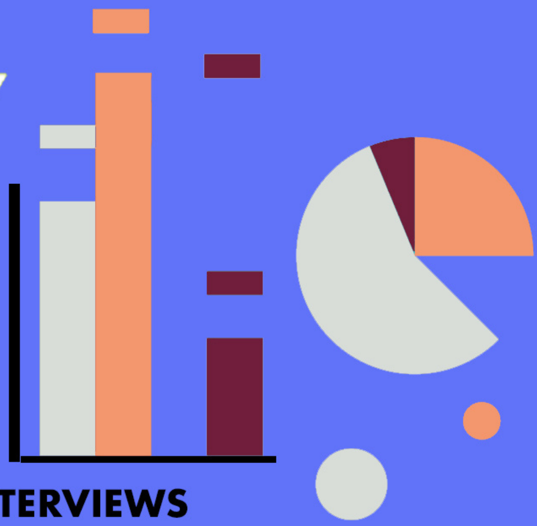
THE CASE STUDY HANDBOOK



AN UNDERGRADUATE'S GUIDE TO ACING CASE INTERVIEWS

prepared by

CASES OVER COFFEE!

along with

STUDENTS OF ST. STEPHEN'S COLLEGE & INDUSTRY PROFESSIONALS

TEAM

CASES OVER COFFEE

AYUSHI CHAND
(Ministry of Finance, GoI | SRCC)

NAMYA AGARWAL
(Incoming Associate, Boston Consulting Group | IIT Delhi)

AKSHAT SRIVASTAVA
(ex-BCG, Dalberg, GoI, Consultant | Insead Alumni)

STUDENTS OF ST. STEPHEN'S COLLEGE

NIRANJANI SAXENA
POORVI GUPTA
SHLOK BHARTIYA
SHREYA MURARKA

IFSA

CASE 1: THREAT ASSESSMENT FOR A DIAMOND MONOPOLY

It is important to note that the interviewer may not be able to stick to the case script entirely. This case is rated 7 / 10 and is considered a medium difficulty case.

Step 1: The following statement should be read by the INTERVIEWER right at the start of the case:

"De Beers - a leading Diamond producer ('natural diamonds') and retailer in the 90's has been consistently losing market share by early 2000's. One key attributable reason for this trend is the rise of 'synthetic diamonds. How big a threat do you think synthetic diamonds are to the natural diamonds produced and retailed by De Beers. How would you go about conducting this analysis?"

Ask the candidate to create an initial framework for approaching this problem

INSTRUCTIONS TO INTERVIEWER: (Provide only if asked; the candidate might ask clarifying questions around this at the beginning)

<u>About the company</u>

- The client has been both a leading producer and retailer of natural diamonds. Natural diamonds are not man-made; synthetic diamonds are man-made.
- The client does not produce or retail synthetic diamonds yet.
- Synthetic diamonds produced in labs are 10% of the price of natural diamonds. This is the biggest advantage that synthetic diamonds have over natural diamonds.
- The fall in revenue started in the early 2000s (several reasons are there; for the purpose of this case, we don't need to analyze those reasons). And, the trend has been accelerating. De Beers has been constantly losing out the market share in the overall diamond market (which comprises of both synthetic and natural diamonds)

QUESTION #1 FOR THE CANDIDATE: Should De Beers enter the synthetic diamond market space? What are some challenges that you see

<u>POSSIBLE ANSWERS:</u>

#1. Cannibalization: De-beers currently sells high margin "natural diamond". If it starts selling synthetic stuff, there will be brand positioning issues and would lead to cannibalization of its premium product.

#2. Marketing: At a brand level, marketing would become difficult (there will be no single messaging).

#3. Competition: Despite losing market share, DeBeers is still a dominant player in the 'natural' diamond industry. If it abandons this space and enters into the synthetic diamond space, it would have to build its processes and systems for the synthetic diamond space.

#4. Other factors, please state.
#5. Highlight key benefits you see in entering the synthetic diamond manufacturing space? (e.g. more revenues, might be a necessity, new customers, other factors- please think and point out)

QUESTION #2 FOR THE CANDIDATE: Debeers is interested in acquiring a lab that can produce synthetic diamonds. Debeers plans to sell it under a new brand called 'Diamond Clusters'. What would be the right way of positioning this product in the market? I.e. how should Debeers launch Diamond Clusters to optimize the total revenues of the firm.

