

- Standard pricing approach would work here, however the UP market is different and involves an informal barter system.
- Fixed costs for RnD are not considered for the case, only variable costs considered.
- Experimental results may vary from the actual results, as seen in this case when the milk productivity increase is not the same for the cows in India.

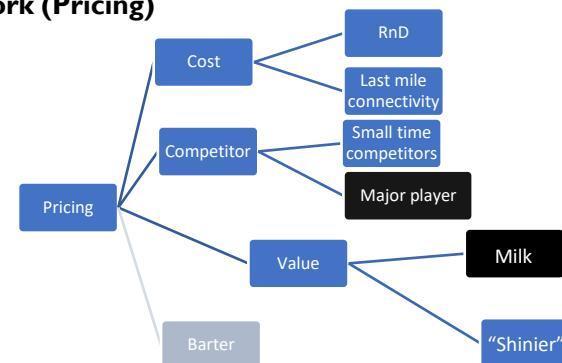
Case Facts

- Production of the cow feed bag is similar to any standard packaged product.
- Major competitor prices the bag at Rs 950.
- The Price of Milk Rs 50 per litre.
- Cow feed causes the cow to produce more milk and the skin of the cow to become "shinier".
- Extra milk produced by the cow is 6 litres in 10 days (experiment) and 4 litres in 10 days (actual)

Approach/ Framework (Value Chain for cost)



Approach/ Framework (Pricing)



Key Learnings

- The case mentioned that the cow becomes "Shinier", can also consider the value of an animal when it is dead, however the question may not be valid in a state like Uttar Pradesh (still should have been asked).
- The dimensions of the bag could have been asked a bit earlier. Should be ready for a guesstimate if the RnD costs are to be recovered.
- Although the time horizon for the product is small, it is still safe to ask if the time value of money is to be considered or not.



Growth strategy

Growth strategy – Overview

In a Growth scenario, a company is likely to aim for XX% YoY growth. An interviewee is expected to first align the growth targets, followed by validating them, identify pillars that can support the growth targets, and finally recommend how the company can leverage/show go about these pillars.

Approach / Framework Overview



Framework Summary

A company can grow either in its existing business (provided there is scope), else explore new business. Growing in existing business may be due to market growth and/or increased market share, hence both situations need to be explored. If the company is venturing into a new business, a feasibility check from an operational, financial, admin etc. needs to be performed in the end.

Tips

- Clarify objective, especially growth % and time period
- Growth cases involve have a larger creativity component, keep options open while checking operational feasibilityThe initial few questions should be “What magnitude of increase is being envisaged?” and “What is time-frame to achieve this impact?

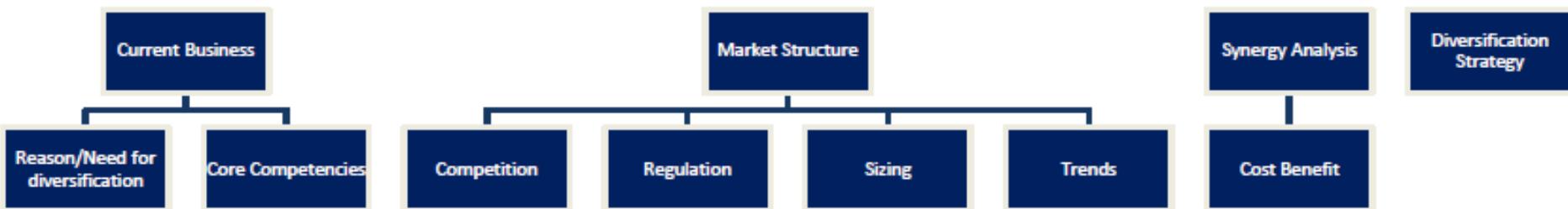
Key questions

- What is the expected growth of the industry. Are we targeting growth more/less/on par with that?
- Do we have existing capacity in the plants/services to meet the increased volume or would investments need to be made?
- What is the price elasticity in the market? (what is the relevance of this?) –to see whether an increase in prices is an option or not
- Are there any barriers to entry into the new areas?
- Number and type of competition? Market share?
- Effect of substitutes and complements
- Products of scope with the existing product line we have?

Diversification – Overview (subset of growth strategy)

In a diversification case, the key is to understand the need to diversify. Only after that is it possible to ascertain the soundness of the strategy proposed. The case may often require out of the box thinking, and due to the large number of varied factors that could affect or be affected by a particular form of diversification, breadth of coverage is generally considered to be more important than depth.

Approach / Framework Overview



Tips

- Candidates often make mistakes in cases where there are multiple reasons for diversification. It makes sense to understand the client's priorities and proceed accordingly

Key questions

- What are our current capabilities?
- What are the future capabilities we want to have? Does diversification to the new company help us achieve the objective?
- What are the expected revenues? Revenue Streams?
- Expected cost of diversification?
- Any barriers to entry during diversification?

Cab Driver – Interview Transcript

You are a cab driver in the 2000s. You have to increase your profits. Suggest ways to do the same. Interesting. Is there a particular benchmark of profits that we are looking to reach? Also, what time horizon are we looking at here?

No, there's no benchmark. You have to maximize your profits to the largest extent possible. You have to do this as quickly as possible.

I'll like to ask a few basic questions to understand the situation better. I'll start with myself, i.e. the cab driver. I understand that there was no Ola or Uber during the early 2000s. So, I can either operate individually or work for a taxi agency. Do we know what we are doing currently?

Yes, you operate individually.

Okay. Since, I operate individually, would it be fair to assume that I own the cab? Also, what are my working hours and which city do I operate in?

Yes, the cab is owned by you. You work from 10 AM to 6 PM. You operate out of Delhi.

Okay, so that gives me an eight hour window. I'll now like to know a little more about the operational methods. Do we have a starting point where we usually look for fares? Also, since the taxi industry in Delhi was highly regulated in the early 2000s, would it be fair to assume that we run a metered taxi?

Yes, we run a metered taxi. Our starting point usually is the New Delhi Railway Station.

Great. I think I have the picture now. I'll just like to know a little about our cab before moving to the analysis. Which car do we operate? Does it have a radio, an AC or a carrier? Also, the CNG legislation came in Delhi around 2003. Should I assume that our cab runs on CNG?

That's a good observation. Yes, assume that the cab runs on CNG. You have a WagonR. How does having any of the above things make a difference to your profits?

Having a radio or an AC gives us the advantage of higher fares, and hence, higher revenue. A carrier can enable us to accommodate more people as we can put customers' luggage on the carrier. This is especially true considering we'll have less trunk space due to the CNG cylinder. Also, people in railway stations usually have more luggage with them, so a carrier can open space for one or two more passengers in the cab. However, having the above mentioned things will also lead to higher maintenance costs and lower mileage.

Interesting. However, to keep it simple, assume that the cab doesn't have any of the above things.

Okay. I now have a decent idea about the situation. To begin with my analysis, we have Profit=Revenue – Cost. So, to increase profit we can either increase revenues or decrease costs or do both together. Should we start with the revenue or the costs first?

Let's focus on the revenues.

Sure. Revenues can be divided into passenger and non passenger. Under passenger, we have fare and non fare. Non fare revenue can include certain value added services like carrying passengers luggage from inside the railway station to the cab, providing food and beverages to the passenger or acting as tourist guides for tourists. Under non passenger, we can have advertisement and non advertisement revenue. Non advertisement revenue can include referral money from hotels, restaurants or other such service providers or revenue from transporting goods. Also, the driver could be doing other things to supplement his income outside his cab driving hours. Would you want me to delve deeper in any one of these?

Okay. Yes, let's focus on our main source of revenue first, i.e. the revenue from fares. Also, let's assume the driver does not engage in income generating activities outside his working hours.

Okay, great. So, revenue from fares is a function of No. of trips*revenue/trip. Revenue/trip = Distance (kms/trip)*Price/km. Hence, we can increase revenue by either increasing the number of trips or by increasing the revenue/trip. Revenue/trip can only be increased by increasing the distance/trip as prices are regulated and hence, fixed.

Fair enough. But you have missed an important trade off here. Can you point that out?

Thank you for pointing that out. The trade off is between the distance/trip and the number of trips. If we increase the distance/trip, it will take more time to complete our rides, which will mean less total number of rides in the given time frame of eight working hours.

So, what is the way out? What should you focus on?

Both have its pros and cons. Usually, the fixed fare for the first 2 kms is more than the incremental fare for every additional km and hence, revenue can be increased if we take shorter trips. However, there's no guarantee to find a trip immediately after dropping a passenger. There would be certain search time involved and the longer the search time, the more revenue we lose. However, I think on balance, we should go for longer trips as search costs might outweigh the increased revenue from the fixed fare part. Also, it might not really be in our hands to find all trips of long distance as rejecting a short trip will mean waiting for another passenger and hence, higher search costs.

Fair enough. Let's say you have to increase your number of trips. What should you do?

Firstly, we should minimize idle time, which includes minimizing the time taken to find a passenger. For this, we can look to optimize the entire process chain of finding a customer. For example, at the railway station, we should look to park our cab close to the passenger area. We could also go inside the station (if permitted) instead of waiting for passengers outside. In order to minimize idle time at other places, I would like to draw a typical day's schedule and then analyze the gaps we can fill. Do we have information about our daily schedule? Also, can we increase the time we work for?

It's like any typical driver schedule. You leave home at 9:30, reach the station at 10, operate the cab till 2 PM. Then you take a 1 hour lunch break. Then again from 3-6 PM you operate your cab. No, you can only work for eight hours.

Great, this helps a lot. I'll start from the beginning. If possible, we can look to reduce the time we take to reach the station by taking a shorter route. During operations, we could take trips to busy areas in the city so that we have a higher probability of finding a return fare quickly. We could also look to reduce our lunch time to 30 mins, if possible. Additionally, if possible, we can look to change our operating time according to train schedules and passenger intensity at the railway station. Usually more trains arrive early morning or at night, which will reduce our search time.

Good. Anything else that you can do during an ongoing trip?

Yes. We can aim to complete the trip in less time. Time = Distance/ Speed, so we could look to increase speed. However, this might pose a risk to the passenger. We could also look to optimize our route. Although google maps were not as developed then, our knowledge of the city could be effectively used to take shorter and smoother routes with less traffic lights and interruptions. Also, before the trip, we can aim to ensure our cab is full through taking multiple passengers (cab pooling) if its possible and permitted.

That's a good idea. Okay, to conclude, I'll like you to guesstimate the revenue that you as the cab driver could earn in a day. Take your own assumptions wherever necessary.

Since, I am from Delhi only, I'll draw from my own experience. The New Delhi Railway Station is near Central Delhi, which means most places are within a radius of 10-12 kms from the station. To take a proxy for the fixed fare and the incremental fare, I'll take Delhi's metered Autorickshaws as a proxy. With a fixed charge of Rs.25 for first two kms, and Rs.9 per km thereafter, a 10 km ride would get me approx. Rs. 100. Since, these are auto fares, cab fares would be higher, say Rs.150. Taking a 5% YoY inflation rate, revenue from one trip 15 years earlier, would be approx. half of 150, i.e. close to Rs. 80. Typically a 10km trip would take close to an hour today (depending on traffic), so 15 years earlier with fewer vehicles and less congestion, it might have taken 45 mins/ trip. With 8 working hours and 1 hour break in between, total trips would be about 9-10 per day. Hence, total revenue for the cab driver would be somewhere around $80*10 = \text{Rs. } 800$

Good work. That'll be it from my side. Thank you!

Cab Driver

You are a cab driver in the 2000s. You have to increase your profits. Suggest ways to do the same.

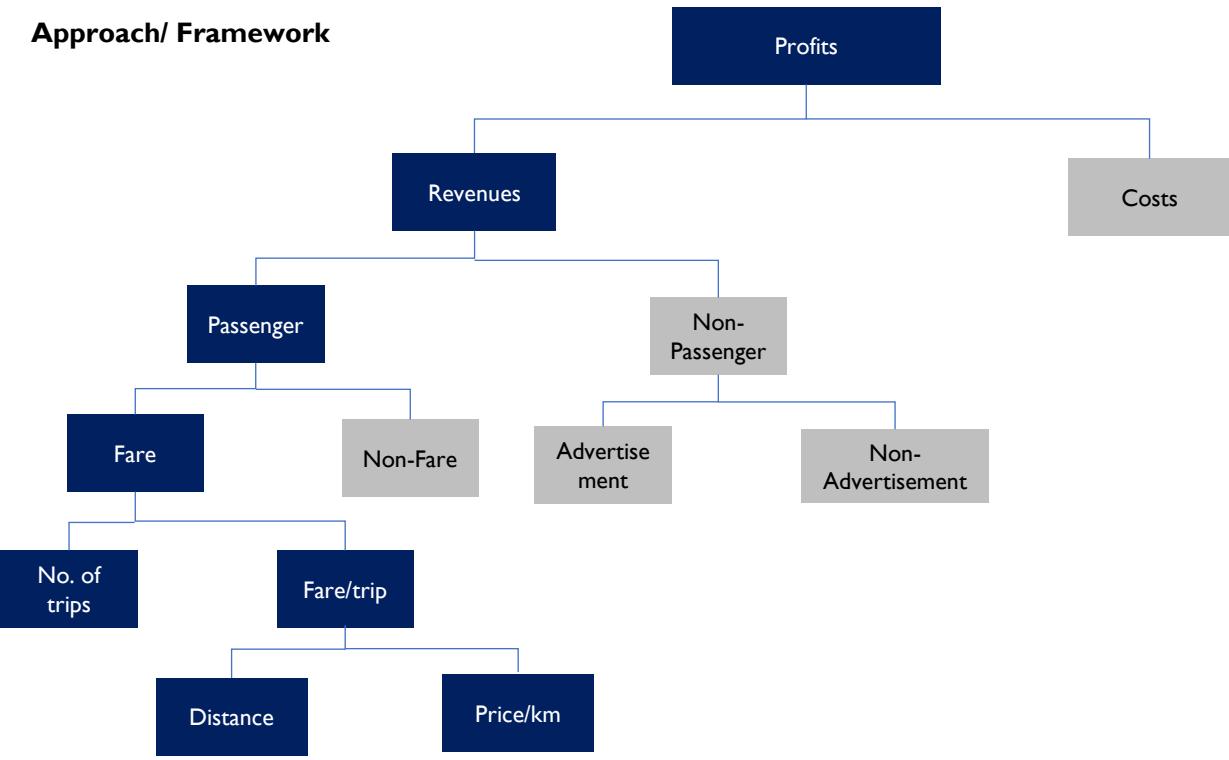
Interviewee Notes

- It is important to understand the period the case is set in. Situation in early 2000s was different from what we see now
- Here the interviewer asks the interviewee to focus on revenues under which the specific focus is on the core revenue stream, that is, fares
- Minimization of idle time should be the major focus so as to boost revenue in limited working hours
- Take assumptions by reflecting on personal experiences and observations

Case Facts

- Set in 2000s, so no Uber, Ola, Google maps or other tech related things
- Prices regulated, hence, can't be used to increase revenue
- No other revenue source apart from fares
- Working hours of the driver can't be changed

Approach/ Framework



Recommendations

- Take longer trips to avoid incurring regular search costs
- Increase the number of trips per day by minimizing idle time and time taken to complete one trip
- Change working hours according to train schedules. Choose an 8 hour slot where passenger intensity is maximum at the station

Key Learnings

- It is important to explicitly put forth the points of difference between current period and early 2000s. Also, certain things such as Fares are regulated and therefore are not within the control of the driver.
- It is essential to take the effect of inflation while guesstimating the daily revenue earning potential

Detailed analysis

Things Done Well

- The interviewee understood the time the case was set in, and accordingly used his general knowledge to contrast it with the current period. Things like No Ola or Uber, No google maps, fewer vehicles and less congestion could have earned him brownie points
- The interviewee had good knowledge about the taxi industry, and asked about the regulated fare. In addition, he pointed out the mechanics related to meter pricing and used it effectively in his arguments
- The interviewee was quick to thank the interviewer when he could not identify the trade off and thought well on his feet to answer the questions posed
- A MECE structure was followed
- Use of personal experience in the guesstimate resulted in fair assumptions

What Could have been better?

- After clarifying all preliminary questions, the interviewer could've briefly summarized the entire context before proceeding to the profitability framework
- The point about cab pooling and shared services could've been clarified in the preliminary questions itself
- More clarity on what the driver does in the lunch break and whether the break could be reduced could've been attained

Alternative Approaches

- The concept of waiting time could've been introduced and the revenue analysis could've been done accordingly
- The possibility of the driver having a mobile phone and hence, reducing search cost could've been considered
- Long term contracts between the driver and corporates could've been explored
- A change in business model to inter-city trips or renting the cab and then working for a taxi agency could also have been discussed

Chemicals manufacturer – Interview Transcript

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

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

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

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

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

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

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

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

Yes, sure. Go ahead.

Okay. So, I will now further segment low growth rate of company into two major heads: (i) Supply and (ii) Demand.

On the supply side, I would look into parameters like production capacity, accessibility and Product Mix. On the demand side, I would look into price, competitors and product quality. I would first analyse the supply side and then go to the demand side.

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

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

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

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

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

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

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

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

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

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

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

Now go ahead with the recommendations

The client could shift the warehouses to locations which are close to the customer base. This would lead to less damages of products as it would not be required to ship them over large distances.

Additionally, the client could go into long term contracts with the customers which would lock in the sales volume. Also, the client should look into increasing production capacity.

Chemicals manufacturer

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

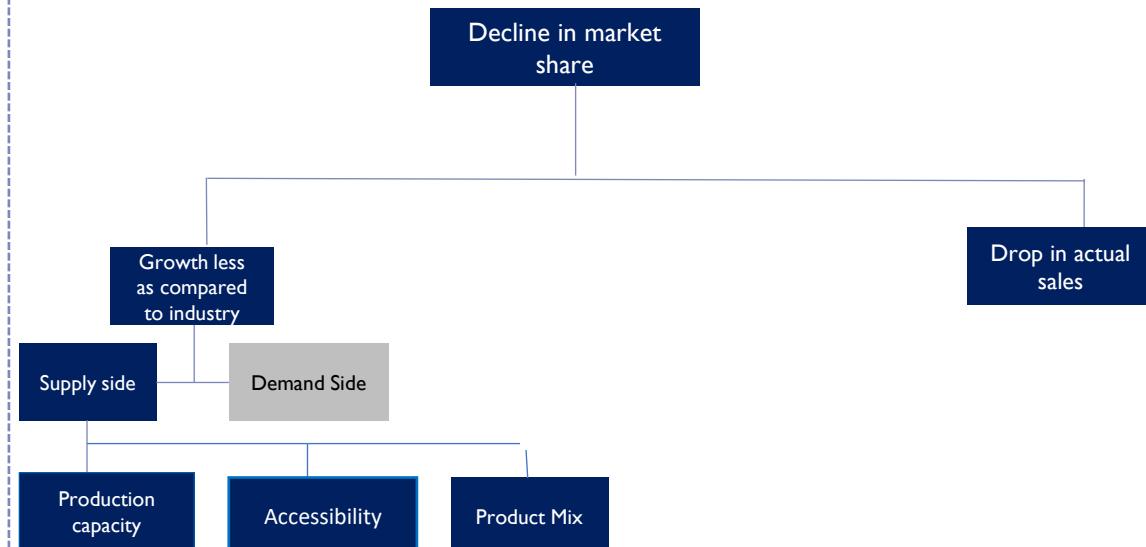
Interviewee Notes

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

Case Facts

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

Approach/ Framework



Recommendations

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

Key Learnings

- Always look at market share from the perspectives of both demand and supply
- When a portfolio of products is given, enquire if any particular product is leading to the loss
- Always give practical recommendations first: Not feasible to increase capacity in short run and hence can outsource some of the demand

Apparel Manufacturer – Interview Transcript

The client is in the apparel business in the US and wants to expand their top line. They need your suggestions on how to achieve the growth.

I would like to confirm the objective before I proceed. The client is seeking suggestions to increase revenues. Is there any other objective? And do we have a number on the increase envisioned?

Yes, 25% and that is the only objective.

Okay, I would like to understand the client a little more. Specifically I want to understand three things- the product segments they operate in, the price point to get a sense of the segment they deal in and the position of the industry- fragmented or consolidated?

Alright. So to answer your first and second question- we are mid priced jeans manufacturer known for our quality at affordable price. We operate in a fragmented market with push from both low and high end manufacturers along with same segment competitors. However, in this fragmented space, we are one of the top 5 players.

That helps. So given it is a fragmented market, the growth within the market can come by either acquisition or without. In the first case, we will have to do a due diligence to acquire a company or in the latter case, we will have more strategies. We can look at increasing number of customers or revenue per customer.

Sounds good. Can you quickly run me through how you can increase revenue per customer for a product like jeans?

Sure. So we can either change the price depending on price elasticity or increase buying frequency of the customer. The latter can be done by reducing shelf life of our jeans. However, given that we are known for the quality, this is a bad idea possibly. What other things we can look at are discounts, loyalty programs and seeing if there is a possibility of cross selling across products.

Alright. Let us look at the other idea of increasing number of customers. How do you think we can do that?

We will have to study the segment we have targeted and strengthen our positioning to acquire more customers. This could be through channel improvement or advertising. Here I am assuming, we are not trying to redesign the product. So can you give me some data around which is our target segment and how do we reach them, both product wise and through advertisements?

Our target segment is low-mid income adults, both male and female. Instead of advertisements, I would like you to explore what else can you do to augment revenues?

In this case, we can look expanding into new geographies, new product lines or new customer segments.

How do we go forward with capturing new customer segments?

Since we are a medium priced product company, it will be difficult to increase average revenue per customer under the same brand name as it would not have the desired perception of brand value which is often taken into account by customers with higher paying capacity as they require a premium feel. So we can launch a new product line under a different brand name which will have a higher price point and will be sold in limited stores only. This brand will be showcased as a premium and high quality brand and will cater to higher paying segments with new products. This brand will be under the same parent company but will be distanced from the original brand to not confuse the customer.

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

So we will have to explore different target markets on the following 4 factors-

- 1) Size of the market in terms of demand for jeans and favourable attitude to jeans
- 2) Paying capacity
- 3) Ease of setting up manufacturing/distribution operations
- 4) Competition

Ok. So on the basis of this, we have decided to pick China as our new market. What possible bottlenecks do you foresee?

I will build on the same analysis I just did. Some of the possible bottlenecks are:

- 1) Getting licenses might be difficult
- 2) Presence of low cost competitors.
- 3) Price point under question because mid priced jeans might be expensive in China. We can go for a low margin model in which we offer discounts on the selling price but still keep it profitable so as to increase the number of sold jeans. This will of course be done after analyzing the price elasticity of the market and how much of a revenue can we expect compared to selling at the current price point.

I'd also like to know whether we can shift production to China or open a new factory there to cater to the new market?

What purpose would that solve?

Since the cost of production in China is lower compared to majority markets, we can go for a cheaper product while keeping the margins the same. This will help undercutting competitors and will result in higher sales and higher revenues depending on the price elasticity again. Additionally if we move our production here, it will also help with cutting prices in the current market as well and cater to a larger market.

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

Thank you. It would be a pleasure interacting with you.

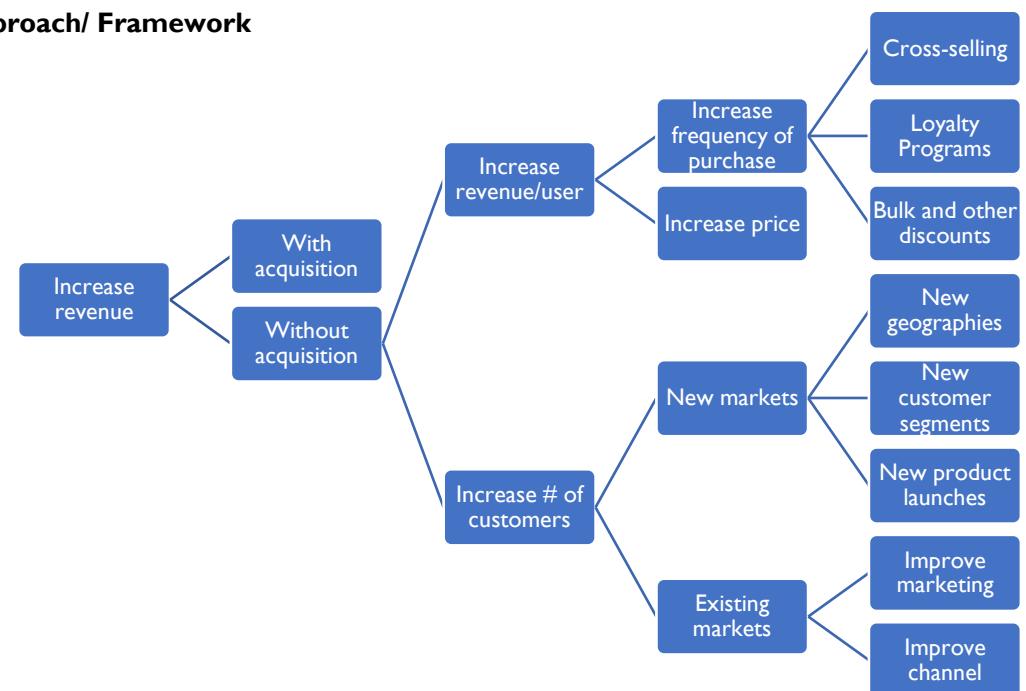
Apparel Manufacturer

The client is in the apparel business in the US and wants to expand their top line. They need your suggestions on how to achieve the growth.

Interviewee Notes

- Expand by 25%
 - Look at elasticity
 - Acquisition
 - No go- China
- Case Facts**
- Jeans manufacturer in US
 - Mid priced
 - Quality
 - Fragmented market but top 5
 - TG- Male and female adults

Approach/ Framework



Recommendations

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

Key learnings

- Above structure provides an exhaustive framework on how to approach the problem from a consumer side
- Clearly identify if the company wants to focus on gaining more from its existing consumer or acquire new customers

Elevator Manufacturer – Interview Transcript

Your client is an elevator manufacturer. Lately, a new competitor entered the market who has been eating into the client's market share. The client needs your help to devise a competitive response.

Just to confirm the objective, the client wants strategies to stem the loss of market share they have been experiencing. What exactly has been the decline and when did the competitor enter? Does the client have a specific target market share in mind that they want to attain?

They had a market share of 70% at their peak 2 years ago but this has now declined to 50% since the competitor entered the market. They just want your help to understand how they can prevent a further decline in this and maybe re-attain their market position.

Before I structure our approach, I need to clarify a few more things. For how long has the client been in this business and in which geography?

The client has been a well-known name in this industry since the past 20 years. They manufacture in Europe and have traditionally served European and US customers.

Interesting. This means the client was able to become the dominant player in terms of the market share at the global level despite presence only in two continents.

Who exactly are their customers? What does the client's value chain look like?

They usually have long-term contracts with builders. Whenever a new building block comes up, the client is responsible for shipping and installing new elevators.

The longevity of the client and the long-term nature of the contracts would typically mean close relations with customers which would help in this B2B industry.

Can you tell me a bit more about the competitors – How many competitors are there and what are their market shares?

There are basically just these two players in the market. The competitor has been able to attain a market share of 25% since they entered 2 years ago. The remaining 5% of the market is made up of small, regional players with negligible market shares.

How does the client compare with its competitors? Have they been facing a similar problem?

It is just the client who has been facing this problem. In terms of the product, the competitor has brought in a far superior elevator which is both faster and is priced cheaper.

Interesting. This product differentiation leads me to hypothesize that the client did not undertake any product innovation over the years and customers are thus shifting to their competitor's superior products.

That is a fair conclusion.

Given this, I would like to take the following approach to consider the strategies the client can adopt to grow their revenues. They can look to expand their business either organically by themselves. Or they can adopt an inorganic expansion strategy by partnering with other firms.

What exactly do you mean by an inorganic strategy?

As part of an inorganic strategy, the client can look to partner with other firms or acquire them with the aim to integrate vertically along the value chain.

That makes sense. Let us focus on organic strategies for now.

To grow their revenues organically, we can consider total revenues as the product of the total number of customers and the average revenue per customer. The client can look for growth opportunities in either of these.

Alright. Let us consider them both one by one.

Talking about the total number of customers, it will be the product of the total number of potential customers of the client's product and the percentage conversion among them. Given the lack of value offered by the client in terms of product quality and price, this is the first thing they need to address to increase the percentage conversion. The client needs to look at the typical customer's purchase journey, understand their needs, invest in R&D to improve their product and improve their cost structure to offer a better price to the customer.

Makes sense. Let us talk more about increasing the potential customer base.

To increase the total number of potential customers, the client can either continue to focus on geographies they are already present in or instead venture into new geographies. In particular, the client has traditionally done well in the European and US markets. Can they venture into new countries? Where exactly is the client's competitor focusing on?

That is a good point. Yes, the client can consider moving into new geographies. In fact, their competitor has been focusing on Asian markets which have been experiencing a healthy growth.

Interesting. It seems the competitor has been able to tap into new markets which the client has missed out on. The client can do the same and target Asian customers. They can look at other potential markets in the world as well and be the first one to move there.

How else can the client grow their total customer base?

The client can either target new customer segments, develop new products or explore new distribution channels.

In terms of new customer segments, the client can look to partner with builders of both commercial buildings and residential societies as well.

If the client is willing to invest, they can introduce new products. They can leverage synergies in their manufacturing process by innovating products that require similar manufacturing capabilities (materials/processes used). They can also leverage synergies in their distribution/sales network by making other products required by their existing customers - escalators, moving walkways etc. They can look to expand their existing distribution and sales network as well. As a long-time brand in a B2B business, they can leverage their sales relationships to persuade customers from defecting to other manufacturers while they meanwhile understand and address their pain points.

Excellent. Let us talk about the average revenues per customer.

The average revenue per customer would be the product of the average volume purchased per customer and the price charged to them. I assume the total number of elevators a customer buys would be dependent on the contract length, building specifications, the real estate industry etc.

In terms of pricing, the client can look at a price discrimination strategy to extract maximum value from different customer segments. If the client has other products that they offer, they can look at bundling and cross-selling as viable profit maximization strategies as well.

Good. Is there anything else?

As a trusted name, the client can even look to leverage their brand by forging long-term customer relationships based on trust. Further, even though they are surpassed in terms of speed of elevators, the client can possibly identify other customer needs such as safety or luxury and re-brand themselves. Accordingly, they can sell elevators to hospitals or luxury hotels and charge a premium price as well.

Finally, their competitor's ability to innovate and excel quickly in this market points to superior organizational capabilities. The client can perhaps look to poach the top management of the competitor to attain fresh talent.

Outstanding. We can close the case here.

Elevator Manufacturer

Your client is an elevator manufacturer. Lately, a new competitor entered the market who has been eating into the client's market share. The client needs your help to devise a competitive response.

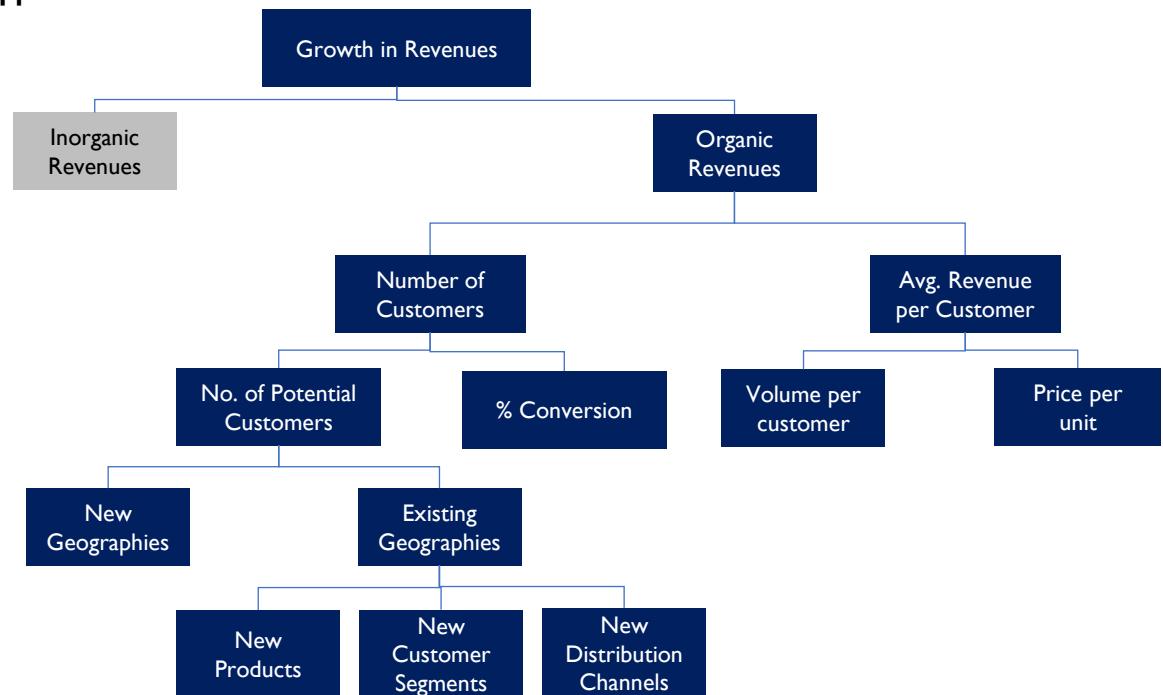
Interviewee Notes

- It is important to note that the industry is a B2B one and their declining market share is despite the client being the incumbent.
- The focus of the case is on an ability to outline as many creative competitive strategies as possible.
- It is important to move quickly through the structure and suggest as many strategies as possible without being bogged down in the details of one specific strategy.

Case Facts

- Client is a well-known name and has been a dominant player in the elevator market for the past couple of decades.
- Market share decline is due to superior value offered by the competitor in terms of product quality and price.

Approach/ Framework



Recommendations

- Partner or acquire other companies to achieve forward and backward integration.
- Negotiate contracts to ensure optimum revenue per customer.
- Invest in R&D, perform operational redesign, consider organizational restructuring, and leverage brand and sales network to dissuade customers from defecting.
- Venture into new geographies, new customer segments or new distribution channels to tap into new customer markets.

Key learnings

- Although the case asks for a competitive response, the objective is to achieve a growth in revenues and thus the growth framework is apt for being exhaustive here.
- It is important not to be flustered by a lack of knowledge of the elevator industry. It is more important to proceed in a structured manner and use creativity to come up with responses to increasing competition. Other than the ones mentioned here, there is scope for more creative options as well.

E-commerce – Interview Transcript

Your client is Flipkart. They have requested your advice on medium-term strategy, for the next 3-5 years.

Are there any particular objectives that I need to keep in mind?

We have a dual objective of growth and also improving our profitability.

Understood. Do we have any information on the competitive scenario?

You can assume that we have only one competitor – Amazon India. We have a 55% market share in terms of Gross Merchandise Value.

Okay. I would like to break down the problem into the following four parts:

1. Increasing customer acquisition
2. Increasing customer retention
3. Increasing number of transactions/basket size
4. Increasing per transaction profitability and overall profitability

The first three will take care of our growth objective and will have some bearing on the profitability objective as well. Does this approach work for you?

Yes, this works.

In that case, I'll start with figuring out ways to increase our customer base. Do we have any information on our existing customer base?

80% of our customers are in urban areas, and account for 95% of our sales. Within urban areas, 60% of our customers are from metro areas.

Interesting. Our customer base is highly concentrated. Any particular reason why we have not expanded much in rural areas?

The Company has been trying but has been unsuccessful. Can you figure out the reasons?

Some possible reasons that I can think of:

1. Access: Do people in rural areas have access to internet? And do they know about Flipkart?
2. Serviceability: Can Flipkart service all those locations, in terms of logistical capabilities?
3. Trust/Inclination: Are rural consumers comfortable transacting online? Or, are they comfortable only with the physical kirana stores?

Good. So the issues we have been facing are lack of trust and very high last mile delivery costs. Any suggestions around the same?

For trust issues, can we appoint a person in every reasonably-sized village who will help in placing and delivering the orders and more importantly, will be the face of the organization. For reducing last mile delivery costs, can we partner with some logistics companies specializing in that area? Or maybe India Post? They have the widest reach.

In fact, we can actually onboard kirana stores and adopt an omni-channel strategy. These kirana stores can be equipped with a mobile/tablet and can take orders on behalf of the customers. They can earn a commission on each sale. Plus, they can serve as a mini-warehouse for us, helping in last mile delivery as well. Customers can come there and pick up their goods rather than us delivering to their doorstep.

Interesting ideas. Let's move on the next aspect.

Sure, now we need to figure out a way to retain customers. Before we do that, do we have any information on whether we are comparable to our competitor in terms of product selection, delivery and overall experience?

For the purpose of this exercise, you can assume that we are similar to them in almost all aspects. We are currently competing primarily on pricing.

Okay, but that would not align well with our profitability objective. Can we create a customer retention program on the lines of Amazon Prime?

Okay. What else?

Can we increase the breadth of products/services available on Flipkart? Try to make it a one-stop shop. For example, can we sell subscription services? – like Apple news? We can also look at selling tickets and hotel bookings. Can we sell financial products like PolicyBazaar or LendingKart? We already have PhonePe as our payments vertical, maybe we can expand into ancillary areas. If required, we can acquire players in these areas, rather than trying to build the capabilities ourselves which might take some time.

These steps, to some extent, will also take care of our third objective of increasing the number of transactions per customer and the value per transactions

Good points. Lets move on to profitability now. How will you reduce costs?

What are our biggest cost heads? I would assume marketing (including discounts) and logistics?

Yes. They form around 70% of our total operating costs.

Okay. The measures we discussed should hopefully reduce our reliance on discounts. So that should bring down the marketing costs over time. We can also look at better targeting of ads, I am sure we are already doing that. But as we gather more data, maybe our targeting will improve bringing down our marketing costs.

For logistics, we will actually have to spend more in improving our warehouse and transportation network as we expand, which will result in benefits over time. Our suggestion on kirana stores can hopefully improve our logistics efficiency and bring down costs.