POSSIBLE ANSWERS:

- Initially: create a stark difference between the two type of products (natural & synthetic diamonds)
- Run a sensitivity analysis (by conducting tests with small group of customers) to identify the product mix (e.g. sell 60% natural diamonds & 40% synthetic diamond); this mix needs to be identified and optimized.
- Marketing strategies needs to be curated as per this optimal point -- for e.g. if natural diamonds need to be sold more, then the sales from synthetic diamonds can divert customers to "better products" i.e. natural diamonds.
- Various other factors could be considered.

QUESTION #3 FOR THE CANDIDATE: Go back to your initial framework and complete your threat analysis:

POSSIBLE ANSWER:

- To assess the threat of synthetic diamonds to the natural diamonds, I would look at things from Customer's side first.
- I would analyze aspects like buying preferences, key drivers of sales (price, value for money, quality?)
- I would also look at how easy/tough it would be to market synthetic diamonds? · Entrenched competition in this new space
- More points can be added

Question #4: What are some potential strategies you see to revive the demand for natural diamonds

POTENTIAL ANSWERS:

- If we can't compete on price, then compete on the emotional value
- Build a unique selling point for natural diamonds (E.g. symbol of love)

- Since Diamonds are a fashion/lifestyle product, finding influencers in this space would be critical (getting celebrity brand endorsements)
- Highlighting the negative side of synthetic diamonds

QUESTION #5 FOR THE CANDIDATE: WHAT ARE YOUR FINAL RECOMMENDATIONS FOR OUR CLIENT, BASED ON ALL THE ANALYSES DONE SO FAR?

It is important to note that the interviewer may not be able to stick to the case script entirely. It is okay if the interviewer deviates from the script a little bit.

CASE 2: PROFITABILITY – INDIAN TYRE MANUFACTURER

Step 1: The following statement should be read by the INTERVIEWER right at the start of the case:

"Your client manufactures a leading tyre brand in India. It has witnessed declining profits. Help them figure out the root cause and a way to turn around the situation"

INSTRUCTIONS TO INTERVIEWER: (Provide only if asked)

<u>About the company and the tyre market landscape</u>

- **Product type** - The client only manufactures tyres for passenger vehicles and has 2 product lines (difference is the tyre grip) namely – Type A & Type B
- **Timeline** - Profits have been decreasing since the past 5 years.
- **Competition** - The tyre market is fairly competitive. Competitors have not seen a similar decrease.
- **Value Chain** - Client manufactures tyres and sells them to distributors.
- There have been no changes in product price(s).
- Any issues related to distributor & retailer incentives can be ignored.
- Both revenues and costs have gone up in the last 5 years.

QUESTION #1 FOR THE CANDIDATE: DISCUSS THE BASIC STRUCTURE THAT YOU WOULD FOLLOW WHILE EVALUATING THE PROFIT SITUATION.

<u>SAMPLE ANSWERS:</u>

STEP 1: Breakdown Profits into revenue and cost

Note: Even though the total revenues are increasing, the candidate should not directly jump to evaluating the cost side. In a product mix scenario, if the lower-margin product has increased sales while the high-margin product suffers decreasing sales, revenues might increase despite declining profits.

STEP 2: Evaluating performance of each product type -

Note: Candidate should ask for data for each product type separately.

Following data from Annexure A –

	Type A		Type B	
	2010	**2015**	**2010**	**2015**
Price (in Rs.)	5000	5000	4500	4500
Quantity (in thousand)	20	12	10	30
Cost of production (in Rs.)	3000	3100	4000	4000

PROFIT (in M)

REVENUE (in M)

COST (in M)

TYPE A	**TYPE B**	**TYPE A**	**TYPE B**
2010: 1000	450	600	400
2015: 600	1350	372	1200

Profits (in M)	**2010**	**2015**
Type A	400	228
Type B	50	150
Total	**450**	**372**

	2010	**2015**
Revenue (in M)	1450	1950
Cost (in M)	1000	1572

STEP 3: Making sense of the numbers –

- Revenue increased by 34.5% while cost increased by 57.2% thereby leading to declining profits.
- Though total revenues increased, revenue from the higher margin product i.e. Type A has decreased.
- Cost of production of product type A has increased.