Anything else you wish to add?

Walmart has recently acquired Flipkart. Walmart is known for its supply chain efficiency, maybe we can draw some lessons from them and figure out collaboration areas

That's for another time. Thank you.

Your client is Flipkart. They have requested your advice on medium-term growth strategy, for the next 3-5 years.

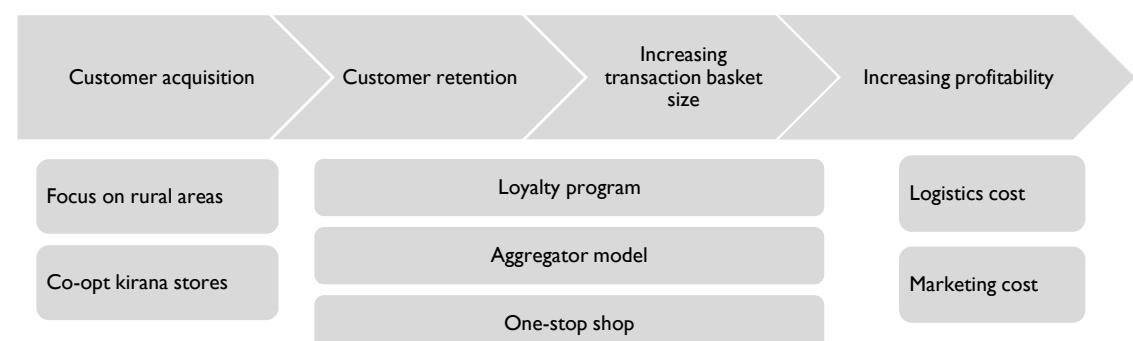
Interviewee Notes

- There are two objectives: growth and profitability (which can be conflicting, especially in platform businesses in growth stage)
- The value chain of the e-commerce business (or any digital business) would involve customer acquisition, customer retention, increasing basket size and increasing transaction profitability

Case Facts

- 55% market share
- Amazon is the only competitor
- 80% of our customers are in urban areas, and account for 95% of our sales. Within urban areas, 60% of our customers are from metro areas.

Approach / Framework



Key learnings

- This is more of a 'conversational' type of case rather than one which is following a particular structure. (generally observed in final rounds)
- In case the company involved is a well-known one, be sure to use your knowledge of the company during the interview. For example, here, the interviewee mentioned about Walmart (ideally, should have mentioned much earlier as could have provided an interesting direction to the case)
- In case you have work/ internship experience, do think about the common issues faced by that industry – the interviewer might give you a case on that particular industry

Software product company – Interview Transcript

Your client is an online software provider. And this company had grown fairly well on the past, but this particular year they've really flattened out, unable to grow beyond the particular barrier. And the company's CEO has asked you for help to grow this business beyond the \$110,000 in revenue per month.

So let me recap, so this is an online software as a service company with about \$110,000 a month in sales, and its sales have been flat. It is looking for ways to increase sales, is that right?

Yes, that is correct.

Ok. I'd like to know where do the sales come from today – whether that's different products, different customers – what are the components that comprise \$110,000 in sales?

Sure. Let's start with the product – the company provides a software as a service, and their software does website analysis for companies that are doing business online. And their tools help them figure out what their customers are doing online, ultimately with a purpose of figuring out how to improve the websites. So these companies doing business online can either make more money or accomplish whatever goals they're trying to accomplish.

Got it. Who are the company's customers?

The company currently gets sales from two different types of customers: small business customers, as well as Fortune 500 customers.

Do we know what amount of sales came from each particular kind of customers?

Yes, it turns out that small companies, small businesses contribute or generate \$100,000 a month in sales from the company and Fortune 500 companies drive \$10,000 a month in sales.

It sounds like sales have been flat overall versus prior years. I'm curious, have sales – for the company overall – have sales for the competitors changed? So I'm trying to figure out if this an industry problem or if this is a company specific problem. Do we have any information on that?

Well, it turns out this company is the only company in the market.

So this is not a competitive issue but an issue more with either the company itself or with customers. Do we have any data for each customer segment – the small businesses or the Fortune 500 – how have the sales changed for each of those customers over time?

Sales for Fortune 500 have increased while for the small business segment it has decreased.

Ok. Now the sales are driven by average price per customer or price times the quantity or number of customers. And so do we have any breakdown as to how many customers there are and what's the pricing of that? The hypothesis I'm trying to test is, has the pricing change driven down revenues or are we actually having fewer customers, but each customer we do have is paying the same price.

Sure, the data is provided in the table . The prices have remained constant for both the customer segments. The prices are like subscription fees paid per month.

So your revenue is the price times new customers you bring in this month subtracting out how many leave. What I'd like to do is actually break that down and look at the number of customers that are added each month versus subtracted each month. Do we have any data on that for – let's start with the small business segment.

Sure. The data is provided in the table (refer to the tree in the previous slide).

So it means that we're losing 1,800 clients a month and then adding 1,800 clients, so our net change is always zero. Is my understanding correct? Did I get that right?

Yes.

I'd like to repeat the same analysis for the Fortune 500 segment, to see if a similar pattern is happening on that side. Do we have – of the ten clients we have this month – do we have any data that indicates how many clients we had in the prior month, how many of them were new and how many did we lose? Sure, similar data is provided in the table (refer to the tree in the previous slide).

So we have a huge attrition problem in the small business segment and at the same time, we don't seem to lose any customers on the Fortune 500 side. I would like to investigate more on why this might be happening. I would like to find out if we are selling the right product to the right segment. For this I would like to know what customers in the two segments are looking for and how our product is helping them.

Sure, so the first segment is small mom and pop businesses that are trying to dabble in e-commerce, and they're looking to make more money online. However, they want to maximize the number of visitors to their website.

Ok, and how is our product helping them do that?

So it shows which users are visiting which parts of this website and are they shifting from the free content portions of the website to the e-commerce portions of the site where you can actually transact and generate a sale. This product is very good at just tracking those behaviours and figuring out where people go, and has a number of tools to really help the company – the small business in this case – optimize the layout of the website, change how information is presented to the end user to really improve the ratio of visitors to buyers on the website.

Okay, it sounds like this is a kind of a process improvement type tool to get more people who visit the website to buy more often or to make them more likely to buy. It also seems like what we offer as a company, as a current product, is not really designed to solve what the customer really wants, and they certainly want to make more money. But first I guess it sounds like they need more visitors to the website in order for this particular product to be of value to them. Does that seem reasonable?

Yes, actually it does.

Ok, now we can do a similar analysis for Fortune 500 customers. Do we know what they are looking for?

These customers want to measure their ROI so that they can show their CEOs that the e-commerce division is achieving its objectives. These directors are worried that if they can't prove or rely on return on investment that their division might actually get shut down, and it seems that this product seems to be useful in measuring return on investment.

Great. So I can draw two conclusions here – one, small business segments – what they want and what we offer – this shows a complete mismatch, and two - I think that the Fortune 500 is a better fit is because the problems they have are exactly the problems we solve.

Ok. So what is your recommendation?

To answer the question of how to grow sales for this particular client, I would recommend that the company exit the small business market and focus all its resources on serving Fortune 500 clients.

Very good. Thank you.

Software product company

The client is a provider of an online software product and is witnessing flattening sales. You are asked to help grow the sales beyond its current \$110,000 per month (pm) figure.

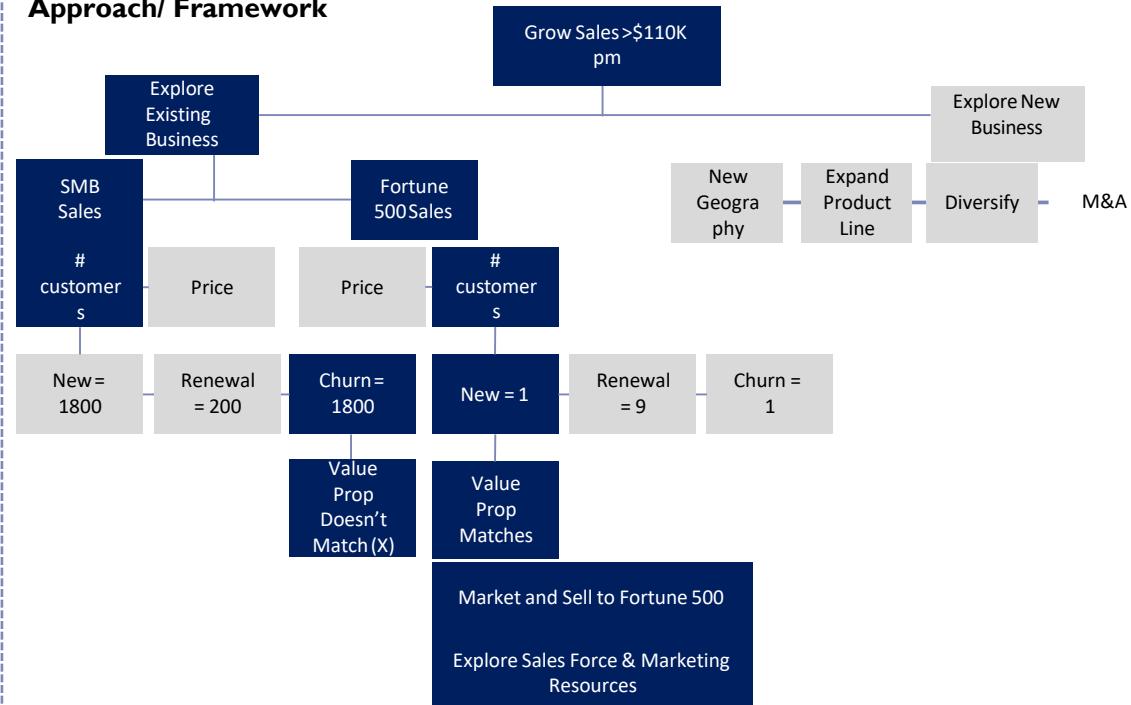
Interviewee Notes

- Online software provider
- Flattening sales
- Customer segments
- # and \$ of each segment
- Understanding product features
- Segment profile and product proposition

Case Facts

- Product – online software that does website analysis for the client's customers i.e. which users
- visiting which website, are they shifting from free content portion to e-commerce portions
- Sales grew earlier but plateaued recently; not an industry trend
- Revenue model – recurring monthly sales
- Assume no competitors

Approach/ Framework



Recommendations

- The client should exit the small business segment
- It should focus all its resources on the Fortune 500 customers

Key learnings

- In a single product case, understanding customer segments, their needs and the products' value proposition is critical.
- **Never forget benchmarking:** Comparison of any sales data wrt. either time or industry/competitors is essential to understand where the problem lies

	Small Business	Fortune 500
Price pm	\$50	\$1,000
# cust. pm	2,000	10
Sales pm	\$100,000	\$10,000
# cust. trend	Decreasing	Increasing
Profile	mom-pop stores; want to maximize #visitors	e-commerce of large company; want to show ROI
Product Suitability	Helps improve user experience	Helps track and improve sales; gives ROI

Midstream oil & gas company – Interview Transcript

Your client is an Indian oil and gas company looking to increase their revenues. Suggest a growth strategy for them.

I would like to start with a few preliminary questions. What business exactly is our client into and in what geographies? Is there a growth target in their mind?

The client operates in the midstream sector i.e. transmission and marketing of oil & gas. They operate pan-India and are looking to grow by 4x over next 10 years

Ok, so I would split the options to increase sales into exploring existing business or exploring new business. Within existing business I will look at options to increase volume or price and within new business I will consider M&A, entering a new geographical market or introducing a new product.

Great. Lets focus on new businesses

We can analyze the new businesses using a 2x2 matrix of products vs business. With existing product, customer can look to penetrate more in the existing business or expand into new business. With New product, customer can remain in the existing business by modifying the product or enter new business. The new business can be related (integration) or unrelated with the current business. Do we have any data around what the client is looking for?

Yes, so as you correctly identified client wants to enter a completely new business of drinking water distribution. They want to setup water purification plants to supply water to municipal corps.

Interesting. So if I understand correctly, client will source water from the water bodies, purify it in its own plants and sell it to municipal corporations. Are we looking only at drinking water supply?

That's right. How would you identify a good geographical location to start this business?

I would analyze the different locations and choose the ones where there is no distribution network currently, has scarcity of water but has a large population. I would also look at the purchasing power of these people, regulations, possible synergies with my current distribution network.

Hmm, what else? Since you would be selling water to municipal corp., does it make sense to setup plant in a place with no municipal corp. supply? Also, in the places where municipal corp. exists, they already have the water sourcing and purification network. Why don't you think from the perspective of demand in the future?

Okay understood. From the future perspective, I would benefit by setting up the plants and sourcing network in a location where water sources are expected to dry up. Hence, I can use my current pipeline network to source water from far away places and purify in my own plants.

Perfect. Our team carried out a similar analysis and they have identified Bangalore as one such location. Can you help us size the Bangalore domestic potable water market?

Should I look at sizing by value? Also I will look at only the household daily **potable** water demand.

Yes, by value. Assume Municipal corp. buys water from the client at Rs. 10 / kL.

(Interviewee calculates similar to the table on the next page). I would segment the entire households of Bangalore based on a rough estimation of income. My assumption would be that higher income people would live in bigger houses and would have a higher water demand.

Assuming only 50% population would have municipal water supply, my daily water demand comes out to be 2.5 million kL / day. This translates into a revenue of Rs. 25 million / day. This market size seems attractive even if we can control a 60-70% share once the other sources dry up.

Sounds reasonable. Once the water dries up, what alternative sources can be possible?

We can look at rain water harvesting, souring water from locations nearby Bangalore, harvesting ground water from the nearby forests and supplying to Bangalore or we can look at sourcing sea water from a coastal town, purifying it and supplying to Bangalore

Great. Our client is looking to source sea water from Chennai, transporting it to Bangalore by setting up a new distribution network, purifying it in plants near Bangalore and selling to Municipal corp. Can you list down the costs which will be incurred by us?

I can divide the costs as Fixed and Variable costs. Fixed costs would involve the infrastructure costs i.e. setting up of pipelines, purification plants, licensing costs, insurance costs, salaries. The variable costs will be the cost of buying sea water, operations costs, maintenance costs, wastage and theft costs.

What costs would you include under the operation cost and what would they depend upon?

The operations cost would include the utilities costs like costs of running the pumps and power houses to source water and supply it to Bangalore. Another cost would be the cost of running purification plants and cost of running powerhouses to supply water to municipal corporation.

The operation costs would depend upon:

1. The distance over which water is supplied (We should look at minimizing this distance from Chennai to Bangalore by setting up underground pipelines).
2. The gradient of the on-surface pipelines (Given that Bangalore is surrounded by many mountains and we cannot have underground pipelines throughout)
3. Specification of Pumps such as their Quality, efficiency.

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

Midstream oil & gas company

Your client is an Indian oil and gas company looking to increase their revenues. Suggest a growth strategy for them.

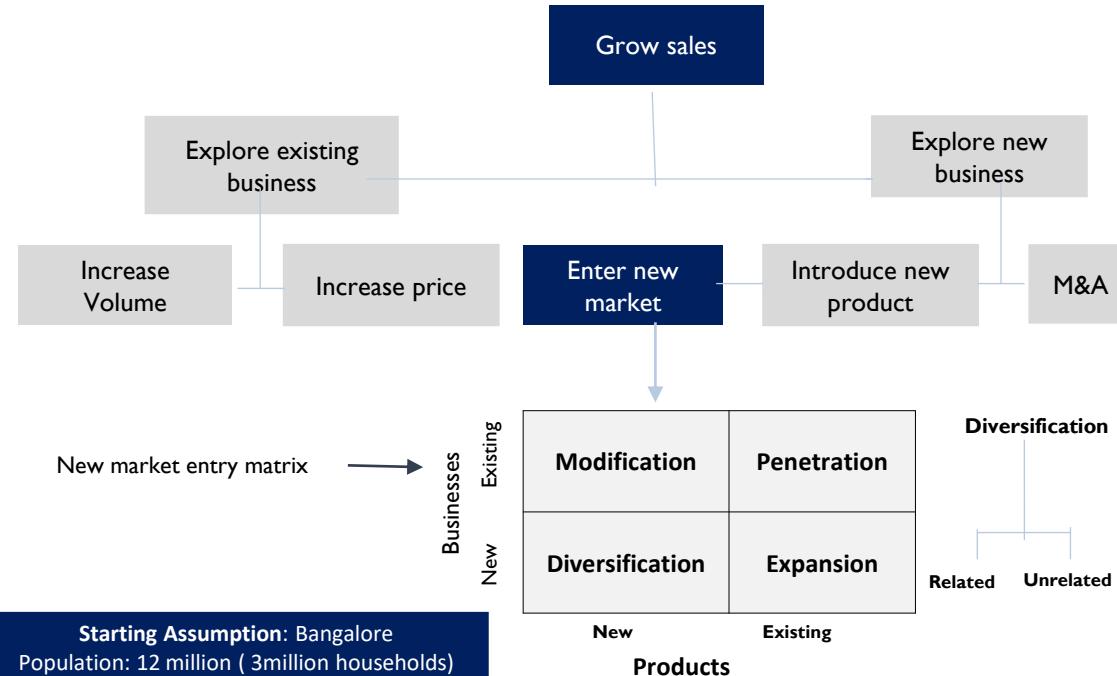
Interviewee Notes

- Expand in India only
- Differentiating factor: client has a wide distribution network
- Can expand by expanding existing business or exploring new business
- For water business, focus on areas with scarcity of water supply.
- Benefit by setting up the plants and sourcing network in a location where water sources are expected to dry.
- Focus only on the potable waster supplied to households of Bangalore.
- Cost of pumping water will be a major cost

Case Facts

- O&G co. operating in midstream sector i.e. transmission and marketing and has pipeline network throughout India.
- They are targeting a revenue growth of 4x over next 10 years (Another hint that client will look for new businesses)
- Current operations are pan-India
- Client wants to enter a completely new business of drinking water distribution. They want to setup water purification plants to supply water to municipal corps
- Water sold to municipal corporation at Rs. 10 / kL.
- Client want to source sea water from Chennai and supply it to Bangalore using its network

Approach/ Framework



Recommendations

- Expand by entering the new business of setting up water purification plants and selling water to municipal body
- The market size of Bangalore for potable drinking water looks attractive and given the expectation of future scarcity, it looks like a good place to set up the operations
- Major costs would be incurred in establishing the network of pipes and operations (purification and supply)

Key learning

- The case was quite lengthy and involved growth strategy, market sizing as well as some qualitative analysis
- The MECE growth framework at the start helped to quickly identify client's growth strategy

Income	Low Income	Medium Income	High Income
% households	60%	30%	10%
Municipal water supply	20%	50%	100%
Water consumption (kL)	1	2	4
Total water demand (kL)	2,500,000 /day		

$$\text{Revenue} = 2,500,000 \times \text{Rs. } 10 = \text{Rs. } 25,000,000/\text{day}$$

Pump Manufacturer – Interview Transcript

Your client is a pump manufacturer in India. The industry is growing at 45%, but the client has grown only by 10%. It wants you to analyse why and give recommendations.

I would like to understand the objective of our client. What does he mean by growth? Is he referring to the top line of the company or bottom line of the company?

The client wants us to analyze revenues and suggest measures to improve upon the same.

Okay, so we need to look at top line. Moving on, since when has our client seen this slow growth? Do we have any time frame in hand?

It is a recent phenomenon, no specific time frame.

Great, I would now like to understand the product offerings of the client. What is the kind of product that our client deals in? Do we have a variety of pumps or just one kind of product?

Okay, here you go. The product is an intermediary good, on the lines of an industrial pump. You need not worry about the specifications. We have a wide range of product offerings.

Oh okay, so the pump is an intermediary good, something on the lines of say steel, right? Also, do we need to concentrate on specific products to analyze the reasons for slow growth or concentrate on the company as a whole?

Good question, yes, something on the lines of steel. Do not worry about its end use at this stage and for now let us look at the company as a whole.

Now that I have understood the client's products, I would like to understand our client's geographical spread. Does our client operate Pan-India or in specific geographies across the country? Is it fair to assume that the client is seeing the growth of 10% across all its geographies?

Yes, the client operates Nationally and is seeing this 10% growth throughout.

Oh Okay, to further understand the client I would like to know the position of our client along the supply chain? Does the client only look after manufacturing or does the client deal in distribution, marketing and after sales as well?

The client is vertically integrated i.e. handles end to end supply chain.

Now to understand the customers that our client deals with, is it safe to assume that the client operates in a B2B segment, given that it manufactures pumps which are intermediary goods?

Great Observation, that is true.

Moving forward to further understand ,the industry, I have a few questions.

The industry is growing at a rate that our client is not able to match. Is it because of production limitations i.e. are we not able to meet demand, or the mix of the businesses in the industry has changed? What about the mix of our clients?

No, we do not have any restraints on our production capacity. As pointed out, our client caters to a larger number of small scale businesses as compared to large scale businesses. The growth in industry is due to a substantial increase in the number of large scale businesses as compared to small scale businesses.

That is interesting! So as I understand, our client is not able to reach out to the increased number of large scale industries due to which it is seeing low revenues as compared to industry. Moreover the number of large scale clients has been constant. Is this a fair assumption?

Yes, it is. Why don't you move ahead with estimating the reasons for the same.

Sure, do we have other revenue streams apart from what we get through selling pumps? Say ancillary services?

No, majority revenue comes from pumps. Let's focus on that.

Sure, I would now like to break down revenues into number of clients times quantity sold per client times price per unit. Apart from the number of large scale clients which have not increased in proportion to the industry, have other parameters changed? Have we seen a change in the product mix?

No, for simplicity assume no change in product mix. Other parameters have remained constant.

Okay, so I would concentrate on the number of large scale businesses. Since we have already

figured out that it is not a supply side issue as we are able to produce, according to me the issue revolves around the demand of our product.

Good, that's a fair point.

Moreover, since the industry is growing, is it fair to assume that competitors are getting a fair share of the pie and that our clients are not switching to competitors? I would make that hypothesis basis the fact that our large scale clients have remained constant.

Yes

That's interesting! That means it is a company related issue and not affected by competitors.

Also, assuming that there are no regulatory changes that affect the industry, I would now like to concentrate on three reasons as to why demand would be low. 1. Distribution 2. Marketing (to pull the consumer) 3. After sales services. Do we know which of the heads is problematic?

Yes, it is limited to our client. Also, can you explain your rationale behind each of three reasons?

Sure. Let's look at distribution first. I would now like to understand the way the clients are approached. Do we directly approach the clients through our sales force, outsourced sales force, distribution channels or do clients directly approach us? This would affect the way our product reaches out to the businesses. Next, coming to marketing, our promotional strategy may not be able to pull the larger clients as compared to competition. That is, it may not be as effective as compared to our previous strategy in terms of communication.

The last leg is after sales services, which does not seem to be an issue at hand currently since we are aiming to get customers for first time purchase and not repurchase. This assumption has been made on the fact that the previous client base is intact as confirmed before.

Good. Let us look at Distribution. We approach the clients through our sales force.

Just so that I have understood it correctly, we approach the client through company owned sales force, right?

Yes, absolutely!

Great, so now I would like to analyse the issues related to sales force. I would like to look at two aspects. One is the qualitative aspect which will cover how effective is the sales force in communicating or interacting with the clients and the other is quantitative aspect which would cover the number of sales personnel times the number of hours per personnel times the wages per hour. Do we know which of these is an area of concern?

What do you mean by qualitative aspect, could you please elaborate?

Sure, so my understanding of the effectiveness would gauge how well is the personnel able to communicate with the client. Is the personnel aware of the technical specifications of the products required by the client, is he/she able to direct the client to the concerned department in the office, is he able to give sufficient time to the client onsite.

So you are right. Small scale clients do not require detailed specifications of the products where as larger clients require detailed specifications and purchase well in advance. They are interested in the technical specifications to completely understand the product. This was the area where our sales force was unable to provide information. Now that you know the reason, can you suggest some recommendations to overcome the same?

Definitely. I would like to break down recommendations into two broad categories: short term and long term.

Under the short term recommendations, I would suggest two ways: print a manual that can be carried by the sales force and be shown to the client, to make use of technology create a website or an application specifically catering to large clients with listed product specifications.

Under the long term recommendations: effective training to be imparted to your sales personnel; let company owned sales personnel focus on large scale clients and outsource sales people for small scale clients if it is cost effective and sustainable in the long run.

Alright. Let's stop here. Well done. Thank you.

Pump Manufacturer

Your client is a pump manufacturer in India. The industry is growing at 45%, but the client has grown only by 10%. It wants you to analyse why and give recommendations.

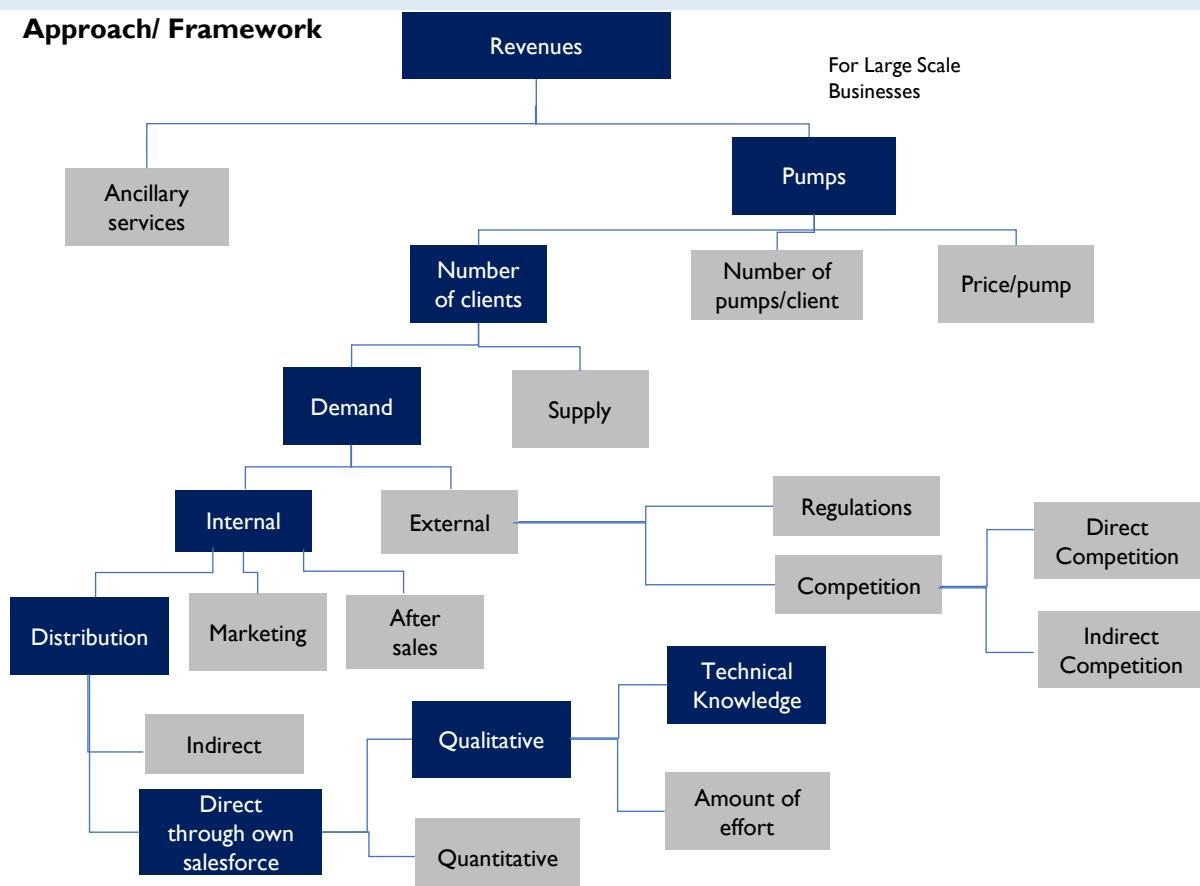
Interviewee Notes

- It is important to understand the objective of the client i.e. what does he mean by growth.
- Enquire about product mix, geography, integration across supply chain, competitors, different streams of revenue.
- It is important to understand the industry split up amongst small scale and large scale businesses as well as the client's customers.
- Here the interviewer asks the interviewee to focus on revenues for large scale clients.

Case Facts

- Focus on revenues only through pumps.
- Revenues have not increased for large scale clients.
- No issues on cost side.
- No poaching of customers by competitors.
- No supply side issue as we are able to produce and have sufficient capacity in place.
- It's a distribution issue: technical specifications of the sales personnel as less and not in line with the requirements of the large scale businesses.

Approach/ Framework



Recommendations

- Short term: a) Create a handbook/ manual with technical specifications of all the products for sales personnel, so that it becomes easier for them to explain the products to the clients.
b) Create an application/website to implement the above mentioned recommendation, along with contact details of the company for better interaction.
- Long term: a) Provide training to the employees on how to deal with large scale clients.
b) Outsource personnel to cater to small scale clients so that own personnel can focus on large scale clients, only if it is cost effective & sustainable in the long run.

Key Learnings

- It is important to understand the objective and the customer base.
- It is important to think about distribution channels (direct- company owned or outsourced sales force & indirect: through dealers/wholesalers/retailers).
- Inquiring about the market position of the client before and after the growth could have driven the case in a different way.

Wool Yarn Manufacturer – Interview Transcript

Your client is a Wool Yarn Manufacturer. It wants to grow its revenues 5x in 5 years and has approached your firm. How would you go about it?

Before I venture to formulate a strategy for growth, I would like to know more about the client's business model and the competitive landscape where it operates.

The client currently operates only in India and is the market leader with a 10% market share. The market is fragmented. It sources wool and converts it into yarn, which is sold further sold to its customers. The demand and production of wool yarn are seasonal in nature. If any wool is left, the same can be sold in the international market.

I want to learn more about the business in small steps. Firstly, I would like to understand the competitive scenario. It seems like the market is highly fragmented if the client is the leader with 10% share. Do we know the reason behind the market being fragmented? Also, what is the share of the next-in-line competitor?

That is a fair observation. The Indian market is highly fragmented due to the limited capacity of wool manufacturers. Sales are made to big businesses – so client relationships are very important. Our client has long-standing relationships with its customers and can reap the benefits of economies of scale. Therefore, all the other players in the market have shares of around 1% each.

Secondly, I want to learn about the client's operations, starting from the supply side and leading to the demand side. Who are the suppliers of wool? How is it that we can further sell wool without being a wool manufacturer?

Good question. There are two types of wool in the market – Merino Wool and Normal Wool. Merino Wool is of high-quality wool and comes from Africa. You can assume that our client only works with merino wool. The prices are decided in the international market and the firm is a price taker. Rise and fall in wool prices are passed onto customers. As the wool is internationally traded, excess wool can be sold in the international market at any time.

I want to continue with the questions on the supply side. Since there is an international market, it is fair to assume that the supply of merino wool is not a constraint. Also, as the client only deals with merino wool, is the 10% market share only in the merino wool yarn market or the entire wool yarn market in India?

That is an excellent question. The client commands 60% of the market in the merino wool yarn segment and does not wish to enter the normal wool yarn segment.

Since the client wants 5x growth in 5 years, we would need to command 300% of the current merino wool yarn market. Do we have information regarding the growth of the market in India?

Yes. The market is growing at a 10% rate.

This would imply that the client would need to venture outside India to be able to meet its growth target of 5x. Before moving on the demand side, I would like to understand the client's processing capacity. Does the client have any excess capacity?

Your observation about moving international is correct. To answer your question, the client is operating at 100% capacity. It cannot increase capacity through part-time labour. The financial resource constraints are such that they cannot heavily invest in purchasing additional plants.

This information limits the options the firm has available. There could be two ways to go about it. Since wool yarn production is seasonal in nature, the firm can try to smooth out the production schedule so that it may produce year-round. This would entail some minor investments in storage. Additionally, the firm can try and lease the spare capacity from the smaller players in the market. This is under the assumption that some domestic players have excess capacity.

You are moving in the right direction. Is there any other information you require from my side?

Yes. For the demand side, I would like to understand the international demand scenario. Are there countries where we are already exporting our yarn? How are we operating there?

Internationally, the client operates through agents. The company has never served other countries on its own and does not feel it has the required expertise for the same. In terms of demand, most of our shipments go to the east – Japan and Indonesia.

It seems like the company has been operating through agents solely because it has not built the required capabilities for venturing outside India. Before I move to formulate a strategy, it would help to know why are Japan and Indonesia high-demand countries. Is it a trend or has this been constant over time?

These countries have a growing demand for merino wool yarn in recent years. You may call it a trend.

Why are the domestic producers not catering to the demand? They should have been amongst the first ones to foray into the market.

Wool yarn manufacturing is a capital-intensive industry. The demand in these countries is growing but is not large enough to be catered by domestic players at a profitable rate. I think we can proceed with formulation of a strategy.

The client wants to grow 5x in 5 years. Since it has already captured 60% of the market in India, it would need to venture internationally to grow at the target rate. There are two parts to my strategy – Capturing Growing Domestic Market and International Expansion. Is there a specific segment you would like me to focus on?

The two-part strategy seems fine. Focus on International Expansion part.

The client currently operates through agents in the international market. I believe it is fair to assume that these agents charge a mediating fee/ commission. We can remove the middle-man to improve the margins. Now, for growth, we can look at an organic or inorganic strategy.

Do you think organic growth makes sense here?

Since the client does not have enough financial resources, it would make more sense to go through channels which require lesser investment. As organic growth requires considerable investment, it is not recommended. Within inorganic growth channels, Strategic Alliances and Joint Ventures should be preferred considering the financial resource constraint.

Good. I believe we can wrap up the case here. What is your final recommendation?

There are two parts to the final recommendation:

1. First, I would recommend tapping the countries in an order of priority. Countries where the domestic players have not developed yet, such as Japan and Indonesia, are good prospects for Strategic Alliances or Joint Ventures. Other markets can be considered at a later stage.

2. Second, the client should not lose sight of its domestic market. For the capacity constraint, it can smooth out production throughout the year or lease capacity from other players for catering to both domestic and international customers.

Wool Yarn Manufacturer – Interview Transcript

Your client is a Wool Yarn Manufacturer. It wants to grow its revenues 5x in 5 years. Formulate a growth strategy for the client.

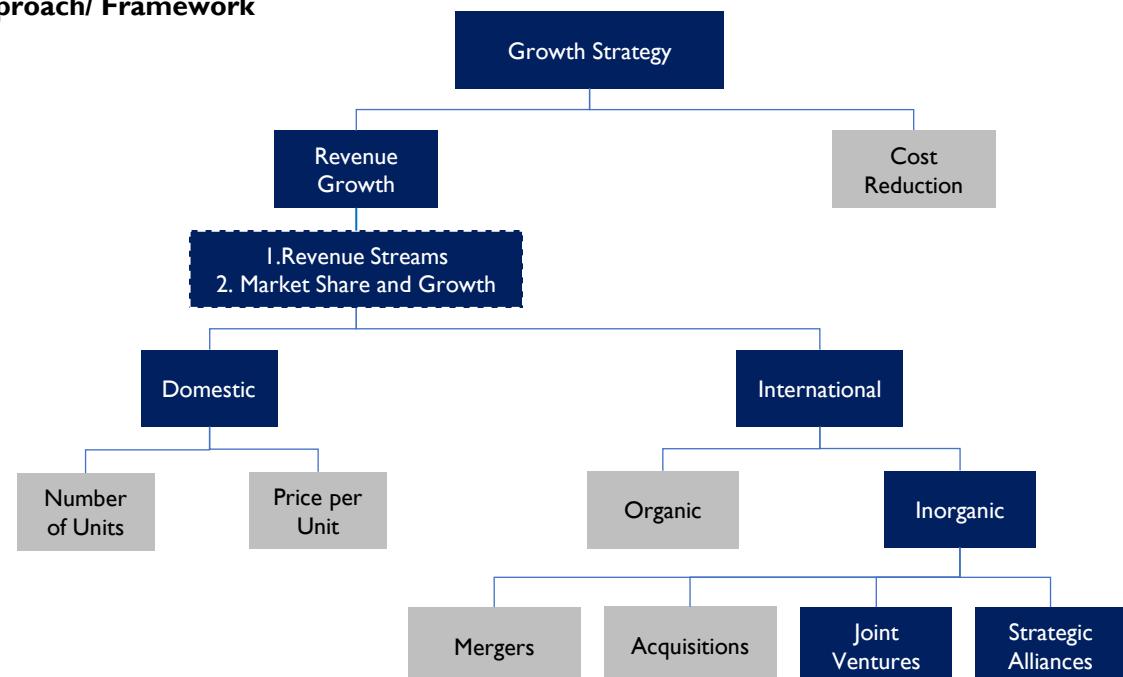
Interviewee Notes

- Open-ended case: Requires higher number of preliminary questions. It is better to lay down a structure from the beginning.
- Understanding of business model, both domestically and internationally, is important. The operations might be drastically different.
- Size and growth of market segments needs to be benchmarked with client targets.

Case Facts

- Client is market leader in a fragmented market due to its specialised wool yarn segment and customer relationships.
- Domestic market is not big enough to fit in with client's growth targets.
- Financial resources and capacity are important constraints.

Approach/ Framework



Recommendations

- Inorganic Growth: Strategic Alliances and Joint Ventures in undeveloped markets with growing demand. Financial constraints restricted other modes of expansion.
- Focus on Domestic Market: Catering to growing domestic demand by smoothening the production schedule and leasing excess capacity from smaller players.

Key Learnings

- Immediate Clarifications: There was a lot of data in the case. It was helpful to clarify doubts as and when they arose.
- Explicit Assumptions: If any assumption is made, the same was mentioned explicitly. The interviewer could point out if it does not stand.
- Data-based Observations: Presence of mind always helps. Observations from quick number-crunching can create a good impression in front of the interviewer.
- Clarification on Terms: Clarification on exact terms is essential. E.g. terms like "Market Share" can be used for overall market or for specific segments.



Unconventional

Pointers to Remember

- Never try to force fit a framework
- Understand the problem really really well
- Ask the interviewer if you're unfamiliar with a particular industry, do not hesitate to ask question
- If the industry is familiar, comparisons with companies you know about would help in providing recommendations
- Be as comprehensive as possible and hence bucketing the problems into different sections will help in structured thinking
- Can be looked at through 2 lenses – qualitative & quantitative (as a mathematical problem)
- Using the 3CP i.e. of Company, Customer, Competitor and Product approach works in certain cases, but focus on keeping the approach MECE
- In certain cases when the scope of the cases is broad, the interviewee should ask if the focus needs to be on a specific aspect to structure thoughts in that direction
- While scoping the problem, the interviewee can consider if there are competitors in the same industry and the strategies, they follow

Easy wins

- Breakdown into a mathematical formula
- Always remember Demand and Supply
- Any problem can have an internal cause (in control of company) or external cause. For external cause, use PESTEL to analyze possible issues

Bid Strategy for GOT Season 8– Interview Transcript

Your client is Company X. They have been approached by HBO to bid for the eighth season of GOT. They want your help to evaluate the opportunity and determine the correct bidding strategy.

I would like to ask a few clarifying questions to get an understanding about the case. Could you please elaborate on X's business model and current product offerings?

X is an OTT platform operating in India. The company has a website and an app where customers can access media content by paying a monthly subscription fee. X has its own content as well as tie-ups with other providers to provide a curated list of Movies, TV Shows, News Channels and Sporting Events on its platform for its subscribers.

What is X's objective for this bid? Is it to increase user base, or revenues or profits? And what makes GOT so attractive for X?

X wants to maximise their profits and this bid should account for that. As for GOT, it is the most watched English TV Series in India.

I would like to now understand the bidding terms. Will this bid be for the eighth season only? Also will X have exclusive rights for this and till when is the bid valid?

The bid will be for exclusive rights to stream GOT's eighth and final season, and valid only for the duration that the show is on-air.

Has X bid previously for GOT and if so, do we have any information regarding the bidding process? Also, is it okay to assume that the offer has been made to X's competitors as well?

It's a closed bidding process that HBO extends to X and its four other competitors. The client had bid for GOT's seventh season, but did not win the bid. They were informed that they were close second, and had bid \$3 Mn for Season 7.

Finally, a quick question about the competitors. Who are the major competitors in the Indian market and How does X differentiate itself from them?

As mentioned earlier, there are four other competitors, but for the purposes of the case, focus only on X. Enough discussion! I would like for you to now come up with a bidding strategy.

Sure. I would like look at this problem with a three-pronged approach (Framework I):

- Financial feasibility: Revenue and Cost calculations to get an upper cap on the bid amount
- Strategic viability: How this investment aligns with X's other stakeholders
- Risks: Any potential risks that need to be taken into account before engaging in the process

Good! Let's begin with financial feasibility. What would be the major Revenue heads for X?

There would be three major revenue streams for X (Framework I):

- Subscriptions: Incremental Subscription Revenues due to season 8 being shown exclusively on X's platform
- Advertisements: Revenues from auctioning advertisement slots during episode screening. Here, I am assuming an ad model akin to a TV network's ad model. Does it sound fair to you?
- Other Sources: Additional Revenues from sources such as merchandising, brand tie-ups, etc.

You can go ahead with the ad model assumption. However, X doesn't have any merchandising rights for GOT. What information do you need from me to calculate X's revenues?

I would need the following: (i) X's monthly Subscription fee (ii) No. of episodes in GOT S8 (iii) GOT viewers not currently on X (iv) Average ad rate per slot per episode (v) No. of slots auctioned per episode

Glad that you asked. I have the following data sheet with me. This should help you calculate revenues for X (Data sheet provided in table I).

Thank you. From my calculations, X's revenue from Subscriptions and Advertisements comes out to be \$6 Mn (table II). However, I think there are some synergistic benefits to adding GOT on our platform. These can be attributed to following factors:

- Customer Stickiness: Some of the additional customers would stick around after GOT ends increasing their CLV for X. These benefits need to be added to our revenue calculations
- Additional ad revenues for existing programmes: X can leverage its added user base to charge a premium for ad slots in its existing shows during GOT's 3 month on-air run-time

These are some very good points and you can assume an additional benefit of \$1 Mn from Synergy. Can you please now list down the cost heads for X?

I have divided X's costs into two buckets (Framework I):

- Direct Costs: This header would include the Bid amount, Streaming costs, Marketing costs
 - Overheads: This would include incremental legal costs, regulatory costs, customer service costs
- Apart from this, there would be Costs of capital (which would include costs of financing the investment and opportunity costs of not putting the money elsewhere),

Assume that X expects to incur additional costs of \$1 Mn apart from the bid amount. X has expects an ROI of 20% to incorporate for the cost of capital.

Oh, I think I have all the data now. Based on my calculations, the bid amount for GOT season 8 cannot exceed \$5 Mn to get the desired ROI of 20%.

Now, I'd like to focus on the Strategic feasibility. Adding GOT would affect the way subscribers interact with the platform. Given the adult nature of content, some of the family-centric subscribers might get dissuaded from continuing. Also, this would affect our tie-ups with existing content providers which infer HBO as their competitor or substitute.

These points are valid, but we can safely assume that X is strategically aligned with getting HBO onboard. Can you please now identify three potential risks that X needs to be aware of?

Sure. I have collated the risks into the following categories:

- Customer centric: X might not be attract enough new customers on the platform given the subscription price and the presence of alternate channels of piracy like torrents, illegal streaming
- Content centric: The content is not up to the mark increasing mid-season customer and advertiser drop-outs. Given the explicit content, X could also face added regulatory pressures
- Platform centric: Focus on GOT might lead to self- cannibalization with decreased viewership for the platform's existing content. Plus, X needs to minimize platform glitches such as that could inhibit user watching experience, leaving the new viewers unsatisfied with the platform

I think we can stop here. Thank you.

X's Bid Strategy for GOT Season 8– Interview Transcript

Your client is X. They have been approached by HBO to bid for the eighth season of GOT. They want your help to evaluate the opportunity and determine the correct bidding strategy.

Interviewee Notes

- Understand X's business model and offerings
- Enquire about X's objective and how the bid decision is fulfilling it
- Come up with a strategic plan using Market Entry framework
- Identify major sources of revenue and ask for relevant case information to do financial analysis
- Incorporate synergies and opportunity costs in feasibility calculations
- Check strategic alignment with other stakeholders
- Evaluate the risks involved in the bidding process

Table I

Case facts	Values
Monthly subscriber fee	\$2
GOT Running time	3 months
Total GOT fan base	1.25 Mn
Current GOT fan base on X's platform	0.5 Mn
Mkt share captured (for GOT season 8)	80%
GOT episodes in S8	10
Ad time per episode	10 minutes
Average ad duration	30 seconds
Average ad bid value	\$15 K
Synergistic revenues	\$1 Mn
Direct Costs	\$0.8 Mn
Overheads	\$0.2 Mn
Cost of capital	20%

Approach/ Framework

Strategic Viability

- Effect on existing subscriber
- Effects on content providers on the platforms
- Operational feasibility

Financial Feasibility

- Compute cash flows
- Compute bid amount incorporating opportunity cost and cost of financing

Risks

- Low adoption and piracy
- Quality and regulations
- Cannibalization and platform issues

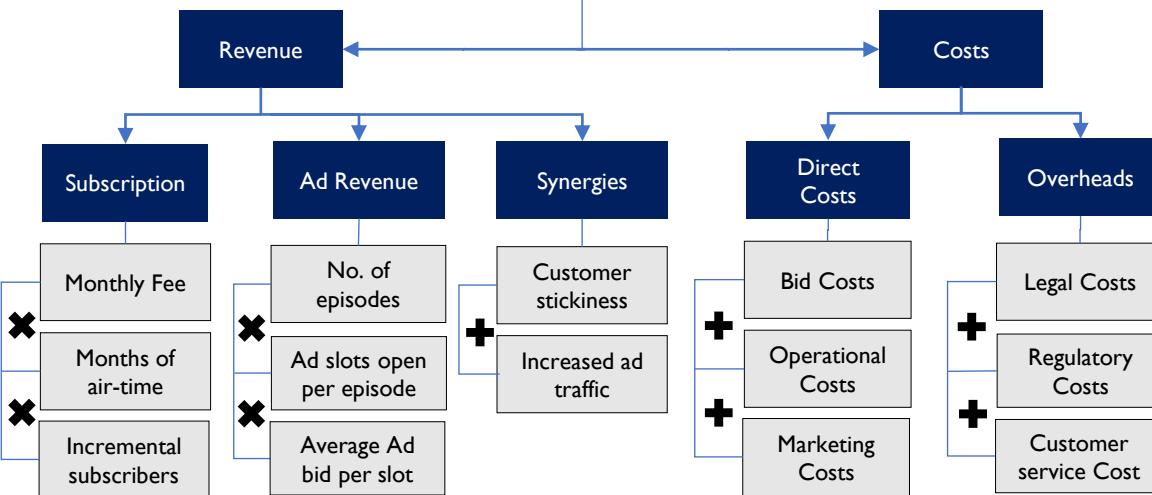


Table 2

Revenue		Calculations	
Subscription mode		Ad Revenue	
Increased subscribers	0.5 Mn	No. of episodes	10
Monthly fee	\$2	Ad Slots per ep	20
Subscription months	3	Average ad bid value	\$15 K
Revenue generated	\$3 Mn	Revenue generated	\$3 Mn

Key Learnings

Noteworthy points

- Asked probing preliminary questions to scope out the issue and identified client's objectives
- Correctly identified the revenue streams and cost headers for an OTT platform
- Proposed bid strategy was concurrent with the client's objectives
- Covered major risks associated with this move

Points of improvement

- Made inferences about ad revenue streams without confirming with the interviewer
- Did not analyse current bid strategy with the last year's one to do a feasibility check
- Piracy and regulatory issues could have come up earlier in the case while estimating revenue and cost headers

Senior Associate at BCG – Interview Transcript

A Senior Associate at BCG is bored of his lifestyle. You have been approached to find out the possible solutions to reduce his boredom.

First, I would like to understand a bit about the context. How long has he been working with the firm and since how long has he been feeling bored?

He has been working with BCG since the last two years. He had joined the firm immediately after his post graduation. He has been feeling bored since then.

This suggests that there has been some change in his lifestyle since he left college which is causing this problem. First, I would like to delve further into the activities he would be involved in during college. Then, I will try to contrast these from his current lifestyle.

Sure. Please go ahead.

The activities that he would have been involved in his college can be – (i) academic (ii) non-academic. I will further divide the academic activities into classroom and outside classroom activities. Classroom activities will include all the things related to the subjects taught and their evaluation. Outside classroom academics include workshops and seminars that increase his knowledge of the subjects taught. What were the client's interests in this area?

He was primarily interested in intellectual reading and problem solving, such as case studies. He was also inclined to attend seminars as he enjoyed talking to knowledgeable and intellectual people.

Okay, so I believe he would still be doing both the above activities as he must be working on real life cases. He would also be interacting with intellectual people during the course of his work. Is that a fair assumption to make?

Sounds reasonable. Go ahead.

Now, I will move on to the non-academic activities. I would like to further divide these into sports, cultural, literary, competitions and other hobbies. What kind of activities did he participate in?

He played golf and was very interested in cooking. He liked meeting new people also. He did not participate in any other literary or cultural activities or competitions.

Alright, so now that I have a fair idea about what keeps him interested, I would like to understand if he is able to pursue his interests/hobbies while he is working at the firm? Also, is it fair to assume that he would still be meeting new people which is something he enjoys?

Yes, he meets new people very often. However, he is not able to take out time for golf or cooking. That is the primary reason for his boredom. How do you suggest he could pursue these interests?

Firstly, I would like to understand if he is bored throughout the week or there are specific times when he faces the issue.

He is generally happy over the weekends, it is weekdays that cause the most trouble.

Okay. To understand this further, I would like to divide his time into weekdays and weekends and find out possible ways to accommodate his interests in the schedule. Does this seem okay?

Yes, please go ahead.

Do we have information about his typical schedule during weekdays and weekends?

During weekdays, for work, he spends 80% of his time in front of his desk, 10% of his time in interactions and the remaining 10% in travelling. He watches a movie after coming home and then sleeps for 6 hours. As regards weekends, he sleeps a little extra than usual, sometimes cooks his lunch or plays golf once in a few weekends. He also meets his friends on weekends.

Seems like he is able to pursue his interests to an extent. However, he probably does not do that regularly.

That's correct. He would like to make more time for his hobbies. Could you suggest possible ways to do so?

Sure. I think this can be done in three ways – (i) spacing out his activities over weekdays and weekends (ii) reorganizing his weekdays (iii) considering alternate career paths. I would like to evaluate each of the options in detail. May I proceed?

Sure. But, let's rule out the spacing out of activities option. He really enjoys his weekends and would not want to work during that time.

Okay. To reorganize his time, I would like to divide his typical weekday into work time and break time. Since it would be difficult to make changes to the former, he may consider pursuing his hobbies by either reducing travel time or using the remaining time differently. Travel time can be reduced by relocating closer to office. He may consider cooking after coming back rather than watching a movie. But I believe he might feel tired after coming home. So, it would be better for him to stay close to office and cook early in the morning before coming to work. He may also play golf on some of these mornings.

Sounds good. What about other career options?

Typically, consultants have the following exit options – (i) Private Equity/Venture Capital firms (ii) Strategy/Management roles in corporates (iii) Entrepreneurship (iv) other Consulting firms. Since the typical work life balance would be similar in other consulting firms, he might want to focus on the remaining three options.

Can you think of a possible entrepreneurial venture for the client?

Sure, I would like to take a minute to structure my thoughts.

(after a pause)

I think that he could open a restaurant or a café since he is interested in cooking. He would also be able to pursue cooking by sometimes acting as the chef for the restaurant or creating better/unique dishes and tastes.

Sounds good. Could you briefly touch upon the factors that he should consider while starting his own restaurant business?

I think the two primary factors he should account for are (i) Location (ii) Competitive Advantage. He would want to identify the ideal location where he has most connections so as to ensure more footfall. To ascertain footfall for the available options, he may go for a market study wherein he can identify the size of the market and multiply it by the approximate market size he plans to capture. He may be more inclined to set-up in a location closer to various corporates where his friends/colleagues work rather than a residential location.

As regards competitive advantage, he may want to identify the unique value proposition to the prospective customers.

Interesting. What could be that?

Since most of his customers would be other Consultants, clients and colleagues who often eat outside, some of the possible value propositions could be (i) healthy food (ii) wide menu (iii) quick service/delivery (iv) innovative packaging that makes it easier to eat at workplace

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

Senior Associate at BCG

A Senior Associate at BCG is bored of his lifestyle. You have been approached to find out the possible solutions to reduce his boredom.

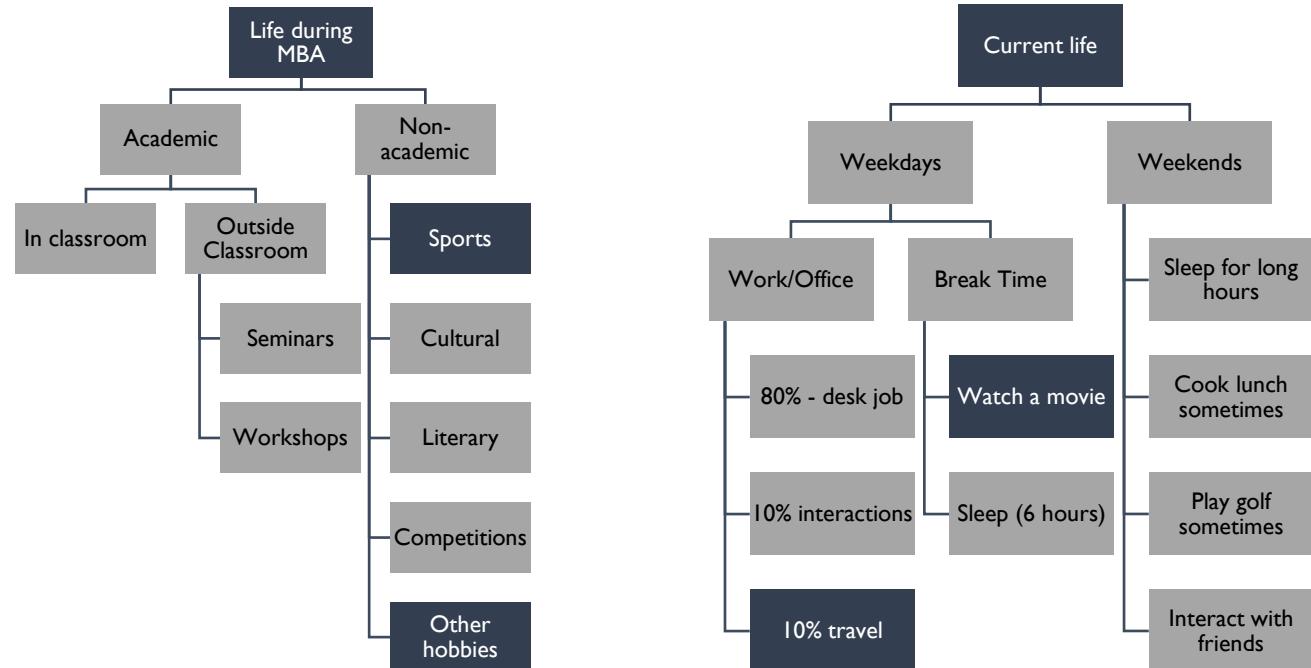
Interviewee notes

- Client is not able to pursue his hobbies sufficiently
- He spends a lot of time in travelling

Case Facts

- Was enjoying when he was in MBA college, not enjoying now
- Client enjoys playing golf and likes to cook
- He also likes meeting with intellectual people
- He does not want to work on weekends
- He spends 80% of his office time in desk job, 10% in interactions and 10% in travelling.

Approach/ Framework



Recommendations

- Relocate closer to office
- Use the break time to cook instead of watching movies
- Look for other career opportunities

Observations / Suggestions

- The solution was quite structured, therefore, received help from the interviewer
- Make reasonable assumptions, clarify with the interviewer at each stage.
- It is advisable to lay out the approach to the interviewer, specially in unconventional cases, so that if a different approach is expected, course correction can be done at the earliest possible.
- Recommendations could have been further divided into long term (such as buying a new house, starting own venture) and short term (temporary relocation, reorganizing weekdays).

Increased processing time – Interview transcript

Your client is a packaging manufacturer who has been facing a higher completion time of delivering a job. Diagnose and recommend solutions.

I would like to begin with a few clarifying questions on our client. I'll like to know what exactly constitutes the completion time for a job.

The completion time is the time taken from receiving the raw material to completion of the entire manufacturing process.

Alright. I am not very familiar with the packaging industry. Could you please elaborate on the process followed by them and whether this problem is only being faced by our client.

You can consider it to be similar to any other manufacturing industry. It basically manufactures carton boxes used in packaging of various products. There are different processes to be followed sequentially involving different machines based on the nature of job. Also the problem is being faced only by our client.

Okay. I would also like to know how many manufacturing facilities we have and whether the problem is limited to any particular plant/facility

Good question. The client has three manufacturing locations across India. However the problem is only being faced at one of the locations.

Just a final question, you mentioned that different processes are followed for different jobs. Could you tell me what are the different type of jobs being processed and whether this problem is specific to any particular type of job

We usually classify the jobs based on the no of cartons to be produced in a job. It is classified as small or large based on whether the cartons exceed 5000 or not. Also we have the following data on the target vs actual completion time : (Small Target: 36 hrs, Actual: 72 hrs; Large Target: 48 hrs, Actual 54 hrs)

Looking from the data, it seems that the problem is primarily in the small jobs and I would like to analyse this in more detail. Would that be okay?

Yes you can go ahead.

I'll like to start by identifying the different components of completion time and looking where the problem lies. The completion time would consist of actual manufacturing time and the idle time. So do we have any information if the difference between actual and target is specifically in any one of them?

No, we have actually exceeded the target time in both of them.

Alright, in that case, I would like to start with the manufacturing time. This would be dependent on the number of processes involved, run speed of different machines involved and the average order quantity for the job. Have we seen increase in any of these?

You can assume that the average order quantity is same and the number of processes involved is also the same. However we have observed that the run speed of machines have reduced and this has happened across machines

Okay. So this could be because the machine has some problem because of it the operators are not able to run it at the desired speed. However this would affect the large jobs as well and considering the increase is not the same in both, there must be other factors also contributing to this increase. Operators' skill level can be issue but that would again affect the large jobs as well.

Yes actually that is correct. The small jobs being received in the recent past have become more complex and the operators have found quality issues while running it at higher speed. This has forced them to run at less speed.

Ok. So this explains the increase in manufacturing time for these jobs. Now I would like to analyse the reason behind the increase in idle time for these jobs. The idle time would consist of idle time per machine and idle time between machines. The idle time per machine would consist of the make ready time, any breakdown time. The idle time between machines would be due to unavailability of the subsequent machine or prioritization of some other jobs.

That's correct. We have seen that there has been an increase in the make ready time for these jobs as well as increase in idle time between machines. Can you identify the possible reasons for the same?

As you mentioned earlier that the jobs being received in the recent past have become more complex, this could be the reason for increase in the make ready time as operators are not able to do it quickly. For the idle time between machines, it could be a lack of planning and scheduling that leads to unavailability of the subsequent machine or clash of priority at the plan level.

Yes that is correct. What we have observed is that there is no clash of priority in from demand side but the line managers are seen to be prioritizing the large jobs. Why do you think the line manager would be interested in prioritizing large jobs over the small jobs?

I think the main KPI for line manager would be the daily output in terms of no of cartons produced and the efficiency. As you mentioned that these small jobs run at a lower speed, the line manager maybe prioritizing the large jobs to meet his/her target and delay the small job intentionally.

Great. So can you suggest some recommendations to prevent this problem in the future.

I'll like to give the following recommendations:

1. For increased manufacturing time: The operators should be given adequate training so that they are able to run these jobs at specified speed without any quality defect. The plant can also take the help of other plants and see if similar type of jobs are run there and what process have been followed by them.
2. For increased idle time: The make ready time can be reduced by improving the skill level of employees as mentioned earlier. An increased supervision can also help in bringing down the make ready time. For the planning and prioritization problem, the incentive and targets for line manager can be based on the number of jobs completed (for each category) instead of the output in terms of cartons. The planning can be improved by forecasting the time taken at each of the machines and planning accordingly.

Do you want me to analyse anything else?

This will be fine. Thank You.

Increased processing time

Your client is a packaging manufacturer who has been facing a higher completion time of delivering a job. Diagnose and recommend solutions.

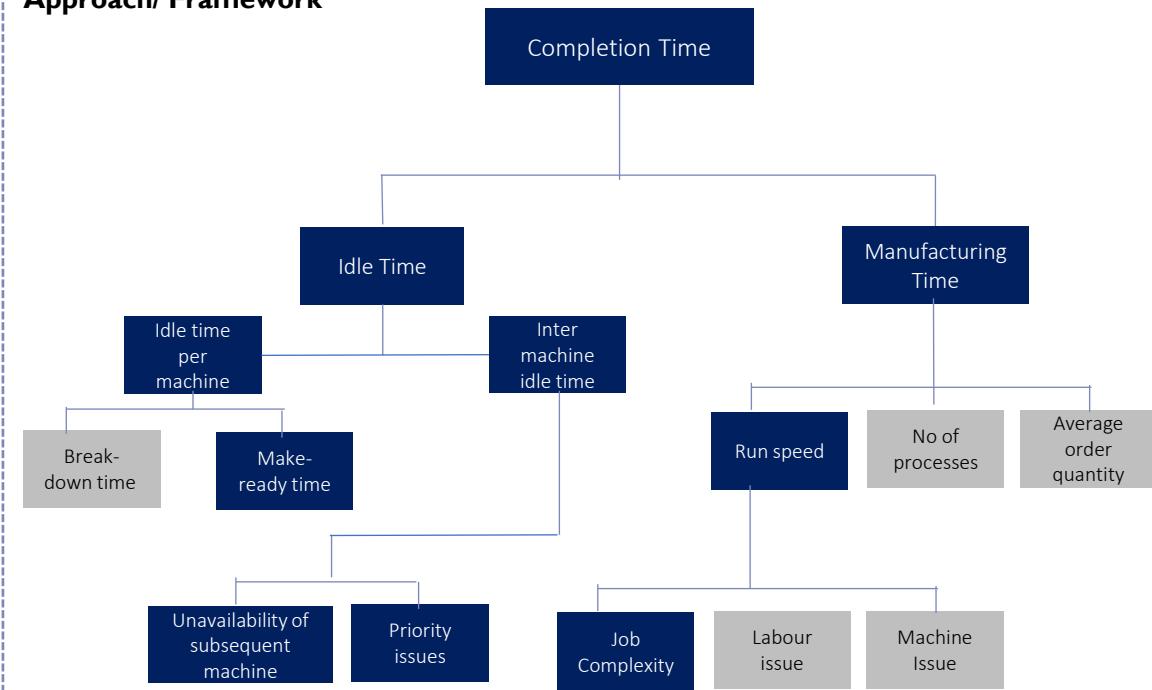
Interviewee Notes

- Understand the components of the completion time
- Identify the time taken in each of these components against the target time
- Identify the underlying reasons for these increased time

Case Facts

- Problem only in one of the manufacturing plants
- Problem not being faced by other competitors in the same area
- Completion time defined as time taken from receiving the raw material to completion of the entire manufacturing process.

Approach/ Framework



Recommendations:

- Provide training to operators
- Change the incentive scheme/daily target for line managers
- Proper forecasting of the time taken at a particular machine to improve planning accuracy

Type of job	Target Time (hrs)	Actual Time (hrs)
Large (more than 5000 cartons)	48	54
Small (less than 5000 cartons)	36	72

Key Learnings:

- Ask the interviewer if you're unfamiliar with a particular industry, do not hesitate
- There could be multiple factors/issues leading to the problem identified, so always cover all options

'Go Green' strategy – Interview Transcript

Your client is the CEO of an Indian Airlines Company. He has approached you, a consultant at a top-notch firm to help him make his firm go green. How do you go about it?

So, if I understand correctly, the client wants to make his firm go green. By go green, do we mean in adopting and excelling in sustainable practices or is there some other interpretation?

Yes, you are right. It means adopting sustainable practices.

Okay, could I know why the client wants to adopt this? What is his ultimate objective?

Well, he had visited a conference and had been impressed by the sustainable practices being taken over the world. He wants to set a benchmark by establishing practices in his own company.

Sure, I would want to understand a bit more about the company at this point. What is the size, scale of operations, does it operate in international markets?

It is a well established player in the domestic market. You can consider a typical low cost player in the domestic market.

Could I understand a bit more about the current context? Have other players started with these practices? Do we have any benchmark?

No, we would be the first in the industry. There is no benchmark

Okay, so I feel that I have some idea about the problem. I would like to proceed analysing it by first drawing out the value chain (Draws out). Do you want me to focus on any one? Or should I start from sourcing?

Start wherever you want. You are the consultant.

Okay, in that case, I would like to start with sourcing. Could I know what is the current process being followed?

It is pretty normal sourcing. Please list down all the factors you feel are relevant.

Okay, so I feel that sourcing would be that of fuel and aircrafts. While I know that the suppliers are well established, I feel that the company should follow green sourcing policies prevalent, which means conducting green audits to analyse the entire supply chain. We could also look at a mix of biodiesel and normal fuel something which was tried by Spice Jet.

Okay, what else?

That would cover sourcing. Next, I would like to come to planning operations. This would include flight & crew scheduling, route selection etc (refer value chain). The flights need to be planned such that it minimizes the fuel use. This would involve better scheduling, not flying flights at less than capacity and reducing idle waiting time at the runway.

Okay. Could you think of a metric in this respect which would be useful?

Fuel/passenger. I think we should focus on reducing this.

Okay. Please continue with your initial analysis.

So, after planning, I would like to look at the pre-flight operations. This would involve ticket counter operations, gate operations, baggage handling, pre-flight bus service. We could look at going paperless, removing paper tags and using e-boarding passes. We could also look to use aerobridges to reduce fuel use in operating buses.

Don't you think there is an inherent flaw here? Do you think e-boarding passes would work?

I think it would require a buy in from the other flight operators.

Is that all? Don't you think you would need a buy in from anybody else?

I apologise. We would require the buy in of the CISF which I feel might be difficult.

Correct! Please continue with your analysis.

Next, I would look at in-flight operations. We could look at avoiding the use of plastic on board. We could look at bio-toilets, food sourcing contracts where reusable packaging material is used.

Fair enough. What else?

After this, we would come to outbound logistics. I'm trying to think of areas where we could come up with something but cannot come up with anything else under this.

Do you think you have missed out any major factor in your overall analysis? What do you think a major airline operator will need to have to sustain its operations?

I apologise, I had missed its corporate offices. An airline would have offices all over the country. We could look at sustainable practices there. Use of solar energy, going paperless etc to reduce our overall carbon footprint.

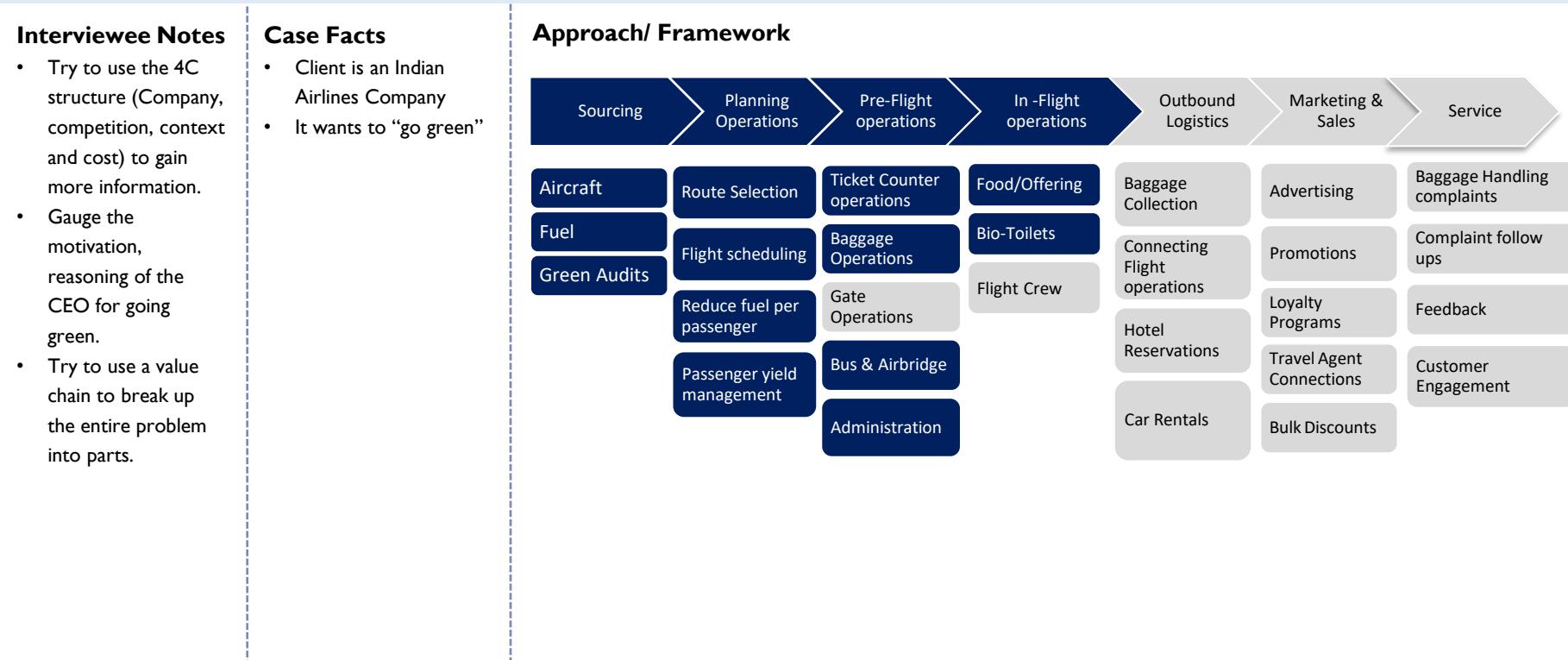
Okay, Sounds good. Could you summarize the case for us?

The problem we had in front of us was to help our client go green. After analysing the relevant functions in the value chain, we came up with areas where the client could implement different techniques. It starts with green sourcing, better planning of flight operations to reduce fuel/passenger, reducing use of paper and tags in the pre-flight operations, reducing use of plastic in in-flight operations and also incorporating sustainable practices in the corporate offices of the firm. This would help our client go a long way in achieving his goal.

Okay. Thank you.

'Go Green' strategy

Your client is the CEO of an Indian Airlines Company. He has approached you, a consultant at a top notch firm to help him make his firm go green. How do you go about it?



Key Learnings:

- The interviewee should first clarify what "go green" means. Then he/she should understand more about the company and operations. Finally the problem should be broken up into a value chain to simplify it.
- Give recommendations under each bucket in the value chain. Be exhaustive.
- If the industry is familiar, comparisons with companies you know about would help in providing recommendations.

Operations strategy (FMCG) – Interview Transcript

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

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

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

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

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

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

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

Thanks for the information. I would now like to look at the channels and ask you more questions along the need if need be.

I want to divide the channels into General Trade (your small kirana shops), Modern Trade (the marts) and e-commerce. Is there a particular channel that you want me to look at first?

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

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

Sounds good. How will proceed?

Sure. I would like to take a minute here to gather my thoughts.

(After a pause)

So focusing on General Trade, I would like to analyze this through the lens of benefits-engagement possibilities. We should typically strive to be in a high engagement and high benefit category for the distributor.

Benefits can be broken down into monetary benefits like margins offered and non-monetary benefits could be further broken down into operational benefits or non-operational benefits. The former is the level of help that we can offer our distributor in their own operations like sharing of best practices in terms of MIS, Inventory management, fire safety etc. The latter are things like loyalty points or other incentive schemes.

Engagement would look at quality and quantity of engagement. Quantity depends on number of visits an Area Sales Manager might make and the amount of time spent on per engagement. The quality aspect would refer to the channel of engagement and behavior of the sales manager. We can look at more factors if need be.

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

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

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

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

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

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

Operations strategy (FMCG)

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

Interviewee Notes

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

Case Facts

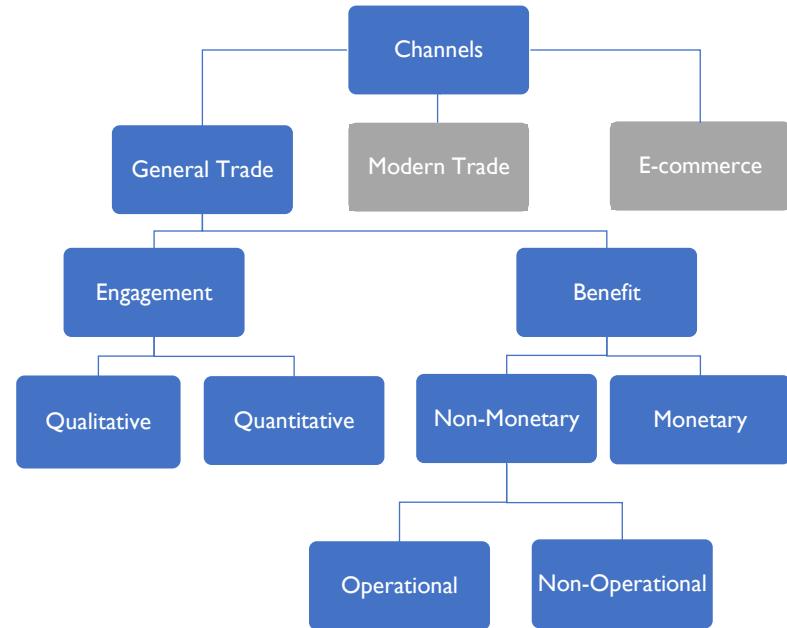
- India based FMCG
- Leading player (1/3)

Approach/ Framework

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

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

External



Recommendations:

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

Key Learnings:

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

Declining website traffic – Interview transcript

The client is a web based media news aggregator platform. The website has been seeing a drop in traffic off late. Diagnose and recommend solutions

I would like to confirm the objective before I proceed. The client's website has seen a drop in traffic, and they want to figure out why this is happening and fix it. Is there another objective?

No other objective

Okay, I have a couple of questions. What exactly do you mean by traffic? Would you count the same user accessing through different mediums such as phone, laptop, etc., as separate traffic?

Good question, we consider every hit on our website as traffic, regardless of which user it is. So to answer your question specifically, yes, we would recognise that as separate traffic.

Thank you. Going further, I would like to check if there is any data regarding the change in traffic over the last two-three timeframes. What is "off late"? How was the trend before that?

We've been seeing a steady decline in number of users since about 6-7 months now. Before that, we were witnessing healthy traffic growth rates, ~ 20% every year since inception in 2016.

Alright, by decline you mean an absolute decline in the total number of users and just not a decline in the growth rate, right? Also, is this an industry-wide issue?

Yes for both.

Alright, thank you. So just to summarise everything so far, the website has been seeing a decline in hits on the website over the past few months, which goes against the general trends observed over two years.

Sounds good.

I believe that traffic can be broken down into traffic from first time users and traffic from repeat users. Do we have any data regarding which of these two segments have taken a hit?

Yes, we have data saying that the number of new users are still growing at a steady rate, while the number of repeat users have been declining at a pretty quick pace.

Thank you. I shall look into the possible reasons for a decline in traffic from repeat users now. I believe that a user looks for three things when using a website, especially a content site like a media aggregator. The first would be the quality of the content, the second would be the cost of the content, and the third would be the delivery of the content. I shall delve into these to figure out where the issue is stemming from.

Okay, go ahead

Firstly, has the quality of the content we are delivering to consumers changed in any way in the last six months? Has the editorial team changed? Have the journalists changed?