QUESTION #2 FOR THE CANDIDATE: DISCUSS THE REASONS FOR DECLINING SALES OF PRODUCT TYPE A

INSTRUCTIONS TO INTERVIEWER: (provide only if asked)

- There had been some R&D work in product type A (product quality improvement) resulting in increased production cost.
- The improved quality was marketed well also owing to increase in production cost and was received well by the customers.

POSSIBLE ANSWERS:

The candidate should list down the various cost heads -

1. Fixed Costs

- Salaries of fixed employees
- Infrastructure (factory, equipment etc.)
- R & D
- Marketing
- Taxes

2. *Variable Costs = No. of units manufactured * Cost of production per unit*

Cost of production includes -

- Raw materials
- Labour
- Packaging
- Utilities
- Transportation
- Distributor incentives

QUESTION #3 FOR THE CANDIDATE: WHY DID SALES DECREASE DESPITE POSITIVE PRODUCT RECEPTION BY THE CUSTOMERS?

INSTRUCTIONS TO THE INTERVIEWER:

The candidate should explicitly ask what was the quality improvement factor brought about by the R&D work – Ans: It increased the durability of the tyre.

POTENTIAL ANSWERS:

The candidate is expected to analyze that increasing the durability of the product means the restocking time for the product decreases. As a result, in the past 5 years, the improved product quality meant customers needed less tyre replacement (for type A) due to its increased life.

QUESTION #4 FOR THE CANDIDATE: HOW TO IMPROVE REVENUES FROM TYRE TYPE A?

INSTRUCTIONS TO INTERVIEWER:

Since the client has already been selling the upgraded version without increasing the price of the product, what should be the strategy henceforth?

POSSIBLE ANSWERS:

1. Increase market share as now the client's product has a competitive advantage over the others in terms of its increased durability or try to tap into a new customer base (new distributors/ new geography)
2. Possibility of increasing price of type A (given upgrade in quality)
3. Since the client has already been selling the upgraded version without increasing price of the product –

- Add extras: Give something along with the product
- Bundle it with tyre type B
- Show positive customer experience & rebrand it
- Play the numbers game: Give discounts on packs of 4/ 10/100 etc.

QUESTION #5 FOR THE CANDIDATE: WHAT ARE YOUR FINAL RECOMMENDATIONS FOR OUR CLIENT, BASED ON ALL THE ANALYSES DONE SO FAR?

POSSIBLE ANSWERS:

1. The candidate should state that client needs to focus on improving revenues of the higher margin product (type A)

- Discounts on combined sales of both Type A & Type B
- Strategy to increase price of Type A tyre

2. The candidate should summarise that despite improved quality the revenues from tyre type A have declined due to decreased replacement need.

DATA - ANNEXURE A

	Type A		Type B	
	2010	**2015**	**2010**	**2015**
Price (in Rs.)	5000	5000	4500	4500
Quantity (in thousand)	20	12	10	30
Cost of production (in Rs.)	3000	3100	4000	4000

CASE 3: ACQUISITION STRATEGY FOR A FAILING AIRLINES

Step 1: The following statement should be read by the INTERVIEWER right at the start of the case:

"A Private Equity firm is looking to invest in a failing Airline based in South East Asia (SEA). The Airline has grown significantly in the past, but over the last two years, it is going down. This is largely because its operating cost has been going up".
The PE firm wants to analyze if it can take over the business, make it profitable and get a successful exit.

Core concepts:

Private Equity firms: They acquire businesses with "hidden" value. They acquire these businesses, turn them around and sell it for a profit. A successful exit means that the PE firm makes money on the investment in alignment with their expected return.

INSTRUCTIONS TO INTERVIEWER: (Should be provided by the interviewer)

About the airline company

- The Airlines is a regional airline company operating in SEA.
- The PE firm's goal is to get a 25% return on investment in 3 years.

QUESTION #1 FOR THE CANDIDATE: DISCUSS THE BASIC STRUCTURE THAT THE PE FIRM SHOULD FOLLOW IN ORDER TO MAKE THIS INVESTMENT DECISION?

INSTRUCTIONS TO INTERVIEWER:

Allow the candidate to come up with an initial structure. And then mention that the focus should be on ROI and ask them to analyze the below data on cost.

STEP 1: Ask the candidate to analyze the cost structure

Cost Associated (2019)	Comments	% of cost
Flight Infrastructure	– The airline has bought all the planes. And, incurs significant cost on maintaining.	50%
Financing cost	– Bank loans/other debts	20%
Crew Maintenance	– Running the flights	10%
Oil/fuel		20%

Cost Associated (2020)	Comments	% of cost
Flight Infrastructure	– The airline has bought all the planes. And, incurs significant cost on maintaining.	60%
Financing cost	– Bank loans/other debts	15%
Crew Maintenance	– Running the flights	10%
Oil/fuel		15%

(QA) Analyze the change in the cost structure. What are some of your key observations?

POTENTIAL ANSWER:

(a) High financing cost
(b) financing cost going down (maybe due to the fact that the airlines might have refinanced its debt or paid the principal amount)
(c)Oil/fuel prices going down, indicating a change in oil prices or a number of fewer flights being operated.

(QB) What could be the reason why the flight infrastructure cost is going up?

POTENTIAL ANSWER:

(a) they have bought new planes
(b) spending more on maintenance

Step 2: REVENUE: Ask the candidate to analyze the Revenue structure

Revenues (2019)	Comments	% of revenue
Ticket sales	– The airline is considered to a low-cost airline, and the number of tickets sold is typically higher and the price is lower compared to other airlines	66.6%
In-flight sales	– Everything (except water) offered on the flight is an additional charge to the customer.	13.33%
Additional baggage	– The airline allows only one check-in bag and every other piece of luggage carried by the customer is charged separately.	10%
Partnerships & Miscellaneous	– In-flight magazine advertisements, Back of the seat promotions, brand partnerships, etc.	10%

Revenues (2020)	Comments	% of revenue
Ticket sales	NA	60%
In-flight sales	NA	5%
Additional baggage	NA	20%
Partnerships & Miscellaneous	NA	15%

STEP 3: Ask the candidate to compute the price that the PE firm can pay to acquire the airlines company targeting a ROI of 25%? Use the below data. The estimated revenues & costs for the airlines for 3 years – 2021, 2022, and 2023:

($Million USD)	2021	2022	2023
Total estimated Revenue for the airline	$600M	$650M	$700M
Total estimated Cost for the airline	$650M	$625M	$550M
Profits (This is the profit that goes to the PE firm)	-$50M	+$25M	+$150M

<u>SOLUTION</u>:

The ROI for the PE firm should be 25% (i.e. return on the capital that they are investing in the Airlines).

Calculation – Total profit for the airlines for the three years is $(-50+25+150) M = $125M

And this profit goes into PE firm once they buy the airlines.

So, if they are investing $XX Million – they are getting $125Million from the flight operations. What should be the XX?

Since the ROI is 25%,1.25 * XX = $125Million

XX = $100Million.

So, the PE firm can acquire the airlines by paying $100Million.

QUESTION #2 FOR THE CANDIDATE: THE CLIENT (PE FIRM) IS INTERESTED IN REDUCING THE OPERATING COST, SUGGEST SOME AVENUES.

INSTRUCTIONS TO INTERVIEWER:

- When the candidate evaluates costs clarify the basis of breakdown into fixed and variable (here variable depends on the number of flights operated; the number of people employed).
- In the current scenario – both Fixed costs and also variable costs should go down.
- Q A) How can financing costs be reduced further?
  Answer: By replaying the loan fast; refinancing
- Q B) How can the fixed cost be reduced further?

Answer: for e.g. by leasing the flight infrastructure (as opposed to completely owning the infrastructure)

QUESTION #3 FOR THE CANDIDATE: Analyze the "lease" vs "buy/own" decision: which is better and why? What areas would you like to investigate, which option is better?

POTENTIAL ANSWER:

1. Look at the change in cost structure and revenue growth that happens due to this step. Analyze risk with the leasing decision.
2. Additional information should be given out if asked:

- By leasing better planes fuel efficiency would go up and the total cost incurred on fuel would go down. Ask: but is this an important consideration — especially given that the fuel prices have been going down (Ans: it is important if the Airlines want to operate more flights)
- By leasing, Airlines can experiment with redesigned seating arrangements, a higher number of Business class seats in a plane, etc.
- This leasing is risky because a lot of flight safety work has to be outsourced to the leasing firm. This can increase accident risks. (question: How would you weigh this risk against the return? — (a) this is an ethical question — there is no right/wrong answer here)

QUESTION #4: PE firms want to take an aggressive approach to optimize the operations of Airlines. They want to take a high-risk approach to make an investment, where they would like to optimize and make dramatic changes. Based on the information provided so far in the case, what are three areas you would prioritize?