No significant changes

Just a follow up, has the competitive scenario changed in the last few months? Has there been a new entrant that provides what consumers perceive to be better content? Have our current competitors invested in better content?

No, no significant change in the competitive landscape either

Alright. Do we know if the pricing of the website has changed in the last six months, with something like a free trial for first time users? Has a significant competitor reduced their prices or changed their pricing structure recently?

No, none of us have made any changes to the pricing structure in the relevant timeframe.

Alright, I think the issue stems from the delivery of content. I shall break this down in to two components: operational and aesthetic, and then drill down. Has the website speed slowed down in the last few months? Have there been any recent changes in architecture that has changed the access speed for users?

Good guess, but no. No infrastructural changes as such. Load speeds are intact.

Alright, so I believe that the website's aesthetics have changed in some sense. Do we have any data regarding a major design overhaul of any sort?

No, nothing of that sort

So the website's appearance and experience has not changed in any observable way?

Good question. While we have not performed any design overhaul, EU's new Global Data Protection & Regulation Act (GDPR) was enforced around the time we started seeing the decline. To comply with the act, we have to show a bright red visible banner that informs the user that the website is using cookies to track activity, and takes consent from him/her for the same.

Ah, so I believe that repeated visits to the website are becoming cumbersome owing to have to click on the large banner each time they visit the website, thus leading to an overall decline in the quality of the customer experience.

That is correct. Any recommendations for the same?

Without having a detailed sense about GDPR, I propose the following:

- Make the banner less flashy and intrusive, but visible. So any changes to the color scheme and the font type to make it less in-the-face can help reduce the impact on the customer

- Focus on developing quality content: While the website now is only a media aggregator, the company can take steps to develop exclusive content with top writers so that users are forced to put up with the banner in order to consume quality content.

- Move away from a user tracking model, and consolidate content delivery as the only feature. Remove features that require user data. This would also help allay fears that the website can be used to influence public opinion based on popular sentiment.

That will be all, thank you.

Declining website traffic

The client is a web based media news aggregator platform. The website has been seeing a drop in traffic off late. Diagnose and recommend solutions

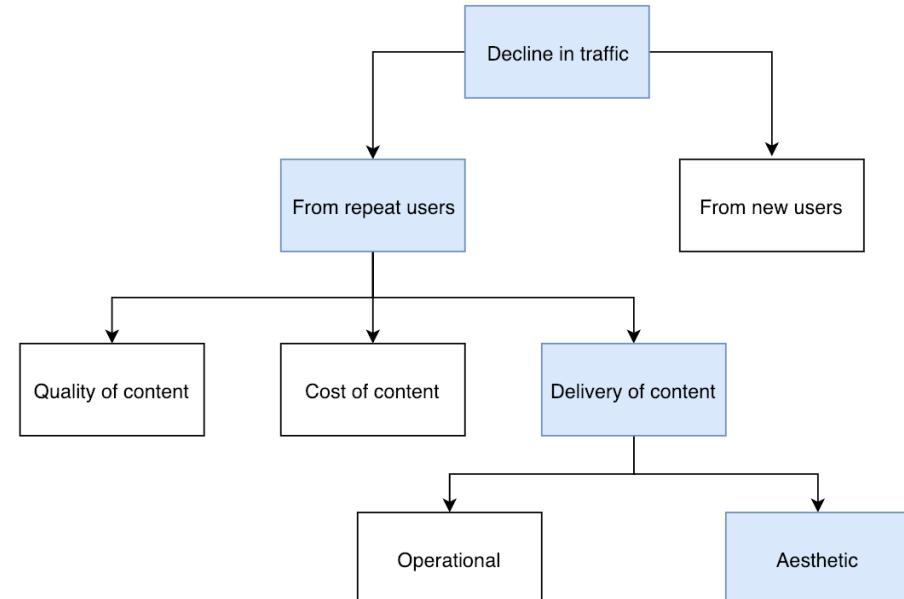
Interviewee Notes

- Steady growth rates previously
- Problem is with retention of users
- Identify drivers of repeat users
- Understand the factors that could lead to attrition

Case Facts

- Industry wide issue
- No problem with new users
- No new competition
- No changes in pricing by any of the companies
- No change in content quality

App



Recommendations:

The issue is with the new, obtrusive, legally-mandated GDPR cookies banner, which is ruining user experience. Thus,

- Make the banner less flashy and intrusive, but visible.
- Focus on developing quality content.
- Move away from a user tracking model and consolidate content delivery

Key Learnings:

- There were some redundant questions given that the interviewee had identified that the problem is not company-specific but industry-wide. Such questions should be avoided.
- It is important to take time and think the framework/approach through clearly in cases such as this one where none of the conventional frameworks can be applied. (Can be looked at, through the lens of Company, Customer, Competitor and Product)
- It might be worthwhile knowing some common digital marketing terms such as bounce rate, click through rate etc.

Risks of oil transportation company – Interview transcript

Your client is a transport company, which has been offered a contract to transport oil for an oil rig company. We need to decide if it should take the contract or not.

Okay. Is our client specifically into oil transport, or are the transportation areas diverse?

No, our client is not into oil transport right now. It is diversified in terms of what it transports.

Okay. How long is the contract for?

The contract is a long term one, and will last for approximately 15-20 years

Okay. Where is the oil rig company located, and where is the customer located?

The oil rig company is located in the Middle East, and the customer is located in the USA.

Alright. Does the client own any ships that might be suitable for this purpose?

No, the client doesn't currently own any suitable ships. They will have to purchase new ships to do the job.

Okay, so that is a large initial capital expense. Can these ships be used elsewhere?

No, these ships can be used only for this purpose

In that case, the large capital expense would be justified only if the long term returns are good enough to cover the costs. Are we expecting any other contracts of this nature?

Yes, we expect that we shall get more contracts in the future, as the demand for energy in these areas is increasing.

Okay. Now I would want to look at the long-term profits for the company. Do we have any data for expected profitability?

No, we don't have the numbers for the profitability. We would like you to assess the risks associated with the contract.

I'd like to segment the risks down bucket wise. According to me, the company faces geopolitical risks, economic risks, labour related risks and general risks. Does that cover the risk areas of the client? Additionally, is there any specific bucket that you'd like me to focus on?

Yes, you may proceed further with these risk buckets. We don't want you to focus on a particular risk bucket, just give a general analysis of the risks faced by the company.

Okay. In the geopolitical risks, the company may face trade embargoes in case there is an unrest in the region, as the Middle East is a very sensitive region. Additionally, the change in the tax laws in either of the countries might lead to extra costs.

How do you plan to solve this problem?

In case of trade embargoes, we might look to source the oil moving to the USA from another country, and use land routes to cover the deficit in that region. For tax laws, we can include provisions in the contract to ensure that the additional cost is passed on to the customer.

Okay, please proceed further with the economic risks.

There might be an increase in the transportation costs for our client, or the oil prices might decrease. If our contract has a variable component that is impacted by the prices, then we might be facing reduced revenues because of this. Also, in case we are purchasing the ships, we might face cost problems if the client backs out.

What's your solution to this problem?

We can try to sign futures contracts, and fix the charges within a certain range, in order to ensure that we are not adversely impacted by a price fall, that is, our downside is minimised. Similarly, we can pass on prices to the customer to an extent in case of transportation cost increase. To handle the purchasing of ships, we can choose to lease the ships till we get confirmed contracts from other clients as well. Short term leases would be the best option. Additionally, we should include provisions for compensation in case of cancellation of the contract.

Okay. What are the labour related risks that we might face? Additionally, please provide solutions with the problems.

Okay. We have to employ highly skilled labours, as any issues with handling might lead to oil spills, that will lead to economic losses as well as a hampering of our client's reputation, besides causing environmental destruction. This might be a high cost factor, and hence the client could have training programs in case they land more oil contracts.

Alright. Are there any other risks that you'd like to look at?

Yes. There are a few general risks that the client might face. First, we should look at the ship's occupancy, and see if they're being optimally utilised in transportation. Additionally, in the contract structure, we should ensure that there is no exclusivity clause, and that the requirement of deliverables is within our reach. Finally, we might also want to look at the entry/exit barriers in the market, since if it is a lucrative market with a low entry barrier, we might face competition in future contracts.

Okay, that seems comprehensive enough. Thank you.

Risks of oil transportation company

Your client is a transport company, which has been offered a contract to transport oil for an oil rig company. We need to decide if it should take the contract or not.

Interviewee Notes	Case Facts	Approach/ Framework																												
<ul style="list-style-type: none"> Qualitative case, no numbers provided Instead of focussing on one specific issue in depth, candidate was required to cover a breadth of issues 	<ul style="list-style-type: none"> Client is a transportation company with no prior oil experience It is facing cost issues with more than one beer product 	<table border="1"> <thead> <tr> <th data-bbox="662 367 912 453">Geopolitical Risks</th> <th data-bbox="988 367 1238 453">Economic Risks</th> <th data-bbox="1315 367 1564 453">Labour Related Risks</th> <th data-bbox="1622 367 1841 453">General Risks</th> </tr> </thead> <tbody> <tr> <td data-bbox="662 453 912 540">Trade embargoes</td><td data-bbox="988 453 1238 540">Increase in transportation costs</td><td data-bbox="1315 453 1564 540">Need to employ highly skilled labour</td><td data-bbox="1622 453 1841 540">Low ship occupancy</td></tr> <tr> <td data-bbox="662 540 912 626">Sol: Re-routing via Asian countries</td><td data-bbox="988 540 1238 626">Variable component on oil prices</td><td data-bbox="1315 540 1564 626">Sol: Develop a training program to reduce hiring costs</td><td data-bbox="1622 540 1841 626">Exclusivity clause in contract</td></tr> <tr> <td data-bbox="662 626 912 741">Tax law change</td><td data-bbox="988 626 1238 741">Sol: Sign futures contracts to fix price</td><td data-bbox="1315 626 1564 741">High capital investment</td><td data-bbox="1622 626 1841 741">High requirement of deliverables</td></tr> <tr> <td data-bbox="662 741 912 856">Sol: Contract structured to charge customer accordingly</td><td data-bbox="988 741 1238 856">Sol: Lease ships for short periods</td><td data-bbox="1315 741 1564 856"></td><td data-bbox="1622 741 1841 856">Sol: Structure contract accordingly</td></tr> <tr> <td data-bbox="662 856 912 943"></td><td data-bbox="988 856 1238 943"></td><td data-bbox="1315 856 1564 943"></td><td data-bbox="1622 856 1841 943">Low Market entry/exit barriers</td></tr> <tr> <td data-bbox="662 943 912 1015"></td><td data-bbox="988 943 1238 1015"></td><td data-bbox="1315 943 1564 1015"></td><td data-bbox="1622 943 1841 1015">Sol: Secure long term contract to avoid competition</td></tr> </tbody> </table>	Geopolitical Risks	Economic Risks	Labour Related Risks	General Risks	Trade embargoes	Increase in transportation costs	Need to employ highly skilled labour	Low ship occupancy	Sol: Re-routing via Asian countries	Variable component on oil prices	Sol: Develop a training program to reduce hiring costs	Exclusivity clause in contract	Tax law change	Sol: Sign futures contracts to fix price	High capital investment	High requirement of deliverables	Sol: Contract structured to charge customer accordingly	Sol: Lease ships for short periods		Sol: Structure contract accordingly				Low Market entry/exit barriers				Sol: Secure long term contract to avoid competition
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Recommendations:

- Ensure that most of the risks are mitigated in the contract signed with the client's customer
- Minimise capital risks by using short term leases on ships instead of purchasing them

Key Learnings:

- It is important in cases like this to be comprehensive, and hence bucketing the problems into different sections helps in structured thinking
- Most of the risks faced by the client should be problems which have solutions available and can be thought of within the interview
- If there are genuine risks without possible solutions, you could advise against the contract

Variable pay structure – Interview transcript

Our client – an Indian company dealing in precious stones has appointed a Head – Sales on the agreement for a fixed monthly pay and a variable pay at the end of the year. You have been asked to suggest the variable pay.

OK, so first I would like to understand about the company in terms of its Products, Customers and Operations?

The company is a trader in precious stones of the likes of diamonds, pearls, etc. The turnover is close to Rs. 200 cr+. Majority of the revenues come from the United States, France and Belgium.

Just like to know a little about the previous head for sales – why was he fired, what was his pay and what is the fixed pay being given to the current resource?

He was fired because of dip in revenues. His CTC was Rs. 1.2 crores and we have been paying a fixed amount of Rs. 7 lakhs per month.

Now, I would like to analyse the various factors that could help us in determining the salary for a Head – Sales. I can think of the following – Strategic Changes implemented, Increase in Revenues, Retention and motivation of Sales Force, Industry Benchmark for compensation, Previous salary. Is there anything you think I have missed out on ?

No, I think this is comprehensive. Go ahead.

OK, so the would like to first ask the industry benchmark and how much was the Head paid in his previous job?

For the sake of simplicity, let us assume that the salary we paid to our previous resource is the benchmark and his CTC in his previous company was Rs. 80 lakhs.

Okay. Also, I am making an hypothesis that the strategic changes and motivation of workforce are usually long term in nature and their impacts would be visible more in the longer term. Is it fair to go ahead with this assumption ? Although we may consider the initiatives taken.

Yes, that's a fair assumption. You can let them be for now.

Okay, so has our revenue increased in the previous year?

Yes, it has.

I would then like to analyze the revenues into : No. of customers, Revenue per customer, Product Mix

Okay. Number of customers and product mix has remained the same.

So, is it fair to assume that the prices charged to customers have increased.

No, the prices are as per contractual terms which are quoted in US Dollars have remained the same.

Then it must be the depreciation of the Rupee because of which the Revenues have increased.

Well, indeed yes. The rupee depreciated by 15% during the previous year and the increase in revenue has been commensurate to that.

Then the profits of the other players in the industry would also have increased by the same amount and hence the Head – Sales might have negligible role to play in the revenue increase.

That's right

In such a case, it is proposed to give him a 10% hike which he would expect as a change in job profile and make his CTC to Rs. 90 lakhs. I believe that 1 year is too little a time to judge the mettle of a Manager as senior as him. And hence, he should be give little more time to show results.

Okay, agree with your contention

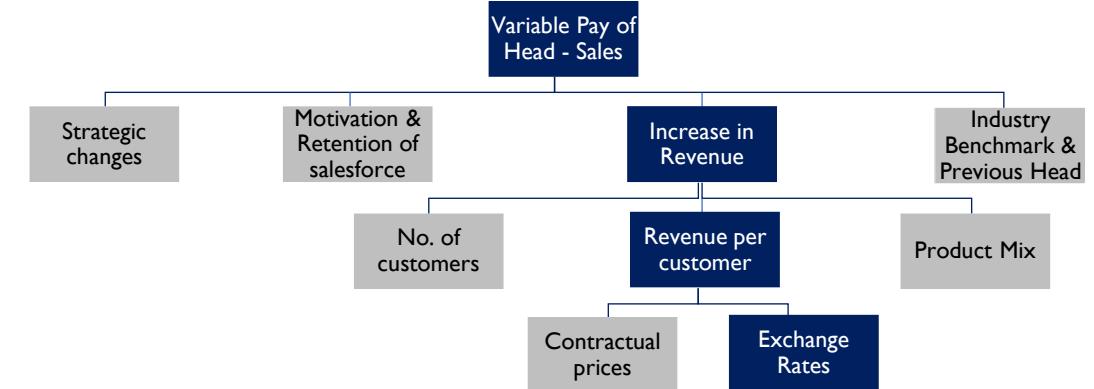
Is there anything else you would like me to analyse for this case ?

No, that will be all.

Thank you.

Variable pay structure

Our client – an Indian company dealing in precious stones had appointed a Head – Sales on the agreement for a fixed monthly pay and a variable pay at the end of the year. You have been asked to suggest the variable pay.

Interviewee Notes	Case Facts	Approach/ Framework
<ul style="list-style-type: none"> Devising the variable pay structure. Previous Head removed for lower sales. Pay to previous Head was benchmarked to Industry Contractual terms have remained the same for all customers Increased revenue for entire industry 	<ul style="list-style-type: none"> Company dealing in precious stones – diamonds, pearls Major customers – US, Europe Fixed monthly pay – Rs. 7L pm Pay to previous Head – Rs. 1.2 Cr. Pay to current head in previous company – Rs. 80 L 	 <pre> graph TD A[Variable Pay of Head - Sales] --> B[Strategic changes] A --> C[Motivation & Retention of salesforce] A --> D[Increase in Revenue] A --> E[Industry Benchmark & Previous Head] D --> F[Revenue per customer] F --> G[No. of customers] F --> H[Contractual prices] F --> I[Exchange Rates] G --> J[Product Mix] </pre> <p>The flowchart illustrates the approach to determining variable pay for the Head - Sales. It starts with a central box labeled "Variable Pay of Head - Sales". Four arrows point from this central box to four separate boxes: "Strategic changes", "Motivation & Retention of salesforce", "Increase in Revenue", and "Industry Benchmark & Previous Head". From the "Increase in Revenue" box, three arrows point to "Revenue per customer", "No. of customers", and "Contractual prices". Finally, an arrow points from "Revenue per customer" to "Exchange Rates", and another arrow points from "No. of customers" to "Product Mix".</p>

Recommendations:

- Give a 10% hike over and above salary in previous company.
- 1 year is too little time – give the Head – Sales more time to prove his/her mettle.

Key Learnings:

- Do not forget about exchange rates.
- A simple increase in revenue case, may be camouflaged into an unconventional case.
- This case can also be approached from a pricing perspective- consider the previous manager's salary, competitor's salary and value added by the manager

Horizontal integration in E-commerce – Interview Transcript

The CEO of Flipkart has reached out to you to evaluate the business opportunity of merging Flipkart Fashion, Myntra and Jabong to realize economies of scale. Could you advise the clients on the same?

Before analyzing the problem statement, I would like to understand our client better. What are the three businesses and how are the three different?

You may assume them to be three different subsidiaries of Flipkart catering to Apparel and Fashion Accessories. Myntra basically caters to middle age women, providing modern Indianwear. Jabong on the other hand, is more youth oriented and emphasizes strongly on latest fashion and westernwear. Flipkart Fashion is more generic, catering to all three of them.

Great. Is there any specific, tangible objective the client has behind this merger?

The client feels that he can increase revenue while decreasing cost through this. However, other executives have cited concern over this. He wants to maximize profits for Flipkart both in the short and in the long run.

Alright. Could you help me understand which set of operation are we looking to merge? Both frontend and backend?

Yes, we are open to all sorts of integration. The client wants to integrate atleast some portion, if not all, of both frontend and backend

Great. I would like to take a minute to structure my thoughts around the same. I would like to divide the analysis into three aspects: a) Financial Feasibility, where I would like to focus on Revenues and Costs; b) Operational Feasibility, where I would analyze the creation of synergies in the value chain; c) Risks involved where I would focus on Internal and External Risks that could affect us in the long run.

That seems to be fine. Let's begin the analysis.

There are two revenue streams of Flipkart: From transactions and from advertisers. The transactional revenue is depended on the no of visitors on platform, % of them who get converted, transactions per customer and the sales value per transaction. Starting with the no of visitors, it depends upon the brand of the platform and the awareness among the users. We should decide what should be the name of the single platform. Since Flipkart is the most popular of them all, we should keep Flipkart. There might be Myntra customers who shop for other products on Flipkart. However, as seen in the world of social network, people today prefer specific portals over generic, particularly in an highly involved purchase like apparel. Hence, there is a risk we might lose out on customers in the short run.

True. However, there would be Jabong customers who would be moving out of the target customer base. While they would drop off the platform in the shortrun, the integration would ensure they still find the platform useful.

Absolutely. However, we must also consider the positioning of the brand eventually. Myntra is famous for modern Indianware, which would play a large role in attracting its customers. Switching the positioning to a generic platform might entail losing out on a long-standing goodwill. We might have to consider promoting across all platforms equally, as our customer base would be highly heterogenous. Even if the customer is aware, the next step is downloading the app or hitting the website. It is there we would be realizing huge benefits of scale. Due to low phone memories, particularly in rural India, people generally would prefer keeping only 1 app in the mobile instead of 3. Integrating the platforms would help us cater to the entire family of users through the single app.

True. However, the client is concerned that the integration would make both the website as well as the app very heavy for download.

True. For website, we can think about having an easy to load homepage, which would gradually open to subsequent pages to better manage download. For app, we must divide the entire download into two parts, first the default app which should be small. Subsequently, on every usage, we should download live data of the page from the server, to better manage the size. The major concern for me is that a platform like Flipkart would not be able to provide the specific, personalized filters available on Jabong/Myntra related to apparels. However, due to large amount of data, would be able to gather a lot of customer data to better curate recommendations

Absolutely. Anything else you would like to add?

We can also look towards providing a uniform loyalty program with which every customer is able to benefit for every purchase on the platform, be it for himself or for his family. With recommendation system, cross-selling would also improve, thereby leading to better loyalty.

We can also leverage the loyalty program to create discount programs and product bundles. Can I move to the advertisement revenue now?

Yes, how do you think that would be affected?

Advertisement revenue could further be split into no of advertisers that we would enroll, the frequency of ads they demand, the impressions per ad and the price per impression. I feel that since the space would be limited along with a generic platform, apparel brands who used to target specific customers might feel their brand get diluted on a generic platform like Flipkart. However, we would be able to target a lot of non-apparel brands as Flipkart hosts a wide variety of products. Since the number of visitors would increase as all of them would arrive on one platform over three, the impressions would increase. We can further improve impressions by creating targeted advertisements based on rich data we would be getting, further enhancing the per impression price.

Great. That looks comprehensive. Could you also look into the operational aspects, their synergies and the impact on costs.

Sure. For this, I would be creating the entire value chain. We would first need developers to maintain the app, which would be just one as compared to three. Suppliers and sellers would be apprehensive as now the competitions would increase manifolds for them. However, in the long run, due to network effect and high switching costs, the customer turnout would increase, reducing the bargaining power of sellers. We would also be able to capitalize heavily on logistics and warehousing expenses with the increase in scale. For after-sales service, a uniform employee force would lead to cost saving along with optimization of marketing expenditure.

What are the possible risks associated with this merger? Which all stakeholders we should be most concerned off?

The first is the legal aspect to it. CCI might be against creating a firm with such a large market power. We should also consider if the integration would be culturally unfit. Myntra and Jabong are different in terms of organization, goals and positioning. This would otherwise deter the synergies we aim to capture through the combined platform.

Fine. Could you summarize your recommendations as to what steps should the client take on the same?

The client should look to immediately consider the integration as far as the backend is concerned, as it would help in reducing cost without hampering customer purchase. However, the client should duly consider slow progress as the foundations of the resulting large organization should be strong. In the front-end, the client should run a pilot about the positioning and the brand name to understand customer response. If the response is positive, it should go ahead with integration on that end as well. If not, the three platforms should be maintained separate with a common loyalty program. This would improve visibility of the three platforms, allowing for an integration 2-3 years later.

Horizontal integration in E-commerce

The CEO of Flipkart has approached you to evaluate the opportunity of integrating the Flipkart- Fashion division of Flipkart, Myntra and Jabong together into a single entity. What components of the three businesses should he integrate and what he should not?

Interviewee Notes

About the business

Three different subsidiaries

Myntra:

Target age - (>35) years

Fashion - Indianware

Jabong:

Target age - 14-35 years

Fashion - Westernware

Flipkart:

Target age – 14-60 years

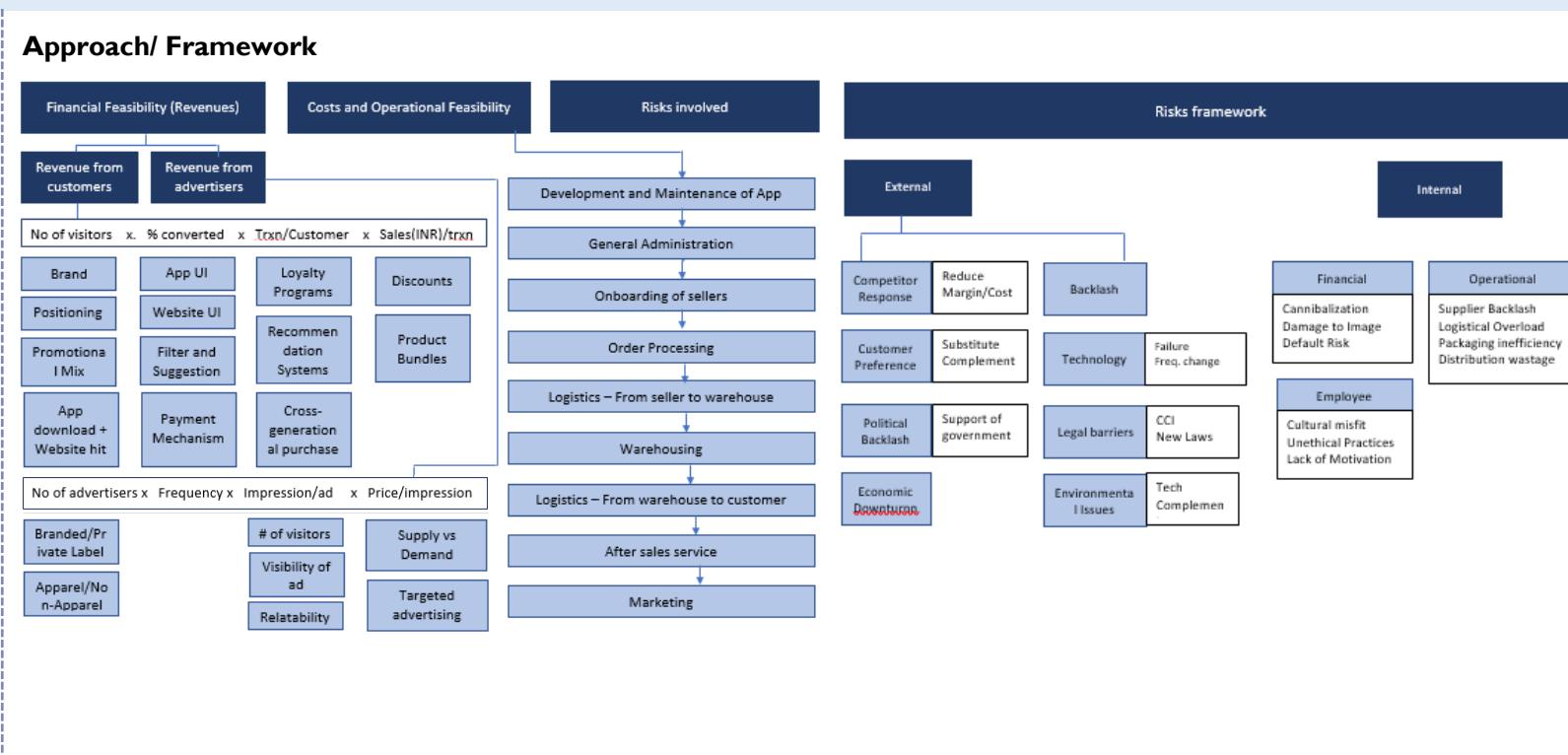
Fashion – All

Objective of integration

To maximize revenue potential in the long run

Scope of integration

Open to all avenues: complete integration under 1 label to integration of some part of businesses



Recommendations:

- The client should submit a proposal for backend integration of the operations of the three companies to realize economies of scale
- It should conduct a pilot with regards to front end integration, to gauge customer response
- Even if it is not satisfactory, the client should consider incorporating a common loyalty program to improve customer loyalty, drive traffic across the three platforms, and create a rich database for targeted advertising, thereby improving advertisement revenue

Key Learnings:

- The scope of this case is extremely wide and thus the interviewee should ask if the focus needs to be on a specific aspect (Eg. Finances or operational synergies or risks and so on)
- Human resources and cultural integration is an important aspect to consider in mergers

Threat of new entrant – Interview Transcript

Your client, C-Mart is the largest discount grocery retailer in West India with 300 stores. For several years, C-Mart has surpassed the second-largest retailer (200 stores) in both relative market share and profitability. However, the largest discount grocery retailer in North India, N-Mart, has just bought out C-Mart's competitor and is planning to convert all 200 stores to N-Mart stores. The CEO of C-Mart is perturbed by this turn of events, and asks you the following questions: Should I be worried? How should I react? How would you advise the CEO?

This is how I would like to approach the problem: First, I'd like to understand the market in West India to understand how C-Mart has become the market leader. Then I'd like to look at the market in North India to understand how N-Mart has achieved its position. Finally we can merge the two discussions to understand whether N-Mart's strength in North is transferable to our market.

That sounds fine. Let's start with our market.

I'd like to understand what is causing C-Mart's higher profitability. Is C-Mart more profitable because it has more stores, or does it have higher profits per store?

It has higher profits per store.

Higher profits could be the result of lower costs or higher revenues. Do we have any indication on which of the two is causing the higher profits per store?

C-Mart's cost structure is similar to that of competitor's but it has higher per-store sales.

Higher per store sales could be because the prices are higher or quantity sold per store is higher.

Since we are a discount retailer, our prices need to be competitive. Quantity sold per store is higher. Can you think of why this could be the case?

This could be because our stores are larger, C-Mart has greater product variety or because the stores are better managed.

Our store size is similar and we sell similar products to competitors. C-Mart's stores are managed differently from those of competitors. C-Mart uses a franchise model in which each individual store is owned and managed by a franchisee who has invested in the store and retains part of the profit.

In that case, I would guess that the C-Mart stores are probably better managed, since the individual storeowners have a greater incentive to maximize profit.

You are right. C-Mart's higher sales are primarily due to a higher level of customer service. The stores are cleaner, more attractive, better stocked, and so on. I think you've sufficiently covered the Western market-let's move now to a discussion of the North Indian market.

How many stores does N-Mart own in the North, and how many does its closest competitor own?

N-Mart owns 2,000 stores and its largest competitor owns approximately 500 stores.

Are N-Mart stores bigger than those of its competitors?

Yes. N-Mart stores average 20,000 square feet, whereas competitor stores are 10,000 square feet.

This suggests that N-Mart should be selling almost 8 times the volume of the nearest competitor.

Close. N-Mart's sales are approximately 5 times that of the nearest competitor.

I would think that sales of that size give N-Mart significant clout with suppliers. Does it have a lower cost of goods and hence lower prices than the competition?

In fact, its cost of goods is approximately 15 percent less than that of the competition and its prices are on average about ten percent lower than those of the competition.

I think I've learned enough about N-Mart. I'd like to ask a few questions about N-Mart's ability to succeed in the West. I'd first like to understand whether N-Mart has a strong brand name in our market and does it carry products similar to C-Mart's?

N-Mart has no brand recognition in the West. The two companies carry similar products, although the C-Mart stores lean more heavily toward local suppliers.

Is there any reason to think that the costs of doing business for N-Mart will be higher than they are for C-Mart in the West? Specifically, is N-Mart likely to have higher labour costs, leasing costs or higher raw material or distribution costs? N-Mart might incur higher distribution costs than C-Mart because it will have to ship products from its Northern warehouses to the West.

You are partially right. C-Mart must also cope with the same labor costs. C-Mart has the advantage in distribution costs, since it gets more products from Western suppliers. However, since C-Mart continues to get a good deal of product from the North, the actual advantage to C-Mart is only about two percent of overall costs.

All this suggests that N-Mart will be able to retain a significant price advantage over C-Mart's stores: if not ten percent, then at least seven to eight percent.

I would agree with that conclusion. Can you please summarize your findings?

In the near term, C-Mart might be safe. Its stores have a much stronger brand name in the local market than N-Mart's, and they seem to be well managed. However, as consumers get used to seeing prices that are consistently seven to eight percent lower at N-Mart, they are likely to shift to N-Mart. The CEO certainly has to worry about losing significant share to N-Mart stores in the long term.

Can you suggest possible strategies for C-Mart?

Given that in discount retailing competitive prices are a key way to retain customers, C-Mart can look at the value chain from procurement to distribution to retailing and see where it can cut costs and hence offer more competitive pricing. In procurement, it can try negotiating competitive prices with suppliers. It might want to consider offering fewer product lines, so that it can consolidate buying power and negotiate prices with suppliers that are more competitive. In distribution it could try cutting down on transportation costs. With retailing, it can look to negotiate lower margins for retailers if possible. Finally, they might want to consider instituting something like a frequent shopper program, where consumers accumulate points that entitle them to future discounts on merchandise.

Thank you. All your suggestions are interesting and worth analysing further.

Threat of new entrant

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

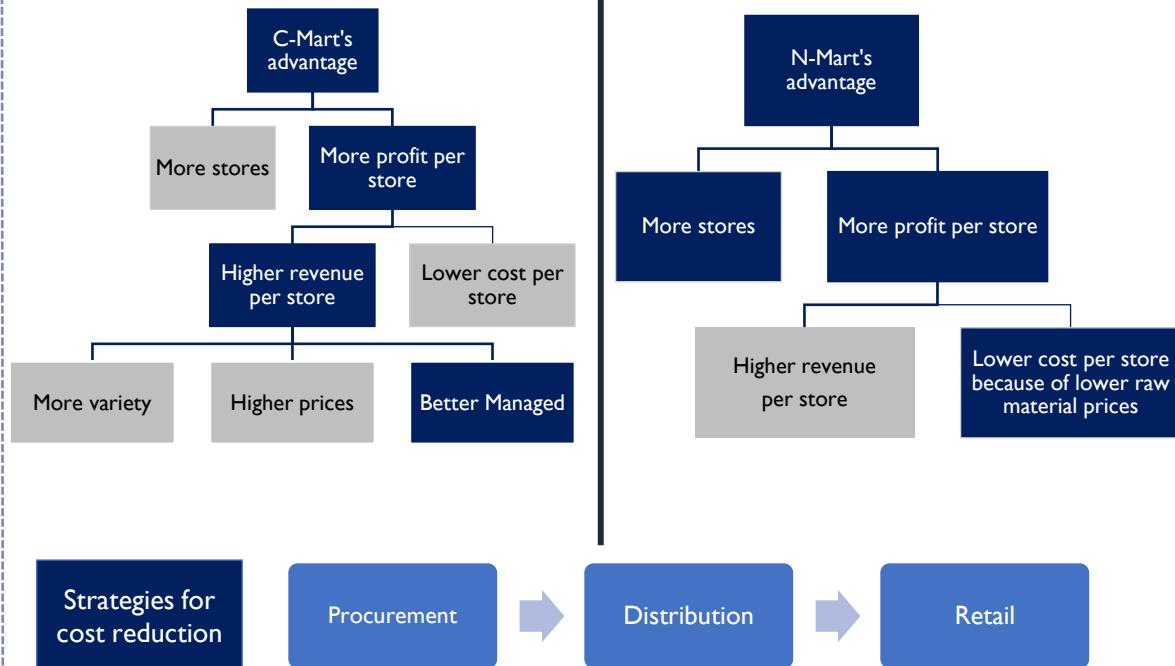
Interviewee Notes

- Understand C-Mart's competitive advantage (in terms of profitability)
- Understand N-Mart's competitive advantage
- Can N-Mart's competitive advantage be transferred to West?
- C-Mart has 300 stores compared to nearest competitor's 200 stores
- N-Mart has 2,000 stores compared to its nearest competitors 500 stores
- N-Mart sales are 5x that of nearest competitor
-

Case Facts

- C-Mart: market leader in West
- N-Mart: market leader in North
- C-Mart: no cost advantage
- C-Mart: franchise model – better managed – higher sales
- N-Mart: large bargaining power with supplier

Approach/ Framework



Recommendations

- It is important to cut costs to compete with N-Mart
- Costs can be cut in
 - Procurement: Negotiate lower prices with suppliers
 - Distribution: Cut transportation costs
 - Retail: lower retailer margins and introduce loyalty programme

Suggestions/Observations

- An alternative approach would be to divide the threat of new entrant into the following buckets- Scale economies, product differentiation, brand identity, switching cost, access to distribution channels/raw material/technology, capital requirements and Government protection

Drug pricing – Interview transcript

Your client is WHO and they are concerned with the cyclicity in the prices of Malaria medicine and want your help to figure out why this is happening.

Before I begin solving for the root cause, I would like to understand the facts of the case better. (1) What exactly is the cyclicity pattern-annual or something else and for how long have we observed this? (2) What is the magnitude of amplitude of cyclicity? (3) Are we considering global changes or restricting to a geography?

Fair enough. (1) The cyclicity is annual with similar annual variations of highs and lows for about a decade (2) Let us assume that it's only a few percentage points but enough. I want you to focus on the qualitative aspects here. (3) Global.

Thanks. So, from the annual cyclicity, we can make two assumptions- (1) There is no structural industry level shift presently, though there might have been 10 years ago which we can explore later & (2) From a supply-demand perspective, it is unlikely that for a disease, the demand will have similar annual variations. So, I will assume that it is a supply side issue. Is it alright to go ahead with that?

You are quite right.

Oh alright. Can we assume that the supply cyclicity is the main reason and that it is opposite of the price cyclicity? In which case, I will like to understand the medicine a little more. Are we considering multiple variants? Also, what is the API (active pharmaceutical ingredient)?

Yes and you can assume that there is only one standardized product with one API which is chemically derived from a plant source grown through individual farming.

Oh alright. So, my strategy here would be 2 step- (1) Understand the model of flow of the product from farm to client to identify the location of supply bottleneck in a lean supply year. (2) Once that is identified, I would like to understand the factors contributing to that lean supply. To understand the first, am I correct in assuming the following process? (Exhibit 1)

The strategy seems good. You can assume that the problem is the total farm output cyclicity. All the other downstream steps are standardized.

Oh alright, thanks! Before I look at farm aspects, I want to highlight that lower outputs would increase cost at downstream steps also as fixed cost per unit will be higher when units are less. Ignoring that I would like to break down the total farm output as follows (Exhibit 2). I will consciously not be including external factors such as government policy and environmental factor changes as these are unlikely to have annual impacts. Before I proceed further, I would like to understand the spatial distribution of farmers and the type of farmers.

I agree with your assumption and the process map is good. To answer your question, the peculiar aspect here is that 95% averaged farm output comes from 4 eastern Chinese provinces from small and marginal farmers.

That is interesting! I would like to focus on these farmers then. Productivity and other factors are unlikely to be this cyclical. Thus, I would like to first focus on the macro aspects of number of farmers and area sowed per farmer. Do we have any data to suggest cyclicity in farmers sowing the crop each year?

Yes. All the other factors are fairly constant over the years but the farmer count is cyclical. Can you think of a reason why? Take a moment.

I think it can be because of two factors, either the farmers (1) CANNOT grow every year or for some reason (2) DO NOT want to grow every year. The first could largely be because of cyclicity in inputs to grow the crop, like seeds or specialized fertilizers and the second would largely be dependent on price realized last year. Given the case facts that the farmers are small and marginal and that there is price cyclicity, I am inclined towards the latter. There are more farmers growing in year N, which leads to more supply with a constant demand and thus prices fall. Next year there are less farmers, thus less supply and higher prices, leading to a cyclical behavior.

You are right. This is what we diagnosed the problem to be as well. Can you tell me the assumptions you are making here?

Sure. There are 3 fundamental assumptions- (1) The crop also has an annual growing cycle (2) The farmers arrive at the market at a similar time and thus do not have bargaining power and there are no losses and no storage infrastructure at the farm level (3) The introduction of the plant as a raw material must have happened 10 years ago replacing something else.

Great. This was well done. Best of luck for the subsequent rounds.

Thank you. It was a pleasure interacting with you.

Drug pricing

Your client is WHO and they are concerned with the cyclicity in the prices of Malaria medicine and want your help to figure out why this is happening.

Interviewee notes

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

Case Facts

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

Approach/ Framework

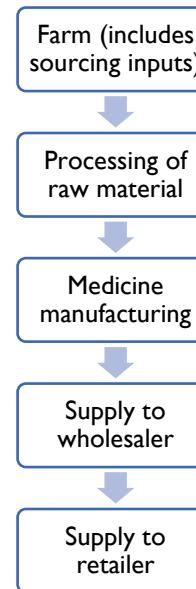
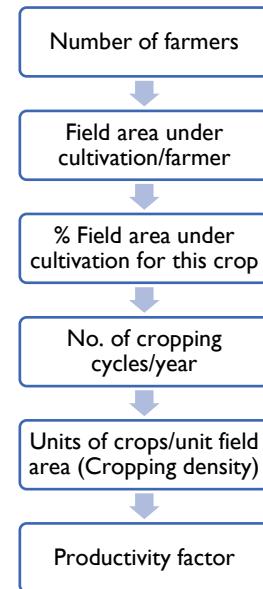


Exhibit I: Process map of the product production steps (Please note that transportation costs/processes discussion between any 2 processes will be discussed along with these if needed)

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



Recommendations

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

Observations / Suggestions

- The interviewee looked at it from demand and supply side, which can further be broken down into internal and external issues
- If you are not aware about the pharma industry, it is okay to ask the interviewer to give you a brief explanation of the same – In this case, the interviewee was aware about API, which he/she made use of in the supply chain

Declining response in a competition

You are the executive advisor to the Campus Branding team at ABC Ltd. ABC has launched its case study competition at premier b-schools. However, despite the overall increase in the number of students, the response from the students is lukewarm. ABC has asked for possible reasons and ways to increase the response rate amongst students.

Interviewee notes

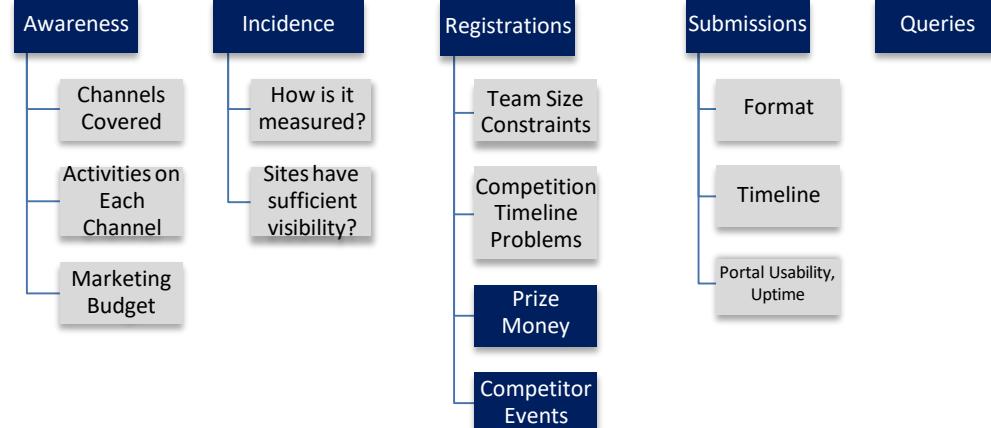
- Defining 'response' – registrations?
- Submissions? Response on social media?
- Likes have decreased in the first week itself (this is a major problem)
- Competitor scenario

Case Facts

- Last year 1300 students enrolled, out of which about 600 registered, and 200 submitted
- ABC has a FB presence which saw 500 new likes last year (spread over 2 weeks after launch of competition). This year, 100 likes in the first week.
- ABC is an old recruiter at these schools and has been having this competition for about 4 years now.
- A major competitor has also launched a case study competition at the same time with a prize money double that of ABC
- No increase in ABC's prize money
- Marketing efforts are the same as last year
- The number of likes on the social network has not grown in proportion to the number of students (scope for number work)

Approach/ Framework

Student Response Stages



A fleet size/shape modification may be desirable to increase seating capacity. This makes sense since Chinese flyers may differ from US-UK flyers in physique

The split of business-economy seats can be chosen to reflect to proportionate demand and utilisation.

Recommendations

- Incentive Strategy(this year): Since the prizes for this year have already been communicated through the marketing efforts, additional rewards in terms of goodies and PPIs can be communicated as a branding strategy for this year.
- Incentive Strategy (future): ABC should focus on not only the quality of the competition (difficulty, scheduling, etc.) but also on rewards being more competitive
- Marketing Strategy: ABC should aggressively market the case study competition on social networks to catch the students early. It should also schedule its competitions well ahead of its competitors to lock in participation. Further, students' schedules of exchange programs in certain b-schools should be considered. Providing support systems in the form of buddies, interaction forums, etc. can go a long ahead in giving a competitive edge to ABC.

Observations / Suggestions

This question involved seeking clarification on certain definitions such as 'response' and 'lukewarm growth'. It is essential to narrow down these broad terms to specific pointers using which the 'lifecycle – approach' can be deployed and the significant links can be identified. If a question revolves around conversion, one can think of the 'lifecycle – approach wherein, various stages of an agent's or activities lifecycle are enlisted. For e.g., in a purchase lifecycle, customer goes through a decision making stage, followed by purchase which is then followed by servicing and customer satisfaction, and finally repeat purchase. In this approach, different stages of conversion are listed and a weak/broken link is identified. A lifecycle approach also ensures MECE steps.

Strategic fit / Merger feasibility

Our client owns one of the largest global card payments networks. As of 2007, the consumer card payments business had reached maturity in the US and Europe, with stagnation in annual revenue growth. The client has identified a small start-up, currently a provider of payment services in the e-commerce industry, as a potential acquisition target. You have been called in to evaluate the potential acquisition, and provide guidance on the integration of these two companies, should the merger occur.

Interviewee notes

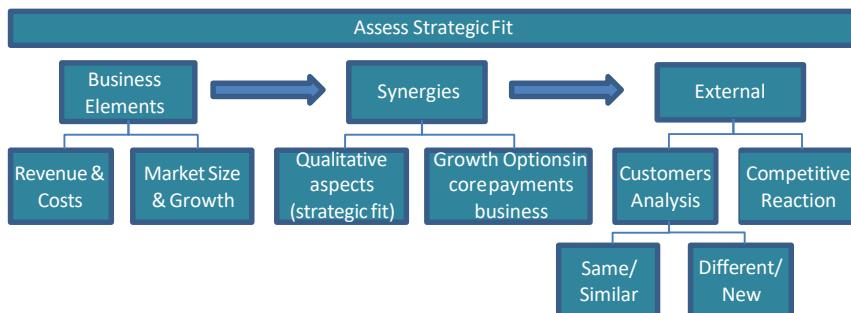
- How should a large organization such as our client evaluate this acquisition opportunity?
- What data would you need and what analyses would you conduct to develop a recommendation?
- The client does not have a track record of acquiring and successfully integrating small, innovative companies.
- What cultural differences will the client have to overcome? How would you advise the client to overcome them?

Case Facts

- E-Commerce has been identified as a key growth driver, as the industry has grown at 20% and is expected to grow at a 15% CAGR over next 5 years.
- PayPal, Amazon I-Click and Google Checkout dominate the industry, controlling over 50% of the market share. Our client's Senior Executives feel that they need a capability in E-Commerce, an area where they have historically lagged.
- The small start-up identified as the potential acquisition target has an innovative business model and has grown rapidly. It is a provider of micro payments for social networks, which is used to pay small amounts to publishers of online content and for downloadable media.
- Industry leaders such as PayPal find it inefficient to manage these small transactions and charge disproportionately high fees, making traditional online payments unfeasible.

Approach/ Framework

- Data Requirements
- Some data that can be used to structure analyses includes:
- information about the size and history of the target; growth rate for the target
- information about the leadership and culture of the target
- financials about the level of commitment and level of gain, and whether this could even "move the needle" from a growth perspective



Recommended thought process

Fit with existing business: Can a company focused on security and reliability successfully integrate with a start-up focused on peer-to-peer payments, which are notorious for fraud? How similar are the business models (i.e. both generate revenues as a percentage of transaction amounts)?

- Overall business case: Growth in target revenues, possible synergies in external settlements, options for cross-selling with existing business, obtaining deep consumer behavior insights in a segment of current "non-users," organizational synergies.
- Qualitative aspects: Can the entrepreneurial spirit of a start-up be combined with the client's behemoth organizational bureaucracy? What will be the keys to success? (May include holding the company as a separate unit, or giving it complete autonomy for a finite period)
- Customer analysis: Will the combined company serve more customers, or the same customers in different ways? The target's customers are typically younger, but may be in households with the client's existing customers.
- Technology considerations: Is the new technology for micro-payment clearing compatible with the Client's payment systems, and can they be settled profitably on the Client's network given the small size of the transactions (and, hence, small per-transaction revenues)?

Oil and Gas – Interview Transcript

Your client is a major Oil & Gas player. They were going to expand their refining capacity by Dec 2023. However, due to policy changes and competitive pressure, they now want to do it by Dec 2022.

Can you tell me a little more about the client – which part(s) of the Oil & Gas industry does it operate in? – Only downstream or midstream and upstream as well? What is the geographical footprint of the company?

It is an Indian public sector player operating primarily in the downstream segment.

I see. What is the current refining capacity and refinery wise-split of the company? What is the targeted capacity?

Their current capacity is 15 MMTPA of crude oil processed split between two refineries – 10 MMTPA and 5 MMTPA. They want to expand their 5 MMTPA plan to 12 MMTPA.

Interesting. So am I correct to assume that our objective is to help the client shorten the expansion project completion time from Dec 2023 to Dec 2022, i.e. shorten it by a year?

Yes, that's correct.

Okay. I would like to propose an overall strategy here. First I want to understand the current status and map out the proposed phase-wise timeline. Then we can proceed to analyzing the time proposed for each step and the sequencing to identify possibilities for crashing the processes. Finally, we can look at the risks and additional finances, if any, associated with the schedule and possible measure to prevent and mitigate the challenges in case of a delay.

That seems reasonable. Go ahead.

Great. I would like to first look at all the inputs and setup requirements for the expansion plan. Mainly I would want to focus on capital requirements, licenses and permissions, raw material inputs like crude oil supply and land acquisition. Next I would want to look at the design and planning phase. Herein, I would want to focus on the design process and timelines, tendering process (as applicable). After that, we can look at the equipment procurement, construction and installation phase. Finally, ways to expedite the testing and inspection phase can be looked at. Did I get the stages correctly or is there anything that I missed?

Yes, you got them.

Could you share the expected timeline for each phase? Also, is there any particular bucket you want me to analyse first?

Sure. So lets assume we have the capital requirements, fuel supply, licenses and land acquisition figured out. The design and tendering processes are expected to take around 6 months. The ensuing procurement and installation of equipment is expected to take 3 years. Finally, the inspection and testing should last some 6 months setting us up for operations 4 years from now.

Got it. So we need to crash the process by around 12 months reducing it to 36 months from the current 48.

Correct.

Okay. I would like to start with looking at the design and planning phase. I have a few questions regarding the same:

- Is the design of the plan done in-house or through external consulting?
- What is the current status of the design plan?
- Is it done phase wise or is the complete design done at once before moving on to the next stage?

Currently we have identified an outside EPC for the designs. They have quoted a total time of 6 months for all the deliverables.

I see. Is there any particular reason why we are not doing it phase wise? We can get the designs in stages and start commissioning their fabrication. To optimize this, we can ask the EPC to start with the design that requires maximum time for fabrication, delivery and installation.

That seems a good approach. So we know that the main reactor takes the maximum time, which is, 3 years, for fabrication and delivery. No other equipment takes more than 2 years for the same.

Interesting. Can we ask the EPC to prioritize the design of the reactor? If yes, by when can we expect them to deliver the same? Additionally, what would be the cost implications of the same? The EPC can deliver the reactor design in 1 month. Do not worry about the costs.

Great. That should crash our project time by 5 months as all other equipment will anyhow take less than 2 years post the commissioning. Is that correct?

Yes, that can be done. Let's move on to the next phase.

I would like to understand the fabrication and delivery process better. My current understanding is that once the designs from the EPC are received, a tender would be floated for the fabrication of the equipment. Once the contractor is selected, the fabrication would begin. The final step would be the delivery and installation of the equipment.

That's correct. We expect the tendering process to take up to 3 months. The fabrication is expected to take another 2 and a half years for the reactor. The delivery and installation should take another 3 months.

I would like to take them up one by one. I am also assuming that all other equipment have a much shorter lead time of under 2 years and the reactor is the bottleneck that we need to investigate. That's true.

First looking at ways of expediting the tendering process, 3 months seems like a long time. Is there any particular reason for the same?

Since these are highly specialized equipment and the potential contractors are often not apprised of the requirements before hand, we like to keep a 2 month bidding window to give them time to prepare and bid for the same.

I see. Can we reduce this window? This might result in some additional costs as the bids might not be as competitive as before. We can mitigate the same by ensuring that our tender is very detailed. Also, doing it only for the reactor first should make it easier for the bidders.

We can reduce it to the minimum window of 2 weeks.

What about the fabrication? What is the mode of transport used for the delivery?

The fabrication is a black box for us. Not much we can do about it. The delivery depends on the contractor used. 3 months for international contractors and 15 days for an Indian one.

I am guessing selectively going for an Indian vendor might result in some additional costs. Are there any other concerns?

No, that's about it. We can look into the same.

Great. Additionally, we can incentivize the contractor for early completion of the work and delivery.

Good. Let's move on to the inspection phase.

Can you help me understand the inspection and testing process.

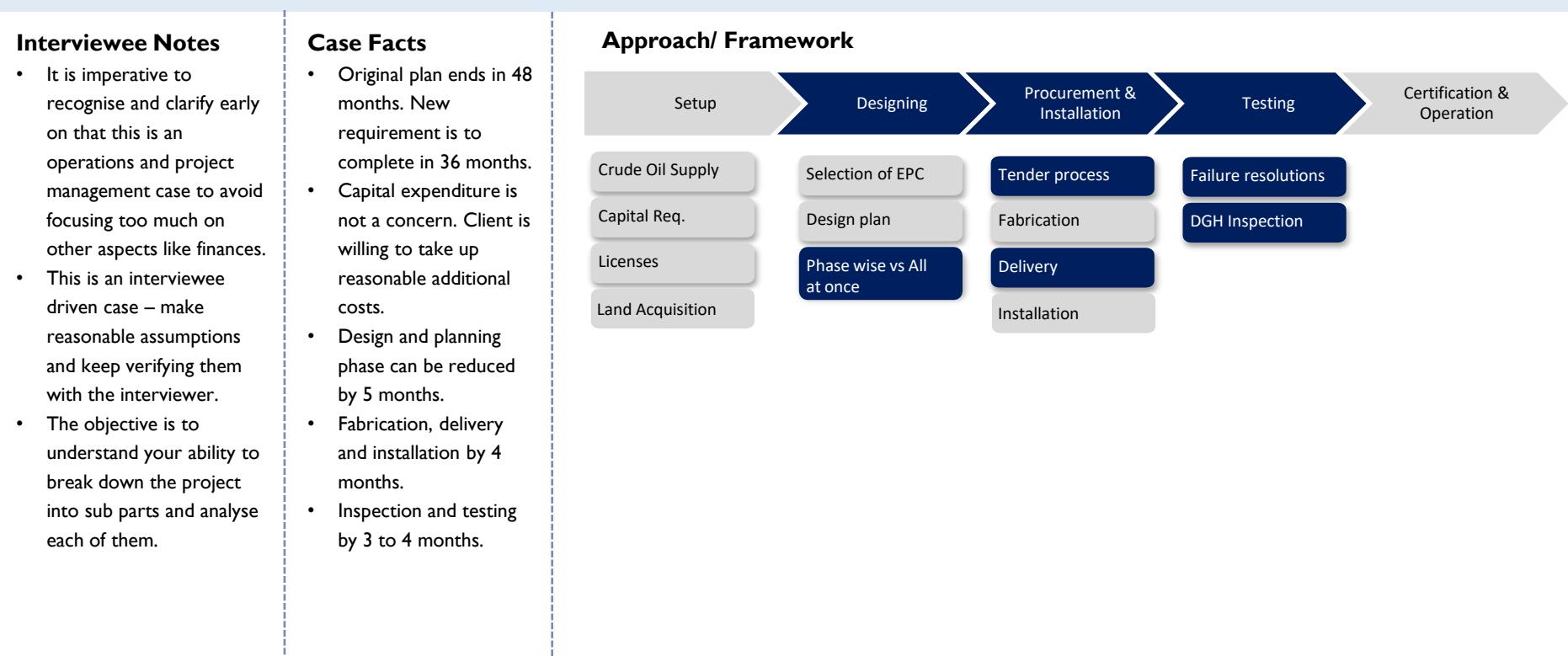
Sure. Inspection and testing is done in cycles of 15 days. Usually there are a lot of failures due to specification mismatches and compatibility issues with the current plant. So various iterations are needed. Certification is done by DGH officials who very often take months to give an appointment for an inspection visit. The subsequent paperwork is also bureaucratic and can take weeks.

I see. Can we take some precautionary steps to ensure that failures are minimized? Our engineering team can work closely with the EPC and the equipment manufacturer to minimize such instances. We can leverage our connections with the government to expedite the DGH approval process.

Great. Let's end the case.

Oil and Gas – Interview Transcript

Your client is a downstream O&G PSU who want your help in expanding their refinery faster.



Recommendations

- Source the design of the bottleneck – the reactor first. Bundle the remaining designs together and complete in second phase. Minimises loss of economies of scale while crashing the lead time significantly.
- Leverage the vested interest of the government in a PSU refinery expansion to meet new norms to expedite processes like plan and port/checkpost clearances, approvals, etc.
- Proactive planning rather than reactive planning to minimise uncertainties and ensure timely completion of project.

Observations / Suggestions

- It is important to demonstrate an understanding of bottlenecks and the interdependencies between various steps of any project.

FMCG: Supply Chain – Interview Transcript

Your client is an FMCG company, with revenues of \$2 billion. Our focus is on one product that they manufacture which is frozen dough. They are facing a problem of high spoilage rate in comparison to the competitors. Last year, the client implemented first-in, first-out (FIFO) inventory management system and started closely monitoring the shelf life of dough. The initiatives reduce the spoilage rate from 10% to 7.5%, still much higher than the industry average of 2.5%. They want you to identify the cause behind the high spoilage rate.

Okay, I would like to confirm the objective before proceeding. The client, a manufacturer of frozen dough, has been experiencing a high spoilage rate even after the initiatives they carried out last year and want our help to identify the issue. Is that correct? And since when has the client been experiencing this problem?

Yes. Since the past four years.

Alright. To gain a better understanding of the client, can you please tell me more about the product, the customers, and what part of the value chain does the client operate in?

The client manufacturers and transports the goods to the distributor as per the demand. Dough, as you may know, is used for bakery products; it is frozen to extend its shelf life to 120 days. The product should reach the customers with a minimum 60 days of shelf life remaining. There are two primary customers: Supermarkets and Restaurants.

That helps. A couple of more questions to clarify the problem. Are we calculating spoilage only for finished goods or at all stages of the process? How do we define spoilage- is it if a good is lying in the warehouse beyond 60 days, i.e. remaining shelf life <60 days?

Good question. We will restrict ourselves to the spoilage in finished goods. Yes, the shelf life determines the spoilage.

Great! So, although the spoilage is calculated for finished goods at the warehouse, there can be other factors leading up to it. My approach would be to look at the different components of the value chain and benchmark it against the industry best practices. Taking spoilage as products lying in the warehouse beyond 60 days and not desired by the customers, my hypothesis is that the quantity of goods produced is more than the demand leading to overstocking. Hence, I would first focus on identifying reasons for this and then move to assess factors, if any, that may affect the quality of the product.

That seems like a fair approach. Go ahead.

The value chain for an FMCG company starts by procuring raw material, manufacturing and packaging the product, storing it in the warehouse, and finally delivering it to the customer as and when there is demand. Please let me know if I have missed out any component? Also, one last assumption I want to confirm is that the product, like any consumer good, is made to stock?

That value chain is correct. Yes, that is true. The goods are made to stock.

Okay. Starting with the procurement of raw material, is there any significant difference in the quality of raw material the client uses in comparison to the competitors? Lower quality of raw material can reduce the shelf life of the dough as it is perishable in nature.

The client has the same supplier as the competitors.

Alright. Moving on with manufacturing and packaging, can you brief me about the client's manufacturing practices and if they deviate from the industry?

The client, like all other players in the industry, manufactures dough using a machine. The client's machine is relatively older than the competitors.

The efficiency of machinery deteriorates with time. Using an old machine can pose two issues for the client:

- i) The machine is slow and takes more time in the production process
- ii) It requires more raw material to produce the same quantity of dough.
- iii) The quality of the dough manufactured is substandard

The machine is efficient in quality, usage of raw material, and production time but has a long changeover time.

As per my understanding, changeover is the time required to set-up a machine between two production cycles. If there is a long changeover time, companies often adopt a strategy of having larger batch sizes in order to 'amortize' the production and resource time over a larger number of items. The suitability of such a strategy depends on the industry and product. Do we know if any such practice is being followed by the client?

Yes, good observation. The production is carried out in large batches.

Products like 'Frozen Dough' perish when the batch sizes are larger than the demand for the product, leading to loss of time for the extra product being produced in every batch. This can lead to spoilage. For instance, a batch produced today must reach customers within 60 days. Since batch sizes are larger than the demand, units remaining are declared spoiled.

Is all of 7.5% spoilage due to large batch size?

No, this amounts for 3% of the spoilage. The remaining takes place at the warehouse.

Okay. Proceeding to the warehouse, because we are focussing on the quantity aspect, I am assuming that the storage facilities of refrigeration, moisture control, and temperature are satisfactory. Even with FIFO in place, there is consistent spoilage. This could be due to two reasons:

- i) Inaccurate demand forecast/estimation leading to over-production
- ii) High fluctuating demand from the consumers rendering forecasts imprecise.

The former is right. The client uses a software to forecast demand and the estimates are not accurate. What do you think is wrong?

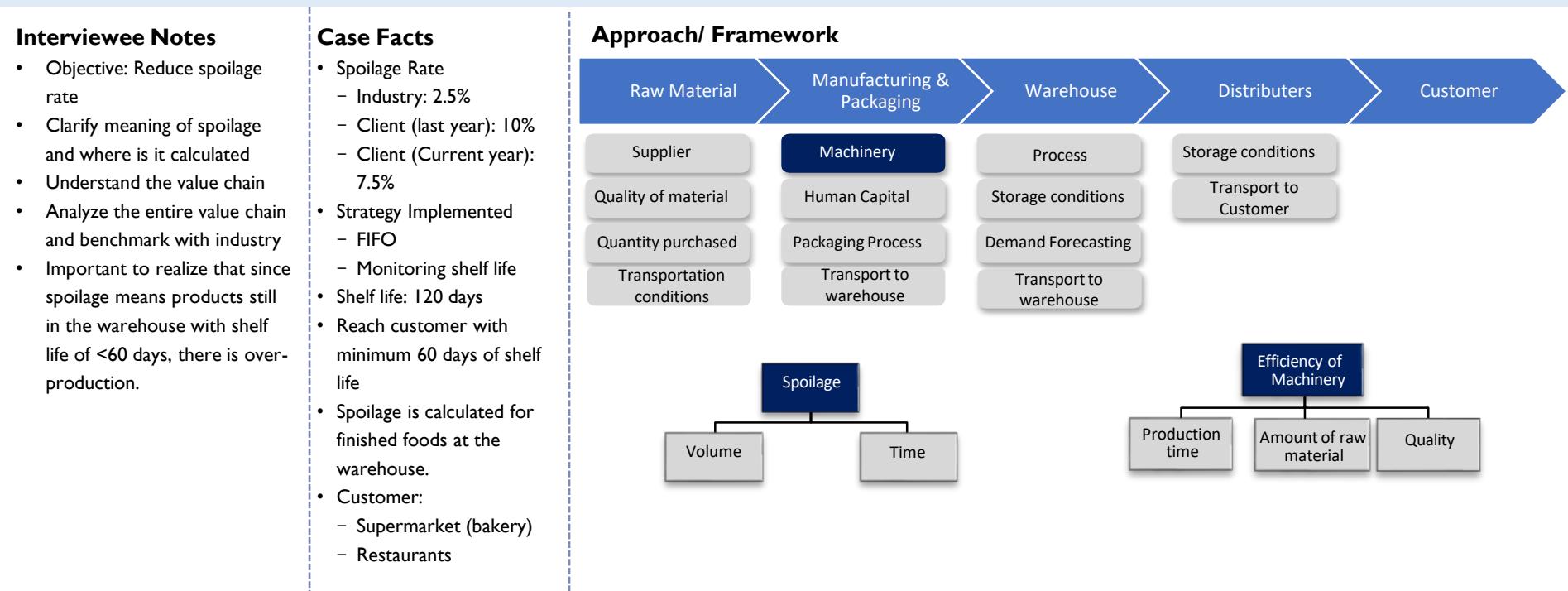
The inaccuracy could either come from the data fed into the software or the software itself. Because the spoilage rate has been consistent, we can rule out the possibility of human errors in capturing data.

- i) Errors in the mechanism of feeding data into the software
- ii) Outdated software giving imprecise calculations

The latter is correct. The client is using outdated software which is not able to give accurate results. Well Done!

FMCG: Supply Chain

Your client is an FMCG company experiencing a high spoilage rate for one of its perishable products. They want your help to identify the problem areas to reduce the spoilage rate.



Recommendations for the client

- Invest in reducing the changeover time to make production of small batches feasible. Solutions: i) Repair the existing machine, or ii) Install a new machine. Do a long term cost-benefit analysis for taking decision.
- Update the forecasting software to have accurate estimates of demand.
- As the units declared spoiled are not inedible but only not desired by their current customers, till the time client implements the above two recommendations to reduce the spoilage rate, they should look for alternate customers or alternate uses of the spoiled units.

Observations/Suggestions

- Volume-variability: One product does not imply no variety. Another reason contributing to spoilage could be inaccurate forecasting of volumes of different varieties of Frozen Dough, which means there can be underproduction for some varieties and overproduction for others.
- Important to mention that other factors such as quality of raw material, pilferage, rodents, weather conditions, refrigeration, etc., are not included because of the initial agreed upon definition of 'spoilage'.

“Karate the next Cricket” – Interview Transcript

Your client is Karate Federation of India, they have come to you to make Karate into the next Cricket.

That's interesting. The client wants us to help in taking karate into the next cricket right?

Yes. Exactly !

What exactly does the client mean by next cricket. Does he want the same number of viewership on television or general craze for cricket & the number of cricket followers or profits which the Indian cricket industry is making ?

The client wants karate to be practiced by a large number of people professionally. They want the numbers to be similar to number of people playing cricket

Thanks, that helped me in understanding the exact problem in hand. Also in order to make Karate the next cricket, we will have to make a lot of spending and investments. Do we know how much money the client wants to spend... Or does the client wants us to look at financing options also?

That's a good question, lets not focus on the money aspect for this particular case, lets assume that the client has enough money.

Oh.. That's nice.. There is no financial constraint on us. Is there any time line the client is looking for? I am assuming it will be a long term project since we have to change people's behavior around sports

Yes make sense. Good assumption. Let's draft a long term strategy.

I think so I have understood a fair bit on, the clients requirement, give me a minute, I will structure down my thoughts.

Yeah sure.. Take your time

The client wants us to make Karate the next cricket, so in order achieve this, I will try to understand cricket through a consumer journey analysis, right from the start in child hood to opportunities, infrastructure available etc.. Then I will try to understand Karate as it stands through a similar consumer journey. Then I will try to find the places where Karate lacks and then try to address the issues. Does this sound like a good strategy ?

Hmm. Interesting approach. Please proceed.

A typical Journey of a sports person starts with the awareness and knowledge of the sport. Also the average age during the exposure to the sport also matters. People who are exposed to the sport at a young age continue to become professionals/ semi professionals. Once the awareness aspect is covered then comes the accessibility and infrastructure availability for the sport. The sport facilities needs to be available at near proximity etc. Then comes the price of using the facility, how good the facility is etc. The journey so far consists of joining a sport professionally. In order to continue in the sports, there has to be rewards and other monetary benefits. There must be enough opportunities available to showcase the skills and make a living out of the sport. Here we can consider, tournaments, exhibitions, matches, sponsors etc .

Nice.. The journey seems to be exhaustive

A typical Journey of a sports person starts with the awareness and knowledge of the sport. Also the average age during the exposure to the sport also matters. People who are exposed to the sport at a young age continue to become professionals/ semi professionals. Once the awareness aspect is covered then comes the accessibility and infrastructure availability for the sport. The sport facilities needs to be available at near proximity etc. Then comes the price of using the facility, how good the facility is etc. The journey so far consists of joining a sport professionally. In order to continue in the sports, there has to be rewards and other monetary benefits. There must be enough opportunities available to showcase the skills and make a living out of the sport. Here we can consider, tournaments, exhibitions, matches, sponsors etc .

Yes we can do that. What else do you think we can do to increase awareness?

Kabadi is a sport which has gained very high popularity recently and this is primarily because of the pro Kabadi league and its broadcast in television. We can try to also develop such leagues and have a tournament broadcasted. I understand this will require quite a bit of capital, but we can also get sponsors to reduce our costs. Additionally, we can educate the common people about the benefits of karate- self defense, self discipline etc. I feel these are some ways of improving the awareness.. Is there anything I am missing here?

No. Please continue

Moving on to the availability of the resource. Currently in India, there is a cricket coaching available in every area of any moderately big city. There is an abundance of cricket coaches and cricket grounds, practice nets etc. This is one primary reason why young children play cricket over other sports like tennis or badminton. We must increase the number of Karate Dojo in every city, bring in Karate sensei for each dojo and create a karate culture in every city. We can either have a franchise model or we can start buying assets in major city to develop such dojos.

Lets not go deep into how these dojos will be built.

Okay. Now that we have made people take up karate professionally, we need to make it a sustainable model. We must start having monthly tournaments, as previously mentioned we can have leagues like pro kabaddi and broadcast the same in Television.

That was an interesting approach that you took there. Lets conclude the case here. Thank you.

Thank you sir

“Karate the next Cricket”

Your client is Karate Federation of India, they have come to you to make Karate into the next Cricket.

Interviewee Notes

- Make Karate into cricket
- Based on # of professional cricket players in the country
- No financial constraints
- Money available with client
- Long term strategy
- Consumer journey of a sport,
 - Awareness of a sport
 - Accessibility to the facility
 - Availability of quality teaching and coaches
 - Affordable prices
 - Competition and constant engagement with the sport
 - Professional sustainable sport
- Compare Karate with cricket in all of the above aspects
- Try to fill the gap with possible solutions

Approach/ Framework



Recommendations

- Introduce Karate in school as part of curriculum so that the sport is known to everyone. If possible make it as compulsory requirement through talks with government
- Try to develop competitive competitions like Pro kabaddi and broadcast the same in television
- Develop karate Dojo in major cities and provide quality teaching / learning.
- Subsidise the karate coaching in these Dojos until an initial craze develops for the sport
- Conduct local tournaments for both professional and semi-professional people

Observations / Suggestions

- The Case was very unclear, the preliminary questions gave some clarity to the question
- Every unconventional case can be done through simple application of MECE structures from conventional case once the problem statement becomes precise through prelim questions
- I failed to bring in personal experience in this question. If I could have connected some of these to my experience it would have been better. The case was solved like a person who does not have knowledge of karate industry using a generic approach.



Guesstimates

Pointers to Remember

- Clarify the scope of the problem
- Think of alternatives (Supply & Demand, Optimal Solution?)
- Confirm the assumptions and redo
- Depending upon the nature of the case, you can find a bottleneck
- Remember to do magnitude check
- Solve the problem without creating a mess
- Keep in mind 4 key filters to zero in on the exact consumer segments – (1) Rural-Urban Split (2) Gender Split (3) Age Split & (4) Income Split
- Remember to simplify & remember some data (related to the 4 types of splits stated above – can refer to “Datasheets” in Appendices)

Few Strategies & Pointers

- Regarding the SETTING
 - Approach – Household vs Individual vs Bottleneck
 - Temporal uniformity assumption (e.g. Weekday vs Weekend, Spikes vs Non-Spikes) : Assert with the interviewer
- Regarding the SOLUTION
 - Time-Unit Analysis (Time - Days Vs Weeks Vs Year; Unit - Currency, Number etc.)
 - Nature of users (use the 4 filters stated above)
 - Lifetime of a Product i.e. Replacement frequency
 - Peak Time Analysis
 - Occupancy Rate
- Regarding TROUBLESHOOTING
 - Representative Sampling with Adjustments done basis the 4 filters

Estimate the annual demand for Gold flake cigarettes in Mumbai

Interviewee Notes

- Begin by understanding total market for cigarettes in Mumbai
- Market share for gold flake would be similar to other metropolitan cities such as Delhi and Bangalore

Case Facts

- Market share for Gold flake in Delhi is 20%, Bangalore is 22%

Approach/ Framework

Population of Mumbai

20 Mn

Of smoking age (75%)

15 Mn

Not of smoking age (25%)

Smokers (50%)

Non Smokers (50%)

7.5 Mn

1 pack a day



400 days
(Year approx.)



20 Cigs per pack

$7.5\text{Mn} * 400 * 20 = 60,000 \text{ Million Cigarettes a year}$

Approx. market share of Gold flake = 20%

Demand for Gold flake = $20 * 60,000 \text{ Million} = 12,000 \text{ Million Cigarettes a year}$

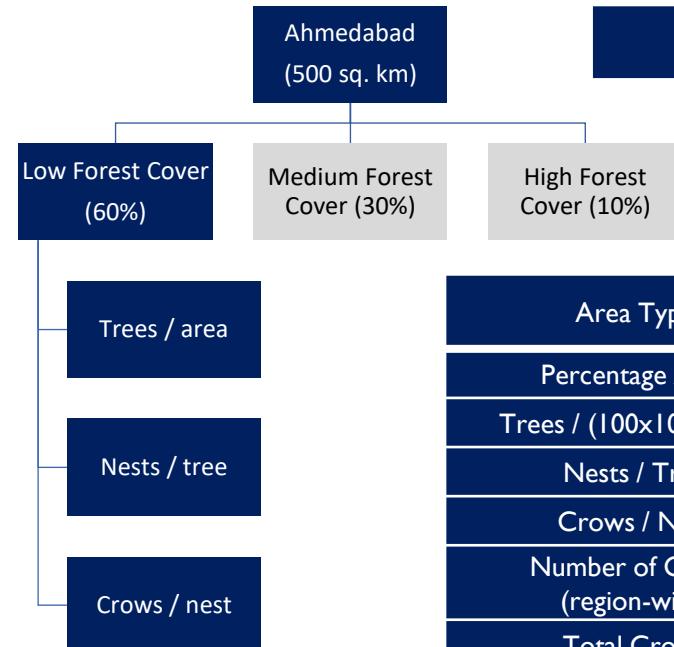
Guesstimate 2

Estimate the number of crows in Ahmedabad

Interviewee Notes

- Since crows will be flying over different areas during the day, it would be difficult to determine total number of crows.
- Assume no crow leaves or enters the city (or assume number of crows during the day to be the same as during the night)
- At night, crows rest on trees. Try to find out the trees in different regions of Ahmedabad, and using this data, guesstimate the number of crows.