POTENTIAL ANSWER:

- Fixed costs – Lease the flights instead of buying them
- Variable costs – Optimize on the employee expenses
- Revenue maximization opportunities – Maximize the seating capacity on the plane, digital promotions on the new flexible ticket booking policies, etc.

CASE 4: MARKET SIZE OF A NEW MODEL OF iPHONE

Step 1: The following statement should be read by the INTERVIEWER right at the start of the case:

"A new model of OnePlus is arriving soon in the market. Estimate it's market size in India upon release."

INSTRUCTIONS TO INTERVIEWER: (Provide only when asked)

About the model and current smartphone market in India

- Premium market is of smartphones priced more than Rs. 30K.
- OnePlus has 30% share in the premium smartphone market in India. Other leading players are Apple = 25% and Samsung = 25%.
- Price of the new model = Rs. 50KPrice of the current (latest model of OnePlus) = Rs. 40K
- Average life of a smartphone = 4 years
- CAGR of the smartphone market = 4%
- Other competitors are not launching any new models in near future

SAMPLE METHOD

STEP 1 : Structure the potential market size for the latest OnePlus model:

- New Users: Growth rate of industry * current users of premium smartphone
- Returning Users: (existing OnePlus users) + (existing non-OnePlus users)

STEP 2: The second step is to calculate the current premium smartphone market in India

Population (1.3B)

Rural (0.6*1.3 = 0.78B)   Urban (0.4*1.3=0.52B)

Assuming an average Indian household of 4 members-
Rural households = 0.78/4 = 0.195B
Urban households = 0.52/4 = 0.13B

% households who can afford a premium smartphone:

	% share	Earnings per month	Rural	Urban
Lower Class	30%	<8K	0%	0%
Lower Middle Class	30%	8-16K	0%	0%
Upper Middle Class	20%	16-32K	1%	2%
Upper Class	20%	>32K	10%	30%

Average number of phones per household:

	Rural	Urban
Lower Class	0	0
Lower Middle Class	0	0
Upper Middle Class	1	1
Upper Class	2	3

Premium smartphone market size-
= {(0.01*0.2*1) + (0.1*0.2*2)}*0.195 + {(0.02*0.2*1) + (0.3*0.2*3)}*0.13
= 0.042*0.195 + 0.184*0.13
= 0.03B

STEP 3: Estimating the new users

(If growth rate of premium smartphone industry is not given, you can assume CAGR = GDP growth rate)

New users: 4% of 0.03B = 1.2M
Of these, 30% will buy OnePlus brand = 0.3*1.2 = 0.36M
Assuming 50% will buy the latest version of OnePlus = 0.5 * 0.36 = 0.18M

STEP 4: Estimating the returning users

Since the average life of a smartphone is 4 years, of the existing 0.05 users, 1/4th i.e. 25% of the users might be thinking of changing their phone

1. In need of a new phone: 0.25*0.03 = 0.0075B = 7.5M
2. Not in need of a new phone: 30M-7.5M = 22.5M

Of these, 30% are OnePlus users and rest 70% are non-OnePlus users.

% of people who would buy the new model:

	OnePlus = 30%	**Non-OnePlus = 70%**
In need = 25%	80%	20%
Not in need = 75%	20%	0%

The assumptions for the above percentages:

- Users are brand loyal
- Some premium users shift to the latest model even when there is no need to do so

Hence the returning users can be calculated as:

= [{(0.8*0.25 + 0.2*0.75) *0.3} + {(0.2*0.25) *0.7}] * 0.03

= ((0.2+0.15) *0.3 + (0.05*0.7)) *0.03

= (0.105+0.035) *0.03=0.007B

= 4.2M

STEP 5: Total market size

= returning + new users = 4.2M + 0.18M = 4.38M

CASE 5.B: EXPANDING INTO A NEW GEOGRAPHY

Step 1: The following statement should be read by the INTERVIEWER right at the start of the case:

"Your client is a leading luxury tableware brand. They are looking to expand their business in Canada, France and/ or Sri Lanka. They want you to figure out if it would be a good idea to do so."