Approach/ Framework



Starting Assumption: Ahmedabad Area : 500 (25x20) sq. km

Number of Crows in Ahmedabad

Area Type	Low Forest Cover	Medium Forest Cover	High Forest Cover
Percentage Area	60%	30%	10%
Trees / (100x100 sq. m)	10	20	50
Nests / Tree	0.2	0.1	0.1
Crows / Nest	4	4	4
Number of Crows (region-wise)	240,000	120,000	100,000
Total Crows	460,000		

Guesstimate 3

Estimate the annual revenue of a multiplex

Interviewee Notes

- Only cover the substantial revenue streams
- The footfall will depend on whether it is a weekday or weekend
- Price can also be considered different for weekday and weekend, here although average price has been taken
- Assume that the revenue from advertising primarily comes from billboards and digital ads between movies.
- This is average revenue per screen, can be multiplied by number of screens to obtain revenue of multiplex

Case Facts and calculations

Average daily revenue/screen

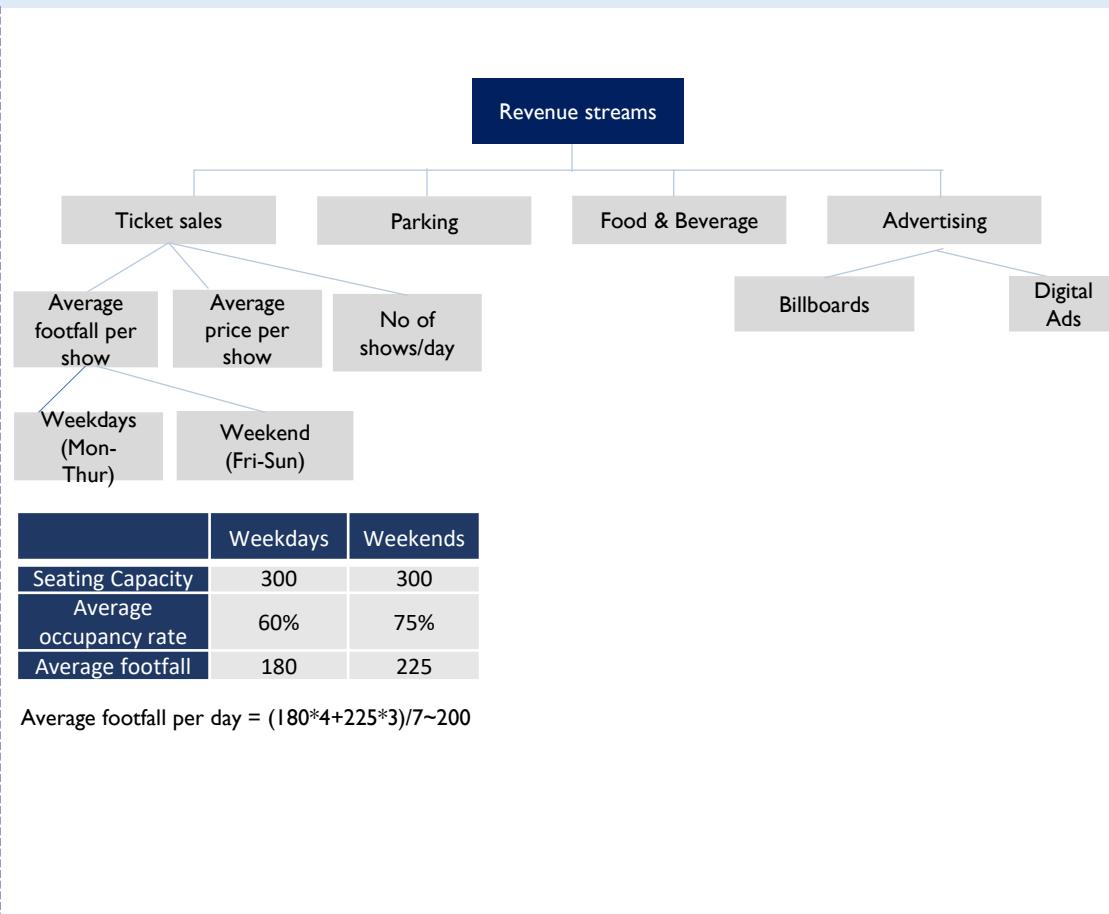
$$\begin{aligned} \text{1. Ticket Sales Revenue per day} &= (\text{Average footfall per day}) * (\text{Average price per show}) * (\text{No of shows/day}) \\ &= 200 * 250 * 4 = \text{Rs } 2,00,000 \end{aligned}$$

$$\begin{aligned} \text{2. Revenue from parking per week} &= (\text{Average footfall per show}) * (\% \text{ people using parking}) * (\text{No of shows/day}) * (\text{Average ticket size}) \\ &= 200 * 0.5 * 4 * 50 = \text{Rs } 20,000 \end{aligned}$$

$$\text{3. Advertising Revenue} = \text{Assuming it is 10\% of the total revenue}$$

$$\begin{aligned} \text{4. Food \& Beverage} &= (\text{Average footfall per show}) * (\% \text{ people buying}) * (\text{No of shows/day}) * (\text{Average ticket size}) \\ &= 200 * 0.5 * 4 * 150 = \text{Rs } 60,000 \end{aligned}$$

$$\begin{aligned} \text{Average daily revenue/screen} &= \text{Rs } 4.2 \text{ lac} \\ \text{Total Revenue} &= \text{Average daily revenue/screen} * \text{No of screens} * \text{No of days} \\ &= 4.2 * 4 * 300 = 5040 \text{ lacs} = 50.4 \text{ Cr} \\ &\text{(Taking into account some days when the footfall will be extremely low)} \end{aligned}$$



Guesstimate 4

Estimate the value of a coffin maker's business in Ahmedabad

Interviewee Notes

- NPV analysis
- 1% of Ahmedabad assumed to be Christian
- Life expectancy assumed to be 70 and population growth rate of Christians assumed to be 0%
- Only 3 coffin makers in Ahmedabad (info received from interviewer) so market share assumed to be 1/3
- FC and VC provided by interviewer when asked
- Discount rate assumed to be 10% (chosen for ease of calculation and reasonable since risk free rate is ~7%)
- Profits assumed to stay constant into perpetuity

Approach / Framework

Estimating quantity

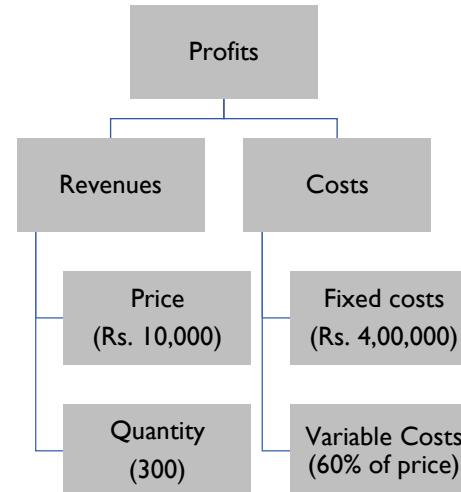
Population
(60,00,000)

% Christian (1%) =
60,000

No. of deaths per year
= $(1/70)*60,000 =$
~900

Market Share = 1/3

Quantity = 300



$$NPV = (10,000 * 300 - 4,00,000 - .6 * 10,000 * 300) / 0.1 = \text{Rs. } 80,00,000$$

Observations / Suggestions

- This guesstimates tests the basics of finance (NPV, PV of perpetuity)
- Common mistakes include not account for the % of population that is Christian (assuming everyone that dies needs a coffin) and errors in calculating no. of deaths

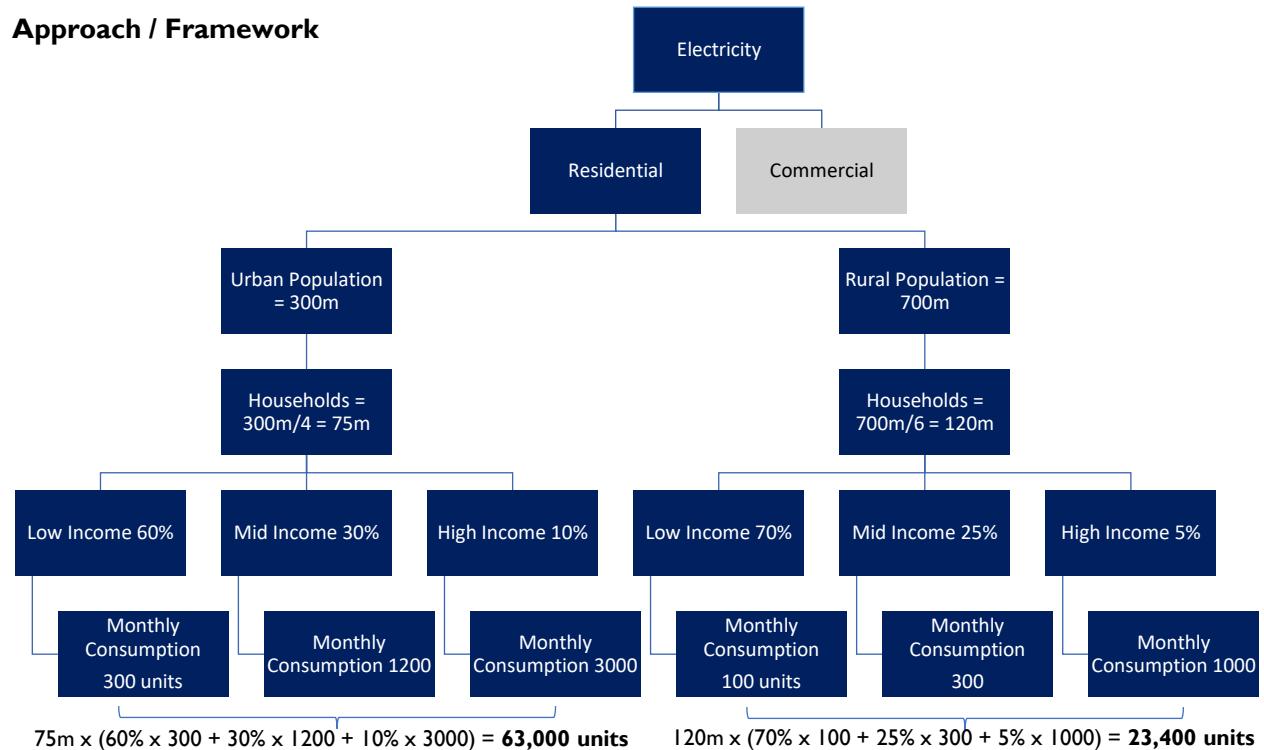
Guesstimate 5

Estimate the monthly electricity consumption (residential) in India

Interviewee Notes

- Clarify end-markets to be included (residential / commercial) because consumption rates are very different in these segments. In this case, focus only on residential.
- Within rural segment, interviewee should consider adjusting for (1) homeless people and (2) areas which are not electrified
- Weighing monthly consumption by % of households in the income type and multiplying this by # of households will give monthly units consumption

Approach / Framework



Guesstimate 6

To estimate the revenue of tourism in Gujarat in peak months

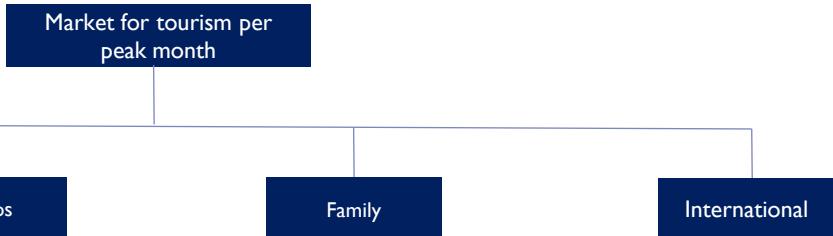
Interviewee Notes

- Was required to estimate cost per person per bucket and number of people in each bucket
- Usually it's easier to analyse group costs over individual costs
- Was required to take several assumptions
- Quantitatively intensive case, required a significant amount of breaking down into
- Number of marriages taken to be 10mn
- Calculation done for tourists only from urban India and abroad

Case Facts

Cost per trip =
Lodging + Travel
+ Food +
Sightseeing
Total Revenue =
(Population x
Can afford x No.
in India x No. in
Gujarat x No. in
peak month/ No.
of people per
group) x cost per
trip

Approach/ Framework



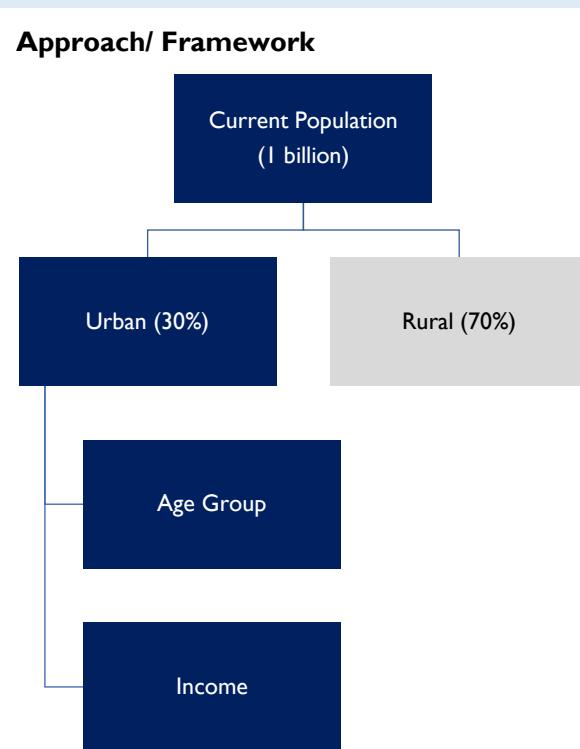
Filters	Couple	Groups	Family	International
Population	20mn	110mn	200mn	2mn
Can afford	20%	10%	10%	N/A
Number in India	80%	100%	80%	N/A
Number in Gujarat	5%	10%	5%	10%
Number in peak month	25%	8.33%	16.67%	25%
Number of people per group	2	5	5	2
Cost per trip/group	11,500	6,000	12,000	20,000
Lodging	4,000	2,000	5,000	5,500
Travel	2,000	1,500	2,000	4,000
Food	3,000	1,500	3,000	3,000
Sightseeing	2,500	1,000	2,000	7,500
Total revenue	230mn	110mn	320mn	500mn

Guesstimate 7

Estimate the monthly mobile data usage (GB) in 2020

Interviewee Notes

- Divide current population into Urban and Rural. Calculate data for only Urban population, and extrapolate for Rural population using a similar logic
- In Urban areas, data usage is dependent on factors like age group (older generation may not be tech savvy) and income (lower income groups might not have access to smartphones)
- Estimate usage for 2017, and assuming an annual growth, predict usage for 2020



Monthly Data Usage (in GB) by different age groups & income levels

	Income	Low	Medium	High
Age		60%	30%	10%
0-15	25%	0	0	0.5
15-30	35%	0.1	5	6
30-50	25%	0.1	2	4
>50	15%	0	0	2
Weighted Average (WA)		0.036	0.675	0.353

Total (Sum of WA)	Population	Data Usage (GB) / month (2017)	Annual Growth	Data Usage (GB) / month (2020)
1.064	300 m	320 m	10%	425 m

Guesstimate 8

Estimate the daily revenue of an airport

Interviewee Notes

- Only cover the most substantial revenue streams
- Assume shops pay a fixed and a variable fee to the airport
- The number of flights per hour depends on whether it is a rush hour
- Assume that the revenue from advertising primarily comes from billboards
- Assume that parking + lounge are only a minor revenue stream for airports and can be skipped.
- Assume that the airline fees primarily come from the variable fee for slots

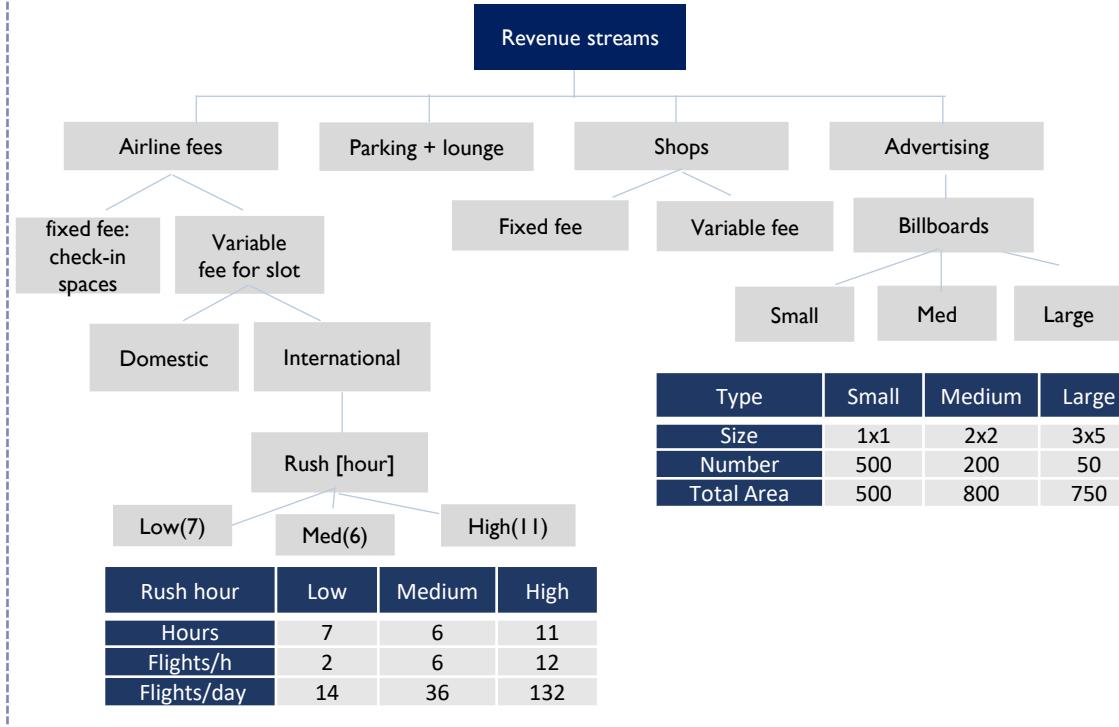
Case Facts and calculations

Revenue airline fee: 5% of the total ticket fare

Revenue from shops:

(Fixed fee per shop + % of revenue * Volume) * Number of shops

Advertising Revenue= Meters of billboards * price/meter



Observations/Tips/Suggestions

- Should first create structure, then put numbers to it
- Make reasonable assumptions, clarify with interviewers at each stage
- Be prepared to justify your assumptions at each stage

Guesstimate 9

Estimate the yearly revenue of an IPL team

Interviewee Notes

Only cover the most substantial revenue streams
IPL revenue only receives a small fraction of the revenue (35% for home games, 5% for away), the rest is paid to the league

The circumference of a cricket pitch is approximately 400 meters

The probability of winning the league is the same for each team (1/8)

A league season consists of 14 matches

Merchandise is only a minor revenue stream for an IPL team, and hence, can be skipped

Case Facts and Calculations

Revenue advertising:

(Price per m of billboard * length)*
Matches
 $5000*400*7 = 1.4 \text{ Crore}$
(Small shirt ads*Price + shirt sponsor)*
matches
 $(10*5 \text{ Lakh} + 20 \text{ Lakh})*14 = 10 \text{ Crore}$

Revenue tickets:

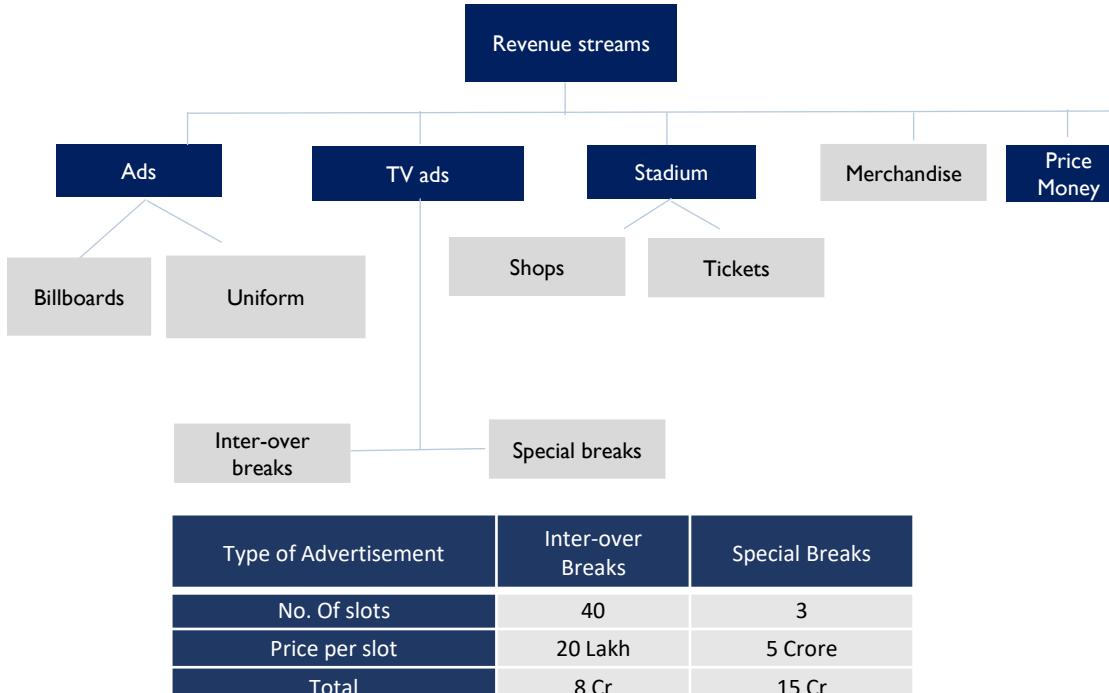
No. of home matches*Tickets*Ticket price*% of revenue (same for away matches)
 $7*50k*500*0.35 + 7*50k*500*0.05 = 7\text{CR}$

Prize Money

Probability of winning * price money
 $(1/8) * 5 \text{ Cr} \approx 60 \text{ Lakh}$

TV ads (See Framework)

Approach/ Framework



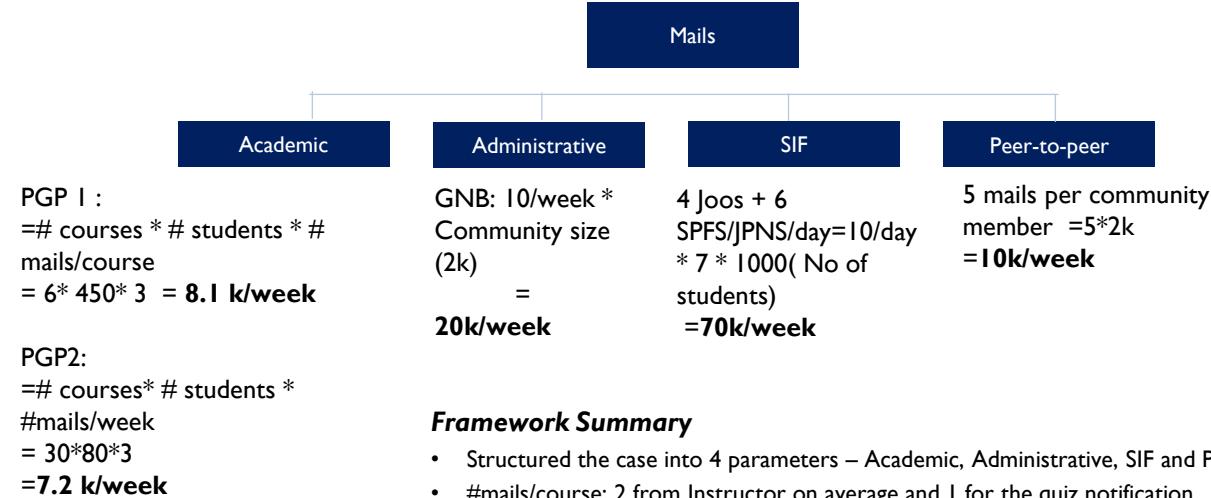
Guesstimate 10

Estimate the number of emails flowing through IIMA mail server

Interviewee Notes

- Was asked to exclude PGPX and other programs for simplicity.

Approach/ Framework



Framework Summary

- Structured the case into 4 parameters – Academic, Administrative, SIF and Peer to peer.
- #mails/course: 2 from Instructor on average and 1 for the quiz notification
- Community size: 1000 students + 1000 faculty, academic and other staff.
- There will be some other additional external mails which are sent from outside.
- Also PGPX and other programs are not taken into consideration.

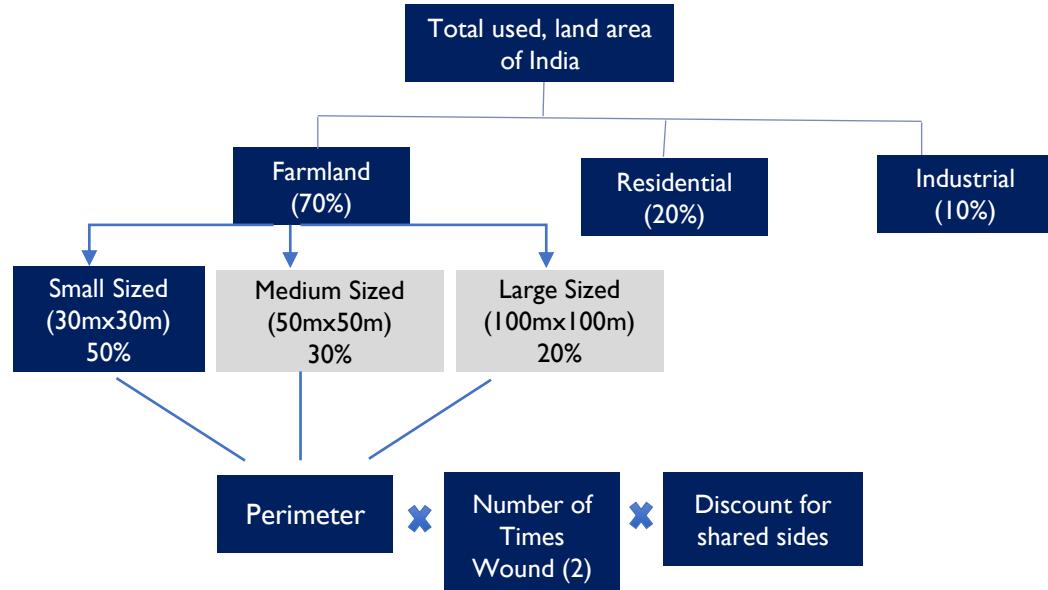
Guesstimate II

Estimate the total length of barbed wire used in India

Interviewee Notes

- Assume square farmlands
- Find the average perimeter of each size of farmland
- Barbed wire needed = perimeter * number of times the wire is wound
- Adjacent farmlands would be sharing a common side of barbed wiring.
- Multiply the total number with a factor to account for how barbed wire is usually used: circled through the perimeter

Approach/ Framework



Guesstimate 12

To estimate profit made by SBI branch in IIMA Campus.

Calculations

Loans per year ~100; Lifetime – 5 yrs.

500 active loans at any point

Principal Rs.10 lakh (for 20 lakh fee – averaged over repayment of 5 years)

Net interest margin – 3%

Interest income = $500 \times 10 \times 3\% = \text{INR } 1.5 \text{ Cr}$

Exchange students – 100 trips/ year

Faculty – 200 trips / year

Insurance Premium per person – 2000

~ 40% commission for per policy

Fees – $300 \times 2000 \times 0.4 = \text{INR } 2.4 \text{ lakh}$

Forex – INR 6000 per person (assume everyone carries INR 1 lakh worth FOREX)

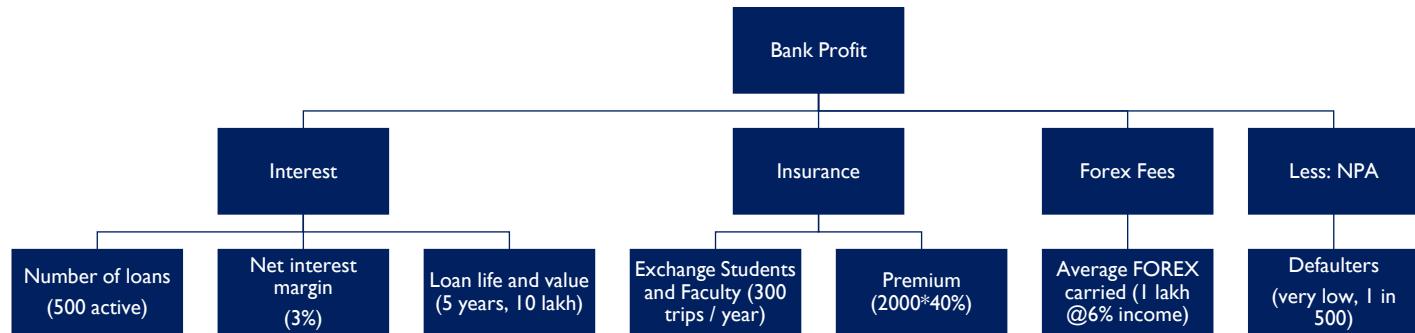
Forex income = $300 \times 6000 = \text{INR } 18 \text{ lakh}$

NPA – Total Loss of Principal and Interest

– 1 per year

~INR 25 lakh

Approach/ Framework



Guesstimate 13

Estimate the revenue of a typical post office in India.

Calculations

Major portion of revenue – logistics and parcels. Others ignored

Typical circle of coverage for a metro post office ~ 2 km radius or 12 km²

Typical metro area = 500 km²

Thus, 40 post offices in the metro

Assume, high volume – 20 and medium, low - 10

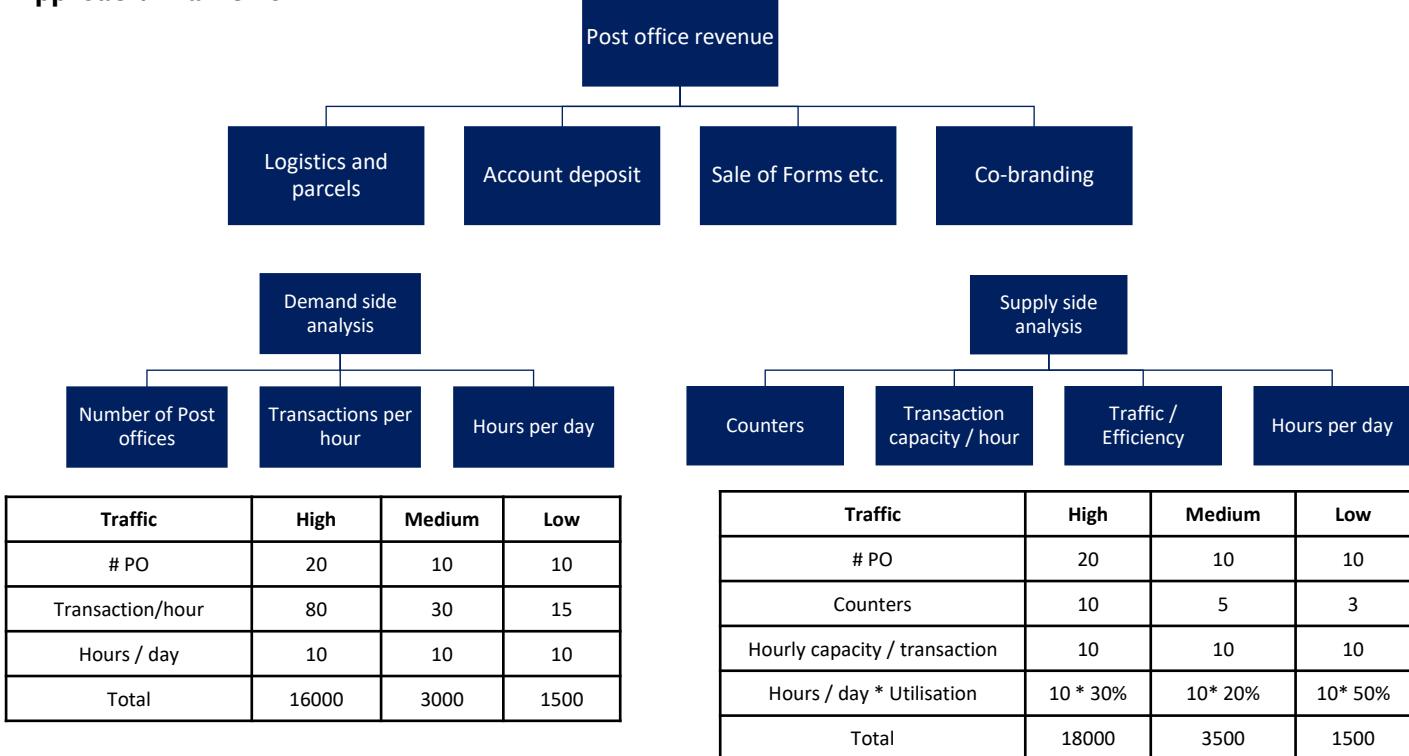
Two approaches – demand side (number of transactions) and supply side (number of counters, utilisation in a day)

Revenue per parcel ~ 50, neglect any charges for extra weights etc

Total parcels ~20000

Total revenue ~ INR 10 lakh

Approach/ Framework



Guesstimate 14

Golf balls in the air in an average second in India

Calculations

- #golf players : assume only people earning ₹15 lakh and above will play golf as it is an expensive hobby to pursue. The #people above that income threshold is around 5 million. Out of these 50 lakh, assume 70% live in urban areas and have access to a golf course
 - ❖ Out of remaining 3.5 million, 1.5 million will be children and senior citizens. Hence 2 million people eligible
 - ❖ Out of these 2 million, assume 50% play any sport (assumption on basic fitness)
 - ❖ The remaining 1 million can play one out of upto 20 sports (cricket, badminton, tennis, swimming etc). Thus 5% on average will end up playing golf i.e there are 50,000 players
- Frequency of play
 - ❖ We assume that the average player plays once a month (*expensive and time consuming sport*)
- Number of hits
 - ❖ We assume that the average game is one round, 18 hole
 - ❖ The *average number of hits per game* is 108 (18 holes, par score is 4 and everyone hits 2 above par as players are not professionals)
 - ❖ We assume that the average ball spends about 1 second in the air
 - ❖ Thus the number of ball seconds in the air is ~1,80,000 per day
 - ❖ The average number of balls/second is 2.08

Approach/ Framework

Income eligible players	5 million	
Facility eligible players (urban)	3.5 million	
Age eligible population	2 million	
Population that plays sports	1 million	
Population that plays golf	50,000	
Avg # of players/week	~1666	
Avg number of hits/game	Number of hits/day	# of balls in the air/second
108 (18 holes, 4 par, 2 above)	1,80,000	2.08 per second
	=108*1666	=180000/86400

Recommendations

- This case can also be approached from the supply side. The supply side in this case is the number of golf courses, their average utilization etc

Tips / Suggestions

- It is essential to reverse ladder the population to arrive at the number of golf players. You can clarify your assumptions with the interviewer at all points of time
- Lay out your approach upfront for the interviewer so that if a different approach is adopted, course correction can happen at the earliest

Guesstimate 15

Calculate the annual market for medical X-ray machines in India

Calculations

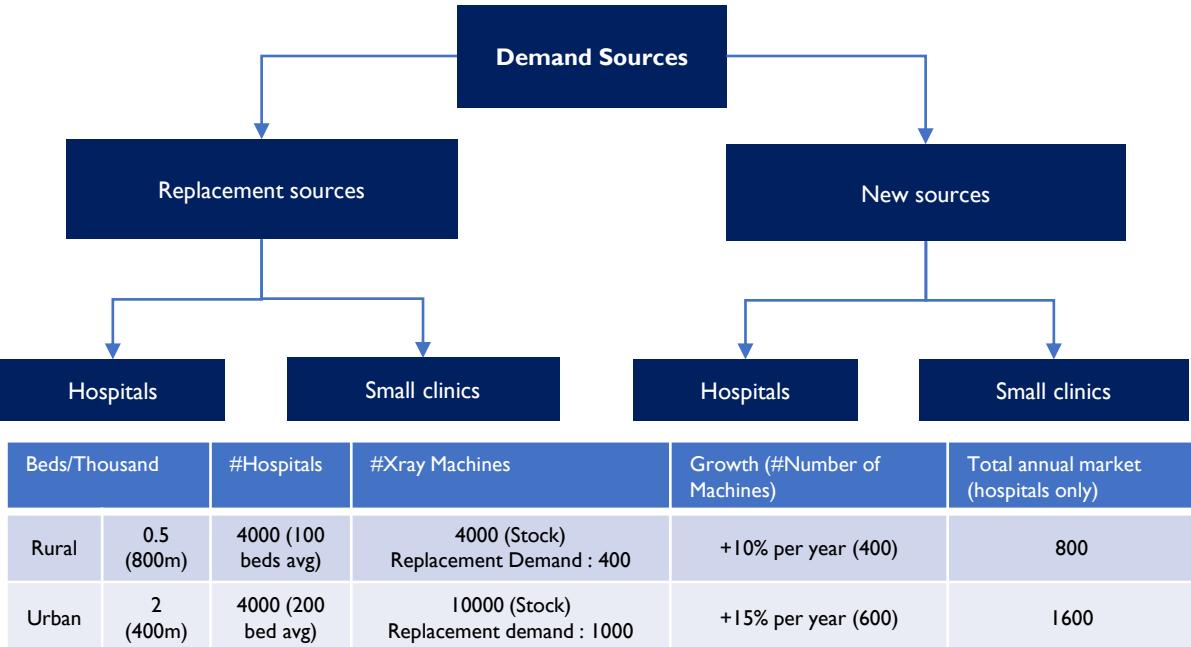
Replacement demand

- Calculate the stock of X-Ray machines in India
- Break India into rural and urban areas
- Estimate bed per thousand people in urban and rural areas separately and make assumptions about average hospital size and #X-Ray machines per hospital (2.5 for urban and 1 for rural)
- This will give you the stock of X-Ray machines at hospitals
- Do similar exercise for clinics by calculating the stock of orthopaedicians in private practice
- Demand: Divide the stock by life cycle to get the 1 year demand for X-Ray machines

New demand

- Estimate the growth in healthcare expenditure and use that as a growth rate for hospital bed availability. Then calculate the number of hospitals and the number of X-Ray machines/hospital
- Differentiate this rate for urban and rural areas and calculate the new demand for X-Ray machines coming from hospitals
- Calculate the new demand coming from clinics by : (Doctors graduating - #Doctors joining public sector)*Proportion of Orthopaedicians
- This will give the number of new orthopaedicians who will join private services every year and buy an X-ray for their clinic

Approach/ Framework



Recommendations

- Can be approached from the patient demand side in this case. The demand case in this guesstimate is the number of injuries and use cases

Tips / Suggestions

- It is essential to structure the demand into different brackets first.
- Interviewer will automatically guide you to focus on the most important bracket

Guesstimate 16

Estimating the number of Zoom users in India post-COVID

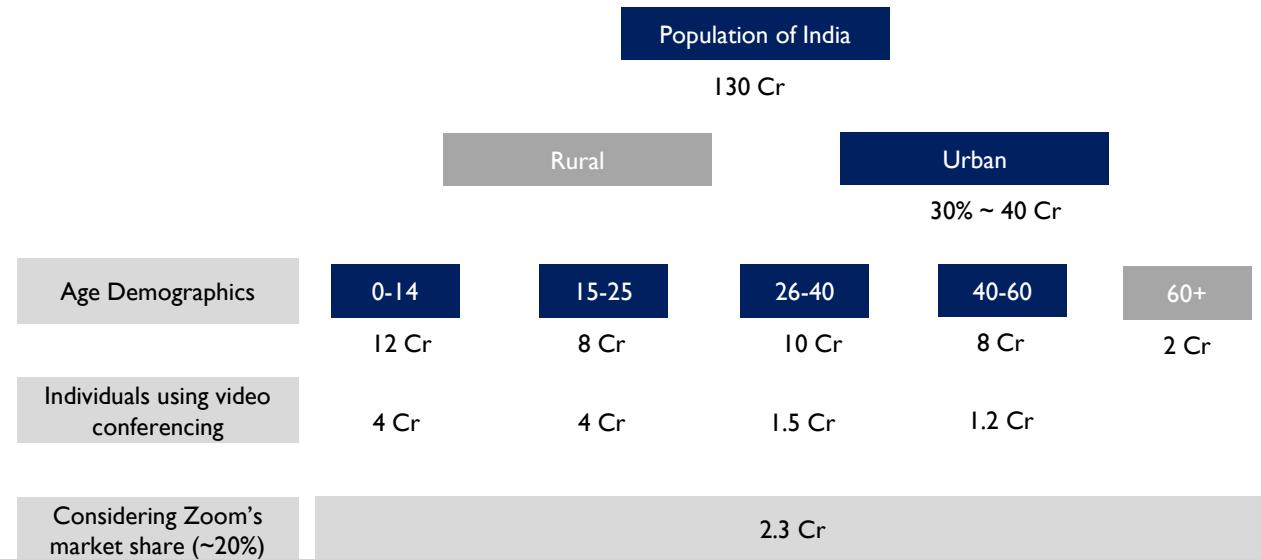
Interviewee Notes

- Begin by understanding primary usage of Zoom- as per locational divide and age demographics
- Gauge Zoom's market share to estimate users
- Considering rural urban population pre-COVID
- Chances of Rural people using Zoom are negligible
- Population with 60+ age would be negligible
- Age group 0-14 has 66% students
- 50% students/individuals in age groups 0-14 & 15-25 have access to technology
- Age groups 26-40 & 40-60 will primarily have working professionals- $50\% * 30\%$ (labour force*formal sector workers)

Case Facts

- Defining Users- who use Zoom frequently for classes, meetings, discussions etc.