INSTRUCTIONS TO INTERVIEWER: (Provide only if asked)

About the company and the luxury tableware landscape

- **Product:** The client specifically specializes in the print of authentic designs inspired from Indian art and history on its premium tableware products which are also plated with gold.
- **Reason for market entry:** The expansion is a part of client's strategy for growth.
- **Value Chain:** Products are manufactured at the factories, shipped through third parties and retail through company owned stores, 3rd party retail outlets and online sales.
- **Competitors:** This is a fairly competitive market in India. Client has a 60% market share.
- **Prior experience:** Client does not have prior experience of entering into a new market.

QUESTION #1 FOR THE CANDIDATE: DISCUSS THE BASIC STRUCTURE THAT YOU WOULD FOLLOW WHILE EVALUATING THE MARKET ENTRY SCENARIO.

INSTRUCTIONS TO INTERVIEWER:

- There are multiple ways to approach a Market Entry Case and all answers by the candidate should be evaluated carefully considering the factors that would impact the entering decision.
- Client will enter the market if –
  1. At least 2% of expected total global sales come from that particular geography

     AND

  2. Can break even on the fixed investment in 5 years
- Client expects total global sales in 2021 to be ~ Rs. 10 Crore

POSSIBLE ANSWERS:

STEP 1: Evaluating whether to Enter or Not on the basis of these 3 factors -

Industry Attractiveness	1. Market Size 2. Viewer Willingness 3. Barriers - Economies of Scale, Forward Integration 4. Risks - External vs Internal 5. Competitors, Substitutes, Suppliers
Financial Goals	1. Return on Investment 2. Pay-Back Period 3. Economic Value Added 4. Projected Cash Flows
Strategic Goals	1. Sustainable Competitive Advantage 2. Customer Lock-Ins 3. Leverage prior experience in moving to new markets

STEP 2: Evaluating whether to Enter or Not on the basis of these 3 factors –

The client will enter the market if –

- At least 2% of expected total global sales come from the particular geography i.e. Sales = 0.02*10 = 0.2 Cr.
- Can break even on the fixed investment in 5 years: i.e.*Expected profits (2021-2025)* > *Fixed investments*

STEP 3: Deciding the position in the Value Chain The possible options include –

- Setting up own factory at location + own retail stores + online sales
- Retail stores + online sales
- Only online sales

QUESTION #2 FOR THE CANDIDATE: DISCUSS HOW TO EVALUATE THE EXPECTED MARKET SIZE THAT CAN BE CAPTURED IN THE THREE GEOGRAPHIES

INSTRUCTIONS TO INTERVIEWER:

Please share data from Annexure “A”

Annexure A:Annual Tableware products sales in the three geographies:

	Annual Tableware Sales 2020	% premium category	% CAGR
Canada	120	40%	7%
France	200	30%	6%
Sri Lanka	40	10%	4%

POSSIBLE ANSWERS:

The expected market size in 2021 for premium tableware = Annual 2020 sales * % CAGR * % premium category

	Expected market size (Rs)
Canada	120*0.4*0.07 = 3.36 Cr.
France	200*0.3*0.06 = 3.6 Cr.
Sri Lanka	40*0.1*0.04 = 0.16 Cr.

QUESTION #3 FOR THE CANDIDATE: DISCUSS IF IT MAKES ECONOMIC SENSE TO ENTER THE NEW MARKET(S) BASED ON THE FIRST CRITERION?

INSTRUCTIONS TO THE INTERVIEWER:

- The market share evaluation needs to be qualitative.
    - Price: Very competitive (slightly advantageous) in premium segment
    - Durability: Will last for ~5 years (considered superior)
    - Material: Fine bone china (considered superior)
    - Style: Products based on Indian art & history; might appeal to Indian population or non-Indians with appreciation for Indian culture (Canada may have an upper hand)
    - Product variety: Immense variety (considered superior)
    - Easy to use: Products are plated with Gold, not microwave friendly
- Please share the data from Annexure “A”. (to be done only after qualitative analysis is done by the candidate.)