Approach/ Framework



Observations/Tips/Suggestions

- 15-25 and 26-40 brackets can be merged for a much better structural presentation.
- First create structure, then put numbers to it.

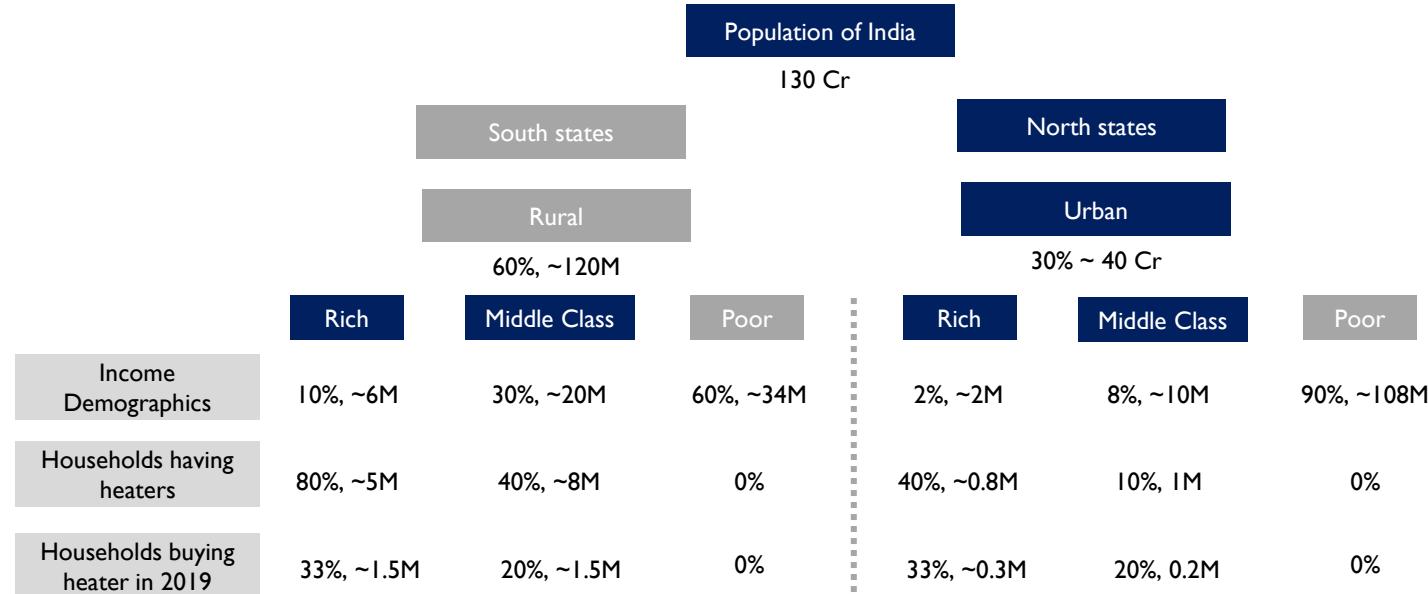
Guesstimate 17

Estimate the number of heaters sold in India in 2019

Interviewee Notes

- Population of India is taken as 1.2B and average family size of 4, which leads to total number of household equal to 300M
- Population split by North and South – 60% and 40%
- No heater are bought in Southern Part of India
- High income group having salary > 10-12L, Middle class salary range – 2-10L, Poor family income < 2L
- Average life of heater for a high income family to be 3 years and for middle class family to be 5 years

Approach/ Framework



Observations/Tips/Suggestions

- This case can also be approached from the supply side. Number of heater sellers, sales per day and bucketed into various locations.
- Round off numbers, rather than trying to be too precise

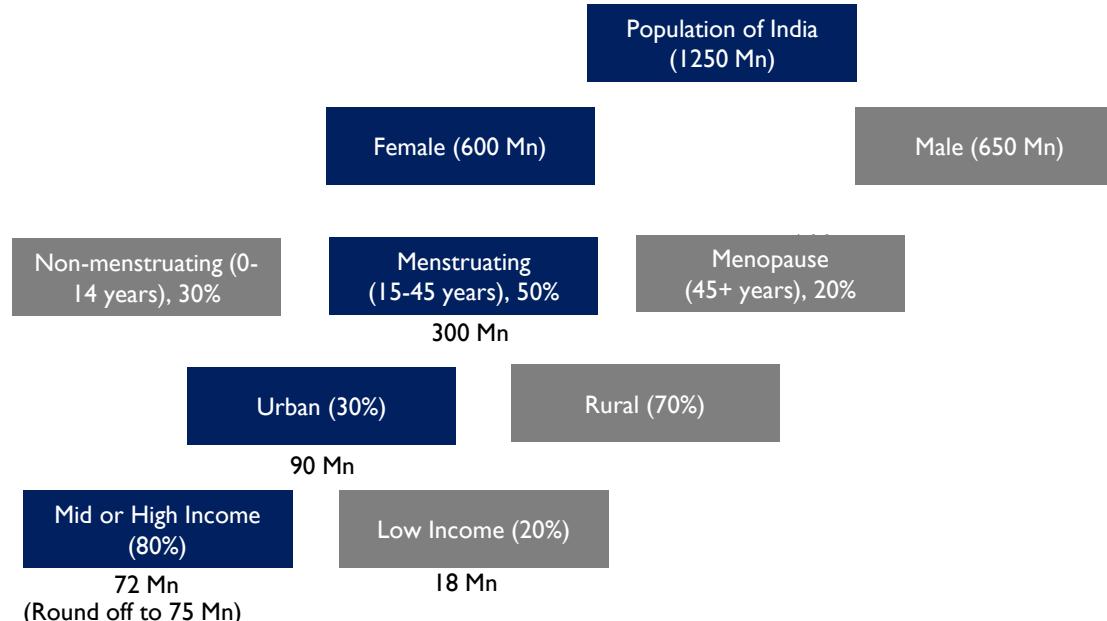
Guesstimate 18

Estimate the no. of sanitary pads used in India in a year

Interviewee Notes

- Look at it from the consumer side, Begin by understanding total number of women in the menstruating age
- Incorporate population distribution (rural, urban) and income characteristics as rural or low income women generally don't use sanitary pads
- Assume average period length to be 5 days.

Approach/ Framework



Average no. of pads used per cycle = 5

Average no. of cycles per month = 1 i.e. 12 cycles per year

Estimated no. of pads used in India = $75\text{Mn} * 5 \text{ pads/cycle} * 12 \text{ cycles/year} = 4500 \text{ Mn pads/year}$

Observations/Tips/Suggestions

- Mid & High-Income approximation might have been an overestimate in this case.
- Make reasonable assumptions and clarify with interviewers at each stage

Guesstimate 19

Estimate the weekly usage of shampoo (in L) in Mumbai

Interviewee Notes	Calculations	Approach/ Framework			
		High Income	Middle income	Low income	
• Segment population based on income groups of households	Total shampoo usage frequency per week= Shampoo frequency per member of household* number of members per household	Characteristics of income groups	4 people/household, 20% of population	5 people/household, 30% of population	6 people/household, 50% of population
• Identify the frequency with which each type of income group uses shampoo	Total ml of shampoo used per week= Total shampoo usage frequency per week* ml of shampoo used per person per wash	Population, households in each	Pop: 4Mn, Households: 1Mn	Pop: 6Mn, Households: 1.2Mn	Pop: 10Mn, Households: 1.7Mn
• Identify the amount of shampoo used per session by each income group (sachet size vs taking from bottle)		Shampoo frequency/ member of household	3/week	2/week	1/week
• Use these to estimate the total weekly shampoo usage by each category and total in Mumbai		Total shampoo usage frequency per week	12 times a week per household	10 times a week per household	6 times a week per household
• Remember to convert ml to L		ml of shampoo used per person per wash	10 ml	8 ml	5 ml
• Low income households will use 'shampoo' less frequently per week		Total ml of shampoo used per week	120 ml/ household	80 ml/ household	30 ml/ household
• High income will use more shampoo per wash		Total L of shampoo per category per week	120k L	96k L	51k L
	Total L of shampoo in Mumbai per week	120k + 96k + 51k = 267k L/week			

Observations/Tips/Suggestions

- In case of a long drawn analysis, it may also help to mention the approach upfront to the interviewer so that a course correction can be made sooner.
- Always do a sanity check in multi layered estimates

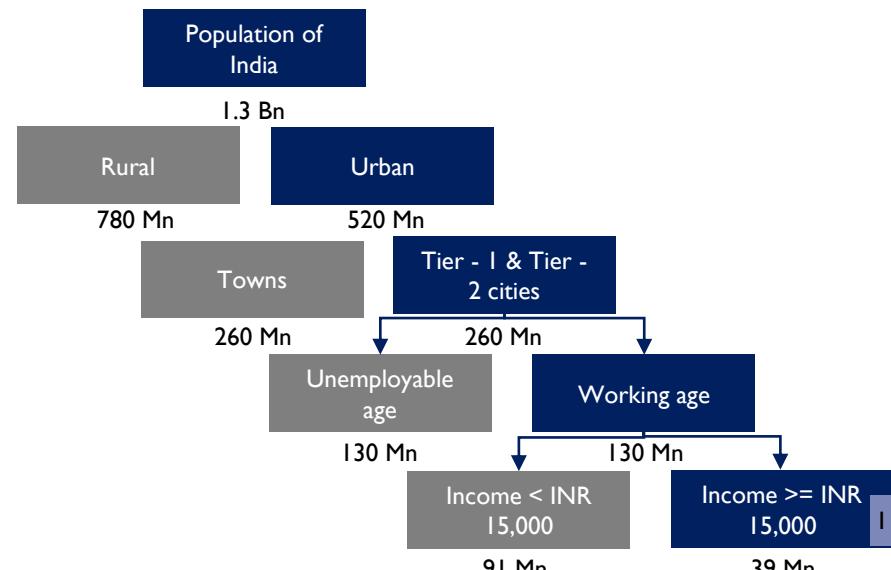
Guesstimate 20

Estimate the number of Credit Cards (CC) issued in India

Interviewee Notes

- 40:60 Urban:Rural population divide, because CC popular only in urban areas
- 50:50 population divide in (tier-1 and tier-2 cities): towns, because CC are popular only in tier-1 and tier-2 cities
- Assuming 50% of working age
- Assuming banks issuing credit card only to those who earn \geq INR 15,000 per month. 30:70 divide here
- Income distribution as provided in table
- Total # of cards = $39 \text{ Mn} * \% \text{ of } I * \# \text{ of CC avg}$

Approach/ Framework



Income Distribution (INR)	% of I	# of CC on average
15,000 – 30,000	50%	0.5
30,000 – 60,000	30%	1
60,000 – 1,20,000	15%	3
1,20,000+	5%	4

of credit cards across income distributions: $39 * 0.5 * 0.5 = 9.75 \text{ Mn}$

$$39 * 0.3 * 1 = 11.7 \text{ Mn}$$

$$39 * 0.15 * 3 = 17.55 \text{ Mn}$$

$$39 * 0.05 * 4 = 7.8 \text{ Mn}$$

Total # of credit cards issued in India = (9.75 + 11.7 + 17.55 + 7.8) Mn = 46.8 Mn

Observations/Tips/Suggestions

- Urban % and Working age % estimates might need a slight correction
- It is a good idea to listen to the interviewer comments carefully, and if time permits, try to address them

Guesstimate 21

Estimate the revenue of Maggi in Delhi during Lockdown phase-I

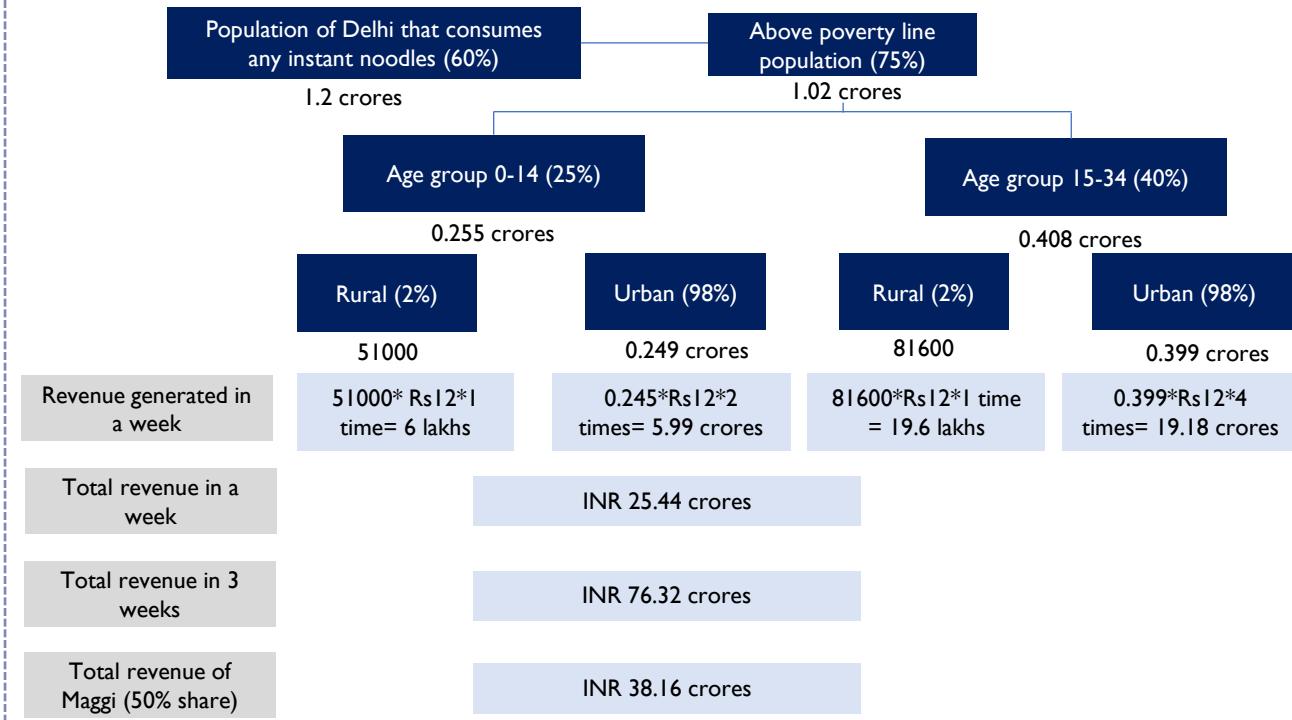
Interviewee Notes

- 60% of Delhi's population consumes instant noodles
- 15% of Delhi's population falls below poverty line
- Population distribution in age group (0-14) is 25% and (15-34) is 40%
- Rural : urban population = 2:98
- Each target audience of rural India consumes 1 packet of instant noodle a week
- Urban population in age group (0-14) consumes 2 packets a week while (15-34) consumes 4 packets a week
- Market share of Maggi in Delhi is 50%
- Each person consumes a single packet of Rs 12
- Age group (35 and above) is not considered

Calculations

- Population of Delhi=2 crores
- Population of Delhi that consumes instant noodles= 1.2 crores
- Above poverty line population = $1.2 \times 0.85 = 1.02$ crores
- Population which falls in age group(0-14)= $1.02 \times 0.25 = 0.255$ crores
- Population which falls in age group(15-34)= $1.02 \times 0.4 = 0.408$ crores
- Total revenue in a week = $0.0612 + 5.99 + 0.196 + 19.192 = \text{INR } 25.44$ crores
- Total revenue in 3 weeks = $25.44 \times 3 = \text{INR } 76.32$ crores
- Revenue of Maggi = $76.32 \times 0.5 = 38$ crores

Approach/ Framework



Therefore revenue of Maggi during Phase I of lockdown = INR 38.16 crores

Observations/Tips/Suggestions

- Rural demand is minuscule and can be ignored to focus better on the Urban demand
- Round off numbers, rather than trying to be too precise

Guesstimate 22

Estimate the number of face masks used over a race weekend in Formula I

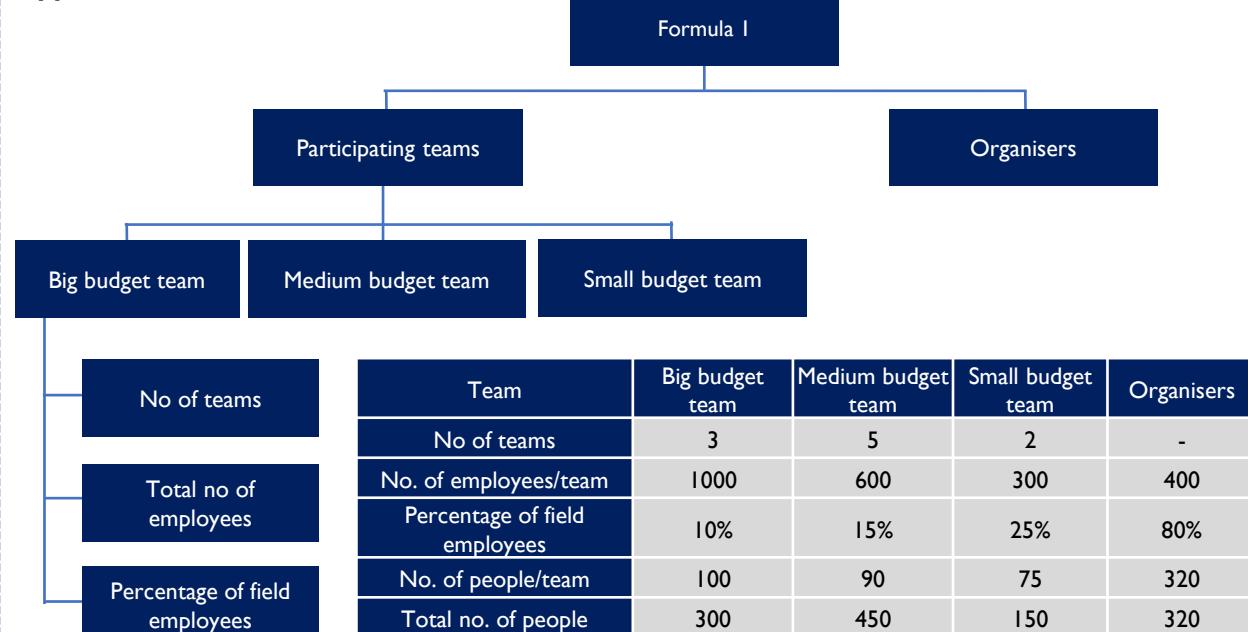
Interviewee Notes

- Make sure to include big and small budget teams in computation
- Also, the organisers will have a lot of people for themselves

Case Facts

- Number of days taken to conduct a race = 3 days
- Number of face masks used/day = 1 mask
- Number of face masks used = Total number of people * number of masks used/day * number of days

Approach/ Framework



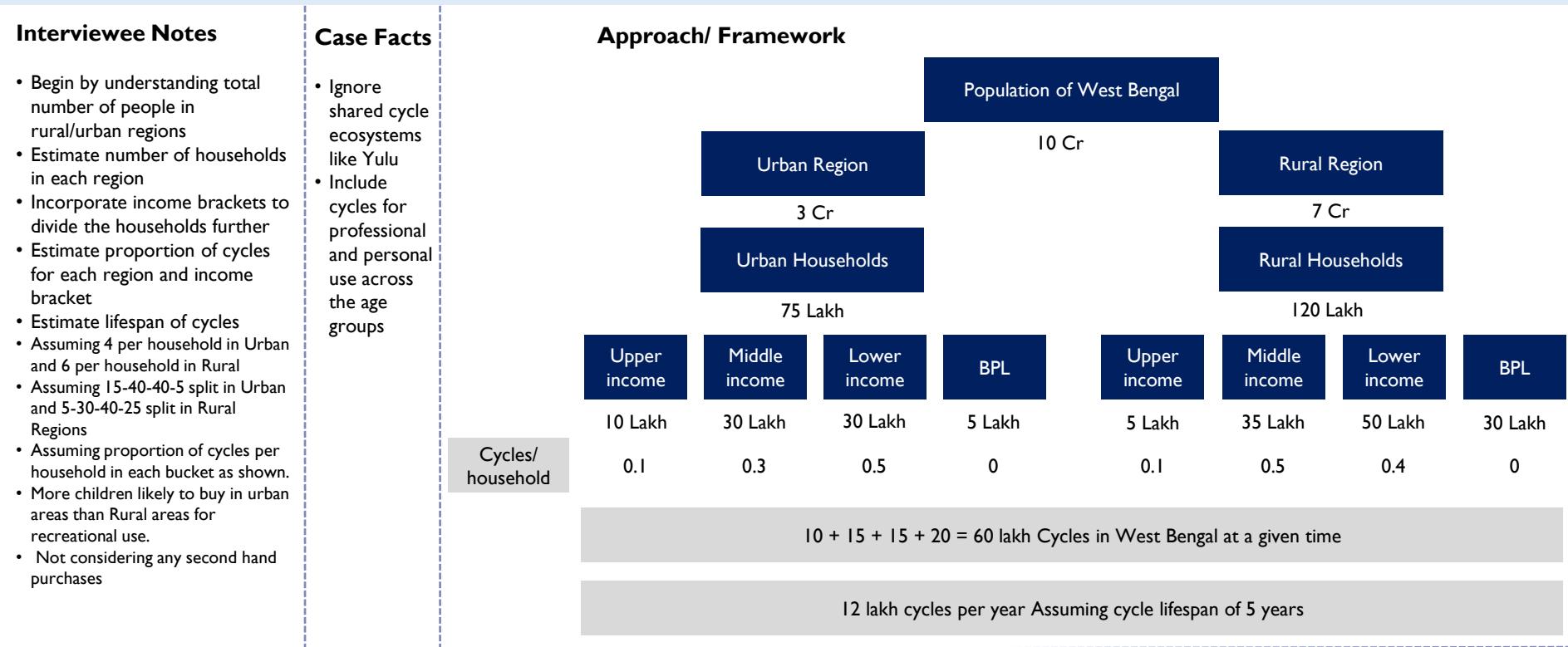
$$\text{No. of face masks used} = 1220 \times 1 \times 3 = 3660 \text{ masks}$$

Observations/Tips/Suggestions

- In an unconventional case, it is a good idea to keep the interviewer in loop at all times
- It is helpful to first draft a structure, then put numbers to it.

Guesstimate 23

Estimate the number of cycles sold in West Bengal every year



Observations/Tips/Suggestions

- Lower Income and BPL can be taken together for a more compact structure
- At the end and during the case, always do a sanity check



IIMA

Panorama Reports

2020-2021

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Inbound

- Aircraft lease
- Fuel
- Route selection
- Facilities planning
- Flight, support crew

Operations

- Ticket, gate counter
- Aircraft operations
- In-flight services
- Baggage and cargo handling

Outbound

- Baggage and cargo connection
- Flight connection
- Cab and hotel reservations

Marketing

- Travel agents
- Coupons, discounts
- Electronic tickets
- Frequent flyer
- Advertisements

Services

- E-ticketing
- Support centre
- Lost baggage



Key Drivers

Revenue Drivers	Cost Drivers	Growth Drivers
Passenger services & inflight sales	Aviation Fuel	Trade and Tourism
Freight Services	Aircraft, facility lease	Rising middle and upper class
Tours and Packages	Employee cost	Government policies



Key Segments

Segment	Size	Growth
Passenger-Domestic	140 Mn passengers	10.6%
International	26 Mn passengers	8.3%
Freight	2.56 Mn tonnes	5.3%
Low cost carriers	108 Mn passengers	18.4%



Top Players

Name	Market Share	Market Capitalization (INR Cr)
Indigo	48.9%	43,823
SpiceJet	16%	2,961
Air India	10.8%	Not Listed
Go Air	9.9%	Not Listed
Air Asia India	7.6%	Not Listed
Vistara	5.9%	Not Listed



Market Trends

- **Industry Size:** Passenger traffic stands at 204 Mn growing at 13% and 8% CAGR 2009-19 for domestic & international travel
- **Consolidation:** Possibility of buyouts in Indian airline industry; Air India proposed to be sold by the Government of India
- **Investments:** Government investing 1.83 Bn of expected 5 Bn in next 4 years for infrastructure. Inflow expected in allied sectors like MRO.
- **Covid19:** Sector facing 70-95 Cr loss per day due to fall in demand. Social distancing expected to reduce occupancy. The future looks uncertain for next 12 months with some airlines like Deccan barely hanging on.

Cust. Acquisition

- Marketing & client acquisition
- Onboarding & administration
- Relations & support

Asset Research

- Policy/product development
- Asset selection, sourcing & due diligence

Execution

- Investment Decision
- Trend-based portfolio management
- Financing & exit

Monitoring

- Customer guidance and engagement
- Risk & operational productivity management

Support Tasks

- Legal & compliance
- Performance & data management
- Asset & Fund administration



Key Drivers

Revenue Drivers	Cost Drivers	Growth Drivers
Investment Mgmt. Fee (85%)	Financial Charges (25%)	Investment performance
Advisory Services Fee (2%)	Employee Compensation (25%)	Market positioning
Interest & Dividend Income (5%)	Selling & Distribution (10%)	Distribution excellence



Key Segments

Source-based	Investment-based	Sector-wise
Corporates (43%)	Debt/Income Funds (48%)	Private (77.7%)
HNI (34.6%)	Equity/Growth Funds (30%)	Public- UTI (5.5%)
Retail Investors (21%)	Hybrid (13.5%)	Public- Others (16.8%)



Top Players

Name	Market Share (%)	AUM (USD Bn)
SBI	14%	53.4
HDFC	13.7%	52.2
ICICI Prudential	13.3%	51.0
Aditya Birla Sun Life	9.2%	35.4



Market Trends

- Industry Size:** The total industry AUM is poised to grow from \$390 Bn to \$700 Bn in 2020-2025
- Industry Structure:** 83% of total AUM is accounted by top 10 AMCs driven by investments in equity & hybrid funds
- Future drivers:** Simplified processes, outreach beyond tier 1 cities & deeper saving wallet penetration
- Challenges:** Cybersecurity, tackling risk aversion, shrinking margins, mobilizing FII investments

Automobile

Inbound logistics

- Raw Material procurement
- Warehouse handling

Manufacturing

- Primary production (casting, forming)
- Secondary production (machining, welding)
- Quality testing

Outbound logistics

- Warehousing
- Distribution
- Dealership Management

Marketing & Sales

- Advertising
- Pricing
- Promotion

Service

- Repair
- Maintenance
- Warranty



Key Drivers

Revenue Drivers	Cost Drivers	Growth Drivers
Automobile sales	Raw Materials	Govt. support policy
After-sale service	Labour	Increasing exports
Financing services	Advertising	High Investment (5% of total FDI inflows)



Key Segments

Segments	Market Share	KPIs
Two-wheeler	80.9%	Production volume
Three-wheeler	3%	
Passenger vehicles	12.9%	Avg. Prod. Downtime Inventory turnover
Commercial vehicles	3.3%	



Top Players

Name	Market Share (Key Segments)	Market Capitalization (INR Cr)
Maruti Suzuki	51% (passenger)	217,240
Bajaj Auto	64% (3-wheeler)	83,398
Hero MotoCorp	36% (2-wheeler)	58,221
Tata Motors	44% (Commercial)	45,639



Market Trends

- Industry size:** India is the 5th largest Auto market with 3.81 million units sold in 2019; industry expected to reach **Rs 16-18 lakh crores** by 2026
- Exports:** 47.7 lakh units in FY20, CAGR of 6.94% (FY16-FY20)
- Electric Vehicles:** Market estimated to be a **Rs 50,000 crore** opportunity by 2025
- Expanding R&D hub:** India accounts for 40% of global engineering and R&D spend. 8% country R&D spend in the sector

Banking

Marketing

- Advertising
- Branding
- Sales Support

Sales

- Acquisition
- Offering
- Multi-channel management

Products

Funding

- Deposits
- Securitization
- Credits

Investment

- Credits
- Securities

Services

- Account Mgmt
- Asset Mgmt
- Issuance/IPO

Transactions

- Payment
- Trading
- Clearing and Settlement
- Custody



Key Drivers

Revenue Drivers	Cost Drivers	Capex Drivers
Loan Book (AUM)	Cost of borrowing	Physical Infrastructure
Interest Yield	Operating Expenses	Digital Infrastructure
Branch/Geographical Expansion	Provisions and write-offs	NA



Key Segments

Segment	KPIs	Growth Drivers
Public Sector Banks	Net Interest Margin	Digital Innovation
Private and foreign banks	CASA	Macroeconomic/credit policies
Cooperative/Rural banks	GNPA/NNPA	Capitalization/Mergers of PSB



Top Players

Name	Volume market share (Deposits)	Market Capitalization (INR Cr)
SBI	23.9%	167,158
ICICI	5.7%	250,262
HDFC	8.5%	580,118
Axis Bank	4.7%	134,387



Market Trends

- Industry Size:** Total credit extended stands at US\$ 1936.3 Bn and total deposits are US\$ 1.9 Tn as of FY20
- Notable Trends:** In 2019, there were 32 M&A activities worth US\$ 1.7 Bn
- Digital lending:** India's digital lending stood at US\$ 75 Bn in FY18 and is expected to reach US\$ 1 Tn by FY23
- UPI:** Unified Payments Interface recorded 1.25 Bn transactions in March'20, valued at US\$ 29.2 Bn and is expected to increase.

Raw material

- Long-term leasing of limestone quarries
- Long-term contracts with suppliers (Coal, flyash, gypsum)

Inbound Logistics

- Small component as plant is set close to limestone quarry
- Rail/roadways used for other materials

Manufacturing

- Limestone → Clinker → (grinding and additives) → Cement
- High Automation
- Economies of Scale

Distribution

- Major freight cost
- Rail-road mix used
- Warehouse network
- Large orders directly to dealers/customer

Sales & Marketing

- Strong relationships with contractors
- Distributor-dealer network for sales
- Bulk prices are lower



Key Drivers

Revenue Drivers	Cost Drivers	Capex Drivers
Sale of cement (98%)	Freight Cost (30%)	Plant & Machinery (40%)
Interest Income (2%)	Power & Fuel (25%)	Land (20%)
	Raw Material (19%)	Captive Powerplant (12%)



Industry Dynamics

Segments	KPIs	Growth Drivers
Housing & Real Estate (60%)	Capacity Utilization	Govt. infra. Capex (Airports, Sagarmala)
Infrastructure (25%)	Cement Factor, Clinker Factor	Affordable Housing (PM Awas Yojana)
Industrial Construction (15%)	EBITDA/ton	Pvt. Industrial Capex (Make in India)



Top Players

Name	Market share (by capacity)	Market Capitalization (USD Bn)
UltraTech Cement	19%	15.6
Shree Cement	8%	10.2
ACC Ltd.	7%	3.5
Ambuja Cement	6%	5.8



Market Trends

- The production capacity of the industry is ~550 MT and production in FY20 was ~335 MT (FY20-FY25 expected CAGR 5%)
- **Industry consolidation** due to acquisitions made by top 5 players
- **Seasonal demand** with decline during monsoons due to reduced construction work. The industry being capital-intensive with high gestation period of 18-24 months, there is a time lag between the capacity build-up and cement demand, leading to **cyclical supply**
- **Challenges:** Economic slowdown, Threat from green substitutes

Sourcing

- B2B
- Co-sourcing
- Modular production
- Mass customisation

Inventory Mgmt.

- Demand planning
- Warehousing
- Unified offline & online inventory management

Marketing

- Targeted marketing
- Dynamic content
- Multi-channel attribution & end-to-end ROI

Sales

- Customer retention
- Payment methodology
- Unified experience

Delivery

- Delivery planning
- Logistics partners
- Omnichannel fulfilment



Key Drivers

Revenue Drivers	Cost Drivers	Working Capital
Sales commission	Marketing	Inventory mix/turnover cycle
Escrow interest & listing fee	Supply chain logistics	Vendor payment terms; customer payment model
Customer-side EMI options	Technology investments	Business seasonality



Key Segments

Segments	KPIs	Growth Drivers
Electronics (48%)	CAC (Customer Acquisition Cost)	Smartphone & Internet penetration
Apparels (29%)	CR (Conversion Rate)	Digital Payments
Home and Furnishing (9%)	AOV (Average Order Value)	Increasing investments
Baby, beauty and personal care (8%)	CLV (Customer Lifetime Value)	Government policies



Top Players

Name	Retail Value Share (2019)	Valuation (USD Bn)
Flipkart	38%	24.9
Amazon India	32%	16 (2018)
One97 Comm. (PayTM)	4%	2.9



Market Trends

- **Industry Size:** Indian e-commerce market is expected to grow from current GMV of \$64bn to \$100-120bn by 2025
- **Users:** E-commerce is expected to have 300-350mn shoppers by 2025 driven by 2/3-tier towns having 3/5 online orders in 2019
- **Expected trends:** Omni-channel fulfillment, vernacular-language searches, niche e-tailers, hyper-local e-commerce post COVID
- **Challenges-** uncertain regulations, out/in-bound logistics, merchant inexperience and counterfeits

R&D

- New Products
- Improvements in existing products

Procurement

- Sourcing raw material
- Quality test and release
- Storage

Manufacturing

- Production
- Packaging
- Quality/grammage testing
- Storage

Distribution

- Distribution centres and warehouses
- Distribution channel – distributor, retailer, e-commerce

Sales/Marketing

- Branding
- Advertising
- Promotion
- Complaints and feedback



Key Drivers

Revenue Drivers	Cost Drivers	Growth Drivers
Pricing	Raw material and processing cost	New products
Promotion	Distribution	E-Commerce
Distribution	Promotion	Rising per-capita incomes



Key Segments

Segment	Size	Growth
Food and Beverage	19%	11%
Household and personal care	50%	10%
Healthcare	31%	21%



Top Players

Name of Company	Market Share	Market Capitalisation
HUL	14%	INR 2.42 T
ITC	12%	INR 5.11 T
Nestlé	3%	INR 1.58 T
Britannia	3%	INR 915 B



Market Trends

- **Industry growth:** Flat in 2020; CAGR 23.15% till 2021. 4th largest in India.
- **Focus:** Rural demand (Currently 45%) to grow at faster than Urban
- **Online FMCG market** to go from \$20B in 2017 to 40% of full market size
- **Projects:** Capacity expansion projects by Dabur, ITC, Patanjali & Nestlé.
- **Ad spends:** Sharp reduction in ad spends on account of slump in growth; likely to increase going forward to pre COVID levels.
- **E-Commerce** – Growing at 20%+ YoY, is expected to grow from 2% of the market to 11%+ of market share by 2030

Consulting

- Person with illness approaches the hospital as per Awareness and Accessibility

Diagnostics

- Medical history
- Symptom based screening
- Pathological tests to diagnose disease

Admission

- Emergency section
- OPD, IPD
- Ease of onboarding
- Referral cases
- Selecting care team

Treatment

- Equipment
- Quality of Doctors
- Medical supplies
- Procedure/Treatment
- Sharing updates

Post-treatment

- Treatment charges
- Payment ease, insurance claim processing
- Follow-on check ups



Key Drivers

Revenue Drivers	Cost Drivers	Capex Drivers
Healthcare services (45%)	Employee Salaries (30%)	Equipment Costs (40%)
Diagnostic services (30%)	Raw material costs (30%)	Construction (40%)
Sale of drugs (25%)	Power & Fuel Cost (5%)	Others (20%)



Industry Dynamics

Segments	KPIs	Growth Drivers
Primary Care	ARPOB (Avg. Revenue/Occupied Bed)	Universal Healthcare (Ayushman Bharat)
Secondary Care (General/Speciality)	ALOS (Avg. length of stay)	Improving Insurance Penetration
Tertiary Care (Single/Multi Speciality)	BOR (Bed Occupancy Rate)	Medical Tourism and e-Visa facilities



Top Players

Name	Volume market share (#beds in organized sector)	Market Capitalization (USD Bn)
Apollo Hospitals	30.1%	3.2
Fortis Healthcare	15.7%	1.4
Narayana Hrudalaya	22.2%	0.9
Aster DM	13.2%	0.9



Market Trends

- Healthcare sector to grow from \$160 bn to \$372 bn (CAGR 18%) and hospital industry to grow from \$62 bn to \$132 bn (CAGR 16%) between 2017-2022, owing to an underpenetrated market
- Focus is shifting to asset light models of hospital management
- Rising medical tourism (CAGR 18%) due to cheaper services
- Tele-medicine, AI applications to bridge geographical boundaries
- Client mix is critical to profitability (Free, Local, Foreign patients)
- Challenges: Capital expenditure, High attrition, govt. regulations



Key Drivers

Revenue Drivers	Cost Drivers	Capex Drivers
Room Tariffs (50%)	Employee Salaries (40%)	Construction Cost (35%)
Food & Beverages (40%)	Consumable Materials (30%)	Land Cost (30%)
Events & Others (10%)	Power & Fuel Cost (10%)	Furnishing (25%)



Key Segments

Segment	KPIs	Growth Drivers
Mid-Market and Budget	RevPAR (Revenue per available room)	E-visa facility (Foreign tourism)
Upper Mid-Scale	ARR (Average Room Rates)	UDAN scheme (domestic tourism)
Luxury and Upscale	OR (Occupancy Rate)	Reduction in GST



Top Players

Name	Volume market share (premium segment)	Market Capitalization (USD Bn)
Marriott Hotels	23%	31.46
IHCL (Taj Hotels)	16%	1.40
Hyatt Hotels	9%	5.59
EIH (Oberoi Hotels)	8%	0.6



Market Trends

- Industry Size:** The total earning of Indian tourism & hospitality sector is poised to grow from \$28.6 Bn to \$50 Bn in 2018-2022
- Cyclical:** During positive cycles, the hospitality industry sees healthy average room rates (ARRs) and occupancy rates (ORs)
- Seasonality:** The peak season for both business and leisure destinations is the same (January – March)
- Technology:** Total Revenue Management, IOT, ML and AI
- Challenges:** Land acquisition, low human capital, govt. approval

Iron & Steel

Raw Material

- Extraction of iron ore from taconite rocks
- Creating coke from coal to fuel furnaces
- Alternative: Buying

Iron Production

- Blast Furnace:** Pellets of iron ore, carbon fuel & limestone with superheated air form iron in molten state

Steel Production

- Oxygen Furnace:** Steel scrap, molten iron & high purity oxygen are used in formation of steel

SCM/Logistics

- Demand Planning
- Service & Delivery Performance
- Outbound Logistics

Sales

- Pricing of all products
- Sales team efficacy
- Key a/c management
- Customer Service
- Support Tools



Key Drivers

Revenue Drivers	Cost Drivers	Capex Drivers
Steel for Construction	Raw Material Cost (45%)	Plant & Machinery (70%)
Steel for Railway Parts	Power & Fuel (10%)	Land including roads (20%)
Sale of Semis & By-Products	Salaries & Wages (5%)	Buildings (10%)



Industry Dynamics

Segments	KPIs	Growth Drivers
Infrastructure	EDITDA/tonne	Growing Demand in all sectors
Construction	Capacity Utilisation	Policy support
Automotive	Crude Steel Production/ROI/OEE	Increasing investments



Top Players

Name	Market share (by capacity)	Market Capitalization (USD Bn)
JSW Steel	21.92%	9.37
Tata Steel	15.68%	6.25
SAIL	13.38%	2.16
Jindal Steel	8.6%	2.72



Market Trends

- Industry Growth:** Expected expansion of 250% over the next 11 years (Expected CAGR: 8.69%) as per National Steel Policy, 2017
- Growth in Per Capita Steel Consumption:** Low per capita steel consumption with a strong expected rise fueling growth
- Increasing Investment:** Ongoing consolidation of companies & increased FDI is an opportunity for both global & domestic players
- Innovation:** Government directive to increase R&D projects by spending at least 1% of the sales turnover to facilitate innovation
- Import:** Steel Scrap Recycling Policy to reduce import. GOI increased import duties by 5% & imposed anti-dumping policies.
- Export:** 30% duty imposed on export of iron ore to promote supply to domestic companies

IT & ITeS

Ops. Setup

- Infrastructure setup
- Talent Acquisition
- Employee Training
- Talent Retention
- Visa Handling

Cust. Acquisition

- Pitching and acquiring new clients
- Cross-selling products to existing clients

CRM

- Understanding client requirements
- Communicating it to software team
- Conflict resolution

Service Delivery

- Product development
- Live testing at client's end
- Bug fixes
- Full deployment

After-sales service

- Provide software updates and IT support
- Maintain relationship for repeat business



Key Drivers

Revenue Drivers	Cost Drivers	Capex Drivers
Contract/Service Fee	Employee Salaries (62%)	Office space (Lease/Owned)
Software sales / Software as a Service	Admin Costs (13%)	Computer Systems
Hardware Leasing / Cloud Infrastructure	Other Expenses (25%)	Other office utilities and assets



Industry Dynamics

Segments	KPIs	Growth Drivers
IT Services (51.4%)	Total Active Clients	National Policy on Software Products
Software Products (20%)	Total Contract Value	Growth in domestic demand
ITeS/BPO (19.7%)	Attrition Rate and Bench strength	Global demand for cybersecurity services



Top Players

Name	Revenue market share	Market Capitalization (USD Bn)
Tata Consulting services	11.8%	113
Infosys	6.7%	54
HCL	5.1%	26
Wipro	4.6%	21



Market Trends

- Indian IT industry's size stood at \$177 bn with \$136 bn exports in FY19. Its expected to grow to \$350 bn by 2025
- Major customer segments: BFSI, Telecom, Retail, Healthcare, Mfg.
- Emerging technologies: AI, ML, Cloud Computing, blockchain
- AI & ML to contribute \$1 trillion to Indian economy by 2035
- Work from home culture to provide growth opportunities
- Challenges: Employee retention, US Visa regulations (H1-B visas), export dependency, investments in data security

Logistics



Key Drivers

Revenue Drivers	Cost Drivers	Growth Drivers
Domestic transportation	Transportation	Simplified freight policy
Import & Export	Warehousing	Increasing road connectivity
Value Added Services (E.g. faster delivery)	Labour	Increasing railway and air networks



Industry Dynamics

Segments	Market Share	KPIs
Road	59%	Time to delivery
Rail	35%	Average cost to order
Waterways	6%	Warehouse capacity
Air	1%	Avg. inventory



Top Players

Company	Segment	Market Capitalization (INR Cr)
CONCOR	Multi-modal	22,808
Blue-Dart	Courier Delivery	6,173
Transport Corp. of India	Multi-modal	1,622
VRL Logistics	Parcel & priority delivery services	1,405



Market Trends

- Industry size:** Indian logistics sector is valued at **Rs 11.75 lakh crores**; forecasted to grow at CAGR 10.5% (2019-25)
- Rank:** India's rank has gone up from 54 in 2014 to **44 in 2018** in the World Bank's LP Index (overall logistics performance)
- Improved connectivity:** Sagarmala, Bharatmala, & UDAN projects aimed at improving connectivity and reach, greater opportunities
- Warehouse Automation:** Market valued at **Rs 20,200 crores**; evolution of technologies like AI, IoT and Blockchain

Exploration

- Identification of on-shore/off-shore site
- Seismic surveys to assess potential
- Develop suitable FDP

Production

- Project sanctioning
- Create infrastructure
- Strike 'First Oil'
- Platform at sea to split oil, gas & water

Transportation

- Crude: Transported by oil (super) tankers
- Gas: Liquified gas is transferred to plant terminal

Storage

- Crude: Storage at ports in large tanks
- Gas: Preserved in reservoirs (artificial or natural)

Marketing

- Refines raw material: Petrol, Diesel & LPG
- Distil & convert by BP
- Products marketed via B2B & B2C channels



Key Drivers

Revenue Drivers	Cost Drivers	Capex Drivers
Crude Oil (75%)	Raw Materials Consumed (92.5%)	Plant & Machinery (85%)
Natural Gas (20%)	Transportation (4%)	Buildings & Roads (8%)
Others (5%)	Employee Benefit Expenses (3.5%)	Land & Producing properties (7%)



Industry Dynamics

Segments	KPIs	Growth Drivers
Transportation	E&P Output	Economic growth
Heating & Energy	Capital Project Efficiency	Technological advancements
Chemicals, Plastics, Fertilisers & Others	Lease Operating Expense (LOE)	Petrochemical products



Top Players

Name	Market share (by crude refining capacity)	Market Capitalization (USD Bn)
IOCL	32.28%	10.65
Reliance	24%	203.44(Conglomerate)
BPCL	9%	12.65
ONGC	8.44%	12.57
OIL	1.32%	1.39



Market Trends

- India's Energy Demand:** Expected to double to 1516 Mtoe by 2035 (CAGR ~4% against worldwide CAGR ~1% over 18 years) on growth in transportation, aviation, road construction & LPG usage
- Petroleum Products:** Expected to grow at CAGR ~6% over 5 years
- Diesel Demand:** Expected to double to 163MT by 2029-30
- Industry:** Expected investment-\$25Bn in exploration & production
- Govt. Policy:** OALP & CBM to help increase investments; 100% FDI allowed in upstream & private sector refining companies.

Pharmaceuticals

R&D

- Drug discovery
- Drug formulation
- Formula adjustment

Testing

- Clinical trials
- Focus group tests

Approval

- Patent filing
- Patent approval (usually for 15+ years)

Distribution

- Drug stores
- Hospitals
- Online pharmacies

Marketing

- Doctor referrals
- Advertisements



Key Drivers

Revenue Drivers	Cost Drivers	Growth Drivers
Drug sales	R&D	Increasing fatal diseases
Licensing of patents	Distribution	Health insurance permeation
Insurance premiums	Promotion/Marketing	Growing stress-related diseases



Key Segments

Segment	Size	Growth
Generic drugs	\$14B	24%
OTC Drugs	\$4.2B	12.9%
Patented Drugs	\$1.8B	12.9%



Top Players

Name	Market Share	Market Capitalization (INR Cr)
Sun Pharma	8.4%	93,211
Aurobindo Pharma	5.65%	30,425
Lupin	4.73%	30,015
Cipla	4.73%	33,978



Market Trends

- **Industry Size:** The Indian market is expected to expand at a CAGR of 22% over 2015–20 to reach US \$55 Bn
- **Consolidation:** 100% FDI allowed under automatic route; high chances of inflow of funds materializing in M&A opportunities
- **Investments:** Increasing private sector investments in R&D and acquisitions are driving the sector's growth.
- **Decline in R&D Investment:** Companies invested ~8% of their sales in R&D showing a decline from previous year



Key Drivers

Revenue Drivers	Cost Drivers	Growth Drivers
Own brand (label) sales	Retail lease	Use of plastic money
Loyalty and reward programs	Stock in trade	Shift to luxury goods
Cross-selling	Credit card fees	Rising income levels



Industry Dynamics

Segments	Market Share	KPIs
Electronics	42.5%	Conversion rate
Apparel/ lifestyle	27.5%	
Home & living	6%	
Food & grocery	2.5%	



Top Players

Company	Major Brands	Market Capitalization (INR Cr)
Avenue Supermarkets	D Mart, D Mart Minimax, D Homes	91,150
Future Retail	Big Bazaar, FBB, Easyday, WH Smith	19,272
Aditya Birla Fashion	Pantaloons, Louis Phillippe, Van Huesen	15,462
Trent	Westside, Star Bazaar, Landmark	14,721



Market Trends

- Industry size:** Indian retail sector valued at Rs ~70 lakh crores; expected to reach ~120 lakh crores at 11% CAGR (2019-26). It accounts for 8% of India's employment and 10% of its GDP
- Rank:** India is the world's 5th largest global destination
- Foreign inflows:** 100% FDI is now allowed in single-brand retail trading and 51% in multi-brand retailing
- Channel split:** Online retail sales account for 23% of organized retail market (which itself accounts for ~10% of overall market)

Tower Infrastructure

- Infrastructure Sharing
- Tower Deployment and Operations
- Energy Management

Network Equipment

- Switches, Routers, Firewalls
- Network consulting
- Integration & Deployment
- Support, Maintenance

Device Manufacturers

- Build mobile phones, handsets which are used by consumers
- Tech and chip makers develop tech and hardware

Network Operators

- Provide telecom services:
 - Voice
 - Messaging
 - Internet
 - Value Added Services

Customer

- Recharge Plans
- Customer Care Centres
- Engagement through online and offline advertising



Key Drivers

Revenue Drivers	Cost Drivers	Growth Drivers
Telephone services	Spectrum auctions	Mobile Penetration
Internet services	Network investments	Increasing internet users
Network connectivity to other telco firms	Operating expenditure	Untapped rural market (58% rural density)



Industry Dynamics

Segments	Market Share	KPIs
Wired	1.72%	Call Completion Ratio Average Call Duration Dropped call percent Idle time on network
Wireless	98.28%	



Top Players

Operator	Market Share	Market Capitalization (INR Cr)
Reliance Jio	33.85%	4.9 lakh
Bharti Airtel	28.06%	2.8 lakh
Vodafone Idea	27.37%	12,068
BSNL	10.43%	70,746 (assets)



Market Trends

- **Subscriber base:** India has the **2nd largest** telecom network globally; **~117 crores (CAGR 2.7%)** subscribers as on Apr 2020
- **Internet users:** India has the second highest number of Internet users globally; **53 Cr users in 2018** with increase of **6.5Cr/year**
- **Data usage:** India has the highest data usage/smartphone with an average usage of **9.8GB per month**
- **Trends:** segregation of tower assets to separate companies (Tower industry), Green Telecom, tech: 5G, cloud computing, AI



Appendices



IIMA

Consulting Primer

2020-2021

What is Consulting?

- Giving external advice to organizations that may require special or technical expertise or an outside perspective on their business problems, performance improvement etc.
- Consultants are “**problem solvers for hire**”
- They use a multi-pronged approach, involving primary and secondary research combined with business intuition from their extensive experience in the industry to understand business problems and provide recommendations
- In summary, it is helping CEOs and other leaders solve pertinent business problems and implement solutions

Key service areas



Strategy Consulting: corporate strategy, economic policy, mergers and acquisitions, organizational and functional strategy form a part of this area



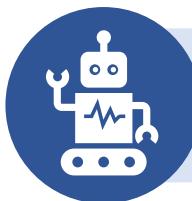
Operations Consulting: includes process and project management, supply chain, procurement, outsourcing etc.



Human Resources: Includes organizational change, Learning and development, HR Technology, benefits and rewards, talent management



Financial Advisory: includes consultation on corporate finance, actuarial valuation, corporate restructuring, risk management, forensic audits etc.



Tech Consulting: Implementation of ERP, advisory related to IT, data analytics, cyber security, system integration etc., fall under this area

Why join consulting?

Intellectually rewarding

- Solving large scale business problems in a structured way
- Steep learning curve
- High ownership of work
- Soft skills development

Diversity in work

- Work in various sectors/industry in initial years
- Type of project – performance improvement, market entry, growth etc.

Collegial work environment

- People of similar age group from different academic/professional backgrounds

Good pay and perks

- The pay is good and the lifestyle is glamourous

Lucrative exit options

- Corporates (general management/leadership)
- Private Equity/Venture Capital
- Entrepreneurship
- Public Policy

But, be prepared for...



Travel: Travelling every week may not suit everyone, specially for those who live with their families, spouses etc., being away from home for 5 days a week may be difficult

Also, travel may sometimes be to client locations in remote areas, which may be cumbersome

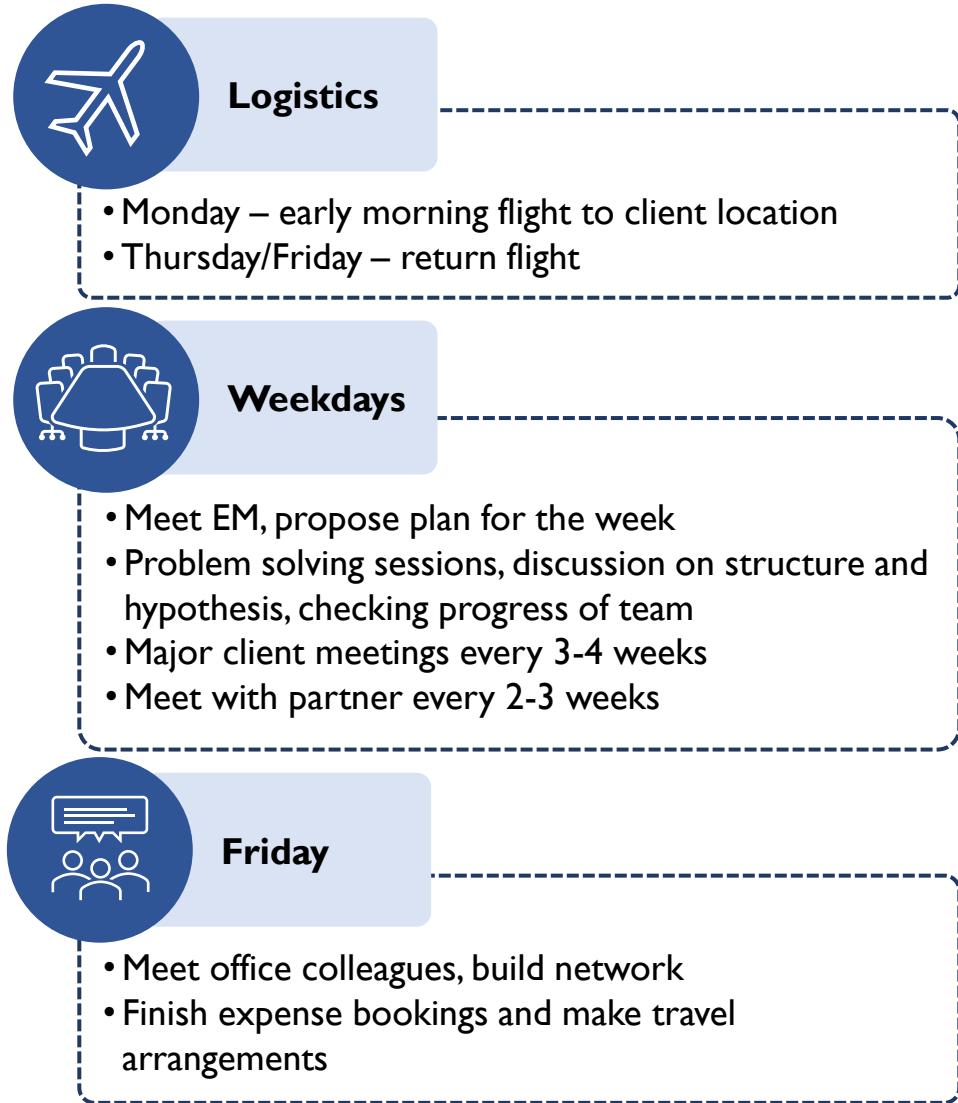
Rigorous work and long hours:

Consultants spend a lot of hours working, sometimes averaging more than 12 hours a day, depending on client deadlines



Work can sometimes be stressful, consultants are often thrown into the deep end with minimal training and they learn on the job.

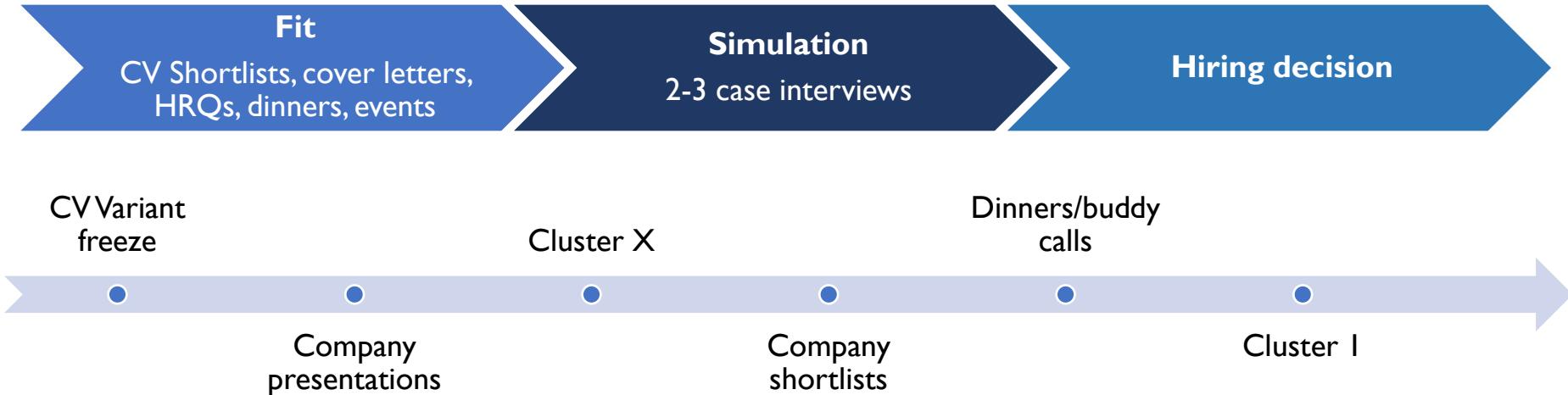
A consultant's calendar (typically)



Typical work dynamics



Hiring process



What are they looking for



Problem Solving Skills

Analytical abilities, business acumen

Tested in case interviews

(can be highlighted through academics/projects)



Soft Skills

Communication skills, teamwork

Usually tested in interviews

(can be highlighted through active contribution in sports/events)



Leadership and drive

Initiatives, track record

Usually tested in interviews

(can be highlighted through active contribution in sports/events)

Career Progression (typically)

Business Analyst

- Pre-MBA position
- Responsibilities: data gathering and analysis, documentation, modelling, admin and coordination, problem solving

Associate/ Consultant

- Post-MBA
- Responsibilities: increasing focus on leading analysts, overseeing their work, more client interface, problem solving

Engagement Manager

- Team Leads
- Responsibilities: work stream planning, team leadership, key client interface for projects, relationship management

Principal

- Pre-partner role
- Responsibilities: professional support and oversight on projects, client relationship management, business development

Partner

- Leadership role
- Responsibilities: client relationship management, business development, thought leadership, internal initiatives, firm policy



2 years



3-4 years



2-3 years



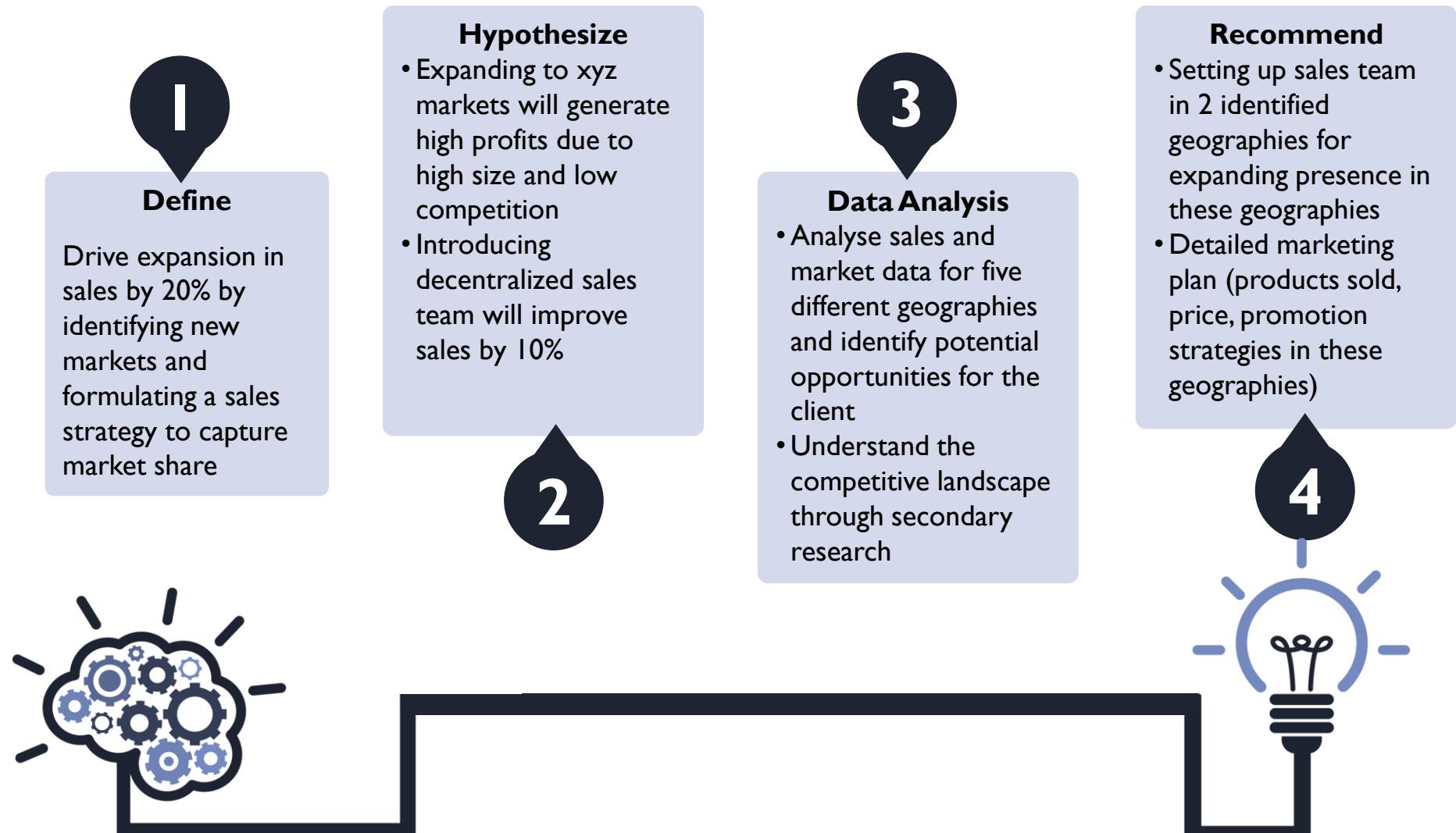
3-4 years



NA

Steps to problem solving (an example)

Project – Increase sales through market expansion for a yarn manufacturing company



Emerging trends in consulting



Implementation projects: There is an increase in the number of implementation projects for firms. Clients are focussing more on outputs rather than inputs



Technological advancements: Technology is changing the consulting landscape. Consultants are expected to understand and implement the state-of-art-technology in various fields



Increasing specialization: There is an increase in the specialization, hyperspecialization in services as well as market segment owing to sophisticated client demandsn



Risk-based consulting: Increase in projects where there is a shared risk of the firm with the client. Hitherto, client carried the majority of the risk of any project which is shifting to consulting firms



Internal consulting: Many companies are creating in-house strategy and consulting teams. This has increased the competition in the industry and a downward pressure on billing rates. Clients are looking for more value addition and focussing on output generation



Strengthening
your toolkit

Framework glossary (1/3)

A glossary of some of the most popular frameworks helpful in structuring solutions in case interviews.

Business Situation Framework (3C's or 3C & P)

Used for assessing the firm's current position, or for evaluating the market for a new product, market entry, growth etc.	
Customers	What are the market segments, what is the consumer's behaviour, their values, demographics etc. Identifying target customers.
Competition	What is the size of the market, market share, how are competitors performing, their likely behaviour in the future etc.
Company	What are the firm's goals, and what strategy has it employed to achieve them? What are its competencies?
Product	What is the nature of the firm's product or service? Does it meet the customers' requirements? Substitutes and complements?

Marketing Mix Framework (4P's & 7P's)

Used for identifying the value stemming from a product's offering in the market by combining various factors.	
Product	What value does the product offer the client? What are its attributes? How does it measure up when compared with competitors?
Place	What is the distribution channel for the product (retail, wholesale, online etc)? Are the locations of the client's outlets appropriate?
Promotion	What marketing message should the client deliver? Are discounts, coupons, special offers etc. relevant for the product or service?
Price	How much is the client charging? How price sensitive are the customers, and how are competitors pricing similar products?
For analysing a service instead of a product, the mix can be expanded to include the following 3P's.	
Physical Evi.	Is the service intangible? What cues does the customer have to understand the benefit of the service?
People	Who are the people delivering the service (ex. waiters, cooks, receptionists for a restaurant)? What are their capabilities?
Process	What are the protocols in place to ensure quality in the service? Processes convey the image of dependability for a service.

Profitability Framework (Profit Equation)

The good old "Profits = Revenues – Costs" framework, used for identifying factors influencing profits and profitability.	
Revenues	Average Price × No. of Units Sold Capacity × Occupancy % × Average Price No. of Customers × Frequency × Ticket Size etc.
Costs	Can be classified into fixed and variable, and then analysed further. (Some long-term variable costs can be fixed in the short term)

Framework glossary (1/3)

A glossary of some of the most popular frameworks helpful in structuring solutions in case interviews.

Value Chain Analysis

This framework lays down the series of activities that the firm employs to deliver a good or service

Inbound Logistics	The process of sourcing and warehousing raw materials, and transporting them to where they are needed.
Operations	The core function of the company where the bulk of value addition happens (varies from manufacturing to data processing).
Outbound Logistics	The delivery of the product or service to the customer. Used to analyse distribution channels (retail/wholesale/agents etc.).
Marketing and Sales	Activities used to promote the product. Can include advertisement, promotional offers and also market research.
Servicing	Any of the ancillary services that assist in the main value chain, including customer care, and after sales services.

Mergers & Acquisitions Framework

This framework can be used to analyse the viability of a merger with a target firm

Stand-alone Value	Value of target firm independent of client's firm. Consider tangible and intangible factors (ex. revenues and brand value).
Synergy	How do the capabilities of both target and client's firm synergise together?
Other Factors	Literally, just a bucket for other factors. (Read: regulatory hurdles, culture clashes etc.)

Smaller Frameworks

These frameworks work well within larger structures, useful for when you're drilling down into a specific bucket of analysis

Internal/External	What factors affect the scenario within the company, and from the environment (market conditions, competition etc.)
Qualitative/Quantitative	What factors can you quantify (revenues, costs), and what factors do you need to describe (marketing strategies)?
Costs/Benefits	What are the advantages and disadvantages; pros and cons that must be evaluated before making a recommendation?

Framework glossary (1/3)

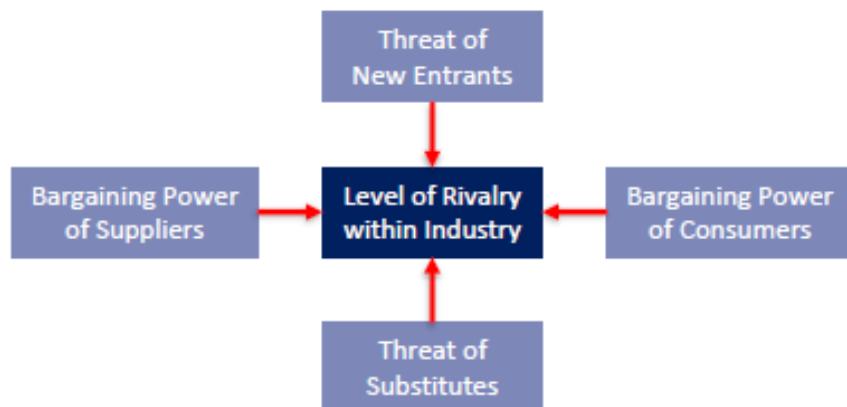
A glossary of some of the most popular frameworks helpful in structuring solutions in case interviews.

McKinsey's 7S Framework

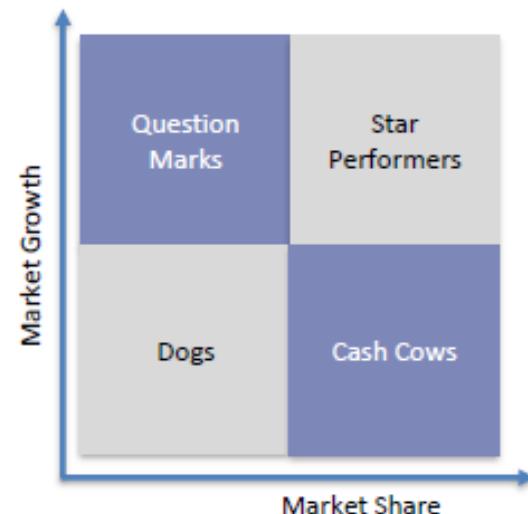
The 7S Framework is useful for analysing the alignment of a firm to the achievement of its goals. These are the “3 Hard S’s”

Strategy	How does the firm intend to achieve its goals? What is its unique selling proposition? How does the firm create value?
Structure	Organisation of departments within the firm (functional/divisional), structure of teams, and hierarchy. How do they coordinate?
Systems	What are the protocols in place? (Similar to ‘process’ for the 7P framework). How does the firm evaluate progress?
And the “4 Soft S’s”	
Shared Values	What are the firm’s values and culture? How strong are they, do they influence the employees, do they need to be reinforced?
Skills	What are the skills of the firm’s employees? Are there any gaps in the skills required? How are skills assessed and developed?
Style	What style of management or leadership has the firm adopted? Is it appropriate in the context? Do teams cooperate or compete?
Staff	What are the positions within the firm? What positions need to be filled?

Porter's Five Forces



BCG's Growth Share Matrix



Datasheets (1/2)

A compilation of data that will be useful for solving guesstimates. Most of these numbers are approximations, but they should be good enough for a guesstimate scenario.

Table 1: Population Distribution in India (Gender and Urban-Rural)

Total Population	1200
Males	620
Females	580
Sex Ratio	0.95*
Urban Population	350 (30%)
Rural Population	850 (70%)

Figures are in millions

* 950 females for 1000 males

Table 2: Life Expectancy and Population Growth Statistics

Overall Expectancy	69 Years
Male Expectancy	67 Years
Female Expectancy	73 Years
Birth Rate	22*
Death Rate	7.5*
Pop. Growth Rate	1.25%

* Figures are for every 1000 individuals

Table 3: Age-Wise Break-up of Population

Age Spread	Population (%)
0-14 Years	350 (30%)
15-24 Years	250 (20%)
25-34 Years	200 (15%)
35-44 Years	150 (10%)
45-54 Years	150 (10%)
55+ Years	150 (10%)

Figures are in millions

Note: Median age for India is 25 (50% of Indians are below 25, 65% are below 35)

Table 4: Income and Expenditure

Data Head	India	Urban	Rural
Size of Household	5	5	5
Annual Household Income	75,000	1,00,000	50,000
% Savings	-	30%	20%
Expenses (Food)	50%	45%	55%
Expenses (Travel)	10%	10%	10%
Expenses (Others)	40%	45%	35%

Poverty: Approx. 25% of the population lives below the poverty line (\$1.25 or ₹75)

Table 5: Class Distribution by Annual Household Income

Annual Income of Household	Percentage
Low Income (Household Income < 45,000)	20%
Middle Income (45,000 to 1,80,000)	60%
High Income (Household Income > 1,80,000)	20%

Table 6: Demographics by Religion

Religion	Hindu	Muslim	Christian	Others
Population	80%	15%	2%	3%

Datasheets (1/2)

A compilation of data that will be useful for solving guesstimates. Most of these numbers are approximations, but they should be good enough for a guesstimate scenario.

Table 7: Population Spread of Metros

City	Population	City	Population
1. Mumbai	12.5	6. Ahmedabad	6
2. Delhi	11	7. Kolkata	5
3. Bangalore	8.5	8. Surat	4.5
4. Hyderabad	7	9. Pune	3
5. Chennai	7	10. Jaipur	3

Figures are in millions

- Population of top 10 Cities: 66 Million
- Population of next 50 Cities: 66 Million
- Population of next 100 Cities: 45 Million

Table 8: Sector-wise Employment Distribution

Sector	India (%)	Urban (%)	Rural (%)
Agriculture	40%	5%	60%
Industries	10%	20%	5%
Services	50%	75%	35%

Illustrative evaluation metrics

A breakup of what firms generally look for when they evaluate a case interview. This **indicative** list should also help you provide meaningful feedback to your peers as you prepare in groups

Preliminary questions & recap

Illustrative 5-point scale for 'Preliminary questions & recap' (to give a broad understanding of evaluation parameters)

1. Candidate does not clarify problem statement (no recap of initial information)
2. Candidate clarifies with problem statement with too much detail (no prioritizing of important information)
3. Candidate recaps the problem statement but without sufficient structure; candidate asks for detailed information too early
4. Candidate recaps the problem statement and covers key points but does not display comprehensive understanding of client
5. Candidate provides a concise and structured recap of the problem statement, and asks a couple of relevant clarifying questions

MECE structuring

Problem solving approach

Synthesis / Recommendations

Business insights

Creativity

Communication skills

Acknowledgements – Case Book

We would like to take this opportunity to thank the following people for their contribution to the cases and guesstimates through submissions made to the club:

PGP 2019-21

Akash Shukla, Anirudh Swaminathan, Anmol Rai, Archit Taluka, Arushi Poddar, Ashutosh Rungta, Darpan Jain, Dhavala V S Aditya, R Rathna Kumar, Raghav Gupta, Rao Aditya Vikram Singh, Revati Rajput, Shrey Sibal, Shubham Agarwal, Shubham Singhal, Soham Dutta, Srishti Bhageria, Suganda Sharma, Vaishak P

PGP 2020-22

Abhishek Goyal, Akhil V A, Kanvar Singh Kohli, Rusheen Rathore, Shashwat Gupta, Shivli Agarwal, Sidra Sadaf, Srishti Jain

Through their brilliant submissions, they have helped make the Case Book exhaustive and relevant for all readers.



All the best!

For queries, feedback,
and all things consulting