Annexure A: Expected Market Share:

	% expected market share
Canada	10%
France	6%
Sri Lanka	10%

POTENTIAL ANSWERS:

Expected Sales 2021 = Market Size * Market Share

	% expected market share	Expected 2021 sales
Canada	10%	0.34 Cr.
France	6%	0.216 Cr.
Sri Lanka	10%	0.016 Cr.

CRITERION 1: At least 2% of expected total global sales come from the particular geography i.e. Sales = 0.02*10 = 0.2 Cr.
Hence, Sri Lanka doesn't meet the first criterion of having global sales > 0.2 Cr.
Total sales in 5 years (lower limit, considering no growth): 2021 sales * 5

	Expected 2021 sales	Total 5-year sales
Canada	0.34 Cr.	1.7 Cr.
France	0.216 Cr.	1.08 Cr.

QUESTION #4 FOR THE CANDIDATE: WHAT SHOULD BE THE CLIENT'S STRATEGY TO ENTER THE MARKET CONSIDERING ALL POSSIBLE FACTORS?

INSTRUCTIONS TO INTERVIEWER: (To be told only if asked)

Please share data from Annexure "A".

Annexure A:Cost structure

Fixed Costs	Factory Setup	Retail stores
Canada	0.7 Cr.	0.2 Cr.
France	0.8 Cr.	0.2 Cr.

Variable Costs	Cost of goods sold	Shipping charges	Import/ Export Duties
Canada	0.2 Cr.	0.01 Cr.	0.034 Cr.
France	0.15 Cr.	0.005 Cr.	0.022 Cr.

POSSIBLE ANSWERS:

Evaluation of second criterion of market entry:

STEP 1: Calculation of 5-year profit:

a) Total variable cost/ year = COGS + Shipping + duties
b) Profits/ year = Sales/ year – Total variable cost/ year
c) 5-year profit = Profit/year * 5 [conservative, lower limit estimate]

	Total Variable Cost	Expected Sales/ year	Profit/ year	5-year Profit
Canada	0.244 Cr.	0.34 Cr.	0.096 Cr.	0.48 Cr.
France	0.177 Cr.	0.216 Cr.	0.039 Cr.	0.195 Cr.

STEP 2: Evaluating Fixed Cost vs 5-year profit for the three prospective entry modes:

	Factory + retail stores		Retail stores		Online Sales only	
	Fixed Costs	FC – 5-year profit	Fixed Costs	FC – 5-year profit	Fixed Costs	FC – 5-year profit
Canada	0.9 Cr.	+ve	0.2 Cr.	-ve	0	-ve
France	1 Cr.	+ve	0.2 Cr.	+ve	0	-ve

QUESTION #5 FOR THE CANDIDATE: WHAT ARE YOUR FINAL RECOMMENDATIONS FOR OUR CLIENT, BASED ON ALL THE ANALYSES DONE SO FAR?

POSSIBLE ANSWERS:

- Setting up a factory is not advisable in any of the locations as the client will not recover the investment in 5 years.
- Retail stores should not be set up in France as again clients won't be able to recover fixed investment in 5 years. However, clients need to analyze if online sales alone will be able to meet the expected sales mark.
- Setting a retail store in Canada can be an evaluated basis advantage it provides in establishing brand presence in the country.
- Analysis on 3rd party distribution channels, strategy for market penetration, pricing benefit if any, competitor response & diplomatic relations between India and the new location can be discussed.

DATA - ANNEXURE A

Annual Tableware products sales in the three geographies:

	Annual Tableware Sales 2020 (Cr.	% premium category	% CAGR
Canada	120	40%	7%
France	200	30%	6%
Sri Lanka	40	10%	4%

Expected Market Share:

	% expected market share
Canada	10%
France	6%
Sri Lanka	10%

Cost structure:

Fixed Costs	Factory Setup	Retail stores
Canada	0.7 Cr.	0.2 Cr.
France	0.8 Cr.	0.2 Cr.

Variable Costs	Cost of goods sold	Shipping charges	Import/ Export Duties
Canada	0.2 Cr.	0.01 Cr.	0.034 Cr.
France	0.15 Cr.	0.005 Cr.	0.022 Cr.

THANK YOU!

CASES OVER COFFEE!

STUDENTS OF ST. STEPHEN'S COLLEGE & INDUSTRY PROFESSIONALS

IFSA